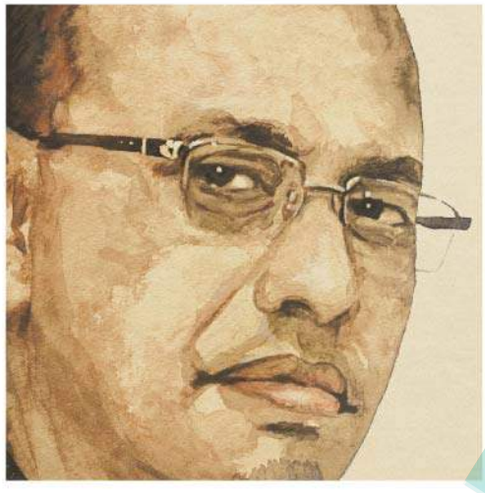
ANNUAL REPORT 2016



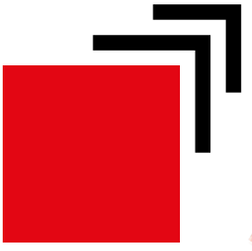




INSPIRING LIVES, CREATING HAPPINESS

IDLC Finance Limited

financing happiness



What started as a single product lease finance company back in 1985 with 5 staff members has, 32 years down the line, emerged as the largest multi-product multi-segment Non-Banking Financial Institution in the country. As one of the most respected financial brands in the industry, IDLC Finance Limited holds a strong and diversified footing in Corporate, SME, Retail and Capital Market segments.

Today, IDLC marks its presence over 19 cities, represented by 36 branches and booths with over 1200 people, serving over 45,000 clients. However, it would be constricting to say that we are merely in the financing business, as we try to do something more. We strive to help people achieve their dreams - the dream of owning a home, the dream of sending their children to a bigger school, the dream of going on a picnic in the family car, the dream of starting a business, or that of expanding it, the dream of generating more employment, the dream of taking the nation to greater heights.

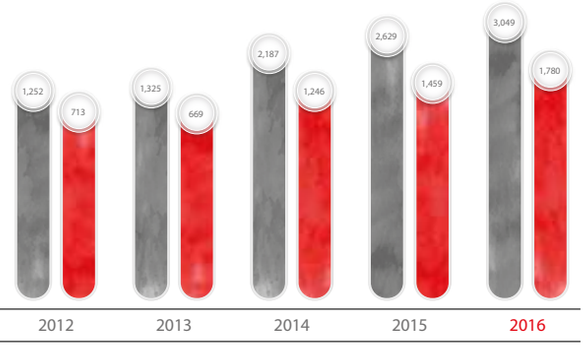
To this extent, what really drives us is not only the number of people we employ, or the number of customers we serve, but the number of lives we have touched. While profits are important to us, we also take immense pride in being the reason for countless smiles. Riding on this key philosophy in 2016, our core agenda has been primarily about

Inspiring Lives, Creating Happiness

AMARSTOCK

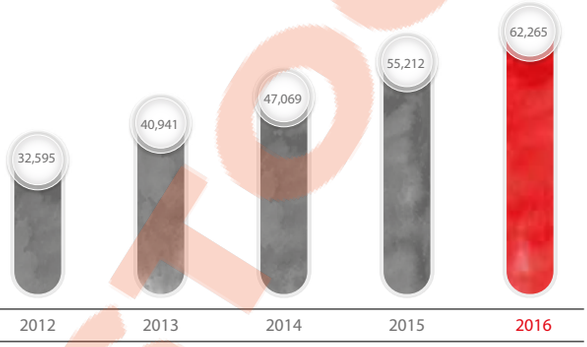
Core Highlights, 2016

Profits in BDT million

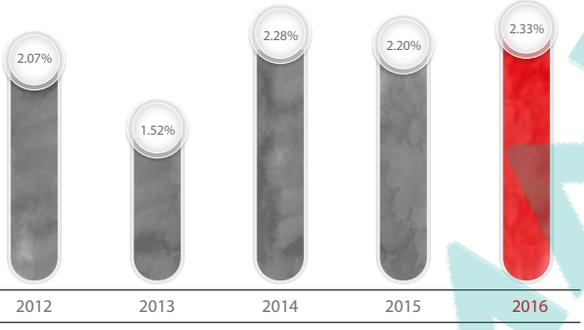


Customer Assets in BDT million

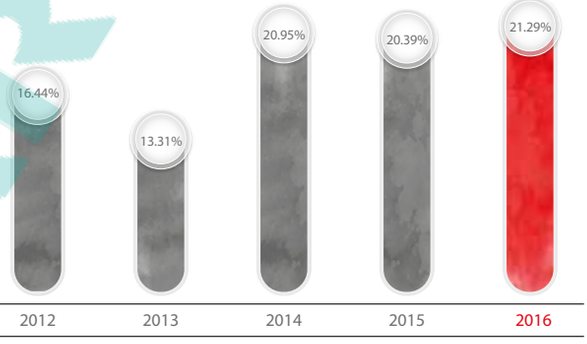
5-years CAGR: 18.76%



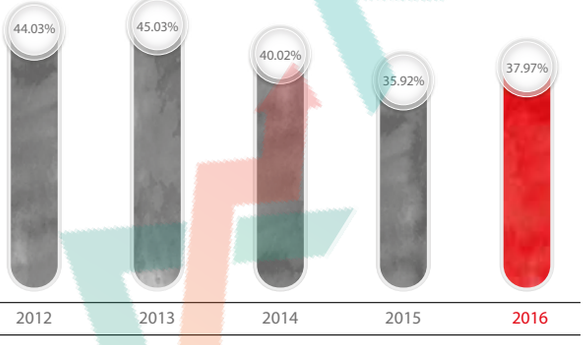
Return on Assets



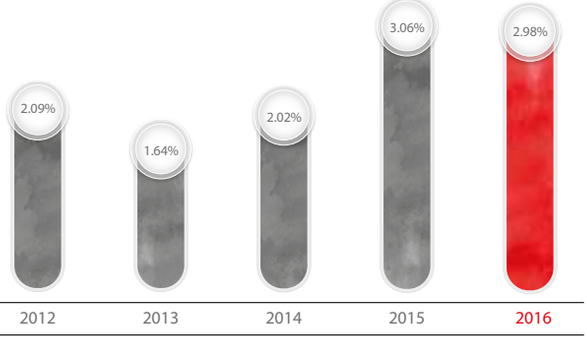
Return on Equity



Cost to Income Ratio



Non-performing Loans (NPL)



Customers

04
New Branches

Launched EASY INVEST

Shareholders

30%
Cash Dividend

21.29%
Return on Equity

Regulators

BDT 1,221 million
Corporate Income Tax

BDT 749 million
Witholding Tax, VAT & Excise Duty

Employees

144
No. of Trainings

2,863
No. of attendees

Community

250
Families provided with emergency flood relief

242
People trained till date through Far East-IDLC Skills development Programme

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Thematic Anchoring



Inspiring lives, creating happiness!

At IDLC Finance Limited, we are committed to meeting a world of individual and institutional needs and requirements. Most importantly, we are a financial services provider that has created and nurtured a deep and unparalleled customer connect.

This is how we are humanizing our brand.

This is how we are inspiring lives.

And this is how we are creating happiness!



The relationship
that grew their business!

By listening to our customers and exploring what they want from a financial partner, we've built a full range of SME financial products and solutions designed to help meet their evolving demands.

We understand that SMEs represent the bedrock of Bangladesh's economy; we understand that these businesses need to be serviced with speed; we understand that quick opportunity-capture is where their competitive advantage lies; we understand their value-creation goals and aspirations; we understand the role of finance in transforming their destinies.

In this context, our strong relationship-oriented model represents our key differentiator as our strong 'feet on the street' focus ensures that an IDLC representative is never too far from our customers. Besides, we keep a dialogue open with our clients on an ongoing basis, understanding their business closely, identifying promoter quality and potential to scale the business and providing them with advisory as we share insights into the evolving macro-economic scenario for them to take more informed business decisions.



The advice
that helped secure their retirement!

The Bangladeshi corporate deposit market is competitive. However, what distinguishes us from the other players in the market might not be the rate offered. No, it might not be our size either. However, what we are certain it is, is our commitment to transparency and ethical dealings. It is our pledge to treat our customers' assets with reliability. It is our assurance to help them create long-term financial security.

This is what differentiates us as we offer a select range of deposit products that vary across yields and maturities. We feel proud when our customers come and tell us that their deposits with us enabled them to send their children for higher education. Or when they were able to take an extended vacation. Or when they could renovate their home. Or when they could have a comfortable pool to live their retirement in peace and comfort.

At IDLC, we believe that we grow that much when our customers are able to realize their aspirations. We succeed when our clients win. And we win when our clients succeed!

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The know-how

that helped him make his most important investment – that in his own home!

We realize the importance of a home. We know that it is much more than a shelter. It is the realization of a dream.

We know that the purchase of a home is perhaps the most important decision in one's life. And this decision involves one of the largest capital expenditures. It also helps create a capital asset with strong appreciation potential. Therefore, home purchase is not only a practical decision. It is an emotional one too.

At IDLC, it is this understanding that we bring to our home loans business. Therefore, our model of managing customer expectations involves as much sensitivity as speed of converting their requirements into a financing solution that is a win-win proposition. However for us, it is just not enough that we write the cheque and wait for the installments to come. It is all about advising our customers on the key trends shaping the real estate industry, it is about counselling them on the importance of purchasing their own home early in life and it is about guiding them in the right direction.

With among the biggest home loan portfolios in the country, we are proud to be partnering with our Government's focus on providing affordable housing solutions for all. And the fact that our housing loan book has grown at a CAGR of 16.91% over the past five years only indicates the growing customer comfort levels with our home loans!

The conversation

that helped give wings to her enterprise!

Starting a new business can be both exciting as well as challenging. At IDLC, leveraging our long and strong history of serving the business community, we went deeper, we embraced a thorough analysis of our portfolio and we came up with an observation that was, interestingly, visible in its absence.

The observation was that despite representing almost half of the Bangladeshi population, women who wanted to start their own business faced a lack of proper structured advice. So at IDLC, we launched Purnota, a product exclusively designed for women entrepreneurs. Today, Purnota has emerged as a holistic platform that helps women unleash the spirit of entrepreneurship. With a view to help foster this ethos, we have taken Purnota one step ahead by organizing awareness sessions on the latest trends in business.

At Purnota, we also encourage peer networking that helps raise the level of water for everyone. For instance, in March 2016, we conducted a Women Entrepreneur Trade Fair with the highlight being the fact that women could showcase their wares in designated stalls, thereby widening the exposure to their unique products, and create opportunities for both current and future sales. In addition to this, we also invited reputed women entrepreneurs of Bangladesh to provide motivation and encouragement to the participants by sharing their own success stories.

Today, our team of Purnota specialists works closely with our women clients, and we hope that when these businesses become bigger in size, our Corporate division can provide advice and integrated solutions fitting their growing stature and eminence to help them continue to pursue sustainable growth.

And all this could start with just one thing. *A conversation!*

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Navigating Through This Report

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

Core questions to ask	Where to look for	What you will find	Location
What role do we have in the bigger picture and how do we structure our activities to optimize value creation?	▸ Our Value Creation Process ▸ Our Business Model ▸ Our Corporate Governance Structure ▸ Our Organizational Chart	▸ Bird's eye view of our role in the big picture. ▸ Key components of our Business Model that make it possible to transform our resources. ▸ The governance structure that enables our Business Model. ▸ The organizational structure designed to complement our Business Model.	pg. 26 pg. 28 pg. 139 pg. 86
What are the various challenges within the operating environment and competitive landscape affecting our business?	▸ Operating Environment and Strategic Response	▸ Macroeconomic aspects that shape the industry. ▸ Market forces and the competitive landscape that shape our business. ▸ Our key competencies and scope of improvement.	pg. 52 pg. 55 pg. 58
How do we transform our resources - the various capitals - to create value for our stakeholders?	▸ Our Financial Capital ▸ Our Manufactured Capital ▸ Our Intellectual Capital ▸ Our Human Capital ▸ Our Social and Relationship Capital ▸ Our Natural Capital	▸ Our financial resources. ▸ Our tangible inputs. ▸ Our knowledge-based intangibles. ▸ Our people. ▸ Our key relationships and engagement with stakeholders. ▸ Our environmental resources.	pg. 66 pg. 78 pg. 81 pg. 85 pg. 92 pg. 101
How do we formulate our strategies and allocate resources?	▸ Strategy and Resource Allocation	▸ Risks and opportunities identified through analysis of operating environment and stakeholder engagement. ▸ Business model adaptability and change requirements. ▸ Responses to issues raised through stakeholder engagement. ▸ Goals and breakdown of objectives. ▸ Resource allocation strategies to meet our objectives. ▸ Strategy formulation and our sources of competitive advantage. ▸ Interdependencies, complexities and trade-offs between our capitals. ▸ How we measure the efficacy of our objectives. ▸ Our strategies to avoid unintended consequences of potentially narrow focus on KPIs. ▸ Our scope and boundaries for long term value creation.	pg. 122 pg. 122 pg. 123 pg. 123 pg. 123 pg. 124 pg. 124 pg. 125 pg. 125 pg. 125
What are the performance, risks and mitigation strategies of our business parts?	▸ Business Segment Review	▸ Performance reviews. ▸ Competence drivers. ▸ Influential trends affecting business segments and subsidiaries. ▸ Risks and outlook.	pg. 104-121
What are our broad risks and how do we manage them?	▸ Statement of Risk Management	▸ Risk identification and measuring techniques. ▸ Risk impacts and likelihoods, through heat maps. ▸ Risk mitigating tools and techniques. ▸ Breakdown of risk exposures in separate categories. ▸ Stress testing.	pg. 128-137
Who govern our organization and how do they approach the evolving market dynamics?	▸ Letter from the Chairman ▸ Performance Analysis with the CEO and Managing Director ▸ Committees of the Board and Mgt. ▸ Statement of Corporate Governance	▸ Broad overview of where we stand and where we are headed. ▸ The key drivers of our success and incisive analysis of our business verticals. ▸ The experiences and competence of our dignitaries. ▸ In-depth review of our governance and control framework.	pg. 12 pg. 20 pg. 37 pg. 138

Integrated Report - Scope and Its Boundary

INTEGRATED REPORTING

Our 2016 Annual Report has been presented as an 'Integrated Report' with the aim of articulating how IDLC Finance Limited, as an organization, has effectively managed its business to deliver consistent value to its stakeholders. It encompasses the efforts the company has undertaken towards contributing to economic prosperity, environmental sustainability and social well-being for a brighter and more optimistic future.

SCOPE AND REPORT BOUNDARY

As a forward-looking enterprise, in presenting the Integrated Report, we have referred to the guidelines issued by the Institute of Chartered Accountants of Bangladesh (ICAB) in the form of 'Integrated Reporting Checklist', which is in congruence with the integrated reporting framework prototype issued by the International Integrated Reporting Council (IIRC).

In explaining the Company's operations and financial performance, financial information so disclosed has been extracted from the Audited Financial Statements for the financial year ended 2016 with relevant comparative information. The financial statements consistently comply with the requirements of

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

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

The Sustainability requirements, as elaborated separately in our Sustainability Report, adhere to the guidelines issued by the Global Reporting Initiative (GRI)-G4 Framework.

To report our corporate governance practices, we have drawn reference from the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC).

The scope of our Annual Report comprises of activities that have been carried out within the geographical boundaries of Bangladesh, as IDLC does not have operation or subsidiary in other countries. Furthermore, there have not been any significant changes to the scope, boundary and reporting basis since the last reporting date as of December 31, 2016.

External Assurance

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

Sl.	Description of Report	External Assurance
1	Financial Statements Audit Report	ACNABIN Chartered Accountants, an independent member of Baker Tilly International
2	Corporate Governance Certification	Hoda Vasi Chowdhury & Co. Chartered Accountants
3	Provident Fund Financial Audit	Masih Muhith Haque & Co., Chartered Accountants, Correspondence firm of RSM International
4	Gratuity fund valuation	Air Consulting, an actuarial firm
5	Eligibility Compliance of IDLC Finance Limited for participating in the Investment Promotion and Financing Facilities (IPFF) project	ACNABIN, Chartered Accountants, an independent member of Baker Tilly International
6	Rights Issue Report in Compliance with Companies Act 1994	ACNABIN, Chartered Accountants, an independent member of Baker Tilly International
7	Gratuity Fund Financial Audit	Masih Muhith Haque & Co., Chartered Accountants, Correspondence firm of RSM International
8	Entity Credit Rating	Emerging Credit Rating Limited

Comparability & Materiality

All the information presented in this report is on the same basis as the 2015 report in terms of the entities covered, the measurement methods applied and time frames used. Ratios used are comparable across the industry. The information provided covers all material matters relating to business strategy, risk and areas of critical importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

Availability of the Annual Report

The hard copy of the Annual Report is sent to all the shareholders, prior to holding the Annual General Meeting, giving due period of notice. Separately, for the benefit of all stakeholders, our report has been made available in the website http://www.idlc.com.

Responsibility over the Integrity of the Integrated Report

I acknowledge the responsibility to ensure the integrity of the disclosure contained in this Integrated Report presented herewith which comprise the discussion, analysis and disclosures pertaining to stewardship, which should be read in conjunction with the audited financial statements. In the opinion, the integrated report, incorporated in this annual report has been prepared in accordance with the IIRC's international reporting framework and addresses the material matter pertaining to the long term sustainability of the group and present fairly the integrated performance of IDLC Group and the impacts thereof.

Sd/-

Arif Khan, CFA, FCMA

CEO & Managing Director



A tale of changing destiny!

The story of Rosy Begum, Sakib Textiles

This is the story of hard work and determination. This is the story of starting an entrepreneurial venture and creating a business from scratch. This is the story of gut and grit. This is the story of Rosy Begum.

Rosy hails from an affluent family. She married into a family having a garment manufacturing facility, which hit a wall and was sold-off. As was expected, Rosy was blamed for bringing bad luck to the family.

Instead of taking the blame for her fate, she decided to change it.

Rosy approached her brother and took a modest loan from him to start her own garment facility, promising to return his money soon. With this capital, she bought eight second-hand electric-powered looms and hired two workers. She worked 24x7 to produce sarees. Her husband would buy thread, laces, dyes and all the other necessary raw material. He would go to the markets to sell the sarees too. Rosy took full charge of the production and she would sleep for only 2-3 hours a day. If one had to meet Rosy, one would invariably have to go to her looms.

However, she found that hard work and grit could take her only so much further. She needed more funds. IDLC studied her business and analyzed her potential. Certain that this was a great chapter of success in the making, the Company disbursed a loan of Taka 2 million. As Rosy recalls these funds being transferred to her account, she now says that that day represented the turning point in her business.

With funds at her disposal now, she was able to buy 10 modern electric-powered looms with a higher production capacity. She was also able to enlist wholesalers as her customers, thereby securing long-term offtake. With a strong understanding of the business, she has also found other innovative income streams including selling the surplus fabric and other residue raw materials to the wholesale market.

Today, Rosy has three sheds at her production facility and employs 100 workers working at 196 electric powered looms. She produces 32,000 sarees every month and her business generates Taka 36 million worth of revenues per annum.

You would be surprised by her schedule. She wakes up at 3 am every day and heads to her facility to supervise production that is a 24x7 process. She works till 10 pm, sometimes even till 12 am and then again starting her routine at 3 am.

Most blame their misfortunes on destiny. Rosy claims to credit her fortunes to her destiny – just because she decided to take it in her own hands. And at IDLC, we are happy to have played our small role in Rosy's journey!

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Letter from the Chairman



Aziz Al Mahmood
Chairman

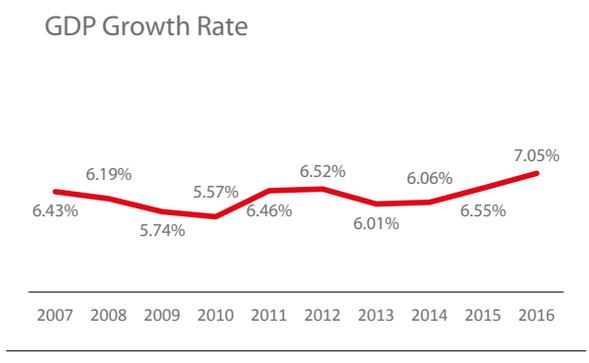
Dear shareholders,

I welcome you to the Annual Report, 2016, of IDLC Finance Limited and am happy to share with you another year of holistically building on our foundations in line with our vision of emerging as the best financial brand of Bangladesh.

Bangladesh economic review

Although the global economy saw modest growth in 2016, estimated at 3% based on October 2016 projections, Bangladesh witnessed healthy growth of 7.05%, making it among the top-performing countries of Asia and the world. This sense of resilience has been endorsed even by the World Bank, thanks to our country's global competitive advantages in terms of our textiles and RMG sectors and continued remittance inflows.

Economic growth of the country is projected to be above 7.00% as against the target of 7.20% in the fiscal year (FY) 2017. The current account balance recorded a deficit of USD 0.7 billion during the July-November period due to strong import growth coupled with a moderate growth in export and slowdown in remittance inflows through the banking channel. Yet significant growth in FDI and portfolio investment led to overall surplus of USD 1.9 billion during first five months of the current FY. BB projects overall balance surplus of USD 2.9 billion at the end of current FY that would give sufficient reserve base to cover the imports of 7-8 months. Although government borrowing from banking sector experienced negative growth of 1.30% in Nov'16, sufficient provision has been kept to accommodate 16.10% growth by Jun'17.

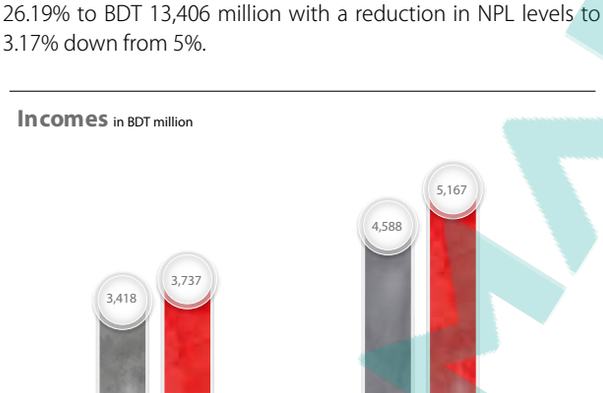


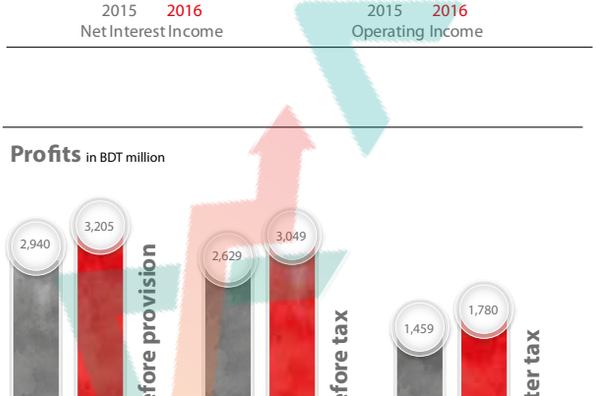
Our business performance

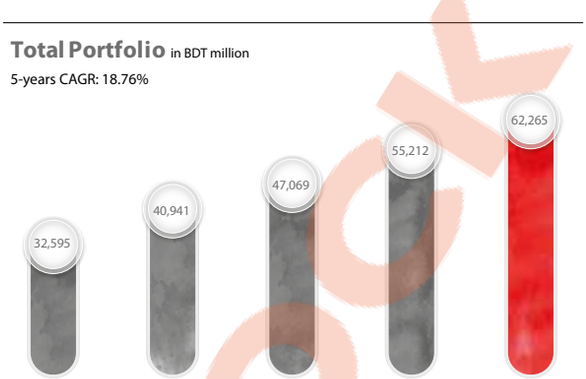
Before I touch upon the important highlights of each of our business divisions, I must provide contextual reference of the operating environment. Two key trends continued to shape the market - heightened competition and excess systemic liquidity because of an overall sluggishness which together put pressure on both the lending as well as deposit rates.

As the deposit rates gradually went downwards commensurate to the market, we were able to pass on the benefits to our lending customers. Hence, even in the face of intense competition, we were able to grow our overall portfolio by 12.77%.

Coming to each of our divisions, I am pleased to mention that we have grown our SME business to a scale and size that few in our industry can match. Assets under SME grew sharply by 16.48% to BDT 26,054 million and our ability to control the quality of the growing portfolio was quite evident in NPL (non-performing loans) under the segment remaining at 3.85%. Our Consumer loans portfolio grew by 3.79% to BDT 21,415 million, largely driven by the strength of our home loans business, amidst stiff competition from NBFIs, banks and other financial institutions. On the deposit side, our liability team was able to significantly reduce the cost of deposits while maintaining a deposit book of BDT 47,475 million, which comprised 76.71% of our total liability basket as of 31st December, 2016. Driven by new large customer additions as well as growth in lending ticket size, the Corporate division performed remarkably well with portfolio growth of 26.19% to BDT 13,406 million with a reduction in NPL levels to 3.17% down from 5%.







Corporate evolution

Led by the Board, we have started to critically analyze our corporate culture. We want to preserve the fundamental attributes of our culture – predominantly, our focus on teamwork, long-termism, growth, openness and simplicity. However, we also recognize that, as the business grows, our culture has to be proactively articulated, shared, managed and monitored across our offices.

One element of this relates to our people practices and in 2016, we upgraded our appraisal system so it is now more focused on, and aligned with, the strategic objectives of the Group. We have also worked to further align remuneration with performance across a spectrum of metrics, looking at not just what was delivered but how it was delivered in line with our corporate values. Besides, our employee training and development programmes have been further enhanced as well to progressively ensure higher productivity levels and better customer service orientation.

Broader diversification, the road to comprehensive solutions for the customer

As you would read elsewhere in this report, IDLC fosters the culture of innovation – we believe that taking small steps today and the focus on constantly moving ahead, will aggregate into something much bigger. We realize that the sum of the parts is almost always greater than the whole. So, fine-tuning our processes to make them more customer friendly, improving our technology to ensure that our systemic checks and balances are not compromised while our business grows bigger and deepening our customer relationships so that we are their point of reference when considering financing needs is something that we pursue every single day.

The last point that I made is especially important since we know that in a highly competitive market, winning and retaining customer trust is fundamental to the sustainability of our business. In a significant breakthrough, aligned with our culture of offering a strong customer 'surplus', we established our asset management practice through **IDLC Asset Management Limited**, in June 2016. The concept of structured long-term wealth creation through mutual funds as an asset class is near absent in our country because of lack of awareness. In fact, market capitalization of mutual funds stands only at roughly 1.25% of the equity market. So at IDLC Asset Management, as we prepare to launch our mutual fund, first we are already seeding the market in terms of extensively reaching out and conducting awareness and knowledge-building sessions.

Research has indicated that long-range wealth creation is possible through mutual funds, especially in a developing market where price to NAV ratios are still quite low. Hence, with an impeccable track record in transparency and governance, I am certain that IDLC Asset Management is primed for success.

Engaging with our stakeholders

We recognize our responsibility to engage with governments, regulators and trade bodies, helping shape a policy environment that operates in the best long-term interests of our clients and our shareholders, as well as for the wider financial sector.

With the rise in social inequalities and with growing pressures on our natural resources, we realize that the requirement to act responsibly has never been greater and we are very aware of this. This is why we take our corporate responsibility very seriously; in fact, it is not an appendage of our business, rather, it is an integral part of it.

This is why we have a specialized and dedicated corporate social responsibility team and a separate Sustainability Report issued every year. The impacts of our practices highlighted there have, for the benefit of our stakeholders, been integrated within this report. Our goal is to present the collaborative approach that we have been practising for maximising benefits and creating value for all our stakeholders. I must also mention that as one of the leading enterprises in the financial services space, it is our responsibility to ensure that other players also come forward simply because there is just so much to do. The report is therefore an encouragement.

Importance of governance at IDLC

Corporate governance is of utmost importance at IDLC. As one of Bangladesh's largest and most trusted financial brands, we are committed to effective and transparent corporate governance in running our business. We aim to be transparent in all our activities and reporting initiatives and embrace best practices in our day-to-day operations, broadly guided by our Code of Conduct that is signed and ratified by each member of our Company as their commitment to uphold the highest standards in all our dealings.

Ultimately, the Board is accountable to shareholders for the Group's activities and is responsible for the effectiveness of corporate governance. Some of the key responsibilities of the Board in this regard include setting the Group's strategic aims, providing the leadership to put them into effect, supervising management of the business and reporting to shareholders.

Outlook

At the time of writing, the world is facing a series of political and economic uncertainties and, looking ahead, we expect economies and markets to remain susceptible to periods of volatility. However, closer home, there exists several opportunities to be tapped into, especially with the Government's focus on infrastructure creation and industrialisation which will eventually drive consumption and per capita income, thereby continuing to provide us with sustainable growth opportunities. Furthermore, we are excited about our newly-launched asset management business and we hope to bring a growing customer base into the folds of long-term wealth creation through mutual funds.

I must mention that as a Company, we enter the new year with a strong financial position, with a broadened and enhanced range of products and solutions and an increasingly diversified client base. We remain committed to our relationships-based, collaborations-led and innovations-driven focus with which we have built our reputation.

In conclusion

We are ambitious for ourselves as an organization. As one of Bangladesh's leading non-banking financial institutions, our competitive standing and reputation stem from our drive to create value for the society at large. Our financial strength, risk management protocols, governance framework and performance aspirations are directly attributable to a discipline that regularly brings prosperity to our shareholders and customers and adds solidity to our business model.

Ambition, discipline and innovation drove IDLC's strong results for 2016. It is the combination of these key elements that frame our optimistic outlook for the future as well.

Wishing you much happiness,

Sd/-

Aziz Al Mahmood
Chairman
IDLC Finance Limited

Our Philosophies - The Backbone of Our Enterprise

Who we are



IDLC is a full-service NBFI with a deeply entrenched presence in Bangladesh.

We are focused on meeting the financing needs of businesses and individuals, while providing extensive financial solutions and value added services.

We emphasize on securing the long-term wealth aspirations of our deposit-holders.

And we implement the brokerage and investment mandates of our retail and institutional customers with speed and surety.

Our founding philosophies



Vision

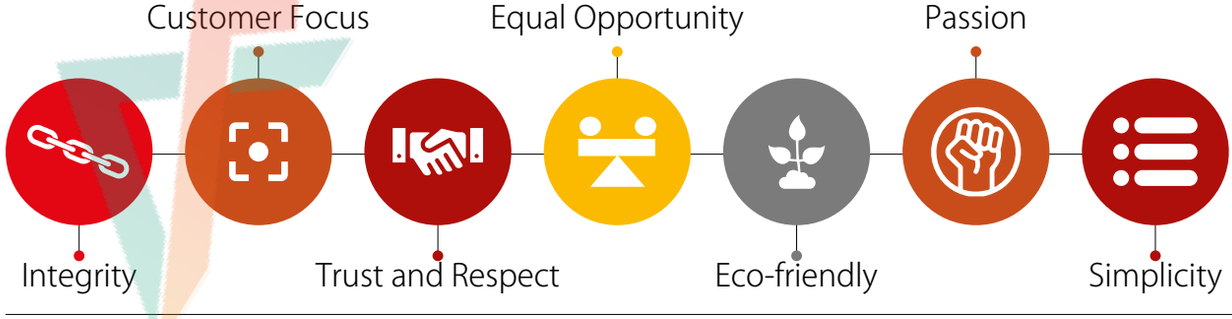
We will be the best financial brand in the country.

Mission

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



Core Values



AMARSTOCK

Code of Conduct and Ethics

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

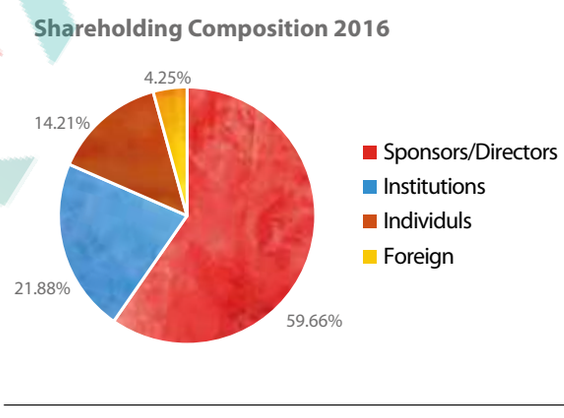
- Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and public.
- Act and encourage others to behave in a professional and ethical manner that will reflect positively on IDLC employees, their profession and on IDLC at large.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

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

Our Shareholding Composition

as on December 31, 2016

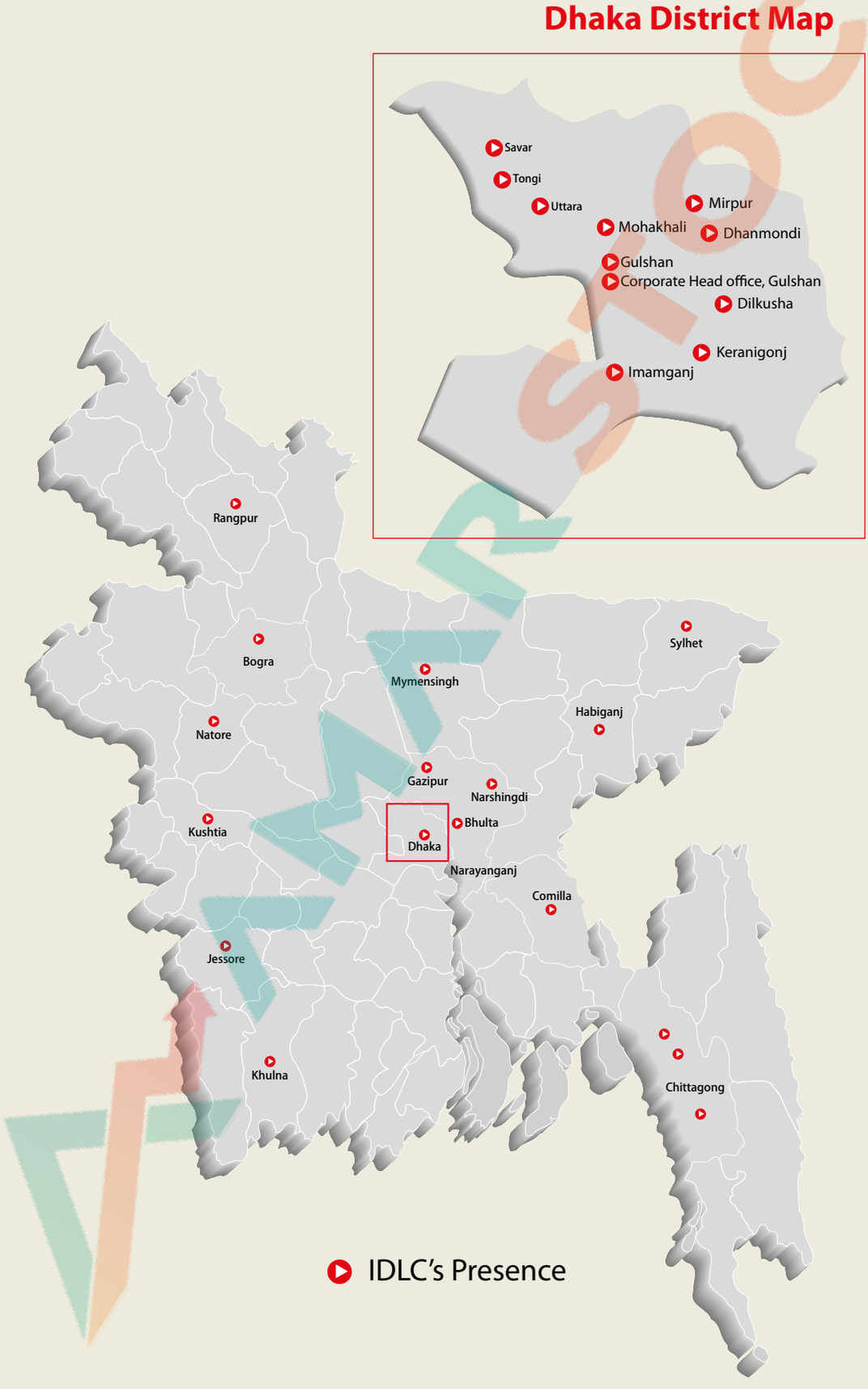
Sl. No.	Name of Shareholders	Number of shares	% of total Shares
1	**SPONSORS/DIRECTORS:**		
	The City Bank Limited (CBL) and its subsidiaries:	**60,854,056**	**24.21**
	The City Bank Limited (CBL)	25,137,225	10.00
	City Bank Capital Resources Limited (CBCRL)	24,885,352	9.90
	City Brokerage Limited	10,831,479	4.31
	Transcom Group	**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 Limited	**17,595,702**	**7.00**
	Sub-Total	**149,969,402**	**59.66**
2	**GENERAL:**		
	Institutions:		
	Investment Corporation of Bangladesh (ICB)	10,744,986	4.27
	Bangladesh Fund	8,040,750	3.20
	EBL Securities Limited and EBL Managed Funds	6,759,840	2.69
	Eastern Bank Limited (EBL)	6,275,418	2.50
	ICB Managed Funds	2,817,066	1.12
	Marina Apparels Limited	2,513,671	1.00
	Other Institutions	17,839,565	7.10
	Sub-Total	**54,991,296**	**21.88**
	Individuls:		
	General Public (Individuals)	35,712,452	14.21
	Sub-Total	**35,712,452**	**14.21**
3	**FOREIGN:**		
	Both Institutions & Individuals	10,694,037	4.25
	Sub-Total	**10,694,037**	**4.25**
	Total	**251,367,187**	**100.00**



AMARSTOCK

Our National Presence

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



Awards & Recognitions



16th ICAB National Award for Best Presented Annual Report (Financial Service Sector, NBFI) – **First Position**



16th ICAB National Award for Integrated Reporting (among all listed companies) – **First Position**



16th ICAB National Award - SAARC Anniversary Award for Corporate Governance Disclosures - **Second position**



SAFA Best Presented Annual Report 2015 - Financial Service Sector - **Joint Winner**



SAFA Best Presented Annual Report 2015 - SAARC anniversary award for Corporate Governance Disclosure - **Overall Winner**



ICSB National Award - Corporate Governance Excellence 2015 - **First Position**



ICMAB Best Corporate Award -2015 – Non-Banking Financial Institution category - **Third Position**



SAFA Best Presented Annual Report 2015 - Integrated Reporting - **Certificate of Merit**



United States Green Building Council (USGBC) certificate – The prestigious LEED (Leadership in Energy and Environmental Design) **Gold certificate** under commercial interior category.

Performance Analysis with the CEO & Managing Director



Arif Khan, CFA, FCMA
CEO & Managing Director

Dear shareholders and fellow stakeholders,

Thank you for giving me the opportunity to lead one of the most trusted and respected financial institutions of Bangladesh. I am cognizant of the responsibility entrusted to me and we will continue to serve your interests in the best ways possible.

Bangladesh economy overview

With a GDP growth rate of 7.05%, Bangladesh has emerged as one of the fastest-growing countries of the world. It is heartening to note that the incumbent government is focused on unleashing the developmental potential of the country and its 162-million strong population that is demographically at a sweet-spot considering a larger proportion of the pool coming into the working age. Also, the Government's Seventh Five-Year Plan, along with the Vision 2021, sets strong development targets for the country, and is expected to usher in significant transformation to the socio-economic landscape. It has been estimated that with a rise in per capita income, the scale tips in favor of much faster socio-economic development; Bangladesh is slowly reaching this tipping point with a per capita income of USD 1,466, which is up ~3x over the per capita income of USD 450 in the year 2000. (*Bangladesh Bureau of Statistics, International Monetary Fund*).

Moreover, political stability has also fostered an environment that has encouraged investments under the Government's annual development program, resulting in a conducive business environment. Moreover, healthy advancement in remittance inflows is also expected to lead consumption demand.

In an interesting study, the foreign agency WIN/Gallup International conducted a survey to measure the economic optimism of 66 countries in 2017. Bangladesh, ranked as the most 'hopeful' nation, gathered the second-best score of 67%; moreover, as many as 86% of the country's citizens believe that 2017 will be better than 2016. In yet another example of optimism, the country ranks among the top-10 happiest nations in the world as per the Happiness Index of the survey.

Some of the sectoral highlights that indicate the growing industrial and consumption potential of the country is evident in:

- The power sector continuing to receive foremost priority in the country as a steady growth in the development of the sector primarily fuels the growth of heavy industries. 81 power plants have already been installed with generation capacity of 10,353 MW during the last eight years and this brought 78 percent people of the country under electricity coverage. The plan is to achieve a generation capacity of 24,000 MW by 2021.
- The cement and steel industries will also witness healthy growth as the Government continues to take-up big projects including the building of the Padma Bridge, Dhaka Elevated Expressway and the LNG Terminal, among other projects.
- Bangladesh being among the fastest-growing markets in the world, it is estimated that around 40 million of the population will enter the middle-class by 2025, further raising the country's demographic dividend.
- The readymade garment sector continues to see positive growth, even as costs remain low due to a largely stable cotton market. Moreover, as China's economy is slowing down, many global customers are increasingly turning to Bangladesh for meeting their sourcing targets.
- The leather, leather goods and footwear industry has witnessed USD 1 billion of exports, twice in a row. The industry targets to export USD 5 billion worth of leather by 2020

Hence, as I see it, the potential is huge for frontline companies like IDLC that is not only in the business of financing loans but has the overarching intent of inspiring lives and creating happiness.

Overall interest rate assessment and our fundamental strengths

At IDLC, our overall funding and liquidity positions remained comfortable during the year 2016. With excess liquidity in the system driven by continued low credit offtake, our asset-liability committee (ALCO) continued to focus on the downward re-pricing of deposit rates commensurate with market conditions, passing on the benefits of a lower rate to our advances with the result that average lending rates declined throughout the year.

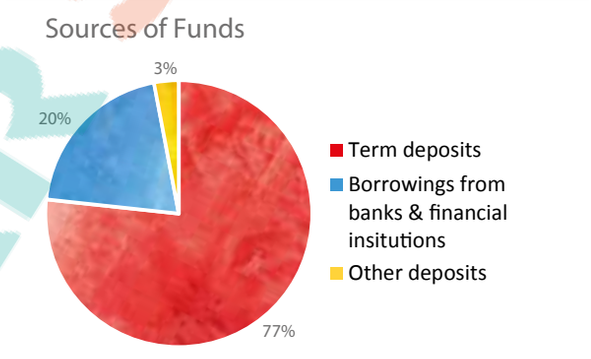
The strength of the IDLC brand and the niche we have created for ourselves in the non-banking finance sector in Bangladesh have helped us stay ahead of the curve in a highly competitive landscape. The customer relationships we have forged over the years, the unparalleled service that we provide to our clients in terms of quicker disbursals, convenient paperwork etc. and our focus on collections and controlling our non-performing loans (NPLs) have all contributed to the improvement of our profits, and in turn, creation of value for our shareholders.

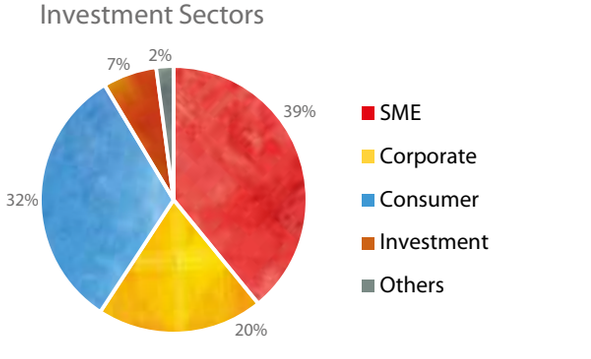
Besides, even in a sluggish and highly competitive industry environment with low customer stickiness and higher loans churn with lower retention levels, we were able to grow our overall asset book by 12.77% or BDT 7,053 million to BDT 62,265 million, which is the highest-ever for our Company. In part, this growth rate is also because of the fact that we are extensively invested in the market through facilitating both retail as well as institutional loans through our three segments – SME, Consumer and Corporate. Besides, the quality of our overall portfolio was evident in average Company-level NPLs of 2.98%, which is among the lowest for the financial services industry in Bangladesh.

On the deposit side, with the overall objective of optimising our cost of funds, we continued our focus on retail deposits as well as refinancing windows and other low cost funding options. Our overall deposit funds stood at BDT 47,475 million at the end of the year. I must indicate that our retail deposit products offer our customers attractive long-term wealth creation options and with a base of 6,620 customers, our products have created deep levels of trust among the investor community.

Going into 2017, our own internal assessment is that interest rates are coming down in the economy which we hope will spur credit demand, therefore providing us with a new set of unfolding opportunities to grow our business with, unquestionably, a focus on quality and sustainability.

Focus on creating sustainable value





Our SME business – creating a strong niche

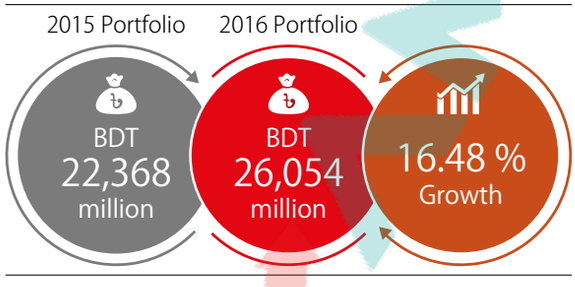
Our SME business has created an own niche for itself, fostering a brand equity that gives tough competition to some of the more entrenched players in the business with certain inherent advantages, like banks and other deep-pocketed financial institutions. The SME business, with an average ticket size of BDT 2.95 million, caters to the needs of a wide range of SMEs

including textiles, steel, small-scale manufacturing, leather, service providers, exporters, importers and a plethora of other industries with a relatively diversified loan book.

SMEs are the bedrock of the Bangladesh economy, not just in terms of employment creation but also with regards to exchequer contribution, making it a focus area of the government in terms of providing these businesses favorable policy-driven incentives as well as platforms for ease of doing business. Even though competition for business is extreme, IDLC's SME business, with a portfolio value of BDT 26,054 million in 2016 has emerged among the leaders in the country. Besides, our ability to effectively counter competition is also evident in a healthy portfolio growth of 16.48% with net portfolio addition of BDT 3,686 million during the year.

Our SME model is unique in the sense that we have an embedded credit model that enforces very high credit quality checks and standards. Besides, we have a very strong, motivated and customer-oriented sales-force that is proactive in terms of problem-identification and course correction. This is why the business was able to add as many as 3,556 customers during the year with an average ticket size of BDT 2.95 million, which has steadily increased from BDT 2.71 million in 2015.

While on the SME business, I must speak of IDLC Purnota loans which is not only a product, but has also emerged as a platform for the empowerment of women. With almost 10.81% of the SME loan book and as many as 1,751 woman customers, Purnota has truly emerged as a model that seeks holistic empowerment of women in business. In line with the growing stature of this recognition, we organized and conducted several non-financial service benefits for our woman customers that focused on enriching them with the latest trends in business as well as helped them showcase their products. The Purnota book has grown at a 57.25% CAGR over the past three years as our woman customers' live accounts increased at a 58.13% CAGR over the same period. In 2016, the net increase in the number of active Purnota accounts has been 242 with average loan ticket size at BDT 3.03 million.



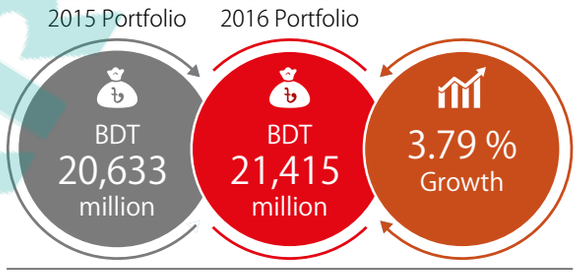
Going forward, the focus on SME business will be to sustainably grow our loan portfolio, and we intend to do this by increasingly identifying emerging niche opportunities with the prospect of increasing our loan value. We will continue to remain close to our customers' requirements, making us their point of recall for any loans mobilization requirements for business expansion, working capital etc. We also expect to fuel this incremental growth through increasingly tapping into the refinancing pool with the intent of optimizing our cost of funds and enhancing our spreads. Overall, we hope to continue the strong growth momentum in our SME book.

Our Consumer business – stability backed by solidity

Our Consumer business comprises home loans, which forms the major chunk of the segmental portfolio, car loans, personal loans and registration loans.

The Bangladesh retail loans business, especially comprising home and car loans, is fiercely competitive with the existence of a large number of players fighting for a piece of the market. With low customer stickiness, IDLC's Consumer finance business focused on providing value to its clients through better service in terms of quicker loans disbursal and advisory.

Even in a competitive scenario, the Consumer loan book grew by 3.79% or about BDT 782 million to BDT 21,415 million. While pursuing growth, we emphasized on the quality of the portfolio and one of the ways in which we did so was by enhancing the proportion of salaried customers from about 55% in 2015 to almost 70% in 2016, thereby securing our collections backed by customer cash flow certainty. Besides, we strongly focused on collections for our car loans, which comprises about 10% of the Consumer finance book, and with an overall cautious focus to this side of the business, our NPLs here stood at about 1%, which is an industry benchmark. We believe our business security is continually reinforced through outstanding loans backed by a liquid and appreciating asset (homes) and optimized LTVs paired with our very solid focus on driving collections efficiency.



Going into 2017, we believe that declining real estate prices has enhanced affordability and with increase in per capita incomes, we believe there exists real opportunity to grow this business. Besides, the Bangladesh government is also mulling the concept of low-cost homes and we expect to engage in studying this segment more closely. In addition, as many as 60% of new home buyers opt for a loan and this very reason will drive sustainable growth opportunities, going into the future. At our Consumer business, we expect to further de-risk our geographic presence by increasingly venturing outside Dhaka. Controlling our NPLs would be another area of emphasis as we take the initiative of growing the overall size of the book. .

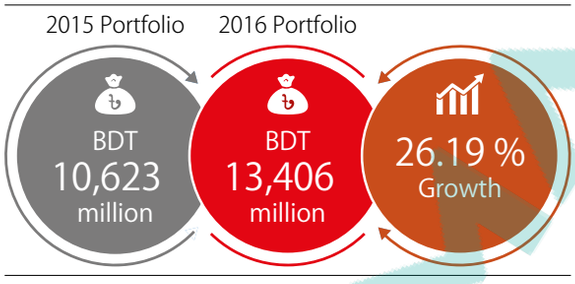
Our Corporate business – widening our scope, size and scale

One of the key strengths of our Corporate division is that it is highly adaptable to emerging market requirements. Plus, the team here possesses a strong network and relationships with some of the largest corporate houses of the country, exposing the business to numerous opportunities not just in terms of catering to sophisticated customer requirements but also in nation-building as they create assets that are of national importance.

In 2016, IDLC Corporate division was able to report the highest growth on its loan book at 26.19% with the portfolio size growing to BDT 13,406 million. This was possible as the segment received mandates from several new large customers. Besides, aligned with the very nature of the business in which loans are required for a relatively larger tenure, we focused on long-term loans to secure a better rate of interest, especially in a falling interest rate environment.

We also emphasized on aggressively pursuing loans that were turning non-productive with the result that we were able to recover about BDT 64 million of an account that was previously written-off.

In 2016, the Structured Finance Department (SFD), under our Corporate wing, realized satisfactory business income amidst challenging market conditions. SFD raised funds of around BDT 8,000 million for Karnafuly Dry Dock Limited in this year. The department arranged BDT 2,450 million as commercial paper for three eminent corporate houses of the country, and has also received a mandate for arranging Tier-II subordinated bond for a commercial bank. In addition to the regular business, SFD also sponsored several knowledge sharing events, with the aim of building the capacities of the industry professionals, as well as nurturing and sustaining the relationship with clients and other stakeholders.



Going into 2017, portfolio retention will be a major focus area for the segment. In addition, the division also expects to grow its loan book significantly at lower NPLs and continue to focus on some of the mainstay industries of the economy including RMGs, textiles, pharmaceuticals, construction and steel.

Green banking – our responsibility to environmental governance

Under our Corporate division, in 2014, we started to look more closely at the emerging possibilities of 'green finance'. I am proud to mention that as we develop the scope and size of the business, over two years, we have been able to achieve a BDT 1,200 million of loan book with about 45 projects in the portfolio comprising green buildings, renewable energy and energy-efficient projects, waste management capability development, initiatives to ensure safety and security of factory workers etc. In addition to scouting for new opportunities, we are also building the case for green financing through organizing events, associating with the IFC for conducting presentations on the benefits of green asset creation and the role of green financing within it, etc.

Our focus on value creation – through increasing technology orientation

We are in the business to create value and one of the ways in which we have done so is by progressively constructing a risk-mitigated business model. By being in a business that has inherent risks, our emphasis has always been on reducing our NPLs. In a sector that has as high as 16% gross NPLs (including restructured assets), our NPLs hover around 3% as we channelize all our efforts in terms of processes, practices, technology and collecting efficiency to further compress this number. A zero tolerance culture to avoid unproductive loans is what we are increasingly promoting to energize the quality and sustainability of our portfolio. Some of the other focus areas to drive value include the following:

- Increasing technology leverage to fully automate the indigenously developed credit appraisal and assessment that not only helps us proactively identify infection areas and take corrective measures but also helps us in extensive portfolio and database analysis with a view to identify cross-selling opportunities and enlarge our loans exposure to quality accounts. Besides, with the online appraisal in place, we have also quickened our loan disbursal time frames and this has greatly benefitted us in terms of providing superior customer service.
- Growing centralization and integration with Flexcube, our core banking software, to reduce the margin of errors and enhance systemic checks through a post-audit trail.
- Enhancing customer service through our dedicated customer relationship management teams that regularly visit and stay in touch with our customers to identify their requirements and also provide advisory services. We are also looking at providing seamless and uniform service to our customers across all our branches as we focus on minimizing their need to visit us, thereby strengthening their convenience. A customer experience team has been formed to achieve the objectives in this regard.
- Apart from these initiative, we are continuously looking into opportunities of process re-engineering. The aim of this is to cut away inefficiencies that might be present in any of our operational processes, as the increased operational efficiencies will allow us to lower costs and create more value for our shareholders, as well as provide faster solutions to our customers. A change management team has been formed to oversee this transformation.

Capital market businesses and incubating our asset management vertical

The broad theme across our capital market subsidiaries – IDLC Securities Limited and IDLC Investments Limited – was that the performance was in line with expectations, and both subsidiaries have market-leading positions within their respective lines of business. IDLC Securities Limited reported a 19.8% income growth to BDT 414 million and a 7.59% net profit growth to BDT 103 million. IDLC Investments Limited also grew its post-tax profit by 42.5% to BDT 170 million.

Aligned with our intent of widening our financial services offering to our customers, we instituted IDLC Asset Management Limited, a fully owned subsidiary. This subsidiary will be engaged in the business of mutual funds. We have identified several thematic mutual funds that are being designed to cater to a wide spectrum of customer goals, ambitions and requirements. We expect to launch several of these funds in 2017. Foremost, the business has been tasked with the responsibility to educate people on the concept of mutual funds as an asset class and investment option that can not only bring financial discipline in one's life but also help create and accumulate long-term wealth. With the resources and infrastructure in place, and a highly capable fund manager at its helm, we are confident that IDLC Asset Management will achieve its AUM (assets under management) targets in 2017.

Our people – assets and reliability

At IDLC, at the very heart of our culture is the ambition to stay ahead of the curve. And the only way to do so is through empowering our most valuable asset – our human resources.

Organization-wide, we are enhancing the quality of our human resource practices through engaging more extensively in talent management and creating a pipeline of professionals for succession planning and smooth business continuity. As we focus on enhancing our resource productivity, we are increasingly linking KPIs with compensation, increasingly fostering an entrepreneurial environmental with growing decision decentralization and increasingly creating a culture of cost consciousness and value identification in whatever we do.

In a highly competitive marketplace, we are also constantly looking at attracting and retaining the best talents. In addition to compensation standards, what we have come to believe helps retain quality talent is to provide them with a challenging workplace environment that thrives on ideas, innovation and collaboration.

I believe that in reinforcing our HR culture and practices, we are also on the path to becoming a much more productive organization by growing our business scale only with incremental and strategic manpower additions.

Outlook

In 2017, we expect to recharge the DNA of our organization, focusing on creating a company that is institutional in size and start-up-like in culture. As we de-risk the core of the business in terms of having an equal emphasis on all of our three divisions to report growth through controlled NPLs, we are also looking at diversifying the core business through an increasing emphasis on our capital market and asset management business. What remains unchanged however is our focus on growing our return ratios, generating higher returns on shareholder funds and creating increasing value in the hands of all those who invest in us, grow with us and depend upon us.

Wishing you my best,

Sd/-

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

Our Range of Products and Services

Small and Medium Enterprises (SME) Finance

Small Enterprise Finance

- Small Enterprise Loan/ Lease
- Seasonal Loan
- IDLC Purnota - Women Entrepreneur Loan
- SME Shachal Loan
- SME Surakkha
- Revolving Short Term Loan
- Commercial Space Loan
- Commercial Vehicle Loan
- IDLC Udbhabon
- SME Deposit

Medium Enterprise Finance

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

Supplier and Distributor Finance

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

Corporate Finance

Corporate Finance

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

Structured Finance Solutions

- Structured Finance Solutions/ Arrangement of Funds:
- Loan/ Lease Syndication
- Syndicated Fund raising for Bonds
- Arrangement of Commercial Paper, Preference Shares, foreign currency loans etc.
- Securitization of Assets
- Working Capital Syndication
- Corporate Advisory/ other services

Green Banking Solutions

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

Capital Markets Operations

IDLC Securities Limited

Products

- Cash Account
- Margin Account through IDLC Investments Limited and other enlisted merchant banks
- Easy IPO
- Premium Brokerage for High Networth Individuals (HNIs) and institutional and foreign investors

Services

- Trade execution through the Dhaka and Chittagong stock exchanges
- Custodial and CDBL services
- Bloomberg terminal for foreign clients
- Research and Advisory Services

IDLC Investments Limited

Products

- Margin Loan
- Discretionary Portfolio Management

Services

- Corporate Advisory
- Issue Management
- Underwriting
- Research

IDLC Asset Management Limited

- Mutual Funds
- Alternative Investment Services

Consumer Finance

Loans

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

Deposit

- Flexible Term Deposit Package
- Regular Earner Package

AMARSTOCK

Our Value Creation Process

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

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

As a multi-segment financial institution, we rely heavily on our financial capital, depositors making up 80% of our funding basket.

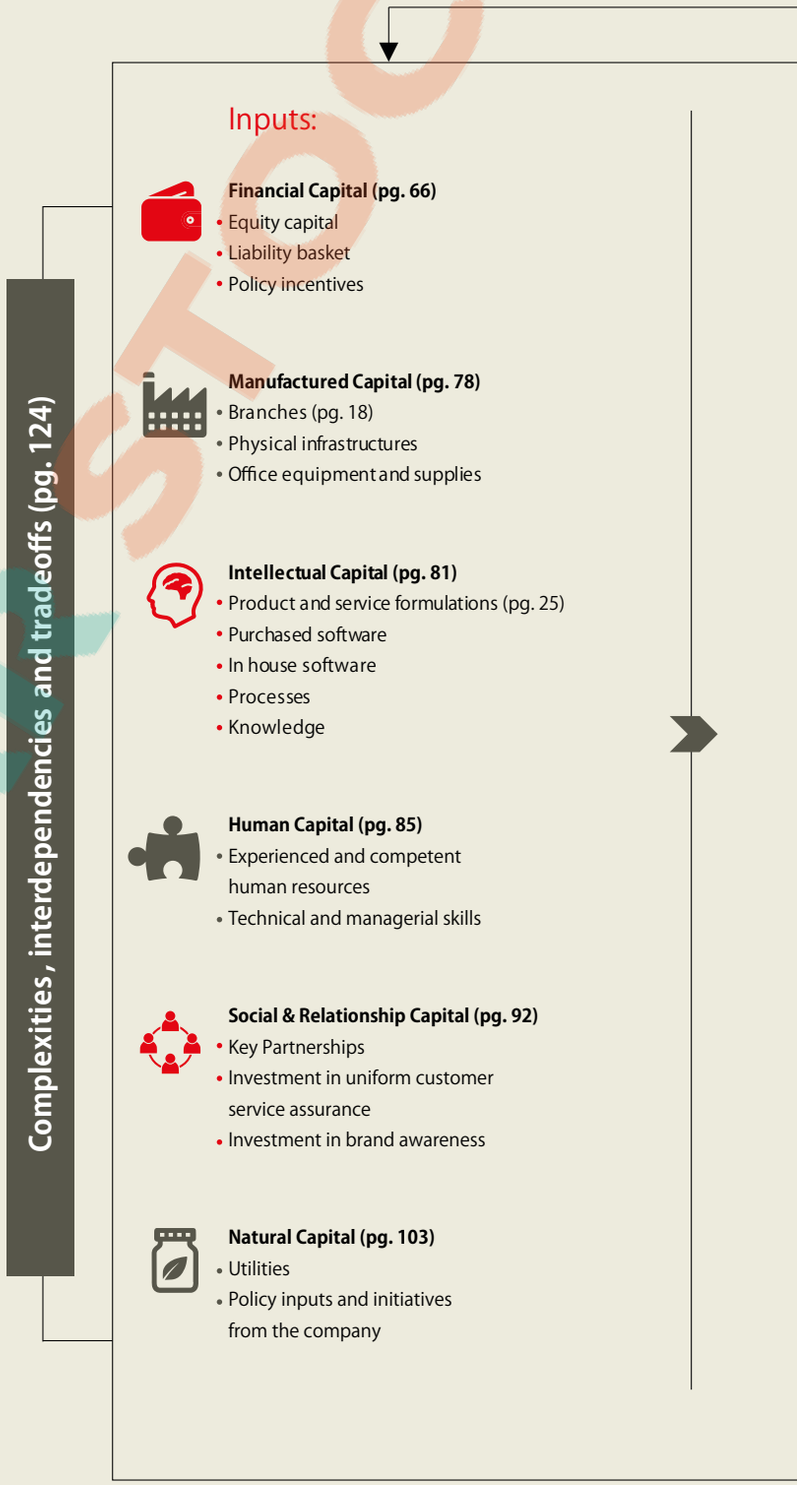
Our overall business model (pg. 28) involves extending our presence physically and virtually. It also involves a high dependence on IT; which together means a significant investment in branches and technological infrastructure – our manufactured capital.

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

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

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

The component elements that shape our business are portrayed in our Business Model (pg. 28).



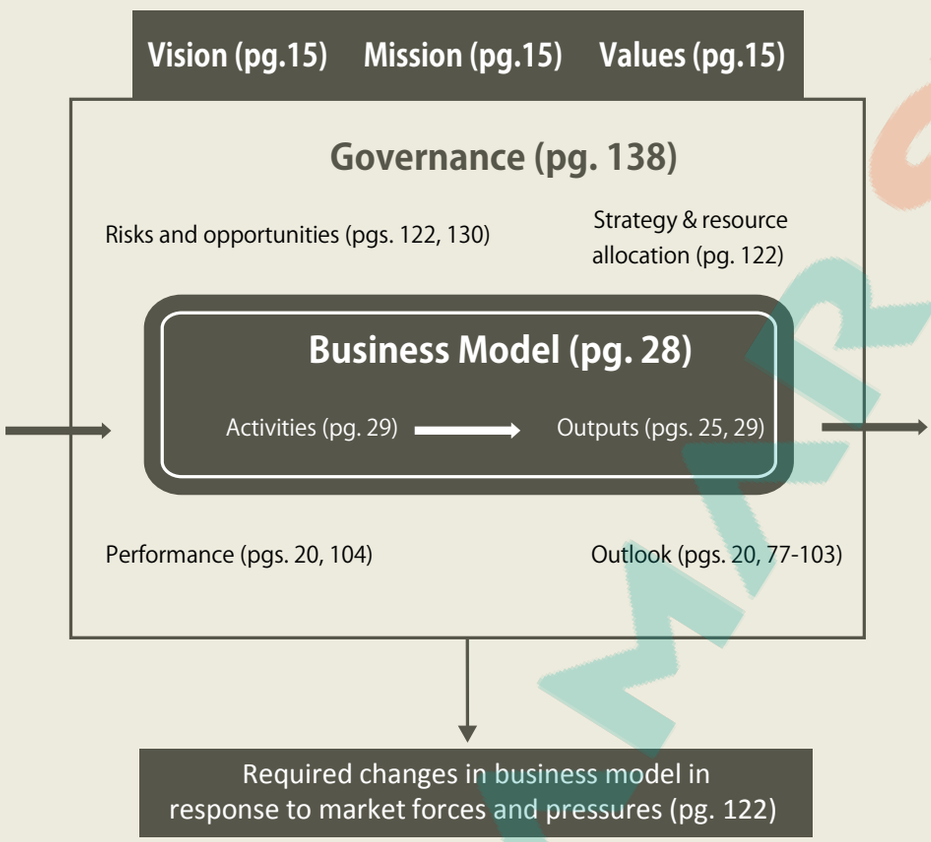
Useful references:

Our Business Model (pg. 28) –The intricacies of our business

Our Corporate Governance Structure (pg. 139) – The governance structure that enables our Business Model

Our Extensive Range of Products and services (pg. 25) –Outputs/our offerings

Our Organizational Chart (pg. 86) –Hierarchy and chain of command



Outcomes:

Financial Capital

- 18.76% 5-years CAGR in portfolio growth
- Quality of portfolio maintained (pg. 69)
- One of the best cost-to-income ratios in the industry (pg. 68)
- 28.9% 5-years CAGR in profits
- 21.29% Return on equity

Manufactured Capital

- Wider area coverage (pg. 18)
- Enhanced ability to provide value added services
- Smoother operations (pg. 80)

Intellectual Capital

- Launched Easy Invest, Discretionary Portfolio Investment Scheme
- Speed of approval process and operations improved over the year (pg.84)

Human Capital

- Rise in per employee productivity
- Career advancements (promotions)
- Work-life balance
- BDT 1,080 million paid in employee benefits

Social & Relationship Capital

- Dividends paid to shareholders (pg. 159)
- Skill development training to 242 underprivileged individuals till date.
- 357,839 people reached on average per post on social media and 30,253 engaged

Natural Capital

- Carbon footprint reduction
- LEED Certificate Gold for new branch in Chittagong
- Growth in green financing 15.19% since last year

Value Creation Process

AMARSTOCK

Our Business Model

Our value proposition:
Superior customer service, customized products and quick turnaround time (TAT) in meeting our clients' financial needs

Having over 30 years of experience in the marketplace, our business model is designed to withstand market pressures and absorb macroeconomic shocks. (pg. 52)

In order to make optimum contributions across the value chain, we are careful to strike a balance between different stakeholder objectives (pg. 60)

With a keen sense of changing market dynamics and rapidly changing technology, our management team strives to make the best use of our available resources, expanding on them strategically. (pg. 122)

Our key partners and providers of funds

IDLC Finance Limited

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

Subsidiaries

- Investors
- Regulators

Group

- Vendors
- NGOs

Our key resources

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

Useful references:

Our Value Creation Process (pg. 26) – The flow of Capitals
Our Corporate Governance Structure (pg. 139) – The governance structure that enables our Business Model
Our Extensive Range of Products and services (pg. 25) –Outputs/our offerings
Our Organizational Chart (pg. 86) –Hierarchy and chain of command

Channels

- Branches
- Direct selling
- Telephone and online channels

Modes of communication:

- One-on-one meetings
- Phone conversations
- On-site visits
- Conferences
- Website
- Newspapers
- Reports

Key activities

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

Supporting activities:

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

Our offerings

- SME finance products
- Corporate finance products
- Consumer loan products
- Savings products
- Investment products and services
- Investment banking services
- Corporate advisory services
- Brokerage services

Our clients

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

Cost structure

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

Revenue streams

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

LAMAR STOCK

Key Corporate Milestones
1985-2016

23 May
Incorporation of the Company

1 Oct
Establishment of a branch in Chittagong, the main port city of Bangladesh

7 Feb
Licensed as a Non-Banking Financial Institution under the Financial Institutions Act, 1993

27 May
Commencement of home finance and short term finance operations

22 Jan
Licensed as a merchant banker by the Bangladesh Securities and Exchange Commission

1985 1986 1990 1993 1995 1996 1997 1998 1999

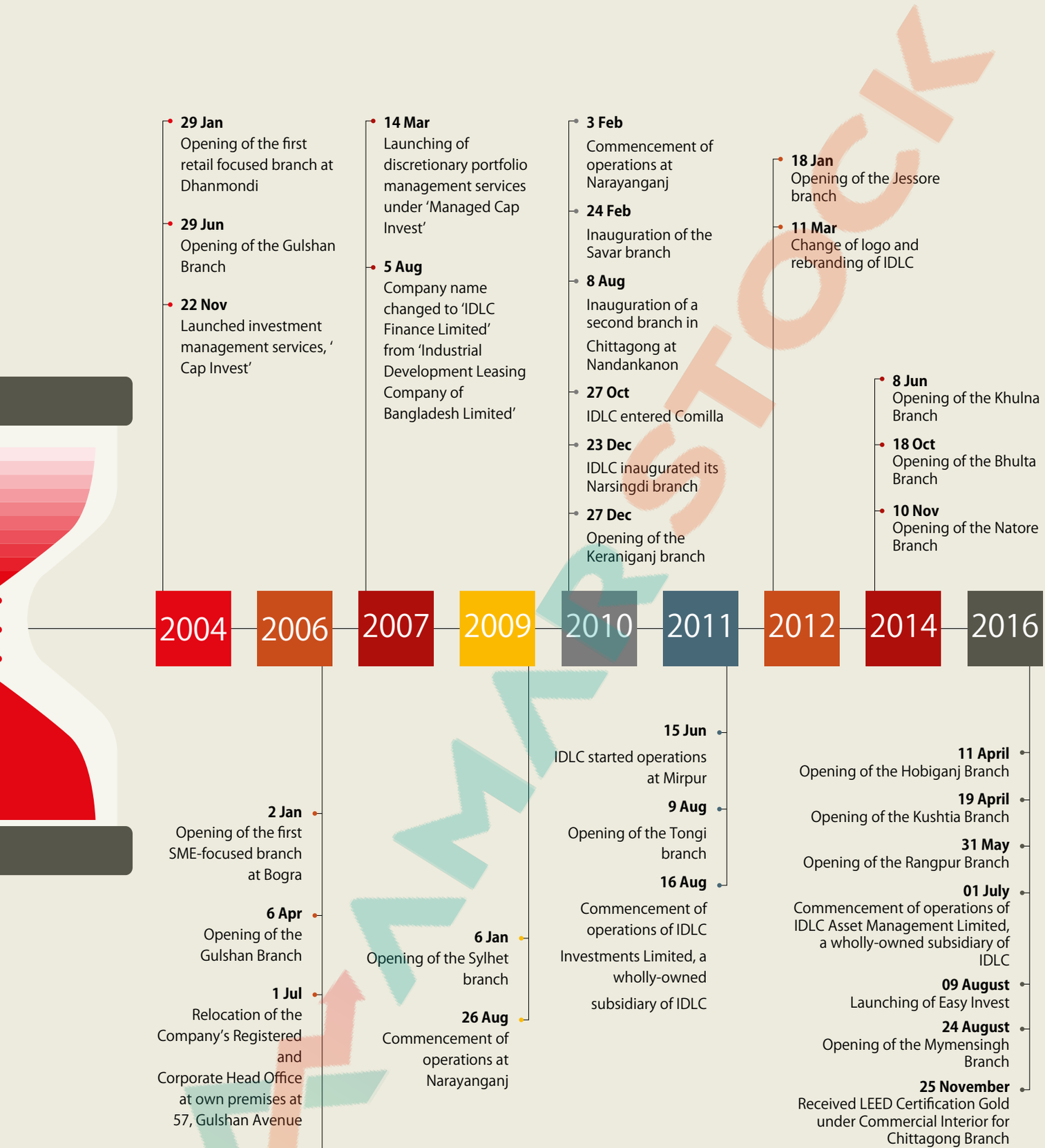
22 Feb
Commencement of the leasing business

20 Mar
Listed on the Dhaka Stock Exchange Limited

25 Nov
Listed on the Chittagong Stock Exchange Limited

15 Jan
Commencement of corporate finance and merchant banking operations




2004
29 Jan
Opening of the first retail focused branch at Dhanmondi
29 Jun
Opening of the Gulshan Branch
22 Nov
Launched investment management services, ' Cap Invest'
2006
2 Jan
Opening of the first SME-focused branch at Bogra
6 Apr
Opening of the Gulshan Branch
1 Jul
Relocation of the Company's Registered and Corporate Head Office at own premises at 57, Gulshan Avenue
18 Sep
Commencement of operations of IDLC Securities Limited, a wholly-owned subsidiary of IDLC
2007
14 Mar
Launching of discretionary portfolio management services under 'Managed Cap Invest'
5 Aug
Company name changed to 'IDLC Finance Limited' from 'Industrial Development Leasing Company of Bangladesh Limited'
2009
6 Jan
Opening of the Sylhet branch
26 Aug
Commencement of operations at Narayanganj
2010
3 Feb
Commencement of operations at Narayanganj
24 Feb
Inauguration of the Savar branch
8 Aug
Inauguration of a second branch in Chittagong at Nandankanon
27 Oct
IDLC entered Comilla
23 Dec
IDLC inaugurated its Narsingdi branch
27 Dec
Opening of the Keraniganj branch
2011
15 Jun
IDLC started operations at Mirpur
9 Aug
Opening of the Tongi branch
16 Aug
Commencement of operations of IDLC Investments Limited, a wholly-owned subsidiary of IDLC
2012
18 Jan
Opening of the Jessore branch
11 Mar
Change of logo and rebranding of IDLC
2014
8 Jun
Opening of the Khulna Branch
18 Oct
Opening of the Bhulta Branch
10 Nov
Opening of the Natore Branch
2016
11 April
Opening of the Hobiganj Branch
19 April
Opening of the Kushtia Branch
31 May
Opening of the Rangpur Branch
01 July
Commencement of operations of IDLC Asset Management Limited, a wholly-owned subsidiary of IDLC
09 August
Launching of Easy Invest
24 August
Opening of the Mymensingh Branch
25 November
Received LEED Certification Gold under Commercial Interior for Chittagong Branch

Brief Profile of the Directors



Aziz Al Mahmood
Chairman of the Board

Nominated by The City Bank Limited

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

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

Mr. Mahmood is presently the Managing Director of Danish Condensed Milk (BD) Limited, Danish Milk Ltd., Danish Foods Ltd., Danish Distribution Network Ltd., Rubel Steel Mills Ltd., Danish Dairy Farm Ltd., Ferrotechnic Ltd., Shubornobhumi Housing Ltd., VOICETEL Ltd. and Sky Telecommunication Ltd. In addition, he is also a Director of a number of companies of Partex Star Group.

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



Faruq M. Ahmed
Director of the Board & Chairman, Executive Committee

Nominated by The City Bank Limited

Faruq M. Ahmed is the Additional Managing Director, Chief Risk Officer and Chief Anti Money Laundering Compliance Officer (CAMLCO) of The City Bank Limited.

Mr. Ahmed started his career with AB Bank Limited in 1984 as Probationary Officer and his last position held in the bank was Deputy Managing Director. During his services with AB Bank Limited he served in different capacities at home and abroad. He was posted at the Mumbai operation of AB Bank Limited as Country Manager. Thereafter, he headed the SME division and Credit Risk Management division of the bank.

He received Bangladesh Bank Gold Medal and BCCI (erstwhile) Gold Medal in the Banking Diploma examination, 1987 for securing the first position.

A regular columnist on banking and economic issues in the national dailies, Mr. Ahmed has authored 16 books so far on economy and banking, share market, accounting, travel and literature. He received IFIC Bank Literary award and Chitta Ranjan Saha Memorial award of Bangla Academy for his translation work in 2011.

Mr. Ahmed was the Deputy Managing Director of Mercantile Bank Limited before joining The City Bank Limited.



Monower Uddin Ahmed
Independent Director & Chairman, Audit Committee

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

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



Meherun Haque
Director of the Board

Nominated by The City Bank Limited

Meherun Haque is the daughter of Mr. Deen Mohammad, a leading industrialist and Chairman of Phoenix Group. Mrs. Haque was also the Vice-Chairperson of The City Bank Limited.



S. M. Mashrur Arefin
Director of the Board

Nominated by The City Bank Limited

S. M. Mashrur Arefin started his career as a Management Trainee in ANZ Grindlays Bank, Dhaka in 1995. He worked as Head of Credit & Collections for Standard Chartered Bank, Qatar. He also worked for ANZ Banking group in Melbourne, Australia and worked as Director & Head of Retail Banking for American Express Bank, Bangladesh and was the Head of Consumer Banking of Eastern Bank Limited and Head of Retail/Priority Banking of Citibank N.A. Bangladesh. He is an M.A. in English from University of Dhaka, Bangladesh and MBA from Victoria University, Melbourne, Australia.

Mr. Arefin is a director of CBL Money Transfer Sdn. Bhd, Malaysia and City Bank Capital Resources Limited. He is also a current Director of the Bangladesh Malaysia Chamber of Commerce & Industry.



Mohammad Mahbubur Rahman FCA
Director of the Board

Nominated by The City Bank Limited

Mohammad Mahbubur Rahman is a Fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB).

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

Mr. Rahman also served in various important roles in Finance and Accounts division in several multinationals, local corporate and development organizations. He is presently responsible as the Chief Financial Officer (CFO) with The City Bank Limited.

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Md. Kamrul Hassan FCA
Director of the Board

Nominated by Transcom Group of Companies

Md. Kamrul Hassan is a Fellow member of the Institute of Chartered Accountants of Bangladesh. He has 28 years of experience in the key position of Finance and Accounts in home and abroad.

Mr. Hassan started his career with Transcom Group in 1987. Thereafter, he left Transcom and worked for a multinational company in Libya for 3 years. Further in 1994, he was employed by Transcom Group, one of the largest business conglomerates in the country and at present holds the position of Executive Director-Finance. He is also a Director of National Asset Management Limited.

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



Syed Shahriyar Ahsan
Director of the Board

Nominated by Sadharan Bima Corporation

Syed Shahriyar Ahsan, Managing Director, Sadharan Bima Corporation, did his Master`s and MBA Degree from Dhaka University. He is in the Insurance Industry for the last 30 years having practical experience in Underwriting, Re-insurance, Accounts, Marketing and Claims of various exposure and complexity.

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

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



Mati Ul Hasan
Director of the Board

Nominated by Mercantile Bank Limited

Mati Ul Hasan is a successful banker with a career spanning over thirty two years. He started his career in IFIC Bank in the year 1984 as a Probationary Officer, 9 years in oversees operation in Pakistan and 2 years in Nepal in Nepal Bangladesh Bank. He later joined Mercantile Bank Limited in the year 2014.

Mr. Hasan is a B.S.S. (Hons) in Economics from Dhaka University and Master of Bank Management. He is a Diplomaed Associate of Institute of Bankers, Bangladesh (DAIBB) and is also an Associate Member of Institute of Bankers- Pakistan.



Atiqur Rahman
Director of the Board

Nominated by Reliance Insurance Limited

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

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

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



Niaz Habib
Independent Director

Niaz Habib is a seasoned professional banker combining over 39 years of rewarding multi-dimensional banking experience in both local and foreign banks.

He has retired as Managing Director from Dhaka Bank Limited. Prior to that, he also worked as Acting Managing Director of Dhaka Bank Securities Ltd.

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

Mr. Habib has also written policy guidelines for credit review for Bangladesh Bank and has also imparted trainings to senior bankers in Bangladesh Bank, BIBM and other local and foreign Banks.

Mr. Habib completed his Master of Business Administration from Institute of Business Administration (IBA) of University of Dhaka in 1977. He also completed his M.A. in Economics with Honours from the University of Rajshahi.

AMAR STOCK



Matiul Islam Nowshad CMgr, FCMI
Independent Director

Matiul Islam Nowshad is a seasoned management professional with over three decades of experience spanning three industrial segments- tea, textile and telecommunication, of which 18 years were spent in leadership roles at Board and management council level within multinational, multi-cultural environment.

His contributions have been recognized by CHRO Asia at 2014 World HRD Congress as the "50 Most Talented Global HR Leaders in Asia". In 2011 he was also awarded with "Best HR Leader" of the year award at World HRD Congress. His current organization, Robi Axiata Limited, has been recognized as "Best People Management Company" for consecutive four times in the years 2012, 2013, 2014 and 2015 and his personal contribution was duly recognized with milestone awards at Annual Axiata Group Awards Program.

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

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



Arif Khan, CFA, FCMA
CEO & Managing Director

Ex- Officio Member of the Board

Arif Khan brings more than 25 years of management experience to IDLC having served in various prestigious local, multinational and government organizations in the financial services sector.

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

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

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

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

Committees of the Board & Management

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:

- Executive Committee; and
- Audit Committee.

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.

Composition of Executive Committee

In compliance with the referred circular, the EC consists of four members. The members are as follows:

Chairman

Faruq M. Ahmed, Director nominated by The City Bank Limited

Members

Syed Shahriyar Ahsan, Director nominated by Sadharan Bima Corporation

Mati Ul Hasan, Director nominated by Mercantile Bank Limited

Arif Khan, CFA, FCMA, CEO & Managing Director

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.

Composition of Audit Committee

The AC consists of four members. The members are as follows:

Chairman

Monower Uddin Ahmed, Independent Director

Members

Mahbubur Rahman, FCA, Director nominated by The City Bank Limited

Kamrul Hassan, FCA, Director nominated by Transcom Group

Syed Shahriyar Ahsan, Director nominated by Sadharan Bima Corporation

Management Committee (ManCom)

The Management Committee is a group elected among the management staff to take responsibility of the governance and strategic direction of IDLC. The role of the Management Committee is to oversee IDLC in accordance with its Constitution under the Financial Institutions Act, 1993.

The Committee is responsible for all aspects of the ongoing operations of IDLC. It delegates day-to-day operations to the Executive Officer. An important feature of good governance is a clear segregation of the responsibilities and accountability of the committee from those of the Executive Officer.

ManCom is always aware of IDLC's operations, keeps an eye on the big picture, monitors the strategic plan and if and whether the goals are being met. It needs to be satisfied that current events are in accordance with IDLC policies and objectives within the overall budget.

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.

Composition of Management Committee (ManCom)

Arif Khan, CFA, FCMA; CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

Mir Tariquzzaman, Chief Technology Officer (CTO)

Ahmed Rashid, Head of SME Division

Syed Javed Noor, Head of Consumer Division

Mesbah Uddin Ahmed, Head of Corporate Division

Akhteruddin Mahmood, Group Head of Human Resources

Ataur Rahman Chowdhury, Head of Operations

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

Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning

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

Md. Moniruzzaman, CFA, Managing Director, IDLC Investments Limited

Md. Saifuddin, Managing Director, IDLC Securities Limited

Rajib Kumar Dey, Managing Director, IDLC Asset Management Limited

Credit Evaluation Committee (CEC)

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

Scope of the committee

CEC holds the rights to:

- Approve an appraisal report as per the proposed terms and conditions for consideration of the sanctioning authority;
- Request for additional information;
- Request evidence regarding any information provided;
- Suggest changes in or inclusion of terms and conditions regarding the client's liability with IDLC Finance Limited or any other financial institutions or banks;
- Suggest changes in terms and conditions concerned with repayment including repayment schedule, transfer price, late payment interest rate, true rate and effective rate;
- Suggest change or increase of security;
- Suggest change of the loan amount;
- Suggest increasing the equity participation of the client;
- Suggest providing an additional guarantor; and
- Decline a financial proposal based on overall risk assessment.

Composition of Credit Evaluation Committee (CEC)

Arif Khan, CFA, FCMA; CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

Ahmed Rashid, Head of SME Division

Syed Javed Noor, Head of Consumer Division

Mesbah Uddin Ahmed, Head of Corporate Division

Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning

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.

Composition of ALCO

Chairman

Arif Khan, CFA, FCMA; CEO & Managing Director

Members

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection Ahmed Rashid, Head of SME Division

Ahmed Rashid, Head of SME Division

Syed Javed Noor, Head of Consumer Division

Mesbah Uddin Ahmed, Head of Corporate Division

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

Member and Organizer

Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning

Internal Control Committee

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.

Composition of Internal Control Committee

Arif Khan, CFA, FCMA; CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Ahmed Rashid, Head of SME Division

Syed Javed Noor, Head of Consumer Division

Mesbah Uddin Ahmed, Head of Corporate Division

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

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

HR and Compensation Committee

IDLC's HR and Compensation Committee was formed on 24 May 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.

Composition of HR and Compensation Committee

Arif Khan, CFA, FCMA; CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Mir Tariquzzaman, Chief Technology Officer (CTO)

Asif Saad Bin Shams, Head of Credit and Collection

Ahmed Rashid, Head of SME Division

Syed Javed Noor, Head of Consumer Division

Mesbah Uddin Ahmed, Head of Corporate Division

Akhteruddin Mahmood, Group Head of Human Resources

Corporate Governance Committee

The Committee ensures that 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.

Composition of Corporate Governance Committee

Arif Khan, CFA, FCMA; CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

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

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

Mohammad Jobair Rahman Khan, ACA, Head of Statutory Reporting & Group Company Secretary

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. The BASEL Implementation Committee Charter states that the Committee has the following responsibilities:

- Apply the action plan of BASEL-II and review thereof;
- Communicate issues related to the implementation of BASEL-II to the management;
- Assist in carrying out the quantitative impact study (QIS), if necessary;
- Engage in capacity building and training according to the training need assessment (TNiA) for the concerned officials; and
- Establish a planning and supervisory review as required by Pillar-II of BASEL-II framework.

The reviews of the BASEL Implementation Committee include

- Review of action taken in previous BIU meetings
- Economic and market status and outlook
- Credit, market and operational risks related to capital adequacy
- Review of BASEL implementation status
- Action taken

Composition of BASEL Implementation Committee

Arif Khan, CFA, FCMA; CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

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

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

Mohammad Jobair Rahman Khan, ACA, Head of Statutory Reporting & Group Company Secretary

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.

Functions

Functions of the Committee are as follows:

- Create awareness on code of integrity and good governance across the company;
- Identify the scopes where efficiency of employee can be developed and arrange appropriate training in this regards;
- Amend existing policies and procedures as per requirements;
- Evaluate and reward the respective employees for integrity and good work;
- Improve e-governance system;
- Develop complaint management system;
- Implement code of conduct;

Composition of Integrity Committee

Headed by H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director, the Committee consists of the following members:

M. Jamal Uddin, Deputy Managing Director

Mir Tariquzzaman, Chief Technology Officer (CTO)

Ahmed Rashid, GM & Head of SME

Syed Javed Noor, GM & Head of Consumer Division

Md. Mesbah Uddin Ahmed, GM & Head of Corporate Division

Akhteruddin Mahmood, Group Head of Human Resources

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

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.

Objective of CCU

- To ensure compliance of regulatory rules and regulations related to AML and ATA;
- To implement and enforce IDLC's AML policies to prevent money laundering and terrorist financing;
- To ensure effective implementation of AML and ATA program across the company effectively

Functions

Functions of the Committee are as follows:

- Keeping updated with changes in regulations regarding the combatting of money laundering and terrorist financing, and accordingly adopting changes to IDLC's AML and ATA compliance policy
- Supervising money laundering and terrorist financing control procedures of the company so as to ensure legal and regulatory requirements
- Issuing necessary instructions across the company in line with company policy and Bangladesh Bank directives
- Ensuring that proper KYC along with effective risk assessment and control procedures are in place
- Providing advisory services to business and operational units on various issues linked with alleged money laundering activities or transactions
- Maintaining ongoing awareness on evolving money laundering risks and their compliance procedures through formal and informal training, workshop and seminars
- Development of adequate testing procedures to detect and prevent lapses in compliance
- Monitoring business activities of branches through AML and ATA self-assessment procedure and provide corrective measures

Composition of Central Compliance Unit

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit & Collection

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

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.

Functions

- Design overall risk management strategy
- Communicate views of the Board and senior management regarding the risk management culture and risk appetite across the Company
- Prepare risk management policies and procedures
- Monitor the prescribed/ threshold limits of risk appetite set by the regulator and/ or by the Company itself
- Develop and observe the use of models to measure and monitor risks
- Develop and oversee implementation of stress testing
- Oversee the capital management functions in accordance with the risk-based capital adequacy measurement accord, i.e. BASEL-II/ III
- Determine the most cost-effective way to minimize risks
- Highlight risks in portfolios and deficiencies of the Company on a timely manner and report the analyzes to the Managing Director as well as the Board of Directors with specific recommendations and suggestions
- Review market conditions, identify external threats and provide commensurate recommendations for precautionary measures
- Develop overall information system/ MIS to support the risk management functions of the Company

Composition of Risk Management Forum (RMF)

Headed by H. M. Ziaul Hoque Khan FCA, Deputy Managing Director, the Committee consists of the following members:

Asif Saad Bin Shams, Head of Credit and Collection

Mir Tariquzzaman, Chief Technology Officer (CTO)

Akhteruddin Mahmood, Group Head of Human Resources

Ataur Rahman Chowdhury, Head of Operations

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

Mohammad Jobayer Alam, Head of Treasury & Strategic Planning

Shafayet Hossain, Head of Special Asset Management

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

Mohammad Jobair Rahman Khan, ACA, Head of Statutory Reporting & Group Company Secretary

Jane Alam Romel, Group Chief Marketing Officer

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.

Functions

- RAU identifies and analyzes all sorts of risks appropriately and in a timely manner
- Collect all relevant data related to the risk indicators from different sources and information systems
- Assess the quality, completeness and correctness of this data
- Identify and quantify the risks and their exposures to material loss
- Prepare a risk management paper on a monthly basis
- Conduct periodic stress testing

IDLC Ladies Forum (IDLC LF)

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

Composition of IDLC Ladies' Forum

President

Shamima Akter Lovely, Assistant General Manager, Human Resources

Executive Committee

Comprises of 11 women employees representing different divisions and branches of the Group

Secretary

Ayesha Haque, Head of CSR

Members

All the women employees of the Group

This Forum will provide all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. This will enable IDLC's management to better understand and address these issues and develop strategies accordingly.

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Management Committee



Sitting

Arif Khan, CFA, FCMA
CEO & Managing Director

Standing (from left)

Asif Saad Bin Shams
Head of Credit & Collection

Atatur Rahman Chowdhury
Head of Operations

Md. Moniruzzaman, CFA
Managing Director,
IDLC Investments Limited

Mahbub-ul-Kader
Head of Internal Control & Compliance

Akhteruddin Mahmood
Group Head of Human Resources

Mir Tariquzzaman
Chief Technology Office

Mohammad Jobayer Alam, CFA
Head of Treasury & Strategic Planning



Sitting (from left)

M. Jamal Uddin
Deputy Managing Director & Head of Business

H. M. Ziaul Hoque Khan, FCA
Deputy Managing Director

Standing (from left)

Md. Saifuddin
Managing Director, IDLC Securities Limited

Rajib Kumar Dey
Managing Director,
IDLC Asset Management Limited

Md. Masud Karim Majumder, ACA
Group Chief Financial Officer

Syed Javed Noor
Head of Consumer Division

Mesbah Uddin Ahmed
Head of Corporate Division

Ahmed Rashid
Head of SME Division

Senior Executives

(In alphabetical order of last name)


01


02


03


04


05


06


07


08


09


10


11


12


13


14


15


16

Sl.	Name	Designation
1	Tareq Ahmed	Head of Business, Operations
2	Abu Sayem Ansari	Head of Consumer Asset
3	Khwaja Muhammad Mohaymen Billah	Head of Region, Medium Enterprise Finance
4	Mohammad Abdul Hannan	Head of Medium Enterprise Finance
5	Kazi Mashook ul Haq	Chief Operating Officer- IDLC Asset Management Limited
6	M. Maksudul Hoque	Head of Administration
7	Firuj Hossain	Head of Operations, Consumer Division
8	Muhammad Sazzad Hossain	Head of Credit, Consumer Division

Sl.	Name	Designation
9	Shafayet Hossain	Head of Special Asset Management
10	Rashedul Huq	Head of Products, Marketing & Customer Service- Consumer Division
11	Ziaul Huq	Head of Credit Administration- Consumer
12	Md. Ariful Islam	Deputy Head of Small Enterprise Finance
13	Md. Ariful Islam	Head of Change Management
14	Mohammad Jobair Rahman Khan ACA	Head of Statutory Reporting & Taxation and Group Company Secretary
15	Nafius Noor Khan	Cluster Head & Branch Manager, Dhanmondi
16	Adnaan Ahsan Khondokar	Head of Small Enterprise Finance







Sl.	Name	Designation
17	Farzana Islam Lisa	Senior Relationship Manager
18	Shamima Akter Lovely	Assistant General Manager, Human Resources
19	Indrajit Mallick	Head of Chittagong Region
20	Md. Abu Musha	Head of Legal
21	Laila Nasrin	Head of Software Solutions
22	Nurul Karim Patwery	Head of Money Market Operations, Treasury Division
23	Mahjebeen Binte Rahman	Cluster Head, Consumer Division

Sl.	Name	Designation
24	Mohammad Ashiqur Rahman	Head of Business Transformation
25	Adnan Rashid	Head of Credit-Small Enterprise Finance
26	Jane Alam Romel	Group Chief Marketing Officer
27	Mohammad Saifuddowla	Deputy Head of Small Enterprise Finance
28	Md. Masud Sajjad	Cluster Head & Branch Manager, Dilkusha
29	Isa Mahmud Shovo	Head of Agency and Trust
30	Ifham Siddiqui	Head of Branches
31	Kazi Farhan Zahir	Head of Structured Finance

Event Highlights



Shareholders of IDLC Finance Ltd. approved 25% cash dividend for the year 2015 at the 31st Annual General Meeting (AGM) held at Radisson BLU Water Garden Hotel, Dhaka



The Chairman of IDLC Finance Limited welcoming Arif Khan as CEO and Managing Director of the Company



IDLC inaugurates the first ever LEED certified environment friendly branch in the financial industry of Bangladesh



The Board of Directors of IDLC Finance Limited meet the press on the inauguration ceremony of the first ever environment friendly LEED certified Branch at the World Trade Centre, Chittagong



IDLC awarded as winner for Best Corporate Governance Disclosure under all category among SAARC countries and for Best Presented Annual Report 2015 by the South Asian Federation of Accountants (SAFA)



IDLC was awarded the 1st position for Integrated Reporting among all listed companies and for Best Presented Annual Report under the Financial Services Sector, along with 2nd position for Corporate Governance Disclosure category by The Institute of Chartered Accountants of Bangladesh (ICAB)



The Chairman of IDLC Finance Limited launched the IDLC MEZBAN arranged at Chittagong



The Chairman and the CEO of IDLC are in conversation on IDLC's achievement issues



The Chairman of IDLC Finance Limited welcoming a newly joined independent Director



The Chairman of IDLC Finance Limited welcoming a newly joined independent Director



IDLC launched "Easy Invest", a monthly investment scheme under its wholly owned subsidiary IDLC Investment Limited



IDLC signed a Term Sheet with Standard Bank Limited for issuance of non-convertible subordinated bond of BDT 4,000 million



The Chairman of IDLC Finance Limited along with his family attended the 'IDLC MEZBAN' program arranged at Chittagong



IDLC Signs agreement with Partnership for Cleaner Textile (PaCT) program of International Finance Corporation (IFC)



IDLC opened its new branch at Hobiganj



IDLC opened its new branch at Kushtia



IDLC opened its new branch at Rangpur



IDLC opened its new branch at Mymensingh



The Chairman of IDLC is briefing the management on various business prospects and management issues



IDLC celebrates children's day



IDLC started organizing Quarterly Earnings Disclosure sessions starting at Q2 2016



IDLC Finance Limited & Euromoney Learning Solutions jointly organized workshop on "MASTERING PROJECT FINANCE" at Le Meridien, Dhaka



IDLC SME Division celebrates SME Night 2016



IDLC Purnota Club organizes "Women Entrepreneur Trade Fair" to celebrate International Women's Day



Weaving a success story – The story of grit and gumption!

Bilkis Begum

Bilkis Begum, a bright 18-year-old, hails from a small village in Nilfamari in interior Bangladesh. Though one can easily be deceived by her young age, Bilkis' story is that of determination and tenacity.

Bilkis' family lived on modest means, her father's farm income barely enough to see them through. So much so, that she had to cut short her studies to try and find work to contribute to her father's income. That is when the community workers of Care Bangladesh encouraged her in a counselling session to take up a vocation.

Encouraged by the discussions – and the possibilities, Bilkis enrolled at the Gazipur Technical School and College in 2016. Here, she completed her technical and on-the-job training at Far East Knitting and Dyeing Industries, one of the leading textile enterprises of Bangladesh. Over time, having successfully passed all her course modules, she joined the Company's Gazipur factory as a machine operator.

As a deeply-entrenched social philosophy, IDLC has always encouraged skills development towards ensuring employability and employment security. Thus, the Company works towards empowering the grassroots through identifying and honing talent and ensuring that the marginalized find work and get a platform to build their careers.

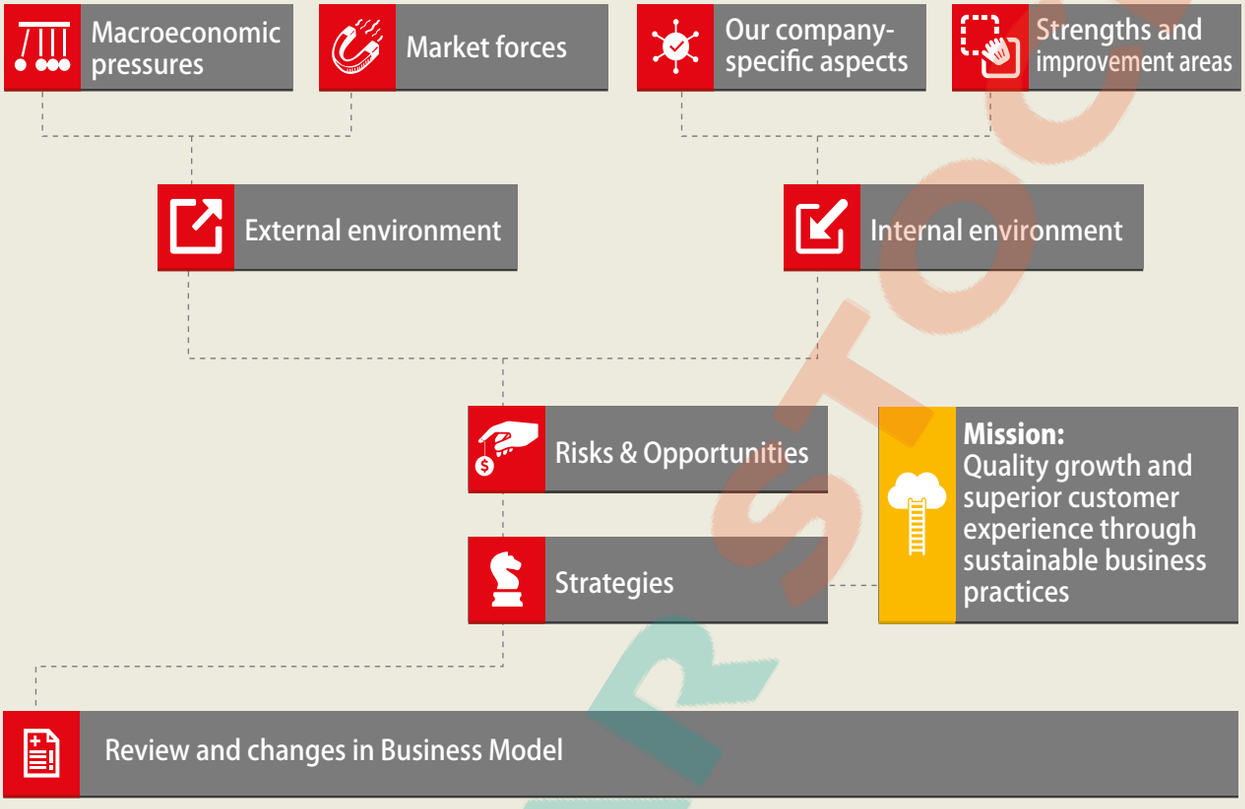
IDLC implements its skills development project in collaboration with Far East Knitting and Dyeing Industries, ILO TVET Reform Project, Care Bangladesh and Gazipur Technical Training School and College.

Through this comprehensive public-private partnership, the Company has been able to train as many as 242 marginalized women from North Bengal with 60% retention in the country's RMG sector. The year 2016 witnessed the 11th batch of trained talent entering the job market.

Empowered through learning a skill that is in constant demand in the country, Bilkis now earns Taka 8,000 a month, half of which she proudly gives to her father. She is among the many garment workers in the country who are fuelling women empowerment and stands tall as she contributes to the development of the nation in her own small way.

VIVA STOCK

Operating Environment and Strategic Response



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

In the following pages, we have provided a detailed analysis of the competitive intensity we face while operating in Bangladesh's dynamic financial services industry and our responses to minimize the impact of those pressures and risks in our business model, to the extent possible.

Macroeconomic Aspects in Play

Macroeconomic Dimension	Impact on the Industry	IDLC's Front	Evident in
Political			
Stable Political Environment Growing political stability in the country since 2015 after a tumultuous couple of years.	**Conducive to long term business planning** Most of the businesses are coming out of the slump suffered due to political instability in the earlier years. Businesses are picking up pace in terms of generating profit. However, NPL remains a grave concern for most financial institutions.	• Businesses are doing progressively better. • Relatively more vibrant Real Estate market paving way for opportunities in consumer market. • Our focus will remain on quality acquisition and regularizing default accounts. • NPL is also expected to fall. **Long-term strategy:** Diversify sector exposures and focus on thrust sectors to not only leverage current political stability, but to cushion against future uncertainties.	Letter from the Chairman (pg. 12) CEO's review (pg. 20) Fin Capital (Portfolio growth, NPL) (pg. 4) Statement of Risk Management Risks and Opportunities (pg. 122)
Policy Continuation Macro level strategy to create a stable political front is progressively creating a conducive environment for business and economic prosperity.			

Macroeconomic Dimension	Impact on the Industry	IDLC's Front	Evident in
Economic			
GDP growth, expansionary monetary policy and bullish outlook In FY16, Bangladesh witnessed the highest GDP growth rate over the last nine years. The country's GDP grew 7.05%[1] in fiscal 2015-16, riding on the back of a comparatively stable political environment. International trade bodies are expecting to see a strong growth in the coming years.	**Excess Liquidity despite 15.5%[1] credit growth, government's focus on SME businesses** Private sector credit growth was partly offset by a fall in public sector credit growth due to excess sale of government savings certificates, hence market liquidity persisted and the downward pressure on interest rates continued, with an added impact of deflationary pressure. Part of the growth has been driven by government's continued focus on SME growth, which accounts for approximately 24%[1] of the economy's total lending portfolio.	• IDLC has been facing stiffer competition, and even takeover attempts as a result of too many institutions floating on excess liquidity. • IDLC will continue to grow strongly in the SME segment through improving its reach to those in financing need. • Once the expected results of the expansionary monetary policy materialize, new avenues for financing will open up and IDLC will be ready to capitalize on it. • Investments made in 2016 and earlier, on people and processes are expected to provide benefits, going forward. **Long-term strategy:** Focus on improving value added to clients through service and product offerings.	Business Segment Review - SME (pg. 104) Supplementary Review (pg. 55) Human Capital (pg. 85) Intellectual Capital (pg. 81) Risks and Opportunities (pg. 122)
Reference: 1 - Bangladesh Bank			
Social			
Improved standard of living and access to information The country achieved lower middle income status in 2015 and resultantly, the standard of living has improved. With the advancement in communication technology and increase in internet penetration, individuals are now becoming more aware of market variables.	**Focus on attracting middle-income clients gaining momentum** Businesses need to be more receptive to customer needs and demands. With wider availability of information to customer segments, market inefficiencies are being reduced greatly and the quality of service is beginning to emerge as the core differentiator.	• The rise of the middle-class and the general improvement in living standards create more opportunities for consumer financing (including home loans) and small business financing. • IDLC is prepared to capitalize on this opportunity with its vast range of products and services suitable to a wide cross-section of the population. **Long-term strategy:** Focus on product innovation and superior customer relationship management.	Social and Relationship Capital (pg. 92) Risks and Opportunities (pg.122)
Technological			
Opportunities, risks and impact in changing clients' expectation dynamics Technology has brought in new ways of process innovation and data-driven decision making. However, it also comes with risks and challenges. On the business end, its advancement has made customers more sophisticated and has altered expectation levels. Customers worldwide are doing away with physical interaction and are more comfortable to interact and be served digitally. However, such a transformation is taking place slowly in Bangladesh.	**High dependency on technology to meet customer demands** Further investments in technology are raising industry standards constantly to improve operational efficiency. Technology leverage is also important for managing customer information and stringently adhering to regulatory requirements.	• Technology has long been a priority investment area for IDLC leading to the company having a world-class core banking software. • More and more processes are being automated. For instance, IDLC developed online credit appraisal software, which is an end-to-end solution originating from lead management to loan approval and is designed to increase efficiency, data security and reduce TAT further. **Long-term strategy:** Investment in technological advancement to continue going forward, while maintaining proper checks in weighing benefits over costs and ensuring adequate research on all possible alternatives.	Intellectual Capital (pg. 81) Statement of Risk Management-Technology Risk (pg. 134) Risks and Opportunities (pg.122) Strategy and Resource Allocation-Role of Innovation (pg.124)

Macroeconomic Dimension	Impact on the Industry	IDLC's Front	Evident in
Environmental			
Increasing global focus on promoting green & environmentally-responsible businesses and sustainable financing This has shaped up as an outcome of the increasing threat on the environment.	**Regulatory pressures versus opportunity to access low cost of funds** There has been increased regulatory focus on sustainable financing. Separate refinancing fund earmarked by the Central Bank for green financing offers a good window of opportunity to strengthen our green financing activities	• IDLC is committed to sustainable development through the creation of long-term value - for our stakeholders, for the environment and for the community • Our focused green banking unit has been performing admirably since its launch in 2014 • With support from the Entrepreneurial Development Bank (FMO) of Netherlands and FI Konsult, we have been implementing an Environmental and Social Management System (ESMS) across the organization, on full rollout since March 2016, to manage our exposure to the environmental and social risks of our clients. **Long-term strategy:** Grow portfolio through green banking efforts to reduce carbon footprint, leverage on soft loans and create a culture of responsible financing within the financial sector.	Social and Relationship Capital- (pg. 92-102) Strategy and Resource Allocation - Considerations in our Strategy Formulation (pg. 124)
Legal			
Improvements made towards regulatory compliance and control Industries are faced with tighter rules and regulations and application of laws are more uniform and stringent, translating into a more level playing field.	**Financial institutions have been subjected to comparatively greater scrutiny for the safety of the public funds they manage** - Increased focus on the application of loan loss provisioning and capital adequacy - Focus on strengthening the foundation of Financial Institutions through strict implementation of stress testing	• IDLC's history of strict legal and regulatory compliance places it in a good position within the financial services industry. • Close communication is maintained with regulators and trade bodies. • Separate compliance team ensures compliance across the Group. **Long-term strategy:** Continue to set the benchmark as a compliant institution through assisting regulators and ensuring organization's values such as integrity, trust and respect are followed in practice by every employee.	Statement of Corporate Governance (pg. 138)

Supplementary Details of the 2016 Economy and Business Environment relevant to IDLC:

- In 2016, market interest rate was in declining trend throughout the year as excess liquidity piled up in the banking sector due to bearish credit growth, caused mostly by sluggishness in private investment and slow ADP implementation.
- Commercial Banks revised interest rate on asset and deposit products downward in several tranches. Interest rate (Weighted Average) on deposit came down to 5.33% in Dec-2016 from 6.34% a year ago. Whereas, Interest rate (Weighted Average) on advances declined to 10.03% in Dec-2016 from 11.18% in Dec-2015.
- Call money market was stable throughout the year amid excess liquidity in money market. Monthly average call money rate remained in the range of 3.52% to 3.90% in 2016.
- Average inflation declined gradually and came down to 5.52% in December 2016, the lowest in 10 years.
- Due to lack of growth in loans and advances, most of the banks invested their excess funds in government securities.
- Foreign exchange reserves rose to a record high of USD 32.09 billion at the end of December-2016. BDT remained stable against USD till quarter 3 and witnessed moderate depreciation in the fourth quarter.

The impact of the above dynamics on our strategies and business model have been examined under Strategy and Resource Allocation (pg. 122).

Market forces and Competitive Landscape

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

Buyer power High

Factors in consideration

Buyers/our borrowers typically have a high power in the equation since big corporates tend to be extremely rate sensitive.

SMEs have traditionally been less rate sensitive; however, as they are beginning to enjoy more access to finance and coupled with excess liquidity and frequent price wars, they are becoming more price sensitive.

Big ticket consumer loans (mainly home loans) customers' power is at the highest level currently with extreme price competition from industry participants

Recent excess liquidity reduced the power of depositors amid significant rate cut by banks

Breakdown analysis and IDLC's response

Bargaining power of borrowers across the segments has risen owing to increased competition. With the above phenomenon continuing, long-term business environment is likely to give greater power to borrowers.

Our strategy:

Focus on relationship building among existing client base and channel resources towards finding new opportunities.

Supplier power High

Factors in consideration

As a financial institution, our major suppliers comprise of providers of funds. These different lenders are elaborated in our business model (pg. 28).

A key factor in the determination of bargaining power is the control over rates; our cost of funds. With the exception of our deposit clients, most other parties, such as the central bank have significant control over the rates at which we can source our funds.

Various other organizations operate as our vendors for several administrative and miscellaneous activities. However, they are responsible only for a comparatively smaller part of our total cost structure.

Breakdown analysis and IDLC's response

Bargaining power varies across fund providers. The major holder of power is the central bank, through its policies. However, with over 80% of our fund basket being sourced from deposit clients, there is room for maintaining cost of funds through value added services. However, the risk of being overexposed to a few large depositors can arise with lack of oversight.

This challenge is likely to persist in the long-run.

Our strategy:

Focus on a diversified pool of deposit basket to reduce risk of over-dependency on any specific group of depositors.

Threat of new entrants High

Factors in consideration

A number of new banks and NBFIs have entered the already crowded financial services industry over the last three years. The possibility of new entrants, intensifying competition further, cannot be ruled out.

Threat of new entrants is also largely dependent on decisions made by various wings of the government, be it in terms of granting new licenses or varying the scope of services provide and/or operating procedures of financial and non-financial institutions.

Breakdown analysis and IDLC's response

The investment climate and long term potential of businesses to generate returns through leveraged activities, bundled with the demographic dividend to be achieved from a growing middle-class continue to make the case for new market entrants in the financial sector.

In the long-run however, the industry is likely to see consolidation in the face of exceeding an optimum number of institutions.

Our strategy:

Ensure product differentiation and brand awareness, while keeping rates competitive.

Continue efforts in process improvement to ensure long run competitiveness through balancing between cost minimization and service flexibility.

Threat of substitute products Moderate

Factors in consideration

Low threat within the NBFI Industry. However, if we consider loan products from banks as substitute products then the threat is high.

Additionally, for some segments, there exists a high threat of substitute products; for instance for commercial vehicle loans where some of the vehicle suppliers themselves offer the vehicles in installments, removing the need to get a financier involved.

Fintech poses a material threat in the medium and long run, with the potential for innovating alternative ways of creating value in meeting borrowing needs of businesses and individuals.

Breakdown analysis and IDLC's response

Although major threats of substitute products damaging our revenues and profits seem less likely to materialize in the short or medium term, we need to constantly stay on the alert for looming breakthroughs and remain adaptable to changes in the market conditions to be prepared for the future.

Our strategy:

Stay updated with industry best practices and new opportunities offered through technology and policy incentives.

Competitive rivalry High

Factors in consideration

Number of competitors: The Bangladeshi financial services industry is marked by high levels of competition with 56 banks and 33 NBFIs operating in the space.

Switching cost: The switching cost is low due to a high concentration of service providers.

Quality difference: Though IDLC belongs to the top quartile of service providers, there are a few banks comparable in terms of service quality.

Customer loyalty: Traditionally, customers are reasonably loyal; however, the recent phenomenon of excess liquidity and intense price war has reduced loyalty to a great deal, especially across big ticket loans for all segments.

Breakdown analysis and IDLC's response

Every competitor does not operate in all the markets or in every product category.

Imminently, there is growing competition from new entrants as well as banks in consumer home loans and SME financing.

Although specific long-term scenarios remain grossly uncertain over changing market dynamics and pending regulatory policy additions, competitive rivalry is not expected to ease.

Our strategy:

Improve product matrix, customer service and process efficiency to attract and retain customers.

Explore new ways of delivering value and innovative means of utilizing existing resources to extend our range of offerings.

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Entity Analysis

While our competencies define us and identifying pertinent areas of improvement is a major step towards making greater contributions across the value chain, the complete picture of IDLC can be better comprehended through linking these with our role in the value chain (pg. 26), followed by an in-depth view into our business model (pg. 28).

Furthermore, the utilization of our competencies is later highlighted in our way of mitigating risks, preparing for future uncertainties and leveraging on potential opportunities, which are discussed at length as we go over our strategy and resource allocation (pg. 122).

Key Competencies	Strengthening our enterprise further	Elaboration
The IDLC Brand		
Three decades of impeccable track record as a responsible, proactive and customer-focused financial service provider	Continue to invest in the brand	Social & Relationship Capital (pg. 92)
High standing among local brands	Strengthen our image as a responsible and reputed NBFI	
Customer centricity		
Need based products and superior service standards	Continuous innovation in product and services suite	Products (pg. 25) Social & Relationship Capital (pg. 92)
Quick decision-making (one of the lowest loan TAT in the industry)	Investments in processes and technology to achieve stronger efficiency	
Transparent and ethical	Train new recruits on our code of ethics and values	Human Capital (pg. 85)
Training, counseling and business facilitation services	Launch new non-fianancial services and expand the horizon for existing business facilitation services	
Infrastructure		
World-class core banking software	Reap the benefits offered by our sustainable growth platform	Intellectual Capital (pg. 81)
Strategically located branches	Continue to expand strategically by covering unreached regions and populations	Branch Network (pg. 18, 308)
Uninterrupted service delivery infrastructure	Investments in processes and technology to achieve superior efficiency Enable higher levels of process automation	Statement of Corporate Governance (pg. 138)
Corporate governance and compliance		
Stringent regulatory adherence Collaborative and proactive approach towards regulatory and industry reform initiatives Respectable institutional shareholding; experienced and professional Board of Directors Visionary management with direct ownership	Continue to abide by the law of the land in both letter and spirit Continue to collaborate with regulators, peers and other industry participants and adopt best practices	Statement of Corporate Governance (pg. 138)
Human resources		
Competent and empowered human resources	Continue investing in people as they are the principal driving force of the company	Human Capital (pg. 85)
Focused on continuous training and development	Continue need-based training programs and promote leadership from within	
Highest levels of integrity	Educate new employees on IDLC moral codes, values and ethics	
A winning culture fostered through years of embracing best-in-class practices	Continue to innovate and improve; continue to uphold the culture of trying new things without the fear of failure	

Key Competencies	Strengthening our enterprise further	Elaboration
Strong financial footing		
Solid capital base	Increase capital through the rights issue to further strengthen our capital base, which will strengthen our growth platform	Financial Capital (pg. 66)
Efficient asset liability management	Continue good practices, regularly monitor and adapt to changing circumstances	
Sound and steady ROA and ROE	Continue to deliver superior financial results and maintain shareholder return	

Scope for improvement	Addressing our weaknesses	
Dependency on interest income as a major revenue source - a limitation of being an NBFI	Introduce new fee-based services Continue to diversify through subsidiaries - IDLCIL, IDLCSL and IDLCAML. Introduce fee-based products such as 'Easy Invest', among others	Financial Capital (pg. 66)
Dependency on term lending in the absence of transactional accounts - a limitation of being an NBFI	Continue innovating our product suite and focus on concentration on niche markets	Strategy and resource allocation (pg. 122)
Portfolio concentration in Dhaka and adjacent areas as most of the distant branches are established in the last 4-5 years	Continue to grow the loan portfolio in the distant branches Continue to focus on the SME vertical Reach new areas with home loan products to build a portfolio across distant locality	Branch Network (pg. 18, 308)

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Stakeholder and Materiality

How We Cater to Our Stakeholders

Stakeholder Identification

Identification of stakeholders is the key to understanding the expectations from the Company and as such helps pave the pathway towards delivering value and fulfilling those expectations. While shareholders, customers, suppliers and employees are the prime stakeholders; the regulators, local community, and the environmentally interested groups complete stakeholder circle of IDLC.

Engagement with Stakeholders

The first step of our Stakeholder Engagement process is to establish the three pronged sustainability dimension- economic, social and environmental. The key stakeholders are hence aligned with these dimensions and sustainable business objectives are identified by understanding correlated stakeholder expectations. By gauging these objectives, we have formulated strategies through aligning the business model with the value creation process that targets stakeholders' expectations. This is summarized in the table below:

Sustainability Dimension	Key Stakeholders Targeted	Sustainable Business Objectives	How IDLC Addresses this
Economic	Shareholders	Maximizing shareholders' wealth by declaring sound returns annually	Being strategically focused, planning well ahead to counter challenges and identifying opportunities. Continuing to uphold sound governance practices and effective risk management infrastructure. Reinforcement of the internal controls, compliances.
	Customers	Provide quality product/service that meets absolute needs of customers Careful management of operations so as to protect customer interest especially of depositors	Spreading the geographical boundaries through opening more branches across the nation. Molding existing service suites to cater to diversified customer requirements. Continuously innovating in product suite and operational process to meet customer requirements in the most efficient manner.
	Suppliers/Service Providers	Adhere to proper procurement regulations while maintaining a good business relationships with the service providers	Rigorously following internal procurement policy and upgrading the policy regularly to ensure strong control and fair treatment of suppliers.
	Regulators	Ensure compliance with all regulatory guidelines and directives	Putting in place processes, practices and controls to ensure compliance with applicable rules and regulations imposed by local and international laws and regulations. Maintaining sound relation with regulators. Always thriving to achieve global best practices.

Sustainability Dimension	Key Stakeholdes Targeted	Sustainable Business Objectives	How IDLC Addresses this
Social	Employees	• Continuously encouraging employees and working towards creating a healthy, ethical and supportive work environment • Nurturing human capital to ensure sustained collaboration with the Company	• Engaging employees in activities and sports other than business as usual, to achieve a balanced productive environment which is beneficial to both employees and IDLC • Investing in a wide range of training programs for every member of the human capital to ensure personal and professional growth
	Local Communities	• Adding value to the society • Conducting business without causing disruptions in the society	• Implementing programs and initiatives targeted at marginalized communities and underprivileged to address the requirement of society in education/skills development, healthcare and overall poverty alleviation • Enhancing financial access to marginalized population • Most importantly, adding value to the society by being a good and transparent corporate citizen.

Sustainability Dimension	Key Stakeholdes Targeted	Sustainable Business Objectives	How IDLC Addresses this
Environmental	Environmentally interested groups/ Non-Government Organizations	• Conducting business without harming the environment	• Implementing Green Banking practices and ensuring compliance through Green Reporting to Bangladesh Bank • Holding a rigid control on energy consumption to reduce wastage

We have discussed how we create value for each of our stakeholders under Social and Relationship Capital (pg. 92).

In consideration of the above, we have engaged with regulators, management and employees to identify their preferences, concerns and expectations from us.

Stakeholder Engaged	Engagement Process	Key Issues raised by Stakeholders
Regulators	One-on-one Meetings All local regulations Circular issued by Bangladesh Bank on Green Banking & CSR	Corporate Governance, Ethics and Compliance Anti-corruption measures implemented by the organization Responsibility of the organization towards the environment and the community
Management	Discussions	Corporate Governance, Ethics and Compliance Anti-corruption measures implemented by the organization Financial Performance Creating an enabling environment for all our employees Non-discrimination, Diversity and Equal Opportunities Social obligations through capacity development of the underprivileged and women empowerment Environmental obligations through in-house management, CSR and Green Banking initiatives Superior customer experience through continuous improvement
Employees	Discussions	Remuneration and Benefits Career Growth and Development Opportunities Fair Treatment Safe and Healthy Work Environment Work-life Balance Employee Grievance Management

Material Aspects for Concerned Parties

Materiality and Material Aspects Identified Through Stakeholder Engagement

It is through the Stakeholder Engagement Process that the Materiality for reporting is identified. This essentially covers matters that substantively affect the organization's ability to create value over the short, medium and long-term based on a threshold prescribed by the GRI guidelines. As per the GRI guidelines, the threshold for identifying these reportable subjects is termed as 'Materiality' and the subjects identified is terms as the 'Aspects'. Based on the issues raised by stakeholders during the engagement process, the following Material Aspects have been identified and included in this report:



Boundary Defined for Each Material Aspect

The report details how we address the material issues stated above and how these significantly influence performance both within and outside the organization.

Category	Aspects	Material within the Organization	Material outside the Organization
Economic	• Economic Performance • Procurement Practices	Yes	NA
Environmental	• Energy • Biodiversity • Compliance	Yes Any negative influence on protected and/or high biodiversity areas caused by our operations may lead to fines / sanctions / loss of license to operate / negative publicity.	Yes This aspect is material for the environment, and for communities living close to protected and/or high biodiversity areas.
Social			
Labor Practices and Decent Work			
Employment and Occupational Health and Safety		Yes	NA
Training and Education		Yes	NA
Diversity and Equal Opportunity		Yes	Yes This aspect is material for communities where we create job opportunities through our operations / branch networks.
Equal Remuneration for Women and Men		Yes	NA
Human Rights			
Child Labor		Yes	NA
Security Practices		Yes	NA
Non-discrimination		Yes	Yes This aspect is material for communities where we create job opportunities through our operations /branch networks.
Society/ Local Communities			
Local Communities		NA	Yes This aspect is material for local communities where we have operations or investments in projects.
Anti-corruption		Yes	Yes This aspect is material for our customers and other stakeholders.
Product Responsibility			
Customer Health and Safety		Yes	Yes This aspect is material for our customers.
Marketing Communications		Yes	Yes This aspect is material for our existing and potential customer groups.
Customer Privacy		Yes Maintaining privacy of sensitive customer information is one of the major priorities of our employees and a significant part of our employee Code of Conduct.	Yes This aspect is material for our customers.

We are committed to continually review all corporate governance policies and guidelines to ensure transparency in our practices and delivery of high standards and quality information to our stakeholders.

Therefore, through continuous improvements and aiming to attain the sustainability business objectives by maintaining communication with all the key stakeholders, we envision to uphold and realize sustainable business practices best clarified and anchored by our sustainability positioning statement.

We are committed to sustainable development by creating long-term value – value for our stakeholders, value for the environment and value for the community. (pg. 92)



Home is where the heart is!

Mokbul Ur Rahman

IDLC firmly believes in helping people fulfill their dreams. It is our overarching goal to not only provide loan facilities to the ones most in need, but also go the extra mile to ensure that their wishes are fulfilled.

So this is the story of Mokbul Ur Rahman who hails from Khulna. Growing up in a family with limited resources, he had to be content with whatever they had, which was never too much. Living in a small rented flat with a big family ignited his dream of having his own house one day.

As a teacher in a school, he was not necessarily flourishing financially. Having a family of his own, the same worries of accommodation and securing his children's future kept him awake at night.

That is when he visited IDLC's branch in Khulna. Having heard him through, not only did our relationship managers advise him to avail of a construction loan, but also made the whole applications and loan processing easy. He says that most financial organizations looked for loopholes to reject applications when approached by the marginalized. IDLC was refreshingly different. With the belief that the loan could really alter the course of life for Mokbul and his family, IDLC was focused on disbursing the loan after carrying out the necessary checks.

Today, Mokbul lives with his family in his own house, standing proud of his achievement. As someone in his neighborhood said, 'Mokbul-er basha ki shundor!'

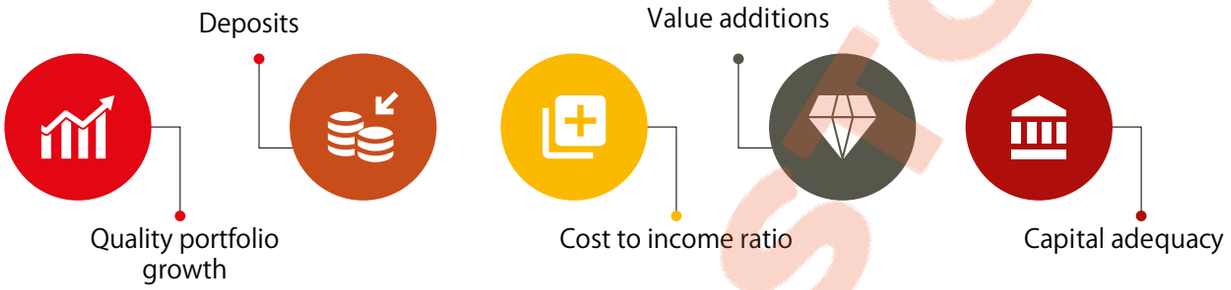
MAR STOCK

Our Capitals

Financial Capital

Our financial capital includes our monetary resources, which are obtained through our business activities and from external sources. Funding mechanisms, such as equity, debt and term deposits are the main sources of our financial capital. In 2016, our financial capital was uplifted by strong performance in our lending base as well as our deposit book.

Material Aspects



Highlights

Obtained a portfolio growth of **12.77%**

Retained cost to income ratio below the target level of **40%**

Restricted NPL below **3%**

Achieved a **22%** growth in net profit

Challenges

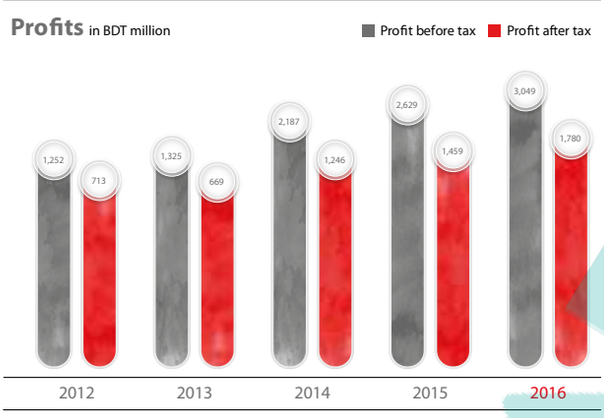
- New industry entrants increasing the intensity of competition
- Unhealthy price wars leading to constrained margins
- Excess liquidity resulting in declining interest rates
- Controlling operational expenses

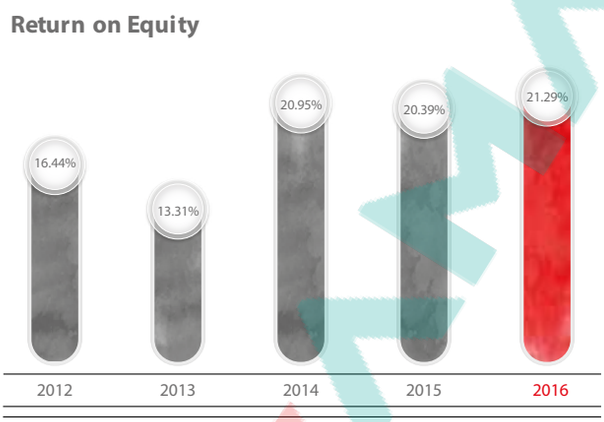
Despite the tough economic environment, constrained margins and rising expenses, we have managed to end the 2016 financial year with a healthy financial position. Considering our substantial investment in infrastructure and human capital so as to enhance efficiency and cater for ongoing growth, we are pleased with the performance of the group. We have incorporated an in-depth financial analysis below, for a better reflection of our financial performance.

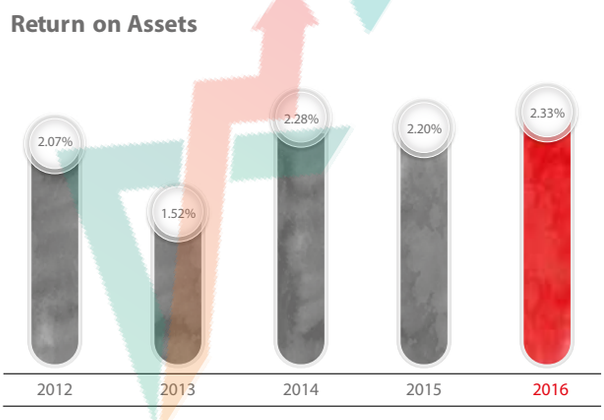
In BDT million

Particulars	2016	2015	Year on Year Growth
Net interest income	3,737	3,418	9.34% ↑
Fee Income	832	749	11.12% ↑
Operating expense	1,962	1,648	19.06% ↑
Increase in Provision for Loans and Investments	156	312	-50.01% ↓
Income Tax	1,269	1,169	8.50% ↑
Net Profit after tax	1,780	1,459	22.00% ↑

Profitability:

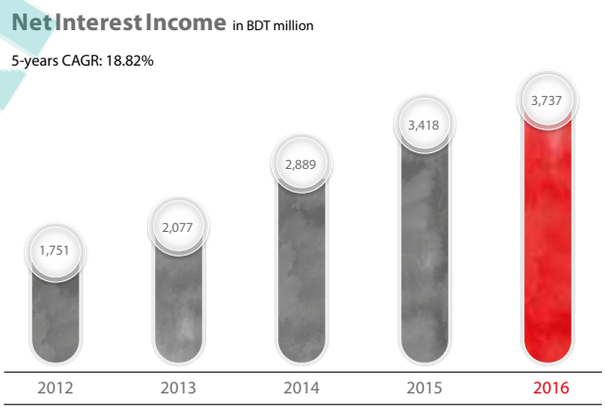






Despite facing a very challenging year, we have delivered a strong set of results, with a post-tax profit of BDT 1,780 million, a 22% increase over the previous year. This growth reflects the enhanced internal capital generation capacity of the group. The key factors behind the results were growth in the lending book, efficient management of fund, and reduced NPL ratio. Following the growth in profits, our profitability ratios have also improved compared to the previous year. This year our return on assets rose to 2.33% from 2.20% and our return on equity rose to 21.29% from 20.39%.

Incomes



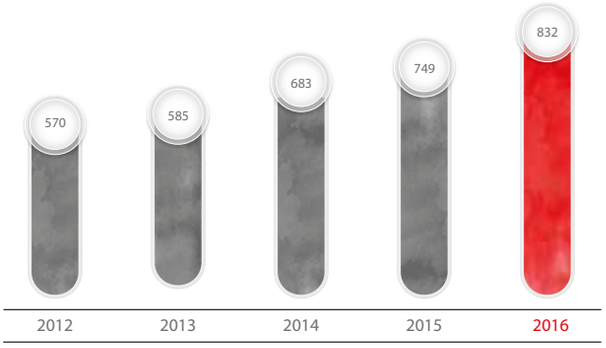
The total interest income of the group has increased to BDT 8,360 million from BDT 8,251 million, with a marginal growth of 1.32%, consequent to an overall portfolio growth of 12.77%. The benefit of the decent portfolio growth was to some extent offset by decrease in lending rates commensurate with the industry trends for the last couple of years. Term financing, real estate financing and lease financing have been our top income generators. Our income from term financing has recorded a significant growth of 21.92% over the previous year. The portfolio growth, which led to the increase in interest income, has been possible because of our high levels of customer service, product innovation, customized solutions and the continuous efforts of our sales team. In addition to this, our focus on quality portfolio growth has also allowed us to keep our NPL under check.

While we could pose some positive growth in interest income despite lending rates decreasing significantly, our interest expense

was kept under control. In 2016, our interest expense was BDT 4,622 million compared to BDT 4,833 million in the previous year, resulting in a reduction of 4.36%. Term deposits, which holds 77% of our funding mix, has accounted for 82.74% of the total interest expense. Our attempt of reducing the proportion of higher-cost term deposit in our deposit book has enabled us to achieve a reduction in our overall interest expenditure. Furthermore, re-pricing of deposit rates driven by a downward pressure on market interest rates and utilization of refinancing facilities from Bangladesh Bank helped us control our interest expense.

A rise in interest income and a reduction in interest expense have led to a 9.34% growth in our net interest income, which stood at BDT 3,737 million at the end of the financial year 2016.

Fee Income in BDT million



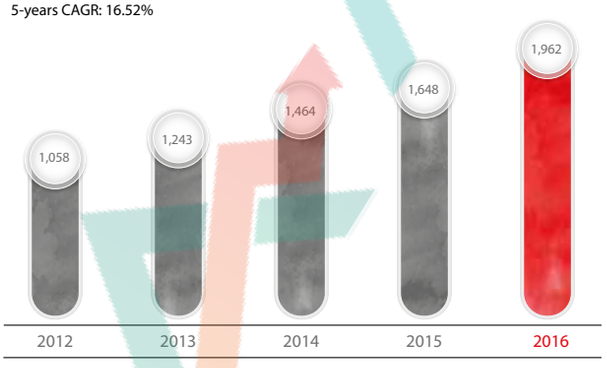
The main sources of our fee income include commission and brokerage fees, application processing and documentation fees, arrangement fees, portfolio management fees, corporate advisory fees and so on. A major portion of our fee income is generated from commission and brokerage fees. Our fee income rose to BDT 832 million in 2016, posting a significant growth of 11.12% over the previous year.

Expenses and Provisions:

The group's operating expense increased by 19.06% to BDT 1,962 million in 2016 compared to BDT 1,648 million in 2015. Our operating expense refers to the costs associated with staff, premises, technology and others. The rise in overall operating expense is the outcome of our major investments in human capital and infrastructure.

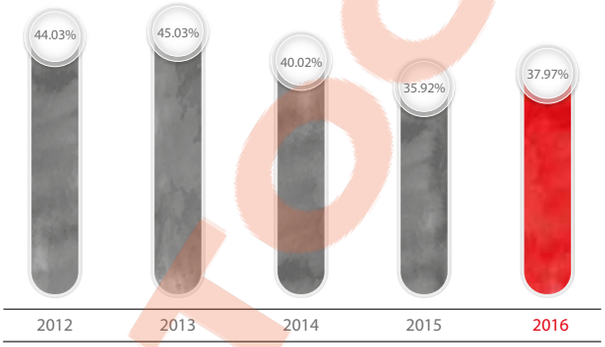
Operating Expense in BDT million

5-years CAGR: 16.52%



The restructuring of compensation and benefit package, increased investment in training, new recruitment and higher number of promotions have been some of the reasons behind the significant increase in staff cost. Our premises related cost increased significantly by 48.38% amidst the relocation of two of our major offices in Dhaka to bigger and better spaces and opening of 4 new branches.

Cost to Income Ratio



In 2016, a major challenge has been to keep the operating expenses under control. However, our increased investment in human capital and infrastructure resulted in a significant rise in operating expense, which led to a higher cost to income ratio of 38% compared to 36% in the previous year. Though our cost to income ratio increased from the previous year, we still managed to keep it below the initially targeted ratio of 40%.

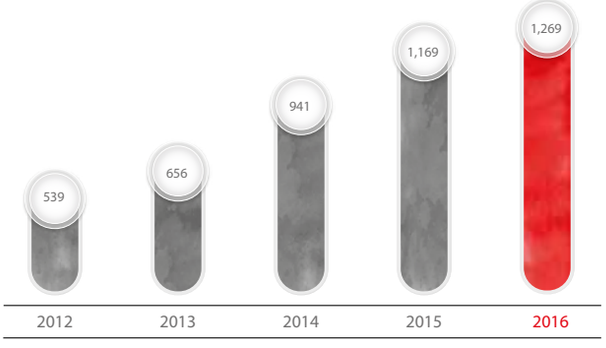
Provision for Loans/Investments:

In BDT million

Particulars	2016	2015
Increase in General Provision during the year	49	49
Increase in Specific Provisions during the year	168	276
Provisions for diminution in value of investments	(60)	(14)

Provisions have been maintained for classified loans as per the provisioning policy issued by the Central Bank. Increase in provision in 2016 was less than that of 2015 mainly due to improved portfolio quality and decrease in provision for diminution in value of investments, attributable to the increase in market price of our investments. A detailed picture of the increase/decrease in provisions can be found in note for provision (pg. 229).

Provision for Income Tax in BDT million



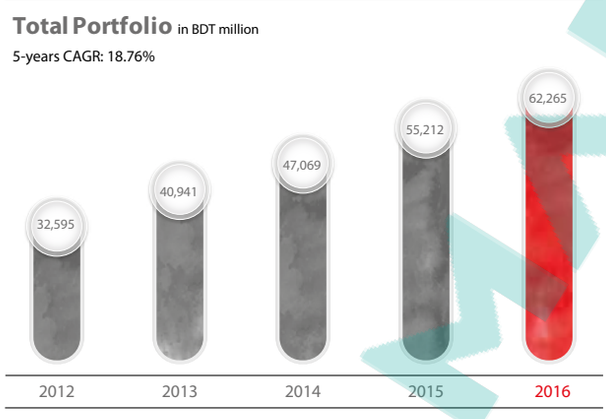
As the income generation capacity of the group increased gradually throughout the last 5 years, so did the contribution of the company to the government exchequer in the form of income tax. The tax expense of the group has increased to BDT 1,269 million in 2016 from BDT 1,169 million in the previous year. The effective tax rate in 2016 was 41.61%.

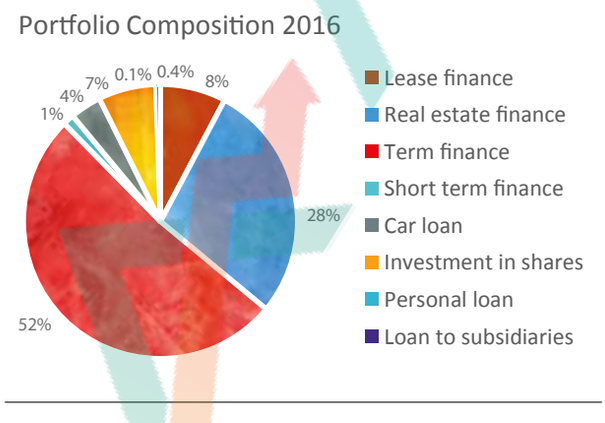
Balance Sheet Summary:

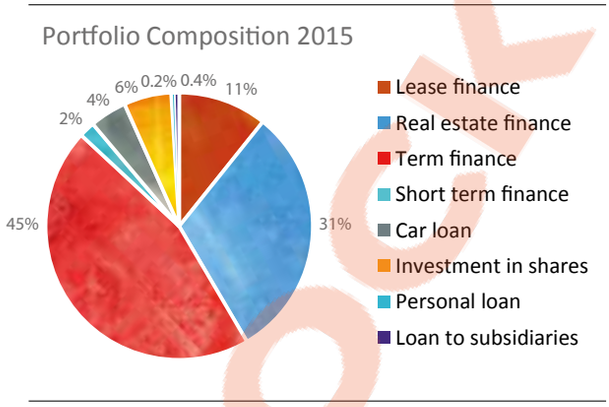
In BDT million

Particulars	2016	2015
Assets:		
Cash and cash equivalents	11,353	13,435
Investment	4,348	3,392
Lending portfolio	62,265	55,212
Others	1,393	1,395
Liabilities:		
Deposit	49,324	47,625
Borrowing	12,564	10,586
Other liabilities	8,533	7,438
Equity	8,938	7,786

Lending Portfolio:

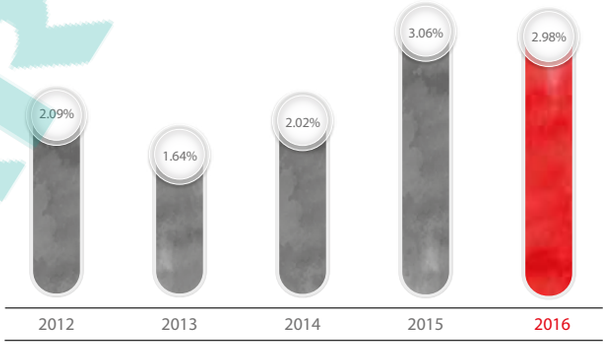






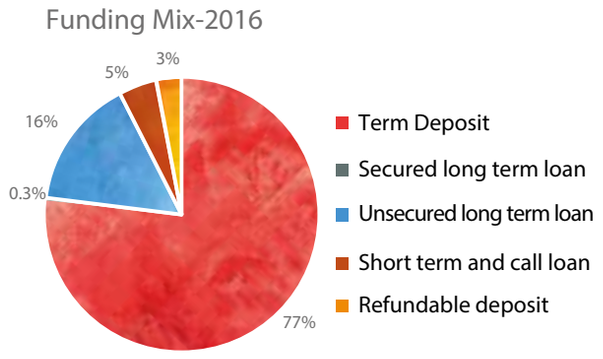
Our lending portfolio grew by 12.77% reaching BDT 62,265 million in 2016 from BDT 55,212 million in 2015. Lease finance, real estate finance, term finance, car loan, etc. have been the key components of our lending portfolio. The growth in the lending portfolio was driven by term finance, real estate finance and lease finance. A major portion of the portfolio is dominated by term finance with a share of 51.62% followed by real estate finance with a share of 28.29%.

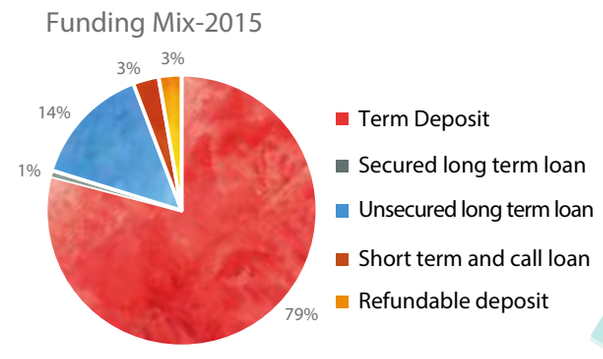
Non-performing Loans (NPL)



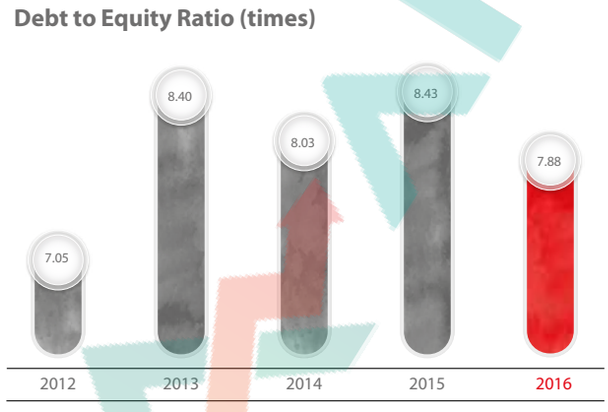
Our NPL ratio improved from 3.06% in 2015 to 2.98% in 2016. After an increase in NPL in 2015 (as demonstrated in the chart above), we have taken up specific programs for different customer segments to arrest the rise of NPL. Apart from this collection effort, we have also further strengthened the credit appraisal process and introduced a credit scoring system, developed in collaboration with International Finance Corporate (IFC), to assist the credit decision making process. These initiatives, coupled with some written off accounts, which were fully provided for, enabled us to reduce the NPL slightly. The efforts will continue with the aim of reducing the NPL further in 2017.

Funding Mix:

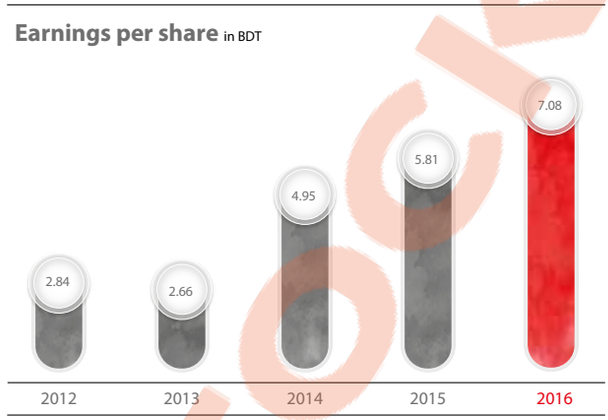




Our funding base increased by 6% compared to the previous year and moved to BDT 61,889 million from BDT 58,210 million. This growth was largely driven by our term deposits, which amounted to BDT 47,475 million in 2016. The efforts of our products team in developing and offering flexible and customized products that cater to the needs of our customers have helped us achieve this growth.

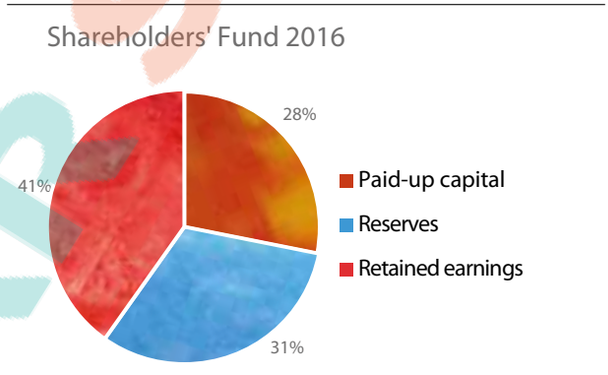


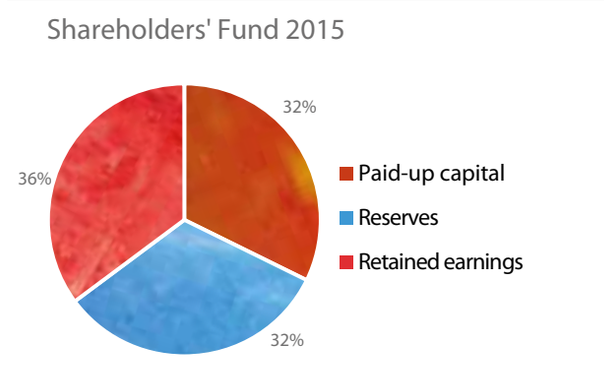
The debt to equity ratio came down to 7.88 times in 2016 from 8.43 times in 2015, demonstrating an enhancement in the leverage position of the group. An increase in the retained earnings has helped to reduce our dependency on external funding mechanisms and reflects an improvement in the internal capital generation capacity of the group.



Our earnings per share increased to BDT 7.08 in 2016 from BDT 5.81 in 2015, indicating a growth of 22%. This reflects the improved profit earning capacity of our group.

Shareholders' Funds:





A growth of 15% took the shareholders' fund to BDT 8,938 million compared to BDT 7,786 million in the preceding year. This growth was mainly driven by the positive change that occurred in retained earnings. While our paid-up capital remained static, our retained earnings and reserves grew by 31% and 12% respectively. The retained earnings growth was boosted by the 22% rise in profit after tax, whereas our reserves grew by 12%

due to an increment in statutory reserves. In 2015, 36% of the shareholders' fund was held by retained earnings, which grew to 41% in 2016. This demonstrates a higher internal capital generation capacity of the group.

Cash Flow Analysis

Cash Flow from Operating Activities:

In the financial year 2016, cash flow from operating activities before adjusting the changes in operating assets and liabilities decreased marginally by 0.38%. Though our cash inflow from interest, fees and commission increased, the cash flow from working capital fell significantly in 2016, driven by increased disbursements and reduced term deposit placements in banks. In 2015, there was a net cash inflow from operating activities of BDT 5,268 million, however in 2016 there was a net cash outflow of BDT 1,197 million.

Cash Flow from Investing Activities:

The cash outflow from investing activities increased to BDT 1,228 million in 2016 from BDT 1,046 million in 2015, as a result of increased investments in securities.

Cash Flow from Financing Activities:

The group obtained BDT 2,164 million from term loans, while it repaid BDT 2,623 million of its previously obtained term loans. In addition, the group also paid a significantly higher amount of dividend this year. This caused the net cash inflow from financing activities to fall from BDT 1,229 million in 2015 to BDT 344 million in 2016.

Overall Scenario:

The cash and cash equivalents balance of the group fell to BDT 11, 353 million in 2016 compared to BDT 13,435 in the preceding year. However this decrease is not an indication of the cash generation capabilities of the group, but rather reflects better and more efficient utilization of funds.

AMAR STOCK

Key Operating and Financial Highlights

IDLC Group

in BDT million

Particulars	2012	2013	2014	2015	2016	Growth
Financial Performance						
Total assets	37,784	50,429	58,927	73,434	79,359	8.07%
Long term liabilities	32,492	43,951	51,371	64,154	68,931	7.45%
Term deposit balance	22,008	29,064	35,240	46,039	47,475	3.12%
Operational Performance						
Operational income	2,403	2,761	3,658	4,588	5,167	12.61%
Operational expenses	1,058	1,243	1,464	1,648	1,962	19.06%
Financial expenses	3,103	4,138	4,543	4,833	4,622	-4.36%
Profit before tax	1,252	1,325	2,187	2,629	3,049	16.00%
Net profit after tax	713	669	1,246	1,459	1,780	22.00%
Financial Ratios						
Debt equity ratio (Times)	7.05	8.40	8.03	8.43	7.88	(0.55)
Financial expenses coverage ratio (Times)	1.40	1.32	1.48	1.54	1.66	0.12
Return on total assets (%)	2.07	1.52	2.28	2.20	2.33	0.13
Return on shareholders' equity (%)	16.44	13.31	20.95	20.39	21.29	0.90
Earnings per share	2.84	2.66	4.95	5.81	7.08	1.28
Price earnings ratio (Times)	15.95	15.12	12.06	10.96	8.05	(2.91)
Average effective tax rate (%)	43	49	43	44	42	(2.87)
Net interest income as a % of working funds	5.94	5.65	6.56	6.68	6.36	(0.32)
Equity Statistics						
Number of shares (No.)	123,750,000	160,875,000	201,093,750	251,367,187	251,367,187	0.00%
Year end market price per share (BDT)	91.90	62.90	74.70	63.60	57.00	-10.38%
Net asset value per share (BDT)	18.67	21.33	25.97	30.97	35.56	14.79%
Market capitalization	11,373	10,119	15,022	15,987	14,328	-10.38%
Market value addition	44.49	29.57	42.24	32.63	21.44	-34.28%
Shareholders' equity	4,693.29	5,362.76	6,527.83	7,785.96	8,937.84	14.79%

Key Operating and Financial Highlights

IDLC Finance Limited

in BDT million

Particulars	2012	2013	2014	2015	2016	Growth
Financial Performance						
Lease and Term loans disbursed	12,304	16,895	17,473	22,140	29,807	34.63%
Housing finance disbursement	2,736	4,421	5,896	5,954	5,646	-5.18%
Short term finance portfolio	581	604	735	1,079	845	-21.68%
Lease Finance assets	5,479	6,358	6,282	6,016	4,950	-17.72%
Real estate finance assets	8,262	11,170	14,822	17,206	18,108	5.24%
Total assets	35,748	48,535	57,160	71,769	76,505	6.60%
Long term liabilities	30,987	42,884	50,471	63,591	67,446	6.06%
Term deposit balance	22,008	29,164	35,241	46,174	47,564	3.01%
Net current assets	2,797	2,682	2,778	5,924	5,031	-15.08%
Operational Performance						
Operational income	1,955	2,573	3,326	3,961	4,436	11.99%
Operational expenses	822	1,021	1,237	1,394	1,681	20.63%
Financial expenses	3,088	4,127	4,530	4,827	4,622	-4.25%
Profit before tax	1,033	1,406	2,029	2,276	2,581	13.42%
Net profit after tax	589	811	1,154	1,244	1,496	20.31%
Financial Ratios						
Debt equity ratio (Times)	8.38	9.50	9.04	9.65	9.06	(0.59)
Average effective tax rate (%)	42.94	42.32	43.15	45.34	42.02	(0.03)
Financial expenses coverage ratio (Times)	1.33	1.34	1.45	1.47	1.56	0.09
Current ratio (Times)	1.21:1	1.14:1	1.13:1	1.22:1	1.17:1	0.09
Return on total assets (%)	1.81	1.92	2.18	1.93	2.02	0.09
Non performing loan ratio (%)	2.09	1.63	2.02	3.06	2.95	(0.11)
Return on shareholders' equity (%)	16.76	19.24	22.37	20.01	20.87	0.86
Earnings per share	2.34	3.23	4.59	4.95	5.95	1.00
Dividend per share	3.00	3.00	3.50	2.50	3.00	0.50
Dividend yield (%)	3.26	4.77	4.69	3.93	5.26	1.33
Dividend payout ratio (%)	127.99	92.98	76.27	50.52	75.59	25.07
Shareholders' equity	3,809.72	4,620.72	5,693.82	6,736.55	7,604.54	12.88%
Net interest income as a % of working funds	5.75	6.13	6.78	6.44	6.14	(0.30)

Value Added Statement

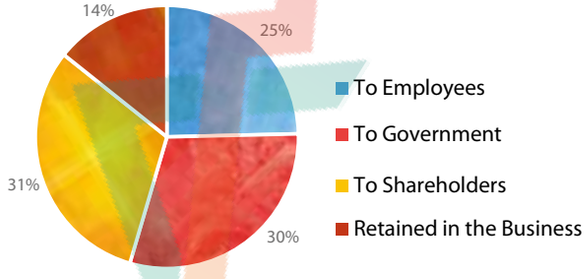
for the year ended December 31, 2016

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

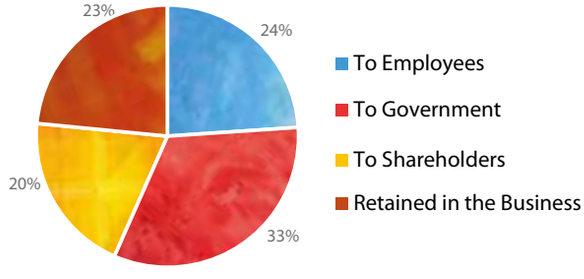
The Value Added Statement shows the total worth created and how it was distributed to meet certain obligations and the portion retained for the continued operation and expansion of the Company.

	Dec. 31, 2016 BDT	%	Dec. 31, 2015 BDT	%
Value added				
Operating revenue	8,551,258,534		8,354,699,891	
Cost of borrowing	(4,622,068,956)		(4,827,091,642)	
	3,929,189,578		3,527,608,249	
Other income	506,398,528		433,242,052	
	4,435,588,106		3,960,850,301	
Provisions	(173,448,519)		(291,570,010)	
Operating expenses excluding staff costs and depreciation.	(634,611,786)		(513,702,436)	
Value added	**3,627,527,801**	**100%**	**3,155,577,855**	**100%**
Distribution of value addition				
To Employees as remuneration	893,737,599	25%	755,609,881	24%
To Government as taxes	1,084,447,203	30%	1,031,699,212	33%
To Shareholders as cash dividend	1,131,152,342	31%	628,417,968	20%
Retained in the business	518,190,658	14%	739,850,795	23%
as capital and revenue reserve	365,256,055	10%	615,402,154	20%
as depreciation	152,934,603	4%	124,448,641	4%
	3,627,527,801	100%	3,155,577,855	100%
	-		-	
Number of employees	1,099		1,060	
Value added per employee	3,300,753		2,976,960	

2016



2015



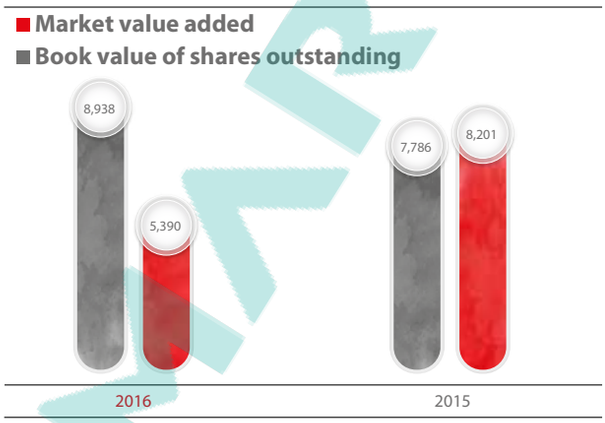
SMARTSTOCK

Market Value Added (MVA) Statement

Market value added statement reflects the performance of IDLC Finance Limited evaluated by the market through the share price of the company. This statement shows the difference between the market value of a company and the capital contributed by investors. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity. The higher MVA is the better indication. A high MVA indicates the company has created substantial wealth for the shareholders. A negative MVA means that the value of management's actions and investments are less than the value of the capital contributed to the company by the capital market (or that wealth and value have been destroyed).

The following statement shows how the MVA has been calculated for the year ended 31 December 2016 and 2015:

	in BDT Million	
	2016	2015
Market value of shares outstanding	14,328	15,987
Book value of shares outstanding	8,938	7,786
Market value added	**5,390**	**8,201**



Economic Value Added (EVA) Statement

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

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

EVA has been calculated by the following formula:

EVA = Net Operating Profit – Taxes – Cost of Capital

	BDT	
	2016	2015
Net operating profit	2,754,304,118	2,567,089,343
Provision for taxes	(1,084,447,203)	(1,031,699,212)
Net operating profit after tax (NOPAT)	**1,669,856,915**	**1,535,390,131**
Charges for capital		
Capital employed	8,291,336,918	7,240,313,834
Cost of equity (%)	9.11%	9.36%
Capital charge	755,340,793	677,693,375
Economic Value added	**914,516,122**	**857,696,756**
Capital employed as on December 31		
Shareholders' equity	7,604,537,150	6,736,546,722
Accumulated provision for doubtful accounts and future losses	1,081,156,938	1,160,433,026
Average shareholders' equity*	**8,291,336,918**	**7,240,313,834**

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

Capital Adequacy Ratio

As per the Bangladesh Bank Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions, Financial Institutions (FIs) are required to maintain a minimum capital adequacy ratio of 10%. At the end of 2016, capital adequacy ratio of the group stood at 14.5%.

Amount in BDT million

	IDLC Group	IDLC Finance
Tier I: Core Capital	**8,938**	**7,604**
Paid-up capital	2,514	2,514
Share premium	4	4
Statutory reserves	1,782	1,782
General reserves	1,000	1,000
Dividend equalization reserves	47	47
Retained earnings	3,592	2,259
Non-controlling interest	0.002	-
Tier II: Supplementary Capital	**480**	**480**
General Provision	480	480
Total eligible capital	9,418	8,084
Total risk weighted assets	64,958	61,009
Capital Adequacy Ratio (%)	14.50%	13.25%

Outlook:

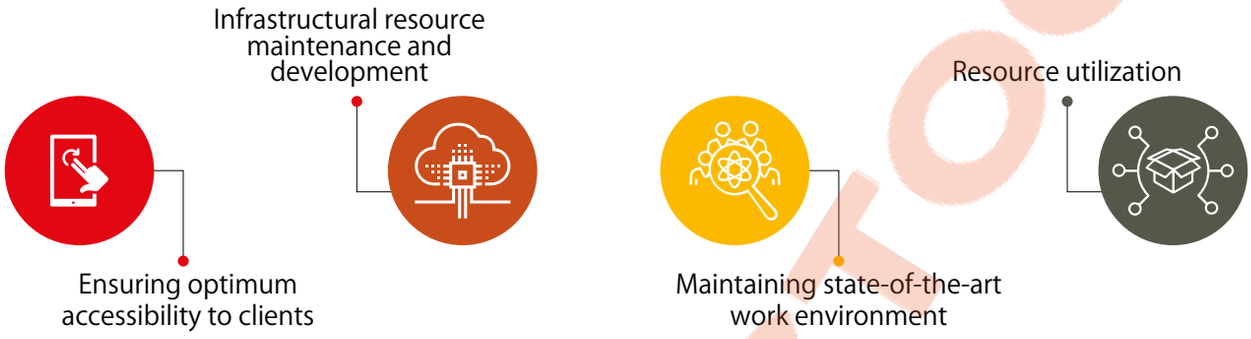
- Outgrow the industry in business growth
- Reduce NPL further
- Strengthen Capital Base through issuance of Right Share
- Improve cost to income ratio
- Achieve desired deposit growth while optimizing cost

AMARSTOCK

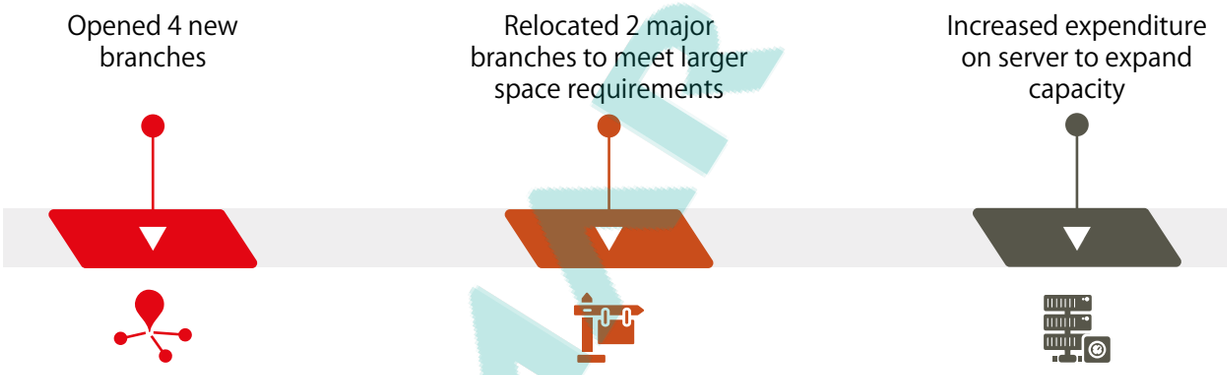
Manufactured Capital

Our manufactured capital includes physical objects ranging from our brick and mortar branch locations, to the servers we rely on for our IT infrastructure, to the computers, equipment and supplies we use in our office premises.

Material Aspects



Highlights



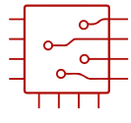
Challenges



Ensuring infrastructure sufficiency supports growth ambitions

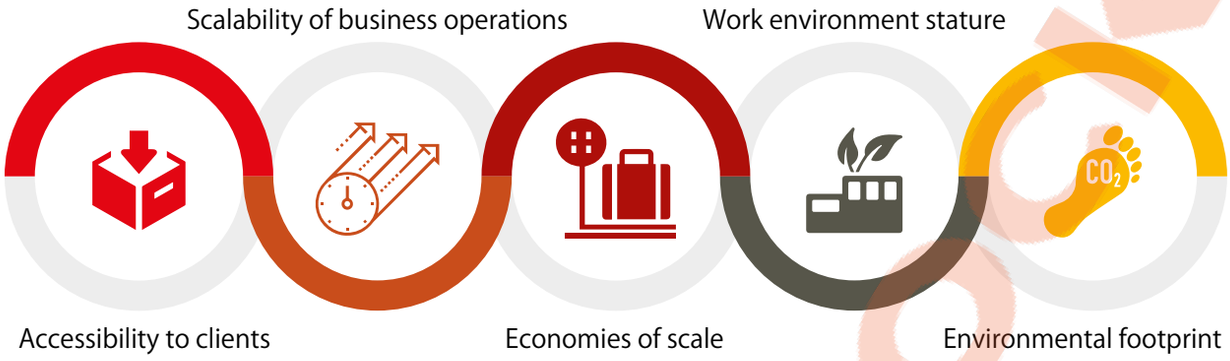


Balancing costs and benefits of investments

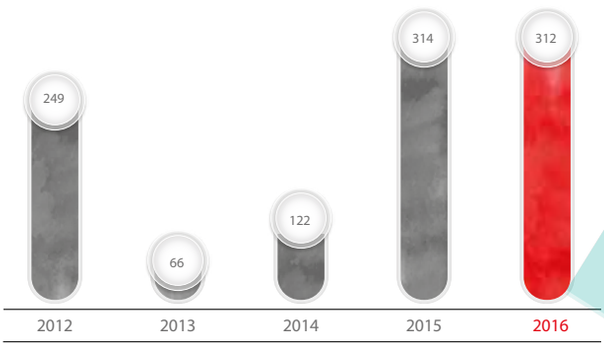


Rapid changes in technology and the timing of investments

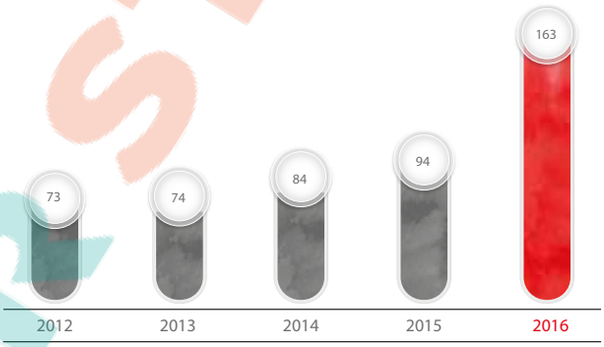
Sphere of impact



Capital Expenditure in BDT million



Rental Expense in BDT million



Our investment in manufactured capitals is consistent with the growth trajectory of our organization. Our business model relies quite heavily on this resource. Evidently, 15% of our fixed assets are buildings, while 11% of it are computing equipment for day-to-day operations. In order to facilitate our growing business needs, we have also been steadily investing in technology (IT infrastructure, pg. 82).

Accessibility to Clients, Existing and Prospective

Our geographical presence is certainly a key factor in determining how accessible our services are to our clients. Our business model involves making financial services available and accessible to those with value creation capacity. We extend our presence strategically, balancing the need to maintain close proximity to our clients with the costs associated. In response to the opportunities presenting themselves in certain locations, we have opened 4 new branches in the past year. (Milestones, pg. 30).

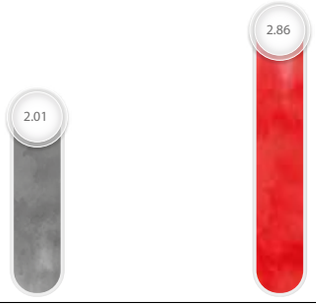
However, the key metric indicating the growth in our presence is illustrated in our rental expense.

Accessibility is also enhanced through improving our virtual presence. The intricate ways in which we create value through the virtual world are elaborated within our Social and Relationship Capital (pg. 92). The outcomes of improving our presence are evident in our Financial Capital (pg. 66).

Scalability of business operations

As a financial institution, we remain prepared to scale our operations in response to abrupt rises in business or unexpected opportunities requiring quick decision-making. What makes us scalable is our long-term focus, and a blend of ambitious goal-setting combined with prudent investments in infrastructure.

Expenditure on Procuring New Servers in BDT million



A key component driving the balance between maintaining scalability and resource utilization remains in our efforts towards continuous improvement to enhance process efficiencies. This is further elaborated within our Intellectual Capital (pg. 81)

Economies of scale

By itself, when we invest in a new branch, or in servers, or in additional equipment for our employees the costs incurred are paid off through the additional number of clients we are able to serve. These benefits are multiplied as investing in our manufactured capital also enables economies of scale when it transforms into:

- Intellectual capital, by enabling process innovations and knowledge-sharing through investment in technology and platforms (Expenditure in IT infrastructure, pg. 82)
- Human capital, through providing our people with platforms and tools they can use to improve efficiency and reduce turnaround times. Also, when we invest in smarter work environments, our employees are better able to deliver. (Employee productivity, pg. 90)
- Social and relationship capital, by enabling us to extend our services to a wider geographical location. Also, investing in IT infrastructure allows us to serve greater numbers of people virtually. (Audience reach, pg. 27)

Enhancing our work environment

The increase in our rental expenses, not only illustrates our growth in presence, but also the fact that we have moved to bigger and better spaces that are consistent with our efforts to provide improved working environment to our employees.

This includes better amenities within the branches that cater to employees in terms of work space, facilities for extra-curricular activities and so on. These help create greater attachment to the company and is in line with our philosophy that a good work-life balance should start at the workplace.

In order to help employees reach their potential, a good work environment needs to be complemented with employee engagement initiatives, efforts towards employee health and well-being and numerous other factors that are discussed in our Human Capital (pg. 85)

Investing in eco-friendly offices and policies

We have taken initiatives to make our branches more eco-friendly and reduce our carbon footprint. We invest in making our premises more energy efficient. Testament to our efforts, one of our recent branches has achieved the prestigious LEED (Leadership in Energy and Environmental Design) Gold certification from USGBC (United States Green Building Council). Our efforts towards environmental protection are highlighted in details within our Natural Capital (pg. 92)

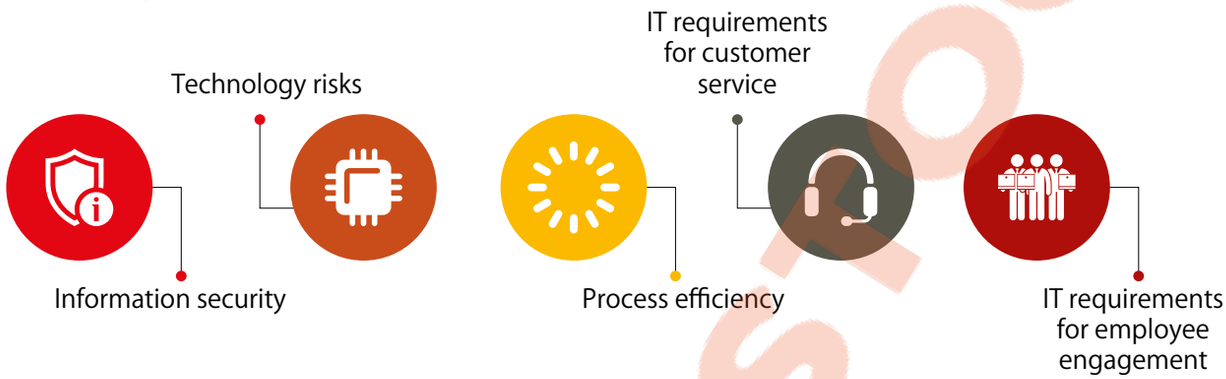
Outlook

- Solidify our branch network
- Extend infrastructural capabilities to meet future business needs
- Improve process efficiencies to enable better utilization of manufactured capital inputs
- Pool resources where possible to harness better economies of scale

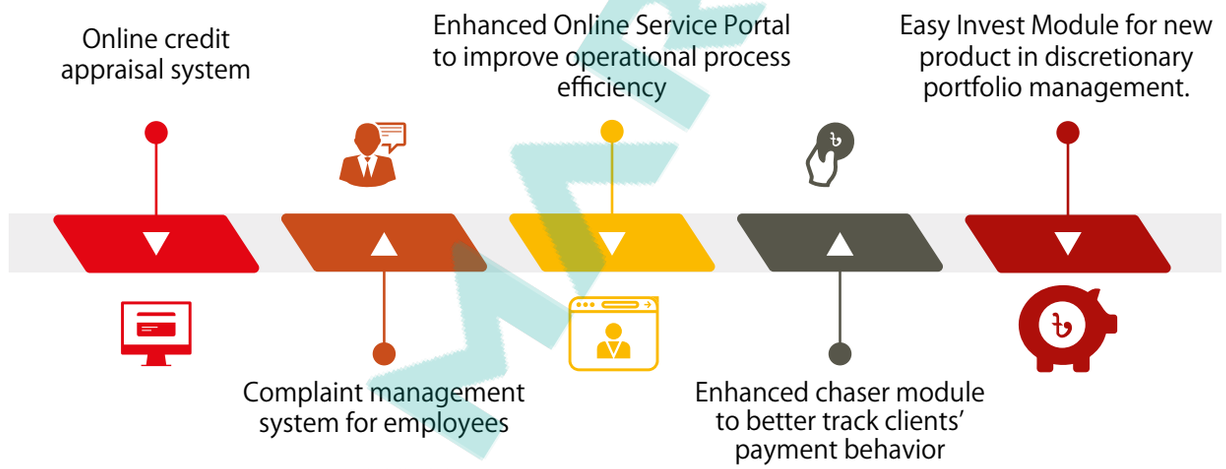
Intellectual Capital

Our intellectual capital inputs include all our knowledge-based assets such as licenses, software, copyrights, procedures and protocols. As a key competitive advantage that underpins our growth ambitions, we assess the extent to which our proprietary and licensed technologies, in combination with our expertise, provide sufficient advantage to generate the returns on investment we seek.

Material Aspects



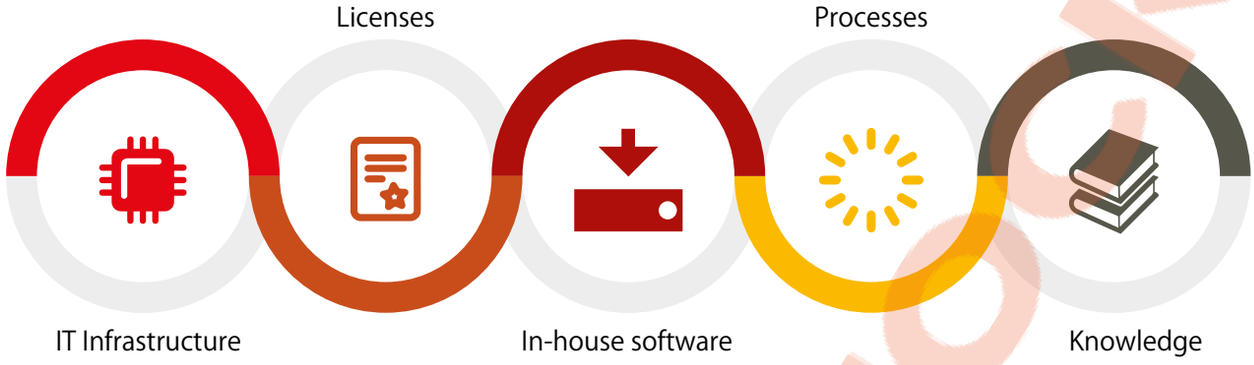
Highlights



Challenges

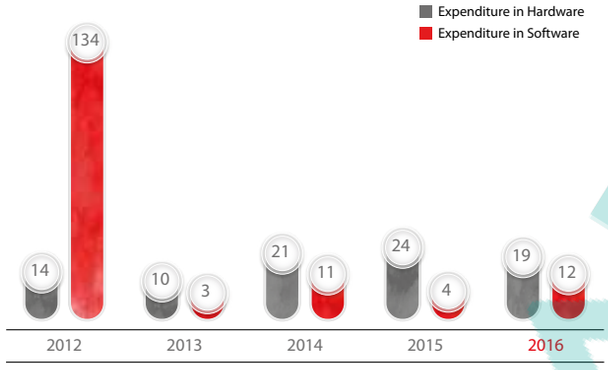


Intellectual Capital Aspects



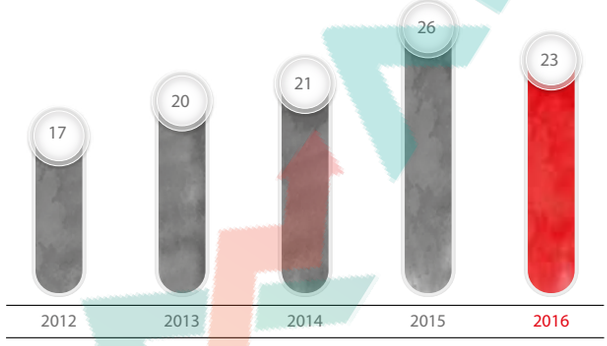
IT Infrastructure

Expenditure in IT Infrastructure in BDT million



Disclaimer: The purchase of Core Banking System in the year 2012 contributed to the extraordinary amount of investment attributed to said year.

Software Maintenance in BDT million



Our robust IT infrastructure and continual efforts towards leveraging technology to optimize processes through eliminating redundancies and enabling cost-saving measures to remain competitive in the marketplace is driven by our culture of promoting innovation and our focus on continuous improvement.

Risk mitigation through IT

Besides enabling us to scale our operations, these investments also help us in mitigating against various risks.

IT failure risk

ICT operation at IDLC is centralized through Data Center (DC) with a real-time Disaster Recovery Site (DRS). Furthermore, the branches and booths of IDLC are connected to DC and DR through fiber optic with redundant connectivity up to tertiary level.

Data breach risk

To mitigate against data breach risk, we have placed access controls at 3 layers, precisely - network, application and database level access control.

Ensuring security beyond compliance

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

Further elaboration and depiction of IT related risks and mitigation strategies are highlighted in our Statement of Risk Management (pg. 134).

Licenses

Since 2012, IDLC has been using a robust globally renowned core banking system, Flexcube, for efficient handling of customer transactions. Apart from this, we use licensed software for the following purposes:

- Relational database management
- Business analytics and reporting
- Intra-company email and verbal communication
- Office suite
- Operating systems

In-house Software

Satellite modules

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

Sl.	Name of Automated System/Software	Functions Done with the Software	Practical Convenience
1	Payment Module	All sort of payments either through BEFTN or Cheque are made from this software.	Fully integrated with Core Banking System (FCUBS). It also: - Automates the payment process (BEFTN/ Cheque). -Increases the operational efficiency and productivity.
2	Factoring Module	Full-fledged Supplier Finance operations are performed with this software.	Fully integrated with the Core Banking System and serves us to manage centralized accounts.
3	Treasury Module	Day-to-day Treasury operations are managed through this software.	Fully integrated with the Core Banking System and serves us to manage centralized accounts.
4	Customer Notification	• SMS notification • Email notification	Enables us to provide value added service to our clients.
5	CIB Automation Tool	• Auto generation of CIB monthly contribution files.	Integrated with core banking software to eliminate manual work relating to CIB generation.
6	Chaser Module	A process driven customer monitoring tool. The system: - Tracks status of the Chase - Automatically maintains activity journal - Tracks customer collection performance - Tracks Chaser performance	- Facilitates efficient collection follow-up - Provides insightful MIS through Dashboard
7	Incentive Management Module	Performance based incentives are calculated automatically from this system.	Integrated with Core Banking system. It also: - Reduces significant time on incentive calculation - Provides insightful view on performance
8	Document management	• Pending document declaration and follow up • Charge/ pre-formatted document printing	Fully integrated with Core Banking System (FCUBS) that increases the operational efficiency and productivity
9	Asset & Insurance Management	• Manages all kinds of assets related to loan/lease accounts. • Handles employees' insurance management within the company	Allows time-saving accurate tracking of said assets and employees' insurance related calculations.
10	Business Analytics	MIS & Reports	Enables data-centric, timely decision making.
11	Helpdesk	To provide day-to-day support.	Provides for a one-stop solution terminal.

Online Credit Appraisal System

Apart from the above, we have rolled out Online Credit Appraisal System (OCAS) which has brought Business, Credit and Valuation teams to a unified technology platform, thereby reducing the turnaround time of loan application processing.

Contact Center

Our Contact Center (16409) built on the internal unified communication system, to provide our valued customers more convenience in reaching us than was possible through our help desk, became fully functional in the preceding fiscal year.

Processes

Process Improvement Initiatives

During 2016, the focus of the IT strategy has been on business alignment and engagement, process automation, stability and availability, information security, and risk and compliance.

Knowledge

We take several initiatives to improve the knowledge-base of our employees

Training

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

Knowledge seminars

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



Workshop on Mastering Project Finance at Le Méridien

Strategic Job Rotation

Our employees' knowledge, expertise and dynamic capabilities are considered vital for business growth. As a means of developing these qualities our department heads interact regularly with the employees in their teams to give them opportunities best suited to accommodate their interests and ambitions, while being aligned with company objectives.

Outcomes of above initiatives

Our investments in developing our intellectual capital, have aided us achieve several organizational objectives.

Snapshot of files processed by our operations department for one of our divisions:

Year	Productivity (files/employee per year)	Growth in Productivity
2016	498	20%
2015	414	32%
2014	313	

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

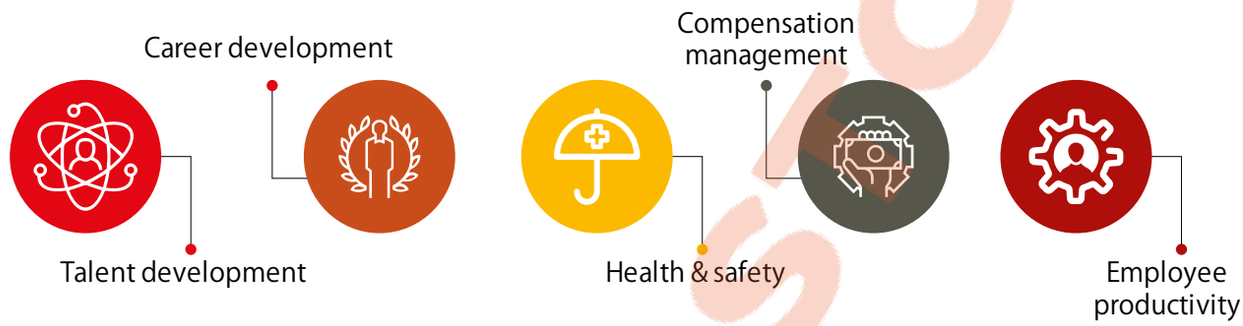
Outlook

- Improved online platform to be introduced for improved delivery of financial services to clients.
- Enhanced credit-risk grading model being developed for faster loan processing.
- Operations automation project underway for improving efficiency and cutting costs.
- Pulse – improved customer service training initiative customized for SME clients.
- Change Management Department being set up for streamlining processes.

Human Capital

Our human capital does not only include our employees, but also their health and well-being, their expertise, their experience, their innovative capacity and their motivation. Their skills and involvement determine our ability to realize our vision of becoming the best financial brand in the country. Our people define our success. Over the years, their passion, dedication and commitment have empowered us to reach new heights, propelling the company to become the leading NBFI of the country.

Material Aspects



Highlights

Restructured compensation and benefit policy to attract, retain and motivate the best resources

Increased focus on enhancing job objective based performance appraisal system for all employees



Re-engineered recruitment and selection process to ensure greater efficiency

Conducted training sessions led by foreign trainers and training institutions

Challenges



Ensuring work-life balance



Ensuring a vibrant and congenial work environment

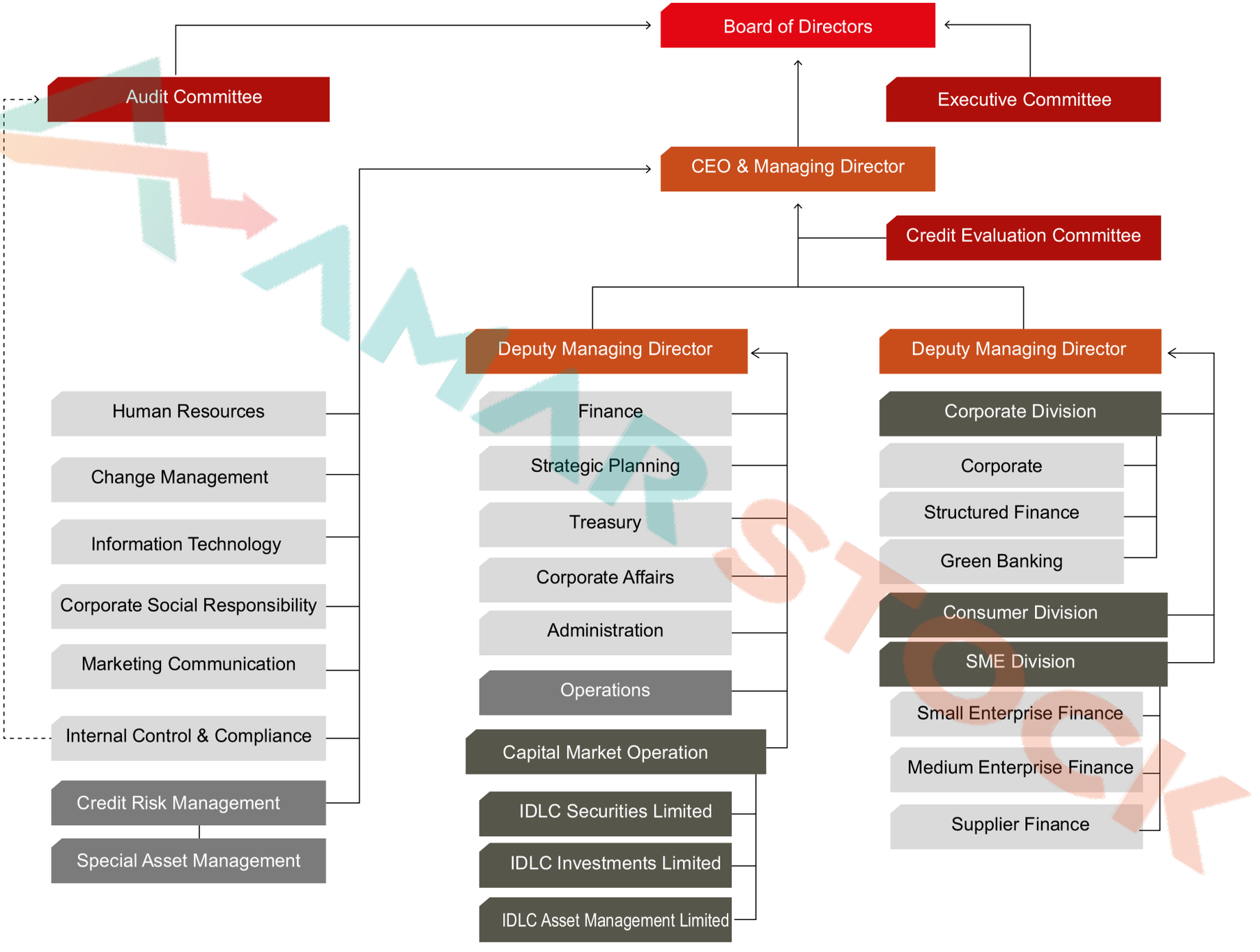


Enhancing employee motivation



Boosting employee retention

Our Organizational Chart



At IDLC, our goal is to ensure that our people are motivated, inspired and committed to delivering a consistently outstanding performance. We deeply believe that in order to achieve this we need to provide them a great place to work, develop their capabilities, empower them and appropriately reward their contribution.

HR Planning

The primary goal of our human resource department is to ensure that we have the right people at the right time in the right position. Our HR department, through continuous consultation with other departments, determines our future HR requirement. We then aim to meet such requirements through talent acquisition, talent development and succession planning.

Our objective always remains to recruit dynamic people whose caliber and capabilities are best suited for the job, which we conform to through our multi-step merit-based recruitment and selection process. In addition to recruiting employees externally, we seek to meet our HR requirements through job rotations. This enables us to create more career opportunities for our people and enhances both lateral and upward mobility in our organization.

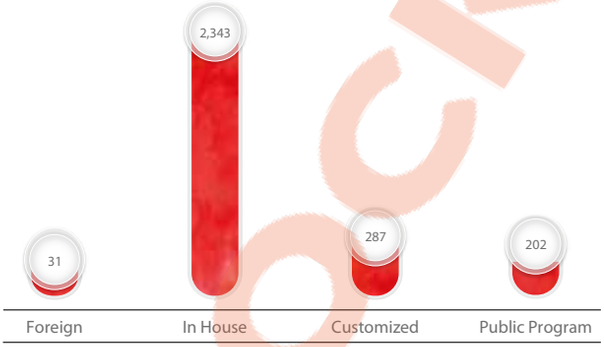
Talent Development

We need to ensure that our employees are equipped with all the necessary skills to meet the ever-changing demands of this fast-paced, competitive industry. Therefore, we aim to create a culture of continuous development to enable them to grow and succeed throughout their careers.

While we try to provide our employees the maximum number of training and development opportunities, we also encourage them to take responsibility for their own development. This is fully supported by our training evaluation model, which not only identifies the training programs necessary for the employees to perform their day-to-day job roles, but also considers the areas they seek to become more proficient in.

During the year, we have invested around BDT 14.19 million in developing our people and provided 144 trainings.

Number of Attendees



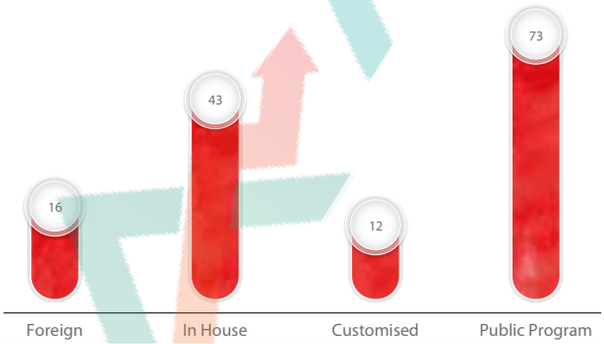
Performance and Reward

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

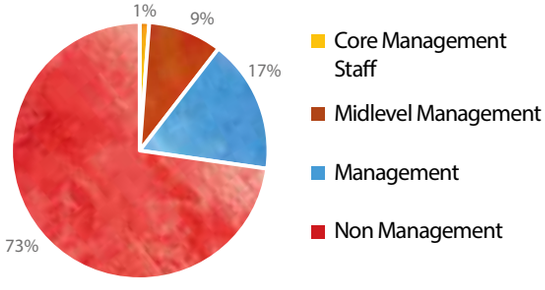
Succession Planning

Succession planning is critical to us, as it enables us to ensure leadership continuity and avoid extended and costly leadership vacuum. We prefer to promote from within the organization so that we can create greater career opportunities for our people. During the year, we had several internal moves and promotions into key leadership positions, reflecting that we have been able to grow the depth in our talent pool, consequent to which our succession pipelines for key management positions got strengthened. In 2016, a total of 644 employees were promoted.

Number of Trainings



HR Composition



Communication

We consider communication to be a critical success factor for us. Communication is given importance in the sense that it helps create a robust network and ensures cooperation whenever required. We emphasize on formal as well as informal communication. Managers have a key role to play in effective communication that brings new ideas to contribute to better business performance.

Additionally, we also provide our employees the opportunity to conduct face-to-face meetings through the use of 'live Internet meetings'.

This net-based communication tool allows employees to talk frequently and also get an opportunity to familiarize themselves with new technologies. Moreover, we ensure communication from the executive team through different media and also encourage employee feedback through group discussions, employee surveys and email dialogue.

Health and Well-being

At IDLC, the health and well-being of our employees is one of our top priorities. We believe that healthy employees will remain sustainably engaged and productive. We ensure that our workplace health and safety complies with the internal health and safety policies and procedures. We have taken the following measures to ensure the well-being of our employees both inside and outside the office:

Fire safety measures: All our branches are well equipped with necessary safety measures including fire alarms, fire extinguishers, etc. Periodically, fire drills are carried out to test the effectiveness of the fire safety measures.

First aid kits: All our branches have well-equipped first aid kits in order to maintain a hazard free environment.

Insurance: Our employees get group life insurance and hospitalization insurance coverage.

Company doctor: Our employees get the opportunity to consult our company doctor on a monthly basis, if needed.

Earned leave: All our employees get to enjoy earned leave of 25 days which includes a mandatory annual block leave of 15 calendar days.

Casual leave: Our employees are entitled to a casual leave of 5 working days.

Maternity leave: Our female employees get a maternity leave of six months. We also ensure that we provide full support to the employees at their return so that it is easier for them to balance work with their new home dynamic.

Sports participation: We always encourage our employees to participate in sports. We have official football and cricket teams which participate in the various corporate tournaments every year. In addition to this, they continuously participate in other friendly sports events.

Employee engagement activities: Our employee engagement activities are aimed at enhancing our employees' commitment and sense of belongingness towards the company. Family day, children's day, birthday of employees, pitha utshob, Pohela Boishakh, etc. are some of the events that are celebrated among the several others.

Grievance management and counseling: At IDLC, we encourage our employees to come forward and notify the management, if they experience anything, which is not in alignment with the core values of the company. We are committed to ensure swift and impartial resolution to grievances brought forward by employees.

IDLC Ladies Forum

IDLC Ladies Forum was developed to address our female employees' views and opinions to facilitate a good working environment for women through the participation of all women employees from different positions in the hierarchy, posted in different departments and branches. Headed by the president, we have an executive committee of 11 members who represent different divisions and branches of the group.

This forum provides all our female employees a platform to network, share views and raise issues like discrimination, harassment, negative attitude towards women, etc. that may affect them within the organization. This enables our management to better understand and address such issues and develop strategies accordingly.

HR and Compensation Committee

Our HR and compensation committee is a forum for discussion of various HR-related issues of the company. The core function of the committee is to assist HR department in development and implementation of a fair and transparent procedure for setting policies on the overall human resources strategy of the company.

The committee is responsible for ensuring company wide scope for equal opportunity and transparency in terms of:

- Suitable Recruitment
- Compensation on the basis of merit, qualification and competence
- Adequate training and development facilities
- Performance appraisal and promotions based on individual performance and contribution.

Furthermore, the committee looks into any other benefits-related issues regarding the company's operating results and comparable market statistics.

Ethical Standards

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

Human Resources Accounting (HRA)

Human Resource Accounting involves accounting for the company's management and employees as human capital that provides future benefits. In the HRA approach, expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which treats costs related to the company's human resources as expenses on the income statement that reduce profit. HRA suggests that in addition to the measures themselves, the process of measurement has relevance in decision-making involving organizations.

So we can say HRA is the process of identifying and measuring data about human resources and communicating this information to the interested parties. It is an attempt to identify and report the investment made in human resources of the company that are currently not accounted for in the conventional accounting practices.

Objectives and Benefits

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

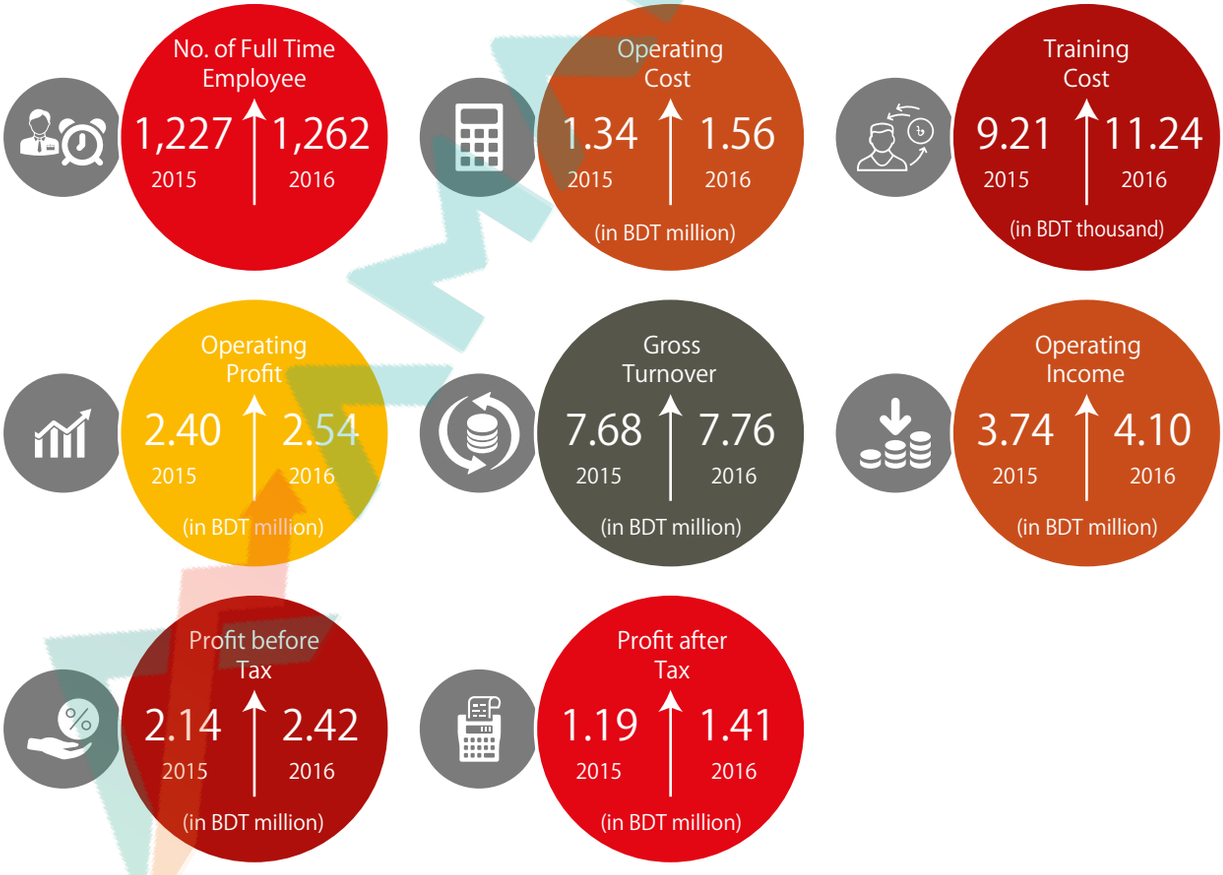
Financial Reporting Standards

While the IFRS do not currently have standards requiring HRA, it could be argued that they are moving closer to providing more flexible approaches to accounting measurements and reporting. For example, the international standards IAS 38 Intangible Assets and IFRS 3 on Business Combinations allows for the recognition of the intangible asset goodwill, which indicates a willingness to allow for valuation of assets that are not traditional tangible assets, such as human resources.

Practice in IDLC

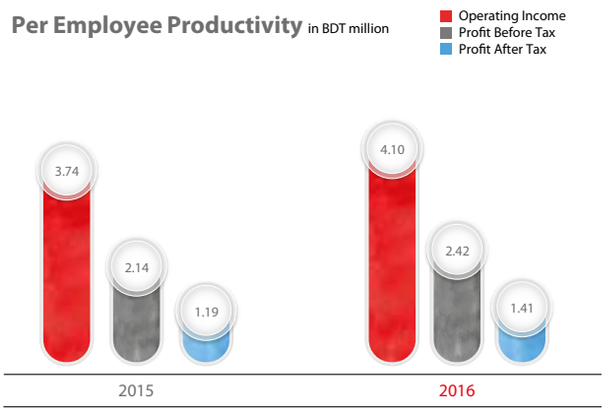
In IDLC, we are following conventional accounting practices and, as there are no HR specific accounting standards, we are not capitalizing any HR cost in order to amortize it over service life of employees. However, we are taking benefits of HR accounting concepts and using HR accounting information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

Per Employee Productivity



During the year 2016, our operating cost per employee grew by 15.75%. Our premises cost increased by a significant amount due to the relocation of two of our major offices in Dhaka to bigger and better spaces and opening of four new branches. In addition, we have made substantial investment in our branch infrastructure in an attempt to make them more environment friendly as well as a better workplace for our people. In spite of the increase in operating cost, our post-tax profit increased by 18.62%, consequent to an increase in the net interest income.

Per Employee Productivity in BDT million



Outlook

- Further refine the process of identifying high potential employees and implement individual development program
- Continue to invest in talent development – increase the depth and breadth of talent pool with role based specialized training and development programs
- Introduce E-Learning Program
- Strengthen performance appraisal system and introduce semi-annual performance appraisal for employees currently being evaluated annually
- Evolve an engaging and inspiring culture, based on mutual trust, respect and accountability
- Build a strong employer brand



Adnan Ahsan Khondokar

Witnessing a 19x growth in 7 years!

Adnan Ahsan Khondokar completes seven years at IDLC in 2017. Joining the Small Enterprise Financing Unit under the SME division in 2010 when it was in its infancy, he has seen the loan portfolio of Taka 100 crore grow to Taka 1,900 crore today!

Adnan joined the division as a Business Development Manager and thereafter worked in various capacities before becoming the Head of the Regional Business in 2012, when he oversaw a portfolio of Taka 600 crore. In 2014, he also briefly took charge of the Supplier and Distributor Finance unit; and in 2016, he assumed the role of DGM and Head of Small Enterprise Financing.

Adnan firmly believes that over the years, the faith bestowed by the management, as also the freedom he has been empowered with in decision-making and ideas implementation, is what he cherishes the most. He says that IDLC's biggest strength is its cohesiveness. The people here are free to express themselves and this encourages creativity and innovation. He indicates that IDLC is the country's only financial institution where all support functions – credit risk management, operations and collection – work together in perfect collaboration with the business functions to achieve a shared goal – that of quality and sustainable portfolio growth.



Laila Nasrin

A challenge a day keeps monotony at bay!

When asked about what she likes the most at IDLC, Laila Nasrin quips that she has never had to drag herself to work, primarily because of the workplace freedom and flexibility; more so, when it provides her the chance of doing something challenging every day.

Joining IDLC in 2005, Laila started her stint as a Manager in the IT department; she soon got promoted as a Senior Manager. In another three years, she became the Assistant General Manager and today, she is the DGM.

Laila has always believed in raising the bar when it comes to conducting her responsibilities, simply because the Company has set a benchmark in proficiency across the country's financial services sector. She prides at being a part of a Company that promotes women empowerment through its products and policies, as also in the workplace. For her, an engaging work environment, which goes beyond hierarchical barriers, is key to her success.

This is amply evident in the organization reposing faith in her abilities during the implementation of the Core Banking System, among which data mining was considered to be a big challenge by industry experts. She played a vital role in the coordination of the whole exercise as it was implemented successfully in record time without any hiccups. The Management appreciated and recognized her efforts, something which she dearly cherishes!



Gazi Altab Hossain

Wings of growth powered by words of encouragement

"Gazi, I want to see you as the DMD in the near future," said the DMD himself. This was while he was receiving his promotion letter early in 2017.

Joining IDLC in 2005, Gazi Altab Hossain, currently a Senior Manager, is now leading IDLC's Mirpur branch. Joining the Company as a Customer Relationship Executive in the sales department, Gazi's was a tough job as he had to market the Company's products door-to-door. However, his grit, determination and 'never quit' attitude saw him through.

A couple of years later, he was leading the sales team and it was during this time that he felt there was no looking back. As the team size grew, so did his position. As Head of the Regional Business, his team achieved the highest sales in 2016. Today, he oversees all the functions of the Mirpur branch and also guides the sales team of the Savar branch.

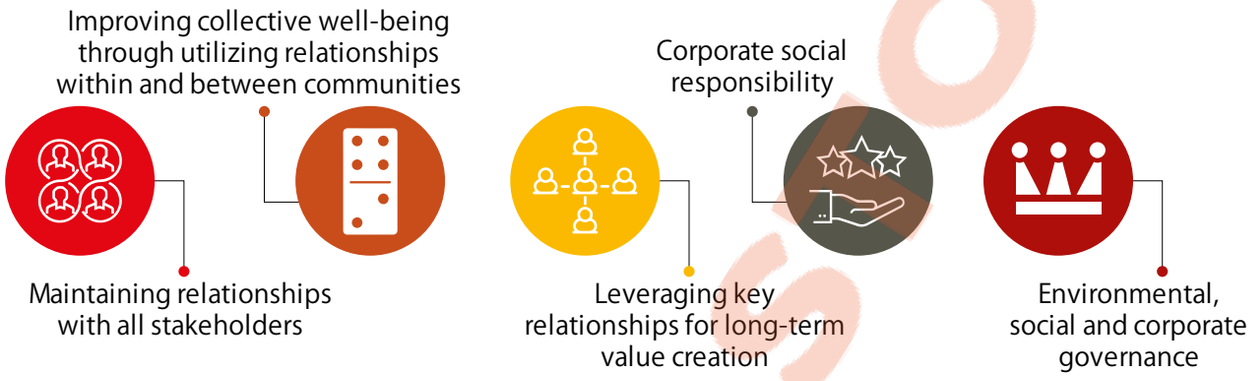
Gazi believes that the unique working environment at IDLC is what makes the Company special and his vocation his dream job. He appreciates the Company's entrepreneurial zeal, the culture of meritocracy and the spirit of innovation.

Today, Gazi has a host of awards and trophies of excellence to his credit, earned at IDLC. What fuels his aspirations further are personal accolades from the management, who inspire him to outperform every single day!

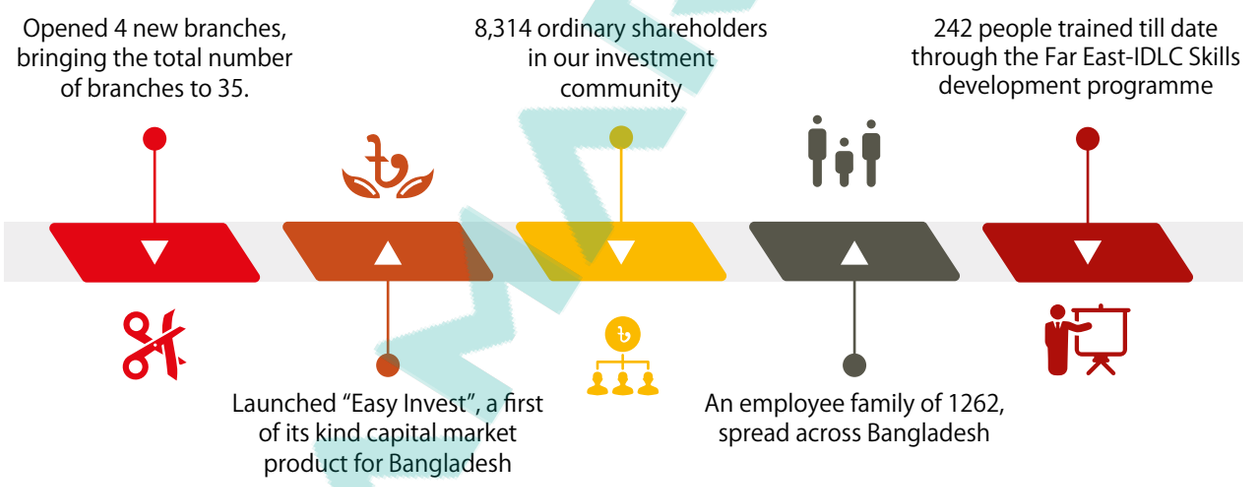
Social and Relationship Capital

Our journey is one built upon the relationships we have created and nurtured with our stakeholders – Our Customers, our Employees, our Regulators, our Shareholders, our Community and our Environment. We cooperate with all our stakeholders in order to create sustainable value, and to help achieve objectives in a mutually beneficial way. These relationships, through which we hope to create a better tomorrow, for ourselves and all our stakeholders, make up our social and relationship capital.

Material Aspects



Highlights



Challenges





Based on the material aspects identified for our stakeholders (pg. 62), we strive extensively to enhance our engagement programs to meet their needs. While we strengthen our competitive edge through establishing solid affiliations with our stakeholders – as elaborated in this section, we also invest in and derive benefits from enriching the relationships that exist between them, discussed in Strategy and Resource Allocation (pg. 122)

Our Employees

Employees

Who they are

The 1200+ employees spread across all the divisions of IDLC Finance, as well as all our subsidiaries

How we engage

- Training programs,
- Employee days (Pitha utshob, Family day etc.)
- Sports and Recreational activities
- Ladies Forum
- Celebration nights

Our human capital includes our employees, their health and well-being, their knowledge, their skills, their experience, their innovative capacity and their motivation .

Refer to Human Capital for more details (pg. 85)

144
No. of Training Programs

Per Employee productivity
BDT 4.10 million

Our Customers

Customers

Who they are

All the clients we serve through our business divisions (SME, Consumer and Corporate), as well as our Capital Market subsidiaries

How we engage

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



How we are creating value

New Branches

In 2016, IDLC Finance opened 4 new branches in the following locations – Rangpur, Kushtia, Mymensingh and Hobiganj.

New Products

In-line with customer needs, IDLC Investments Limited launched a Discretionary Portfolio Management product called "Easy Invest" in 2016. The first of its kind in Bangladesh, this innovative product has garnered significant customer interest, with 1,551 customers having opened Easy invest accounts by December 2016.

Customer Service

To serve our customers better, a uniform customer service initiative has been launched in 2016. This will allow our customer service teams to better serve our customers across all our divisions – SME, Consumer, Corporate, as well as our Capital Market subsidiaries.

Our Shareholders



How we communicate

As the owners of IDLC Group, our shareholders are one of our main stakeholders. In order to accommodate shareholder information demands, we are in regular communication with them across various channels – face to face meetings, Website, Print Media etc.

Our Annual General Meeting was held on the 30th March, 2016 at Radisson Blu Hotel.

We notify our shareholders regarding dividends, rights issue and other such matters through newspaper, website and text messages (in case of rights issue) and facilitate the applicants through our customer service team.

More details of how we communicate with our shareholders is available in the section titled Statement of Corporate Governance on page 138.

How we create value

The primary way through which we create value for our shareholders is by providing them with proper returns on their investments. This is driven by sound business decisions and strategic allocation of resources by our management.

More details of how we create value for our shareholders is available in the section titled Financial Capital on page 66.



Our Regulators



Regulators

Who they are

Bangladesh Bank

Bangladesh Securities and Exchange Commission

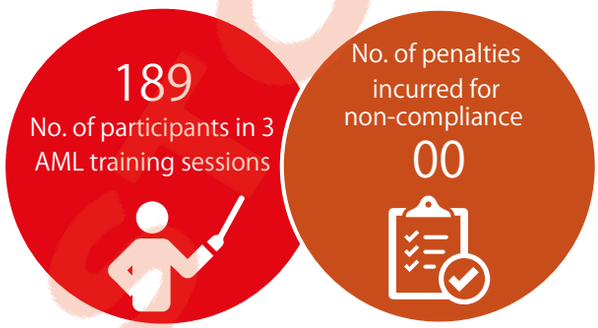
How we engage

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

Details

Regulators are an important stakeholder for us regarding our Corporate Governance. We engage with our regulators through various means.

Refer to Statement of Corporate Governance section (pg. 138) and Stakeholder and Materiality section (pg. 60) for more details



Our Community



Community

Who they are

The people and community whose lives we touch through our CSR initiatives, as well as our Marketing initiatives

How we engage

- CSR initiatives • Website
- Social Media page
- Marketing events
- Seminars and Workshops

How we create value – Corporate Social Responsibility

Corporate Social Responsibility (CSR)

Our business strategies is based on the fundamental conviction and concept of sustainable business, that integrates good governance, environmental issues and social concerns to create maximum value for our stakeholders. Translating this believe our sustainability model is based on the **3P approach - People, Planet and Profit:**

- People, our stakeholders with whom we engage for our business, and the community where we live in;
- Planet, our surrounding environment and
- Profit, our profit-generating capacity for long-term sustenance.

Accordingly we have aligned our CSR (Corporate Social Responsibility) initiatives to deliver on this commitment, and enhance community empowerment and responsible environmental management in a sustainable manner.

Focus Area

We have identified our CSR focus areas in resonance with our organizational vision, mission, values and expertise. With our CSR initiatives, we are contributing to socio-economic transformation of the underprivileged through better education, capacity development, income-generating opportunities and other forms of assistance leading to empowerment; providing health and hygiene facilities for the rural and urban poor; financing environment-friendly projects; undertaking 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 philanthropic initiatives.

Guiding Principles

Our CSR activities are regulated by the Sustainable Finance Department of the Bangladesh Bank.

We 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). We have adopted the guiding principles of UNEP FI in upholding human rights, labor standards, responsible environmental management, and anti-corruption policies and practices.

Education and Skills Development

Far East – IDLC Skills Development Program

Our flagship project which aimed at empowering marginalized women from North Bengal successfully completed its project tenure on December 2016. The project commenced in June 2013 and till date 242 individuals received training at Gazipur Technical School and College (GTSC) under the irectorate of Technical Education, Government of Bangladesh. Among them 196 completed on-the-job training at Far East Knitting and Dyeing Industries Limited. Around 124 graduates are now successfully employed within the industry.



Training at Gazipur Technical School and College

All project costs, including monthly stipend and accommodation for trainees, initial orientation in North Bengal and transportation costs, remuneration for technical trainers, and operational expenses and material costs of the training sessions are jointly sponsored by Far East and IDLC.

The training machineries were provided by ILO with funding from the European Union. Besides technical training, the project also focuses on issues such as factory rules and regulations, labor rights, gender issues, worker-management relations, occupational health and safety standards.



A successful graduate during a Certificate award ceremony

Promoting income generating activities of adolescents with autism, intellectual and multiple disabilities through livelihood training

We have extended our long-standing partnership with **Society for Education and Inclusion of the Disabled (SEID)** and facilitated the organization for conducting further vocational skills development of the adolescents with disabilities. This extension of partnership was materialized through signing of a MoU by both organizations on 25 May 2016.

As per the MoU, SEID was to extend vocational training opportunities for selected adolescent and youth with disabilities, advanced vocational training and also establish linkage with outsourcing agents, buyers and job providers to place the graduates and for exhibiting their hand-made products. It is expected that upon completion of this project, 10 adolescents with autism, intellectual or multiple disabilities will be involved in income generating activities, 50% of the adolescents with disabilities will be incorporated in extended vocational trainings and 80% of families will be more supportive towards self-dependence regarding their adolescent with disabilities.



Mou signing between IDLC and SEID



Sumona Akther

Beneficiary – Sumona Akther

Sumona Akther lives with her four-member family at an area adjacent to Mohammadpur. When she was born she had no major complications but at the age of three her parents noticed that she did not respond to sound and also did not engage in any verbal communication. At the age of four she enrolled in SEID- a voluntary development organization that works for promoting the rights of persons with disabilities. She was assessed as children with multiple disabilities having speech and hearing impairment.

In 2015 she was enrolled into vocational training program supported by IDLC and a mainstream school named "Fulkuri Kindergarten & High School" at Adabor, Dhaka. Sumona has showed her potentiality in vocational trades i.e. block, batik, tie-dye, embroidery and sewing. As a result, she was selected for advance vocational training and admitted in "Ashar Alo Training Center" under department of Cutting and Handicraft in 2016. Her performance was satisfactory to the trainers and it is hoped that she will be able to manage a job through their support. After receiving the services and assistance from SEID, she gradually developed her skill in reading, writing, drawing and other cultural performances. She performed in a number of national level as well as different advocacy programs. She is very good at painting and drawing pictures.

Sumona is now 15 years old and unfortunately her father passed away a year ago, putting the family into a severe financial crisis. However, due to the training received by Sumona, she now helps her only earning parent by taking orders for embroidery and hand stitched products. Sumona now earns Tk. 1,500 per month. Sumona has not only developed her skill but has also showed her potentiality and is now actively contributing her family that dignifies her life as a human being within her family and society.

The signing was chaired by Mr. Arif Khan, CEO & Managing Director, IDLC Finance Limited and Mr. Ranjan Karmakar, Chairperson, SEID.

Shishu Bikash Chhaya, an orphanage based in Old Dhaka accommodates and grooms around 30 children, has been our partner since 2012. In 2016, We continued to support 20 children of the shelter so that they could continue with the education.

We have been working with **Ahsania Mohila Mission Orphanage** since 2013 through sponsoring two female students who are currently enrolled for an Honors Degree in Bangla and a Diploma Course in Nursing. The Mission houses underprivileged girls and supports their education up to completion of H.S.C. (Higher Secondary Certificate). In 2016, one of students from the orphanage completed her Honors Degree in Bangla, while the other student continues with her nursing degree.

Facilitating Curative and Preventive Healthcare

IDLC partners with **Innovation for Wellbeing Foundation (IWF)** to Promote Mental Health and Wellbeing at High School Level.



MoU signing ceremony IDLC and IWF

IDLC as part of its Corporate Responsible Practices partnered with Innovation for Wellbeing Foundation (IWF) to pilot the development and implementation of mental health and wellbeing programs in high schools with an aim to enhance the human capital of the country. As per World Health Organization (WHO), globally 450 million people suffer mental illness; depression is the second leading cause of disability and suicide is the second leading cause of death among the population aged between 15 to 29 years. According to national survey conducted by WHO and The National Institute of Mental Health (NIMH) in the year 2003-2005, in Bangladesh 18.4% children and 16.01% adults suffered mental illness. Mental health of children is at risk for poor parenting, academic pressure, bullying, substance abuse, sexual abuse etc.

The IDLC-IWF pilot project will provide lessons learned for policy advocacy to strengthen teachers' capacity to manage mental health issues of the vulnerable groups. Under the MoU signed between IDLC and IWF, among others IWF will conduct a baseline survey, review MHFA for youth international training materials, translate and adapt for Bangladesh context, design and print instructor kit, training manual and workbook, provide training to teachers on MHFA, develop educational materials for field testing and implement the program in collaboration with selected schools.

The signing was chaired by Mr. Arif Khan, CEO & Managing Director, IDLC Finance Limited and Ms. Monira Rahman, Executive Director, Innovation for Wellbeing Foundation. Senior officials from both the organizations were also present at the signing.

Enhancing Infant Care and Breastfeeding Skills of Female Garment Factory Workers in Chittagong



Peer Counselors of the project at a meeting

IDLC as its part of its commitment towards community is implementing a project in collaboration with BGMEA, BSRM Foundation and TAHN Foundation titled Enhancing Infant Care and Breastfeeding Skills of Female Garment Factory Workers in Chittagong. The project aims to enhance infant care and breastfeeding skills of female garment factory workers by developing community-based peer counselors and support systems.

IDLC Finance Limited and BSRM Group of Companies is the partial sponsors of the project. TAHN Foundation is providing training and development to community peer counselors and supervisors who will be engaged in creating awareness and educating female RMG workers and influential members of their families. Each counselor is expected to spread awareness among 50 households. The total number of mothers who are currently receiving our counseling services are 375, and 174 have babies between 6-18 months of age.

IDLC stands by Flood Affected Victims of Nilphamari and Rangpur

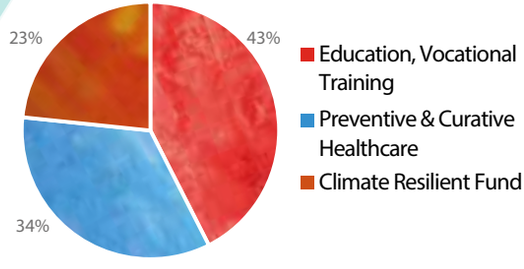
Since 19 July, heavy rains in the main river basins of Bangladesh and upstream catchments of India caused severe flooding in the north and north-eastern parts of Bangladesh affecting an estimated 1.9 million people across 19 districts. By August, 42 flood-related deaths were confirmed by local authorities. The floods roughly damaged 2.5 lacs houses.

To support the flood victims, our CSR team in collaboration with Rangpur Unit of Bangladesh Red Crescent Society (BDRCS) under the supervision of its national headquarters distributed emergency relief among 250 flood-hit families. Each of the beneficiary families received dry food, non-food and hygiene items to last about two weeks.



Rangpur flood relief distribution

CSR Expenditure Composition



How we create value – Marketing Communication

2016 – Year in Review

Four New Branch Openings

Communication of branch openings at Mymensingh, Rangpur, Kushtia and Hobiganj

Dates of Campaign: April 11 2016 (Hobiganj Branch), April 19, 2016 (Kushtia branch), May 31, 2016 (Rangpur Branch), August 24, 2016 (Mymensingh Branch)

We inaugurated four new branches in 2016. To communicate the launch, the company held events in the respective areas. Local businesspeople and corporate heads were invited to join us for the activation. Press ads and Billboards were set up surrounding the branches to rein in potential clients.

The new branches opened up new demographics to communicate with for future campaigns in the area.



Digital Video and Press Release for Earnings Disclosure

We held press releases and launched an info-graphic video for the Q3 Earnings Disclosure.

Dates of Campaign: July 31, 2016 (Q2 Earnings Disclosure), October 18, 2016 (Q3 Earnings Disclosure)

We held formal press releases when announcing the Quarterly Earnings for Q2 and Q3 in 2016. The events were attended by media partners, managers from financial institutions and other stakeholders in Dhaka. A video info graph was released in social media to explain the financial performance to the public.

This was arranged to complement the Earnings Disclosure Session where the CEO & Managing Director of IDLC presented the financial results and responded to questions from analysts, stakeholders and media representatives.



Participation in REHAB Trade Fair

We participated in the REHAB trade fair and increased engagement through Employee Branding.

Date of Campaign: December 21-25, 2016

We participated in the REHAB trade fair for bringing in leads for a home loan. This time, the campaign was two-fold: the actual event and activation through social media. The social media campaign involved a selfie contest and employee branding. The selfie contest involved people going to the stall in the fair, taking a selfie and posting it on Facebook, competing for a prize. This helped bring in more people to the stall, and resulted in more leads. IDLC Employees were promoted through a campaign, and people were invited to come to stalls to talk to said employees about issues on Home Loan.

This helped rake in 87 Leads from the 5-day promotion on Facebook, and 257 Leads from the stall over the same period. The campaign also helped IDLC stand out as an engaging and human brand.



BARVIDA Car Expo

We participated at BARVIDA Car Expo 2016

Date of Campaign: January 22, 2016

As a part of the marketing strategy, IDLC Finance Limited successfully participated in "BARVIDA Car Expo 2016", which was a three day event organized by Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA).

A good number of loan applications have already been submitted & some are in process of submission, which were sourced through the fair. Participation in the fair has facilitated us with a distinct branding regarding our product features in the presence of market leaders in the car retailing industry of the country.



Celebrating youth in "Shombhabonar Shopno" Facebook campaign

In a bid to promote the nation building potential of the youth, we launched a campaign to focus on young people who inspired the nation.

Date of Campaign: September 24 – November 3, 2016

We launched a campaign putting inspiring young people of Bangladesh in the limelight. The campaign "Shombhabonar Shopno" increased brand equity by focusing on bringing hope to the society. An app and a microsite were launched, where the public were encouraged to write stories to be featured for each post and video on the Facebook page.

We brought in inspiring stories of youth who accomplished great things to showcase the brand's empathy towards the public. The videos went viral and also brought attention towards its startup loan instrument, IDLC Shombhabona.

Our Environment

Environment

Who they are

Our Natural Capital encompasses the ecosystem and natural resources that are affected by our business

How we engage

• Green Banking Training programs • Tree plantation drives • Relief activities • Waste Management initiatives • Energy Management initiatives

How we create value

Our commitment towards environmental conservation is highlighted through our activities such as our Green Banking initiative and tree plantation drives and relief activities. Our in-house environmental management system helps us drive sustainable business practices, and allow us to strive towards our goals regarding our Natural Capital.



For more details on our Environmental activities, please refer to the section titled Natural capital on page 101

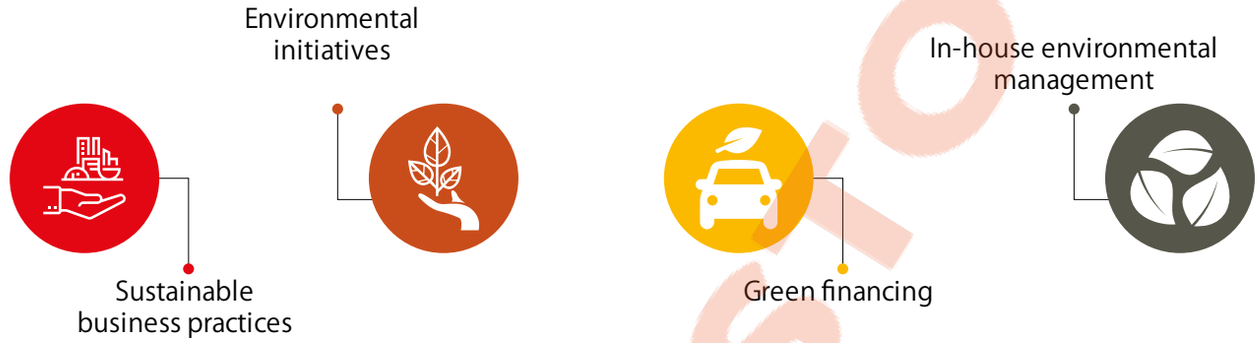
Outlook

- Launch Mutual Funds through IDLC Asset Management Limited to meet the needs of retail investors.
- Expand our geographic footprint to more regions through opening of new branches
- Develop our human capital through more focused training and implementing new performance appraisal metrics
- Serve our customers better by creating a uniform customer service experience

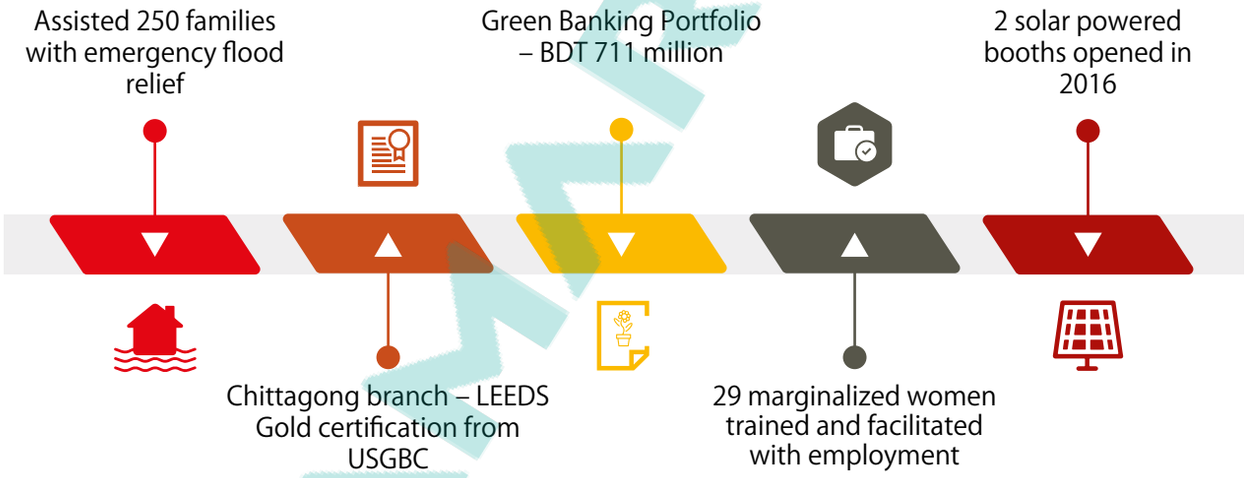
Natural Capital

Our Natural Capital encompasses the ecosystem and natural resources that are affected by our business. Through our environmental initiatives, we aim to reduce the impacts of our operations on the ecosystem, and pave the way towards a more sustainable way of doing business.

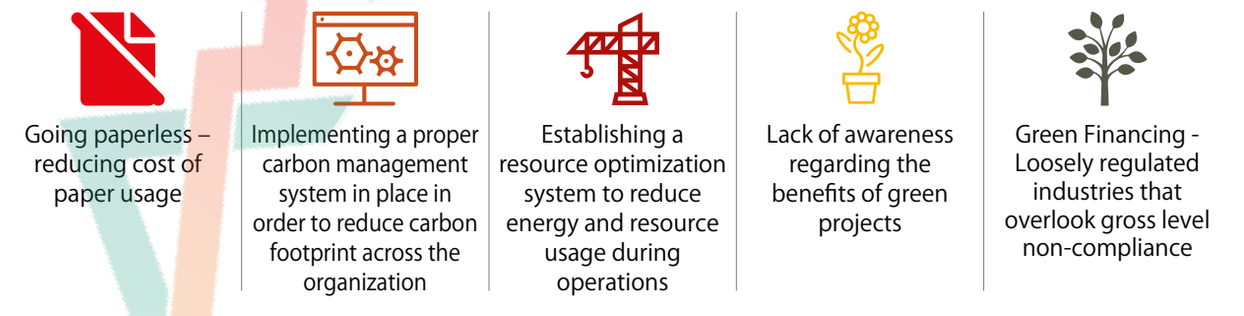
Material Aspects



Highlights



Key Challenges



Our commitment to Sustainability

ESMS

At IDLC we are also focusing on 'mother planet and its sustainability', shifting from the traditional financing approach. In this regard, we are making our credit appraisal process to be much more stringent from an 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 fulfills Bangladesh Bank Environmental Risk Management (ERM) guideline for FI and the ECR-1997 standard within its organizational framework. We also comply with the UNGC and UNEP FI principles on a voluntary basis being the only listed FI in Bangladesh. We have been implementing Environmental and Social Management System (ESMS) from March 1, 2016 to compute scoring of risk of different sectors, under different business segment. With a developed categorization tool which was built upon the ERM guideline of Bangladesh Bank, IFC exclusion list & ADB safeguard for financing, environmental & social action plan for financial activities is on full roll out across its credit risk management framework.

Environmental Initiatives

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

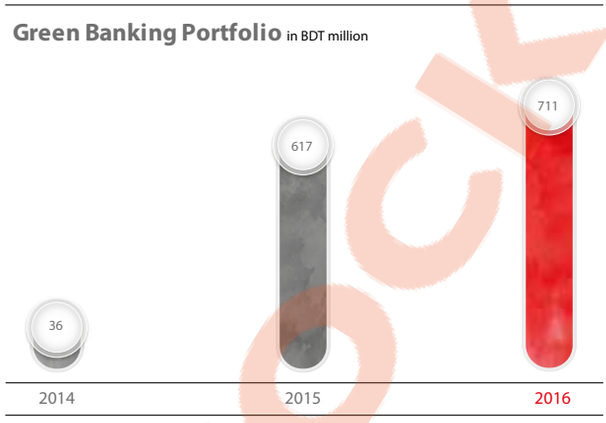
Tree Plantation

We regularly conduct plantation activities across regions of the country to contribute to the reduction of carbon footprint. In 2016 IDLC sponsored a plantation program whereby 200 saplings were planted at were planted at BCIC College, BCIC School at Mirpur and Lalmatia Womens' College.

The plantation was conducted with support from Tarru Pallab, a voluntary organization managed by renowned environmentalists in Bangladesh.

Green Banking

Complementing our traditional financing approach, we have moved towards Green Banking that supports sustainable and environmentally viable development with a range of specially designed products and services at preferential terms and rates. Since its incorporation, IDLC Green Banking Unit (GBU) has been promoting environment-friendly practices and has been reducing carbon footprint from banking activities as well as its customers.





Tarru Pallab monitoring plantations

In-house Environmental Management

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

Green Office Guide

We have developed a Green Office Guide (GOG) for IDLC consisting of a set of general instructions to be followed, aimed at better in-house environmental management across the organization by achieving key approaches such as saving electricity, minimization of water/paper, keeping the office clean and hygienic.

Green Marketing and Training

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

- Market explore as financial partner of IFC's PACT Program
- Offering blended financial model with USAID's CCEB team
- Promoting green financing through various business channels
- Attending 27 green seminars in 2016 engaging 172 clients & in house employees as part of our green awareness building program

	Total
No. of programs/trainings/seminar/ workshops/awareness program exclusively conducted for Green Banking	27
No. of participants covered	172
Employees	104
Customers	68
Green Events	4

Key Milestones

Since the incorporation of GBU into our organizational framework, some of the key milestones of this unit are as follows:

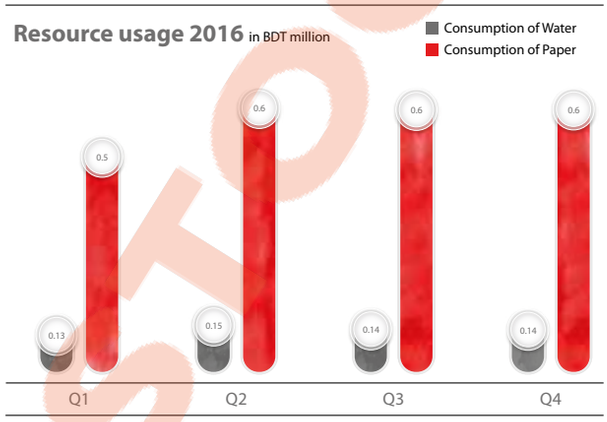
- 1st financial institute to finance for adopting energy efficient technologies and ESCO model
- 1st financial institute to arrange Green Industry Syndication
- Only listed member of United Nation Environment Program for Financial Institution (UNEP FI) in Bangladesh
- Highest number of Certified Energy Auditors among the financial industry
- 1st Financial Institution to have a LEED Certified Branch

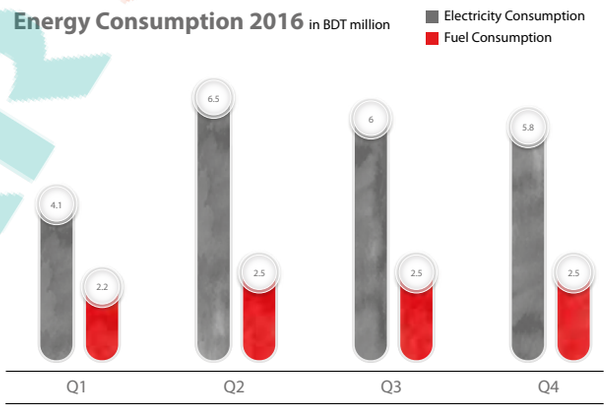
Recognition and Exposure

Throughout the year 2016, our green banking activities were picked by several printing media & DF's newsletter as one of the prominent one in promoting sustainable business.

FMO also published a newsletter titled "FMO shares best practices on green microfinance in Bangladesh" which was based on their exposure tour with representatives of partner countries like India, Cambodia and Bangladesh, focusing on our efforts in financing sustainable business by supporting SMEs via funding and also encouraging greener business practices

IFC is also publishing a newsletter on our drive towards clean energy financing as a role model in the industry.





For more details on our Green Banking initiatives, please refer to the section on Green Banking on page 113.

Outlook

- Enhance our Green Office Guideline for better coverage of environmental aspects
- Move towards a paperless e-memo system
- Create and implement an organization-wide Carbon Management and Resource Optimization Model

Business Segment Review

SME Division

At a glance, 2016

- Asset portfolio: BDT 26,054 million
- Percentage of overall asset portfolio: 41.84%
- Asset portfolio growth over 2015: 16.48%
- Asset portfolio five-year CAGR: 30.55%
- Number of customers: 10,812

Divisional overview

IDLC's SME division provides a wide bouquet of loan products and solutions to small and medium enterprises (SMEs), helping them meet their aspirations of achieving sustainable business growth. Our suite of loan facilities and financing solutions, including term loans, working capital, project financing, Abashan loans or rent loans for small enterprises and working capital and project financing loans for medium enterprises, among others, have created a real impact in the market and led to the division's sustainable growth over the years.

Products

A complete list of our products under the SME division has been provided under the products and services section (pg. 25).

Core highlights, 2016

Increasing technological content

Recognising the growing competition in the industry, the division made significant investments on technology to ensure faster and easier services to SME clients. Towards this, the division fully implemented an automated credit appraisal system after the success of its pilot run. This technological advancement will not only save time in credit assessment and approval but also contribute to environmental sustenance by reducing paper usage. A centralized operation system, yet another pilot program, was launched during the year to accelerate the service delivery process. This system will help in processing and preserving all sorts of loan-related documents. We also launched a comprehensive credit scoring model on a pilot basis, which, once in full operation, will make credit assessment of small businesses even quicker, thereby leading to faster credit disbursal.

Geographic expansion

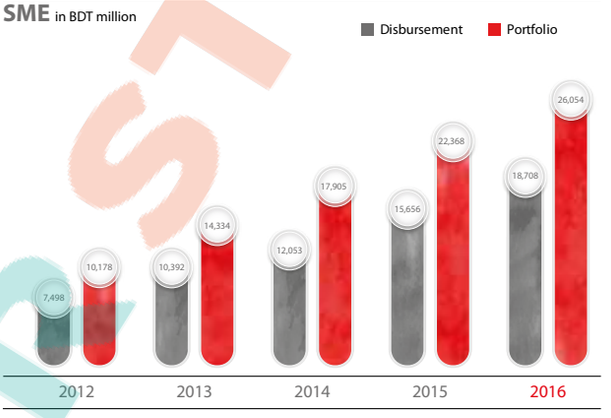
During the year, we expanded our footprint by establishing four new branches in the industrially-thriving pockets of Habiganj, Mymensingh, Kushtia and Rangpur districts of Bangladesh.

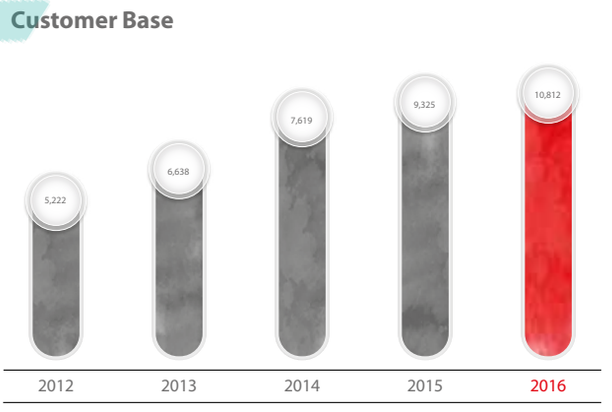
Reinforcing customer relationships

The Bangladeshi financial industry witnessed significant change in 2016 in terms of interest rates and credit demand. Continuously declining interest rates has fuelled market competitiveness and we realize that to be successful in this environment, strong and repeatable client relationship is a must. Hence, the division introduced customer programs which paved the way for designing innovative relationship-centric activities. Besides, most of the existing products were modified to cater to the prevailing market needs.

Rejuvenating our human capital

As part of our people management practices, the SME division initiated an objective based performance evaluation system for the SME sales force with a systems-driven recognition of the best performers. Besides, we focused on imparting structured training to our teams to enable them to remain abreast with key industry developments but also raise internal productivity.





Competence drivers

Diversified customer base

We possess a well-diversified customer base across a large number of industries including those of iron and steel, cement, power, process engineering, textiles, pharmaceuticals, construction and infrastructure, agro-processing and food and beverages, among others, which enables us to de-risk our presence from a sectoral concentration point of view as well as open up multiple business streams. Effectively, no sector contributes more than 20% to the overall SME asset portfolio and the top-three sectors/industries contribute about 40% to the overall divisional loan book.

Flexibility and quick turnaround time (TAT)

One of the core strengths of IDLC's SME division is its above average TAT. Fostering the culture of speed and innovation, the

division is continually engaged in introducing newer ways of serving clients more quickly and efficiently.

Customer-centricity

The division accords the highest priority to its customers and maintains a strong culture of nurturing customer relationships. Our primary objective is to provide the best service standards in the industry. Towards this extent, the division introduced its priority SME customer model, which identifies the most valuable customers and focuses on serving them through innovative relationship-based activities.

Strategic positioning of our business centers

With the establishment of four new branches in 2016, the division not only expanded its geographic footprint but widened its business horizons too. The branches were established across strategic locations so that the maximum number of customers could be reached.

Meticulous appraisal and proactive monitoring

Besides technological upgrades and implementation of a Credit Scoring Model, the division also invested significantly in its human capital to achieve a more prudent credit analysis standards that ensures portfolio quality.

Superior performance management

The division operates its business with a large relationship management team. In order to drive performance of this team, the division introduced an objective performance evaluation system, which recognizes star performers as we encourage them to sustain their performance while helping others with the tools to elevate their standards.

Influential trends shaping the industry

The Bangladeshi financial sector witnessed a successful year in 2016. As business activity across industries gained momentum the country's GDP grew a handsome 7.05% in FY 2015-16, registering one of the fastest growth rates in the world. The financial sector also surpassed the private sector credit disbursement target.

It is being increasingly witnessed that mobile-enabled financial services and agent banking are emerging as the two principal means of transaction banking. Banks in the country empowering customers with 'anytime-anywhere' banking through mobile-enabled financial services will surge ahead in the race to serve customers, especially residing in remote areas where physical banking infrastructure is absent, and will greatly contribute to financial inclusion, a thrust area of the government.

Technological advancement is the new mantra in the financial services industry. With the country progressing towards becoming more 'digitalized', in line with the vision of the government, the financial services industry is also moving in this direction. With the popularity and availability of 3G internet technology and smart-phones fast replacing other handsets, the demand for internet banking is on the rise. Therefore, banks/NBFIs are investing significantly in technology to serve this emerging digital generation. On the other hand however, the recent shocking cyber heist of Bangladesh where millions were siphoned into offshore accounts raised concerns among banks/NBFIs on cyber security. Therefore, the country will witness larger investments in securing their cyber systems and infrastructure, going forward.

Although private sector credit growth was remarkable during the first half of the year 2016, the second half witnessed a perceptible slowdown with excess liquidity remaining a challenge throughout 2016 driving down both average lending rate as well as the average deposit rate.

Going forward, the Bangladesh government is hopeful of achieving a GDP growth of 7.2% for the fiscal year 2016-17. Over the long-range however, the government's 7th Five-Year Plan has set a target of achieving an average GDP growth of 7.4% though the country's Finance Ministry is targeting a growth rate of about 8% over the next two years.

Some other current trends shaping the industry include the following:

- All-time high market liquidity, resulting in lower interest rates and signaling an encouragement for entrepreneurs to avail more facilities from financial institutions.
- With interest rates trending downwards, banks/NBFIs are focusing more on retail clients and are investing significantly in technology with a view to reach out to and serve clients on a larger scale.
- Technological upgrades, particularly in agro-commodity and other manufacturing sectors, have a visibly positive impact on efficiency, which could, in turn, foster local demand and exports.
- Growing exports on the back of a stronger perception among foreign buyers augured by rising compliance with international production standards. Throughout the year 2016, exports continued to gain strength, especially in the second half of the year wherein exports registered a 4.4% growth YoY (source: Export Promotion Bureau).
- The annual development plan (ADP) implementation was better than that of the last year with a 41% YoY growth. Overall, 27% of the total ADP outlay was invested in the first half of FY 2016-17 with the government fast-tracking some infrastructure projects.

Risks facing the business

- Declining interest rates
- Rising non-performing loans
- Funding risks
- Rising competitive intensity
- Customer take over attempts and poaching of employees by new entrants in the segment

Outlook

- We expect to focus on business growth along with maintaining portfolio quality and strengthening the IDLC SME brand in SME financing.
- Strengthening human capital to enhance productivity to optimal levels through extensive training.
- Introducing new products and modifying the existing products to meet the evolving market demand.
- Implementing web/app-based client service to better serve our customers as well as create an institutional memory.
- Providing training to women entrepreneurs of different districts with a view to enhance their capacities and capabilities.
- Tying-up with local and multi-lateral agencies to work towards the development of marginal sectors that possess significant growth potential.
- Focus more on SME customer-engagement activities.

Consumer Division

At a glance, 2016

- Asset portfolio: BDT 21,415 million
- Percentage of overall asset portfolio: 34.39%
- Asset portfolio growth over 2015: 3.79%
- Asset portfolio five-year CAGR: 20.50%
- Number of loan customers: 8,015
- Deposit portfolio: BDT 47,564 million
- Deposit portfolio growth over 2015: 3.01%
- Deposit portfolio five-year CAGR: 23.10%
- Number of deposit customers: 6,620

Divisional overview

IDLC's Consumer division fulfills a vital role in the context of the overall asset and liability business of the IDLC Group, ensuring quality and sustainable growth. The division is anchored on its major strengths that include longstanding and proven customer relationships, expert and professional sales team with door-to-door service capabilities and faster loan disbursement time. Besides, the division's direct involvement in consumer retail finance through providing home loans and car loans, the Consumer division contributes significantly to the long-term growth of the Company. Over the years, the division has created robust fund sourcing capabilities (consumer deposit) from both retail as well as institutional segments to ensure the smooth and streamlined flow of loan disbursement for all of the Company's business divisions.

Products

A complete list of our products under the Consumer division has been provided under the products and services section. (pg. 25)

Core highlights, 2016

New product launches

The consumer division launched a new variety of variable rate home loan with geography-based pricing to align better with evolving customer needs and requirements. Besides, home loan product features were actively reviewed for outstation branches and effective changes were incorporated to make the products more convenient and attractive for customers, especially those outside Dhaka.

Strengthened customer service

With a view to further reinforce our customer relationships, we restructured and repositioned our central customer service team for ensuring faster service and a uniform experience to our clients. In addition, we introduced the online credit appraisal system (OCAS) that resulted in significant value addition in terms of ensuring faster loan application processing. The system also works as an online data warehouse, enabling us to retrieve comprehensive customer data at the click of a button. Besides, a centralized operations project was launched in October 2016 as a pilot across select branches. Enthused and encouraged by the response, the project is being implemented on a full-fledged basis and is expected to bring about significant improvements in the overall operational process.

People training

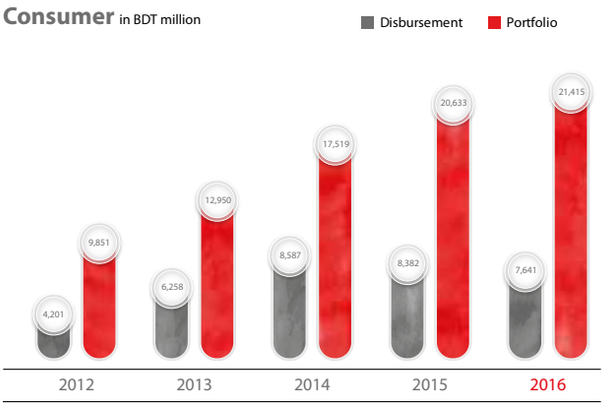
The division empowered its people with the objective of developing their decision-making, leadership and entrepreneurial capabilities. As such, during the course of the year, over 25 internal and external training and development sessions were conducted for our business team.

Focus on cross-selling

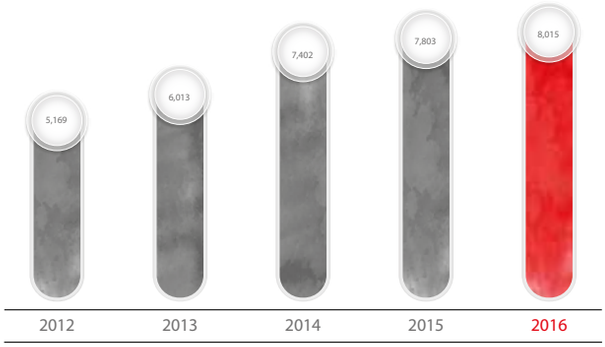
High priority was accorded on identification of cross-selling opportunities. As a result, the division's sales team contributed significantly to the sales of different products offered by other divisions and subsidiaries including Easy Invest and Discretionary Portfolio Management (DPM), among others.

Stakeholder engagement and interactions

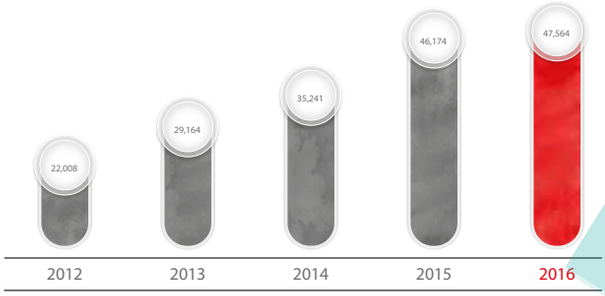
The division organized several meetings, product training camps and relationship management events for a large number of the country's real estate developers and automobile showrooms and dealerships. For instance, a 'Fly High' sales campaign was launched for all car vendors of the country in June 2016 and continued till December 2016. In addition, we also participated in the BARVIDA car exposition and the REHAB fair to showcase our brand, engage with the industry and remain aware of the key trends shaping the industry. Also, some new special offers were also made to renowned corporates with a strong credit track record and positive response was evoked from this initiative.



Number of Consumer Loan Customers



Term Deposit Balance in BDT million



Competence drivers

Wide product bouquet

IDLC's Consumer division offers a wide variety of term deposit products to meet the needs of individuals and institutional customers. It also offers retail loans to its targeted customer segments and has been successful in establishing IDLC as one of the market leaders in the home and car loans sector due to its focused efforts, strong relationship management initiatives and emphasis on providing superlative customer service experience.

Optimal LTV

The division offers an optimal LTV (loan-to-value) ratio for home and car loans that mitigates collateral risks on the one hand and ensures that the customer does not need to invest a higher portion of his own equity upfront, thereby enabling better cash flow management.

Resilient business model

Despite significant challenges and emerging competitive pressures over the last few years, especially characterised by the entry of a large number of new entrants focusing on the retail loans sector, the division has maintained consistent business performance and continuous growth in consumer assets. The division's comprehensive and time-tested business strategy, faster services and strong intellectual capital have contributed to the creation of a resilient business model.

Quality-centric growth focus

The consumer division emphasizes on business excellence to improve portfolio quality and, consequently, it has undertaken several initiatives to strengthen relationships with customers, real estate developers, car dealerships and other stakeholders. As a prudent business strategy, a higher emphasis on potential loan sourcing was given to preferred segment customers with a strong credit track record.

Quicker turnaround time (TAT) with seamless processes

All our internal departments are mandated with strictly adhering to the agreed service level agreements (SLAs) with a rigorous monitoring of TAT. As a result, loan processing time has been further reduced from application submission to credit decision-making and final loan disbursement.

Transparency

Our business is anchored on transparency and our employees ensure proper communication with customers and other stakeholders. Our product features, pricing and other document terms and conditions are transparent with simple interpretation. As a result, customer satisfaction has increased significantly.

Robust resource base

Our experienced, motivated and customer-facing teams have enabled us to grow and manage our business successfully and sustainably despite the prevalence of external challenges facing the sector as a whole.

Extensive branch network

We possess branches across various strategic locations throughout the country. We aim to deliver doorstep services to our large and growing customer base by increasing our business and service locations further in the year 2017 as a continuation of rapid geographic expansion strategy.

Customized service

Significant emphasis is infused for ensuring faster and better services to our customers. Besides, cutting-edge training is regularly arranged for our service teams at regular intervals that have reinforced our account opening and disbursement functions.

Influential trends shaping the industry

Though Bangladesh's real estate sector is one of the anchors of economic development and citizen well-being, the industry has been suffering due to a sharp drop in unit sales over the last few years. With this, it is encouraging that the government is mulling introducing the concept of low-cost housing to enhance affordability and restore sales normalcy in the sector.

Since home loans contribute almost 85% to our consumer loan portfolio, the intricacies of the real estate sector have significant impact in our consumer business. As Bangladesh's real estate industry has suffered huge sales downfall over the last few years, property prices have corrected in most of the regions of the country. This has catalysed demand in terms of enhancing affordability, especially among customers who had been waiting

on the fences. Besides, due to the entry of new players and downward bias of home loan interest rates, home finance is now widely available to customers at lower interest rates. This has also aided in the decision of customers in acquiring homes. It is interesting to note that as many as 60% of customers choose a home loan to fund their property purchase, which in itself points to sustainable demand creation for housing finance businesses like ours.

Growing disposable incomes on the one hand and declining interest rates on the other have also created a situation that warrants the growth of the car loan industry in Bangladesh. Besides, rising consumer aspirations and improving infrastructure are some of the other potential drivers of the industry.

Risks facing the business

- Downward trending consumer lending rates
- Slower sector growth compared to growth in number of players in the industry
- Uneven competition with players orchestrating unhealthy price war
- Attempts of loan takeover by players offering significantly lower interest rates
- Retention of key resources amid continuous poaching

Outlook

- Drive quality and 'bottom line driven' growth by increasing the number of loan applications through better coordinated efforts
- Enhance the geographic footprint beyond Dhaka to tap into homogenous growth emerging out of other major regions and areas
- Improve asset portfolio quality by engaging in proper and comprehensive screening during loan sourcing and reduce PAR and NPL levels though consistent follow-up
- Emphasize on portfolio retention, especially in the wake of rising competitive intensity
- Increase employee productivity
- Increase the number of retail deposit customers

AMARSTOCK

Corporate Division

At a glance, 2016

- Asset portfolio: BDT 13,406 million
- Percentage of overall asset portfolio: 21.53%
- Asset portfolio growth over 2015: 26.19%
- Asset portfolio five-year CAGR: 16.19%
- Number of customers: 257

Divisional overview

Over the passage of time, IDLC's Corporate division has made significant inroads into the confederation of local corporates, large corporate houses and multinationals. This was made possible through our integrated relationship management approach with strong customer orientation, innovative product offerings and superior service delivery. Progressively, the division has also expanded its geographical coverage and extended its product basket. Today, the division's product suite comprises simple lease finance, term loans, working capital finances across tenors, asset finance, project finance, green finance under Bangladesh Bank schemes and spontaneous participation in syndication arrangements, among others.

The division's expertise and ability to provide innovative solutions to partner the growth aspirations of corporate clients is supported by the following key USPs:

- Faster service
- Customized solutions
- Competitive rates
- Comprehensive industry knowledge
- Transparency
- Trust and credibility

The Corporate division also contains the Structured Finance division (SFD) and the Green banking division, the reviews of which have been given separately in this section for better appraisal.

Products

A complete list of our products under the SME division has been provided under the products and services section. (pg. 25)

Core highlights, 2016

Controlled NPLs

At the Corporate division, in our bid to pursue quality growth, we were able to control our NPLs, which stood at 3.17% in 2016, as compared with 5.00% in 2015. This was despite the fact that we reported the highest asset portfolio growth of 26.19% (or BDT 2,783 million) in the Company with a portfolio of BDT 13,406 million.

Strong recovery capabilities

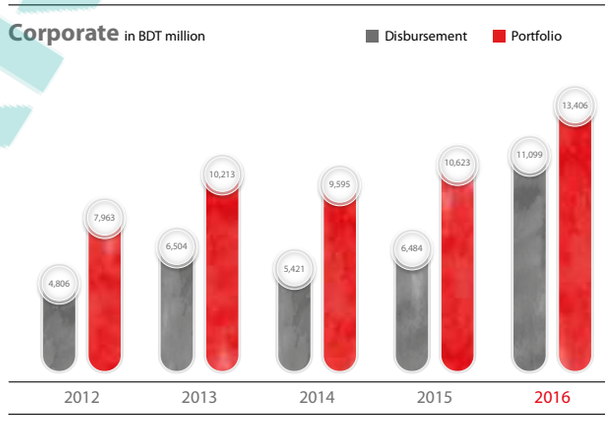
Our dedicated customer relationship management teams are focused on follow-ups with sticky accounts and it is this persistence that yielded BDT 63.52 million from written-off accounts, thereby adding strength to the financials of this vertical in 2016.

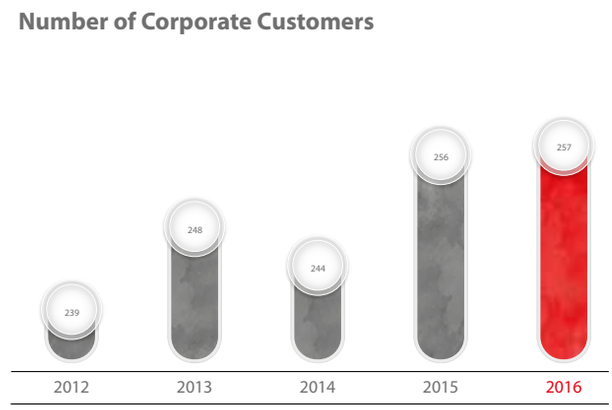
New customer additions

The division added about six new large customers and about 30 new small customer accounts, diversified across various industries. Besides, our focus on enhancing ticket size per customer also yielded results with an upward tick in this metric.

Marketplace adaptability

Under challenging market conditions, we adapted and reoriented our loan disbursement strategy to a greater share from an increasingly competitive market





Competence drivers

Unique client approach

Our unique client-centric approach has enabled us to break the implied product barriers of being a non-banking financial entity. Corporate clients have come to acknowledge our tailored solutions (crafted within the realms of regulatory guidelines) delivered within the shortest turnaround timelines, backed by quick financing decisions from the management. We also take pride in sharing the latest marketplace developments, sustainable business practices and available low-cost financing avenues to emerge as the preferred growth partner rather than being only a financial partner.

Diversified portfolio

The Corporate portfolio is well-spread across major sectors and industries that include apparels and accessories, textiles, pharmaceuticals and healthcare, building and constructions, food and beverages, telecommunications, financial services, iron and steel and micro-finance institutions. Our diversified and balanced portfolio contributes to mitigate concentration risks and ensures the sustenance of a quality credit portfolio.

High workplace standards and governance responsibility

The division's long-term workplace practices have been anchored on adhering to the highest standards of corporate governance, both in letter and spirit. The highest quality threshold has been set in terms of regulatory compliance, accountability and our relationships and interactions with both internal and external stakeholders.

Strong resource base

Our core strength lies in our ability to recruit and retain bright, energetic and well-qualified workforce derived from reputed business schools as well as experienced professionals hired as lateral entrants. The division's robust career progression planning is emphasised through trainings and other professional development platforms.

Strategic alliances

The Corporate division works closely with other banks, NBFIs and developmental organizations alongside with IDLC's own subsidiaries and business units to ensure full-fledged and cost-effective financing solutions for clients.

Influential trends shaping the industry

In Bangladesh, economy and business outlook for the country is one of optimism as the nation starts 2017 with a stronger foothold, being graduated to a middle-income economy with double-digit industrial growth, visibility of mega infrastructure projects, homogenous demand pattern, sustained domestic consumption, controlled inflation and easing access to consumer credit.

Though large investments in infrastructure have already resulted in improved transportation networks and growth in power capacity, there is still work to be done in both the major economic areas to eliminate bottlenecks that withhold sustained growth. To boost the country's overall exports, which is a large contributor to the economic composition, the government is focused on diversifying the export basket to cover new labour- and skill-intensive industries, as suggested by a World Bank report.

The government's initiatives to set up special economic zones (SEZ) across the country are on track and are expected to accelerate both private domestic and foreign direct investments, leading towards subsequent credit growth in the coming days. Besides, private sector credit is expected to post positive growth, based on the upsurge in domestic demand-driven activities, rise in imports and momentum gained in large infrastructure projects. In this scenario, banks will be more creative across their intermediary functions to sustain in a highly competitive market through engaging in non-traditional investment products like sub-bonds, preference shares, etc.

The government's increasing thrust and priority towards environmentally-sustainable business practices will continue to promote inclusive green financing schemes towards establishing energy-efficient and eco-friendly manufacturing processes in different sectors.

While the banking and financial services sector witnessed a downward trend in lending and deposit rates in 2016, these are expected to remain stable, provided inflation targeting and the Government monetary policy are in place.

Risks facing the business

- Declining interest rates with a squeeze on spreads
- Customer delinquency and default risks
- Client concentration risks
- Portfolio takeover risks

Outlook

- Focus on need-based financing to accommodate the growth aspirations of corporate clients
- Foster business development through providing both long-term and short-term financing options to the country's fast-growing corporate houses
- Actively monitoring government policies and tracking key macro- and micro-economic indicators for timely identification of targeted niche market and growth sectors
- Structure composite solutions through traditional and non-traditional financing products
- Initiate strategic alliance with banks and development organizations to tap into various business avenues and delivering cost-effective and value-added solutions to corporate clients
- Continue to invest in people and technology to augment productivity
- Explore green financing avenues to promote sustainable business practices among the existing and potential clientele
- Attain higher operational efficiency within the ambit of regulatory frameworks to render flexible and thoughtful client services
- Achieve stable but quality growth through maintaining low NPLs
- Utilize cross selling opportunities for new business acquisition

Structured Finance Department (SFD)

(A unit of IDLC's Corporate Division)

Bangladesh's syndication market - A story of opportunities

Though the Bangladeshi economy is integrated with the global financial system, being an emerging economy, it is continuing on its growth path and hence, industrial and large project financing has become one of the key drivers of this transition. In this context, loan syndication has emerged as an important facility since it helps diversify lender risks and builds borrower credibility as many banks and financial institutions participate in the loan arrangement, especially for large-sized projects.

With substantial GDP growth in the recent past, financing demand for large infrastructure projects (transportation, communication, water and energy, etc.) is on a rise. In addition, public-private partnership (PPP) projects have also come to fulfil a vibrant role in the demand for syndicated financing for large infrastructure projects.

The development of the Bangladeshi economy has created a growing appetite for financing large-scale projects. Mega projects require various forms of financing collaborations for successful fund arrangements. In addition, a vibrant capital market is necessary for structuring different products such as coupon-bearing bonds, zero coupon bonds, convertible bonds, etc.

In the future, syndication deals are expected to become more complex as well as fiercely competitive. Besides, new sectors requiring newer funding models are also expected to emerge over time. In parallel, adoption of global practices, prioritization of environmentally- and socially-responsible projects and the efficient use of energy will be an important part of loan syndication.

Providing innovative financing solution to clients

Bangladesh has been a major destination for global investors with a robust GDP growth together with governmental focus on infrastructure financing through incentives and policy support. There is also a growing trend for exploring alternative modes of financing as a substitute to regular loans.

To facilitate this requirement through syndication arrangements, onshore and offshore financing, agency and trustee services and other corporate advisory solutions, the Structured Finance department (SFD) has evolved as a specialized business unit of IDLC under its Corporate division. Over time the SFD has diversified its products which range from regular term loans and working capital loans to bonds, advisory (mergers and acquisitions, feasibility analysis, investment decision-making, etc.), foreign currency term loans, investment promotion financing facility (IPFF), subordinated bonds for Tier-II regulatory capital requirements of commercial banks, zero-coupon bonds, commercial paper, preference shares, private equity, asset securitization, loan restructuring, long-term financing facility (LTFF) and different refinancing and pre-financing schemes of Bangladesh Bank, Asian Development Bank (ADB), World Bank, etc. Moreover, the incorporation of Islamic financing, commonly referred to as 'hire purchase under Shirkatul Melk', and foreign currency financing in loan syndication have helped the division's syndication department to diversify its modes of financing in various capacities.

Key competencies

Rich legacy

Patronage from the IDLC management coupled with a strong corporate governance framework together with IDLC's reputation and brand recall contribute immensely for booking loan syndication deals from large corporate houses of Bangladesh.

Human capital

Dedicated, experienced, highly knowledgeable as well as reputed team members provide innovative financial solutions as per the requirements of the transaction and the client.

Robust network

Strong network with various stakeholders including banks and financial institutions, multilateral agencies, regulators, private equity partners, existing clientele, project consultants, suppliers, valuators, independent engineers, lawyers, EPC and O&M contractors, etc. Besides, the SFD also possesses strong networking capabilities with various global equity partners for equity investments in different projects and companies for mutual benefit.

Innovation

Strong focus on alternative financing instruments (including short-term and long-term facilities) to regular loan products in order to arrange funds at lucrative pricing to enhance the project's financial viability.

Achievements of 2016

In 2016, the SFD realized satisfactory business income amidst challenging market conditions. While many other players in the sector were struggling to survive, the department focused on new products and newer customers.

Some of the notable projects executed by the department include the following:

- Completed the raising of around BDT 8,000 million for Karnafuly Dry Dock Limited with a significant portion of the revenue already generated from the deal.
- Arranged BDT 1,350 million in the form of zero coupon bonds in order to fulfill certain funding requirements. We also received the mandate for arranging Tier-II subordinated bonds for commercial banks and fund raising is in currently in progress. A significant portion of the fee income will come from this particular source in 2017.
- Arranged BDT 2,450 million as commercial paper for three eminent corporate houses of the country.
- In the trustee business, the SFD marked a new milestone by acquiring new trustee deals from such institutions as AB Bank, Jamuna Bank, Trust Bank, BanglaTrac, Jamuna

Bank and Mutual Trust Bank. In total, 14 trustee deals are in progress and significantly contributing to the annual income of SFD.

- In addition to regular business, the SFD sponsors several knowledge sharing events. For instance, the department arranged 'IDLC Presents - Blueprints 2.0', a platform for participants to apply their financial knowledge into analysis and decision-making, working with templates of actual financial models, getting an opportunity to engage in discussions with professionals and enriching their skills as aspiring financial analysts.
- The SFD also arranged a training program on 'Mastering Project Finance' with Euro money Learning Solutions, a globally-acclaimed training institution for capacity-building for industry professionals. The prime purpose of arranging these activities is to nurture and sustain relationships with clients and other stakeholders.

Outlook

- Fortify our human resources
- Expand product portfolio
- Continue to arrange funds for large infrastructure projects
- Continue to provide support to banks through its advisory services on compliance-related issues with regards to the Basel-III accord
- The department also expects to manage all the existing agency and trustee deals through a dedicated team to provide better and faster service

AMAR STOCK

Green Banking

(A unit of IDLC's Corporate Division)

Overview

With rising global awareness on the negative impact of fossils fuels and other conventional energy sources, IDLC has identified Green Banking as one of its major priority sectors and is recognized as one of the market leaders in promoting the concept of green banking in Bangladesh.

At IDLC, we are focusing on the ideology of 'mother planet and its sustainability', shifting from the traditional financing approach to next generation green banking that supports sustainable and environmentally-positive development. We do so through providing a wide range of specially-designed products and services at preferential terms and rates.

Since its incorporation, IDLC's Green Banking unit (GBU) has been promoting environmental-friendly practices and reducing its overall carbon footprint.

Achievements of 2016

The year 2016 was very significant for GBU. Portfolio-wise, the division cemented IDLC's position as a frontrunner in promoting sustainable business practices in Bangladesh. Today, green banking has emerged as a strong differentiator for IDLC and has transformed into a brand of choice for next-generation financial solutions that thrive on green technologies.

Despite a challenging economic landscape, IDLC's green banking unit has disbursed as much as BDT 589.53 million in 2016 (BDT 525.8 million in 2015) under the green financing umbrella, which only indicates IDLC's drive and focus towards widening the concept of sustainability.

Bolstered by strong growth, IDLC is ready to take the challenge of meeting 5% direct green financing, a target set for all the banks and non-banking financial institutions from January 2016 by Bangladesh Bank to ensure financing environment-friendly projects. Special attention has been given to few niche sectors such as green industry, compliance management and clean energy.

Another advantage is that this product is the coming together of all business units under one umbrella, as green finance is eligible for large corporates and also small businesses. Despite the different challenges related to lowering of commercial interest rates, limited refinance window and availability of cheaper-cost foreign currency lending, IDLC's green desk leads the market with its robust service standards and relationships-driven approach. Working with different DFIs for customized, blended and low-cost green financing options represents one of the major achievements of 2016.

Our product offering

As per the refinance scheme of Bangladesh Bank, IDLC offers 50 products under green finance in the following sectors:

- Renewable Energy: Solar, Biogas, Wind & Hydro Electricity
- Energy Efficiency: Intervention based on Energy Audit, LED bulb etc.
- Solid Waste Management: Composting, Electrification
- Liquid Waste Management: ETP, STP, WWTP
- Recycling: Plastic recycling, Recycle of paper and battery
- Alternative Energy: Tire Pyrolysis
- Non-fire Block Brick: Compressed Block Brick
- Fire Brick: Conversion, HHK, Tunnel
- Miscellaneous: Palm oil, Green Industry
- Expand product portfolio

Green banking at IDLC – Our service bouquet



Our stakeholder relationships

At the GBU, we have worked closely with reputed organizations and institutions that include Bangladesh Bank, FMO (Dutch Development Bank) and FI Konsult in improving our green banking policy, Green Office Guideline (GOG) and ESMS guidelines. We enjoy robust strategic alliances with the following DFIs and stakeholders:

Key Milestones

The Green Banking unit continued to achieve new milestones, lifting IDLC as a financial brand that has become synonymous with promoting sustainable and environmentally-compliant business practices. Since the incorporation of GBU into our organizational framework, some of the key milestones include the following:

1st financial institute to finance a project comprising the adoption of energy-efficient technologies and ESCO model.

1st financial institute to arrange green industry syndication.

Only listed member of the United Nations Environment Program for Financial Institution (UNEP FI) in Bangladesh.

Highest number of Certified Energy Auditors in the country's financial services industry.

1st financial institution to have a LEED-certified branch.

Showcase projects and achievements



Solar nano grid 1



Solar nano grid 2



Green Industry



Effluent Treatment Plant (ETP)



Fire safety equipment



Energy-efficient boiler

Rolling out of environmental and social management system

At IDLC, as we integrate green financing into mainstream financing, we are strengthening our credit appraisal process from an environment and social (E&S) perspective, evaluating all the environmental and social factors such as project impact on the environment and the community in the long run, prior to approving a loan. Being the only listed member of UNEP FI, IDLC fulfills Bangladesh Bank Environmental Risk Management (ERM) guidelines for financial institutions (dated January, 2011) and the ECR-1997 standards within its organizational framework. IDLC also complies with the UNGC and UNEP FI principles on a voluntary basis, being the only listed financial institution in Bangladesh. IDLC have been implementing environmental and social management system (ESMS) from March 1, 2016 to compute scoring of risk of different sectors, under different business segments. With a developed categorization tool which was built upon the ERM guidelines of Bangladesh Bank, IFC exclusion list and ADB safeguard for financing, environmental and social action plan for financial activities is on full roll-out across our credit risk management framework.

In-house environmental management

With a vision to encourage and catalyse transformation towards sustainable business practices, IDLC has established its Agrabad branch in the World Trade Centre in Chittagong. The new establishment has recently achieved the prestigious LEED (Leadership in Energy and Environmental Design) Gold Certification from USGBC (United States Green Building Council) under the category of 'commercial interiors'. The branch is the first-of-its-kind to achieve such an endorsement under the aforementioned category among the financial institutions of Bangladesh.

We have also developed a Green Office Guide (GOG) for IDLC that consists of a set of general instructions to be followed, aimed at improving in-house environmental management across the organization by:

- Saving electricity
- Minimising usage of water and paper
- Keeping the office clean and hygienic

Green marketing and training

An absence of awareness with regards to the benefits of green projects and loosely regulated industries that overlooks gross non-compliance represents some of the major challenges in implementing green banking. In this context, in the year 2016, IDLC's Green Banking unit actively presented IDLC as a market leader in promoting sustainability across different market segments. As a responsible financial partner, we engaged with IFC's PaCT (Partnership for a Cleaner Textiles) program, offering blended financial models with USAID's CCEB team and promoting green financing through various business channels. As a part of our CSR activity, GBU organized regular training programs on 'green awareness' across the organization. In addition, with a view to strengthen the knowledge base of business RMs on green products, GBU prepares a training calendar at the beginning of each year for continuous staff training.

The green desk attended 27 green seminars in 2016, under which we engaged with 172 clients and in-house employees as part of our green awareness-building programs. Showcasing green products in different seminars, organizing exposure visits and having an open dialogue with green consultants are some of our ongoing marketing policies.

Recognition and exposure

Throughout 2016, IDLC's green banking activities were recognized and written about across a large number of media. IDLC's signing agreement with IFC for PaCT was covered by major print media while IFC also published a newsletter focusing on IDLC's commitment towards nature and sustainability.

FMO also published a newsletter titled 'FMO shares best practices on green microfinance in Bangladesh', which was based on their exposure tours with representatives in partner countries like India, Cambodia and Bangladesh, focusing on IDLC's efforts on financing sustainable business practices by supporting SMEs via funding and also encouraging greener business practices.

IFC also published a newsletter on IDLC's drive towards clean energy financing as an industry role model. Green desk provided lectures across different programs and workshops arranged by BLFCA, USAID, BKMEA and GIZ etc. The presence of IDLC's green activities were featured in several print media and newsletters over the years.

Subsidiary Review

In its quest for providing holistic customer-facing solutions, IDLC Finance Limited operates three subsidiaries:

- IDLC Investments Limited
- IDLC Securities Limited
- IDLC Asset Management Limited

These subsidiaries are engaged in providing a broad range of capital market solutions. IDLC Asset Management, which was recently established, was created with a view to fortify the services basket of the IDLC Group in terms of offering a bouquet of mutual fund products, thereby providing customers the access to structured potential long-term wealth creation platforms.

Though the Group's capital market businesses were significantly impacted in the 2010 melt down 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.

Capital Market Operations

IDLC Investments Limited

Company overview

IDLC Finance Limited commenced its merchant banking operations in 1999 through participating in IPOs underwriting. The Company managed its first IPO as issue manager in 2003. Aligning with regulatory requirements, the merchant banking operation was carved-out and transferred to IDLC Investments Limited (IDLCIL), a wholly-owned subsidiary of IDLC Finance Limited. IDLCIL was established in the year 2011.

Products & Services offered

- **Investment banking:**
  - Initial public offering (IPO)
  - Repeat public offering (RPO)
  - Rights issue management
- **Corporate advisory on pre-IPO capital raising:**
  - Underwriting
  - Arranging pre-IPO placement/ capital raising under IPOs, substantial share acquisition and takeover and equity valuation
- **Discretionary portfolio management (DPM):**
  - MAXCAP
  - Profit-loss sharing scheme
  - Capital protected scheme
  - Portfolio advisory service
  - Easy invest

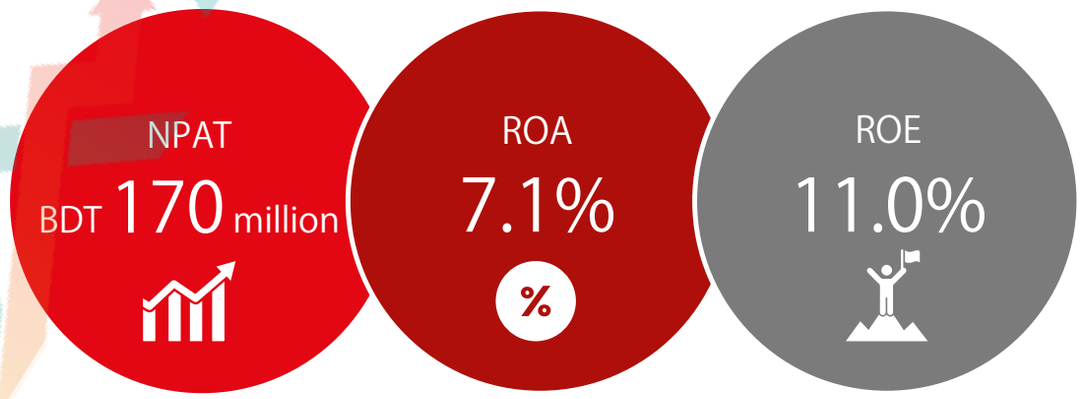
Core highlights, 2016

- Broadened the DPM product basket through the formal launch of 'Easy Invest', a monthly investment scheme that focuses on building a long-term portfolio with small regular investments. IDLC Investments pioneered the launch of this innovative product in the Bangladesh capital markets.
- Over the last decade, the DPM team generated an average return of 21% and the current portfolio AUM stands at about BDT 800 million.
- Managed nine IPOs to raise a cumulative BDT 6,515 million as of 31 December 2016.
- Assisted in raising BDT 31,316 million for clients so far since inception.
- Reduced margin loans significantly since 2010 when the prolonged bearish run in the market started, and have effectively cleaned the books. Simultaneously, we embraced the opportunity of counseling our clients to build a constructive, risk-mitigated and long-term portfolio.
- Investment banking division achieved a robust performance (with revenue growth of 57.36% to BDT 28.42 million in 2016) with significant contributions from corporate advisory fees (60.6%) and issue management fees (38.7%).

Key strengths

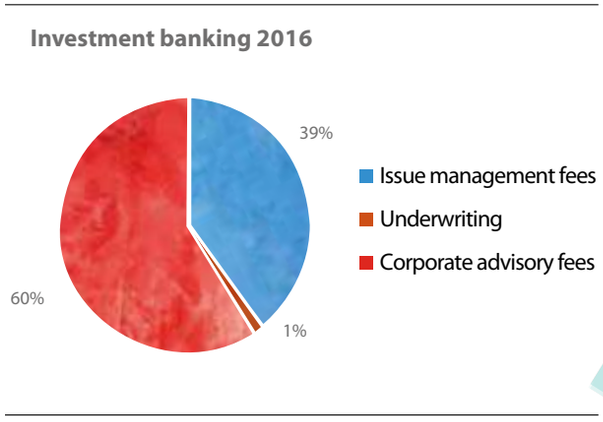
- Active portfolio management to generate consistent returns for our clients.
- Diversified product basket suitable for different investor risk grades with fund managers embracing appropriate diversification strategies to maximize the return potential and minimize downside risks.
- Strong brand image and adoption of the highest ethical standards with rigorous compliance. We comprehensively understand our clients' needs and cater to these accordingly, meeting and even exceeding their expectations. Regular customer counseling on the basis of our research recommendations assists in maintaining a balance between the upside potential and downside risks.
- Our sound human resource strategy, well-documented processes, cutting-edge technology and high-quality research reports have been key for our clients to realize their long-term wealth creation aspirations.

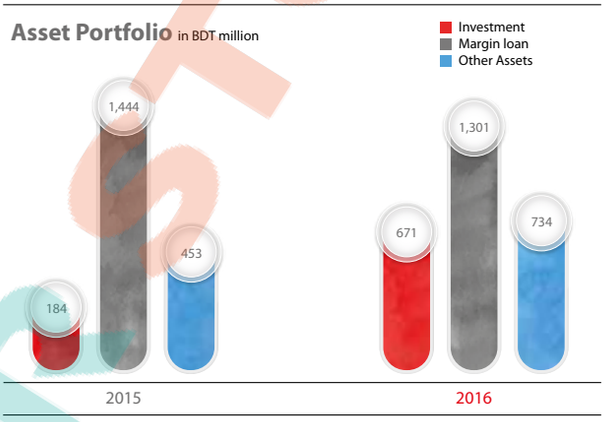
Key financials, 2016



- During 2016, our operating income and operating profit stood at BDT 322.5 million and BDT 243.36 million, respectively
- NPAT grew from BDT 119.32 million in 2015 to BDT 170 million in 2016, representing a robust 42.47% growth and boosted by higher operating profit and lower provisioning
- Higher net interest income (NII) and investment income assisted healthy bottom-line growth.
- To capitalize on select market opportunities, investment exposure amplified by 264% to BDT 670.66 million in 2016, up from BDT 184.21 million in the previous year
- Higher profitability assisted retained earnings to grow in 2016

Financials (in BDT million)	2014	2015	2016
Issue management fees	9.50	4.61	11.00
Underwriting	2.76	1.28	0.20
Corporate advisory fees	10.50	12.17	17.21
Total revenue from investment banking	22.76	18.06	28.42





Key business trends and our responses

- Bangladesh capital market has passed a bear-phase since 2010 crash. However, 2017 is showing some positive signs, which were not present in the last six years. The market turnover has increased significantly and so has the appetite for proprietary investment. We remain well positioned with our wide service bouquet to avail the opportunities offered by the market.
- The low-interest regime and the expansionary monetary policy have proved to be a positive catalyst for stock market growth. While deposit interest rates in many banks hover below the inflation point, many investors are looking for sustainable, risk managed investment opportunities in the capital market. In this backdrop, long term wealth building products offered by IDLC, like discretionary portfolio management and Easy Invest (monthly systematic investment plan) should come into play more and more.

Key risks and mitigation strategies

- One of our major challenges comprises the ongoing volatility in the capital markets along with systemic risks arising from political/ regulatory/ legislative changes
- Since our DPM service is in its early stage of growth from a product lifecycle perspective, there exists significant potential to raise awareness about this unique platform, grow portfolio size and enhance the quality of the portfolio by ensuring that we ride out the volatility and generate long-term sustainable and risk-mitigated value
- One of our other core services include our advisory services and intelligence solutions that comprise of knowledge-sharing on the markets, stock analysis, effects of leverage, effective risk management and fostering disciplined portfolio management.
- Accordingly, we have empowered our clients with multiple value-added services.
- Going forward, we intend to reinforce process efficiency, leveraging our strong co-ordination capabilities with regulatory authorities and ensuring continuous value creation for our clients.

Outlook

- We will actively market and grow the portfolio of our wealth building products like discretionary portfolio management and Easy Invest (monthly systematic investment plan).
- Due to the positive attitude of investors, and increase in market participation in the form of incremental investments in the capital market, many previously dormant investor accounts are also becoming active. Against this backdrop, we will look to cautiously increase our margin loan portfolio in a risk managed way.
- Our Investment Banking team will be active to close the deals we currently have on board as we well actively seeking to generate new deals.

IDLC Securities Limited

Company overview

IDLC Securities Limited (IDLCSL), one of Bangladesh's top brokerages, commenced operations in 2006. The Company provides brokerage services to more than 15,000 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. The company possesses a proven track record of delivering quality customer services in strict compliance with prevailing rules and regulations and maintains high standards for both corporate and employee ethics.

IDLC Securities also offers premium brokerage services to high net worth (HNW) institutional and foreign investors. Premium brokerage services comprise the bundling of prime research and advisory support in addition to trade execution. Moreover, the Company possesses reliable online trading system under its Order Management Unit (OMU), developed in-house and launched in 2010 with the principal objective of facilitating those investors who prefer online trading, thereby democratizing market access.

Products

- Cash account
- Margin account through IDLC Investments Limited and other enlisted merchant banks
- Easy IPO
- Premium brokerage for HNWs, institutions and foreign investors

Services

- Trade execution through the Dhaka and Chittagong stock exchanges
- Custodial and CDBL services
- Bloomberg terminal for foreign clients
- Research and advisory services

Core highlights, 2016

- Significantly scaled-up the brokerage business, which does not require additional capital investments
- Fine-tuned the business model to achieve higher efficiency
- Expanded and reinforced sell-side research coverage
- Enhanced retail and strategic sales efforts with the outcome of enlisting a larger customer base
- Achieved significant footing in foreign sales operations
- Revamped operational risk management processes

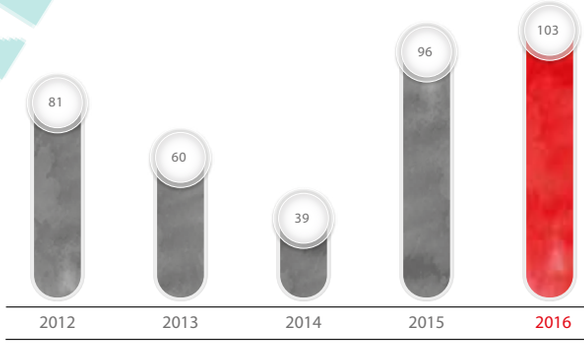
Key strengths

- Strong brand equity
- Skilled and well-qualified trading teams with professional market insights
- Dedicated relationship manager assigned to every investor
- Top-notch sell-side research team
- Wide and extensive branch network with reliable and user-friendly online trading infrastructure
- Culture of confidentiality and secured custodianship of customer assets
- Performance management model that drives quality business growth

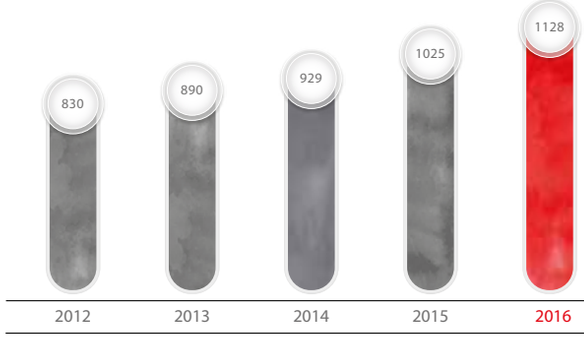
Key financials, 2016

- IDLCSL's average daily turnover increased by 31.7% to BDT 344 million, compared with a 17% increase in the average market daily turnover. Thus, market share increased by a healthy 40 bps to 3.5%
- Net brokerage income increased by 26.4% to BDT 251.6 million
- Profit before tax and provisions increased by 30% to BDT 191.8 million
- Net profit increased by 7.6% to BDT 103.4 million
- Shareholders' equity grew by 10.1% to BDT 1,128.7 million

Net profit after tax in BDT million



Shareholders' equity in BDT million

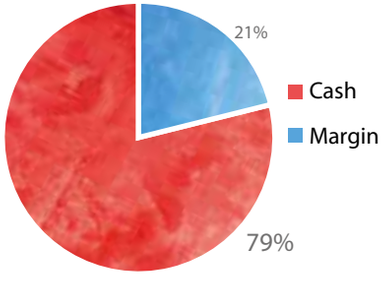


Key business trends and our responses

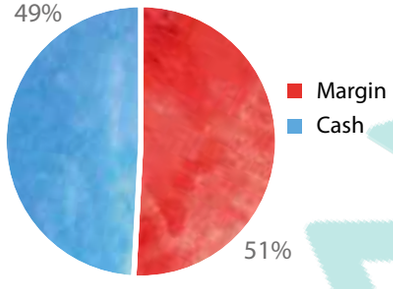
- Over-exposure to margin loans had been a key issue in the industry, especially till the 2010 market crash, which led to the adoption of a more conservative approach by the industry.
- Until 2010, a major portion of IDLCSL's business was dependent on margin loans. As a strategic and forward-facing move, margin loans were scaled down by 74% from the January 2011 levels. However, we achieved business stability by enhancing focus on cash investment accounts.
- Resultantly, the contribution of cash account to the total trade leaped to 78.65% in 2016 from 49% in 2011.

Contribution to the total trade

Contribution to the total trade-2016



Contribution to the total trade-2011



Key risks and mitigation strategies

- Political uncertainty: We mitigate this inherent business risk through constantly evaluating the environment and embracing steps that are in the best interest of our enterprise.
- Regulatory risks: We are proactive in our adoption of all the statutory rules and guidelines issued by the capital market regulator from time to time. We have also reinforced our internal controls through conducting regular training programs and knowledge sessions, leading to enhanced compliance and improved internal control.
- Investment risks: We align our investment management portfolio to current market trends and endeavor to achieve a performance that is aligned with investor expectations.
- Retention risks: We protect the value of our intellectual capital by engaging in ongoing performance management and ensuring that our pay scales and other benefits are best-in-class and in line with the industry standards.
- Technology obsolescence risks: We are cognizant of technology becoming archaic and to remain aligned with the latest technology developments (in our broad intent to serve our customers better), we are also closely monitoring the changes to embrace appropriate and best-fit technology.

Outlook

At our Company, the year 2016 was about consolidation as we prepared to look to the future with confidence after coming out of the legacy issues of the past. With intellectual capital being an important fuel of our business, we have built up a strong team over the last couple of years. As we capitalize our human resources and integrate our teams, we believe we can unlock significant operating leverage to further provide value to our customers. We also engaged in capacity-building sessions for our dealers, actively monitoring their portfolios. We expect to build on this human resource and dealer network expansion as we further mine customer accounts and grow our business in a controlled and calibrated manner.

IDLC Asset Management Limited

Company overview

IDLC Asset Management Limited, a fully owned subsidiary of IDLC Finance Limited, was incorporated in Bangladesh on 19 November 2015, vide registration no. C-127068/2015 as a private company limited by shares under the Companies Act, 1994. The Company was awarded with asset management license on 6 June 2016 with a paid-up capital of BDT 100,000,000 (BDT one hundred million only).

IDLC Asset Management expects to operate in the nascent and attractive asset management sector of Bangladesh, reinforcing the IDLC Group's capital markets product portfolio. The Company's principal objective is to conduct the business of asset management, primarily through launching and managing mutual funds, to cater to diverse investor needs.

Products

- Mutual funds
- Alternative investment services

Key strengths

- Management know-how.
- Experienced and tested fund management professionals
- Strong brand image of IDLC as a knowledge leader in capital market operations
- Investors' trust in IDLC fostered through years of providing transparent and quality service

Key financials, 2016

- Operational revenue: BDT 19.9 million
- Profit before tax: BDT 15.3 million
- Net profit after tax: BDT 10.4 million
- Total assets: BDT 119 million
- Total shareholders' equity: BDT 110.4 million

Key business trends and our responses

- After a prolonged bearish phase in the market, the capital market is showing positive signs as we head into 2017. Bearing that in mind, we hope to launch our first open-ended Mutual Fund, "IDLC Balanced Fund" this year. We also hope launch several new open-ended funds throughout the year.
- As the Bangladesh economy matures, the needs of the customers are evolving as well. We aim to devise a customer care system that delivers the highest level of service and satisfaction to all potential and current clients.

Key risks and mitigation strategies

- At our newly-established Company, we see a vast opportunity canvas when one appraises the fact that there are only a handful of asset management companies and that too with small portfolios.
- We believe that the first thing to do in winning the market is to raise awareness on the concept of mutual funds as a vehicle to generate sustainable long-term returns. The product per se is democratic in the sense that it is suitable for all income segments and fosters a 'ladder effect' in terms of the fact that with rising incomes, people can invest a larger percentage of their incomes into mutual funds.
- Besides, the concept of systematic investment plan (SIP) is also in an embryonic stage in which investors can pool periodic investments into purchasing mutual fund units, taking advantage of BDT cost averaging.

Outlook

- Launch the Company's first open-ended mutual fund, 'IDLC Balanced Fund' (subject to regulatory approvals).
- Launch a series of open-ended mutual funds (subject to regulatory approvals).
- Develop extensive sales, distribution and marketing channels to broaden the customer base for mutual funds distribution.
- At our Company, we are leveraging the solid brand equity of our parent company and coupled with creating a vast network infrastructure, we intend to enhance financial literacy and reach out to a larger population segment.

Strategy and Resource Allocation

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

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

Risks and opportunities

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

- Statement of Risk Management (pg. 128): Broad risks and mitigation strategies for the company.
- Business segment review (pg. 104-121): Specific risks and mitigation strategies for individual business units and subsidiaries

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

Key challenges	Opportunities and key strategies	Heat map	Business model adaptability
Falling lending rates.	• Find niche and underserved markets. • Explore alternative and cheaper sources of funds.	Market Risk (pg. 132)	High High
Intense competition in corporate lending driving commercial banks to focus more on SME and consumer financing.	• Continue providing best-in-class services to all customers.		High
New industry entrants providing stiff competition.	• Innovate, automate and invest to reduce turnaround time further.	Liquidity Risk (pg. 132)	High
Intense price war in home loan financing.	• Extend our presence to all parts of the country.		Moderate
Risks and opportunities arising from Fintech.	• Stay updated with industry best practices and new opportunities offered through technology.	Technology Risk (pg. 134)	Moderate
The extent to which our clients will act in environmentally and socially responsible manner	• Continue to focus on Green Financing initiatives and maintain strict policy on compliance requirements at the clients' ends.	Other Risk (pg. 134)	High

Business model adaptability and change requirements:

What makes our business model highly adaptable

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

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

Change requirements

Certainly, if and when we choose to further expand the operations of our existing services or venture into new ones, significant changes will need to be made in the way we deliver value to our various stakeholders.

However, with challenges such as risks presented by the advent of fintech as well as the opportunities it brings with it being on the horizon, there are numerous ways we intend to embrace change within the imminent future. These include improving the way we pool our shared know-how for improving information symmetry within the various branches and divisions of our organization, to enable quicker data centric decision-making and to allow us to better analyze possible new ventures and risk mitigation strategies.

Responses to issues raised through stakeholder engagement

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

Stakeholder	Concern	Our Response: 2016 in Review	Capitals Invested	Elaboration
Customers	Investment opportunities	Launched new investment product, Easy Invest, for small investors.	Financial, Intellectual & Social and Relationship	Stakeholder & Materiality (pg. 60)
Shareholders	Timely performance review and transparency.	Introduced quarterly earnings disclosures conducted every quarter.	Human & Intellectual	Social and Relationship Capital (pg. 92)
Regulator	Anti-money laundering and anti-terrorist financing	Broadened KYC (Know Your Customer) measures and initiated conducting regular disbursement analysis through Internal Control and Compliance (ICC) department.		Statement of RIsk Management - Legal Risk Management (pg. 133)
Employees	Health and safety	Healthy premises, company doctor, regular fire drills, sports	Financial & Human	Human Capital (pg. 88)
Community	Environmental protection	Invest on green premises. Increased focus on Green Financing.	Financial, Social & Relationship	Business Segment Review, Social Relationship Capital (pg. 113, 97)

Goals

Unambiguously, our short term goal is to position our enterprise well enough to capture the prospects of a stable and growing economy. The FY2017 GDP growth projection is slated at about 7.2%, which not only makes our country one of the fastest-growing nations of the world but this growth also throws up a lot of opportunities in the financial services space.

Our medium-term goal is to sustain our net interest margins (NIM) as we are witnessing a downward pressure on deposit rates that are forcing the lending rates along the same way too. We also realize that we cannot be out-priced by the market and hence in addition to attractive lending products and solutions, we will ensure that our robust customer service standards continues to remain our key differentiator.

Our long-term vision is to emerge as the best financial brand in Bangladesh. This is our statement of purpose continuing to help us navigate our operations and our enterprise towards this direction.

Breakdown of objectives

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

Vision

We will be the best financial brand in the country.

Mission

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

People Objective

- Drive objective based performance management process across the organization
- Drive succession planning process for all key positions
- Continue to invest in talent development
- Evolve an engaging & inspiring culture based on mutual trust, respect and accountability
- Build a strong employer brand

Outgrow the industry in business growth

- Continue the strong growth momentum in Small Enterprise Financing
- Grow Home Loan acquisition
- Grow market in other metros
- Rigor drive for corporate loans
- Accelerate the Corporate Advisory products such as M&A, Debt Restructuring and so on.
- Achieve desired deposit growth while optimizing cost and increasing contribution from retail depositors

Improve credit & collection processes

- Restrict NPL amount within desired level

Expand distribution channels strategically

- Diversify distribution and service channels – launch alternate delivery channels

Improve customer experience

- Foster a 'customer first' mindset for all employees in all levels across all verticals of the company while improving service standards

Improve presence through concerted branding & marketing efforts

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

Increase efficiency

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

Further strengthen CSR activities

Resource allocation strategies to meet objectives

As a rule, we are as concerned about long-term value creation as we are about maximizing returns for our investors in the short and medium term. This means, occasionally, certain tradeoffs are

needed to be made between capitals in order to accommodate our long-term orientation. Mostly, these are in the form of financial investments made towards ensuring the development and sustainability of other capitals in a way that the resulting long-term returns will outweigh the short term costs. We allocate our finite resources to build on our various capitals. This resource allocation is manifested in our approach of utilizing key capitals, the role of innovation and other considerations in strategy formulation, explained in the following sections.

Strategy formulation and our sources of competitive advantage

How we develop and utilize our intellectual and human capitals

As a major driver of our intellectual capital, we expose our human resources to an inspiring work environment and a culture that fosters and encourages collaboration, sharing and teamwork. We expect the highest standards of ethics and behavior out of one another and have a 'no-compromise' stance to any deviations. We contribute to the development of our human resources by providing them with ongoing as well as specific training. In fact, the expenditure on training at our company has increased by 25.6% in the past year, indicating our focus on sharpening our talent pool.

As a financial institution, we also see technology as a key component of business success. Evident within our capitals' sections, many of our expenses, such as investments in infrastructural capacity development have increased over the years (pg. 79, 80, 82). This includes investments on brick and mortar as well as in technological infrastructure and software, all initiatives towards expanding on our presence and providing better service to our stakeholders.

Not only do we want to improve on our services, but also make them consistent, which is evident in our investment on customer service training. Numerous other forms of training conducted on technical and leadership skills (pg. 87) stand to prove our commitment towards developing our intellectual capital in efforts to remain a knowledge centric institution that seeks to create value through quality growth and sustainable business practices.

We incorporate various other measures in developing our intellectual capital which are expanded on under Intellectual Capital (pg. 81) and Human Capital (pg. 85).

The role of innovation in harnessing the potential of our capitals

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

Area of Innovation	Scope for Innovation	Primarily responsible team
People	Increase efficiency in the hiring process	Human Resources Team
	Improve incentive structure to drive performance	Human Resource with help from senior line management in business divisions
	Automate people management processes through use of HR Management software for employee on-boarding, objective setting, performance appraisal, compensation management etc.	Human Resources and Technology teams
Product	Conduct Market research	Products and marketing teams in coordination with sales, operations and credit risk management and technology teams
	Introduce new innovative products	
	Innovate by tinkering with existing products	
	Introduce non-financial services	
	Improve customer on-boarding experience	
Processes	Introducing New Service platforms and reduce customer service time	Business Solutions Team comprising of high level members from different departments including business and operations
	Increase efficiency through process improvements	
	Increase process and information security	Technology Team
	Automate internal service request management processes	

Environmental and social considerations in our strategy formulation

As mentioned previously, our focus on not only ensuring our own environmental and social responsibilities, but also that of our clients, is deeply ingrained within our policy, strengthened by government regulations and international frameworks that help us communicate our rationale and ways to implement sustainable practices with many of our clients (pg. 125). It is also evident in our efforts towards Green Financing initiatives (pg. 113).

Key interdependencies, complexities and tradeoffs between capitals

Our capitals are deeply intertwined and dependent on each other. While one capital is used up, it transforms into the creation or development of another. The role of innovation in harnessing the potential of our capitals already illustrates this. The flow of one capital therefore, not only affects its own outcomes, but also that of others (pg. 26)

Intellectual, Manufactured and Financial Capitals

The software and infrastructural investments we make towards achieving process efficiency, in turn, helps us maintain our low cost-to-income ratio (pg. 2) and quicker service in the form of turnaround times (pg. 84), which enables us to operate competitively in the market. Hence, our various initiatives, while incur expenses, also strengthen our financial capital, through economies of scale supported by our business growth. This not only ensures solvency in the short term, but also enhances our long-term value creation prospects through enriching our capabilities as a knowledge-based organization that keenly

develops its infrastructural prowess to serve a greater and wider pool of stakeholders. In conclusion, while monetary investments in our manufactured, intellectual, human, social & relationship and natural capitals are key to the development of these capitals in themselves, these investments also translate to utilization of the capitals to be transformed back to financial capital in the form of material returns to these various stakeholders.

Human, Social & Relationship Capital and Manufactured Capitals

Our manufactured capital is intricately linked with our people strategy and the way we engage with our clients and other stakeholders. The services and operations of many of our branches are designed to best serve the clients within their closest vicinities, so that we can specialize in customizing our offerings to their specific needs. However, with our growing basket of products, we are training more and more of our representatives to be able to provide a wider range of solutions rather than just a few (pg. 87).

Our broad training framework is purposed to provide better service to our clients to improve our social and relationship capital, which comprises of our key partnerships as well as relationships within and between our various stakeholders. In fact, we help expand these relationships to get a multiplier effect on the benefits. For instance, at Purnota, a pioneering service package for women entrepreneurs, we organize events to introduce numerous such entrepreneurs to each other in order to give them an opportunity to harness the potential benefits to be derived from a community. In turn, as a financial institution, we too realize the benefits from these engagement programs through serving the financial needs of our clients – existing and prospective – when they thrive as a result of knowledge sharing and idea generation. Our engagement programs go on to extend from our customer engagement initiatives, to our CSR programs, to our ambitious marketing drives that are targeted to impact beyond our clients (pg. 92).

Natural and Other Capitals

Starting from our manufactured capital, which includes all synthetic physical resources, we seek to ensure proper utilization to help reduce our carbon footprint for doing our part in protection of the natural capitals. In order to do this, we also focus on developing our intellectual capital, so that we can improve process efficiencies and enhance resource utilization. In effect, we would also invest in training our human capital to expand on our organizational knowledge and add to the process efficiencies. Besides, investments in eco-friendly premises also become part of our drive at protecting the environment. (pg. 102).

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

Tradeoffs we seek to avoid

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

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

Measuring the efficacy of our objectives and tackling unintended consequences of narrow focus on KPIs

KPIs	Spill-over effects	Solution
Portfolio growth	Possibility of becoming over-aggressive and in the process, acquire risky clients.	The key is to constantly monitor and review the credit approval processes. We will also further improve the utilization of our internal data repository through greater use of tools and policies such as credit risk scoring, risk-based pricing, single party exposure limit, sector exposure limit and portfolio diversification.
NPL management	Possibility of losing business while being too conservative.	Based on our 35 years of experience, we are able to identify the niches that offer the most attractive business opportunities. In turn, this allows us to maintain NPL levels that are lower than the industry average.
Maintain/reduce cost to income ratio	Excessive efforts could reduce branding initiatives, customer and employee engagement programs and so on as cost-cutting drives.	As a way forward, we plan to automate more processes to improve efficiency, review more processes to churn out the redundancies and train employees to increase their capacity and efficiency.

Our scope of long term value creation

Our ear-on-the-ground approach has enabled us to continually innovate our products to meet newer customer requirements. For instance, in 2016, we launched Easy Invest, an exclusive product for small investors with moderate risk appetite to invest in the capital market. Interestingly, this segment was largely untapped and we hope that our first mover's advantage will enable us to capitalise on its progressive growth potential. Our efforts at enhancing our engagement programs, combined with constant reviewing of our operating environment and the competitive landscape help us utilize and transform our capitals for value creation. Our ability to meet and exceed customer expectations, ensure quicker loan disbursement (for qualified customers) and willingness to help them navigate through their business challenges have together ensured that we remain one of Bangladesh's most respected and trusted NBFIs.



The face of IDLC – reflected through the ambition and rise of

Ziaul Huq

Ziaul Huq epitomises all that IDLC stands for – the spirit of innovation, the culture of carpe diem, the philosophy of growth being the only constant. As one of the oldest members of IDLC, Zia has been working with the Company for the past 31 years, since 1986.

His stellar career at IDLC has been anchored on stability and solidity as he progressed up the ranks across multiple departments with experience in administration, business initiation, credit risk management, special asset management, customer services and even working towards the establishment of new branches. Today, he is the Assistant General Manager and Head of Credit Administration of the Consumer division.

Just like when he joined in 1986, his enthusiasm and love for his work has only grown over time. He is often seen interacting with young recruits over a cup of tea, soaking in new ideas, which reflects on his personality and belief that learning can happen anywhere and there is always scope to enrich one's knowledge.

Having always worked towards promoting an environment of care, empathy and mutual respect, he is loved and admired by colleagues across the organization. This was amply evident when, due to a health issue, he was hospitalized in 2008 and the employees of IDLC spent the entire night by his side, praying for his speedy recovery and helping in whatever way they could.

Over his remarkable and exceptional career, Zia has won many accolades for his untiring efforts in growing the organization. Among these honors is the award for the 'Best Employee of the Company' from the Chairman of the Board of IDLC, which he received as many as three times. He also cherishes the memento he received from the CEO on completing 20 years of service.

Even today, Zia enters the office with the same passion, zeal, enthusiasm, devotion and dedication that he brought with him three decades ago. At IDLC, we salute the spirit of Zia and wish him many more happy and memorable years to come!

SHUTTERSTOCK

Risks and Governance

Statement of Risk Management

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 an important role in 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 and Integrated Risk Management Guidelines for Financial Institutions issued by Bangladesh Bank on 2016.. 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 in effective management of organizational risk. 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 term 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.

The risks are in congruence with Bangladesh Bank guidelines.



Risk Management Strategies

Risk Management Framework:



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 ICC team. These teams co- ordinate with Corporate Affairs, Finance and Strategic Planning departments to manage legal, compliance and strategic risk.

Risk Management and Control Principles

The five pillars that support of 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

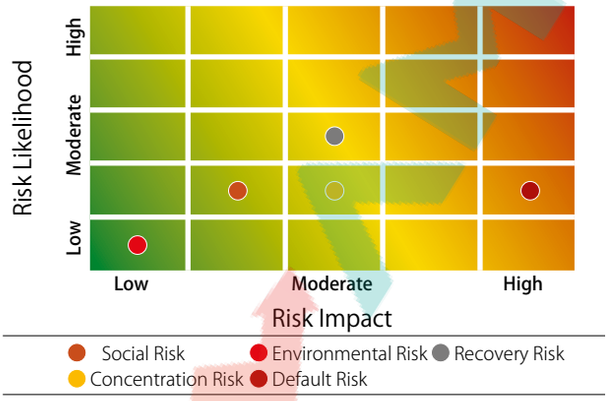
Credit Risk

Credit risk refers to the probability of loss arisen from poor quality credit. At IDLC, we categorize credit risk in two broad categories:

Risk for Organization	Default Risk
	Recovery Risk
	Concentration Risk
Risk for Community	Environmental Risk
	Social Risk

Risk at a Glance:	
Default Risk	Probability of loss if a borrower fails to make payments on any type of debt.
Recovery Risk	Probability of loss if sufficient amount cannot be recovered from a default client because of inadequate collateral
Concentration Risk	Risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten a bank's core operations. It may arise in the form of single name concentration or industry concentration.
Environmental Risk	Probability of loss of stakeholders if poor credit underwriting leads to financing activities with negative impact on environment
Social Risk	Probability of loss of stakeholders if poor credit assessment leads to financing activities with negative impact on social life of a community.

Credit Risk



Credit Risk Management

Credit risk management (CRM) is one of the most crucial issues for an FI as credit risk is not only associated with direct accounting loss but also with economic exposures encompassing opportunity costs, transaction costs and expenses associated with a non - performing asset. At IDLC, the underlying goal of Credit Risk Management is to maximize our profit over long run maintaining credit risk exposure within acceptable level. To meet this goal CRM team members aim to achieve four objectives:

- Quality Credit Growth
- Minimum Loan/Loss Provisioning
- Reduced TAT [Turn Around Time]
- Compliance with Regulatory & Internal Policy

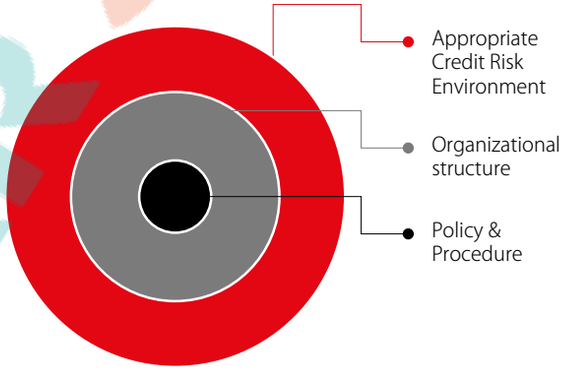
Credit Risk Management Framework

At IDLC, credit risk management is a continuous process based on a framework to gain maximum profit at the cost of minimum credit risk exposure.

Appropriate Credit Environment

At the outer most layer of this framework is an environment that ensures IDLC is at the optimum level of credit risk exposure.

At IDLC, all facilities approved under the approval tier of our CEO & MD are periodically reviewed by board members. Moreover, facilities with significant exposure need board approval. Thus, our board has a sound knowledge regarding overall credit position of IDLC at any point of time. Combining their knowledge & expertise, they guide the organization to adopt to a sound credit environment. Another fact that contributes to a sound credit environment is our independent credit risk management teams.



Organizational Structure

Multiple Credit Approval Authorities

At IDLC, credit approval authorities vary on the basis of credit exposure. Multiple levels of credit approval authorities range from the CEO and Managing Director to the Board. Credit proposal with lower exposure has relatively lower risk than credit proposal with higher exposure. Multiple credit approval authorities help in processing proposal with low exposure in less time period while proposal with higher exposure gets necessary treatment from higher approval authorities with better expertise. This structure aids to achieve three objectives:

- Faster approval
- Quality credit
- Ownership

Segregation of Credit Underwriting from Loan Origination

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. Independence and integrity of the credit decision-making process are ensured in this process. 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.

Policy & Procedure

IDLC Credit Policy:

IDLC has a board approved credit policy as a part of overall risk management framework. This policy guides both business units and CRM teams to be synced by outlining organizational business priorities, terms and conditions applicable for a credit proposal to be approved and factors to review of an already approved credit proposal.

Different Policies Customized for Different Market Segments

Credit proposal of same product often needs to be assessed in different manners because of different market segments. To ensure quality credit, different credit policies have been developed for same product with different terms and conditions suited for different market segments.

Product Policy Guidelines (PPG)

A Product policy guideline has been designed for most of the products of IDLC, especially for retail products. A CRM unit dedicated for a particular product can develop sound knowledge of that particular product based on that PPG, improve their expertise and can process and approve credit proposals in least possible time in this process.

Policies & Guidelines of Bangladesh Bank & Other Regulatory Authorities

At IDLC, policies & guidelines outlined by Bangladesh Bank and other regulatory bodies are considered as the base to develop internal policies. Therefore, IDLC strictly adheres to the rules and regulation of regulatory bodies if not more conservative. Any change in existing policies and guidelines of regulatory bodies are adopted to internal policies and guidelines at the least possible time lapse.

Periodic Analysis of Policies and Guidelines

At IDLC, policies are periodically modified. IDLC's credit policy is generally reviewed every year. IDLC's credit policy has been last reviewed on December 2016. The previous review was done in 2015. Product Programme Guidelines (PPG) for different products are analyzed every year to incorporate change in market variable & learning 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.

Credit Risk Management Process

At IDLC, credit risk management is a process with 4 steps done in two stages and two levels. At the pre-sanction stage, a credit proposal is assessed to identify credit risk, measure the degree of loss associated with credit risk and developing risk mitigating tools. Once a credit proposal is sanctioned, the facility is monitored to identify and control risk at the post sanction stage. Thus, approval of a quality credit and mitigating the risk of turning a quality credit into bad credit is ensured. However, credit risk is not applicable for individual credit only but for overall organizational portfolio. Therefore, at IDLC credit risk is managed in individual credit level as well as organizational portfolio level.



Credit Risk Management Tools & Techniques

IDLC Risk Grading Model

IDLC has own internal Risk Grading Model to facilitate informed decision-making. In December 2016, IRG (IDLC Risk Grading) Model for Corporate and medium enterprise clients has been approved by board which has replaced our existing RGM model from January 2017. The aim of updating our existing model was to incorporate all sorts of risk in a more detailed manner and include the Facility risk: risk associated with the structures of different facilities as recommended by "Integrated Risk Management Guidelines for Financial Institutions" issued by Bangladesh Bank on 2016. IRG model rates each credit proposal based on client's financials, overall industry & business outlook, client's overall payment history, client's group standing, management nature of the client & facility structure of a particular proposal. This model is an integral part of credit decision making process.

CRG Model for Small and Micro Enterprises

IDLC considers the uniqueness of risk factors of different client segments and develops risk management techniques accordingly. For small and micro enterprise, a different Credit Risk Grading model developed in association with IFC is used to identify and measure credit risk. This model sets a score for each client based on their financial performance, non-financial aspects like ownership structure, factory location and behavioral aspects like repayment track record. Different CRG score needs different review like client visit, client interview etc. Thus, this model ensures quality approval in least possible time.

EDD (Environmental Due Diligence) Checklist & ESMS

In line with the Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh issued by the Bangladesh Bank in January, 2011, ERM Guidelines have been incorporated in IDLC's credit policy and has been approved by the Board. As per these guidelines, clients are categorized in Green, Orange-A, Orange-B and Red categories based on their sector. General EDD checklist and ten sector specific EDD checklists were done for clients to identify and measure environmental and social risk. However, we have incorporated more comprehensive ESMS tool approved by board in our environmental risk management process last year which covers 22 sectors specific environmental and social risk identification including those ten sectors in EDD checklist. Based on the ESMS, Environmental Risk Rating (EnvRR) can either be low, moderate or high. In case of high EnvRR for any proposal, approval is taken from competent approval authority. Thus, environmental and social risks are actively considered along with the general credit risks while assessing a prospective borrower. In addition to national laws and regulations, IDLC has also voluntarily adopted the principles of the UN Global Compact (UNGC).

Credit Risk Mitigating Tools & Techniques

Credit Limit (Individual, Group-Wise and Sector-Wise)

IDLC possesses a set of Board-approved prudential limits to address concentration risk in a particular client, a group or a sector. If any credit proposal causes concentration in either of these three exceed prudential limit, that proposal needs to be approved by senior management or executive committee or board.

Sustainable Cash Flow

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.

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.

Collateral

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.

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.

RiskTransfer

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.

Risk Monitoring Tools & Techniques

Early Alert Report

At IDLC, Relationship managers complete Early Alert Report (EAR) in timely manner and forward this report to CRM for approval to affect any downgrade along with action plan based on borrower's payment record, industry and business outlook and any other related forecasting/projection at post sanction stage.

Quarterly Portfolio Review

Our loan portfolio is reviewed periodically by our senior management. Risk factors of existing portfolio are thus identified considering macroeconomic context and senior management guides the organization in setting new priorities, identifying new discouraged sectors and mitigating risk related to existing portfolio. A Portfolio Status is developed at each quarter end by our MIS team in this regard.

Stress Testing

IDLC embraces stress- testing guidelines issued by the Bangladesh Bank since 2010. These guidelines were revised for NBFIs in June 2012 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.

Monthly Business Review

IDLC CRM's research team composes a Monthly Business Review focusing on areas and issues that contribute to the change in business world. Our monthly business review features any of these as the cover story:

- National budget
- Monetary policy declared by Bangladesh Bank
- Any particular industrial sector such as Textile industry, Ship breaking industry and so on
- Reports on efficiency and effectiveness of business regulation around the world by the "Doing Business Project" of World Bank

Monthly Business Review also covers any global research paper or reports featuring Bangladesh, case analysis of business techniques and strategies done by a particular region that can be implemented in Bangladesh. Key economic as well as business issues around the globe and buzzword like "Brexit" are discussed

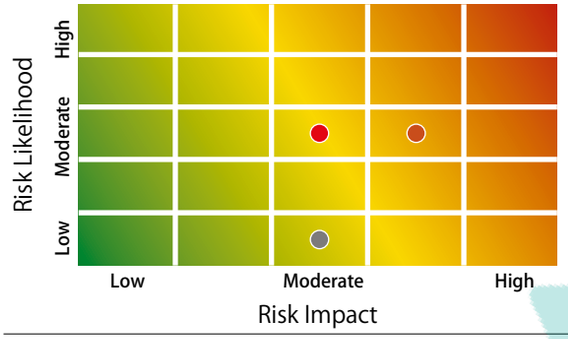
as well. "Spotlight on startup" chapter of the Monthly Business Review features startups whereas "New Initiative in Market" presents startups that have brought new ideas in the market. In addition with these, interview on any topic related to economy and business with experts and interview with entrepreneurs from IDLC's client base specially woman entrepreneurs are featured in our monthly business review.

Thus, monthly business review gives a complete idea about national as well as global business and economy and helps our senior management in policy making and developing of strategy.

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.

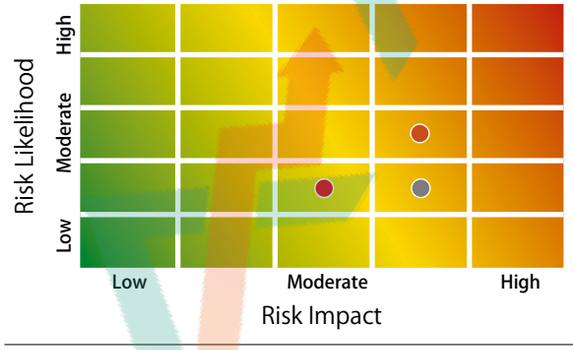
Market Risk



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.

Liquidity Risk



Market and Liquidity Risk Management

Liquidity and Funds Management

Sound liquidity management reflects a Financial Institution's ability to fund assets and meet financial obligations under both normal operating conditions and stressed situation. IDLC's liquidity and fund management system ensure that we can effectively meet contractual obligations arising from customer deposit maturities or early encashment, make timely repayment of treasury borrowing, arrange fund to support asset growth, and other commitments efficiently under various conditions. Treasury Department is responsible for the development, execution and regular updating of IDLC's funding plan that reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market conditions. As an integral part of liquidity risk management framework, Treasury ensures that funding mix is optimized and diversified in terms of product category and maturity. IDLC's funding mix include retail deposit, money market borrowing, and various refinancing schemes of Bangladesh Bank, Zero Coupon Bond, Long Term BDT and USD Loan.

IDLC's liquidity position is reviewed regularly to keep a strong focus on ensuring adherence with prudential limits set by Bangladesh Bank or ALCO. In order to strengthen liquidity risk management we have established below framework.



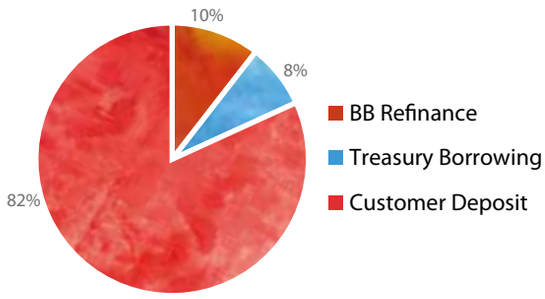
Managing Our Cost of Funds (CoF)

"We managed to reduce our overall cost of fund substantially and gained a lift in net interest margin (NIM), which has directly improved our profitability in 2016"

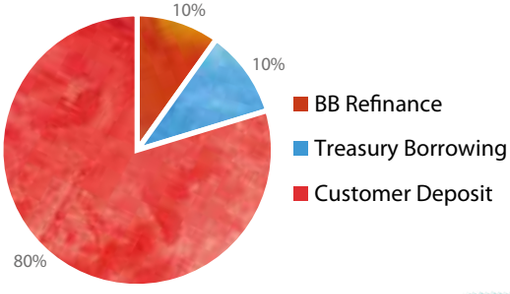
In anticipation of excessive liquidity in banking sector due to lower credit demand from both the private sector and public sector, ALCO adopted proactive policy measures to bring down cost of deposit at an optimum level and cut interest rate on customer deposit several tranches in 2016. Customer deposit being the major source of funding, reduction in interest rate on deposit products had significant impact on overall cost of fund. Under the declining interest rate scenario, Treasury actively managed credit facilities and optimally used cheaper sources of short-term fund that lead to significant financial expense savings.

As part of our funding plan of sourcing long term low cost fund, we issued Zero Coupon Bond of BDT 2.45 billion (Face Value) that helped us diversify our funding mix further.

Funding Basket-2015



Funding Basket-2016



We continued our active participation in various refinancing schemes of Bangladesh Bank throughout the whole year of 2016. Refinancing fund, which accounts for 10% of funding basket was a key driver to lower the overall cost of fund.

Asset Liability Management (ALM) at IDLC

We have built a robust ALM system over the years to measure, manage, and monitor different aspect of the major balance sheet risks (liquidity risk and Interest rate risk). We have a dedicated ALM desk that provides input to the Asset Liability Management Committee (ALCO). It tracks, analyzes and reports Balance Sheet movements to senior management and ALCO. In addition to that, it also monitors the economic outlook, major changes in the operating environment and predicts the future interest rate movement to suggest proper balance sheet movement in line with the strategic goal of IDLC.

Legal Risk

Money Laundering and Terrorist Financing Risk

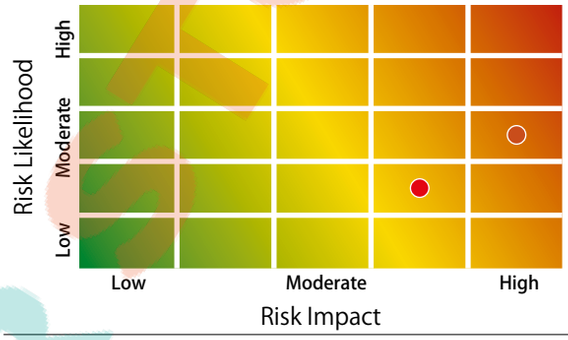
Money laundering and terrorist financing risk is an inevitable risk of doing business as a financial institution. For IDLC, money laundering and terrorist financing risk takes two broad dimensions.

- 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 relevant Money Laundering Prevention and Anti-Terrorism legislation.

Compliance Risk

Compliance risk can be defined as the current or prospective risk of legal sanction and material financial loss IDLC may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of the best practice as well as from the possibility of incorrect interpretation of effective laws or regulations.

Legal Risk



Legal Risk Management

Money Laundering and Terrorist Financing Risk Management

As a responsible and compliant financial institution, 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 ensure appropriate customer due diligence at the time of onboarding;
- A dedicated 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 and Branch Anti Money Laundering Officers (BAMLCO) at branch level;
- Transaction monitoring and reporting of suspicious transactions and/or activity to the Bangladesh Financial Intelligence Unit (BFIU)
- 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. In 2016, AML/CFT risk grading was incorporated into the company's software platform allowing for faster MIS generation.

Compliance Risk Management

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. Management's commitment to conducting the business in a compliant manner is underlined, where instances of non-compliance are noted, through appropriate disciplinary action against the offending party. In general, compliance risk management is embedded in the day to day to business processes and practices of the organization. Compliance risk issues will also be considered in Branch and Departmental Control Function Checklist (BCFCL and DCFCL).

Strategy Risk

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

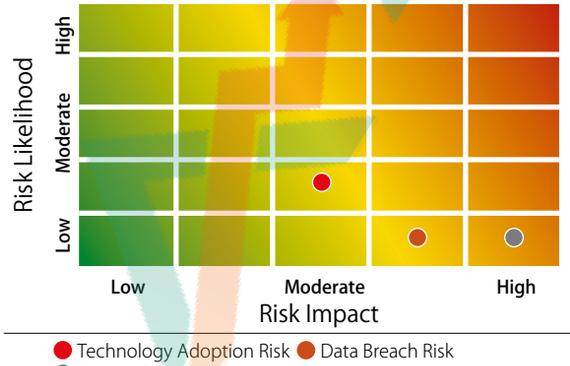
Business Volume Risk

At IDLC, business volume 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



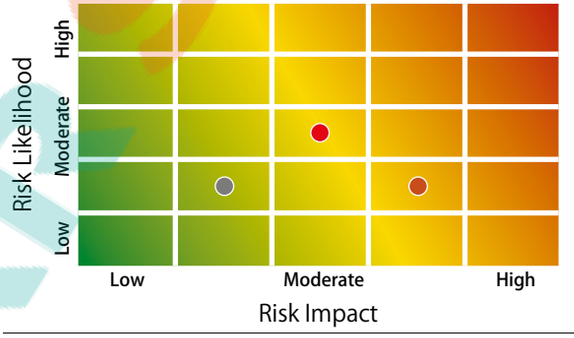
Technology Risk Management

In order to manage the risk of IT failure, our ICT operation is centralized through a Data Center (DC) with a real-time Disaster Recovery Site (DRS). Furthermore, the branches and booths of IDLC are connected to DC and DRS through fiber optic with redundant connectivity up to tertiary level, which further ensures connectivity at all times.

To mitigate against data breach risk, we have placed access controls at 3 layers, precisely - network, application and database level access controls. Besides providing multi-level protection against threats our risk management framework gives us a significant lead time should any attempts at breaching our data by a third party be made.

We have fully revised our ICT policy to incorporate Bangladesh Bank Guideline on ICT Security for Banks and Non-Bank Financial Institutions Version 3.0. Notwithstanding, our IT team works closely with the business units and support functions to ensure security, convenience and smooth operations for our stakeholders.

Other Risk



Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational loss events may cause direct financial losses or may manifest themselves indirectly as revenue forgone. They may also damage our reputation, causing long-term financial implications. Operational risk is an inevitable consequences of being in business and managing it is a core element of our business activities.

Environmental and Social Risk

Environmental and Social Risk refers to the risk the Environment and Society face from our operations.

Reputation Risk

Reputation risk may be defined as the risk of loss arising from damages to an organization's reputation. Reputation risk issues may lead to a number of undesirable outcomes:

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

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.

Operational Risk Management

Managing operational risks requires timely and accurate information as well as a strong control culture.

We seek to manage our operational risks through:

- Training, supervision and development of our human resources
- 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-generating units and our independent control and support functions
- Building systems throughout the firm to facilitate the collection of data used in analyzing and assessing our operational risk exposure
- Maintaining adequate capital, in line with regulatory requirements, to cover for any losses arising out of operational loss events

In late 2015, IDLC started to implement an operational risk management framework. Under the framework, Unit Operational Risk Managers (UORM) were appointed for the various departments and divisions. Separate forums at mid-management and senior management level were created for discussion and resolution of Operational Risk issues. As of year-end 2016, this remains very much a work in progress, with the focus initially being on the identification and management of major operational risk issues.

Under the new framework, the Internal Control and Compliance (ICC) department will act as a separate line of defence 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.

Environmental and Social Risk Management:

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.

IDLC has been following the Environmental Risk Management guideline 2011 provided by Bangladesh Bank. Taking this approach one step further, IDLC has adopted 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.

Reputational Risk Management

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 and regulations and internal polices (non-compliance might lead to reputational risk).
- 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.
- Ensuring that information flows from the organization are timely, accurate and appropriately authorized.

2016 at a glance: IDLC's Credit Profile

Sector-Wise Exposure

IDLC enjoys a well-diversified credit portfolio in which the credit risk is spread across different sectors of the economy, as detailed below

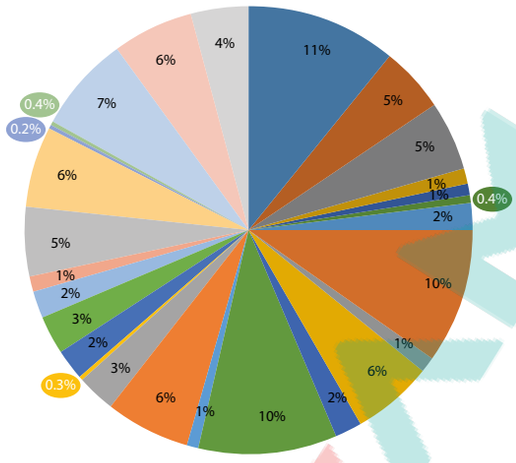
Credit Risk Concentration Limits

As on December 31, 2016, no regulatory and prudential limits were exceeded with respect to credit concentration risks. IDLC complies with the following regulatory prudential limits: credit exposure to a single customer or any group of closely-related customers shall not exceed 30% of its capital base. Large credit concentrations, notably concentrations over 15% of the Company's capital base, are reported:

(i) Quarterly to the Risk Management Committee

(ii) Quarterly to the central bank

Sectoral Exposure -31 December 2016



- Apparels & Accessories
- Agro Based Industry
- Building Materials, Cement, Glass,Ceramics, Pipes
- Chemicals
- Construction & Contractors
- Education
- Enginering
- Food and Beverage
- Furniture & Related Products
- Household Products & Home Appliances
- Hospitality & Leisure Services
- Housing & Real Estate
- Healthcare Services
- Iron & Steel
- Information Technology
- Leather & Leather Products
- Packaging
- Power & Energy
- Pharmaceuticals
- Paper & Paper Products
- Financial Services
- Service
- Professional Service
- Tele Communications
- Transport
- Textiles Export
- Textiles Local

Top - 10 Group Exposure

In BDT million

Client Rank	Group Exposure	(%) of IDLC's equity
Client - 1	743.23	9.78%
Client - 2	722.54	9.51%
Client - 3	617.57	8.13%
Client - 4	608.93	8.01%
Client - 5	472.33	6.21%
Client - 6	423.25	5.57%
Client - 7	409.69	5.39%
Client - 8	369.25	4.86%
Client - 9	369.00	4.86%
Client - 10	362.55	4.77%

Top - 10 Sectoral Exposure

In BDT

Sectors	Net Exposure	% of Total Industrial Portfolio
Apparels & Accessories	4,371,769,706	10.65%
Housing & Real Estate	4,208,853,070	10.26%
Food and Beverage	4,032,587,722	9.83%
Textiles Export	2,508,513,003	6.11%
Service	2,390,117,067	5.82%
Transport	2,694,756,280	6.57%
Agro Based Industry	2,069,319,509	5.04%
Household Products & Home Appliances	2,281,643,596	5.56%
Iron & Steel	2,339,136,618	5.70%
Building Materials, Cement, Glass,Ceramics, Pipes	2,177,319,960	5.31%

Lease/Loan Classification and Provision for IDLC Group 2015 and 2016:

In BDT million

		2016	2015
Unclassified [UC]	Standard (STD)	59,242.68	51,991.52
	Special Mention Account (SMA)	1,086.97	1,137.07
Total Unclassified	(STD+SMA)	60,329.65	53,128.59
Classified	Sub-Standard (SS)	548.83	745.68
	Doubtful (DF)	302.16	478.66
	Bad/ Loss (BL)	1,084.26	858.89
Total Classified	(SS+DF+BL)	1,935.25	2,083.23
Total Outstanding		**62,264.89**	**55,211.82**

Table : Lease/Loan Classification and Provision

Lease/Loan Classification and Provision for IDLC Finance Limited 2015 and 2016:

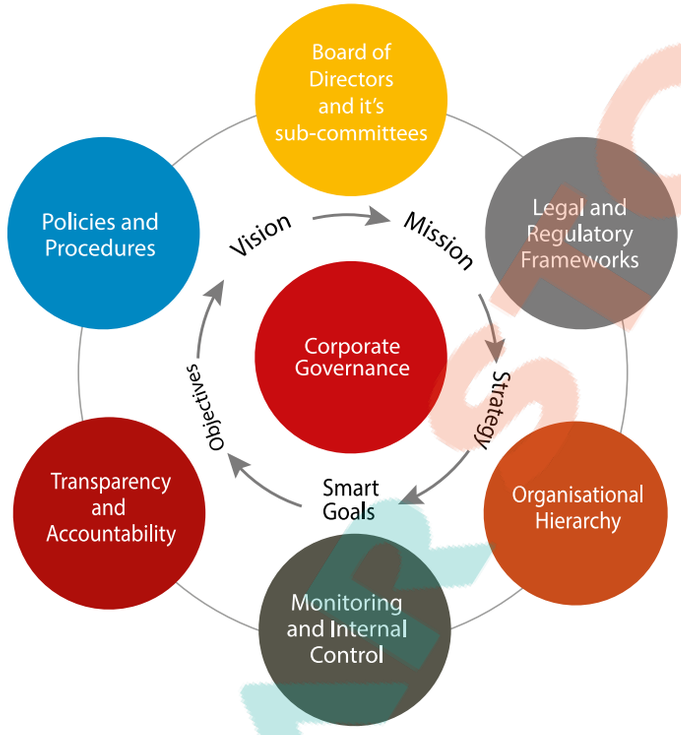
In BDT million

		2016	2015
Unclassified [UC]	Standard (STD)	58,229.86	51,073.62
	Special Mention Account (SMA)	1,086.97	1,137.07
Total Unclassified	(STD+SMA)	59,316.83	52,210.69
Classified	Sub-Standard (SS)	432.45	309.47
	Doubtful (DF)	302.16	478.66
	Bad/ Loss (BL)	1,084.26	858.89
Total Classified	(SS+DF+BL)	1,818.87	1,647.03
Total Outstanding		**61,135.70**	**53,857.71**

Table : Lease/Loan Classification and Provision

IDLC's Statement of Corporate Governance

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



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

The Company's Board of Directors are responsible for proper governance, which includes setting out the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to shareholders on their stewardship. The Board is collectively accountable to the Company's shareholders for good governance to facilitate efficient and effective management towards delivering long-term shareholder value within appropriately established risk parameters.

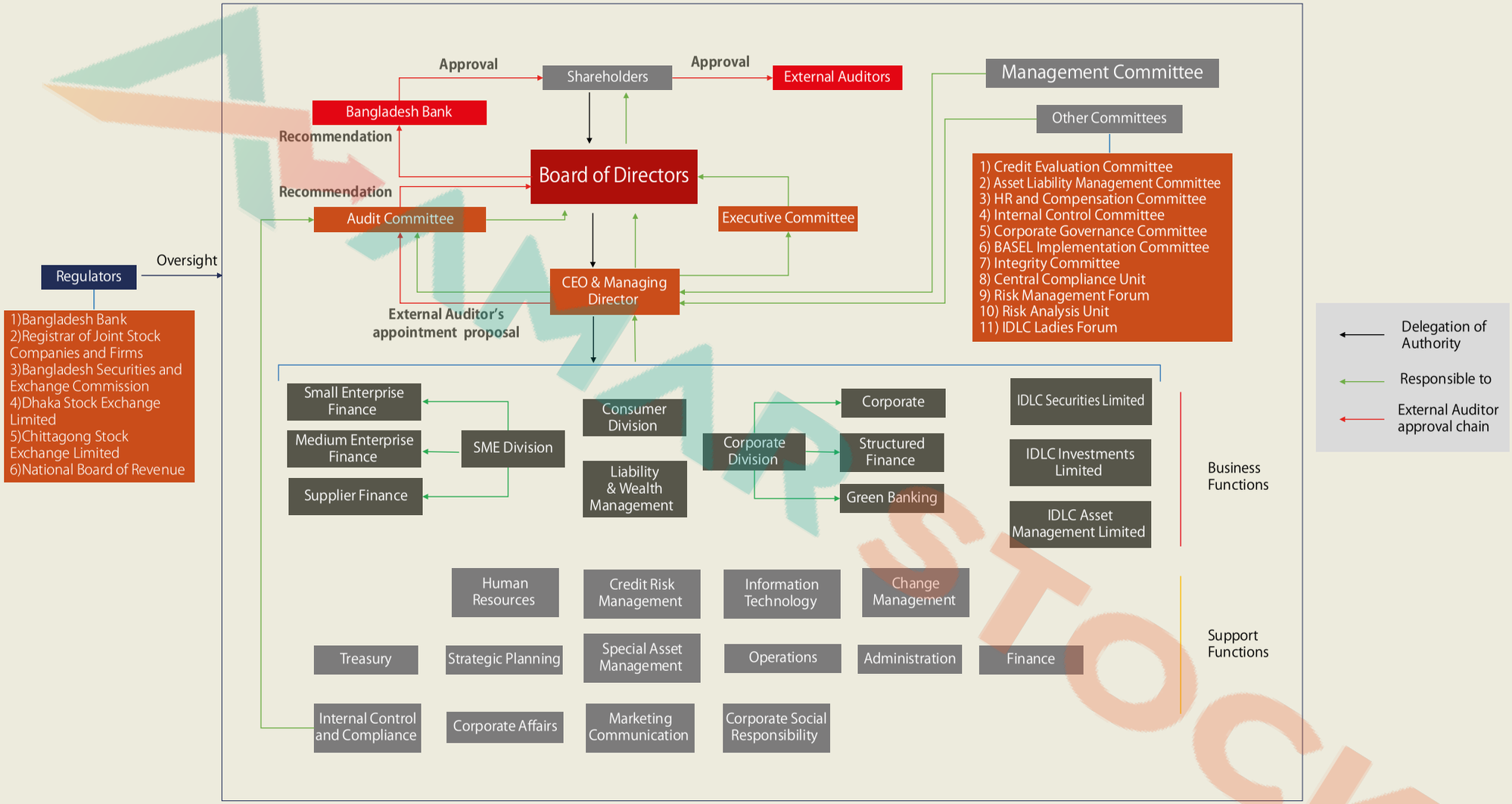
IDLC is committed to continually review all its corporate governance policies and guidelines to ensure transparency in its practices and the delivery of the highest ethical standards and quality information to its stakeholders on an ongoing basis.

The sustenance of effective corporate governance remains a key priority of IDLC's Board. To exercise clarity about the Directors' responsibilities towards shareholders, corporate governance must be dynamic and remain focused on the Company's business objectives and create a culture of openness, transparency and accountability. Keeping this in mind, clear structures and ownership supported by well-understood policies and procedures to guide the activities of the Company's management have been instituted and institutionalized.

IDLC considers that its corporate governance practices comply with all the aspects of the revised Corporate Governance Guideline (CGG) Notification No. SEC/ CMMRRCD/2006-158/ Admin/44, dated August 07, 2012, issued by the Bangladesh Securities and Exchange Commission (BSEC) and all aspects of Bangladesh Bank's DFIM Circular No. 7, dated September 25, 2007. In addition to establishing the highest standards of corporate governance, IDLC also embraces best governance practices across all its activities. The independent role of the Board of Directors, separate and independent role of the Chairman and Chief Executive Officer, distinct roles of the Company Secretary, Chief Financial Officer and Chief Compliance Officer and different Board Committees enable IDLC to achieve excellence in corporate governance.

As a listed Company, IDLC must comply with the BSEC's revised CGG, which require the Company to provide a statement in the Annual Report disclosing the extent to which it has complied with the BSEC Corporate Governance circulars. The status of compliance shall be certified by a practicing Professional Accountant/Secretary. The tables summarizing IDLC's compliances are provided in Annexure-III and Annexure-IV of the Directors' Report. A certificate on compliance with the Corporate Governance Guideline certified by practicing professional accountants is enclosed on page no. 172 of this Annual Report.

Our Corporate Governance structure



Board of Directors, Chairman and CEO

Board of Directors

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

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

Name of the Director	Area of Expertise	Position in the			
		Board	Executive Committee	Audit Committee	Subsidiary's Board
Aziz Al Mahmood	Corporate Leadership, Entrepreneurship, Business Management	Chairman, NED	-	-	-
Faruq M. Ahmed	Banking	NED	Chairman	-	-
Monower Uddin Ahmed	HR Management	IND, NED	-	Chairman	Chairman, IDLC IL
Meherun Haque	Banking, Corporate Leadership	NED	-	-	-
S M Mashrur Arefin	Banking	NED	-	-	-
Mohammad Mahbubur Rahman FCA	Accounting, Finance	NED	-	Member	-
Md. Kamrul Hassan FCA	Accounting, Finance	NED	-	Member	-
Syed Shahriyar Ahsan	Insurance	NED	Member	Member	-
Mati Ul Hasan	Banking	NED	Member	-	-
Atiqur Rahman	Entrepreneurship, Business Management	NED	-	-	-
Niaz Habib	Banking	IND, NED	-	-	Chairman, IDLC SL
Matiul Islam Nowshad	HR Management	IND, NED	-	-	
Arif Khan, CFA, FCMA; CEO & Managing Director and ex-officio member of the Board	Business Management, Financial Analyst, Accounting, Finance	ED	Member		

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

Nomination Committee

The Nomination Committee is responsible for composition, balance and expertise of the Board as a whole and appraising the contribution of individual Directors, including a review of their time commitment and attendance records.

The Board, as a whole, decides on the nomination of any Board member and composition of the Board and its committees.

IDLC's policy on appointment of Directors

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

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

Retirement and re-election of Directors

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

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

IDLC's Board comprises twelve (12) Non-Executive Directors including three (3) Independent Directors and one (1) Executive Director, the CEO & Managing Director. Directors possess a wide range of skills and experience over an array of professions, businesses and services.

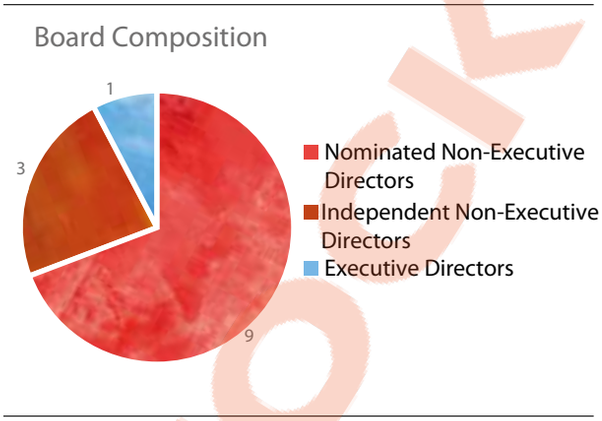
All the Non-Executive Directors are nominated by their respective institutions except for the Independent Directors. All the Directors bring forth independent judgment and considerable knowledge to perform their roles effectively. The Board of Directors ensures that the Company's activities are always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

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

Adequate number of Independent Directors in the Board and their independence

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

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



Role and responsibilities of the Board

The Board is committed to the Company to achieve superior financial performance and long-term prosperity, while meeting stakeholder expectations of sound corporate governance practices. The Board determines the corporate governance arrangements for the Company. As with all its business activities, the Board is proactive with regards to corporate governance and puts in place those arrangements that it considers are in the best interest of the Company and its shareholders and consistent with its responsibilities to other stakeholders.

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

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

Stakeholders	Responsibilities reserved to the Board
Shareholders	Approval of business strategy and vision in line with efforts to drive shareholder value creation.
	Approval of business plans, assuring that sufficient resources are available to implement and monitor the strategy.
	Approval and monitoring of major investments or divestitures and strategic commitments.
	Determination of capital structure and dividend policy.
	Approval and monitoring of financial reporting.
	Oversight of risk management, internal controls and compliance systems as per the Bangladesh Bank's 'Core Risk Guideline'.
	Recommendation for appointment or removal of external auditors and determination of the remuneration and terms of appointment of the auditors.
	Approval of annual budgets including major capital expenditure proposals.
	Regular review of financial performance and overdue situations.
	Monitoring the adequacy, appropriateness and operations of internal controls.
	Ensure that technology and information systems are sufficient to operate the organization effectively and sustain competitiveness.

Stakeholders	Responsibilities reserved to the Board
Customers	Benchmarking value creation for customers, clients and partners.
	Reinforcement of the corporate culture and core values and ensuring that the Company remains an employer of choice.
Employees	Review and approval of the CEO and Executive Management team's arrangements, remuneration and benefits.
	Oversight of succession planning for the CEO, Executive Management team and such other Executives as the Board may deem fit.
Community	Oversight of the management of social, economic and environmental concerns consistent with the delivery of sustainable outcomes for stakeholders and achievement of the Company's incident and injury-free vision.
	Reinforcement of reputation, brand and community relations.
	Review of the size and composition of the Board.
Directors	Director's nomination, selection, removal, succession planning and remuneration.
	Review of the Board's performance.

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

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

Role and responsibilities of the Chairman as defined by the Board

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

Role of the Chairman

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

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

Responsibilities of the Chairman

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

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

Annual evaluation of the CEO & Managing Director by the Board

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

Evaluation based on financial performance

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

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

Evaluation based on Non-Financial goals

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

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

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

Continuing development program of Directors

It is expected that all Directors have an understanding of IDLC's business model and the key challenges facing the Group as a whole, as this allows them to make an informed contribution to the Group. The Chairman ensures that all Directors receive a full, formal and tailored induction on joining the Board, facilitated by the senior management and comprising:

- A formal corporate induction, including an introduction to the Board, and a detailed overview of IDLC, its strategy, operational structures and business activities;
- The roles and responsibilities of a Director, including statutory duties and responsibilities;
- A comprehensive induction program tailored by the Chairman and meetings with senior executives across IDLC and sessions with IDLC's business divisions; and
- A detailed induction program across risk, focusing on risk appetite and the Group's risk profile

Our Directors also attend various training programs and workshops arranged by national and international organizations. In 2016, our Directors attended a 2 day seminar on "Corporate Governance", arranged by the International Finance Corporation (IFC).

Appraisal of performance of the Board

Both new and existing Directors are provided with the Code of Conduct for the Board members on general aspects of their Directorship and industry-specific matters. Moreover, the Board is immediately informed of any new rules, regulations and/ or changes in existing regulations. The Board is also always kept updated on any development and changes in the business environment, risk and industry outlook to assist them to carry out their duties as Directors.

Evaluation of the Board's performance is conducted by analyzing the performance of the projects and proposals approved by it. A quarterly review of classified and non-performing loans is always made by the Board to find out deviations and embrace course of corrections, if any.

Financial and accounting knowledge and expertise of Directors

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

Among them, two Directors are Fellow members of the Institute of Chartered Accountants of Bangladesh (ICAB). They normally provide guidance in matters applicable to accounting and audit-related issues to ensure compliance and reliable financial reporting.

Respective qualifications of the Directors are appended in Directors' profile on page no. 32-36 of this annual report.

Holding of Board meetings

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

Process of holding Board meetings

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

Directors' remuneration

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

Bangladesh Bank vide its DFIM Circular No. 13 dated November 30, 2015, re-fixed the maximum limit of remuneration to the Directors for attending meetings of the Board and its committees at Taka 8,000 per meeting per Director. The Board of IDLC adopted the said enhanced remuneration on December 24, 2015. Till then, the remuneration was Taka 5,000 per meeting per Director.

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

Number of Board meetings held in 2016

The number of meetings of the Board and its committees held during the accounting year and the attendance of the Directors at those meetings and their respective remuneration are disclosed in Annexure-II of the Directors' Report on page no. 171of this annual report.

The number of Directors required to constitute a quorum is six (6), out of the twelve Directors. During 2016, a total of thirteen (13) Board meetings were held.

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

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

The Board of Directors are also responsible for the implementation of the best and the most suitable corporate governance practices. A separate statement of the Directors' responsibility for financial reporting and corporate governance is given on page no. 162 of this Annual Report.

Role of the Company Secretary

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

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

In compliance with the Corporate Governance guidelines, the Company Secretary has a defined role and responsibilities approved by the Board.

Committees of the Board

The Board has established two permanent Committees to assist, advice and make recommendations to the Board on matters falling within their respective responsibilities as per BSEC and Bangladesh Bank guidelines.

Each Committee is governed by a formal charter approved by the Board, setting out its objectives, responsibilities, structures and operations. The membership of the Board committees, as at the date of authorization of this Annual Report, is set out on the page no. 142 of this annual report.

Executive Committee

A four (4) members Executive Committee headed by a Director is responsible for strategic and operational plans of the business. Matters related to the Company's ordinary business operations and matters that the Board of Directors, from time to time, authorize, are vested in this committee in accordance with the Statement of General and Operational Policies established and sustained by the Board of Directors. This committee assists IDLC in taking prompt decisions and reacts swiftly to changes in the marketplace as they occur. The rules of the Executive Committee is framed by the Board.

During the year under review, eleven (11) meetings of the Executive Committee were held. The Company Secretary acts as the secretary of the Executive Committee.

IDLC's Vision, Mission and Strategies

Board-approved vision and mission statements of the company

The Board of Directors, at its 193rd meeting held on May 13, 2012, redefined the Company's vision, mission, strategic objectives and value statements. Adhering to our value statements, we are driving towards our vision.

Our vision, mission, strategic objectives and value statements are depicted on page no. 15 of this annual report.

Strategies to achieve the Company's business objectives

Aligned with our focus on enhancing shareholder communication and reporting our progress and prospects on an ongoing basis, we describe our strategy, resource allocation approach and our future plans to achieve our business objectives on page no. 123 of this annual report.

Audit Committee

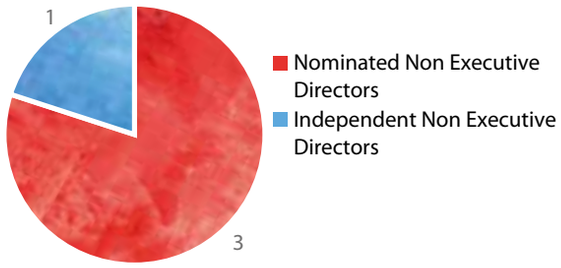
Appointment of members and composition of the Audit Committee

IDLC's Audit Committee is a sub-committee of the Board formed in compliance with the requirements of DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and relevant BSEC notification(s) and international best practices on corporate governance.

Composition of the Audit Committee consisting of an Independent Director and Non-Executive Directors

In compliance with the DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and Corporate Governance guidelines of BSEC, the Committee consists of four (4) non-executive members of the Board including an Independent Director who is the Chairman of the Committee. The quorum of the meeting shall not be filled until and unless the Independent Director attends the meeting. The Company Secretary acts as the secretary of the Audit Committee.

Audit Committee Composition



Qualification of members including the Chairman

Mr. Monower Uddin Ahmed, one of the Independent Directors, is the Chairman of the Audit Committee, possessing of vast experience. Among others, two members, Mr. Kamrul Hassan FCA and Mr. Mohammad Mahbubur Rahman FCA, are Fellow members of the Institute of Chartered Accounts of Bangladesh (ICAB). They also possess significant experience in finance, accounting and audit.

All the members of the Committee are 'financially literate' as defined by the revised corporate governance guidelines. The qualifications of the members of the Committee are addressed in detail in their brief profile on page no. 32-36 of this annual report.

Terms of reference of Audit Committee – empowering to investigate employees and retain external counsel

This role is further expounded on and clarified in the Terms of Reference (ToR) of the Audit Committee, which was revised in light of directives contained in DFIM Circular No. 13, dated 26 October, 2011 issued by the Bangladesh Bank. According to the revised ToR of the Audit Committee, its principal duties and responsibilities include the following:

In respect of internal control:

1. Evaluating whether the management:

a. Has an appropriate internal control and compliance culture with regards to risk management

b. Has clearly defined the duties and responsibilities of officials

c. Has full control over the operations of the Company

2. Reviewing the appropriateness of management information system (MIS) including information technology system and its use

3. Reviewing whether the management is complying with the recommendations made by internal and external auditors

4. Reviewing existing risk management procedures to ensure that processes are effectively run within the Company

5. Reviewing all fraud, forgery and internal control weaknesses discovered by internal, external or regulatory auditors and thereafter keeping the Board of Directors informed of all discoveries and subsequent corrective measures

In respect of financial statements:

1. Reviewing whether financial statements were prepared in compliance with all directives and guidelines prescribed by the Bangladesh Bank and other applicable standards

2. Engaging in discussions with external auditors and the management prior to the finalization of the financial statements

3. Attending and answering questions related to accounts and audit at the AGM

In respect of internal audit:

1. Reviewing the activities and organizational structure of internal audit and ensuring that there is no barrier or limitation to the performance of an independent internal audit

2. Assessing the efficiency and effectiveness of internal audit

3. Assessing whether the management is appropriately considering compliance of recommendations made by the internal auditors with regards to the observations identified by them

4. Placing recommendations before the Board of Directors in case of change of accounting policies

In respect of external audit:

1. Appraising the audit procedures and reviewing the management letter submitted by external auditors

2. Assessing whether the management has appropriately considered the observations and recommendations made by the external auditors

3. Placing recommendations to the Board of Directors regarding the appointment of external auditors

In respect of compliance with existing regulations:

Reviewing whether the rules and regulations set by regulatory authorities (Bangladesh Bank and other regulatory bodies) as well as internal policies and guidelines approved by the Board of Directors are being complied with.

Miscellaneous:

Placing quarterly reports before the Board of Directors on rectification / correction status of errors, fraud, forgery and other irregularities identified by internal auditors, external auditors and the Bangladesh Bank inspection teams

Undertaking development functions through implementing an improved infrastructure and reporting system and

Performing all other supervisory activities as assigned by the Board as well as evaluating its own efficiency on a regular basis

Accessibility of Head of Internal Audit to the meeting of the Audit Committee

The Head of Internal Control and Compliance has direct access to the Audit Committee, which in turn is directly accountable to the Board.

Holding of the Audit Committee meeting during 2016

As per the Terms of Reference, the Audit Committee is required to hold at least four (4) meetings in a year. During the year ended 31 December 2016, the Committee held six (6) meetings. The details of the meetings held and members' attendance in the meetings are disclosed in Annexure II of the Directors' Report.

Quorum of the Audit Committee meetings

The number of Directors required to constitute a quorum is two (2). Of them, one shall be an Independent Director. The Company Secretary shall act as the secretary of the Committee.

The Audit Committee and Internal Control and Compliance

IDLC's Internal Control and Compliance (ICC) department is tasked with reviewing the Company's system of internal controls including the conduct of regular audits of all operational units. ICC is operationally independent in that its members are not involved in the Company's operational activities and that the Head of ICC (HoICC), in addition to his direct reporting line to the CEO & Managing Director, also has access to the Audit Committee.

The Audit Committee is responsible for approving the annual audit plan of ICC and reviewing the plan's subsequent implementation.

The internal audit reports or summaries thereof prepared by the ICC are reviewed on a regular basis by the Committee.

Reporting of the Audit Committee

The Audit Committee reports directly to the Board of Directors and under certain circumstances, can also report to the BSEC.

Immediate reporting to the Board of Directors The Audit Committee shall immediately report to the Board of Directors in the following cases:

- On conflict of interest;
- Suspected and presumed fraud or irregularity or material defect in the internal control system;
- Suspected infringement of laws, including securities-related laws, rules and regulations and
- Any other matter which should be disclosed to the Board of Directors immediately

No such issues arose at IDLC during the year ended 31 December 2016.

Immediate reporting to the Bangladesh Securities and Exchange Commission

If the Audit Committee has reported to the Board of Directors about anything that has a material impact on the financial conditions and results of operations of, and where the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such findings to the SEC, upon reporting of such matters to the Board of Directors for three such instances or completion of a period of 9 (nine) months from the date of first reporting to the Board of Directors, whichever is earlier.

No such circumstances arose during the year ended 31 December 2016.

Objectives and Activities of the Audit Committee

Objectives of the Audit Committee

The Audit Committee shall assist the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the Company. The committee will also ensure good monitoring systems within the business.

The principal functions of the Audit Committee are to exercise oversight over IDLC's risk management, financial reporting and regulatory compliance functions.

Activities during 2016

The Committee met six (6) times during the year 2016 and 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, 2015 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, 2015 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 2016;
- Reviewed the report of Audit Committee for incorporation in the Annual Report 2015;
- Reviewed the Bangladesh Bank Inspection Report on corporate head office of IDLC as of December 31,2015, and management responses to the report;
- Reviewed Audit Plan of Internal Control and Compliance Department for the year 2016;
- Reviewed the internal audit reports issued by the Internal Control and Compliance department during the year 2016;
- 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, 2015;
- Reviewed quarterly and half-yearly unaudited financial statements of IDLC Finance Limited for the year 2016;

Internal Control and Risk Management

Internal control

IDLC has adopted the definition of internal control provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control — Integrated Framework. Accordingly, the Company defines internal control

as a process, affected by its Board of Directors, management and other personnel, which is designed to provide reasonable assurance regarding the achievements of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with applicable laws and regulations. The control system applies across the IDLC Group to all divisions and departments of its operations.

The Company's internal control system consists of five inter-related components:

The control environment

The control environment refers to the orientation, awareness and actions of those in the governance and management roles with regards to the Company's internal control and its importance in the entity. Elements under IDLC's control environment include:

Active participation by those charged with governance as evidenced through regular meetings of its Board of Directors and Audit Committee;

The communication and fostering of an environment that consistently requires integrity and ethical behavior as evidenced by regular communication and confirmation of its Code of Conduct and zero tolerance for illegal or unethical behavior;

A formal well-defined organizational structure, setting out key areas of authority and responsibility and appropriate reporting lines that is relevant to the nature and size of the Company's business;

Human resource policies that demonstrate the Company's commitment towards recruiting employees who meet established standards of competence and ethical behavior

Risk assessment

Risk assessment refers to the process(es) with which the Company identifies and assesses risks in the achievement of its objectives. A changing external and internal environment means that risk assessment is a dynamic process and must occur at all levels of the organizational structure, ranging from branch and department level reviews of portfolios, functions and operations to ManCom and ALCO meetings at the very top level of the management.

Control activities

Control activities are the policies and procedures that help ensure that the management directives are carried out. Control activities have various objectives and are applied throughout the Company at all levels and in all functions. These include activities such as authorization, reviews, reconciliations and verifications.

Information and communication

The information and communication component facilitates the functioning of the other components by providing information that is necessary for the attainment of Company objectives and by establishing a continuous process for collecting, sharing and disseminating necessary information from both within and outside the Company. Towards this end, the Company has established information systems that deal with internally-generated data as well as external events, activities and conditions relevant to business decision-making to produce operational, functional and compliance-related information. In addition to Flexcube, our other customized software have greatly enriched the capabilities of the Company's information systems. In a more general sense, the IDLC culture encourages sharing of information and opinions across the management hierarchy and among different businesses, functions and departments.

Monitoring

Monitoring ensures that controls are operating as intended and that they are appropriately modified in response to changing conditions. At IDLC, this is achieved through a variety of measures including ongoing monitoring which occurs in the course of, and as a part of, day-to-day operations as well as separate management reviews, evaluations and periodic internal audits of various departments and business functions.

Although the Board of IDLC is primarily responsible for ensuring that the Company has an adequate and effective control system in place, ultimately, all employees are accountable for managing internal controls. Business and operational units, particularly department heads, are in-charge of ensuring that internal controls are established, well-documented and maintained across his / her department. The Internal Control and Compliance (ICC) department acts as a second line of defense through conducting tests on the efficiency and effectiveness of the control systems through audit.

A prudently designed management structure, clearly defined responsibilities, delegation of authorities, risk awareness, establishment of accountability at each level and a system of periodic reporting and performance monitoring represent the key elements of the internal control framework employed at IDLC.

Identification of key risks IDLC is exposed to – both internally and externally

Risk is the element of uncertainty or the possibility of loss that prevails in any business transaction in any place, in any mode and at any time. Risk is an integral part of the financing business. Risk management entails the adoption of several measures to strengthen the ability of an organization to cope with the vagaries of the complex business environment in which it operates.

IDLC always concentrates on delivering high value to its stakeholders through appropriate tradeoffs between risk and return. In addition to the industry best practices for assessing, identifying and measuring risks, IDLC also considers guidelines for managing core risks of financial instructions issued by Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated 24 January 2016.

A well-structured and proactive risk management system is in place within the Company to address risks relating to:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

Money laundering and terrorist financing risk

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

Strategic risk

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

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

Compliance risk

Compliance risk is defined as the current or prospective risk of legal actions and / or material financial losses that an 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 set out the respective roles of the Board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy.

Historically, IDLC has always fostered a compliance-oriented culture. This has been reinforced in a variety of ways, ranging from formal requirements to sign declarations of compliance with the IDLC Code of Conduct (requiring compliance with the laws and regulations) to ongoing communication from the senior management stressing the need to do business under the highest levels of compliance. In general, compliance risk management is embedded in the day-to-day management of business processes and practices of the Company. With the introduction of the Integrated Risk Management Guidelines, the overall management of compliance risk is reviewed and appropriately amended to ensure conformity with the guidelines.

Reputation risk

Reputation risk may be defined as the risk of loss arising from damages to an organization's reputation. The guidelines set out the respective roles of the Board and the senior management in managing reputation risk and also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks.

IDLC has already established a set of non - financial reputational risk indicators and put in place a structured process for monitoring these and any other matters that might give rise to potential reputational risks. Till date, no material reputational risk issue involving the Company has been identified.

Environmental and social risk

IDLC is focused on sustainability, shifting from the traditional financing approach. In this regard, the Company is strengthening its credit appraisal process to be much more stringent from an environment and social (E&S) perspective, evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to sanctioning a loan.

A detailed discussion of these risks and the strategies adopted to manage and mitigate these are given in the Statement of Risk Management on pg. 128 of the report. The adequacy of the system of internal controls is reviewed by the Board of Directors as well.

Acknowledgment of Directors' responsibility in respect of internal control of IDLC

IDLC's Board of Directors acknowledges its overall responsibility for maintaining the adequacy and effectiveness of the Group's system of internal controls. The Board is of the view that the internal control framework is designed to manage the Group's risks within an acceptable risk profile, rather than completely eliminate the risk of failure to achieve the policies, goals and objectives of the Group. The Board therefore believes that it can provide only reasonable, rather than absolute, assurance regarding effectiveness against material mis-statements of management and financial information or against financial losses and fraud.

Subject to the caveats of reasonable assurance mentioned above, the Board confirms that it has reviewed and assessed the Group's system of internal controls with regards to its adequacy and effectiveness in providing reasonable assurance regarding the achievement of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with the applicable laws and regulations.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the objectives mentioned in the preceding paragraphs.

In order to address and mitigate the risks prudently, at IDLC, the following committees are operational, about which details are given on page no. 37-41 of this annual report:

- **Credit Evaluation Committee (CEC):** To evaluates all projects / proposals of financing activities of the Company from the risk point of view.
- **Risk Management Forum (RMF):** To introduce proactive risk management procedures in line with international best practices framework.

- **Risk Analysis Unit (RAU):** To act as the secretariat of the Risk Management Forum with responsibility for identifying and analyzing the various types of risks appropriately and in a timely manner.
- **Central Compliance Unit (CCU):** Responsible for supervising the anti-money laundering (AML) and anti-terrorism activities (ATA) at IDLC.

Ethics and Compliance

The Board's commitment to establishing the highest levels of ethics and compliance

The IDLC Group remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in its Code of Conduct that covers, among other issues, the following areas:

- Their relationship with and responsibilities to IDLC.
- Their relationship with and responsibilities to customers.
- Compliance with laws and regulations.
- Acting in a professional and ethical manner.
- Protection of business assets.
- Disclosure of conflicts of interest.
- Prohibition of any conduct involving dishonesty, fraud, deceit or misrepresentation including insider trading.

The complete Code of Conduct can be read on page no. 16 of this annual report.

Dissemination of the statement of ethics and Code of Conduct

All IDLC employees are required to sign an annual declaration confirming that they have read and understood the Code of Conduct. The Human Resources department circulates the required declaration, and ensures that all employees signed the declaration. The Internal Control and Compliance (ICC) department, through regular audits, assesses whether any employees have breached the Code of Conduct.

Board's commitment to establishing high levels of ethics and compliance within IDLC

The IDLC Board acknowledges its responsibility for ensuring that the Company's business activities are conducted in accordance with the highest standards of ethics and compliance.

The Board views adherence to ethical standards and compliance as an integral part of the broader corporate governance framework and seeks to adopt a holistic approach in ensuring its implementation. As part of this, it has instituted a number of approaches to underline its commitment to high standards of ethical behavior:

- Setting down standards of expected behavior through the formulation and communication of a Code of Conduct.
- Installing a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis.
- Positioning Company policies and procedures on ethical foundations to ensure that ethical considerations are integrated in the day-to-day decision-making, activities and processes.
- Establishing a clearly-defined organizational structure that assigns responsibility and authority for the conduct of organizational functions while at the same time ensuring accountability for individual actions.
- Establishing a variety of monitoring mechanisms including the creation and empowerment of an operationally independent internal audit team with reporting responsibilities to the audit committee.
- Ensuring instant action with zero tolerance for identified instances of unethical and/or non-compliant behavior.

Code of Conduct for Board members

The Board of Directors of IDLC is committed to the highest standards of conduct in their relationship with IDLC employees, customers, members, shareholders, regulators and the public. This refers to conducting our business in accordance with all applicable laws and regulations and also represents our commitment to the spirit of the law. Our actions should reflect IDLC's values, demonstrate ethical leadership and promote a work environment that upholds IDLC's reputation for integrity, ethical conduct and trust. This Code is intended to provide a statement of the fundamental principles applicable to our Directors.

Our Directors are encouraged to bring forth questions about particular circumstances that may involve one or more of the provisions of this Code to the Chairman of the Board.

In compliance with the revised corporate governance guidelines issued by the BSEC, the Board shall lay down the Code of Conduct of all Board members and annual compliance of the Code has to be recorded.

Scope of the Code of Conduct

(a) A member must observe the Board's Code of Conduct whenever he/she:

- Conducts the business of the Board
- Acts as a representative of the Board

(b) The Board's Code of Conduct shall not have any effect in relation to the activities of a Board member undertaken other than in an official capacity, except and in so far as otherwise indicated

(c) Where a Board member acts as a representative of the Board at the meeting of another public body or Committee, he/she must, when acting in that capacity, comply with the Board's Code of Conduct, except and in so far as it conflicts with any other legal obligations to which he/she may be subject to.

General obligation

The Code of Conduct for Board members of the Company includes:

A. Prudent conduct and behavior

Each Board member should seek to use due care in the performance of his / her duties, be loyal to the Company, act in good faith and in a manner that such a Board member reasonably believes to be not opposed to the best interests of the Company. A Board member shall seek to:

i Make reasonable efforts to attend Board and Committee meetings

ii. Dedicate time and attention to the Company

iii. Seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the Company

iv. Act in the best interest of, and fulfill their fiduciary obligations to, the Company's shareholders

v. Use due care and diligence in performing their duties of office and in exercising their powers attached to that office

B. Business opportunities

In carrying out their duties and responsibilities, the Board members shall avoid:

(i) Appropriating corporate business opportunities for themselves that are discovered through the use of Company property or information or their position as Board member (ii) Using Company property or information, or their position as Board member, for personal gain

(iii) Competing with the Company

C. Conflict of interest

Each Board member shall endeavor to avoid having his or her private interests interfere with:

(i) The interests of the Company

(ii) His or her ability to perform his or her duties and responsibilities objectively and effectively

The Board members shall avoid receiving or permitting members of their immediate family to receive improper personal benefits from the Company, including loans from or guarantees of obligations by the Company.

A Board member shall make a full disclosure to the entire Board of any transaction or relationship that such a member reasonably expects could give rise to an actual conflict of interest with the Company and seek the Board's authorization to pursue such transactions or relationships.

D. Company property

In carrying out their duties and responsibilities, the Board members shall endeavor to ensure that the management is using the Company's assets, proprietary information and resources to be used by the Company and its employees only for legitimate business purposes.

E. Confidential information

The Board members shall maintain confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the Company or legally mandated or if such information is in the public domain.

The Company's confidential and proprietary information shall not be inappropriately disclosed or used for the personal gain or advantage of any Board member other than the Company. These obligations apply not only during a Board member's term but thereafter as well.

F. Fair dealing

In carrying out their duties and responsibilities, the Board members shall endeavor to deal fairly and should promote fair dealing by the Company, its employees and agents with customers, suppliers and employees.

G. Compliance with laws and regulations

In carrying out their duties and responsibilities, the Board members shall comply and endeavor to ensure that the management is causing the Company to comply with all applicable laws, rules and regulations.

In addition, if any Board member becomes aware of any information that he / she believes constitutes evidence of material violation of any securities or other laws, rules and regulations applicable to the Company or the operation of its business, by the Company or any employee or another Board member, then such a Board member should bring such information to the attention of the CEO & Managing Director of the Company.

H. Insider trading

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

The Board members shall not buy or sell securities while in possession of material non-public information about the issuer of that security, whether the issuer is IDLC or any another company. The Board members shall also not pass such information to someone who may buy or sell securities. The Code of Conduct for Board members sets forth guidelines for conduct and they affirm compliance with the Code on an annual basis.

Accordingly, IDLC's Board designed the Code of Conduct for all the members of the Board and its annual compliance has been recorded for 2016.

To abide by the code of integrity and good governance in line with the National Integrity Strategy of Bangladesh, IDLC constituted an 'Integrity Committee', composition and functions of which in detail are given on page 39 of this annual report.

Existence of effective anti-fraud programs and controls through whistle-blower mechanism

In recent times, the Company has come to identify the risk of fraud as one of the emerging issues in the overall risk management framework. Planned anti-fraud initiatives include the introduction of a whistle-blower mechanism. A whistleblower policy has already been formulated and placed before the senior management for review and approval. Additionally, emphasis is placed on strengthening existing processes or activity levels and anti-fraud controls are embedded within the overall system of internal controls.

Redress of investor's complaints

IDLC has a formal complaint management process that is open to all stakeholders including both investors and customers. A

dedicated complaints cell is headed by a senior member of the management for dealing with complaints. Complaints may also be dropped at complaint boxes kept at all IDLC branches or can be submitted online on the IDLC website: www.idlc.com.

Human Capital

IDLC considers its human resources as its most important asset. We mobilize people and teams through engaging them with leading and cutting-edge financial industry practices and also as an attractive employer. IDLC offers a broad spectrum of opportunities for both professional and personal development as well as a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the knowledge, skills and enthusiasm of our employees are a major force that enables us to achieve consistent growth. IDLC believes its human resource is the most important driver of building and running the Company. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals.

Human resources policy

Disclosure of general description of the policies and practices codified and adopted by the Company with respect to human resource development and management, including succession planning, merit-based recruitment process, performance appraisal system, criteria for promotion and reward and motivation, training and development, grievance management and counselling are well-defined in the section "Our Human Capital" on page 85 of this annual report.

Organizational chart

IDLC's organizational chart outlines the internal structure of the Company. It emphasises on the roles, responsibilities and relationships between individuals within the Company. It is used to depict the structure of IDLC as a whole as well as the Company segregated by divisions and departments.

The organizational chart is shown on page no. 86 of this annual report.

Structure

The Company's management structure comprises the CEO & Managing Director and the management team (ManCom). The ManCom is responsible for developing organizational and business strategies, embracing innovation and ensuring that the Company conforms to best governance and operating practices. The ManCom is also responsible for organizational effectiveness and the development of IDLC's values and culture. The ManCom is responsible for managing IDLC's performance and key business issues in line with the Company's long-term strategy and for talent and performance management. The ManCom is chaired by the CEO & Managing Director and the team meets face-to-face on a regular basis.

Management Committee (ManCom)

The Management Committee is a group elected among the management staff to take responsibility of the governance and strategic direction of IDLC. The role of the Management Committee is to oversee IDLC in accordance with its Constitution under the Financial Institutions Act, 1993.

The Committee is responsible for all aspects of the ongoing operations of IDLC. It delegates day-to-day operations to the Executive Officer. A significant feature of good governance is a clear segregation of the responsibilities and accountability of the committee from those of the Executive Officer.

ManCom is always aware of IDLC's operations, keeps an eye on the big picture, monitors the strategic plan and if and whether the goals are being met. It needs to be satisfied that current events are in accordance with IDLC policies and objectives within the overall budget.

Performance review

The CEO is responsible for setting financial targets as well as operational and management goals for the members of the ManCom. Both short-term and long-term goals form part of the performance management of all senior executives. Long-term goals are directly linked with the Company's vision. Short-term goals are generally directly linked to the objectives of the Company. The CEO and the Evaluation Committee conduct a detailed review of the performance of senior executives against these goals on an annual basis at the end of each year.

HR and Compensation Committee

IDLC's HR and Compensation Committee was established on 24 May 2007 to provide a forum for discussion on the Company's various HR-related issues. The principal role and function of the HR and Compensation Committee is to assist the human resource department in developing and administering a fair and transparent procedure for setting policies on the Group's overall human resource strategy.

The responsibility of the committee is to ensure wide, equal opportunity and transparency in terms of suitable recruitment, compensation on the basis of merit, qualification and competence, adequate training and development facilities, performance evaluation and promotion based on individual performance and contribution and other benefits-related issues with regards to the Company's operating results and comparable market statistics.

The Composition, responsibilities and process of holding of the meeting of the committee is stated on page no. 38 of this annual report.

Number of Meetings held

There were two meetings of the HR Compensation Committee in the 2016. The first meeting was held on June 2016, and the second meeting on December 2016.

Work Performed in 2016

The committee performed the evaluation of IDLC employees for 2016

Decisions regarding the yearly increment of IDLC employees was made by the committee

The committee determined the bonus for the employees of IDLC

Promotion declaration of qualified employees was also made by the committee

Remuneration of Employees

IDLC provides its employees with remuneration that is in line with industry standards. In addition to salary, IDLC employees also receive other benefits such as Provident Fund, Gratuity etc.

Remuneration of senior executives

Remuneration for senior executives is market-based and competitive in order to attract, motivate and retain skilled and competent employees. The total remuneration package to senior executives comprises basic pay, allowances, retirement benefits (Gratuity and Provident Fund) and other benefits as per company's policies. Executives are also paid a variable amount each year (yearly performance bonus) determined based on the performance of the company and the outcome in the executive's personal area of responsibility and individually established targets that were set in the beginning of the year.

IDLC Ladies Forum (IDLC LF)

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

This Forum will provide all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. This will enable IDLC's management to better understand and address these issues and develop strategies accordingly. More about the committee is described in page no. 40 of this annual report.

Communication and Relationship with Shareholders

It is the Company's policy that all external communication by the Company will:

- Be factual and subject to internal vetting and authorization before issue
- Not omit material information
- Express information in a timely, clear and objective manner

IDLC strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives.

Communication through quarterly reports

The Company reports to its shareholders four times a year through quarterly and half-yearly reports and a detailed Annual Report.

Communication through AGM

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

Process of communicating the schedule

At least 14 to 21 days before the AGM, hard copies of the Annual Report and notice of the AGM are mailed to shareholders as on the Record Date.

Notice of the AGM is sent to the Dhaka Stock Exchange (DSE), Bangladesh Securities and Exchange Commission (BSEC), online newspapers and print media. The notice of the AGM is also made available on the company website.

Communication during the AGM

The shareholders who attend the AGM have the option to ask questions and give suggestions to the Board members during the AGM. The CEO & Managing Director, on behalf of the Board, answers the queries of the shareholders.

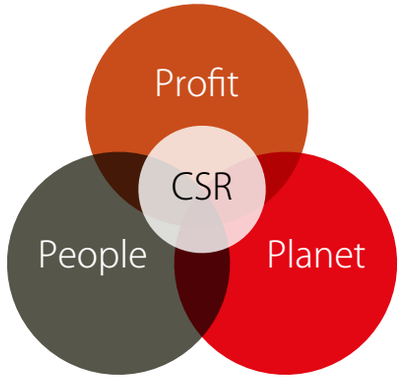
Communication through website

The Company's website www.idlc.com displays, inter-alia, the Annual Reports, half yearly reports, quarterly reports, monthly business reviews, product offerings, recent announcements, presentations and event updates.

All disclosures required by the Bangladesh Securities and Exchange Commission, Listing Regulations of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited and the Bangladesh Bank in the form of Price Sensitive Information (PSI) are made adequately and promptly. In addition to ensuring timely compliance, this also enables dissemination of information to all stakeholders and the public through print and online media.

Environmental and Social Obligation

At IDLC, we believe in the concept of a sustainable business, one that integrates good governance, environmental issues and social concerns with its business strategies to maximize value for stakeholders. IDLC's sustainability model is based on the 3P approach – People, Planet and Profit:



- People, our stakeholders with whom we engage for our business and the community where we live
- Planet, our surrounding environment and the planet
- Profit, our profit-generating capacity for long-term sustenance

Accordingly, IDLC has aligned its CSR (corporate social responsibility) initiatives to deliver on this commitment and aid community empowerment and responsible environmental management in a sustainable manner.

At IDLC, we are also focusing on Earth and its sustainability, shifting from the traditional financing approach. In this regard, we are making our credit appraisal process to be much more stringent from an environmental and social (E&S) perspective – evaluating

all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to approving a loan. Being the only listed member of UNEP FI, we have been following Environmental Risk Management guideline 2011 by Bangladesh Bank. Taking this approach one step further, IDLC is in the process of adopting an extensive environmental and social management system (ESMS) across the 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 processes and make those customers, especially who are not in compliance with local E&S regulations, behave more responsibly through the use of environmental or social covenants in the facility agreements. This project will not only satisfy the Central Bank's requirements but also enable IDLC to comply with internationally-acceptable risk management standards. Furthermore, execution of the green banking policy, which is in line with IFC Performance Standard, ADB Safeguard Policy and Bangladesh Bank guidelines is considered as yet another milestone towards sustainability.

In pursuance of these policy and practices, a detailed description of specific activates undertaken by IDLC is given on page no. 92-98 of this annual report.

IDLC's Overall Governance

At IDLC, the Board of Directors are responsible to shareholders for ensuring that the Company is appropriately managed and that it achieves its strategic objectives. It meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance, to set the Company's risk appetite and to provide oversight that the Company is adequately resourced and effectively controlled. The specific duties of the Board are clearly set out in its Terms of Reference (ToR) that address a wide range of corporate governance issues and list those items that are specifically reserved for decision by the Board. Matters requiring Board approval include:

- Group strategy, business plans and performance monitoring
- Financial reporting and controls, capital structure and dividend policy
- Group risk appetite and framework and risk management policies
- Corporate governance
- Others (shareholder documentation, Board and committee succession planning, constitution of Board committees, Board effectiveness review, committee reports and key business policies)

In pursuit of business sustainability and within the ambit of our integrated reporting framework, our governance structure, stewarded by our well-composed Board (as detailed above with regards to their core responsibilities), helps in value creation over the medium and long term. Some of the drivers that enable us to generate consistent value include the following:

- Our robust organizational leadership structure is composed of diversity that enables us to foster and converge a range of opinions and perspectives that are aligned with the long-term interests of the Company. Our highest levels of compliance with all the statutory and regulatory requirements and uncompromised stance with regards to ethics in our day-to-day business have led to the creation of a robust governance structure that ultimately delivers sustainable stakeholder value
- We embrace a wide range of both generic as well as specific processes to take strategic decisions and also establish and monitor the culture of the organization on an ongoing basis, including its attitude to risk and mechanisms for addressing integrity and ethical issues. As a core demonstration of our seriousness with regards to governance and compliance with the laws of the land, we ensure that all our members thoroughly understand our comprehensive Code of Conduct and sign it at the beginning of every year, ratifying their alignment with our ethics and philosophies
- During the course of business, we take a wide range of actions including analyzing key financial metrics, aligning resources with our growth aspirations and forecasting key risks that might impact our business over the long-term and their potential mitigation strategies. These help us influence course corrections, if any, in the path to achieving our goals and objectives as well as monitor the strategic direction of the organization within the ambit of our overall risk management framework
- Our robust organizational culture, ethics and values, nurtured over the years with care and sensitivity, is visible in the strength of our relationships with key stakeholders. We are not only the financial destination of choice among our customers who have reposed their faith and trust in us but also an employer of choice among our members due to an inspiring, engaging, motivating and enriching workplace that we provide to all our employees. Our high standards of governance and the attractiveness of our long-term structural growth prospects have made us an investment of choice among a broad range of shareholders and other reputed financial participants in the market
- In our focus on reinforcing our governance culture and framework, we are implementing ongoing governance practices that go beyond the stipulated legal requirements. For instance, our focus on green banking not only fosters the development of green assets and environmental-friendly practices but, in fact, aims to create an overall compliant corporate culture by helping clients understand and mitigate key environmental and social risks in their long-term plans and manufacturing facilities
- One of the agendas of our Board is to also to gauge the levels of innovation fostered within the enterprise even as the diversity of our Board enables us to understand the key trends shaping the market / industry and convert these into relevant business opportunities. Our women entrepreneur empowerment product, IDLC Purnota, is an excellent case in point demonstrating our ability to innovate a solution around a pressing need – that of ensuring viability among women in business
- Our best-in-class remuneration and incentives structures are continually aligned with the market, ensuring that our pay and benefit structures are among the best in the industry. These not only enable us to attract and retain core talent but also keep our workforce motivated and engaged enough for the organization to reach its short, medium and long range goals and objectives, thus fostering a win-win relationship.

Report on Security Custodial Service of IDLC Finance Limited

Under rule 10(2) of the Securities and Exchange Commission (Security Custodial Service) Regulations, 2003

IDLC Finance Limited is a registered Security Custodian vide registration license no SC-06/2007 dated May 24, 2007 issued by Bangladesh Securities and Exchange Commission. The major responsibilities of the Security Custodian are as follows:

- Custody of client's securities
- Collection, book keeping and communication of gain, income, profit, stake on behalf of clients
- Collection, communication, dissemination and book keeping of any declaration, published or publicly available information, statement etc. of securities issuer
- Administer client's security and account

To facilitate these service IDLC Finance Limited has also obtained Custody Depository participant License vide registration license no. BSEC/Registration/ CDBL-DP-414, dated December 17, 2014 issued by Bangladesh Securities and Exchange Commission.

IDLC Finance Limited as a Security Custodian confirms that proper internal audit and evaluation process are in place to ensure the following:

- Secure and appropriate custodial service
- No unwarranted change in the assets, records, agreements etc. occur
- Each client receives his/her due dividends, bonus share, right share, interest, principal etc. in a timely manner
- Prevent loss, theft, damage due to natural calamity

As on December 31, 2016, IDLC Finance Limited is the custodian of 241,410,161 ordinary shares of RAK Ceramics (Bangladesh) Limited held by RAK Ceramics, PSC, UAE and 7 individual sponsor shareholders. IDLC Finance Limited has entered into an agreement during 2014 with RAK Ceramics PSC, UAE regarding providing security custodian service.

AMAR STOCK

Letter of Transmittal

All Shareholders,

Bangladesh Bank,

Registrar of Joint Stock Companies and Firms,

Bangladesh Securities and Exchange Commission,

Dhaka Stock Exchange Limited, and

Chittagong Stock Exchange Limited

Dear Sir(s):

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

Enclosed please find a copy of the Annual Report along with the audited Financial Statements including Consolidated and separate Balance Sheet as at December 31, 2016 and Income Statements, Cash Flow Statements and Statement of Changes in Equity for the year ended December 31, 2016 along with the notes thereon of IDLC Finance Limited and its subsidiaries (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited) for your kind perusal and record.

Thank you.

Yours sincerely,

Sd/-

Mohammad Jobair Rahman Khan ACA
Group Company Secretary

AMARSTOCK

Notice of the 32nd Annual General Meeting

Notice is hereby given to all the Members of IDLC Finance Limited (IDLC) that the 32nd Annual General Meeting of the Company will be held on **March 30, 2017 (Thursday) at 10:00 a.m. at "Utshab", Radisson BLU Water Garden Hotel, Airport Road, Dhaka Cantonment, Dhaka 1206,** to transact the following business:

Ordinary Agenda:

A01732-01 Adoption of Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2016;

A01732-02 Declaration of dividend for the year 2016 as recommended by the Board;

A01732-03 Election of Directors including the confirmation of appointment of Independent Directors; and

A01732-04 Appointment of Auditors of the Company until the conclusion of the next Annual General Meeting (AGM) and fixation of their remuneration.

By order of the Board

Sd/-

Mohammad Jobair Rahman Khan ACA
Group Company Secretary
Dated: March 15, 2017

Notes:

- The "Record Date" is Tuesday, March 14, 2017. The Members whose names would appear in the Register of Members of the Company and/or in the Depository on the 'Record Date' will be eligible to attend the 32nd AGM and entitled to the Dividend as mentioned above.
- Member are requested to update their respective BO Accounts with 12 Digit Tax Payer's Identification Number (TIN), bank account, mailing address and contact number through their respective Depository Participant (DP) before the 'Record Date'. Advance Income Tax (AIT) @15% (instead of 10%) will be deducted from eligible cash dividend, if anyone fails to update his/her BO Account with the 12 Digit TIN before the Record Date.
- A Member may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 103 of the Articles of Association of the Company. The proxy form, duly completed and stamped, must be deposited at the office not later than 72 hours before the time scheduled for holding the meeting.
- Pursuant to Article 81 of the Articles of Association, a corporate member of the Company, by resolution of the Board of Directors or other Governing Body of such body corporate, may authorize such person as it thinks fit, to act as representative at any meeting of the members of the Company.
- Annual Report, Attendance Slip and Proxy Form along with the Notice will be sent to all the Members by Courier Service/Post. The Members may also collect the Proxy Form from the Registered Office of the Company.
- Members/proxies are requested to register their entry at the AGM in the counter at the entrance of the AGM venue from 9.00 a.m. on March 30, 2017.

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের নির্দেশনা অনুযায়ী আসন্ন বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার/কোন ধরনের কুপন প্রদানের ব্যবস্থা থাকবেনা।

Report of the Audit Committee

Scope of work of Audit Committee

The scope of the Audit Committee of IDLC Finance Limited is determined by its Terms of Reference (ToR) which, in turn, are shaped by directives from its principal regulators, Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC). These include, but are not limited to, exercising oversight over:

- The internal control system of the company
- Financial reporting
- The Internal Control and Compliance department
- Compliance with regulatory requirements

The Committee is authorized to investigate any matter within its terms of reference, access all documents and information of the company, seek information from any director or employee of the Group and co-opt any resource (including external professional assistance) it sees fit in order to fulfill its duties. However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit.

The Committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee Chairman attends all general meetings of the Company's shareholders to answer any questions on the committee's activities.

Review of financial statements by the Audit Committee

The Audit Committee reviewed the annual financial statements for the year 2016 and placed its recommendations to the Board of Directors.

Review of the activities of the Internal Control and Compliance Department (ICC)

Major activities of the ICC department during the year were as follows:

- Execution of risk-based annual audit plan 2016
- Review of internal control system to assess the robustness of the company's internal controls;
- Coordinating timely issuance of responses to inquiries by regulators and other government agencies;
- Coordination of regulatory inspections and external audit;
- Coordination of management responses to the external audit and regulatory inspection reports;
- Complaint cell management;
- Monitoring of anti-money laundering compliance procedures;
- Submission of Cash Transaction Reports;
- Conduct of workshops and trainings on anti-money laundering and anti-terror financing regulations in different branches as part of overall awareness building efforts;
- Coordination of Risk Analysis Unit activities;
- Facilitation of Audit Committee meetings

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

- Partnered with Bangladesh Financial Intelligence Unit in training Branch Anti-Money Laundering Compliance Officers (BAMLCOs) of all the Financial Institutions in Dhaka North and Sylhet region;
- Facilitated access to NID verification services from the Election Commission Bangladesh;

All these enable the Committee to evaluate major risk areas, issue broad level guidance for management so as to ensure effective controls are in place and to provide accurate, appropriate and timely information to the Board of Directors, regulatory bodies and shareholders.

External audit

ACNABIN, Chartered Accountants, a partnership firm in Bangladesh and an independent member of Baker Tilly International, acted as the external auditors to the company throughout the year. The external auditors are not engaged by the company on any material non-audit work such as:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;
- Actuarial services; and
- Internal audit services

Independence of External Auditor

As a policy, the Committee prohibits the external auditors from performing any work that they may subsequently need to audit, or which might otherwise create a conflict of interest. The Committee also monitors the balance between audit and non-audit related functions to ensure that auditor independence can be shown to be maintained.

The Audit Committee appraised the expertise, resources, independence and objectivity of the external auditors and also reviewed their effectiveness as external auditors before reaching the recommendation to the Board that their re-election as auditors for the year ended December 31, 2016.

Retirement of current auditor and appointment of new auditor for 2017

The current external auditors, ACNABIN, Chartered Accountants, will complete their third successive statutory audit of the company when they audit the financial statements as of and for the year ended 31 December 2016. Due to Bangladesh SEC directives that require mandatory rotation of external auditors

every three years, they will not be eligible for reappointment as statutory external auditors for the year ended 31 December 2017. As such, the Audit Committee will review expressions of interest/proposals from other professional accounting and audit firms prior to recommending to the Board, the name(s) of one or more firms to be proposed to the shareholders for appointment as the next auditors of the company.

Resolutions of the Audit Committee meeting

The Committee met six (6) times during the year 2016 and 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, 2015 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, 2015 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 2016.
- Reviewed the report of Audit Committee for incorporation in the Annual Report 2015.
- Reviewed the Bangladesh Bank Inspection Report on corporate head office of IDLC as of December 31, 2015, and management responses to the report;
- Reviewed Audit Plan of Internal Control and Compliance Department for the year 2016.
- Reviewed the internal audit reports issued by the Internal Control and Compliance department during the year 2016.
- 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, 2015.
- Reviewed quarterly and half-yearly unaudited financial statements of IDLC Finance Limited for the year 2016.

Based on the review and above discussions, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the company and to ensure that its assets are safeguarded properly.

Sd/-

Monower Uddin Ahmed
Chairman, Audit Committee

Assessment Report on the Going Concern Status of IDLC

Going concern is a fundamental accounting concept that underlies the preparation of financial statements of companies. Under the going Concern concept, it is assumed that a Company will continue in operation and that there is neither the intent nor the need to either liquidate it or to cease trading.

The purpose of this going concern statement is to bring together the requirements of Company law, accounting standards and Listing Rules on going concern.

The management of IDLC has made this assessment based on the accounting period ended on or after December 31, 2016.

The management's assessment of whether the Company is a going concern involves making appropriate inquiries including review of budgets and future outcome of inherent risks involved in the business.

Considering the following major indicators, IDLC's management has reached the conclusion that the financial statement for the year 2016 is prepared based on going concern assumption:

Financial Indications

Fixed term debt with realistic renewal or repayment.

At the close of financial year 2016, total borrowing from other banks and financial institutions was BDT 12,564 million. Based on our past experience, it can be said that there is every possibility that a major part of the debt would be renewed further or can be repaid from our existing cash flow.

Less reliance on short-term borrowing

At the end of 2016, total short-term borrowings were Taka 2,790 million, representing 22.21% of total borrowings. This indicates that the Company has less reliance on short-term borrowings.

Continuous financial support by lenders/ depositors

The Company enjoys a good track record and reputation in the settlement of its obligation with its lenders/ depositors. The Company was able to increase the level of confidence of depositors, which resulted in an increase of 4% in total deposits in 2016.

Positive key financial ratios

The Company's financial ratios indicate sound financial strength and prospects and are evident from financial highlights given on page no. 72,73 of this Annual Report.

Consistent payment of dividends

IDLC has been paying dividend consistently to its shareholders over the years. We refer to financial highlights on page no. 73 of this Annual Report to show our steady dividend payment records.

Moreover, the Company has declared Cash dividend @ 30% (BDT 3.00 per Share) in 2016, while in the year 2015 Cash dividend @ 25 % (BDT 2.50 per Share) was declared, which reflects the Company's long-term operational viability.

Credibility in payment of obligations

IDLC has strong credibility in terms of payment of its obligations to lenders. The Company is particular in fulfilling the terms of loan agreements and has never defaulted, even in terms of convenience.

Increasing trend of investment portfolio and performance growth

IDLC has reported excellent growth in its operating performance. The Company's investment in long term finance and real estate finance have increased by 30.21% and 5.24%, respectively, in 2016 as compared with 2015.

Operating indications

Strengthening of Human Capital

During the year 2016, the Company has recruited 281 new employees, which resulted in a net increase in human resource count to 1,262 at the end of the year 2016, in comparison to 1,227 at the end of the year 2015.

Average length of service of an employee at IDLC was 3.53 years in 2016 (3.01 years in 2015). A report on human resource has been given on page no. 85 of this Annual Report.

Business expansion

IDLC is continuously expanding its segment geographically by opening new branches (four new branches) at different places considering economic significance. The Company has also strengthened its product/ service line by increased marketing efforts and extensive investments.

Corporate environment and employee satisfaction

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

Other indications

Maintenance of Capital Adequacy Ratio (CAR)

As per the DFIM Circular Number 14, dated December 28, 2011 of the Bangladesh Bank prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions has come into force from January 01, 2012. As per the guidelines, Financial Institutions (FIs) are required to maintain a CAR @ 10%. Before its implementation, FIs have been reporting CAR to the Bangladesh Bank based on draft BASEL Accord for Financial Institutions.

In each quarter of 2016, IDLC Finance Limited as well as the Group had CAR above the minimum requirements of 10%.

Details are given in note No. 13.1 of the financial statements on page no. 241 and at "Disclosure under Pillar III-Market Discipline" on page no. 286.

Strong equity base

As on 31 December 2016, total equity of IDLC stands at BDT 8,938 million (BDT 7,786 million in December 31, 2015), representing an increase of 14.80% over last year and reflects the Company's long-term viability.

Strong CAMEL rating

CAMEL rating is used by the Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by the Bangladesh Bank signifies satisfactory performance of IDLC. The report contained no adverse material observations of the Bangladesh Bank on the activities of the Company.

Changes in government policy

The management anticipates no significant changes in legislation or government policy, which may materially affect the business of the Company.

Highlights as Required by Bangladesh Bank

IDLC Finance Limited as on December 31, 2016

Sl no.	Particulars		2016	2015
1	Paid-up capital	in BDT million	2,514	2,514
2	Total capital	in BDT million	8,084	7,172
3	Surplus/(shortage) capital	in BDT million	1,983	1,806
4	Total assets	in BDT million	76,505	71,769
5	Total deposits	in BDT million	49,413	47,760
6	Total loans, advances and leases	in BDT million	61,136	53,858
7	Total contingent liabilities and commitments	in BDT million	1,734	1,226
8	Loans to deposit ratio (total loans/total deposits)	%	1.24	1.13
9	% of classified loans against total loans	%	2.98	3.06
10	Profit after tax and provision	in BDT million	1,496	1,244
11	Classified loans, advances and leases during the year	in BDT million	1,819	1,647
12	Provisions kept against classified loans, advances and leases	in BDT million	187	233
13	Provision surplus / (deficit) against classified loans, advances and leases	in BDT million	-	-
14	Cost of fund	%	9.11	9.36
15	Interest earning assets	in BDT million	74,039	69,325
16	Non-interest earning assets	in BDT million	2,466	2,444
17	Return on investment (ROI)	%	2.48	2.39
18	Return on assets (ROA)	%	2.02	1.93
19	Income from investment	in BDT million	323	273
20	Operating profit per share	in BDT	10.96	10.21
21	Earnings per share	in BDT	5.95	4.95
22	Price earning ratio	Times	9.57	12.85

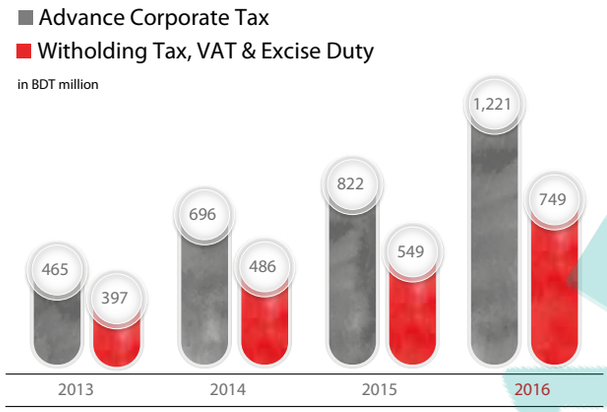
AMAR STOCK

Contribution to the National Economy

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

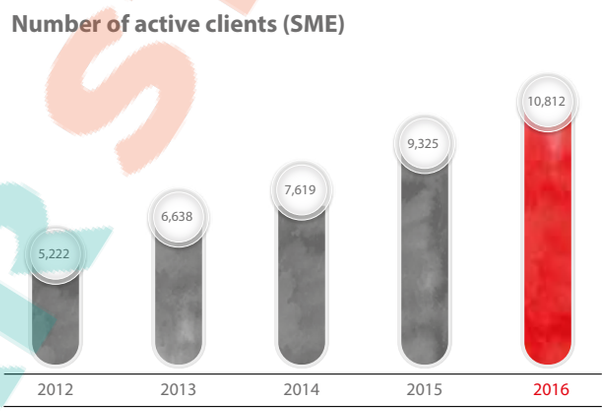
Taxes to Government

In 2016, IDLC deposited BDT 1,221 million to the Government exchequer as corporate income tax. Also, BDT 749 million was collected and deposited to the Government exchequer as withholding tax, VAT and excise duty.



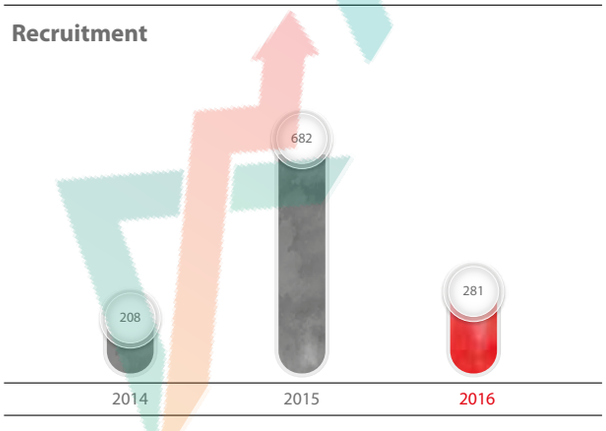
Focus on SME Financing

SMEs are the key drivers of any economy, while narrowing income inequality and supporting poverty alleviation. Researchers estimate presence of approximately six million SMEs in Bangladesh, making up 75% of the domestic economy, while accounting for 80% of industrial employment and 25% of the total workforce. Under this milieu, IDLC initiated SME financing back in 2006, and is now among the top five financial service providers to small businesses in Bangladesh. Today it comprises more than 40% of the total customer lending of IDLC. We are also committed to the development of women entrepreneurs across the country by extending Women Entrepreneur Loans and non-financial services for women through IDLC Purnota.



Employment generation

We create economic impact by creating employment and giving appropriate training to the employees. As on December 31, 2016 IDLC group has more than 1,200 talented employees. During 2016, the group paid BDT 1,048 million as salaries and allowances to its employees and spent BDT 14.19 million for both local and foreign trainings. Moreover, at a time when job creation is a top priority for government, we catalyzed our lending to small and medium enterprises (SME), thereby helping accelerate both direct and indirect job creation.



Environment friendly technologies

Sustainable economic growth and a healthy environment are interlinked. Keeping this in mind, IDLC is also offering 50 products under green financing umbrella covering the sectors like Renewable Energy, Waste Management, Non Fire Block Brick, Auto Brick Kiln, Green Industry, Fire & Safety measures, Industrial Energy Efficiency, Recycling Industry etc. In the year 2016, IDLC have managed to disburse as much as BDT 589.53 (BDT 525.8 million in 2015) under Green Financing umbrella, despite the unstable economic condition. The increase indicates IDLC's drive towards sustainability.

Details of Green Banking initiative are enunciated in the segment on 'Green banking', in page no. 113.

Supporting community through various CSR activities

At IDLC, commitment to social welfare and community has been part of its corporate culture, and IDLC is much reputed for its contributions towards environmental and community development. We support stimulate economic growth by investing in programs that enable economic development with a social purpose. Detail of our activities in this area has been discussed on pg no. 92 and 101 in sections "Social and Relationship Capital" and " Natural Capital".

Statement of Directors' Responsibility for Internal Control, Financial Reporting and Corporate Governance

Responsibility for financial statements

The Directors are responsible for ensuring that the Company keeps proper books of accounts of all the transactions and prepares financial statements, which give a true and fair view of the state of its affairs and profit/ loss for the year.

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements. It ensures that the estimates and judgments relating to the financial statements were made on a prudent and reasonable basis so that they reflect in a true and fair manner, the form and substance of transactions and reasonably presents the Company's true state of affairs.

The Board of Directors confirm that the International Financial Reporting Standard (IFRS) and International Accounting Standards, as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, have been adhered to, subject to any material departure being disclosed and explained in the notes to the accounts.

The Board also confirms that the Company keeps accounting records, which disclose with reasonable accuracy, the financial position of the Company, and which enables it to ensure that the financial statements comply with the requirements of the Companies Act, 1994, Securities and Exchange Rules, 1987, Financial Institutions Act, 1993, and Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and amendments thereto.

Responsibility for internal control systems

To ensure this, the Company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The internal control and compliance department of the Company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Responsibility for Corporate Governance

At IDLC, we view the governance and oversight of our distinctive business model and prudent strategy as key to the ongoing creation and delivery of value to our stakeholders, particularly in an economic environment that remains both uncertain and challenging.

At our Company, the Board's primary role is to provide leadership, ensure that it is appropriately managed and deliver long-term shareholder value. It also sets the Group's strategic objectives and provides direction as a whole. A number of key decisions are reserved for and may only be made by the Board, which enables it and the executive management to operate within a clear governance framework.

At IDLC, we have also established and embraced - both in letter and spirit - our Code of Conduct, signed by each and every member as an acceptance to adhere to the principles of the Code during all business dealings. The Code also sets out guidance on best practices in the form of principles and provisions on how we should adopt and follow good governance practices. It has been the Board's view that the Company's governance regime has been fully compliant with the best practices set out in the Code during the year under review.

Opinion of external auditors

The auditor of the Company, ACNABIN, Chartered Accountants, have carried out annual audit to review the system of internal controls, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the management together with all the financial records, related data, minutes of shareholders and Board meetings, relevant policies and expressed their opinion.

Moreover, in compliance with the conditions of the Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) vide their notification no. SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012, on behalf of Hoda Vasi Chowdhury and Co., Chartered Accountants, Sabbir Ahmed FCA, Partner, examined the compliance with the said conditions of Corporate Governance and certified that IDLC Finance Limited has complied with the conditions of Corporate Governance stipulated in the above mentioned BSEC's notification dated 07 August 2012.

Statutory Reporting

Directors' Report to the Shareholders of IDLC Finance Limited

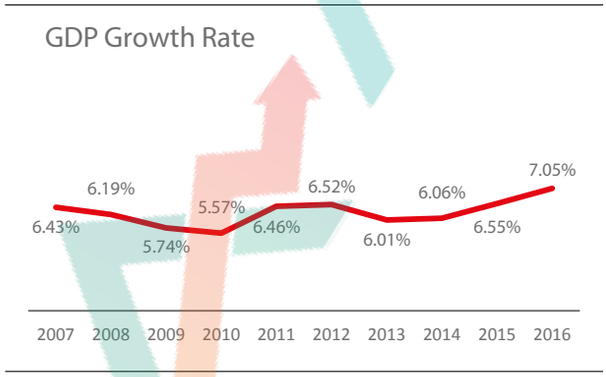
Dear shareholders,

The Board of Directors of IDLC Finance Limited takes pleasure in presenting the audited financial statements of the Company for the year ended December 31, 2016; the Auditor's Report, along with IDLC Group's performance; issues with regards to the Companies Act, 1994, and guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC), the Bangladesh Bank and the Bangladesh Accounting and Financial Reporting Standards.

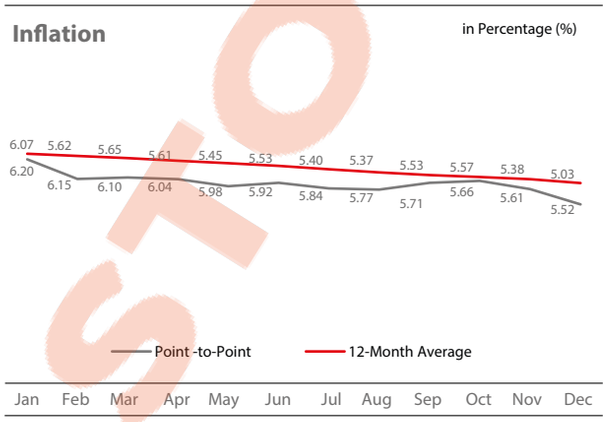
Bangladesh Economy Review

Although the global economic growth is projected to be only 3.4% in 2016, the country of Bangladesh emerged as a contrarian performer, reinforcing its status as an inspiration in a world governed by unexpected and unpredictable events including the change of guard in USA, the world's largest economy and the demonetization announcement of specified bank notes in India that de-legalized as much as 86% of the currency in circulation overnight. In addition, the transition of the Chinese economy away from manufacturing- and exports-driven growth into consumption-led economic expansion; the migration of the Saudi Arabian economy away from an excessive dependence on oil, the potential announcements with regards to the Federal interest rates in the USA helping judge the health of the economy and the socio-economic and geo-political tensions that exists in some parts of the world are some of the major events the world will be keenly following this current year.

In this global context, Bangladesh is relatively sheltered thanks in no small measure to the government's forward-looking, equitable and inclusive policies to spur growth and sustain Bangladesh's GDP expansion which will facilitate the growth of per capita incomes and purchasing power, helping the country rise up the ranks in the global order. Importantly, the government is focused on investments, consumption and infrastructure-led growth and history is evidence that economies that are anchored on these core drivers of growth lever their economy much faster to ensure an upward traction in economic acceleration and momentum.



Thanks to these structural policies, in addition to the fundamental growth enablers of the economy, Bangladesh achieved 7.05% GDP growth in 2016, placing it among the top-12 developing countries in the world with a population of over 20 million. This only points to the sheer resilience of the country's economy in the face of external global developments and with regards to internal challenges that are yet to be fully addressed.



This economic stability is highlighted by the fact that the overall inflation declined by about 1% from the previous year, standing at 5.03% in December 2016. The average inflation rate remained below 6% much through 2015-16. Favorable external factors, including a healthy harvest of rice, international food price decline and stability in the exchange rate, led to a reduction in food inflation from the previous 6.4% to 3.9% in 2016.

The government has some success with its focus on inviting offshore investors to invest in one of the fastest growing markets in the world and mobilize these funds with a view to power the economy towards an upward and sustainable growth path. According to the World Investment Report, 2016, jointly released by the United Nations Conference and Trade and Development and Board of Investment, Bangladesh, inflows into Bangladesh stood at a record high of USD 2.23 billion in 2015, witnessing a significant 44% increase over 2014, standing only second to India in this matrix. It is interesting to note that the power and textiles sectors have received the maximum amount of this investment, as these two industries are fundamental to the growth of the ancillary sectors. Moreover, there has been an increase in the foreign portfolio investments, where net investments by foreign investors in November 2016 stood at BDT 9.55 billion.

It is interesting to note that India, China, Pakistan, Sri Lanka and Bangladesh, until 1960, had more or less the same per capita income. Though China overtook all the countries to create a significant lead, today, Bangladesh outshines even China on some social parameters including infant mortality. Besides, the country has recorded impressive growth in literacy levels, fertility rate and life expectancy (at birth). These indicators point to the positive benefits of a democratic narrative as successive governments, including the current dispensation, have focused on citizen welfare to bolster human resource capacities and human capital in a bid to create the foundations of a demography that is primed for success. Over the past decade, the country's per capita GDP has shot up from about USD 450 in the year 2000

to USD 1,466 in 2016, and the lag with respect to the Pakistani and the Indian per capita incomes only indicates a significant catch-up potential, going forward.

Future outlook

The future prospects for Bangladesh are bright, as the nation enters 2017 as one of the most optimistic countries in the world in terms of economic prosperity. The nation's GDP growth rate crossed a record 7%, reaching 7.05% in 2015-16, which is the second-highest among the world's major economies, according to the IMF.

The Bangladeshi Finance Ministry has indicated that the country would attain about 8% growth in GDP in two years, ensuring horizontal and homogenous development across the country. Moreover, the central administration sees significant growth opportunities in major socio-economic realms including manufacturing, foreign trade and food-grain production, enabling the country to effectively fight poverty, raise the quality of living among the grassroots and diminish the disparity between the rich and the poor, which is increasingly exemplified by the fact that poverty has declined from nearly 63 million in 2000 to 12.9 million in 2016. Besides, the Government of Bangladesh has also taken up the implementation of the 17 Sustainable Development Goals (SDGs), as listed by the United Nations, with the express intent of ending poverty, combating injustice and inequality and tackling climate change.

As the government looks to diversify the country's economic profile, it is also simultaneously looking at strengthening the core mainstays of the economy that include the RMG (readymade garments) sector and remittances. While Bangladesh is among the largest exporters of RMG to some of the world's leading retailers as well as supply chains, the government is looking to further this status through enhancing the structural drivers that create a smoother and streamlined business environment for the sector. OPEC's decision to consolidate production and the fact that oil prices are on the uptick augur well for petroleum-exporting nations at least in the medium-term. These events can in turn strengthen the prospects of enhancing remittances into the country as a large percentage of the expatriate population of the country works in the oil and gas and infrastructure-related sectors. Also, the Government's ambitious Sixth Five-Year Plan, along with the Vision 2021 blueprint, sets strong development targets for Bangladesh that seeks to transform the country's socio-economic landscape.

Sectoral Highlights

The Government of Bangladesh has enhanced its annual development spending target to USD 14 billion in fiscal 2016-17 with the transportation, education, physical infrastructure and energy sectors receiving the bulk of the allocation.

The power sector continues to receive foremost priority as a steady growth in the development of the sector primarily fuels growth of heavy industries. 81 power stations with a capacity of generating 10,353 megawatts (MW) of electricity have been set up during the last eight years, and the Government plans to increase generation capacity to 24,000 MW by 2021 as part of its vision 2021 plan.

The cement and steel industry has also witnessed steady growth over the past few years as the Government continues to take up big projects including the construction of the Padma Bridge, the proposed 26-km Dhaka Elevated Expressway that would seamlessly connect the Dhaka airport with the city center, the proposed new airport in the state capital and the anticipated Dhaka metro rail, among other large and nationally-important projects. In fact, the construction of the Padma Bridge has been taken up without any private assistance. Also, the recent completion of the Dhaka-Chittagong and Dhaka-Mymensingh highways will potentially reduce transportation costs as well as travel time, giving a boost to productivity and trade. The government consumes as much as 40% of the total steel and cement output of the country and is its highest consumer. Moreover, the current production capacity is enough to meet additional demand.

Also, Bangladesh being among the fastest-growing markets in the world, it is estimated that the annual income of around 2 million Bangladeshis will touch USD 5,000 or more, enabling them to afford convenience and luxury goods. Moreover around 40 million of them will enter the middle-class by 2025, reinforcing the country's demographic advantage.

Capital markets review

The Bangladesh equity market is small in size with a market capitalization-to-GDP ratio of about 17% while this metric is much higher for countries like India (72%), the Philippines (61%), Thailand (98%), Malaysia (72%) and Indonesia (39%). However, this gap also represents an attractive opportunity reflected in a catch-up potential as some of the drivers of enhancing the equity culture in the country comprises raising awareness of equity as an asset class for long-term financial wealth creation, raising disposable incomes with stronger brokerage infrastructure for seamless market access, enhancing corporate transparency, stakeholder engagement and compliance, fundamentally-strong business listings and tightening regulatory policies, among others. As the country's equity market deepens, it will also attract a larger number of participants that will only set in motion enhanced equity participation, fostered by the fact that the country has one of the largest population pools in the world.

With more than 550 securities including stocks, corporate bonds, treasury bonds and mutual funds, the total market capitalization of the Dhaka Stock Exchange (DSE), the country's largest and premier stock market institution, is about USD 46 billion whereas the equity market capitalization is about 38 billion. Interestingly, the top-10 market cap companies represent about 41% of the equity market capitalization and all 12 listed MNCs represents about 29% of the equity market capitalization.

The year 2016 worked as an inflection point for the stock market as the country did not observe any major political turmoil, while economic indicators were supporting the promising side of the market. Though, market activities remained slow at the first half of 2016, the shape changed at the second half. By the end of the year, prime index DSEX increased by 8.8% which fell by 4.8% in 2015. Daily average trade in DSE was BDT 4.9 billion in 2016 compared to about BDT 4.2 billion in 2015. The DSEX traded between index value of minimum 4,171.4 and maximum 5,036.0 in 2016. Bank became the leader followed by Pharmaceuticals & Chemicals sector towards the end of the year in terms of market cap.

IDLC's performance

Aligned with a relatively stable business environment, IDLC Finance Limited focused on enhancing growth anchored on its pivots of widening the customer base and extending market access and positioned on its core strengths of: a) a strong brand recall, b) high-quality human resource, c) entrenched customer service culture, d) focused compliance and governance frameworks, e) growing emphasis on technology and f) continued enhancement of alignment of customer needs with product profiles. Overall, the year 2016 was one during which we not only focused on growing our Balance Sheet but also on maintaining its quality and integrity with a view to build on the foundations of secure and sustainable growth.

During the year 2016, the Company reported a Net Interest Income of BDT 3,737 million and Net Income after Tax of BDT 1,780 million, which contributed to a growth of 15% in shareholders' equity. This demonstrates effective deployment of capital and resources as the business continues to outperform its peers. The Net Interest Income and Net Income after Tax reported a healthy 9.34% and 22.00% growth over the previous year (2015).

Total loan book size increased by over 12.77% to BDT 62,265 million as on December 31, 2016. Our focus on maintaining quality growth was evident in our organization-wide emphasis on controlling Non-Performing Loans (NPL), which stood at 2.98% in 2016, compared with 3.06% in 2015. Our robust banking systems, processes, checks and balances and our inflexible stance in adhering to these under all circumstances has enabled us to control our NPLs, which is amongst the lowest in the industry.

As a pioneer in the non-bank financial institution (NBFI) sector of Bangladesh, IDLC represents a shining example of institutional excellence. Our focus on **'Inspiring lives, creating happiness'** is fundamental to our ideology of putting our customers at the heart of everything we do. Being in a business that has a profound impact on the lives of our customers, we believe that we are engaged in the much larger pursuit of contributing to nation building. As our customers focus on realizing their ambitions, we believe in our role of catalyzing these aspirations. It is in this sense that we become an integral part of their lives and it is the relationships that we have forged over time that represent our core advantage in a competitive business environment.

With this cultural orientation, we have also been able to attract quality talent with the result that our human capital composition is balanced by the dynamism of the youth as well as the experience of the mature. Our teams have created the foundations for sustainable growth as we continue to look for and fine-tune levers that enable us to stay ahead of the curve.

The fundamental rationale of all businesses is the creation of sustainable shareholder value. Aligned with our philosophy of creating wealth in the hands of all those who have invested their capital and conviction in our business, we have achieved a healthy Return on Equity of 21.29%.

However, despite our track record, we are convinced that the best is yet to come as we look to create a tomorrow that is better than today, as we look to leverage the years of patient investments in our business to reinforce its quality and operating standards and as we look to influence several structural economic drivers of the country to our advantage. In effect, our focus will continue to remain on returning sustainable capital to our investor community and enhancing our engagement levels with them.

A large and well-entrenched product suite with an equalized emphasis on the Corporate, Retail and SME sectors, a holistic capital markets solutions platform under three wholly-owned subsidiaries (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited) and emphasis on enhancing operational quality has enabled IDLC to emerge as a point of reference in Bangladesh's NBFI sector and capital markets space. During the year 2016, the Company continued to build on its advantages to enhance its market share, create more meaningful and insightful relationships with clients and pull a greater lead among competition to position itself as the most preferred customer-centric non-banking financial institution of Bangladesh.

On a more granular level, IDLC's three major business constituents comprise SME financing, Corporate financing and Consumer financing. While the SME division is focused on providing comprehensive financial solutions to medium and small enterprises, the corporate financing unit is engaged in providing larger and more sophisticated financial services to large and established corporates. The Consumer financing business, which has a typical business-to-consumer orientation, is engaged in providing quality home and car loans.

On the overall, while our total loan book has increased by BDT 7,053 million or 12.77% to BDT 62,265 million, our total deposit base is up by BDT 1,436 million or 3.12% to BDT 47,475 million, as on 31 December 2016.

Our SME division led our overall asset portfolio with a loan book of BDT 26,054 million, which was up by BDT 3,686 million or 16.5% over the previous year. This growth is a significant achievement considering the intense marketplace competition not only among peers but also with regards to banks which enjoy inherent advantages over non-banking financial entities. This growth was made possible on account of our continual customer conversations and our high levels of customer service indicated in our relatively lower loan disbursal timeframes and more convenient and seamless credit checks.

As a strategy that is anchored on identifying market niches and growing our presence within, we proactively focused on woman customers; women constitute almost half of the country's population. With the typical belief that women customers have a larger number of challenges over men when starting a business, at IDLC, in response to this scenario, we offered more than just loans, creating a full package of services bundled under a specific platform – IDLC Purnota. This focus on driving entrepreneurship among women resulted in disbursements (under women entrepreneur loans) of BDT 2,089 million during the year under review. In 2016, with a view to tap a larger number of customers, we enlarged our footprint by establishing four new branches in vibrant industrial pockets of the country.

The Consumer division increased its loan and deposit portfolio to BDT 21,415 million and BDT 47,564 million, respectively, in 2016, registering a 3.8% and 3.0% growth, respectively, over the last year. During 2016, we focused on enhancing and broad-basing our deposit book by tapping into a large segment of retail customers in addition to our corporate clients. Nevertheless, to

attract retail customers, we offered multi-year maturity products with high credit ratings. We also focused on reducing the proportion of higher-cost term deposits in our deposit book, thereby enhancing competitiveness of our deposit loan book.

Going forward, we will continue to focus on expanding our home loan book through a hawk-eye on NPLs even as retention becomes significantly important for us. In addition, for our car loan book, which is under 11.2% of the total Consumer loan portfolio, we will continue to have a cautious approach through quality dealership tie-ups in the major cities of Dhaka and Chittagong.

Our Corporate division faced some headwinds in 2016 with high systemic liquidity and significant marketplace competition that together led to a sharp fall in the average interest rates. Besides, as corporates took advantage of offshore borrowings, the potential financing market for us declined. Even in this scenario, we focused on emerging stronger through staying true to our key drivers of providing customized solutions and quicker loan disbursements. The result of this was that despite a challenging 2016, our Corporate loan book increased the most among all our other divisions at about 26.19% to BDT 13,406 million.

In 2016, the Structured Finance Department (SFD), which is a part of our Corporate Division, attained a fee income of BDT 74.96 million, which is up by almost 30.21% over the previous year with the number of deals rising to 13 from 10 in 2015. Being in a knowledge-intensive business where the opportunity of expanding the understanding and awareness of different sophisticated financing products is high, our SFD arranged subordinated debt for banks for meeting their BASEL-II capital norms as well as engaged in other large projects for the marine and textiles sectors, among others. Going into 2017, the SFD, among other business, intends to provide holistic advisory as well as sophisticated financial solutions, especially in the scenario where the government is focused on developing large and capital-intensive infrastructure projects.

Under the Corporate division, our Green Banking business also shaped up satisfactorily as we focused on engaging in responsible, green financing with a view to protect and ensure environmental sustainability. Some of the key projects financed under this included solar energy projects, effluent treatment plants (ETP) and the installation of energy-efficient boilers, among others, with the result that our green financing book increased by 15.19% to BDT 711 million in 2016.

The capital markets remained volatile in response to both internal as well as external developments in 2016. In addition, significant competition for customers together created a challenging year for our capital market subsidiaries. However, despite this operating environment, both IDLC Investments Limited (IDLCIL) and IDLC Securities Limited (IDLCSL) turned in a healthy performance. While IDLCIL recorded a substantial net profit after tax of BDT 170 million (42.5% growth over 2015), IDLCSL achieved a robust growth in net profit to BDT 103 million (7.59% growth over 2015). In a breakthrough development, IDLC Asset Management Limited, another subsidiary of IDLC Finance Limited, received its license to operate in 2015 from the regulators and this company, with its dedicated infrastructure and resources, is set to accelerate operations through the launch of structured and transparent mutual funds to cater to a large and diversified group based of needs and budgets, in the beginning of 2017.

IDLC's treasury teams continued to demonstrate excellent performance in both managing liquidity on the one hand and keeping the cost of funds at reasonable levels on the other. As in 2015, the year 2016 also witnessed a downward pressure on market interest rates as excess liquidity and relatively lower credit demand kept interest rates low. Therefore, the focus was on reducing the higher-priced term deposits which further added to cost competitiveness. In addition, continued emphasis was placed on refinancing facilities utilization of the Bangladesh Bank that further helped contain the cost of funds.

Amount in BDT million

Particulars	IDLC Group		
	2016	2015	Growth (%)
Net interest income	3,737	3,418	9.34%
Other operating income	1,429	1,170	22.16%
Total operating income	5,167	4,588	12.61%
Total operating expenses	1,962	1,648	19.06%
Profit before provisions	3,205	2,940	9.0%
Provision for loans/ investments	156	312	(50.01)%
Profit before taxes	3,049	2,629	16.0%
Provision for taxes	1,269	1,169	8.50%
Net profit after taxation	1,780	1,459	22.0%

This is a useful synopsis of the Company performance during the past year from the Management's point of view and narrates how the IDLC Group operates sustainably through the Company's engagement with its key stakeholders. The review also provides a glimpse of the future performance of the Company as well.

The IDLC Group's net interest income and operating income witnessed a growth of 9.34% and 12.61%, respectively, during 2016. Corresponding increase operating expenses was 19.06% on account of i) shifting of two large offices in Dhaka to bigger and better premises ii) opening of 4 new branches and iii) increased investments in human resources in the form of recruitment of 281 new employees, restructures made in compensation packages and increased training and development efforts. The benefits of these investments are expected to accrue in the future. Profit before provision increased by 9% as against a 12.61% increase in operating income, mainly on the back of higher increase in operating expenses.

The provisions made against infected accounts reduced significantly, by 50% from 2015, on the back of reversal of provisions made against diminution in the value of securities as the market price of securities increased significantly. Resultantly, Net Profit after Tax increased by 22% over 2015.

Comparison of actual and budgeted performance of IDLC Group

Amount in BDT million

Particulars	IDLC Group		
	Actual	Budget	Variances (%)
Net interest income	3,737	4,160	-10%
Other operating income	1,429	1,213	18%
Total operating income	5,167	5,372	-4%
Total operating expenses	1,962	2,121	-8%
Profit before provisions	3,205	3,252	-1%
Provision for loans/ investments	156	280	-44%
Profit before taxes	3,049	2,971	3%
Provision for taxes	1,269	1,224	-4%
Net profit after taxation	1,780	1,747	2%

The IDLC group exceeded, in terms of Net Profit after Tax, the budget set for the year 2016. It should be noted that while the group did not reach its intended Net Interest Income budget on the back of lower asset growth than budgeted numbers, it delivered strong performance in all other areas. As the drive for efficiency continued throughout the year, operating expense was controlled at a level 8% less than the budget. Another big savings came from provisions for bad debt. Due to the ability to restrict the number and amount of classified accounts coupled with increase in the value of investments in securities, actual provisions for bad debt was control at a significantly lower level than the budgeted amount. Overall, the financial performance was very satisfactory and places the group in good stead for future growth.

Quarterly disclosed financial performance and 2016 financial performance:

As stipulated by law, the Company is required to publish the financial performance of its 1st, 2nd and 3rdquarters. The quarterly financial performance and the yearly performance are indicated in the following table:

Amount in BDT million

Particulars	Quarterly performance - IDLC Finance Limited				
	2016				
	Q1	Q2	Q3	Q4	Year 2016
Net interest income	875	874	885	896	3,530
Other operating income	263	204	186	253	906
Total operating income	1,139	1,078	1,072	1,147	4,436
Total operating expenses	363	450	431	437	1,681
Profit before provisions	775	628	641	710	2,754
Provision for loans/ investments	130	-101	5	139	173
Profit before taxes	645	729	635	572	2,581
Provision for taxes	297	288	273	226	1,084
Net profit after tax	348	441	363	344	1,496

Amount in BDT million

Particulars	Quarterly performance - IDLC Group				
	2016				
	Q1	Q2	Q3	Q4	Year 2016
Net interest income	926	922	937	952	3,737
Other operating income	337	346	309	437	1,429
Total operating income	1,263	1,269	1,246	1,389	5,167
Total operating expenses	430	520	497	515	1,962
Profit before provisions	834	749	749	873	3,205
Provision for loans/ investments	149	-116	-19	142	156
Profit before taxes	685	864	768	732	3,049
Provision for taxes	324	343	308	294	1,269
Net profit after taxation	361	522	460	437	1,780

The above table depicts that the company was fairly consistent throughout the year in terms of performance and generating profits with an exceptional second quarter where profits peaked due to significant decrease in provisions made against classified accounts. The reason for this decrease was twofold – i) increase in the market price of securities meaning a reversal of provisions made against the diminution in value of those securities kept in earlier periods and ii) collections from classified accounts meaning up gradation of in classification of those accounts and subsequent reversals in the amount of provisions kept in earlier periods.

IDLC's contribution to the economy of Bangladesh

As one of the pioneers of the NBFI space in Bangladesh, the Company is committed to the continued economic as well as social development of the country. As an enterprise that is deeply-rooted in the nation's soil, we feel it is our responsibility towards our nation and our countrymen.

In addition to our pure-play business of providing financial loans and solutions that help a large swathe of our customers to raise their quality of living, generate employment and contribute to

the nation's growth and development, we directly contribute to the exchequer in the form of various taxes. In 2016, IDLC deposited BDT 1,174 million to the Government exchequer as corporate income tax. Moreover, BDT 735 million was collected and deposited to the Government exchequer as withholding tax, VAT and excise duty.

As a quality employment generator, our business provided direct employment to 1,262 members with a recruitment of 281 new employees during the course of 2016. Salary and other allowances increased 16.56% to BDT 1,048 million during 2016. Detail in this regard is on page no. 161 under the section Contribution to National Economy.

Risk Management

At IDLC, we believe that getting risk management right is an essential component of success. The identification, evaluation and management of risk, together with the way we respond to changes in the external operating environment are key to sustainable growth and underpin the robustness of our business plans and strategic objectives, protecting our license to operate and our reputation and helping create a long-term source of competitive advantage.

Risk management is embedded in IDLC's organizational structure, operations and management systems. Business risks across the Group are addressed in a structured and systematic way through a predefined risk management structure. This ensures that the Board's assessment of risk is informed by risk factors and mitigating controls originating from and identified by the Group's assets, functional departments and operations, including the Company's subsidiaries. Moreover, IDLC possesses a detailed risk management system with procedures in place to support risk evaluation across the Group. The risks associated with the delivery of the business plan and annual work programs and the associated mitigation measures are maintained in asset or project risk matrices and registers.

IDLC possesses different committees for risk management. The Credit Evaluation Committee (CEC) and Asset and Liability Committee (ALCO) is constituted by the Company's senior management team which regularly reviews issues related to the markets, credit and liquidity and, accordingly, recommend and implement appropriate measures to proactively identify and mitigate risks. IDLC possesses an approved Asset Liability Management (ALM) policy under the responsibility of the ALCO, together with a robust ALM software and dedicated ALM desk to generate necessary MIS for improving ALCO's decision-making abilities.

The Company's Credit Risk Management (CRM) department independently scrutinizes projects from a risk-weighted perspective and assists relevant departments in setting business development priorities. These are aligned with the Company's risk appetite while optimizing the risk-return trade-off derived from relevant risk exposures.

The CRM team also clearly defines exceptionally high-risk sectors and prohibits lending to those projects which the Company does not ascribe to, including those which represent negative environmental, social or ethical standards.

At an individual exposure level, a risk grading model (RGM) is used to promote corporate safety and sustainability by facilitating informed decision-making. At the portfolio level, the Company actively tracks the quality of its loans by analyzing risk migration and assessing trends in non-performing assets. Such indicators prompt timely decision-making by the relevant risk management committees and help preserve the quality of loans and advances.

IDLC's Credit Administration Department (CAD) and Internal Control and Compliance (ICC) departments are responsible for assessing operational risks across the Company and also ensure an appropriate framework to identify, assess and manage operational risks.

IDLC has also established a BASEL Implementation Unit (BIU) responsible for implementing Capital Adequacy and Market Discipline (CAMD) instructions of the Bangladesh Bank across the Company and managing risk-based capital adequacy. The BASEL Implementation Desk (BID) specifically carries out risk-based capital analysis and places it to the BIU along with recommendations to facilitate enhanced decision-making for maintaining minimum/ regulatory capital and managing related risks.

Details about our risk management policies and practices are discussed in the 'Statement of Risk Management on page no. 128.

Corporate and Financial Reporting Framework

The Directors of IDLC, in conformance with the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 7, 2012, confirm compliance with the financial reporting framework for the following:

- The financial statements, prepared by the management of IDLC make a fair presentation of its activities, operational details and results, cash flow information and changes in equity structure.
- Proper books and accounts of the Company have been maintained.
- Appropriate accounting policies, including International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been consistently applied in preparation of the financial statements. Any change or deviation has been adequately disclosed.
- Accounting estimates are based on reasonable and prudent judgment.
- Internal control processes have been properly designed and effectively implemented and monitored.
- No significant doubt exists upon the Company's ability to continue as a going concern.

Key Operational and Financial Information

Key operational and financial information over the last five years, as per the requirements of SEC/CMRRCD/2006-158/134/ Admin/44 dated August 7, 2012, has been presented on page no. 72-73.

Highlights of the Company's operations as per the DFIM Circular No. 11 dated December 23, 2009, have also been presented on page no. 160.

Related Party Transactions

Disclosure of all related party transactions, including basis for such transactions, has been provided in Note 39 on page no. 250.

Shareholding Pattern

IDLC's shareholding pattern as on December 31, 2016, is disclosed as per the revised CGG of BSEC in Annexure-I of this annual report on page no. 170.

Board Meetings and Attendance by the Directors

During the year 2016, a total of thirteen meetings of the Board were held. Attendance by the Directors and remuneration to the Directors has been summarized in Annexure-II of this annual report on page no. 171.

Proposed Dividend

The Board has proposed cash dividend @ 30% (BDT 3.00) per share for the year 2016.

Directors

As per Article 116 of the Articles of Association of the Company, the following Directors will retire from the office of the Company at the 32nd Annual General Meeting:

- S M Mashrur Arefin, Director Nominated by The City Bank Limited
- Mohammad Mahbubur Rahman, Director Nominated by The City Bank Limited
- Meherun Haque, Director Nominated by The City Bank Limited
- Atiqur Rahman, Director Nominated by Reliance Insurance Limited

However, they are also eligible for re-election.

Auditors

The statutory auditors of the Company, ACNABIN, Chartered Accountants have successfully completed consecutive three years of appointment, as appointed at the 29th Annual General Meeting. As per the stipulation under the Financial Institutions Act, 1993, they are not eligible for re-appointment. Accordingly, new auditors have to be appointed for the year 2017 subject to the approval of Bangladesh Bank and shareholders in the Annual General Meeting. On the basis of the proposal of the Audit Committee, the Board recommends the appointment of A. Qasem & Co., Chartered Accountants, as the auditors of the Company for the year 2017 at a remuneration of BDT 600,000.

Status of Compliance

Status of the compliance of conditions of corporate governance guidelines imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44, dated August 7, 2012 and subsequent modification SEC/CMRRCD/2006-158/147/Admin/48 dated July 21, 2013 along with a certificate from a practicing Chartered Accountant has been enclosed in Annexure-III on page no. 172 of this annual report.

We also enclose a statement of compliance on the good governance guidelines issued by the Bangladesh Bank as Annexure-IV on page no. 182 of this annual report.

On behalf of the Board of Directors,

Sd/-

Aziz Al Mahmood
Chairman
IDLC Finance Limited

Annexure-I

Shareholding pattern as on December 31, 2016 as required by the revised Corporate Governance Guidelines issued by BSEC

Particulars	No. of shares held	% of total shares of IDLC	Remarks
Shares held by:			
Directors, their spouses and minor children	100	0.00004%	
Chief Executive officer (CEO) and his spouse and minor children	NIL	-	
Chief Financial Officer (CFO) and his spouse and minor children	NIL	-	
Company Secretary (CS) and his spouse and minor children	NIL	-	
Head of Internal control and Compliance (HICC)	1,851	0.00074%	
Executives (Top five person other than CEO, CFO, CS, HICC):			
1. H. M. Ziaul Hoque Khan FCA, Deputy Managing Director	NIL	-	
2. M. Jamal Uddin, Deputy Managing Director	5,000	0.00199%	
3. Asif Saad Bin Shams, Head of Credit and Collection	10,000	0.00398%	
4. Mir Tariquzzaman, Chief Technology Officer (CTO)	NIL	-	
5. Ahmed Rashid, Head of SME Division	NIL	-	
Shareholders holding 10% or more voting right:			
The City Bank Limited	60,854,056	24.20923%	
Transcom Group	33,515,443	13.33326%	
Total	**94,369,499**	**37.54249%**	

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Annexure-II

Meeting attended by the Directors of IDLC Finance Limited during 2016

Name of Director	Board of Directors Meeting				Executive Committee Meeting				Audit Committee Meeting				Total Remuneration paid for the year 2016
	Total BOD meeting Held during Diretor's tenure	Meeting Attended	Attendence as % of total meeting held	Remuneration paid for attending the meeting	Total EC meeting Held during Diretor's tenure	Meeting Attended	Attendence as % of total meeting held	Remuneration paid for attending the meeting	Total AC meeting Held during Diretor's tenure	Meeting Attended	Attendence as % of total meeting held	Remuneration paid for attending the meeting	
				(Taka)				(Taka)				(Taka)	(Taka)
Mr. Rubel Aziz	1	1	100	8,000	-	-	-	-	-	-	-	-	8,000
Mr. Aziz Al Mahmood	12	12	100	96,000	-	-	-	-	-	-	-	-	96,000
Mr. Md. Shahidul Ahsan	3	3	100	24,000	3	3	100	24,000	-	-	-	-	48,000
Mr. Monower Uddin Ahmed	13	13	100	104,000	-	-	-	-	4	4	100	32,000	136,000
Mr. Farooq Sobhan	2	2	100	16,000	-	-	-	-	1	1	100	8,000	24,000
Ms. Meherun Haque	13	8	61.54	64,000	-	-	-	-	-	-	-	-	64,000
Mr. Hossain Mehmood	2	1	50	8,000	-	-	-	-	-	-	-	-	8,000
Mr. Faruq M. Ahmed	13	13	100	104,000	11	11	100	88,000	-	-	-	-	192,000
Mr. S.M. Mashrur Arefin	11	8	72.73	64,000	-	-	-	-	-	-	-	-	64,000
Mr. Mohammad Mahbubur Rahman,FCA	11	10	90.91	80,000	-	-	-	-	4	2	50	16,000	96,000
Mr. Md. Kamrul Hassan, FCA	13	13	100	104,000	-	-	-	-	6	6	100	48,000	152,000
Mr. Atiqur Rahman	13	10	76.92	80,000	-	-	-	-	-	-	-	-	80,000
Mr. A. K. M Shahidul Haque	3	2	66.67	16,000	3	3	100	24,000	1	1	100	8,000	48,000
Mr. Md. Rezaul Karim	3	0	0	-	3	0	-	-	2	0	-	-	-
Mrs. Shamim Akhter	6	3	50	24,000	6	3	50	24,000	3	0	-	-	48,000
Mrs. Syed Shahriyar Ahsan	3	3	100	24,000	2	2	100	16,000	1	1	100	8,000	48,000
Mr. Mati Ul Hasan	9	7	77.78	56,000	8	8	100	64,000	-	-	-	-	120,000
Mr. Matiul Islam Nowshad	6	4	66.67	32,000	-	-	-	-					32,000
Mr. M. Ehsanul Haque	6	4	66.67	32,000	-	-	-	-	-	-	-	-	32,000
Total Remueration paid				936,000				240,000				120,000	1,296,000

Noted: Remuneration paid to the Directors for attending meetings are exclusive of VAT amount.

Leave of absence was granted to the Directors those who could not attend at the meeting.

* Mr. Aziz Al Mahmood was appointed as the Director of the Board in place of Mr. Aziz Al Kaiser on January 10, 2016 while his nomination was withdrawn by The City Bank Limited.

** Mr. S.M. Mashrur Arefin and Mr. Mohammad Mahbubur Rahman FCA were appointed as Directors nominated by The City Bank Limited on February 07, 2016 in place of Mr.Rubel Aziz and Mr.Hossain Mehmood.

*** Mr. A.K.M. Shahidul Haque appointed as the Chairman of the Audit Committee in place of Mr. Farooq Sobhan on his retirement on February 13, 2016 and later on Mr. Monower Uddin Ahmed replaced the position of Mr. A.K.M. Shahidul Haque on his resignation on March 14, 2016.

**** Mrs. Shamim Akhter was appointed as the Director of the Board in place of Mr. Rezaul Karim on March 14, 2016 and later on Mr. Syed Shahriyar Ahsan replaced Mrs. Shamim Akhter on Sept. 29, 2016 while her nomination was withdrawn by Sadharan Bima Corporation.

***** Mr. Mati Ul Hasan was appointed as the Director of the Board in place of Mr. Md. Shahidul Ahsan on March 14, 2016 while his nomination from the Board was withdrawn by Mercantile Bank Limited.

****** Mr. Matiul Islam Nowshad and Mr. M. Ehsanul Haque were appointed as the Independent Director of the Board on June 13, 2016.

******* Recently, Mr.Niaz Habib joined IDLC as an Independent Director in the Board to replace Mr. M. Ehsanul Haque who resigned on January 27, 2017.

Annexure III

Hoda Vasi Chowdhury & Co
Chartered Accountants

Certificate on Compliance of Conditions of Corporate Governance Guidelines to the Shareholders of IDLC Finance Limited

We have examined the compliance of condition of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by IDLC Finance Limited (the "Company") as stipulated in the BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 7th August 2012 and subsequent modification SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July as 2013 as at 31st December 2016.

The Company's Responsibilities

Those charged with governance and management of the Company are responsible for complying with the conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance in the annual report.

Our Responsibilities

Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

Conclusion

To the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance stipulated in the above mentioned BSEC notification and reported thereon.

Hoda Vasi Ch.

Sabbir Ahmed, FCA
Partner
ICAB Enrolment Number 770
For **Hoda Vasi Chowdhury & Co**
Chartered Accountants

Dhaka, 6 March 2017

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Status of Compliance with the Corporate Governance Guidelines (CGG)

Status of Compliance with the conditions imposed by Bangladesh Securities and Exchange Commission (BSEC)'s notification No. SEC/CMRRCD/2006-158/134/Admin/44, dated August 07, 2012, issued under section 2CC of the Securities and Exchange Ordinance, 1969, is presented below:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
1.1	**Board's Size:** (Number of board members - minimum 5 and Maximum 20) IDLC Finance Limited being a financial institution, such size of the Board shall be limited to 9 to 11, as per FID Circular No. 9, dated September 11, 2002.	√		Refer to 'IDLC' Corporate Governance Report on page No. 140 of this Annual Report
1.2	**Independent Directors**			
1.2(i)	At least one fifth (l/5) of the total number of Directors shall be Independent Directors	√		Refer to 'IDLC' Corporate Governance Report on page No. 141 of this Annual Report
1.2(ii)	**Independent Director means a Director:**			
1.2(ii)(a)	Who either does not hold share in the company or holds less than one (1%) shares of the total paid up shares of the company;	√		None of the Independent Directors holds any share of the company
1.2(ii)(b)	Who is not sponsor of the Company and is not connected with any sponsor or director or shareholder who holds one percent or more shares of the Company;	√		None of the Independent Directors is not connected with any sponsor or director or such shareholder of the company
1.2(ii)(c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	√		Such declaration was given during appointment
1.2(ii)(d)	Who is not a member, director or officer of any stock exchange;	√		
1.2(ii)(e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	√		
1.2(ii)(f)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	√		
1.2(ii)(g)	Who shall not be an independent director in more than 3 (three) listed companies;	√		
1.2(ii)(h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	√		
1.2(ii)(i)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
1.2(iii)	Independent Director(s) shall be appointed by the Board of Directors and approved by the Shareholders in the Annual General Meeting (AGM);	√		Refer to the AGM Notice on page no. 156 of this Annual Repot

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		No such vacancy created
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	√		The Board at its 251st meeting held on December 19, 2016 recorded its annual compliance 2017 with the Code of Conduct of Board members.
1.2(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	√		All the existing independent directors are in first term of appointment
1.3	**Qualification of Independent Director(ID)**			
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		Qualification requirement of respective Independent Director is disclosed in Director's Profile on page No. 32-36 of this Annual Report.
1.3(ii)	The person should be a Business Leader/Corporate Leader/ Bureaucrat/University Teacher with Economics or Business Studies or Law background/ Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences.	√		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			No such deviation occurred
1.4	**Chairman of the Board and Chief Executive Officer:**			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		Reference to the page No. 142 of Corporate Governance Report of this Annual Report
1.5	**Directors Report to Shareholders shall include following additional statements on:**			
1.5(i)	Industry outlook and possible future developments in the industry	√		Refer to the "Directors' Report" on page No. 164 of this Annual Report
1.5(ii)	Segment-wise or product-wise performance	√		Refer to the "Directors' Report" on page No. 164 of this Annual Report
1.5(iii)	Risks and concerns	√		Refer to the "Directors' Report" on page No. 164 of this Annual Report
1.5(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	√		IDLC being a Financial Institution such formation of P&L is not followed rather format prescribed by Bangladesh Bank is followed

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss			No such item exists
1.5(vi)	Statement of all related party transactions	√		Refer to the "Directors' Report" on page No. 169 and subsequently elaborate to the note No. 39 of 'Audited Financial Statements' on page No. 251 of this Annual Report
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			Bangladesh Securities and Exchange Commission (BSEC) vide its letter Ref. No. BSEC/CI/RI-104/2015/668, dated November 22, 2016 approved IDLC's Rights issue application for raising of paid up capital through issuance 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 i.e. December 15, 2016). In compliance with Securities and Exchange Commission (Rights Issue) Rules, 2006 as well as consent letter, we have declared record date on December 15, 2016 and the subscriptions period from January 01, 2017 to January 19, 2017. As on December 31, 2016, no fund from Rights issue has been collected.
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			Not yet applicable.
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	√		Refer to the "Directors' Report" on page No. 165 of this Annual Report
1.5(x)	Remuneration to directors including independent directors.	√		Refer to the Annexure-II of "Directors' Report" on page No. 171 of this Annual Report
1.5(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		Refer to the page no.186 of this Annual Report

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
1.5(xii)	Proper books of account of the issuer company have been maintained.	√		Refer to page no.186 of this Annual Report
1.5(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		Refer to page no.186 of this Annual Report
1.5(xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		Refer to page no.186 of this Annual Report
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		Refer to page no.186 of this Annual Report
1.5(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		No such issue revised
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		Refer to the "Directors' Report" on page No. 167 of this Annual Report
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		Refer to the "Directors' Report" on page No. 165 and table given on page no. 72-73 of this Annual Report
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.			The Board of Directors at 253rd meeting of the Board, held on February 20, 2017 declared cash dividend @30% for 2016.
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		Refer to the "Directors' Report" on page no. 169 and Annexure-II on page no. 171 of this Annual Report
1.5(xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-			
1.5(xxi)(a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		Refer to the Annexure-I of the Directors' Report on page no. 170 of this Annual Report.
1.5(xxi)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5(xxi)(c)	Executives ;	√		
1.5(xxi)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
1.5(xxii)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:-			
1.5(xxii)(a)	A brief resume of the director;	√		Information regarding the Directors' is disclosed in brief profile of the Directors' on page no. 32-36 of this Annual Report
1.5(xxii)(b)	Nature of his/her expertise in specific functional areas;	√		
1.5(xxii)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.0	**Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)**			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		Refer to 'IDLC' Corporate Governance Report on page no. 144 of this Annual Report
2.2	Requirement to attend the Board Meetings: The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		Refer to 'IDLC' Corporate Governance Report on page no. 143 of this Annual Report
3.0	**AUDIT COMMITTEE:**			
3.0(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		Refer to 'IDLC' Corporate Governance Report on page no. 144 of this Annual Report
3.0(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		Refer to 'IDLC' Corporate Governance Report on page no. 144 of this Annual Report
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		Refer to 'IDLC' Corporate Governance Report on page no. 145 of this Annual Report
3.1	**Constitution of the Audit Committee:**			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		Refer to 'IDLC' Corporate Governance Report on page no. 144 of this Annual Report
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director.	√		Refer to 'IDLC' Corporate Governance Report on page no. 144 of this Annual Report

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
3.1(iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		Refer to 'IDLC' Corporate Governance Report on page no. 145 of this Annual Report
3.1(iv)	Filling of casual vacancy in the Audit Committee	√		Casual vacancies created during 2016 were immediately filled by the Board. Please refer to the Annexure-II of the Directors' Report on page no. 171 of this Annual Report.
3.1(v)	The company secretary shall act as the secretary of the Committee	√		Refer to 'IDLC' Corporate Governance Report on page no. 144 of this Annual Report
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without Independent Director	√		Refer to 'IDLC' Corporate Governance Report on page no.146 of this Annual Report
3.2	**Chairman of the Audit Committee**			
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		Refer to 'IDLC' Corporate Governance Report on page no. 145 of this Annual Report
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM)	√		
3.3	**Role of Audit Committee:**			
3.3(i)	Oversee the financial reporting process	√		Refer to 'IDLC' Corporate Governance Report on page no. 145 of this Annual Report
3.3(ii)	Monitor choice of accounting policies and principles	√		
3.3(iii)	Monitor Internal Control Risk management process	√		
3.3(iv)	Oversee hiring and performance of external auditors	√		
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval	√		
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval	√		
3.3(vii)	Review the adequacy of internal audit function	√		
3.3(viii)	Review statement of significant related party transactions submitted by the management	√		
3.3(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	√		

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
3.3(x)	Declaration to Audit Committee by the company regarding utilization of IPO/RPO, Right issue money.	√		Bangladesh Securities and Exchange Commission (BSEC) vide its letter Ref. No. BSEC/CI/RI-104/2015/668, dated November 22, 2016 approved IDLC's Rights issue application for raising of paid up capital through issuance 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 i.e. December 15, 2016). In compliance with Securities and Exchange Commission (Rights Issue) Rules, 2006 as well as consent letter, we have declared record date on December 15, 2016 and the subscriptions period from January 01, 2017 to January 19, 2017. As on December 31, 2016, no fund from Rights issue has been collected
3.4	**Reporting of the Audit Committee:**			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		Refer to 'IDLC' Corporate Governance Report on page no. 146 of this Annual Report
3.4.1 (ii)	**The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-**			
3.4.1(ii)(a)	Report on conflicts of interests ;			No such event occurred
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such event occurred
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such event occurred
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.			No such event occurred

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
3.4.2	Reporting to the Authorities – Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation			No such event occurred
3.5	Reporting to the Shareholders and General Investors – Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii)			No such event occurred
4.0	**EXTERNAL / STATUTORY AUDITORS:** The issuer company should not engage its external/statutory auditors to perform the following services of the company; namely:-			
4.0(i)	Appraisal or valuation services or fairness opinions.	√		ACNABIN Chartered Accountants declared such independence during their appointment
4.0(ii)	Financial information systems design and implementation.	√		
4.0(iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4.0(iv)	Broker-dealer services.	√		
4.0(v)	Actuarial services.	√		
4.0(vi)	Internal Audit service	√		
4.0(vii)	Any other services that the Audit Committee determines	√		
4.0(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√		
5.0	**SUBSIDIARY COMPANY:**			
5.0(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		Refer to the "Directors' Report" by IDLC Securities Limited on page no. 263, the "Directors' Report" by IDLC Investments Limited on page no. 270 and the "Directors' Report" by IDLC Asset Management Limited on page no. 277 of this Annual Report
5.0(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
5.0(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		
5.0(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
5.0(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		

Condition No.	Title	Compliance Status as on December 31, 2016		Remarks (if any)
		Complied	Not Complied	
6.0	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO): The CEO and CFO shall certify to the Board that:-			
6.0(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		Refer to the "Report of the CEO & MD and CFO" to the Board on page no. 186 of this Annual Report
6.0(i)(a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6.0(i)(b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6.0(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
7.0	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7.0(i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		The Certificate is enclosed with on page no. 172 of this Annual Report
7.0(ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		Refer to the "Directors' Report" on page no. 169 of this Annual Report

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Annexure-IV

Statement of compliance with the good governance guideline issued by the Bangladesh Bank

Bangladesh Bank, vide DFIM Circular No. 7, dated 25 September 2007, issued a policy on the responsibility & accountability of the Board of Directors, Chairman & Chief Executive of financial institution. The Board of Directors of the Company has taken appropriate steps to comply with the guidelines.

A status report on compliance with those guidelines is stated below:

Sl. No.	Particulars	Status of Compliance
1.	**Responsibilities and authorities of the Board of Directors:** **The Board of Directors should focus mainly on the policy matters and evaluation of the performance of the institution, such as:**	
	(a) Work-planning and strategic management:	
	(I) The Board shall determine the Vision/ Mission of the institute. In order to enhance operational efficiency and to ensure business growth, they shall chalk out strategies and work-plans on annual basis. The Board shall review such strategies on quarterly rests and shall modify accordingly, if required. If any structural modification is required, shall bring those changes with consultation with the management.	Complied
	(ii) The Board shall have its analytical review incorporated in the Annual report as regard to the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders on future plans and strategies.	Complied
	(iii) The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will appraise those on half yearly basis.	Complied
	(b) Formation of sub-committee:	
	Executive Committee may be formed in combination with directors of the Company for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities. Except the Executive Committee and Audit Committee, no other committee or sub-committee can be formed, even in temporary basis.	Complied
	(c) Financial management:	
	(i) Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(ii) Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recover overdue loan/ lease.	Complied
	(iii) Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board to the maximum extend shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget.	Complied
	(iv) The Board shall adopt the process of operation of bank accounts. To ensure transparency in financial matters, groups may be formed among the management to operate bank accounts under joint signatures.	Complied
	(d) Management of loan/lease/investments:	
	(i) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied

Sl. No.	Particulars	Status of Compliance
	(ii) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
	(iii) Any large loan/lease/investment proposal must be approved by the Board.	Complied
	(e) Risk management:	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	(f) Internal control and compliance management:	
	An Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditors, external auditors and Bangladesh Bank Inspection team as well.	Complied
	(g) Human resource management:	
	Board shall approve the policy on Human Resources Management and Service Rule. The Chairman and directors of the Board shall not interfere on the administrative job in line with the approved Service Rule. Only the authority for the appointment and promotion of the Managing Director/ Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board in compliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
	(h) Appointment of CEO:	
	The Board shall appoint a competent CEO for the institution with the prior approval of the Bangladesh Bank and shall approve the proposal for increment of his salary and allowances.	Complied
	(i) Benefits offer to the Chairman:	
	For the interest of the business, the Chairman may be offered an office room, a personal secretary, a telephone at the office and a vehicle subject to the approval of the Board.	Complied
2	Responsibilities of the Chairman of the Board of Directors:	
	(a) Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(b) The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(c) The Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
3	Responsibilities of Managing Director:	
	(a) Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
	(b) For day to day operations, Managing Director shall ensure compliance with the rules and regulation of the Financial Institutions Act, 1993 and other relevant circulars of Bangladesh Bank;	Complied
	(c) All recruitment/ promotion, except those of DMD, GM and equivalent positions shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the institution;	Complied
	(d) Managing Director may re-schedule job responsibilities of employees;	Complied
	(e) Except for the DMD, GM and equivalent positions, power to transfer and to take disciplinary action shall vested to the Managing Director.	Complied
	(f) Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by MD.	Complied



Our palette that added color to her vision!

The story of Tauhida Haider Reema, Mensen Media

Tauhida loves colour. Right from a young age, different patterns and designs fascinated her. As she grew older, her taste in the aesthetics further took shape and thus began her tryst with painting.

A few years ago, at an arts exhibition, she was able to sell three of her paintings for Taka 15,000. From then onwards, there was no looking back. Encouraged, she decided to use her paintings on sarees.

So Tauhida started experimenting with sarees brought all the way from Tangail and hand-painted them and sold them under the 'Achole Aamar Desh' brand. After getting married, her husband gifted her something invaluable: a trade license in the form of Mensen Media; 'Mensen' translates to 'for humanity' in Dutch. Through Mensen Media, Tauhida rigorously marketed her products through social media, specifically Facebook, and catered to online orders.

As the scale of her business grew, IDLC stepped in. IDLC helped her focus on her business growth by ensuring smooth financing support and constant advisory. Financially secure now, Tauhida decided to expand her oeuvre and cater to the needs of a larger clientele. This led her to adding more products to her repertoire, including salwar kameez, kurtis and other garments. Tauhida not only caters to a niche market in Bangladesh – she is actually credited with creating one!

Almost everything Mensen Media offers is hand-made and produced in-house. Today, her business sells merchandise to the tune of Taka 15,000 per month. Today, she is able to foster social good and actually help the grassroots by sourcing almost 3% of her work from local craftsmen from Jamalpur and Jessore, who make Nakshi Katha products, paying them upfront in the process. She employs seven craftsmen and expects to add 10 more to her team.

Today, Tauhida stands tall as an inspiration to other women entrepreneurs, inspiring them to nurture their dreams and work towards fulfilling them. At IDLC, we have just one word to offer as a tribute to women like Tauhida.

Salute!

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Report of the CEO & Managing Director and the Chief Financial Officer

to the Board of Directors of IDLC Finance Limited

We have reviewed accompanying consolidated financial statements of IDLC Finance Limited and its subsidiaries (the "Group") as well as the financial statements of IDLC Finance Limited ("the Company") which comprise the consolidated and the separate balance sheet as on December 31, 2016, 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.

These financial statements have been prepared and presented fairly in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations.

The Company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The Internal Control & Compliance Department of the Company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Based on the internal control system of the Company and our review of these financial statements, we certify that to the best of our knowledge and belief:

i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;

iii) no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.

iv) proper books of account as required by law have been kept by the Group and the Company;

v) the expenditure incurred was for the purposes of the Group and the Company's business;

vi) adequate provisions have been made for leases/loans and advances, investments and other assets which are, in our opinion, doubtful of recovery.

Sd/-
CEO and Managing Director

Dated: February 20, 2017

Sd/-
Chief Financial Officer

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ACNABIN
Chartered Accountants

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

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Web : www.acnabin-bd.com

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 2016, the consolidated and the separate profit and loss accounts, statements of changes in equity, cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated 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 2016, 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.

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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 the consolidated profit and loss accounts of the Group and the separate balance sheet and profit and loss account of the Company together with annexed notes from 1 to 45 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 Institutions 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.

Sd/-
ACNABIN
Chartered Accountants

Dhaka,
20 February 2017

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IDLC Finance Limited and its Subsidiaries

Consolidated Balance Sheet

As at December 31, 2016

Particulars	Note	31.12.2016 Taka	31.12.2015 Taka
PROPERTY AND ASSETS			
Cash	3	**976,157,535**	**891,869,744**
In hand (including foreign currencies)	3.1	376,000	366,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	975,781,535	891,503,744
Balance with other banks and financial institutions	4	**10,377,181,667**	**12,543,322,538**
Inside Bangladesh	4(a)	10,377,181,667	12,543,322,538
Outside Bangladesh	4(b)	-	-
Money at call and short notice	5	-	-
Investments	6	**4,348,316,767**	**3,392,468,561**
Government		-	300,000,000
Others		4,348,316,767	3,092,468,561
Loans and advances	7	**62,264,891,877**	**55,211,824,250**
Loans, cash credit, overdraft etc.		62,264,891,877	55,211,824,250
Bills purchased and discounted		-	-
Fixed assets including land, building, furniture and fixtures	8(c)	654,273,352	537,098,683
Other assets	9	738,284,186	857,870,414
Non-banking assets		-	-
Total Assets		**79,359,105,384**	**73,434,454,190**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	**12,564,377,442**	**10,585,582,747**
Deposits and other accounts	11	**49,324,324,830**	**47,624,565,293**
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		47,474,930,697	46,038,675,236
Bearer certificate of deposits		-	-
Other deposits		1,849,394,133	1,585,890,057
Other liabilities	12	**8,532,563,556**	**7,438,343,943**
Total Liabilities		**70,421,265,828**	**65,648,491,983**

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Particulars	Note	31.12.2016 Taka	31.12.2015 Taka
Capital/Shareholders' equity			
Paid-up capital	13	2,513,671,870	2,513,671,870
Share premium	14	3,750,000	3,750,000
Statutory reserves	15	1,782,004,350	1,482,722,671
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		3,591,910,951	2,739,315,501
Total Equity attributable to equity holders of the company		**8,937,837,171**	**7,785,960,042**
Non-controlling interest		**2,385**	**2,165**
Total Liabilities and Shareholders' equity		**79,359,105,384**	**73,434,454,190**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1	**949,206,314**	**618,488,520**
Acceptances and endorsements		-	-
Letters of guarantee		199,206,314	118,488,520
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	500,000,000
Other commitments	17.2	**784,630,423**	**607,054,854**
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		784,630,423	607,054,854
Total Off-Balance Sheet items including contingent liabilities		**1,733,836,737**	**1,225,543,374**
Net Assets Value (NAV) per share	37	**35.56**	**30.97**

The annexed notes from 1 to 45 form an integral part of these consolidated 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,
20 February 2017

Sd/-
ACNABIN
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

Consolidated Profit and Loss Account

for the year ended December 31, 2016

Particulars	Note	2016 Taka	2015 Taka
Interest income	19	8,359,739,673	8,251,180,347
Interest on deposits and borrowings etc.	20	(4,622,365,924)	(4,833,191,104)
Net interest income		**3,737,373,749**	**3,417,989,243**
Investment income	21	475,981,791	372,098,181
Commission, exchange and brokerage	22	441,325,925	356,949,912
Other operating income	23	511,882,259	440,864,639
Total operating income		**5,166,563,724**	**4,587,901,975**
Salaries and allowances	24	1,048,087,067	899,165,319
Rent, taxes, insurance, electricity, etc.	25	215,855,916	135,714,936
Legal expenses	26	18,682,742	16,102,123
Postage, stamp, telecommunication, etc.	27	33,958,799	35,021,731
Stationery, printing, advertisements, etc.	28	98,719,992	85,711,998
Managing Director's salary and benefits	29	8,875,000	11,493,667
Directors' fees	30	1,872,048	1,409,400
Auditors' fees	31	991,875	690,000
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	199,948,282	178,307,014
Other expenses	33	334,812,932	284,171,561
Total operating expenses		**1,961,804,653**	**1,647,787,749**
Profit before provision		**3,204,759,071**	**2,940,114,226**
Provision for loans and investments	12.7(ii)		
General provision		48,686,037	49,183,322
Specific provision		167,588,219	276,007,148
Provision for diminution in value of investments		(60,498,426)	(13,579,695)
Other provisions		-	-
Total provision		**155,775,830**	**311,610,775**
Total profit before taxation		**3,048,983,241**	**2,628,503,451**
Provision for taxation			
Current tax expense	12.2	1,269,750,001	1,171,629,363
Deferred tax income	9.5	(1,062,076)	(2,350,493)
		1,268,687,925	1,169,278,870
Net profit after taxation		**1,780,295,316**	**1,459,224,581**
Attributable to:			
Shareholders of the Company		1,780,295,096	1,459,224,380
Non-controlling interest		220	201
		1,780,295,316	**1,459,224,581**

AMARSTOCK

Particulars	Note	2016 Taka	2015 Taka
Appropriations to:			
Statutory reserves		299,281,679	248,764,024
General reserves		-	-
Dividend etc.		-	-
		299,281,679	248,764,024
Retained surplus		**1,481,013,417**	**1,210,460,356**
Earnings Per Share (EPS)	36	**7.08**	**5.81**

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

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

Sd/-
ACNABIN
Chartered Accountants

Dhaka,
20 February 2017

IDLC Finance Limited and its Subsidiaries

Consolidated Cash Flow Statement

for the year ended December 31, 2016

Particulars	2016 Taka	2015 Taka
A) Cash flows from operating activities		
Interest received	8,269,382,239	8,026,758,704
Interest paid	(1,959,930,894)	(2,212,191,438)
Dividend received	86,295,233	96,282,352
Fees and commission received	441,325,925	356,949,912
Paid to employees and suppliers	(1,794,077,141)	(1,502,411,831)
Payment of income tax	(1,302,580,492)	(822,263,674)
Received from other operating activities	889,242,718	704,398,111
Cash generated from operating activities before changes in operating assets and liabilities	**4,629,657,588**	**4,647,522,136**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	1,066,236,433	265,654,756
Long-term finance	(7,667,524,740)	(5,278,801,586)
Real estate finance	(902,272,967)	(2,383,834,215)
Car loan	120,182,628	(693,235,866)
Personal loan	32,445,417	19,086,626
Loan against deposit	18,950,046	(1,389,646)
Margin loan to portfolio investors	196,675,992	463,395,053
Short term finance	233,975,541	(344,010,256)
Other assets	58,207,684	32,928,914
Term and other deposits	1,699,759,537	11,029,446,244
Net drawdown of short term loan	1,010,000,000	(40,000,000)
Payable and accrued expenses	(1,811,116,956)	(2,626,981,541)
Deferred liability-employee gratuity	7,641,006	4,462,019
Portfolio investors' fund	17,424,409	(2,323,273)
Deferred tax liability	38,459	(5,687,038)
Interest suspense account	92,284,134	181,528,850
	(5,827,093,377)	620,239,040
Net cash flow from/(used in) operating activities	**(1,197,435,789)**	**5,267,761,176**
B) Cash flows from investing activities		
Purchase of fixed assets	(312,435,792)	(313,654,913)
Disposal of fixed assets	39,859,711	24,004,794
Net proceeds of investment in securities	(955,848,206)	(756,442,720)
Net cash used in investing activities	**(1,228,424,287)**	**(1,046,092,839)**

AMARSTOCK

Particulars	2016 Taka	2015 Taka
C) Cash flows from financing activities		
Drawdown of term loans	6,330,092,954	4,165,756,728
Repayment of term loans	(5,361,298,258)	(2,738,206,155)
Share money in arrear	-	10
Dividend paid	(624,787,700)	(198,980,120)
Net cash flow from financing activities	**344,006,996**	**1,228,570,463**
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**(2,081,853,080)**	**5,450,238,800**
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	**13,435,192,282**	**7,984,953,482**
G) Cash and cash equivalents at end of the year (D+E+F)	**11,353,339,202**	**13,435,192,282**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	376,000	366,000
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	975,781,535	891,503,744
Balance with other banks and financial institutions (Note- 4)	10,377,181,667	12,543,322,538
Money at call and short notice (Note-5)	-	-
	11,353,339,202	**13,435,192,282**
Net operating cash flow per share (Note-38)	**(4.76)**	**20.96**

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

IDLC Finance Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

for the year ended December 31, 2016

Particulars	Attributable to equity holders of the company							Non-controlling interest	Total equity
	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total		
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance at January 01, 2016	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
Dividend for 2015:									
25% cash dividend	-	-	-	-	-	(628,417,968)	(628,417,968)	-	(628,417,968)
Changes in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	**2,513,671,870**	**3,750,000**	**1,482,722,671**	**1,000,000,000**	**46,500,000**	**2,110,897,533**	**7,157,542,074**	**2,165**	**7,157,544,239**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-
Net gain and losses not recognized in the profit and loss accounts	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-
Net profit for the year 2016	-	-	-	-	-	1,780,295,096	1,780,295,096	220	1,780,295,316
Appropriation to reserves	-	-	299,281,679	-	-	(299,281,679)	-	-	-
Balance at December 31, 2016	**2,513,671,870**	**3,750,000**	**1,782,004,350**	**1,000,000,000**	**46,500,000**	**3,591,910,951**	**8,937,837,171**	**2,385**	**8,937,839,556**

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

AMNR STOCK

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
	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total		
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance at January 01, 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 recognized 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**

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

AMARSTOCK

IDLC Finance Limited

Balance Sheet

As at December 31, 2016

Particulars	Note	31.12.2016 Taka	31.12.2015 Taka
PROPERTY AND ASSETS			
Cash	3	**976,057,535**	**891,769,744**
In hand (including foreign currencies)	3.1	276,000	266,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	975,781,535	891,503,744
Balance with other banks and financial institutions	4	**9,179,584,564**	**11,804,324,866**
Inside Bangladesh	4(a)	9,179,584,564	11,804,324,866
Outside Bangladesh	4(b)	-	-
Money at call and short notice	5	-	-
Investments	6	**2,748,103,457**	**2,770,947,105**
Government		-	300,000,000
Others		2,748,103,457	2,470,947,105
Loans and advances	7	**61,135,698,103**	**53,857,714,206**
Loans, cash credit, overdraft etc.		61,135,698,103	53,857,714,206
Bills purchased and discounted		-	-
Fixed assets including land, building, furniture and fixtures	8(c)	606,912,609	502,363,356
Other assets	9	1,858,789,208	1,941,591,577
Non-banking assets		-	-
Total Assets		**76,505,145,476**	**71,768,710,854**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	12,394,377,442	10,550,165,864
Deposits and other accounts	11	**49,413,062,330**	**47,760,365,293**
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		47,563,668,197	46,174,475,236
Bearer certificate of deposits		-	-
Other deposits		1,849,394,133	1,585,890,057
Other liabilities	12	**7,093,168,554**	**6,721,632,975**
Total Liabilities		**68,900,608,326**	**65,032,164,132**

AMARSTOCK

Particulars	Note	31.12.2016 Taka	31.12.2015 Taka
Capital/Shareholders' equity			
Paid-up capital	13	2,513,671,870	2,513,671,870
Share premium	14	3,750,000	3,750,000
Statutory reserves	15	1,782,004,350	1,482,722,671
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		2,258,610,930	1,689,902,181
Total Equity		**7,604,537,150**	**6,736,546,722**
Total Liabilities and Shareholders' equity		**76,505,145,476**	**71,768,710,854**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1	**949,206,314**	**618,488,520**
Acceptances and endorsements		-	-
Letters of guarantee		199,206,314	118,488,520
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	500,000,000
Other commitments	17.2	**784,630,423**	**607,054,854**
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		784,630,423	607,054,854
Total Off-Balance Sheet items including contingent liabilities		**1,733,836,737**	**1,225,543,374**
Net Assets Value (NAV) per share	37	**30.25**	**26.80**

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/- Chairman	Sd/- Director	Sd/- CEO & Managing Director	Sd/- Company Secretary

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

Sd/-
ACNABIN
Chartered Accountants

Dhaka,
20 February 2017

IDLC Finance Limited

Profit and Loss Account

for the year ended December 31, 2016

Particulars	Note	2016 Taka	2015 Taka
Interest income	19	8,152,388,213	8,023,764,544
Interest on deposits and borrowings etc.	20	(4,622,068,956)	(4,827,091,642)
Net interest income		**3,530,319,257**	**3,196,672,902**
Investment income	21	323,468,796	272,881,617
Commission, exchange and brokerage	22	75,401,525	58,053,730
Other operating income	23	506,398,528	433,242,052
Total operating income		**4,435,588,106**	**3,960,850,301**
Salaries and allowances	24	884,862,599	744,116,214
Rent, taxes, insurance, electricity, etc.	25	171,261,564	93,372,106
Legal expenses	26	15,320,592	13,536,662
Postage, stamp, telecommunication, etc.	27	29,126,790	26,929,463
Stationery, printing, advertisements, etc.	28	89,943,341	81,059,657
Managing Director's salary and benefits	29	8,875,000	11,493,667
Directors' fees	30	1,490,400	1,041,900
Auditors' fees	31	690,000	517,500
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	179,115,424	155,451,391
Other expenses	33	300,598,278	266,242,398
Total operating expenses		**1,681,283,988**	**1,393,760,958**
Profit before provisions		**2,754,304,118**	**2,567,089,343**
Provision for loans and investments	12.7(ii)		
General provision		46,925,871	54,798,590
Specific provision		187,021,074	233,364,352
Provision for diminution in value of investments		(60,498,426)	3,407,068
Other provision		-	-
Total provision		**173,448,519**	**291,570,010**
Total profit before taxation		**2,580,855,599**	**2,275,519,333**
Provision for taxation			
Current tax expense	12.2	1,089,706,190	1,037,681,898
Deferred tax income	9.5	(5,258,987)	(5,982,686)
		1,084,447,203	1,031,699,212
Net profit after taxation		**1,496,408,396**	**1,243,820,121**
Appropriations to:			
Statutory reserves		299,281,679	248,764,024
General reserves		-	-
Dividend etc.		-	-
		299,281,679	248,764,024
Retained surplus		**1,197,126,717**	**995,056,097**
Earnings Per Share (EPS)	36	**5.95**	**4.95**

The annexed notes from 1 to 45 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	CEO & Managing Director	Company Secretary

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

Dhaka,
20 February 2017

Sd/-
ACNABIN
Chartered Accountants

AMARSTOCK

IDLC Finance Limited

Cash Flow Statement

for the year ended December 31, 2016

Particulars	2016 Taka	2015 Taka
A) Cash flows from operating activities		
Interest received	8,053,911,263	7,825,155,235
Interest paid	(1,959,633,926)	(2,206,091,976)
Dividend received	45,623,873	39,909,767
Fees and commission received	75,401,525	58,053,730
Paid to employees and suppliers	(1,528,349,385)	(1,269,312,317)
Payment of income tax	(1,174,622,879)	(717,106,282)
Received from other operating activities	772,104,787	640,292,306
Cash generated from operating activities before changes in operating assets and liabilities	**4,284,435,257**	**4,370,900,463**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	1,066,236,433	265,654,756
Long-term finance	(7,667,524,740)	(5,278,801,586)
Real estate finance	(902,272,967)	(2,383,834,215)
Car loan	120,182,628	(693,235,866)
Personal loan	32,445,417	19,086,626
Loan against deposit	18,950,046	(1,389,646)
Loan to subsidiaries	(28,300,000)	97,310,669
Short term finance	233,975,541	(344,010,256)
Other assets	29,074,259	(139,022,888)
Term and other deposits	1,652,697,037	11,164,546,244
Net drawdown of short term loan	840,000,000	(40,000,000)
Payable and accrued expenses	(2,370,086,707)	(2,516,948,125)
Deferred tax liability	-	(5,687,038)
Interest suspense account	92,284,134	181,528,850
	(6,882,338,918)	325,197,524
Net cash flow from/(used in) operating activities	**(2,597,903,661)**	**4,696,097,987**
B) Cash flows from investing activities		
Purchase of fixed assets	(281,254,291)	(294,404,534)
Disposal of fixed assets	36,437,904	23,046,548
Inter-company payables	(99,999,990)	99,999,990
Net proceeds of investment in securities	22,843,648	(658,631,276)
Net cash used in investing activities	**(321,972,729)**	**(829,989,272)**
C) Cash flows from financing activities		
Drawdown of term loans	6,330,092,954	4,165,756,728
Repayment of term loans	(5,325,881,376)	(2,712,003,428)
Dividend paid	(624,787,700)	(198,980,120)
Net cash flow from financing activities	**379,423,878**	**1,254,773,180**
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**(2,540,452,511)**	**5,120,881,895**
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	**12,696,094,610**	**7,575,212,715**
G) Cash and cash equivalents at end of the year (D+E+F)	**10,155,642,099**	**12,696,094,610**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	276,000	266,000
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	975,781,535	891,503,744
Balance with other banks and financial institutions (Note- 4)	9,179,584,564	11,804,324,866
Money at call and short notice (Note-5)	-	-
	10,155,642,099	**12,696,094,610**
Net operating cash flow per share (Note-38)	**(10.34)**	**18.68**

The annexed notes from 1 to 45 form an integral part of these financial statements.

IDLC Finance Limited

Statement of Changes in Equity

for the year ended December 31, 2016

Particulars	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance at January 01, 2016	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
Dividend for 2015:							
25% cash dividend	-	-	-	-	-	(628,417,968)	(628,417,968)
Changes in accounting policy	-	-	-	-	-	-	-
Restated balance	**2,513,671,870**	**3,750,000**	**1,482,722,671**	**1,000,000,000**	**46,500,000**	**1,061,484,213**	**6,108,128,754**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gain and losses not recognized in the profit and loss accounts	-	-	-	-	-	-	-
Net profit for the year 2016	-	-	-	-	-	1,496,408,396	1,496,408,396
Appropriation to reserve	-	-	299,281,679	-	-	(299,281,679)	-
Balance at December 31, 2016	**2,513,671,870**	**3,750,000**	**1,782,004,350**	**1,000,000,000**	**46,500,000**	**2,258,610,930**	**7,604,537,150**

The annexed notes from 1 to 45 form an integral part of these financial statements.

AMARSTOCK

IDLC Finance Limited

Statement of Changes in Equity

for the year ended December 31, 2015

Particulars	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance at January 01, 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 recognized in the profit and loss accounts	-	-	-	-	-	-	-
Net profit for the year 2015	-	-	-	-	-	1,243,820,121	1,243,820,121
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**	**1,689,902,181**	**6,736,546,722**

The annexed notes from 1 to 45 form an integral part of these financial statements.

AMARSTOCK

IDLC Finance Limited

Liquidity Statement

As at December 31, 2016

Particulars	Not more than 1 month term	1-3 months term	3-12 months term	1-5 years term	Above 5 years term	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets						
Cash in hand (including balance with Bangladesh Bank)	976,057,535	-	-	-	-	976,057,535
Balance with other banks and financial institutions	1,879,584,564	6,400,000,000	900,000,000	-	-	9,179,584,564
Money at call and short notice	-	-	-	-	-	-
Investments	1,427,239,457	-	400,000,000	673,000,000	247,864,000	2,748,103,457
Loans & advances	4,162,574,181	4,653,462,738	13,703,717,726	28,176,108,347	10,439,835,111	61,135,698,103
Fixed assets including land, building, furniture and fixtures	13,201,381	26,094,023	96,847,975	269,318,326	201,450,904	606,912,609
Other assets	-	301,199,218	-	-	1,557,589,990	1,858,789,208
Non-banking assets	-	-	-	-	-	-
Total assets	**8,458,657,118**	**11,380,755,979**	**15,100,565,701**	**29,118,426,673**	**12,446,740,005**	**76,505,145,476**
Liabilities						
Borrowing from Bangladesh Bank, other banks and financial institutions & its agents	2,481,575,335	1,270,410,640	2,351,255,595	5,504,415,181	786,720,691	12,394,377,442
Deposits	3,659,785,615	9,551,142,329	9,563,890,703	26,301,109,393	337,134,290	49,413,062,330
Other accounts	-	-	-	-	-	-
Provision and other liabilities	325,502,836	651,005,672	3,314,118,094	1,721,385,014	1,081,156,938	7,093,168,554
Total liabilities	**6,466,863,786**	**11,472,558,641**	**15,229,264,392**	**33,526,909,588**	**2,205,011,919**	**68,900,608,326**
Net Liquidity Gap	**1,991,793,331**	**(91,802,662)**	**(128,698,691)**	**(4,408,482,915)**	**10,241,728,086**	**7,604,537,150**

The annexed notes from 1 to 45 form an integral part of these financial statements.

AMARSTOCK

IDLC Finance Limited and its Subsidiaries

Notes to the consolidated and separate financial statements

As at and for the year ended December 31, 2016

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 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 April 19, 2006 as a private limited company under Companies Act, 1994 with authorized share capital of Taka 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 and debentures etc.

1.3.2 IDLC Investments Limited (IDLC IL)

As required by the Bangladesh Securities & Exchange Commission (BSEC), the Company formed a separate subsidiary on May 19, 2010 in the name and style of "IDLC Investments Limited" to transfer its merchant banking activities. As per Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996, the services of issue management, portfolio management, underwriting of shares and securities advisory services fall under the purview of merchant banking operation. The Company obtained license from the Bangladesh Securities and Exchange Commission (BSEC) on August 02, 2011 and commenced its business on August 16, 2011.

1.3.3 IDLC Asset Management Limited (IDLC AML)

IDLC Asset Management Limited (IDLC AML), another wholly owned subsidiary company of IDLC Finance Limited, was incorporated on November 19, 2015 as a private limited company under Companies Act, 1994 with authorized share capital of Taka 25 crore. The registered office of the Company is situated at South Avenue Tower (5th Floor), 7 Gulshan Avenue, Gulshan 1, Dhaka. It is a subsidiary Company of IDLC Finance Limited that holds 99.99% ownership of the company.

The main objective of the Company is to carry out the business of asset management, primarily, through launching and managing mutual funds to cater diverse needs of investors. Beside institutional fund management IDLC AML also aims to facilitate alternative investments in terms of private equity and venture capital.

2. Basis of preparation and significant accounting policies

2.1 Statement of compliance

The consolidated financial statements and separate financial statements of the Company have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and investment in marketable securities which are stated at market value in accordance with International Accounting Standards (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.

The requirements of accounting standards as per BFRS that have been departed to comply with Bangladesh Bank requirements have been disclosed in detail in Note-2.3.

However, this departure with BFRS has been made by following all of the relevant provisions of BAS-1 and the details disclosures are given in Note-2.3 by following the provision of Para 20 of BAS-1 (Presentation of Financial Statements).

2.2 Basis of measurement

This financial statements have been prepared based on Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) 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, which are disclosed below along with financial impact where applicable:

SL.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	BAS 39 "Financial Instruments: Recognition and Measurement"	An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall measure the amount of the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account.	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 irrespective of objective evidence of impairment on lease, loans and advances. Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.	In separate Financial Statements, an amount of Taka 233.95 million has been charged as incremental provision for leases, loans and advances, which includes Taka 46.93 million as general provision on good loan for the year 2016. Also, as at 31 December 2016, accumulated provision for leases, loans and advances stand at Taka 1,081.15 million. In consolidated Financial Statements, the same amount is Taka 216.27 million which includes general provision of Taka 48.67 Also, as at 31 December 2016, accumulated provision for leases, loans and advances stand at Taka 1,116.43 million.
2	Valuation of Investments in quoted and unquoted shares	BAS 39 "Financial Instruments: Recognition and Measurement"	Investment in shares falls either under "at fair value through statement of comprehensive income" or under "available for sale" where any change in the fair value (as measured as per BFRS 13 "Fair Value") at the year-end is taken to statement of comprehensive income or revaluation reserve respectively.	As per FID circular No. 08, dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	During this year there is no impact in the financial statements due to this departure as total market value of all shares of the group are more than the cost price. However, an amount of Taka 60.50 million has been released in case of both separate and consolidated financial statements.
3	Recognition of interest income for SMA and classified leases, loans and advances	BAS 39 "Financial Instruments: Recognition and Measurement"	Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once a financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.	As per FID circular No. 03, dated 03 May 2006, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	At the year end, in separate Financial Statements interest suspense account has increased to Taka 373.36 million from Taka 281.07 million resulting increase of Taka 92.28 million of interest suspense. This amount has been shown in other liabilities in note 12.6.

SL.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
4	Presentation of cash and cash equivalent	BAS 7 "Statement of Cash Flows"	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.	Financial Statements for 2016 and corresponding year 2015 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
5	Measurement of deferred tax asset	BAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7, dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against leases, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company did not consider any deductible temporary difference against leases, loans and advances.
6	Presentation and disclosure of Financial Statements and Financial Instruments	BAS 1 "Presentation of Financial Statements" BAS 32 "Financial Instruments: Presentation" BFRS 7 "Financial Instruments: Disclosure"	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income Statement. BAS 1 requires separate line item for intangible assets on the face of statement of financial position. BAS 32 and BFRS 7 require specific presentation and disclosure relating to all financial instruments.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement. Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets. As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in BAS 39. As such some disclosure and presentation requirements of BFRS 7 and BAS 32 have not been made in the accounts.	Financial Statements for 2016 and corresponding year 2015 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
7	Preparation of "Statement of Cash Flows"	BAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular No. 11, dated 23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Financial Statements for 2016 and corresponding year 2015 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.

SL.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
8	Current/Non-current distinction	BAS-1 "Presentation of Financial Statement"	As per Para 60 of BAS-1 "Presentation of Financial statement" An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities	Financial Statements for 2016 and corresponding year 2015 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.
9	Off-balance sheet items	BAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Financial Statements for 2016 and corresponding year 2015 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure but there is a disclosure in the financial statements.
10	Impairment of Margin Loan (Loans and receivables)	BAS-39 "Financial instruments: Recognition and measurement"	Measurement after initial recognition at amortised cost and recording of changes through profit and loss.	As per Bangladesh Securities and Exchange Commission (BSEC) Circular No. SEC/CMRRCD/2009-193/196 dated 28 December 2016, provisions for the year 2016 on impairment of principal portion of margin loan may be kept at 20% on each quarter for the five quarters starting from December 2016.	There is no such impact for this. However, we have been maintaining full provision for unrealized loss (if any) of margin loan in the portfolio.
11	Complete set of financial statements	BAS 1 "Presentation of Financial Statements"	As per BAS 1: "Presentation of Financial Statements" complete set of financial statements are i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	As per DFIM Circular No. 11, dated 23 December 2009, complete set of financial statements are i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Financial Statements for 2016 and corresponding year 2015 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.
12	Intangible asset	BAS 1 "Presentation of Financial Statements"	As per BAS 1"Presentation of Financial Statements" para 54 the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.	Financial Statements for 2016 and corresponding year 2015 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.

2.4 Components of the financial statements

The financial statements comprise of (As per DFIM Circular No. 11, Dated December 23, 2009):

a) Consolidated and Separate Balance Sheet as at December 31, 2016;
b) Consolidated and Separate Profit and Loss Account for the year ended December 31, 2016;
c) Consolidated and Separate Statement of Cash Flows for the year ended December 31, 2016;
d) Consolidated and Separate Statement of Changes in Equity for the year ended December 31, 2016;
e) Liquidity Statement for the year ended December 31, 2016;
f) Notes to the Consolidated and Separate Financial Statements for the year ended December 31, 2016.

2.5 Directors' responsibility statement

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

2.6 Date of authorization

The Board of directors has authorized this financial statements for public issue on February 20, 2017.

2.7 Presentation and functional currency and level of precision

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest Taka.

2.8 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 recognized 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.

2.9 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries, as mentioned in note No. 1.3.1, 1.3.2 and 1.3.3 have been consolidated in accordance with Bangladesh Financial Reporting Standard (BFRS) 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'.

2.10 Branch accounting

The Company has twenty five branches and one SME booth, with no overseas branch as on December 31, 2016. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

2.11 Accounting for leases

As Lessor

As per 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 amortized 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).

2.12 Accounting for term finance & other finances

Books of accounts for term finance operation are maintained based on the accrual method of accounting. Outstanding loans, along with the accrued interest thereon, for short-term finance, and unrealized 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 recognized as operational revenue periodically.

2.13 Accounting for Margin Loan

Margin Loan to Portfolio investors is given at an agreed ratio (not more than the ratio prescribed by BSEC) between 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.

2.14 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 January 31, 2012.

2.15 Property and equipment

i) Recognition and measurement

Own assets

Items of own fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use as per Bangladesh Accounting Standard (BAS) 16: "Property, Plant and Equipment".

Leasehold assets

Leasehold assets of which the company assumes substantially all the risks and rewards of ownership are accounted for as finance leases and capitalized 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 capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

iii) Depreciation

Depreciation is charged to amortize 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:

Particulars of Property, plant and equipment	Rates
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 recognized in the profit and loss account.

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

2.16 Intangible assets and amortization of intangible assets

Recognition & Measurement

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of 3 or 5 years.

Subsequent expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits in the specifications to which it relates. All other expenditure is expensed as incurred.

2.17 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 recognized 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 recognized

on installment date as revenue on an accrual basis over the terms of the lease. However, lease income is not recognized if capital or interest receivable is in arrears for more than three months.

Interest on real estate finance

Interest on real estate finance is recognized 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 recognized as revenue on an accrual basis and interest income on term loan is not recognized where any portion of interest is in arrear for more than three months.

Portfolio management fee

Portfolio management fees are recognized 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 recognized 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 recognized as income when selling or buying order is signed and trade is executed.

Dividend income

Dividend is recognized as income when the right to receive income is established.

Profit or loss on sale of securities

Profit or loss arising from the sale of securities is accounted for only when the securities are sold/offloaded.

Fee based revenues

Fees on services rendered by the company are recognized as and when services are rendered.

2.18 Interest suspense account

Lease income earned, interest on term finance (car loans, personal loans) overdue beyond three months period and interest on real estate finance overdue beyond nine months period and interest on short term finance overdue beyond permitted credit term plus ninety days period are not recognized as revenue and credited to interest suspense account.

2.19 Accounts receivable

Accounts receivable at the balance sheet date is stated at amounts which are considered realisable. Specific allowance is made for receivable considered to be doubtful for recovery.

2.20 Securitization

Securitization of various leases/loans result in sale of these assets to Special Purpose Vehicles ('SPVs'), which, in turn issue securities to investors. Financial assets are partially or wholly derecognized when the control of the contractual rights in the securitized assets is lost.

2.21 Borrowing cost

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

2.22 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.

2.23 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 recognized as income or expense for the year after netting off.

2.24 Provision for doubtful accounts and future losses

Provision has been made at estimated rates on outstanding exposures, based on aging and continuous review of the receivables, as per the Bangladesh Bank Provisioning policy. A general provision has been made by the company to cover

unforeseen losses on all leases, loans and investments excluding those for which a specific provision has been made. The provision is considered adequate to meet any probable future losses.

2.25 Write-off

Write-off describes a reduction in recognized 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.

2.26 Employees' benefit obligation

2.26.1 Defined contribution plan

The Company operates a contributory provident fund scheme for its permanent employees. Provident fund is administered by a Board of Trustees and is funded by equal contributions both by the employees and the Company at a predetermined rate. The contributions are invested separately from the Company's asset.

2.26.2 Defined benefit plan

The Company also operates a funded gratuity scheme (which is a defined benefit scheme as specified in 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.

2.26.3 Other employees benefit obligation

The Company operates a group life insurance scheme for its permanent employees.

The Company also has real estate loan for its permanent employees. Employees are entitled to real estate loan after completion of minimum five years of services with the Company.

2.27 Taxation

Tax expense comprises current and deferred tax.

2.27.1 Deferred tax

The Company accounts for deferred tax as per 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.

Deferred tax normally results in a liability being recognized within the Statement of Financial Position. BAS 12 defines a deferred tax liability as being the amount of income tax payable in future periods. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

2.27.2 Current tax

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

2.28 Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recovered. Accordingly, the Company estimates the recoverable amount of the assets. Impairment losses, if any, is recognized in the profit and loss account when the estimated recoverable amount of an asset is less than its carrying amount.

2.29 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, term deposits and investment in call loan that are readily convertible to a known amount of cash (with less than three months maturity) and that are subject to an insignificant risk of change in value.

2.30 Bank loans

Bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on accrual basis and charged to profit and loss account.

2.31 Earnings Per Share (EPS)

The Company calculates earnings per share in accordance with 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.

2.32 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 39.

2.33 Statutory reserves

As per Financial Institutions Regulation 1994, every Non Banking Financial Institution (NBFI) is required to transfer at least 20% of it's current year's profit to the fund until such reserve fund equals to it's 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.

2.34 Determination and presentation of operating segment

After incorporation, the company started with lease and loan as its core financing business. By times, it diversified its business into investment banking business, brokerage business and asset management business. The company has decided it 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 earnings per share.

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with the Company's other components, whose operating results are regularly reviewed by the Company's ManCom to make decisions about resources allocated to the segments and assess its performance and for which discrete financial information is available.

For the separate financial statements, the Company has determined one reportable segments such as core financing business and for the consolidated financial statements, the subsidiaries of the Company have been determined to be a separate reportable segment in addition to the other segments. Thereafter, for the separate financial statements, the Company has one reportable segment which is core financing business and for the consolidated financial statements, the subsidiaries of the Company (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited) have been determined to be three separate reportable segments in addition to the core financing business.

Information about operating segment has been presented in note 34.

2.35 Proposed dividend

Proposed dividend has not been recognized as a liability in the balance sheet in accordance with Bangladesh Accounting Standards (BAS) 10: "Events After the Reporting Period".

2.36 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 44.

2.37 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.

A contingent asset is a 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 entity.

2.38 Minority interest in subsidiaries

A minority interest, which is also referred to as non-controlling interest (NCI), is ownership of less than 50% of a company's equity by an investor or another company. For accounting purposes, minority interest is a fractional share of a company amounting to less than 50% of the voting shares. Minority interest shows up as a non-current liability on the balance sheet of companies with a majority interest in a company, representing the proportion of its subsidiaries owned by minority shareholders. Also, minority interest is reported on the consolidated income statement as a share of profit belonging to minority shareholders.

2.39 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) Balances 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 are on the basis of their maturity terms.
i) Other liabilities are on the basis of their settlement terms.

2.40 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 Reporting 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 *

Name of the BAS	BAS No.	Status
Investment Property	40	N/A
Agriculture	41	N/A

Name of the BFRS	BFRS No.	Status
Share Based payment	2	N/A
Business combination	3	N/A
Insurance Contracts	4	N/A
Non-current assets held for sale and discontinued operation	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosures	7	Applied *
Operating Segments	8	Applied
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).

2.41 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.

2.42 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 January 24, 2016.

Credit Risk

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

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

Market Risk

The Asset Liability 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 mange 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:

a) Business risk i.e. the risk that IDLC may be used for money laundering or terrorism financing and

b) 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 organization, 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 outs its plans for the next year. With the introduction of the new guidelines, more changes will be made to the strategic risk management process as and when required.

Compliance Risk

Compliance risk is defined as the current or prospective risk of legal sanction and/or material financial loss that an 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 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 repeat 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.

2.43 Custodial Service

IDLC Finance Limited is a registered Security Custodian vide registration license no SC-06/2007 dated May 24, 2007 issued by Bangladesh Securities and Exchange Commission. To facilitate this service IDLC Finance Limited has also obtained Custody Depository participant License vide registration license no. BSEC/Registration/ CDBL-DP-414, dated December 17, 2014 issued by Bangladesh Securities and Exchange Commission. The major responsibilities of the Security Custodian are as follows:

- Custody of client's securities;
- Collection, book keeping and communication of gain, income, profit, stake on behalf of clients;
- Collection, communication, dissemination and book keeping of any declaration, published or publicly available information, statement etc. of securities issuer;
- Administer client's security and account.

IDLC Finance Limited as a Security Custodian confirms that proper internal audit and evaluation process are in place to ensure the following:

- Secure and appropriate custodial service;
- No unwarranted change in the assets, records, agreements etc. occur;
- Each client receives his/her due dividends, bonus share, right share, interest, principal etc. in a timely manner;
- Prevent loss, theft, damage due to natural calamity.

As on December 31, 2016, IDLC Finance Limited is the custodian of 241,410,161ordinary shares of RAK Ceramic (Bangladesh) Limited held by RAK Ceramics, PSC, UAE and 7 individual sponsor shareholders. IDLC Finance Limited has entered into an agreement during 2014 with RAK Ceramics PSC, UAE regarding providing security custodian service.

	IDLC Finance Limited		IDLC Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka

3. Cash

3.1	**Cash in hand (including foreign currencies)**			
	In local currency	276,000	266,000	376,000	366,000
	In foreign currency	-	-	-	-
		276,000	266,000	376,000	366,000
3.2	**Balance with Bangladesh Bank and its agent (including foreign currencies)**			
	In local currency	975,781,535	891,503,744	975,781,535	891,503,744
	In foreign currency	-	-	-	-
		975,781,535	891,503,744	975,781,535	891,503,744
		976,057,535	**891,769,744**	**976,157,535**	**891,869,744**

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, FID Circular No. 06 dated November 06, 2003, FID Circular No. 02 dated November 10, 2004 and DFIM Circular Letter No. 01 dated January 12, 2017

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on Total Term Deposits which is preserved in current account maintained with Bangladesh Bank. 'Total Term Deposit' means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except Banks & Financial Institutions)

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank and other Banks and Financial Institutions, unencumbered treasury bill, bond and any other assets approved by Government gazette or by Bangladesh Bank.

a)	**Cash Reserve Requirement**			
	Required reserve	938,346,684	924,154,000	938,346,684	924,154,000
	Actual reserve maintained	966,423,302	926,773,000	966,423,302	926,773,000
	Surplus/(deficit)	**28,076,617**	**2,619,000**	**28,076,617**	**2,619,000**
b)	**Statutory Liquidity Reserves**			
	Required reserve (including CRR)	2,555,331,956	2,363,244,000	2,555,331,956	2,363,244,000
	Actual reserve maintained (including CRR) (Note: 3.3.1)	2,565,429,479	2,366,624,205	2,565,429,479	2,366,624,205
	Surplus/(deficit)	**10,097,522**	**3,380,205**	**10,097,522**	**3,380,205**
	Total required reserves	2,555,331,956	2,363,244,000	2,555,331,956	2,363,244,000
	Actual reserve held	2,565,429,479	2,366,624,205	2,565,429,479	2,366,624,205
	Total surplus	**10,097,522**	**3,380,205**	**10,097,522**	**3,380,205**

3.3.1 Actual reserve maintained (including CRR)

The City Bank Limited	40,152,349	2,448,360	40,152,349	2,448,360
Standard Chartered Bank	41,161,313	45,764,126	41,161,313	45,764,126
Citibank N.A.	26,889,233	56,822,253	26,889,233	56,822,253
Investment in Government Securities	-	300,000,000	-	300,000,000

	IDLC Finance Limited		IDLC Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
Bangladesh Bank	807,226,584	861,589,466	807,226,584	861,589,466
NRB Commercial Bank Limited	250,000,000	-	250,000,000	-
NRB BANK Limited	-	300,000,000	-	300,000,000
South Bangla Agriculture & Commerce Bank Limited	200,000,000	200,000,000	200,000,000	200,000,000
EXIM Bank Limited	500,000,000	200,000,000	500,000,000	200,000,000
Standard Bank Limited	-	200,000,000	-	200,000,000
Union Bank Limited	700,000,000	200,000,000	700,000,000	200,000,000
	2,565,429,479	**2,366,624,205**	**2,565,429,479**	**2,366,624,205**

4. Balance with other banks and financial institutions in Bangladesh

4(a) Inside Bangladesh

Current deposits in local currency

Woori Bank limited	21,767	46,884	21,767	46,884
Bank Al- Falah Limited	7,680	2,092	7,680	2,092
One Bank Limited	-	-	2,077,802	3,652,991
The City Bank Limited	3,971,939	16,281,338	3,971,939	16,281,338
National Bank Limited	108,138	3,133,723	108,138	3,133,723
Bank Asia Limited	3,120,544	1,236,518	3,120,544	1,236,518
State Bank of India	3,548,875	92,183	3,548,875	92,183
Commercial Bank of Ceylon PLC	20,768,572	2,160,441	23,032,520	3,649,952
The Hong Kong and Shanghai Banking Corporation	-	8,238	-	3,647,990
Citibank N.A.	14,945,104	9,650,322	14,945,104	9,650,322
Standard Chartered Bank	(378,313,189)	(241,443,871)	(100,242,843)	(150,970,941)
Mutual Trust Bank Limited	7,225,046	1,874,281	7,225,046	1,874,281
Exim Bank Limited	3,730,856	-	3,730,856	-
Dutch Bangla Bank Limited	12,830,525	13,971,908	12,830,525	13,971,908
BRAC Bank Limited	20,598,531	28,500,017	21,664,898	29,296,671
Dhaka Bank Limited	3,917,819	1,962,625	3,917,819	1,962,625
NRB Bank Limited	-	-	73,215,292	1,998,213
Mercantile Bank Limited	6,170	7,550	6,170	7,550
IDLC Investments Limited	48,022,700	108,607,166	-	-
	(235,488,923)	(53,908,585)	73,182,132	(60,465,700)

Short-term deposit accounts

Prime Bank Limited	85,500	1,073,876	85,500	1,073,876
Dutch Bangla Bank Limited	-	-	2,342,067	1,411,494
The City Bank Limited	1,873,464	593,013	1,873,464	593,013
BRAC Bank Limited	-	-	92,607,474	4,261,007
Southeast Bank Limited	4,406,862	4,152,722	4,406,862	4,152,722
Citibank N.A.	112,242	731,487	112,242	731,487
Standard Chartered Bank	429,927	662,591	655,201	662,591

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
	Commercial Bank of Ceylon	8,135,203	989,473	42,348,279	3,271,833
	One Bank Limited	-	-	468,262,641	298,363,993
	Eastern Bank Limited	-	-	772,339	766,100
	NRB Bank Limited	30,289	30,289	30,289	30,289
		15,073,487	8,233,451	613,496,358	315,318,405
	Fixed Deposits				
	Al-Arafah Islami Bank Limited	300,000,000	700,000,000	300,000,000	700,000,000
	LankaBangla Finance Limited	-	-	50,862,500	278,969,833
	AB Bank Limited	150,000,000	-	150,000,000	-
	NRB BANK Limited	500,000,000	1,000,000,000	500,000,000	1,000,000,000
	NRB Commercial Bank Limited	1,250,000,000	700,000,000	1,250,000,000	700,000,000
	South Bangla Agriculture & Commerce Bank Limited	200,000,000	1,400,000,000	200,000,000	1,400,000,000
	Union Bank Limited	1,800,000,000	1,800,000,000	1,800,000,000	1,800,000,000
	ONE Bank Limited	-	1,000,000,000	-	1,000,000,000
	Meghna Bank Limited	1,000,000,000	200,000,000	1,000,000,000	200,000,000
	Midland Bank Limited	-	800,000,000	-	800,000,000
	The Farmers Bank Limited	-	400,000,000	162,962,177	550,000,000
	Social Islami Bank Limited	900,000,000	-	900,000,000	-
	Dhaka Bank Limited	500,000,000	800,000,000	500,000,000	800,000,000
	NRB Global Bank Limited	-	250,000,000	-	250,000,000
	Standard Bank Limited	1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
	Export Import Bank of Bangladesh Limited	1,400,000,000	1,600,000,000	1,400,000,000	1,600,000,000
	Meridian Finance & Investment Limited	200,000,000	-	200,000,000	-
	Trust Bank Limited	-	-	2,678,500	2,500,000
	Standard Chartered Bank	-	-	24,000,000	7,000,000
	Phoenix Finance and Investments Limited	-	-	50,000,000	-
		9,400,000,000	11,850,000,000	9,690,503,177	12,288,469,833
		9,179,584,564	**11,804,324,866**	**10,377,181,667**	**12,543,322,538**
4(b)	**Outside Bangladesh**	-	-	-	-
	Total balance	**9,179,584,564**	**11,804,324,866**	**10,377,181,667**	**12,543,322,538**

4.1 Maturity grouping of balance with other banks and financial institutions:

Payable on demand	(235,488,923)	(53,908,585)	73,182,130	246,619,254
Up to 1 month	2,115,073,487	2,108,233,451	2,763,496,360	2,108,233,451
Over 1 month but not more than 3 months	6,400,000,000	9,550,000,000	6,620,824,677	9,809,170,000
Over 3 months but not more than 6 months	900,000,000	200,000,000	900,000,000	376,799,833
Over 6 months but not more than 1 year	-	-	19,678,500	2,500,000
Over 1 year but not more than 5 years	-	-	-	-
Over 5 years	-	-	-	-
	9,179,584,564	**11,804,324,866**	**10,377,181,667**	**12,543,322,538**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	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
Prize bonds		-	-	-	-
Others		-	-	-	-
		-	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 debenture and bonds	(Note-6.2)	913,000,000	913,000,000	1,072,274,178	913,000,000
Investment in commercial papers	(Note-6.3)	400,000,000	400,000,000	400,000,000	400,000,000
Investment in marketable securities	(Note-6.4)	1,427,239,457	1,150,083,105	2,868,178,589	1,771,604,561
Other investments		-	-	-	-
Gold etc.		-	-	-	-
		2,748,103,457	2,470,947,105	4,348,316,767	3,092,468,561
		2,748,103,457	**2,770,947,105**	**4,348,316,767**	**3,392,468,561**

6.1 Investment in non marketable ordinary shares

	No. of Shares				
Credit Rating Agency of Bangladesh Limited	17,198	1,719,800	1,719,800	1,719,800	1,719,800
*The Bangladesh Rating Agency Limited (BDRAL)	61,442	6,144,200	6,144,200	6,144,200	6,144,200
		7,864,000	**7,864,000**	**7,864,000**	**7,864,000**

*Previously the name was Dan & Bradstreet Rating Agency Bangladesh Limited

6.2 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	300,000,000	300,000,000
Impress-Newtex Composite Textile Limited	-	-	159,274,178	-
	913,000,000	**913,000,000**	**1,072,274,178**	**913,000,000**

6.3 Investment in Commercial papers

GPH Ispat Limited	-	100,000,000	-	100,000,000
Flamingo Fashions Limited	-	300,000,000	-	300,000,000
Jinnat Knitwears Limited	400,000,000	-	400,000,000	-
	400,000,000	**400,000,000**	**400,000,000**	**400,000,000**

	IDLC Finance Limited		IDLC Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
6.4 Investment in marketable securities				
Investment in available-for-sale securities (Note-6.4.1)	1,397,239,457	1,150,083,105	2,793,178,589	1,771,604,561
Investment in Initial Public Offering (Note-6.4.2)	30,000,000	-	75,000,000	-
	1,427,239,457	**1,150,083,105**	**2,868,178,589**	**1,771,604,561**

6.4.1 Investment in available-for-sale securities

Details of available-for-sale 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	16,613,951	107,338,614	100,192,336	52,264,356	410,321,940	418,477,337
Banks	6,756,538	257,788,750	327,153,146	9,042,889	348,767,435	470,048,707
Textiles	5,520,889	132,510,771	136,567,476	11,134,212	308,411,617	330,678,147
Pharmaceuticals & Chemicals	3,844,747	356,203,929	366,761,329	6,529,371	491,349,952	504,624,046
Fuel & Power	32,412,138	190,590,222	185,579,294	35,079,340	409,159,046	395,516,254
Financial Institutions	161,700	9,999,997	9,999,997	2,081,347	88,810,300	90,383,449
Cement	615,729	53,643,552	50,551,351	2,005,527	172,119,699	165,854,967
Telecom	870,163	226,860,261	247,213,308	1,230,865	326,126,142	349,688,747
Food & Allied	-	-	-	56,000	9,196,902	9,610,400
Engineering & Others	1,138,553	62,303,361	58,966,982	3,093,250	228,915,556	228,740,571
		1,397,239,457	**1,482,985,219**		**2,793,178,589**	**2,963,622,624**

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, 2016 there was Taka 170,444,035 gross unrealized gain on consolidated investment in marketable listed securities and Taka 85,745,762 gross unrealized gain on investment by IDLC Finance Limited in marketable securities.

	IDLC Finance Limited		IDLC Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
6.4.2 Investment in Initial Public Offering	**30,000,000**	**-**	**75,000,000**	**-**

IDLC Finance Limited applied for 3,000,000 ordinary shares at Taka 10 (each) face value of Pacific Denims Limited.

IDLC Securities Limited applied for 2,000,000 ordinary shares at Taka 10 (each) face value of Pacific Denims Limited.

IDLC Investments Limited applied for 2,000,000 ordinary shares at Taka 10 (each) face value of Pacific Denims Limited.

IDLC Asset Management Limited applied for 500,000 ordinary shares at Taka 10 (each) face value of Pacific Denims Limited.

			IDLC Finance Limited		IDLC Group	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
			Taka	Taka	Taka	Taka
6.5	**Maturity grouping of investments**					
	On demand		-	-	-	-
	Up to 1 month		1,427,239,457	1,150,083,105	2,868,178,589	1,771,604,561
	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		400,000,000	700,000,000	400,000,000	700,000,000
	Over 1 year but not more than 5 years		673,000,000	673,000,000	832,274,178	673,000,000
	Over 5 years		247,864,000	247,864,000	247,864,000	247,864,000
			2,748,103,457	**2,770,947,105**	**4,348,316,767**	**3,392,468,561**
7	**Loans and advances**					
	Inside Bangladesh					
	Lease receivable	(Note-7.1)	4,949,942,229	6,016,178,662	4,949,942,229	6,016,178,662
	Long-term finance	(Note-7.2)	33,044,382,500	25,376,857,760	33,044,382,500	25,376,857,760
	Real estate finance	(Note-7.3)	18,108,222,920	17,205,949,953	18,108,222,920	17,205,949,953
	Car loans	(Note-7.4)	2,369,827,680	2,490,010,308	2,369,827,680	2,490,010,308
	Personal loan	(Note-7.5)	87,957,182	120,402,599	87,957,182	120,402,599
	Short term finance	(Note-7.6)	845,438,069	1,079,413,610	845,438,069	1,079,413,610
	Loan to subsidiaries	(Note-7.7)	260,800,000	232,500,000	-	-
	Loan against deposit (LAD)		488,209,887	507,159,933	488,209,887	507,159,933
	Margin loan to portfolio investors	(Note-7.8)	-	-	1,389,993,774	1,586,669,766
	Interest receivable	(Note-7.9)	980,917,636	829,241,380	980,917,636	829,181,658
			61,135,698,103	53,857,714,206	62,264,891,877	55,211,824,250
	Outside Bangladesh		-	-	-	-
			61,135,698,103	**53,857,714,206**	**62,264,891,877**	**55,211,824,250**
7.1	**Lease receivable**					
	Balance at January 1		6,016,178,662	6,281,833,418	6,016,178,662	6,281,833,418
	Add: Addition during the year		1,633,586,662	2,641,959,950	1,633,586,662	2,641,959,950
			7,649,765,324	8,923,793,368	7,649,765,324	8,923,793,368
	Less: Realisation during the year		2,699,823,095	2,907,614,706	2,699,823,095	2,907,614,706
	Balance at December 31		**4,949,942,229**	**6,016,178,662**	**4,949,942,229**	**6,016,178,662**
7.1a	**Lease receivable**					
	Gross lease receivable		5,866,461,747	7,388,574,715	5,866,461,747	7,388,574,715
	Less: Unearned lease income		916,519,518	1,372,396,053	916,519,518	1,372,396,053
			4,949,942,229	**6,016,178,662**	**4,949,942,229**	**6,016,178,662**

		31.12.2016		31.12.2015	
		Taka	% of total	Taka	% of total
7.1.1	**Aging analysis of lease receivable**				
	Up to one year	2,114,028,835	42.71	2,516,206,306	41.82
	Above one year to three years	2,279,266,871	46.05	2,755,440,510	45.80
	Above three years to five years	555,232,898	11.22	742,170,337	12.34
	More than five years	1,413,625.00	0.03	2,361,510	0.04
		4,949,942,229	**100.00**	**6,016,178,662**	**100.00**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
7.2	**Long-term finance**				
	Balance at January 1	25,376,857,760	20,098,056,174	25,376,857,760	20,098,056,174
	Add: Disbursement during the year	22,769,766,224	16,783,873,236	22,769,766,224	16,783,873,236
		48,146,623,984	36,881,929,410	48,146,623,984	36,881,929,410
	Less: Realisation during the year	15,102,241,484	11,505,071,650	15,102,241,484	11,505,071,650
	Balance at December 31	**33,044,382,500**	**25,376,857,760**	**33,044,382,500**	**25,376,857,760**
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	17,205,949,953	14,822,115,738	17,205,949,953	14,822,115,738
	Add : Disbursement during the year	6,797,954,365	7,341,329,186	6,797,954,365	7,341,329,186
		24,003,904,318	22,163,444,924	24,003,904,318	22,163,444,924
	Less : Realisation during the year	5,895,681,398	4,957,494,971	5,895,681,398	4,957,494,971
	Balance at December 31	**18,108,222,920**	**17,205,949,953**	**18,108,222,920**	**17,205,949,953**

		31.12.2016		31.12.2015	
		Taka	% of total	Taka	% of total
7.3.1	**Aging analysis of real estate finance**				
	Up to one year	1,932,547,235	10.67	1,502,435,404	8.73
	Above one year to three years	3,547,403,663	19.59	2,986,922,269	17.36
	Above three years to five years	3,522,759,169	19.45	3,061,103,902	17.79
	More than five years	9,105,512,853	50.28	9,655,488,378	56.12
		18,108,222,920	**100.00**	**17,205,949,953**	**100.00**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
7.4	**Car loans**				
	Balance at January 1	2,490,010,308	1,796,774,442	2,490,010,308	1,796,774,442
	Add : Disbursement during the year	723,867,202	1,233,246,144	723,867,202	1,233,246,144
		3,213,877,510	3,030,020,586	3,213,877,510	3,030,020,586
	Less : Realisation during the year	844,049,830	540,010,278	844,049,830	540,010,278
	Balance at December 31	**2,369,827,680**	**2,490,010,308**	**2,369,827,680**	**2,490,010,308**
7.5	**Personal loan**				
	Balance at January 1	120,402,599	139,489,225	120,402,599	139,489,225
	Add : Disbursement during the year	24,158,238	46,052,934	24,158,238	46,052,934
		144,560,837	185,542,159	144,560,837	185,542,159
	Less : Realisation during the year	56,603,655	65,139,560	56,603,655	65,139,560
	Balance at December 31	**87,957,182**	**120,402,599**	**87,957,182**	**120,402,599**
7.6	**Short term finance**				
	Factoring of account receivable	**845,438,069**	**1,079,413,610**	**845,438,069**	**1,079,413,610**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
7.7	**Loan to Subsidiaries**				
	Balance at January 1	232,500,000	329,810,669	-	-
	Add : Disbursement during the year	5,756,400,000	2,365,500,000	-	-
		5,988,900,000	2,695,310,669	-	-
	Less : Realisation during the year	5,728,100,000	2,462,810,669	-	-
	Balance at December 31	**260,800,000**	**232,500,000**	**-**	**-**
7.7.1	**Loan to IDLC Investments Limited**				
	Balance at January 1	127,500,000	329,810,669	-	-
	Add : Disbursement during the year	2,145,900,000	2,260,500,000	-	-
		2,273,400,000	2,590,310,669	-	-
	Less : Realisation during the year	2,012,600,000	2,462,810,669	-	-
	Balance at December 31	**260,800,000**	**127,500,000**	**-**	**-**
7.7.2	**Loan to IDLC Securities Limited**				
	Balance at January 1	105,000,000	-	-	-
	Add : Disbursement during the year	3,610,500,000	105,000,000	-	-
		3,715,500,000	105,000,000	-	-
	Less : Realisation during the year	3,715,500,000	-	-	-
	Balance at December 31	**-**	**105,000,000**	**-**	**-**
7.8	**Margin loan to portfolio investors**				
	Balance at January 1	-	-	1,586,669,766	2,050,064,819
	Add : Disbursement during the year	-	-	3,516,858,195	3,905,626,925
		-	-	5,103,527,961	5,955,691,744
	Less : Realisation during the year	-	-	3,713,534,187	4,369,021,978
	Balance at December 31	**-**	**-**	**1,389,993,774**	**1,586,669,766**

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

7.9	**Interest Receivables**				
	Lease receivable	121,149,224	132,831,082	121,149,224	132,831,082
	Long-term finance	484,355,448	367,341,830	484,355,448	367,341,830
	Real estate finance	274,394,245	233,497,512	274,394,245	233,497,512
	Car loan	28,218,423	24,114,627	28,218,423	24,114,627
	Personal loan	2,064,575	2,678,663	2,064,575	2,678,663
	Loan against deposit (LAD)	56,472,184	49,595,894	56,472,184	49,595,894
	Loan to subsidiaries	-	59,722	-	-
	Short term finance	14,263,537	19,122,051	14,263,537	19,122,051
		980,917,636	**829,241,380**	**980,917,636**	**829,181,658**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
7.10	**Net loans, advances and leases**				
Gross performing loans, advances and leases	(Note-7)	61,135,698,103	53,857,714,206	62,264,891,877	55,211,824,250
Less:					
Non-performing loans, advances and leases	(Note-7.15(x)(a))	1,818,868,397	1,647,025,660	1,935,245,164	2,083,231,906
Interest suspense	(Note-12.6)	373,356,082	281,071,948	373,356,082	281,071,948
Provision for loans and advances/investments	(Note-12.7 (i))	1,081,156,938	1,160,433,026	1,116,435,278	1,213,384,055
		3,273,381,417	3,088,530,634	3,425,036,524	3,577,687,909
		57,862,316,686	**50,769,183,572**	**58,839,855,353**	**51,634,136,341**
7.11	**Residual maturity grouping of loans, advances and leases**				
Repayable on demand		4,162,574,181	3,445,219,218	4,162,574,181	3,445,219,218
Over 1 month but not more than 3 months		4,653,462,738	3,829,248,550	4,653,462,738	3,829,248,550
Over 3 months but not more than 1 year		13,703,717,726	10,905,354,376	14,832,911,500	12,259,464,420
Over 1 year but not more than 5 years		28,176,108,347	25,466,360,015	28,176,108,347	25,466,360,015
Over 5 years		10,439,835,111	10,211,532,047	10,439,835,111	10,211,532,047
		61,135,698,103	**53,857,714,206**	**62,264,891,877**	**55,211,824,250**
7.12	**Loans, advances and leases on the basis of significant concentration**				
a) Loans, advances and leases to the institutions in which Directors have interest		9,417,209	41,938,678	9,417,209	41,938,678
b) Loans, advances and leases to Chief Executive and other senior executives		31,623,893	32,033,894	31,623,893	32,033,894
c) Loans, advances and leases to customer groups:					
i) Real estate finance		17,676,402,399	16,622,483,197	17,676,402,399	16,622,483,197
ii) Car loan		2,396,106,508	2,514,124,934	2,396,106,508	2,514,124,934
iii) Personal loan		84,023,906	117,720,280	84,023,906	117,720,280
iv) Loan against deposit (LAD)		544,682,070	556,755,828	544,682,070	556,755,828
v) Small and medium enterprises		23,487,612,958	19,237,358,875	23,487,612,958	19,237,358,875
vi) Special program loan (BB refinancing scheme)		3,199,448,568	3,889,144,681	3,199,448,568	3,889,144,681
vii) Staff loan		103,178,196	137,151,017	103,178,196	137,151,017
viii) Industrial loans, advances and leases (Note- 7.12 (d))		13,342,402,396	10,476,443,101	13,342,402,396	10,476,443,101
ix) Other loans and advances		260,800,000	232,559,722	1,389,993,774	1,586,669,766
		61,094,657,001	53,783,741,634	62,223,850,775	55,137,851,678
		61,135,698,103	**53,857,714,206**	**62,264,891,877**	**55,211,824,250**
d) Details of Industrial loans, advances and leases					
i) Agricultural industries		124,112,993	458,196,142	124,112,993	458,196,142
ii) Textiles, Apparels & Accessories		3,788,207,328	2,133,360,743	3,788,207,328	2,133,360,743

	IDLC Finance Limited		IDLC Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
iii) Food and beverage	908,464,460	817,370,788	908,464,460	817,370,788
iv) Pharmaceuticals	369,356,166	499,146,829	369,356,166	499,146,829
v) Leather & leather products, chemicals	25,462,467	49,216,353	25,462,467	49,216,353
vi) Power, energy & engineering	1,785,436,041	1,820,878,667	1,785,436,041	1,820,878,667
vii) Real estate & Home appliances, cement, ceramics	1,340,859,853	1,262,302,234	1,340,859,853	1,262,302,234
viii) IT & services	4,167,442,973	2,804,625,101	4,167,442,973	2,804,625,101
ix) Transportation	299,867,033	209,318,088	299,867,033	209,318,088
x) Other industries	533,193,082	422,028,157	533,193,082	422,028,157
	13,342,402,396	**10,476,443,101**	**13,342,402,396**	**10,476,443,101**

7.13 Loans, advances and leases-geographical location-wise

Inside Bangladesh:

Dhaka	43,881,448,133	39,433,161,282	45,010,641,907	40,787,271,325
Chittagong	6,210,709,576	5,827,205,657	6,210,709,576	5,827,205,657
Bogra	1,748,215,543	1,663,823,978	1,748,215,543	1,663,823,978
Sylhet	1,393,218,542	1,334,978,751	1,393,218,542	1,334,978,751
Savar	1,472,247,335	1,117,794,744	1,472,247,335	1,117,794,744
Comilla	1,438,467,738	1,361,217,684	1,438,467,738	1,361,217,684
Jessore	1,335,376,776	1,198,066,639	1,335,376,776	1,198,066,639
Narsingdi	777,370,506	804,672,409	777,370,506	804,672,409
Bhulta	341,662,705	304,552,358	341,662,705	304,552,358
Khulna	768,578,178	519,098,656	768,578,178	519,098,656
Natore	478,303,595	289,437,594	478,303,595	289,437,594
Kushtia	308,621,023	3,704,454	308,621,023	3,704,454
Hobiganj	343,164,534	-	343,164,534	-
Mymensingh	327,382,744	-	327,382,744	-
Rangpur	310,931,175	-	310,931,175	-
	61,135,698,103	53,857,714,206	62,264,891,877	55,211,824,250
Outside Bangladesh:	-	-	-	-
	61,135,698,103	**53,857,714,206**	**62,264,891,877**	**55,211,824,250**

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 7,604.54 million as at 31 December 2016 (Taka 6,736.54 million in 2015)

7.15 Particulars of loans, advances and leases

i) Loans, advances and leases considered good in respect of which the financial institution is fully secured	12,660,871,696	14,132,325,070	13,790,065,470	15,486,435,114
ii) Loans, advances and leases considered good against which the financial institution holds no security other than the debtors' personal guarantee	8,377,273,927	6,451,139,394	8,377,273,927	6,451,139,394
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	40,097,552,480	33,274,249,742	40,097,552,480	33,274,249,742
	61,135,698,103	**53,857,714,206**	**62,264,891,877**	**55,211,824,250**

	IDLC Finance Limited		IDLC Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
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)]	134,802,089	169,184,911	134,802,089	169,184,911
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	9,417,209	41,938,678	9,417,209	41,938,678
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	134,802,089	169,184,911	134,802,089	169,184,911
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	9,417,209	41,938,678	9,417,209	41,938,678
ix) Due from bank and financial institutions	1,149,860,599	915,573,368	1,149,860,599	915,573,368
x) Classified loans, advances and leases				
a) Classified loans, advances and leases on which interest has not been charged (Note-7.16)	1,818,868,397	1,647,025,660	1,935,245,164	2,083,231,906
b) Provision on doubtful loans, advances and leases	430,079,458	316,215,887	431,839,624	336,256,652
Provision on bad loans, advances and leases	(256,630,939)	(24,645,877)	(276,063,794)	(24,645,877)
Total provisions charged during the year	173,448,519	291,570,010	155,775,830	311,610,775
c) Amount of written off loans, advances and leases	252,724,607	20,964,551	252,724,607	20,964,551
Total amount realized against loans and leases previously written off	90,943,246	15,494,827	90,943,246	15,494,827
d) Provision kept against loans and advances classified as bad debts	(256,630,939)	(24,645,877)	(276,063,794)	(24,645,877)
e) Interest credited to Interest Suspense Account (Note-12.6)	373,356,082	281,071,948	373,356,082	281,071,948
xi) Cumulative amount of written off loans, advances and leases				
Balance at January 1	489,402,791	468,438,240	489,402,791	468,438,240
Amount written off during the year	252,724,607	20,964,551	252,724,607	20,964,551
	742,127,398	489,402,791	742,127,398	489,402,791
The amount of written off loans, advances and leases for which law suits have been filed	1,540,218,061	1,125,678,239	1,540,218,061	1,125,678,239

7.16 Classification of loans, advances and leases

Unclassified:				
Standard including staff loan	58,229,861,090	51,073,616,191	59,242,678,097	51,991,519,989
Special Mention Account (SMA)	1,086,968,616	1,137,072,355	1,086,968,616	1,137,072,355
	59,316,829,706	52,210,688,546	60,329,646,713	53,128,592,344

WWW.STOCK

	IDLC Finance Limited		IDLC Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Taka	Taka	Taka	Taka
Classified:				
Sub-standard	432,453,066	309,472,197	548,829,833	745,678,443
Doubtful	302,158,349	478,658,959	302,158,349	478,658,959
Bad/Loss	1,084,256,982	858,894,504	1,084,256,982	858,894,504
	1,818,868,397	1,647,025,660	1,935,245,164	2,083,231,906
	61,135,698,103	**53,857,714,206**	**62,264,891,877**	**55,211,824,250**

7.17 Particulars of required provision for loans, advances and leases

Status	Base for provision	Rate (%)				
General Provision						
Loans and leases (Excluding SMA)	37,809,514,777	1.00%	378,095,148	339,004,933	378,115,370	337,264,989
Loans and leases SME-STD (Excluding SMA)	20,420,346,314	0.25%	51,050,866	42,932,807	51,050,866	42,932,807
Special Mention Account (SMA)	1,013,370,449	5.00%	50,668,522	53,328,724	50,668,522	53,328,724
			479,814,536	435,266,464	479,834,758	433,526,520
Status	**Base for provision**	**Rate (%)**				
Specific provision						
Sub-standard	110,650,447	20%	22,130,089	28,967,106	57,388,208	83,658,079
Doubtful	125,936,846	50%	62,968,424	107,709,365	62,968,424	107,709,365
Bad/ Loss	510,099,689	100%	510,099,689	521,565,062	510,099,689	521,565,062
			595,198,202	658,241,533	630,456,320	712,932,506
Required provision for loans, advances and leases			1,075,012,738	1,093,507,997	1,110,291,078	1,146,459,026
Required provision for diminution in value of investments			6,144,200	66,925,029	6,144,200	66,925,029
Total provision required			1,081,156,938	1,160,433,026	1,116,435,278	1,213,384,055
Total provision maintained (Note - 12.7 (i))			1,081,156,938	1,160,433,026	1,116,435,278	1,213,384,055
Excess/(short) provision at 31 December			-	-	-	-

8 Fixed assets including land, building, furniture and fixtures

a. Cost				
Balance at January 1	1,042,168,288	801,740,346	1,208,445,716	952,762,579
Addition during the year	281,254,291	294,404,534	312,435,792	313,654,913
	1,323,422,579	1,096,144,880	1,520,881,508	1,266,417,492
Disposal/Adjustments during the year	(118,046,481)	(53,976,593)	(144,009,522)	(57,971,776)
	1,205,376,097	1,042,168,288	1,376,871,985	1,208,445,716
b. Accumulated depreciation				
Balance at January 1	539,804,931	458,182,931	671,347,033	572,220,454
Charged during the year	152,934,603	124,448,641	167,727,512	145,375,918
	692,739,534	582,631,572	839,074,545	717,596,372
Disposal/Adjustments during the year	(94,276,047)	(42,826,641)	(116,475,911)	(46,249,339)
	598,463,488	539,804,931	722,598,634	671,347,033
c. Written down value (a-b)	**606,912,609**	**502,363,356**	**654,273,352**	**537,098,683**

A schedule of fixed assets including land, building, furniture and fixtures is given in Annexure-A

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
9. Other assets					
Investment in subsidiary companies	(Note-9.1)	1,549,999,790	1,549,999,790	-	-
Accounts receivable	(Note-9.2)	127,039,631	151,953,151	495,507,934	543,115,832
Advances, deposits and prepayments	(Note-9.3)	174,159,587	236,904,873	197,264,296	270,343,161
Inter - company receivables	(Note-9.4)	-	402,550	-	-
Deferred tax asset	(Note-9.5)	7,590,200	2,331,213	26,835,956	25,735,421
Investment in stock exchange	(Note-9.6)	-	-	18,676,000	18,676,000
		1,858,789,208	**1,941,591,577**	**738,284,186**	**857,870,414**
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	99,999,990	-	
		1,549,999,790	**1,549,999,790**	**-**	**-**

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)	89,487,153	143,215,263	95,103,875	156,482,419
Other receivables	(Note-9.2.2)	37,552,478	8,737,888	400,404,059	386,633,413
		127,039,631	**151,953,151**	**495,507,934**	**543,115,832**
9.2.1 Interest receivable					
Interest receivable, Fixed deposit		66,593,056	119,792,361	72,209,778	133,059,517
Interest receivable, Commercial paper		2,311,111	420,833	2,311,111	420,833
Receivable from Investment in government bonds		-	1,464,916	-	1,464,916
Receivable from Investment in bonds		20,582,986	21,537,153	20,582,986	21,537,153
		89,487,153	**143,215,263**	**95,103,875**	**156,482,419**
9.2.2 Other receivables					
Accrued other income		34,931,119	6,116,529	34,931,119	6,116,529
Others		2,621,359	2,621,359	365,472,940	380,516,884
		37,552,478	**8,737,888**	**400,404,059**	**386,633,413**
9.3 Advances, deposits and prepayments					
Deposits and prepayments		2,867,426	2,771,351	3,155,425	3,061,351
Advance against expenses		171,292,161	234,133,522	194,108,871	267,281,810
		174,159,587	**236,904,873**	**197,264,296**	**270,343,161**

Advances, deposits and prepayments are considered good but not secured by collateral.

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
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".

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	Taka	Taka	Taka	Taka	Taka	Taka
Deferred tax liability is arrived at as follows:						
2016						
Assets (excluding land):						
Fixed assets net of depreciation as on December 31, 2016 (IDLC FL)	-	-	-	-	-	-
Fixed assets net of depreciation as on December 31, 2016 (IDLC SL)	-	-	-	-	-	-
Fixed assets net of depreciation as on December 31, 2016 (IDLC IL)	-	-	-	-	-	-
Fixed assets net of depreciation as on December 31, 2016 (IDLC AML)	-	-	-	1,445,865	1,335,981	(109,884)
Total	**-**	**-**	**-**	**1,445,865**	**1,335,981**	**(109,884)**
Assets (excluding land):						
Fixed assets net of depreciation as on December 31, 2015	-	-	-	-	-	-
Total	-	-	-	-	-	-
Applicable tax rate for IDLC Finance Limited			40.00%			-
Applicable tax rate for IDLC Asset Management Limited			-			35.00%
Deferred tax liability as on December 31, 2016			-			(38,459)
Deferred tax liability as on December 31, 2015			-			-
Deferred tax (expenses)/income accounted for during the year			-			(38,459)
Deferred tax asset is arrived at as follows:						
2016						
Assets (excluding land):						
Fixed assets net of depreciation as on December 31, 2016 (IDLC FL)	579,954,139	591,749,467	11,795,328	-	-	-
Difference for vehicle	(7,180,173)	-	7,180,173	-	-	-

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	Taka	Taka	Taka	Taka	Taka	Taka
Fixed assets net of depreciation as on December 31, 2016 (IDLC SL)	-	-	-	29,544,892	49,231,766	19,686,874
Fixed assets net of depreciation as on December 31, 2016 (IDLC IL)	-	-	-	16,153,944	21,699,677	5,545,733
Fixed assets net of depreciation as on December 31, 2016 (IDLC AML)	-	-	-	-	-	-
Total	**572,773,966**	**591,749,467**	**18,975,501**	**45,698,836**	**70,931,443**	**25,232,607**
Liabilities:						
Employee gratuity as on December 31, 2016 (IDLC SL)	-	-	-	17,045,744	-	17,045,744
Employee gratuity as on December 31, 2016 (IDLC IL)	-	-	-	8,973,917	-	8,973,917
Employee gratuity as on December 31, 2016 (IDLC AML)	-	-	-	2,698,488	-	2,698,488
Total	**-**	**-**	**-**	**26,019,661**	**-**	**26,019,661**
Loss on sale of secondary shares (IDLC SL)	-	-	-	-	-	-
Loss on sale of secondary shares (IDLC IL)	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total	**-**	**-**	**-**	**26,019,661**	**-**	**26,019,661**
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 FL)	-	-	-	-	-	-
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**

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	Taka	Taka	Taka	Taka	Taka	Taka
Applicable tax rate for IDLC Finance Limited (2015: 40%)			40.00%			-
Applicable tax rate for IDLC Securities Limited			-			35.00%
Applicable tax rate for IDLC Investments Limited			-			37.50%
Applicable tax rate for IDLC Asset Management Limited			-			35.00%
Applicable tax rate for loss on sale of secondary shares			10.00%			10.00%
Deferred tax asset as on December 31, 2016			7,590,200			19,245,756
Deferred tax asset as on December 31, 2015			2,331,213			23,404,208
Deferred tax (expenses)/ income accounted for during the year			5,258,987			(4,158,452)
Net deferred tax (expense)/income			**5,258,987**			**(4,196,911)**

2016: Consolidated deferred tax income was Taka 1,062,077, which includes Taka 5,258,987 for deferred tax income of IDLC Finance Limited, Taka 4,151,543 for deferred tax expense of IDLC Securities Limited, Taka 951,379 for deferred tax expense of IDLC Investments Limited and Taka 906,011 for deferred tax income of IDLC Asset Management Limited.

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

* This represents the permanent difference related to sedan cars, not plying for hire, owned by IDLC. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently Tk. 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
9.6	**Investment in stock exchange**				
	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 and agents

Inside Bangladesh (Note-10.1)	12,394,377,442	10,550,165,864	12,564,377,442	10,585,582,747
Outside Bangladesh	-	-	-	-
	12,394,377,442	**10,550,165,864**	**12,564,377,442**	**10,585,582,747**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
10.1	**Inside Bangladesh**				
	Secured long term loans				
	Long-term loans				
	Commercial Bank of Ceylon PLC	-	105,000,000	-	105,000,000
	Woori Bank	183,333,333	300,000,000	183,333,333	300,000,000
	Total secured long-term loans	**183,333,333**	**405,000,000**	**183,333,333**	**405,000,000**
	Unsecured long-term loans				
	Bond and Debenture				
	A K Khan & Co Limited	438,214,164	331,598,635	438,214,164	331,598,635
	Universal Jeans Limited	347,789,019	76,124,572	347,789,019	76,124,572
	Central Depository Bangladesh Limited	-	30,449,830	-	30,449,830
	BRAC EPL Stock Brokerage Limited	-	18,574,396	-	18,574,396
	Grameen Telecom Trust	215,629,192	-	215,629,192	-
	Square Pharmaceuticals Limited	173,894,509	-	173,894,509	-
	Pragati Life Insurance Limited	34,778,902	-	34,778,902	-
	BETS Consulting Services Limited	34,778,902	-	34,778,902	-
	Dr. Abdus Shabur	6,955,780	-	6,955,780	-
	Bangla Telecom Limited	40,554,479	-	40,554,479	-
	Bangladesh Infrastructure Finance Fund Limited	405,544,789	-	405,544,789	-
	Delsey Cotton Spinning Mills Ltd.	81,108,958	-	81,108,958	-
		1,779,248,694	456,747,433	1,779,248,694	456,747,433
	Long-term loans				
	Kreditanstalt fÜr Wiederaufbau (KfW)	90,801,364	99,769,118	90,801,364	99,769,118
	Bangladesh Bank (BB Fund-Small Enterprise Refinancing Program)	54,951,487	98,881,388	54,951,487	98,881,388
	Bangladesh Bank (Women-Small Enterprise Refinancing Program)	3,091,649,465	2,753,533,572	3,091,649,465	2,753,533,572
	Bangladesh Bank (ADB Fund-Small Enterprise Refinancing Program)	60,316,875	296,311,875	60,316,875	296,311,875
	Bangladesh Bank New Entrepreneur Refinancing Scheme	102,740,909	49,900,000	102,740,909	49,900,000
	Bangladesh Bank (Home Loan Refinancing Program)	629,317,923	687,612,296	629,317,923	687,612,296
	Bangladesh Bank (Agro Loan Refinancing Program)	1,517,398,317	1,712,434,975	1,517,398,317	1,712,434,975
	Bangladesh Bank (JICA Refinancing Program)	650,896,224	520,406,109	650,896,224	520,406,109
	SME Foundation	63,000,000	85,000,000	63,000,000	85,000,000
	FMO Loan	621,440,000	932,160,000	621,440,000	932,160,000
	Investment Promotion & Financing Facilities (IPFF)	609,391,366	272,409,098	609,391,366	272,409,098
	Bangladesh Bank Solar Bio Gas & ETP Scheme	5,250,001	-	5,250,001	-
	Bangladesh Bank Milk Production Scheme	2,400,000	-	2,400,000	-
	Investment Corporation of Bangladesh (ICB)	-	-	-	35,416,883

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
	Saudi Bangladesh Industrial & Agricultural Investment Company Limited	312,241,484	400,000,000	312,241,484	400,000,000
		7,811,795,415	7,908,418,431	7,811,795,415	7,943,835,314
	Total unsecured long-term loan	**9,591,044,109**	**8,365,165,864**	**9,591,044,109**	**8,400,582,747**
	Short-term and Call loans:				
	Short-term loans				
	Citi Bank N.A.	520,000,000	-	520,000,000	-
	Bank Alfalah Limited	200,000,000	-	200,000,000	-
	Standard Chartered Bank	1,100,000,000	800,000,000	1,270,000,000	800,000,000
	Commercial Bank of Ceylon Plc	400,000,000	-	400,000,000	-
	Jamuna Bank Limited	400,000,000	-	400,000,000	-
		2,620,000,000	800,000,000	2,790,000,000	800,000,000
	Call Loans				
	Agrani Bank Limited	-	160,000,000	-	160,000,000
	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
		-	**980,000,000**	**-**	**980,000,000**
	Total short-term and call loans	**2,620,000,000**	**1,780,000,000**	**2,790,000,000**	**1,780,000,000**
	Total Borrowings	**12,394,377,442**	**10,550,165,864**	**12,564,377,442**	**10,585,582,747**
10.2	**Security against borrowings from other banks and financial institutions**				
	Secured	2,803,333,333	1,205,000,000	2,973,333,333	1,205,000,000
	Unsecured	9,591,044,109	9,345,165,864	9,591,044,109	9,380,582,747
		12,394,377,442	**10,550,165,864**	**12,564,377,442**	**10,585,582,747**

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	-	980,000,000
	Up to 1 month	2,481,575,335	1,029,000,000	2,651,575,335	1,029,000,000
	Over 1 month but within 3 months	1,270,410,640	554,200,000	1,270,410,640	554,200,000
	Over 3 months but within 1 year	2,351,255,595	2,024,700,000	2,351,255,595	2,024,700,000
	Over 1 year but within 5 years	5,504,415,181	5,347,000,000	5,504,415,181	5,382,416,883
	Over 5 years	786,720,691	615,265,864	786,720,691	615,265,864
		12,394,377,442	**10,550,165,864**	**12,564,377,442**	**10,585,582,747**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		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)	47,563,668,197	46,174,475,236	47,474,930,697	46,038,675,236
Bearer certificate of deposits		-	-	-	-
Refundable deposits	(Note-11.2)	1,849,394,133	1,585,890,057	1,849,394,133	1,585,890,057
		49,413,062,330	**47,760,365,293**	**49,324,324,830**	**47,624,565,293**
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		46,174,475,236	35,241,001,090	46,038,675,236	35,240,301,090
Add: Deposits received during the year		24,844,319,966	28,341,598,510	24,844,319,966	28,341,598,510
		71,018,795,202	63,582,599,600	70,882,995,202	63,581,899,600
Less: Matured/encashed during the year		23,455,127,005	17,408,124,363	23,455,127,005	17,408,124,363
Inter - company deposit		-	-	(47,062,500)	135,100,000
Balance at December 31		**47,563,668,197**	**46,174,475,236**	**47,474,930,697**	**46,038,675,236**
11.1.1 Rate of interest					
Rate of interest on term deposit receipts ranges from 5.00% to 10.50% (2015: 6.50% to 11.73%).					
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		307,085,210	338,834,885	307,085,210	338,834,885
Deposits against financing as per term of agreements (Security deposits)		1,542,308,923	1,247,055,171	1,542,308,923	1,247,055,171
		1,849,394,133	**1,585,890,057**	**1,849,394,133**	**1,585,890,057**
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		12,321,108,682	9,840,213,670	12,321,108,682	9,840,213,670
Other institutions		18,650,760,380	19,995,060,669	18,562,022,880	19,859,260,669
Individuals		18,441,193,268	17,925,090,954	18,441,193,268	17,925,090,954
		49,413,062,330	**47,760,365,293**	**49,324,324,830**	**47,624,565,293**
11.4 Maturity analysis of deposits					
Maturity analysis of Term deposits					
Payable on demand		-	-	-	-
Up to 1 month		3,607,070,471	6,161,453,193	3,607,070,471	6,161,453,193
Over 1 month but within 6 months		14,604,224,030	25,601,028,463	14,604,224,030	25,601,028,463

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
Over 6 months but within 1 year		4,209,960,328	7,843,506,215	4,209,960,328	7,843,506,215
Over 1 year but within 5 years		24,808,766,742	5,691,985,015	24,720,029,242	5,556,185,015
Over 5 years but within 10 years		330,783,754	855,074,528	330,783,754	855,074,528
Above 10 years		2,862,872	21,427,821	2,862,872	21,427,821
		47,563,668,197	**46,174,475,236**	**47,474,930,697**	**46,038,675,236**
Maturity analysis of Refundable deposits					
Payable on demand		42,546,426	27,845,166	42,546,426	27,845,166
Up to 1 month		10,168,718	10,802,351	10,168,718	10,802,351
Over 1 month but within 6 months		160,958,534	164,310,816	160,958,534	164,310,816
Over 6 months but within 1 year		139,890,140	175,435,516	139,890,140	175,435,516
Over 1 year but within 5 years		1,492,342,651	1,193,562,129	1,492,342,651	1,193,562,129
Over 5 years but within 10 years		3,487,664	13,934,080	3,487,664	13,934,080
		1,849,394,133	**1,585,890,057**	**1,849,394,133**	**1,585,890,057**
12 Other liabilities					
Payable and accrued expenses	(Note-12.1)	3,906,034,034	3,366,220,090	4,874,951,910	3,771,971,305
Provision for income tax	(Note-12.2)	1,721,385,014	1,806,301,703	1,892,360,718	1,925,191,210
Inter-company payables	(Note-12.3)	-	99,999,990	-	-
Deferred liability-employee gratuity	(Note-12.4)	-	-	28,718,149	21,077,143
Portfolio investors' fund	(Note-12.5)	-	-	235,466,473	218,042,064
Interest suspense account	(Note-12.6)	373,356,082	281,071,948	373,356,082	281,071,948
Provision for doubtful accounts and future losses	(Note-12.7 (i))	1,081,156,938	1,160,433,026	1,116,435,278	1,213,384,055
Unpaid dividend		11,236,486	7,606,218	11,236,486	7,606,218
Deferred tax liability	(Note-9.5)	-	-	38,459	-
		7,093,168,554	**6,721,632,975**	**8,532,563,556**	**7,438,343,943**
12.1 Payable and accrued expenses					
Receipt against leases		541,142,816	335,375,876	541,142,816	335,375,876
Liabilities for expenses		2,815,410,155	2,677,881,192	3,783,797,745	3,083,425,809
Liabilities for other finance		549,481,063	352,963,022	550,011,349	353,169,620
		3,906,034,034	**3,366,220,090**	**4,874,951,910**	**3,771,971,305**
12.2 Provision for income tax					
Provision					
Balance at January 1		5,560,168,809	4,522,486,911	6,189,952,788	5,018,323,425
Less: Adjustment during the year		-	-	-	-
		5,560,168,809	4,522,486,911	6,189,952,788	5,018,323,425
Add: Provision made during the year		1,089,706,190	1,037,681,898	1,269,750,001	1,171,629,363
		6,649,874,999	5,560,168,809	7,459,702,789	6,189,952,788
Settlement of previous year's tax liability		-	-	-	-
Balance at December 31		**6,649,874,999**	**5,560,168,809**	**7,459,702,789**	**6,189,952,788**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
	Advance tax				
	Balance at January 1	3,753,867,106	3,036,760,824	4,264,761,578	3,442,497,904
	Add: Payment made during the year:				
	Under sections 64 and 74 of ITO, 1984	1,072,662,727	604,155,360	1,096,031,190	664,144,614
	Deduction at source	100,355,152	110,881,922	204,944,302	156,050,060
	Others	1,605,000	2,069,000	1,605,000	2,069,000
		1,174,622,879	717,106,282	1,302,580,492	822,263,674
		4,928,489,985	3,753,867,106	5,567,342,071	4,264,761,578
	Less: Adjustment during the year	-	-	-	-
		4,928,489,985	3,753,867,106	5,567,342,071	4,264,761,578
	Net balance at December 31	**1,721,385,014**	**1,806,301,703**	**1,892,360,718**	**1,925,191,210**
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 In 2016, Taka 99,999,990 has been paid to IDLC Asset Management Limited as contribution for capital.

12.4	**Deferred Liability-employee gratuity**				
	Balance at January 1	-	-	21,077,143	16,615,124
	Add: Addition during the year	-	-	10,663,620	8,524,048
		-	-	31,740,763	25,139,172
	Less: Payment during the year	-	-	3,022,614	4,062,029
	Balance at December 31	**-**	**-**	**28,718,149**	**21,077,143**
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	-	-	218,042,064	220,365,337
	Add: Deposit and share sold by clients	-	-	2,477,411,145	2,191,420,201
		-	-	2,695,453,209	2,411,785,538
	Less: Purchase of share and deposit withdraw by clients	-	-	2,459,986,736	2,193,743,474
	Balance at December 31	**-**	**-**	**235,466,473**	**218,042,064**
12.6	**Interest suspense accounts**				
	On lease finance	84,077,661	82,342,236	84,077,661	82,342,236
	On real-estate finance	111,682,597	57,033,620	111,682,597	57,033,620
	On term finance	163,021,286	132,378,128	163,021,286	132,378,128
	On car loan	9,929,717	4,630,154	9,929,717	4,630,154
	On personal loan	1,373,391	1,752,803	1,373,391	1,752,803
	On short term finance	3,271,430	2,935,007	3,271,430	2,935,007
		373,356,082	**281,071,948**	**373,356,082**	**281,071,948**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
12.7	**Provision for loans and advances/investments**				
12.7(i)	Balance at January 1	1,160,433,026	889,827,568	1,213,384,055	922,737,832
	Provision required for the year	430,079,458	316,215,887	431,839,624	358,858,683
	Provision released during the year	(256,630,939)	(24,645,877)	(276,063,794)	(47,247,908)
	Provision charged for the year (Note-12.7(ii))	173,448,519	291,570,010	155,775,830	311,610,775
	Write off during the year	252,724,607	20,964,551	252,724,607	20,964,551
	Balance at December 31	**1,081,156,938**	**1,160,433,026**	**1,116,435,278**	**1,213,384,055**
12.7(ii)	**Provision charged for the year**				
	General provision	46,925,871	54,798,590	48,686,037	49,183,322
	Specific provision	187,021,074	233,364,352	167,588,219	276,007,148
	Provision for diminutions in value of investments	(60,498,426)	3,407,068	(60,498,426)	(13,579,695)
	Other Provisions	-	-	-	-
		173,448,519	**291,570,010**	**155,775,830**	**311,610,775**
12.7(iii)	**Product wise break up of provision**				
	Lease	227,320,184	355,794,492	227,320,184	355,794,492
	Long- term finance	503,989,998	409,746,466	503,989,998	409,746,466
	Real estate finance	238,802,590	232,236,527	238,802,590	232,236,527
	Car loan	40,088,534	32,601,551	40,088,534	32,601,551
	Investment in shares	6,144,201	66,925,029	6,144,201	66,925,029
	Personal Loan	5,087,848	6,848,488	5,087,848	6,848,488
	Short term finance	46,260,318	39,870,455	46,260,318	39,870,455
	Loan against Deposit	5,446,821	9,250,976	5,446,821	9,250,976
	Loan to subsidiaries	2,608,000	2,325,597	(9,213,107)	(9,495,510)
	Other assets	5,408,444	4,833,446	5,408,444	4,833,446
	Margin loan	-	-	47,099,447	64,772,136
		1,081,156,938	**1,160,433,026**	**1,116,435,278**	**1,213,384,055**

13. Share capital

Authorised				
1,000,000,000 ordinary shares of Taka 10 each	**10,000,000,000**	**4,000,000,000**	**10,000,000,000**	**4,000,000,000**
Issued, subscribed and paid-up				
251,367,187 ordinary shares of Taka 10 each	**2,513,671,870**	**2,513,671,870**	**2,513,671,870**	**2,513,671,870**

As on 31 December 2015, authorized and paid-up capital of IDLC Finance Limited were Taka 400 crore and Taka 251.37 crore, respectively. At that time, an application for increase in paid-up capital at Taka 377.05 crore (which would be close to authorized capital) through issuance of Right Shares (1R:2) was under active consideration of Bangladesh Securities and Exchange Commission (BSEC) and subsequently it was approved by the commission. IDLC Finance Limited would not able to issue bonus share in future unless and until the authorized capital enhanced further.

Considering the historical trend in declaration of Bonus share of the Company and growth potentiality in future, the Board of Directors in its 241st meeting held on 18 February 2016 approved the proposal for enhancing the existing authorized capital at Taka 1,000 crore from Taka 400 crore. Subsequently, all the required approval from the regulatory authorities have been obtained.

Finally, IDLC Finance Limited declared record date on 15 December 2016 and the subscriptions period from 01 January 2017 to 19 January 2017. Accordingly, after credit of the rights shares on 08 February 2017, number of Ordinary Shares of the company stands at 377,050,780 and the paid-up capital stands at Taka 3,770,507,800 and the Share Premium stands at Taka 1,260,585,930.

Paid-up share capital as on December 31, 2016 comprises the following:

Composition of shareholding

Sl. No.	Name of the Shareholders	31.12.2016			31.12.2015
		% of holding	Number of shares	Taka	Taka
1	**SPONSORS/DIRECTORS**				
	The City Bank Limited (CBL) and its subsidiaries	24.21	60,854,056	608,540,560	608,540,560
	The City Bank Limited (CBL)	10.00	25,137,225	251,372,250	608,540,560
	City Bank Capital Resources Limited (CBCRL)	9.90	24,885,352	248,853,520	-
	City Brokerage Limited	4.31	10,831,479	108,314,790	-
	Transcom Group	13.33	33,515,443	335,154,430	335,154,430
	Eskayef Bangladesh Limited	8.00	20,109,375	201,093,750	201,093,750
	Transcraft Limited	4.01	10,088,022	100,880,220	100,880,220
	Bangladesh Lamps Limited	1.32	3,318,046	33,180,460	33,180,460
	Shadharan Bima Corporation (SBC)	7.62	19,151,663	191,516,630	191,516,630
	Mercantile Bank Limited	7.50	18,852,538	188,525,380	188,525,380
	Reliance Insurance Company Limited	7.00	17,595,702	175,957,020	175,957,020
		59.66	**149,969,402**	**1,499,694,020**	**1,499,694,020**
2	**GENERAL**				
	Institutions				
	Investment Corporation of Bangladesh (ICB)	4.27	10,744,986	107,449,860	58,136,120
	Bangladesh Fund	3.20	8,040,750	80,407,500	80,407,500
	EBL Securities Limited and EBL Managed Funds	2.69	6,759,840	67,598,400	-
	Eastern Bank Limited (EBL)	2.50	6,275,418	62,754,180	-
	ICB Managed Funds	1.12	2,817,066	28,170,660	-
	Marina Apparels Limited	1.00	2,513,671	25,136,710	-
	LR Global Bangladesh Asset Management Limited	0.86	2,155,437	21,554,370	28,739,000
	Other Institutions	6.24	15,684,128	156,841,280	287,532,920
	Sub-Total	**21.88**	**54,991,296**	**549,912,960**	**454,815,540**
	Individuals				
	General Public (Individuals)	14.21	35,712,452	357,124,520	503,084,060
	Sub-Total	**14.21**	**35,712,452**	**357,124,520**	**503,084,060**
3	**FOREIGN**				
	Institutions & Individuals	4.25	10,694,037	106,940,370	56,078,250
		4.25	**10,694,037**	**106,940,370**	**56,078,250**
	Total Holdings	**100.00**	**251,367,187**	**2,513,671,870**	**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 57.00 at Dhaka Stock Exchange Limited and Taka 57.10 at Chittagong Stock Exchange Limited respectively on December 31, 2016.

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, 2016 were Taka 198.35 crore and Taka 292.19 crore, respectively.

Details are as follows:

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
Core Capital (Tier-1)/ Shareholders' Equity					
Paid-up capital	(Note-13)	2,513,671,870	2,513,671,870	2,513,671,870	2,513,671,870
Share premium	(Note-14)	3,750,000	3,750,000	3,750,000	3,750,000
Statutory reserves	(Note-15)	1,782,004,350	1,482,722,671	1,782,004,350	1,482,722,671
General reserves	(Note-16)	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Dividend equalization reserves		46,500,000	46,500,000	46,500,000	46,500,000
Retained earnings		2,258,610,930	1,689,902,181	3,591,910,951	2,739,315,501
Non-controlling interest		-	-	2,385	2,165
A) Sub-Total		**7,604,537,150**	**6,736,546,722**	**8,937,839,556**	**7,785,962,207**
Supplementary capital (Tier -II)					
General Provision (Unclassified loans up to specified limit + SMA + off-balance sheet exposure)*		479,814,536	435,266,464	479,834,758	433,526,520
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		**479,814,536**	**435,266,464**	**479,834,758**	**433,526,520**
C) Total eligible capital		**8,084,351,686**	**7,171,813,186**	**9,417,674,314**	**8,219,488,727**
Total assets including off-balance sheet exposures		**78,238,982,213**	**72,994,254,228**	**81,092,942,121**	**74,659,997,564**
D) Total risk weighted assets		**61,008,829,057**	**53,658,280,573**	**64,957,718,725**	**55,549,824,700**
E) Required capital based on risk weighted assets (10% of D)		**6,100,882,906**	**5,365,828,057**	**6,495,771,873**	**5,554,982,470**
F) Surplus (C-E)		**1,983,468,781**	**1,805,985,129**	**2,921,902,441**	**2,664,506,257**
Capital Adequacy Ratio (%)		**13.25**	**13.37**	**14.50**	**14.80**

* 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	1,482,722,671	1,233,958,647	1,482,722,671	1,233,958,647
Add: Transferred on appropriation of profit	299,281,679	248,764,024	299,281,679	248,764,024
Balance at December 31	**1,782,004,350**	**1,482,722,671**	**1,782,004,350**	**1,482,722,671**

		IDLC Finance Limited		IDLC Group	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Taka	Taka	Taka	Taka
16	**General reserves**				
	Balance at January 1	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
	Add: Transferred on appropriation of profit	-	-	-	-
	Balance at December 31	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**
17.	**Business commitments and contingencies**				
	In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities. No material losses are anticipated as a result of these transactions. These contingent liabilities and business commitments are quantified below:				
17.1	**Contingent liabilities**				
	Acceptances and endorsements	-	-	-	-
	Letters of guarantee (Note-17.1.1)	199,206,314	118,488,520	199,206,314	118,488,520
	Irrevocable letters of credit	-	-	-	-
	Bills for collection	-	-	-	-
	Indemnity bond	-	-	-	-
	Corporate guarantee (Note-17.1.2)	750,000,000	500,000,000	750,000,000	500,000,000
		949,206,314	**618,488,520**	**949,206,314**	**618,488,520**
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	199,206,314	118,488,520	199,206,314	118,488,520
		199,206,314	**118,488,520**	**199,206,314**	**118,488,520**
17.1.2	**The company is contingently liable on behalf of IDLC Securities Limited for the guarantees given below in favour of:**				
	Dhaka Stock Exchange Limited	700,000,000	450,000,000	700,000,000	450,000,000
	Chittagong Stock Exchange Limited	50,000,000	50,000,000	50,000,000	50,000,000
		750,000,000	**500,000,000**	**750,000,000**	**500,000,000**
17.2	**Other commitments**				
	Documentary credits and short term trade related transactions	-	-	-	-
	Forward assets purchased and forward deposits placed	-	-	-	-
	Un-drawn note issuance and revolving underwriting	-	-	-	-
	Un-drawn formal standby facilities, credit lines	-	-	-	-
	Lease and term finance commitments outstanding at December 31	211,847,685	162,974,679	211,847,685	162,974,679
	Real estate finance commitments outstanding at December 31	572,174,405	443,430,175	572,174,405	443,430,175
	Car loan commitments outstanding at December 31	408,333	450,000	408,333	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	-	-	-	-
		784,630,423	**607,054,854**	**784,630,423**	**607,054,854**

	31.12.2016		31.12.2015	
	Contracts/ sanction	Disbursement	Contracts/ sanction	Disbursement
	Taka	Taka	Taka	Taka

17.2.1 Sanction and Disbursements

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

Lease and term finance	384,500,000	172,652,315	374,779,300	211,804,621
Real estate finance	1,579,668,000	1,007,493,595	1,468,571,000	1,025,140,825
Car loans	2,560,000	2,151,667	2,700,000	2,250,000
Personal loans	500,000	300,000	500,000	300,000
Loan Against Deposit (LAD)	-	-	-	-
	1,967,228,000	**1,182,597,577**	**1,846,550,300**	**1,239,495,446**

17.2.2 Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at December 31, 2016 (2015: nil). There was no material capital expenditure authorized by the Board but not contracted for at December 31, 2016 (2015: 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	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka

18. Income statement

Income

Interest, discount and similar income	(Note-18.1)	8,390,997,025	8,240,123,894	8,710,190,120	8,510,383,676
Dividend income	(Note-21)	45,623,873	39,909,767	86,295,233	96,282,352
Fees, commission and brokerage	(Note-22)	75,401,525	58,053,730	441,325,925	356,949,912
Other operating income	(Note-23)	506,398,528	433,242,052	511,882,259	440,864,639
		9,018,420,951	8,771,329,443	9,749,693,537	9,404,480,579

Expenses

Interest on deposits and borrowings etc.	(Note-20)	4,622,068,956	4,827,091,642	4,622,365,924	4,833,191,104
Administrative expenses	(Note-18.2)	1,227,751,107	1,003,069,919	1,459,264,209	1,218,240,270
Other operating expenses	(Note-33)	300,598,278	266,242,398	334,812,932	284,171,561
Depreciation on assets	(Note-32)	152,934,603	124,448,641	167,727,512	145,375,918
		6,303,352,944	6,220,852,600	6,584,170,577	6,480,978,853
		2,715,068,007	**2,550,476,843**	**3,165,522,960**	**2,923,501,726**

18.1 Interest, discount and similar income

Interest income	(Note-19)	8,152,388,213	8,023,764,544	8,359,739,673	8,251,180,347
Gain on sale of marketable securities	(Note-21)	121,476,662	91,251,323	222,519,544	134,095,302
Income from investment in bonds	(Note-21)	117,132,150	125,108,027	127,930,903	125,108,027
		8,390,997,025	**8,240,123,894**	**8,710,190,120**	**8,510,383,676**

		IDLC Finance Limited		IDLC Group	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
18.2	**Administrative expenses**				
Salary and allowances	(Note-24)	884,862,599	744,116,214	1,048,087,067	899,165,319
Rent, taxes, insurance, electricity, etc.	(Note-25)	171,261,564	93,372,106	215,855,916	135,714,936
Legal expenses	(Note-26)	15,320,592	13,536,662	18,682,742	16,102,123
Postage, stamp, telecommunication, etc.	(Note-27)	29,126,790	26,929,463	33,958,799	35,021,731
Stationery, printing, advertisement, etc.	(Note-28)	89,943,341	81,059,657	98,719,992	85,711,998
Managing Director's salary and fees	(Note-29)	8,875,000	11,493,667	8,875,000	11,493,667
Directors' fees	(Note-30)	1,490,400	1,041,900	1,872,048	1,409,400
Auditors' fees	(Note-31)	690,000	517,500	991,875	690,000
Repair of Company's assets	(Note-32)	26,180,821	31,002,750	32,220,770	32,931,096
		1,227,751,107	**1,003,069,919**	**1,459,264,209**	**1,218,240,270**

19. Interest income

This represents interest income from the following products:

Lease finance	685,587,863	869,982,131	685,587,863	869,982,131
Real estate finance	2,207,173,042	2,384,903,511	2,207,173,042	2,384,903,511
Term finance	3,969,926,836	3,256,098,864	3,969,926,836	3,256,098,864
Short term finance	121,283,741	167,977,395	121,283,741	167,977,395
Car loan	353,387,939	335,404,732	353,387,939	335,404,732
Personal loan	18,069,844	22,875,803	18,069,844	22,875,803
Margin loan to portfolio investors	-	-	159,436,654	193,932,594
Loan to subsidiaries	15,723,028	15,418,406	-	-
	7,371,152,293	7,052,660,842	7,514,865,919	7,231,175,030
Interest on balance with other banks and financial institutions	718,907,333	906,813,445	782,545,167	955,715,060
Call loan	-	337,694	-	337,694
Loan against deposit	62,328,587	63,952,563	62,328,587	63,952,563
	8,152,388,213	**8,023,764,544**	**8,359,739,673**	**8,251,180,347**

20. Interest on deposits and borrowings etc.

Interest on term deposits	3,829,651,193	4,157,547,965	3,824,376,681	4,157,547,965
Interest on borrowings	487,074,871	432,761,932	492,646,351	438,861,394
Interest on secured/unsecured zero coupon bonds	156,095,280	80,933,077	156,095,280	80,933,077
Interest on security deposit	102,642,348	90,002,307	102,642,348	90,002,307
Interest on call loan	46,605,264	65,846,361	46,605,264	65,846,361
Others	-	-	-	-
	4,622,068,956	**4,827,091,642**	**4,622,365,924**	**4,833,191,104**

	IDLC Finance Limited		IDLC Group	
	2016	2015	2016	2015
	Taka	Taka	Taka	Taka

21. Investment income

Gain on sale of marketable securities	121,476,662	91,251,323	222,519,544	134,095,302
Dividend income	45,623,873	39,909,767	86,295,233	96,282,352
Income from investment in bonds	117,132,150	125,108,027	127,930,903	125,108,027
Income from investment in commercial paper	39,236,111	16,612,500	39,236,111	16,612,500
	323,468,796	**272,881,617**	**475,981,791**	**372,098,181**

22. Commission, exchange and brokerage

Agency fees	13,929,166	10,241,666	13,929,166	10,241,666
Arrangement fees	60,986,445	47,330,846	60,986,445	47,330,846
Advisory fees	50,000	-	50,000	-
Commission & brokerage	-	-	283,608,543	216,028,793
Underwriting commission	-	-	204,800	1,279,403
Documentation fees	-	-	746,000	66,000
Custodial fees	435,914	481,218	435,914	481,218
Issue management fees	-	-	11,000,000	4,612,000
Portfolio management fees	-	-	33,131,013	43,081,388
Corporate advisory fees	-	-	17,213,203	12,171,083
Settlement charges	-	-	20,020,841	21,657,515
	75,401,525	**58,053,730**	**441,325,925**	**356,949,912**

23. Other operating income

Application, processing and documentation fees	253,408,563	262,662,932	253,408,563	262,662,932
Loan settlement and others	107,600,326	94,937,948	107,600,326	94,937,948
Transfer price/gain at the time of expiry of lease	1,595,833	1,285,446	1,595,833	1,285,446
Service charges	25,710,887	31,543,073	25,710,887	31,543,073
Gain on disposal of fixed assets	12,667,469	11,896,596	12,326,099	12,282,357
Account opening & BO account maintenance fees	-	-	4,026,595	2,715,300
IPO service charge	-	-	65,545	71,519
Miscellaneous income	105,415,450	30,916,057	107,148,411	35,366,064
	506,398,528	**433,242,052**	**511,882,259**	**440,864,639**

24. Salaries and allowances

	884,862,599	**744,116,214**	**1,048,087,067**	**899,165,319**

24.1 Salaries and allowances

Salaries and allowances of IDLC Finance Limited include annual contribution of Taka 64,702,805 to Provident Fund and Taka 45,322,070 to Gratuity Fund. Salaries and allowances of IDLC Group include annual contribution of Taka 70,135,576 to Provident Fund and Taka 54,376,592 to Gratuity Fund.

25. Rent, taxes, insurance, electricity, etc.

Rent, rate and taxes	125,435,167	58,949,023	163,035,233	93,502,420
Insurance	5,582,549	5,971,434	6,372,496	6,861,862
Power and electricity	40,243,848	28,451,649	46,448,187	35,350,654
	171,261,564	**93,372,106**	**215,855,916**	**135,714,936**

		IDLC Finance Limited		IDLC Group	
		2016	2015	2016	2015
		Taka	Taka	Taka	Taka
26.	**Legal expenses**				
	Renewal and registration	8,843,118	7,772,700	10,315,958	9,213,516
	Other professional charges	6,477,474	5,763,962	8,366,784	6,888,607
		15,320,592	**13,536,662**	**18,682,742**	**16,102,123**
27.	**Postage, stamp, telecommunication, etc.**				
	Postage	903,122	1,052,379	1,213,265	1,550,771
	Telecommunication and internet etc.	28,223,668	25,877,084	32,745,534	33,470,960
		29,126,790	**26,929,463**	**33,958,799**	**35,021,731**
28.	**Stationery, printing, advertisements, etc.**				
	Stationery and printing	48,395,556	48,440,195	51,295,626	51,200,129
	Advertisement and publicity	41,547,785	32,619,462	47,424,366	34,511,869
		89,943,341	**81,059,657**	**98,719,992**	**85,711,998**
29.	**Managing Director's salary and benefits**				
	Basic pay	5,000,000	5,116,667	5,000,000	5,116,667
	Allowances	1,875,000	3,377,000	1,875,000	3,377,000
	Bonus	1,500,000	2,500,000	1,500,000	2,500,000
	Company's contribution to provident fund	500,000	500,000	500,000	500,000
		8,875,000	**11,493,667**	**8,875,000**	**11,493,667**
30.	**Directors' fees**				
	Honorarium for attending meeting	1,490,400	1,041,900	1,872,048	1,409,400
	Incidental expenses for attending meeting	-	-	-	-
		1,490,400	**1,041,900**	**1,872,048**	**1,409,400**

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 from Taka 5,000. Accordingly, the Board of IDLC Finance Limited adopted the said enhanced remuneration of Taka 8,000 on December 24, 2015.

31.	**Auditors' fees**				
	Annual statutory audit fees (including VAT)	460,000	460,000	761,875	632,500
	Other audit fees (including VAT)	230,000	57,500	230,000	57,500
		690,000	**517,500**	**991,875**	**690,000**
32.	**Depreciation and repair of company's assets**				
	Freehold assets (Note-8 & 8 (b))	152,934,603	124,448,641	167,727,512	145,375,918
	Repair and maintenance				
	For premises & vehicles	5,944,500	5,942,081	9,051,364	7,213,029
	For computers and computers accessories	20,236,321	25,060,669	23,169,406	25,718,067
		26,180,821	31,002,750	32,220,770	32,931,096
		179,115,424	**155,451,391**	**199,948,282**	**178,307,014**

	IDLC Finance Limited		IDLC Group	
	2016	2015	2016	2015
	Taka	Taka	Taka	Taka

33 Other expenses

Bank charges	4,225,539	2,656,621	4,612,559	2,656,621
Books and periodicals	229,290	206,139	294,016	272,042
Car expenses	27,676,491	23,562,578	30,361,860	26,054,733
Donations and subscriptions	4,894,139	9,934,870	5,120,514	12,804,210
Medical & welfare expenses	22,153,006	12,508,139	23,460,266	13,586,763
Entertainment expenses	10,891,875	12,942,328	13,945,075	15,107,671
Consultancy fees	5,496,611	4,908,431	5,496,611	4,908,431
Office service expenses	78,648,595	64,172,438	97,185,011	77,664,904
Training expenses	13,547,208	10,529,349	14,185,072	11,296,688
Travel and conveyances	16,248,981	15,165,189	17,873,019	16,626,705
CDBL charges	30,060	500	507,238	450,226
Loss on disposal of lease assets	-	246	-	246
Howla and Laga charge	-	-	31,982,499	17,019,734
Portfolio Management Charge	28,700,124	24,704,909	-	-
Sales Incentive	58,175,883	55,047,545	58,175,883	55,047,545
Repossession fees and others	29,680,476	29,903,116	31,613,309	30,675,042
	300,598,278	**266,242,398**	**334,812,932**	**284,171,561**

34. Operating Segment Report

Revenue and profit	For the year 2016				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External revenue					
Net interest income	3,530,319,257	148,798,515	52,981,465	5,274,512	3,737,373,749
Investment income	323,468,796	79,156,432	70,747,438	2,609,125	475,981,791
Commission and brokerage	75,401,525	93,748,033	285,047,891	17,267,948	471,465,397
Other operating income	506,398,528	303,473	5,180,258	-	511,882,259
Inter-segment revenue/interest expense	(10,448,516)	(15,078,709)	(777,083)	(3,835,164)	(30,139,472)
Total Segment Revenue	**4,425,139,590**	**306,927,744**	**413,179,969**	**21,316,421**	**5,166,563,724**
Other operating expenses	1,528,349,385	72,042,466	214,047,011	9,777,751	1,824,216,613
Major non-cash expenses:					
Depreciation	152,934,603	6,604,267	8,136,360	52,282	167,727,512
Provision for future losses	173,448,519	(17,672,689)	-	-	155,775,830
Inter-segment expense	(28,700,124)	-	-	(1,439,348)	(30,139,472)
Total Segment Expense	**1,826,032,383**	**60,974,044**	**222,183,371**	**8,390,685**	**2,117,580,483**
Reportable segment profit before tax	**2,599,107,207**	**245,953,700**	**190,996,598**	**12,925,736**	**3,048,983,241**

Revenue and profit	For the year 2015				
	Core financing business	Investment banking business	Brokerage business	Asset management 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	**2,284,805,836**	**201,837,802**	**141,859,813**	**-**	**2,628,503,451**

Segment assets and liabilities	For the year 2016				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External Assets					
Total Assets	76,505,145,476	2,599,030,502	2,145,143,866	118,559,544	81,367,879,388
Inter-segment assets	(1,810,799,790)	(37,950,000)	(100,000,000)	(60,024,214)	(2,008,774,004)
Total Segment Assets	**74,694,345,686**	**2,561,080,502**	**2,045,143,866**	**58,535,330**	**79,359,105,384**
External liabilities					
Total liabilities	68,900,608,326	1,016,493,677	966,627,165	8,131,981	70,891,861,149
Inter-segment liabilities	(101,310,897)	(260,800,000)	(108,484,424)	-	(470,595,321)
Total Segment Liabilities	**68,799,297,429**	**755,693,677**	**858,142,741**	**8,131,981**	**70,421,265,828**

Segment assets and liabilities	For the year 2015				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
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 liabilities	(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**

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% 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 (BAS) 12 "Income Taxes".

	IDLC Finance Limited		IDLC Group	
	2016	2015	2016	2015
	Taka	Taka	Taka	Taka

35.3 Average effective tax rate

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

Tax expenses (A)	1,084,447,203	1,031,699,212	1,268,687,925	1,169,278,870
Accounting profit before tax (B)	2,580,855,599	2,275,519,333	3,048,983,241	2,628,503,451
Average effective tax rate (A÷B)	**42.02%**	**45.34%**	**41.61%**	**44.48%**

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 (BAS) 33 "Earnings Per Share".

Basic earnings per share has been calculated as follows:

Earnings attributable to ordinary shareholders (Net profit after tax) (A)	1,496,408,396	1,243,820,121	1,780,295,096	1,459,224,380
Weighted average number of ordinary shares outstanding during the year (B)	251,367,187	251,367,187	251,367,187	251,367,187
Basic Earnings Per Share (A÷B)	**5.95**	4.95	**7.08**	5.81

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

37 Net Asset Value (NAV) Per Share

Net Asset (total assets less total liabilities) (A)	7,604,537,150	6,736,546,722	8,937,839,556	7,785,962,207
Total number of ordinary shares outstanding (B)	251,367,187	251,367,187	251,367,187	251,367,187
Net Asset Value per share (NAV) (A÷B)	**30.25**	**26.80**	**35.56**	**30.97**

38. Net Operating Cash Flows Per Share (NOCFPS)

Net cash flows from operating activities (A)	(2,597,903,661)	4,696,097,987	(1,197,435,789)	5,267,761,176
Total number of ordinary shares outstanding (B)	251,367,187	251,367,187	251,367,187	251,367,187
Net operating cash flows per share (NOCFPS) (A÷B)	**(10.34)**	**18.68**	**(4.76)**	**20.96**

39 Related party disclosure

a. Particulars of Directors and their interest in different entities

SL no.	Name of the Director	Status in IDLC	Name of the firms/companies in which interested is the proprietor, partner, director, managing agent, guarantor, employee etc.	Status in interested entity	(%) of Holding/ Interest in the concern as on 31.12.16
1.	Mr. Aziz Al Mahmood	Chairman	Danish Condensed Milk Bangladesh Limited	Managing Director	75.00%
			Danish Milk Bangladesh Limited	Managing Director	75.00%
			Danish Foods Limited	Managing Director	75.00%
			Danish Distribution Network Limited	Managing Director	75.00%
			Rubel Steel Mills Limited	Managing Director	75.00%
			Ferrotechnic Limited	Managing Director	75.00%
			Danish Dairy Firm Limited	Managing Director	75.00%
			Suborna Bhumi Housing Limited	Managing Director	50.00%
			Fabiana Flower Mills Limited	Managing Director	75.00%
			Voice Tel Limited	Managing Director	22.50%
			Sky Telecommunication Limited	Managing Director	23.00%
			Star Particle Board Mills Limited	Director	15.00%
			Corvee Maritime Company Limited	Director	15.00%
			Partex Furniture Industries Limited	Director	15.00%
			Partex Builders Limited	Director	15.00%
			Partex Laminates Limited	Director	15.00%
			Partex Limited	Director	15.00%
			Partex Housing Limited	Director	50.00%
			Partex PVC Limited	Director	15.00%
			Star Adhesive Limited	Director	15.00%
			Partex Aeromine Logistics Limited	Director	15.00%
			Partex Cables Limited	Director	15.00%
2.	Mr. Faruq M. Ahmed	Director	The City Bank Limited	AMD, CRO & Chief Anti Money Laundering Compliance Officer	-
			City Brokerage Limited	Director	-
			City Bank Capital Resources Limited	Director	-

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 31.12.16
3.	Mr. Monower Uddin Ahmed	Independent Director	Monower Associates	CEO & Lead Consultant	100%
4.	Ms. Meherun Haque	Director	-	-	-
5.	Mr. S.M. Mashrur Arefin	Director	The City Bank Limited	Additional Managing Director and Head of Branch Banking	-
			CBL Money Transfer Sdn.Bhd.	Director	-
			Bangladesh Malaysia Chamber of Commerce & Industry	Director	-
			City Bank Capital Resources Limited	Director	-
6.	Mr. Mohammad Mahbubur Rahman, FCA	Director	The City Bank Limited	Chief Financial Officer	-
			City Bank Capital Resources Limited	Director	-
7.	Mr. Md. Kamrul Hassan, FCA	Director Nominated by Transcom Group	Transcom Group of Companies	Executive Director - Finance	-
			National Asset Management Limited	Director	9%
8.	Mr. Syed Shahriyar Ahsan	Director	Shadharan Bima Corporation	Managing Director	-
			Investment Corporation of Bangladesh	Director – Nominated by SBC	-
			Central Depository Bangladesh Limited	Director – Nominated by SBC	-
			National Tea Company Limited	Director – Nominated by SBC	-
			CAPM Venture Capital & Finance Limited	Director – Nominated by SBC	-
			SBC Securities and Investment Limited.	Chairman – Nominated by SBC	-
9.	Mr. Mati Ul Hasan	Director	Mercantile Bank Limited	Deputy Managing Director	-
10.	Mr. Atiqur Rahman	Director	Transcom Limited	Group Finance Director	-
			M. Rahman Tea Co. Limited		10.40%
			Monipur Tea Co. Limited		6.10%
			Marina Tea Co. Limited		11.10%
			W. Rahman Jute Mills Limited		1.10%
			Heritage Agro Farms Limited		5.00%
			Reliance Insurance Limited		-

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 31.12.16
11.	Mr. Matiul Islam Nowshad	Independent Director	Robi Axiata Limited	Chief Corporate & People Officer	-
			edotco Bangladesh Company Ltd.	Share Holder (nominee) holding one share on trust from Robi Axiata	Tk. 10 Share
12.	Mr. Niaz Habib	Independent Director	-	-	-

b. Significant contract where the Company is party and wherein Directors have interest - Nil

c. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operational decision and include associated companies with or without common Directors and key management positions. The Company has entered into transaction with other related entities in normal course of business that fall within the definition of related party as per 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, 2016 were as follows:

Name of the related party	Transaction nature	Relationship	Balance as at January 1, 2016	Addition	Adjustment	Balance at year end December 31, 2016 receivable/ (payable)
			Taka	Taka	Taka	Taka
The City Bank Limited	Term Deposit	Sponsor shareholder	(2,000,000,000)	(3,000,000,000)	2,000,000,000	(3,000,000,000)
	Subordinated Bond	Sponsor shareholder	313,000,000	-	-	313,000,000
Mercantile Bank Limited	Term Deposit	Shareholder	(500,000,000)	(600,000,000)	500,000,000	(600,000,000)
	Subordinated Bond	Shareholder	300,000,000	-	-	300,000,000
Transcom group	Lease/Loan	Shareholder	21,953,527	-	(14,532,702)	7,420,825
	Term Deposit	Shareholder	(740,238,584)	(384,355,060)	-	(1,124,593,644)
Reliance Insurance Limited	Term Deposit	Shareholder	(444,500,000)	(42,000,000)	304,000,000	(182,500,000)
Directors & their families	Lease/Loan	Shareholder	2,347,740	-	(413,464)	1,934,276
	Term Deposit	Shareholder	(19,896,067)	(48,147,650)	9,249,295	(58,794,422)
			(3,067,333,385)	**(4,074,502,710)**	**2,798,303,129**	**(4,343,532,966)**

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	74,776	952,260
Mahbubur Rahman	Lease/Loan	Standard	19,396	-

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

40. Receivable from Directors

The Company does not have any receivable from any of the Directors of the Company as at December 31, 2016.

41. 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 consisted of the following members of the Board:

Name	Status at the Company	Status at the Committee
Mr. Monower Uddin Ahmed	Independent Director	Chairman
Mr. Mohammad Mahbubur Rahman, FCA	Director	Member
Mr. Md. Kamrul Hassan, FCA	Director	Member
Mr. Syed Shahriyar Ahsan	Director	Member

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

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

Meeting No	Held on
47th	11-Feb-2016
48th	18-Feb-2016
49th	27-Apr-2016
50th	28-Jul-2016
51st	29-Sep-2016
52nd	17-Oct-2016

c. Six meetings of the audit committee were held during the year 2016 where it carried out the following tasks:

i) Discussed with the external auditors and management prior to finalization of financial statements of IDLC Finance Limited for the year ended December 31, 2015 as per Bangladesh Bank circular number 13 dated October 26,2011;

ii) Reviewed draft audited financial statements of IDLC Finance Limited for the year ended December 31, 2015 as per clause no. 3.3 (v) of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission;

iii) Reviewed expression of interest of the Audit Firms and recommended for appointment of ACNABIN, Chartered Accountants as statutory auditors for the year 2016;

iv) Reviewed the report of Audit Committee for incorporation in the Annual Report 2015;

v) Reviewed the Bangladesh Bank Inspection Report on corporate head office of IDLC as of December 31,2015, and management responses to the report;

vi) Reviewed audit plan of Internal Control and Compliance Department for the year 2016;

vii) Reviewed the internal audit reports issued by the Internal Control and Compliance department during the year 2016;

viii) 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, 2015;

ix) Reviewed quarterly and half-yearly unaudited financial statements of IDLC Finance Limited for the year 2016;

42. Foreign remittance

There were no foreign remittance during the year 2016.

43 Number of employees

The Company paid an aggregate amount more than Taka 36,000 per annum to 275 employees and more than Tk. 3,000 per month to 824 employees who were in employment for full year or part of the year

44 Events after the reporting period

44.1 Dividend for the year 2016

The Board of Directors at its 253rd Meeting of the Board held on February 20, 2017, recommended to the shareholders a cash dividend @ 30% i.e. Tk. 3.00 per share (amounting to Taka 1,131,152,342). This will be considered for approval by the shareholders at the 32nd Annual General Meeting (AGM) to be held on March 30, 2017.

44.2 IDLC's Rights issue 2016

Bangladesh Securities and Exchange Commission (BSEC) vide its letter Ref. No. BSEC/CI/RI-104/2015/668, dated November 22, 2016 approved IDLC's Rights issue application for raising of paid up capital through issuance of 125,683,593 Ordinary Shares of Taka 10 each issuing at Taka 20 each, including a premium of Taka 10 per share, amounting to Taka 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 compliance with Securities and Exchange Commission (Rights Issue) Rules, 2006 as well as consent letter, we have declared record date on December 15, 2016 and the subscriptions period from January 01, 2017 to January 19, 2017. Accordingly, after credit of the rights shares on February 08, 2017, number of Ordinary Shares of the company stands at 377,050,780 and the paid-up capital stands at Taka 3,770,507,800 and the Share Premium stands at Taka 1,260,585,930.

45. General

45.1 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.

45.2 The Company does not have any restriction on distribution and payment of dividends.

45.3 During the year under report, no matters were submitted to a vote of shareholders of the Company

Dhaka, February 20, 2017	Sd/- Chairman	Sd/- Director	Sd/- CEO & Managing Director	Sd/- Company Secretary

Fixed assets including land, building, furniture and fixtures-for 2016

Annexure - A

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2016
	Balance at January 01, 2016	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2016		Balance at January 01, 2016	Charged for the year	Adjustment during the year	Balance at December 31, 2016	
	Taka	Taka	Taka	Taka		Taka	Taka	Taka	Taka	Taka
Free hold assets:										
Land	26,958,470	-	-	26,958,470	-	-	-	-	-	26,958,470
Building	205,519,303	2,000,000	-	207,519,303	2.50	15,598,636	5,150,483	-	20,749,118	186,770,184
Furniture and fixtures	51,475,263	40,755,272	(12,116,841)	80,113,694	12.50	31,307,358	7,797,276	(10,711,900)	28,392,735	51,720,960
Electrical equipment	57,051,909	27,534,572	(11,219,874)	73,366,607	20.00	46,629,612	7,771,305	(10,284,216)	44,116,701	29,249,906
Curtain and carpets	3,010,870	2,000,264	(942,735)	4,068,398	33.33	1,947,980	860,633	(703,171)	2,105,442	1,962,957
Office equipment	77,209,996	21,089,129	(6,385,761)	91,913,364	20.00	67,347,501	10,841,952	(6,232,089)	71,957,365	19,956,000
Office decoration	75,235,211	61,125,795	(15,291,356)	121,069,649	20.00	58,128,473	13,388,873	(14,819,746)	56,697,601	64,372,049
Computers	114,322,238	18,729,528	-	133,051,766	20.00	63,073,657	14,520,050	-	77,593,707	55,458,059
Software (Office Operation)	25,893,214	6,012,622	-	31,905,836	33.33	16,858,760	5,540,143	-	22,398,904	9,506,932
Software (Business Operation)	132,395,647	5,144,847	-	137,540,494	20.00	94,883,546	26,993,614	-	121,877,160	15,663,334
Telephone and telex	9,669,586	1,609,805	(1,950,029)	9,329,361	33.33	7,653,042	1,311,136	(1,660,331)	7,303,848	2,025,513
Motor vehicles	263,426,582	95,252,458	(70,139,885)	288,539,155	25.00	136,376,365	58,759,138	(49,864,594)	145,270,908	143,268,247
Total 2016	**1,042,168,288**	**281,254,291**	**(118,046,481)**	**1,205,376,097**		**539,804,931**	**152,934,603**	**(94,276,047)**	**598,463,488**	**606,912,609**

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

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2015
	Balance at January 01, 2015	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2015		Balance at January 01, 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
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**

A.1 Details of disposals/adjustments-for 2016

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	12,116,841	(10,711,900)	1,404,941	718,384	(686,558)	As per policy of the Company	Employees/Outsider
Electrical equipment	11,219,874	(10,284,216)	935,658	1,018,471	82,814	As per policy of the Company	Employees/Outsider
Curtain and carpets	942,735	(703,171)	239,564	226,635	(12,928)	As per policy of the Company	Employees
Office decoration	15,291,356	(14,819,746)	471,611	228,204	(243,407)	As per policy of the Company	Outsider
Office equipment	6,385,761	(6,232,089)	153,672	566,936	413,264	As per policy of the Company	Employees/Outsider
Telephone and telex	1,950,029	(1,660,331)	289,699	309,663	19,964	As per policy of the Company	Employees/Outsider
Motor vehicles	70,139,885	(49,864,594)	20,275,291	33,369,611	13,094,320	As per policy of the Company	Employees/Outsider
Total 2016	**118,046,481**	**(94,276,047)**	**23,770,435**	**36,437,904**	**12,667,469**		

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A(a) Consolidated fixed assets including land, building, furniture and fixtures-for 2016

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2016
	Balance at January 01, 2016	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2016		Balance at January 01, 2016	Charged for the year	Adjustment during the year	Balance at December 31, 2016	
	Taka	Taka	Taka	Taka		Taka	Taka	Taka	Taka	Taka
Free hold assets:										
Land	26,958,470	-	-	26,958,470	-	-	-	-	-	26,958,470
Building	205,519,303	2,000,000	-	207,519,303	2.50	15,598,636	5,150,483	-	20,749,118	186,770,184
Furniture and fixtures	65,474,845	48,233,256	(16,333,412)	97,374,689	12.50	40,672,250	9,462,197	(13,661,843)	36,472,604	60,902,085
Electrical equipment	80,716,999	29,481,824	(14,228,125)	95,970,699	20.00	68,472,125	8,714,474	(13,073,509)	64,113,090	31,857,609
Curtain and carpets	3,788,572	2,295,705	(975,215)	5,109,062	33.33	2,544,993	1,026,034	(715,801)	2,855,226	2,253,836
Office equipment	113,268,398	22,859,436	(10,668,850)	125,458,984	20.00	100,653,748	12,444,764	(10,307,729)	102,790,783	22,668,201
Office decoration	100,694,182	73,424,784	(23,845,967)	150,272,999	20.00	79,532,573	15,444,220	(22,573,118)	72,403,675	77,869,323
Computers	134,107,076	18,950,528	(1,059,180)	151,998,424	20.00	77,756,690	15,751,576	(1,059,070)	92,449,197	59,549,227
Software (Office Operation)	33,042,024	6,666,887	-	39,708,911	33.33	21,144,222	7,100,534	-	28,244,756	11,464,155
Software (Business Operation)	132,395,647	5,144,847	-	137,540,494	20.00	94,883,546	26,993,614	-	121,877,160	15,663,334
Telephone and telex	12,714,245	2,103,169	(2,308,888)	12,508,526	33.33	10,237,760	1,617,550	(1,957,753)	9,897,557	2,610,968
Motor vehicles	299,765,954	101,275,357	(74,589,885)	326,451,426	25.00	159,850,490	64,022,066	(53,127,089)	170,745,467	155,705,959
Total 2016	**1,208,445,716**	**312,435,792**	**(144,009,522)**	**1,376,871,985**		**671,347,033**	**167,727,512**	**(116,475,911)**	**722,598,634**	**654,273,352**

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

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2015
	Balance at January 01, 2015	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2015		Balance at January 01, 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**

Share Stock



Ensuring sweet returns!

The story of Md. Rasel-Uz-Zaman, Rowza Pure Foods

Md. Rasel-uz-Zaman, holding a business degree, was welcomed into the real world with a jolt. Having invested some money in a garments firm, he lost all his funds because of the business not being able to keep pace with a highly competitive industry environment.

So Rasel decided to head home to try and run his father's modest establishment of selling honey. Armed with the educational knowhow, he knew the importance of scale in the business and slowly started to work his way through. As he travelled to get a sense of the business, he soon enlisted almost all the vendors selling honey around Sunderbans as his suppliers. Honey, being commoditized, he knew that the only way to sustainable profits was if he was able to brand his honey on the assurance of quality and taste. For this venture, he mobilized a modest loan from his friends and within a short span of time, he was able to sell around 12 tons of honey.

Encouraged by the validation of his ideas, Rasel's appetite started to grow and he added more varieties to his portfolio. This required capital support and this is when he met IDLC.

IDLC provided Rasel with a SME loan and its quick management and response systems enabled him to raise adequate funds to further his venture, powered by his ideas. This is how Rowza Pure Foods was born. Armed with capital, Rasel was now able to get his family into the business with the result that his mother, wife and younger brother all pitched in.

With IDLC plus family, Rasel's ideas got wings. He soon started to procure products from dairy farmers, cultivators and even from housewives from whom he collected top-quality ghee, spices, processed fruit and pickles, which he then sold to Dhaka's grocery shops, profitably. With surplus funds generated by the business, he then went on to acquire a small plot of land to build his processing factory, employing workers to process goods, as also ensuring a better livelihood for the backbone of his venture - growers and housewives in his village.

However, just when the horizon looked bright, lightning struck. Because of a dispute, organized syndicates in Dhaka forced sellers to not trade Rowza's products. It is often said that true opportunity lies in times of crisis. And Rasel found his sweet-spot in this challenge when he decided to circumvent the ban by establishing his own outlets that would directly sell his products.

At present, with a sustainable supply chain on the one hand and a direct retail presence on the other (nine outlets spread throughout Dhaka city), Rowza Pure Foods provides its customers with organic products collected from some of the remotest parts of Bangladesh. Currently, the Company employs more than fifty people and averages Taka 7 million in monthly revenues.

Today, Rasel often says that in a dynamic marketplace he could face several uncertainties. But the only certainty he's sure of is IDLC's commitment to fund his growing business and his aspirations.

We wish Rasel and Rowza Pure Foods many sweet returns!

VISTOCK

IDLC Securities Limited

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)



Standing from left

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

Mohammad Jobair Rahman Khan ACA
Head of Statutory Reporting & Taxation and Group Company Secretary

Md. Momin Uddin
Head of International & Institutional Sales

Sitting from left

Golam Ahad Chowdhury
Head of Trading & Business Development

Md. Saifuddin
Managing Director

Shamima Akter Lovely
Assistant General Manager, Human Resources

Directors' Report

To the Shareholders of IDLC Securities Limited



Niaz Habib
Independent Director & Chairman

Dear shareholders,

It is with immense pleasure that the Board of IDLC Securities Limited (IDLC SL) presents the Directors' Report, the audited financial statements of the Company for the year ended December 31, 2016 and the Auditor's Report thereon along with a capital market overview, the Company's performance and other matters in compliance with the Companies Act, 1994, and the guidelines issued by the Bangladesh Securities and Exchange Commission.

In Bangladesh, with more than 550 securities including stocks, corporate bonds, treasury bonds and mutual funds, the total market capitalization is about USD 46 billion whereas the equity market capitalization is about USD 38 billion. Interestingly, the top 10 market cap companies represent about 41% of the equity market capitalization and all 12 listed MNCs represent about 29% of the equity market capitalization. The country's equity market is still very small in size compared to our neighbors and peers. While our market-cap-to-GDP is only about 17%, the same ratio is much higher for countries like India (73%), the Philippines (57%), Thailand (112%), Malaysia (75%) and Indonesia (46%). We believe there is ample scope for the market to grow significantly over time with the listing of new equity in the coming days. In this attractively placed environment, IDLCSL is positioning itself to capture a significant share of this emerging growth, going ahead.

2016 has been a year of surging optimism and confidence of investors on stock market. Despite all the leading economic indicators performing well in the recent years, low investor confidence had been prevailing in the stock market for a long period of time since 2010. But, reflection of high growth in real economy could not be observed on the capital market as the index plummeted by 9.9% to a bottom of 4,171.4 points on May 2, 2016 from 4,629.6 points of December 31, 2015. The market began to recover gradually from May, 2016 and it stabilized around a level between 4,600 & 4,700 till November 2016. Investor confidence started to come back following this steady level of index. From November, 2016 a bull run started in the market with index rising by 20.7% to 5,036.1 points on December 29, 2016 from the bottom of 4,171.4 points on May 2, 2016. To sum up, it has been a year of revival of investor confidence in capital market which is likely to persist in upcoming days.

Daily average trades in the DSE amounted to BDT 4.9 billion in 2016 compared with about BDT 4.2 billion in 2015. The DSEX traded between index value of minimum 4,171.4 and maximum of 5,036.1 in 2016. Throughout the year, DSEX, rose by 8.9% in 2016 compared to a fall of 6.3% in 2015.

It is my great pleasure to inform you that IDLC SL made a net profit after tax of BDT 103.4 million, which is 7.6% higher than BDT 96.1 million reported in 2015. A better performance in both brokerage and investment incomes made this growth possible. While net brokerage income rose by 26.1% to BDT 256 million, net investment income witnessed a 36.9% growth to BDT 70.7 million in 2016 from BDT 51.7 million in 2015. Daily average turnover of the markets increased by 17% in 2016, whereas the average daily turnover of your Company rose by 32%. This resulted in an increase in market share to 3.5% in 2016 from 3.1% of previous year and that was achieved due to a rise in our customer base and effective performance management strategies.

Despite the challenges prevailed in the 1st half of the year, IDLC SL came out on top by adding near about 1,400 new accounts in 2016 which is about 10% growth in our customer base over 2015. Currently, IDLC SL has 15,000+ clients including 287 institutional and foreign clients. Moreover, the Company serves more than 2,500 customers as a panel broker of its enlisted merchant banks.

Operational highlights of 2016

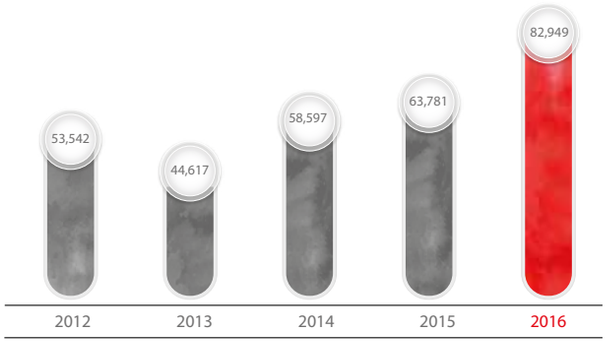
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
No. of accounts at the beginning	7,988	8,984	10,756	12,854	13,960
Accounts opened during the year	1,186	1,858	3,062	2,514	1,878
Accounts closed during the year	(190)	(86)	(964)	(1,408)	(486)
No. of accounts at year end	8,984	10,756	12,854	13,960	15,352
Growth (year on year)	12.5%	19.7%	19.5%	8.6%	10.0%
Composition of client base:					
Individual	8,652	10,406	12,530	13,602	14,933
Institution & Foreign	148	159	199	226	287
NRB	184	191	125	132	132
Total	8,984	10,756	12,854	13,960	15,352

Principal operational achievements of 2016

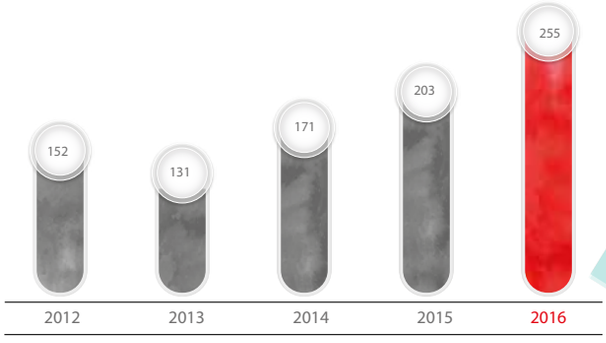
- Scaled up business in retail, institution and foreign segments
- Aligned the business model on the path of higher operational efficiency
- Widened and enhanced depth of sell-side research coverage
- Augmented retail and strategic sales efforts
- Achieved significant footing in foreign sales operation
- Reviewed and restructured our operational risk management process

Financial highlights of 2016

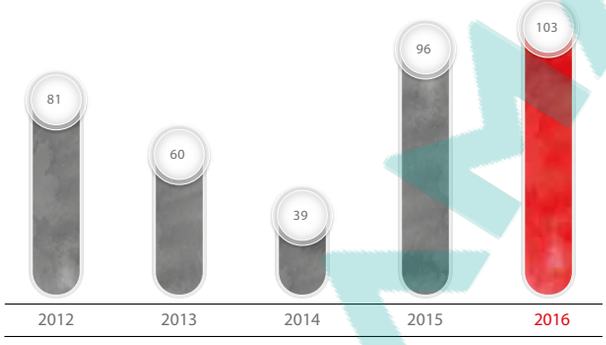
Total turnover In BDT million



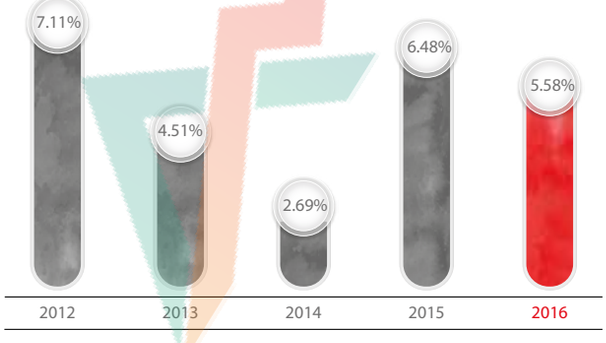
Net brokerage income In BDT million



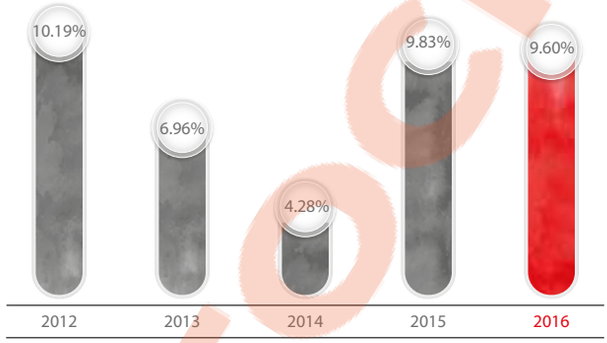
Net profit after tax In BDT million



Return on total assets



Return on equity



IDLC SL's total turnover rose to BDT 83.0 billion in 2016, which was the highest during the last six years. Net brokerage income grew by 26.1% in 2016 and rose to BDT 256 million. Consequently, net profit before tax and provisions witnessed a growth of 30.0% in 2016 to BDT 191.8 million. Net profit after tax grew by only 7.6% to BDT 103.4 million from BDT 96.1 million in 2015. Net profit grew at lower rate than profit before tax and provision due to release of investment provision in 2015. If we nullify that impact, net profit after tax actually grew by 25.2% in 2016. ROA and ROE stood at 5.6% and 9.6%, respectively, in 2016.

Human resource development

IDLCSL believes that its quality human resources are crucial pillars of its growth. The Company continues to develop and implement strong human resource policies to motivate its employees and ensure their optimum contribution not only to corporate performance but also in attaining the highest ethical standards and goals. With a strong belief that human resources infuse a significant competitive edge, we continue to recruit the best talent available in the industry. We also conduct diverse training and motivational programs to develop and retain a high-quality human resource base.

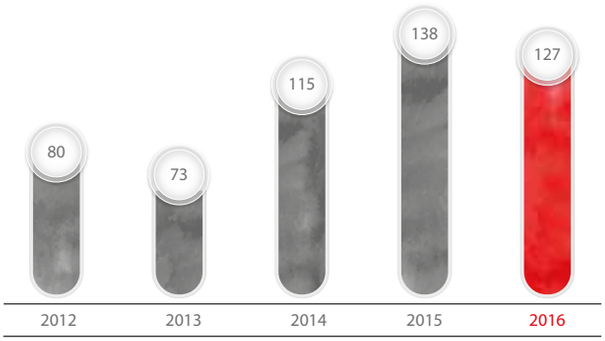
At the end of 2016, the total number of employees stood at 127 as compared with 138 in 2015.

As part of IDLCSL's human resource development initiatives, a significant number of employees attended different training programs during the year, including both managerial development and technical competency-building modules. During 2016, as many as 1,331 employees were trained in-house which included DKAP (dealer knowledge awareness program). 7 employees attended 5 public/local training programs, 2 employees were trained in customized training programs and 1 employee attended a foreign seminar.

Major HR initiatives in 2016

- Introduction of a JO-based performance appraisal for all the employees
- Enlarged the number of in-house training programs
- Enhanced the quality of orientation and training plans for the new recruits

Number of Employees



Top-five risks impacting our business and key mitigation strategies

Risk	Mitigation strategy
Political uncertainty	Balancing between scale of the business and uncertainty
Regulatory risk	Improve internal control, training and mentoring employees for enhancing compliance
Investment risk	Prudent investment exposure Management
Retention of skilled human resources	Performance and motivation management
Shift in technology	We are closely monitoring technological changes to adopt the appropriate technology and remain contemporary with regards to the prevailing standards

Outlook for 2017

At IDLC SL, we intend to:

- Scale-up the business with the target of capturing a larger market share
- Capitalize on sell side research to bring maximum synergy for institutional, foreign and retail segments
- Enhance sales and marketing of premium brokerage services
- Continue to focus on sales and fund management capacity building
- Embrace new technology conducive for brokerage business

Books of accounts

At IDLC Securities, proper books of accounts have been maintained. The appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements and any departure there-from has been adequately disclosed. The financial statements prepared by the management of IDLC Securities Limited present fairly its state of affairs, the result of its operations, cash flows and changes in the shareholders' equity.

Internal control

The system of internal control is sound in design and has been effectively implemented and monitored.

Distribution of profits

Considering Company's investment opportunities, growth potentials and comparative cost benefit analysis of paying out dividend and overall better tax management, the Board of IDLC Securities Limited decided not to declare any dividend to the shareholders of the Company for 2016.

Appointment of auditors

In terms of Article 102 of the Articles of Association of the Company, the Company shall, at each Annual General Meeting (AGM), appoint an auditor or auditors to hold office until the next AGM. The shareholders of IDLC Finance Limited at its 31st Annual General Meeting appointed ACNABIN, Chartered Accountants, as the group auditors for the company and its subsidiaries for 2016. Accordingly, the shareholders at its 10th Annual General Meeting, appointed ACNABIN, Chartered Accountants as the statutory auditors for IDLC SL for 2016. In 2016, they have also completed their terms for consecutive three years. As per the stipulation of Bangladesh Securities Exchange Commission's regulation, they are not eligible for reappointment.

Based on the recommendation of the Audit Committee, the Board of IDLC Finance Limited at its 253rd meeting of the Board, held on February 20, 2017, recommended A. Quasem & Co., Chartered Accountants, to appoint them as the statutory auditors for the group. Accordingly, the Board of IDLC SL at its 68th meeting held on February 19, 2017 also recommended to the shareholders of the Company A. Quasem & Co, Chartered Accountants to appoint them as the statutory auditors for the company for 2017 at a remuneration of BDT 1 (one) Lac only,

Going concern

There is no significant doubt on IDLC Securities Limited's ability to continue as a going concern.

Appreciation

I would like to thank the Board and colleagues for their continued support and unstinted cooperation and on their behalf express my sincere appreciation to the entire IDLC Securities team. I would like to acknowledge the exceptional efforts of our employees who worked hand-in-hand to meet the challenges of a difficult year. They were called upon to embrace major difficulties, at the same time maintaining the highest standards of service to our clients.

On behalf of the Board, I would like to thank our loyal customers and honorable shareholders for their trust reposed in us. The members of the Board would also like to thank the Bangladesh Securities and Exchange Commission, the Dhaka and Chittagong stock exchanges and the Central Depository Bangladesh Limited, who have remained as partners in the growth of our Company.

For and on behalf of the Board of Directors,

Sd/-

Niaz Habib
Chairman
IDLC Securities Limited

ACNABIN
Chartered Accountants

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

Telephone : (88 02) 8144347 to 52
(88 02) 8189428 to 29
Facsimile : (88 02) 8144353
e-mail : <acnabin@bangla.net>
Web : www.acnabin-bd.com

Independent Auditor's Report

To the Shareholders of IDLC Securities Limited

We have audited the accompanying financial statements of IDLC Securities Limited which comprise the Statement of Financial Position as on 31 December 2016 and the related Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS) 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 these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements of the company that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements.

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 financial statements referred to above give a true and fair view of the financial position of IDLC Securities Limited as on 31 December 2016 and of the results of its operations and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Report on Other Legal and Regulatory Requirements

We as required by the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws and regulation further report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) 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;

(c) the statement of financial position of the Company dealt with by the report are in agreement with the books of account maintained by the Company; and

(d) the expenditure incurred was for the purpose of business of the Company.

Dhaka,
19 February 2017

Sd/-
ACNABIN
Chartered Accountants

BAKER TILLY INTERNATIONAL

IDLC Securities Limited

Statement of Financial Position

As at 31 December 2016

Particulars	31.12.2016 Taka	31.12.2015 Taka
ASSETS		
Non-Current Assets	**48,220,889**	**40,983,361**
Property, plant and equipment	27,978,666	20,157,408
Intangible asset	1,566,223	2,149,953
Investment in Stock Exchanges	18,676,000	18,676,000
Current Assets	**2,096,922,975**	**1,516,602,887**
Advances, deposits and prepayment	21,594,749	25,757,288
Investment in marketable securities	885,524,029	437,308,107
Accounts receivable	117,954,062	68,639,313
Short term loan to IDLC Investments Limited	100,000,000	-
Margin loan to clients	41,461,623	33,740,272
Cash and cash equivalents	917,532,095	934,149,947
Deferred tax assets	12,856,417	17,007,960
Total Assets	**2,145,143,864**	**1,557,586,248**
EQUITY AND LIABILITIES		
Equity	**1,128,650,188**	**1,025,271,861**
Share capital	400,000,000	400,000,000
Retained earnings	728,650,188	625,271,861
Liabilities		
Current Liabilities	**1,016,493,676**	**532,314,387**
Accounts payable	764,417,975	353,578,464
Short term loan from IDLC Finance Limited	170,000,000	105,000,000
Liabilities for expenses	23,186,932	23,231,816
Provision for income tax	58,888,769	50,504,107
Total Liabilities	**1,016,493,676**	**532,314,387**
Total Equity and Liabilities	**2,145,143,864**	**1,557,586,248**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

This is the statment of financial position referred to in our separate report of even date.

Dhaka,
19 February, 2017

Sd/-
ACNABIN
Chartered Accountants

AMARSTOCK

IDLC Securities Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

Particulars	2016 Taka	2015 Taka
Operating income		
Brokerage commission income	283,608,543	216,028,793
Brokerage commission expense	(31,982,499)	(17,019,734)
Net brokerage commission income (a)	**251,626,044**	**199,009,059**
Interest income	60,329,508	74,303,438
Interest expense	(9,543,396)	(2,676,538)
Net interest income (b)	**50,786,113**	**71,626,901**
Net investment income (c)	70,747,437	51,669,735
Other operating income (d)	4,327,245	3,999,466
Total operating income (A=a+b+c+d)	**377,486,840**	**326,305,161**
Operating expenses		
Salaries & allowances	106,230,160	99,962,409
Rent, taxes, insurance, electricity, etc.	48,629,911	43,960,205
Legal expenses	2,276,233	2,110,689
Postage, stamp, telecommunication, etc.	4,055,557	7,373,694
Stationery, printing, advertisements, etc.	4,527,225	3,812,149
Directors' fee and meeting expenses	171,398	135,750
Audit fee	86,250	86,250
Depreciation and amortization	8,136,360	12,458,213
Other expenses	12,453,077	11,124,522
Total operating expenses (B)	**186,566,171**	**181,023,879**
Operating profit (A-B)	**190,920,669**	**145,281,282**
Non-operating income	853,012	2,260,417
Profit before provisions and tax	**191,773,681**	**147,541,699**
Provision for diminution in value of investments	-	13,518,321
Profit before provision for income tax	**191,773,681**	**161,060,020**
Provision for income tax	**88,395,353**	**64,975,829**
Current tax	84,243,811	63,059,043
Deferred tax expense/(income)	4,151,542	1,916,786
Net profit	**103,378,327**	**96,084,191**
Other comprehensive income	-	-
Total Comprehensive Income	**103,378,327**	**96,084,191**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

This is the statement of profit or loss and other comprehensive income referred to in our separate report of even date.

Dhaka,
19 February, 2017

Sd/-
ACNABIN
Chartered Accountants

IDLC Investments Limited

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)



Standing from left

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

A.H.M. Nazmul Hasan
Head of Margin Loan & Operations

Abul Ahsan Ahmed
Head of Discretionary Portfolio Management

Mohammad Jobair Rahman Khan ACA
Head of Statutory Reporting & Taxation and Group Company Secretary

Sitting from left

Shamima Akter Lovely
Assistant General Manager, Human Resources

Md. Moniruzzaman CFA
Managing Director

Rubayet-E-Ferdous
Chief Operating Officer

Directors' Report to the Shareholders of IDLC Investments Limited



Monower Uddin Ahmed
Independent Director & Chairman

Dear shareholders,

The Directors have the pleasure in presenting to the members of IDLC Investments Limited the Directors' Report, the audited financial statements for the year ended December 31, 2016 and auditor's report thereon along with the capital market overview, the Company's performance and other matters in compliance with the Companies Act, 1994, and Corporate Governance guidelines of the Bangladesh Securities and Exchange Commission.

The Company's principal activities encompass investment banking (issue management, underwriting and corporate advisory), discretionary portfolio management and margin lending. It also generates top-notch equity research and publishes it on Bloomberg.

IDLC Investments provides a high standard of professional and personalized services to its local and NRB customers. The Company possesses a proven track record of catering to a diverse set of client needs while concurrently maintaining strict compliance with the country's laws and the highest ethical standards. IDLC Investments is positioned as one of the top-ranking merchant banking enterprises in the country, renowned for its quality investment banking and portfolio management services.

Operational highlights

Investment banking:

IDLC Investments Limited (IDLCIL) possesses a rich experience in investment banking, focusing on initial public offerings (IPO), repeat public offerings (RPO), rights issue management, underwriting, corporate advisory on capital restructuring and pre-IPO capital raising, equity valuations, arrangement of pre-IPO placement/ capital raising for forthcoming IPOs, merger & acquisitions, among others.

Our key strength lies in our ability to value and position the target company in the financial markets correctly, devise the best financial structure, showcase the enterprise to the right investors and round-up the entire process smoothly and efficiently, leveraging our strong liaison and co-ordination with regulatory authorities, thereby ensuring growth and continuous value-creation for the company going for public.

2016 has been an exciting year for investment banking. During the year we worked as corporate advisor on the landmark Robi-Airtel merger, the biggest of its kind in the history of Bangladesh. We successfully held three road shows for IPO under Book Building Method and submitted three IPOs to BSEC namely Runner Automobiles Limited, Popular Pharmaceuticals Limited and Bengal Poly and Paper Sack Limited. Additionally, we also worked on the Rights Issue of AB Bank Limited. Besides we acted as corporate advisor for the capital raising of Ananta Apparels Limited from International Finance Corporation as well as capital raising of Far East Spinning Industries Limited. We ventured into a new avenue of service acting as trustee to a bond issuance through private placement.

As of December 31, 2016, we managed nine IPOs as the issue manager and thus worked in raising BDT 6,515 million. By managing IPOs, RPOs, rights issues, private placements and capital raising activities, IDLCIL helped to raise BDT 31,319 million for its clientele, so far. The Company has also provided underwriting services to 54 issuers till December 2016.

Currently, IDLCIL is working as the issue manager for 15 IPO-bound companies. During 2016, the investment banking team signed two issue management agreements with Summit Meghnaghat Power Company Limited and Ananta Apparels Limited, rights issue agreement with AB Bank Limited and three corporate advisory agreements with Rangs Properties Limited, Ananta Apparels Limited and Far East Spinning Industries Limited. The corporate advisory signings include that of merger and acquisition, advisory services and capital raising. During the year under report, we also signed two underwriting deals.

The key challenges for investment banking include extensive and dynamic regulatory changes, sluggish primary markets and stringent regulatory reviews. Bangladesh Securities and

Exchange Commission (Public Issue) Rules 2015 was gazetted on December 28, 2015, which requires a higher level of disclosures and due diligence. IDLCIL focuses on overcoming these challenges by leveraging its strong brand equity and transparent relationship with regulators, investors and other stakeholders.

In 2017, the investment banking team expects to emphasize more on corporate advisory, mergers and acquisitions and equity valuation, apart from working on new initial public offerings.

Discretionary portfolio management (DPM)

IDLCIL's discretionary portfolio management (DPM) service was launched in 2007 as "Managed Cap Invest", which was subsequently re-branded as "MAXCAP" in 2010 to reflect its more accurate identity. We have an experienced team of fund managers who manage funds on behalf of our investors by developing appropriate investment strategies, monitoring market performance regularly, diversifying the portfolio and actively managing risk. According to their desired risk-return profiles, our clients can choose from a wide variety of investment products including "MAXCAP", "Profit-Loss Sharing Scheme", "Capital Protected Scheme", "Portfolio Advisory Service" and the newly launched "Easy Invest".

"Easy Invest" is a monthly investment scheme aimed at building a long-term portfolio with small investments (as little as BDT 3,000) at regular intervals, thereby reducing market volatility risks and generating sustainable returns. We have already received overwhelming response from all over the country for the product.

We have ten years' worth of strong track record in generating average annual return of 21%. Currently, we have assets under management (AUM) of BDT 799 million and target to hit AUM of BDT 1,200 million in 2017.

Margin loan product

In December 2004, IDLC Finance launched a margin-lending product, "Cap Invest", and since then, we have been considered as one of the top portfolio managers in the capital markets of Bangladesh. Subsequently, this business was transferred under a fully owned subsidiary company, under the name of "IDLC Investments Limited". Since the market crash of 2010, IDLC Investments has significantly reduced its margin loans to reduce customer risk profiles in volatile markets and also align with the regulatory framework of capital adequacy, single obligor limits and capital market exposure limits of the parent company.

Cap Invest - activities in 2016

During the year 2016, we undertook client-counseling services to emphasize the need for building a constructive portfolio by minimizing market risks to the extent possible. We informed them regarding the projected market scenario, stock analysis, the effects of leverage, the importance of effective risk control and the significance of disciplined portfolio management in order to build long-term wealth. As a means to this, we provided them with different types of value-added services (VAS). Overall, our focused human resource strategy, contemporary processes and technology and high-quality research reports have been instrumental for us to meet our clients' wealth management goals.

However, the appetite for margin loans was almost absent among clients on 2015, which continued in 2016. Considering the scenario we focused to build eminence portfolio. Thus, we could not disburse new loans up to our targeted levels. Moreover, new entrants into the market were also few and far between.

With continuous focus on maintaining diversified portfolio and adaptation of risk management best practices, we managed to achieve our revenue target in 2016 with comparatively low but healthy margin basket.

Risk management

IDLCIL continues to remain proactive and prudent with regards to its risk management tools and is widely considered as an industry trendsetter. We introduced the concept of mark-to-market (MTM) earlier through which we were able to protect client equity levels. We adopted different types of netting policies as well to reduce the loan burden, provided alerts to customers to book unrealized gains and supported them with research-intensive recommendations. It is a matter of pride that none of the competitors are able to match up to us today. This has empowered us with a distinctive competitive advantage.

Financial highlights

The year 2016 proved to be a year of accumulation for IDLCIL with the Company attaining a net operating income of BDT 243 million, which is a significant improvement from BDT 225 million reported in 2015. Consequently, the Company registered a profit after tax of BDT 170 million, representing a growth of 42.47%, year-on-year. The following table demonstrates the breakdown of revenue streams from different products.

Portfolio operations

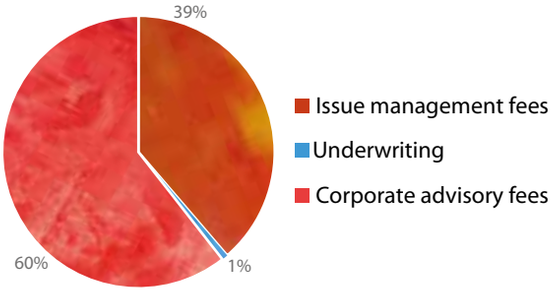
Operational income	2016	2015	2014
Net interest income	140,222,587	149,689,441	(46,922,059)
Portfolio management services	44,563,189	67,786,298	75,446,094
Settlement and transaction fees	20,020,841	21,657,515	26,249,027
Documentation fees	746,000	66,000	51,500
Total operational revenue	205,552,617	239,199,254	54,824,562

The year 2016 as our net interest income stood at BDT 140.22 million from a BDT 149.69 million in 2015 on account of non-recognition of interest income from negative equity clients (due to uncertainty in the recovery of principal and interest).

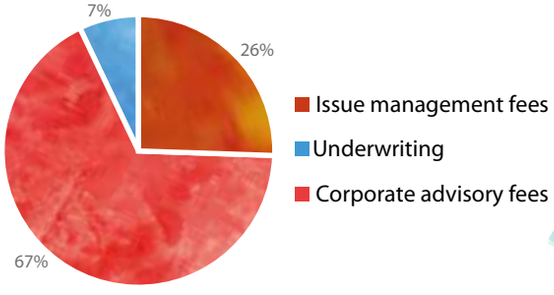
During 2016, portfolio management services represented the principal revenue stream across both Cap Invest and DPM, followed by settlement and transaction fees.

Investment banking

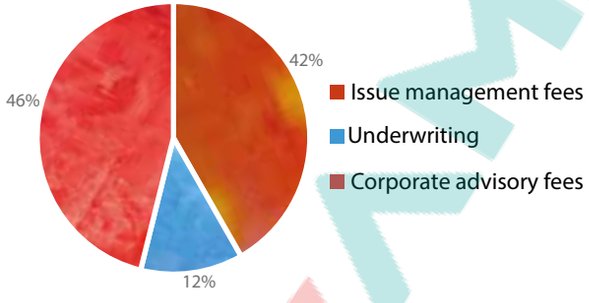
Investment banking-2016



Investment banking-2015



Investment banking-2014

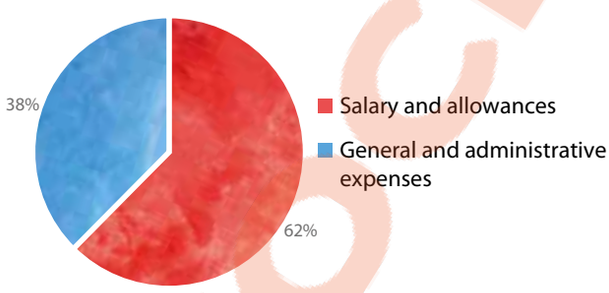


Revenue from investment banking stood at BDT 28.41 million in 2016 where significant contribution came from corporate advisory fees (60%) followed by issue management fees (39%).

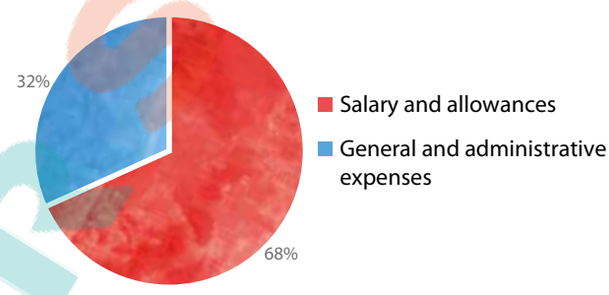
The company incurred a total cost of BDT 79.17 million during 2016, under which 62% was incurred on salary and allowances and the rest was for general and administrative purposes. In 2015, the company incurred a total cost of BDT 80.98 million where 68% of this was incurred on salary and allowances and the rest on general and administrative expenses (32%).

Operational expenses

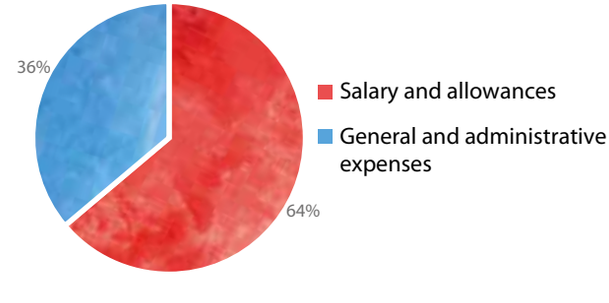
Operational expenses-2016



Operational expenses-2015



Operational expenses-2014



Human resource development

IDLCIL strongly believes that its human resources are its most precious assets and recognizes them as building blocks for the Company to perform sustainably. IDLCIL continues to develop and implement proper human resource policies to motivate its employees and ensures their optimum contribution towards the achievement of common goals. As our resources represent a significant competitive edge, the Company continues its policy of recruiting the best professionals and implementing diverse training and motivational programs to develop and retain high-quality, performance-oriented personnel.

On earlier years the Company revamped its operational model by centralizing most of its functions. The benefits of this measure trickled into 2015, which saw further improvement to the model. We also continued to embrace a lean structure and refrained from fresh recruitments in the event of natural attrition, choosing to focus on enhancing productivity instead. Resultantly, there was a reduction of headcount from 34 to 29 during the year.

Number of permanent employees

No. of employees	2016	2015	2014
Male	24	24	31
Female	5	5	3
Total	29	29	34

As part of IDLCIL's human resource development program, a large number of employees underwent training, which included both managerial development and technical modules. During 2016, 28 participants were trained in four different local training programs.

Outlook and strategies

- Bangladesh capital market has passed a bear-phase since 2010 crash. However, 2017 is showing some positive signs, which were not present in the last six years. The market turnover has crossed BDT 200 million, which we only observed during the middle of the last bull-run. Market participation has increased. New funds are being injected by clients. Many dormant clients are also becoming active.
- The low-interest regime is also working as a positive catalyst for stock market growth. Current bank interest rate of 5-6% is below the inflation. Thus, real interest rate is negative.
- The real estate sector is also suffering for the last few years. Though the housing market showed some optimism in the recent months, it is yet to attract new buyers at large. This in turn is making the equity investment attractive, compared to other asset classes.
- We will try to increase our margin loan basket. We will actively pursue our old customers to come to the market.
- Our focused drive will be there to grow our discretionary portfolio management business. We hope to aggressively grow our 'Easy Invest' product, which is a monthly investment scheme.
- We have already increased our appetite for proprietary investment. We want to reap any potential the market provides, while remaining cautious about downside risks.
- Our strive to remain as the top investment banking firm will be pursued in the areas of issue management and mergers and acquisitions.
- Books of accounts:

Proper books of accounts of IDLC Investments Limited have been maintained. Appropriate accounting policies have been consistently applied in preparation of the financial statements. The accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed. The financial statements prepared by the management of IDLC Investments Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Internal control

The system of internal control is sound in design and has been effectively implemented and monitored.

Distribution of profit for 2016

The Company reported a profit of BDT 170,081,030 in the year 2016. Considering continued market volatility and an uncertain economic environment, the Board has not proposed any dividend to the shareholders for the year 2016.

Appointment of Auditors

In terms of Article 18.2 of the Articles of Association of the Company, the Company shall, at each Annual General Meeting (AGM), appoint an auditor or auditors to hold office until the next AGM. The shareholders of IDLC Finance Limited at its 31st Annual General Meeting appointed ACNABIN, Chartered Accountants, as the group auditors for the company and its subsidiaries for 2016. Accordingly, the shareholders at its 7th Annual General Meeting, appointed ACNABIN, Chartered Accountants as the statutory auditors for IDLC IL for 2016. In 2016, they have also completed their terms for consecutive three years. As per the stipulation of Bangladesh Securities Exchange Commission's regulation, they are not eligible for reappointment.

Based on the recommendation of the Audit Committee, the Board of IDLC Finance Limited at its 253rd meeting of the Board, held on February 20, 2017, recommended A. Quasem & Co., Chartered Accountants, to appoint them as the statutory auditors for the group. Accordingly, the Board of IDLC IL at its 39th meeting held on February 20, 2017 also recommended to the shareholders of the Company A. Quasem & Co, Chartered Accountants to appoint them as the statutory auditors for the company for 2017 at a remuneration of BDT 1 (one) Lac only.

Going concern

There are no significant doubts upon the IDLC Investments Limited's ability to continue as a going concern.

Appreciation

I would like to thank my Board colleagues for their continued support and on their behalf I would like to express my heartiest gratitude to the entire team of IDLC Investments Limited. It would be unfair to not acknowledge the exceptional efforts of our employees who worked in praiseworthy partnerships to meet the many challenges of a difficult year. They were called upon to embrace some major challenges while concurrently maintaining the highest standards of service to our clients. They met the challenges and we thank each of them for their extraordinary performance.

In conclusion, on behalf of the Board, I would like to thank our loyal clients and honorable shareholders for their continued faith and support. Taking this opportunity, the members of the Board would also like to thank the Bangladesh Securities and Exchange Commission, Dhaka and Chittagong stock exchanges and Central Depository Bangladesh Limited who continued to remain our partners in growth.

For and on behalf of the Board of Directors,

Sd/-

Monower Uddin Ahmed
Chairman
IDLC Investments Limited

ACNABIN
Chartered Accountants

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

Telephone : (88 02) 8144347 to 52
(88 02) 8189428 to 29
Facsimile : (88 02) 8144353
e-mail : <acnabin@bangla.net>
Web : www.acnabin-bd.com

Independent Auditor's Report

To the Shareholders of IDLC Investments Limited

We have audited the accompanying financial statements of IDLC Investments Limited which comprise the Statement of Financial Position as at 31 December 2016 and the related Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS) 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 these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements of the company that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements.

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 financial statements referred to above give a true and fair view of the financial position of IDLC Investments Limited as at 31 December 2016 and of the results of its operations and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Report on Other Legal and Regulatory Requirements

We as required by the Companies Act, 1994, The Securities and Exchange Commission Act, 1993 and the Securities and Exchange Rules, 1987and other applicable laws and regulation further report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) 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;

(c) the statement of financial position of the Company dealt with by the report are in agreement with the books of account maintained by the Company; and

(d) the expenditure incurred was for the purpose of business of the Company.

Dhaka,
20 February 2017

Sd/-
ACNABIN
Chartered Accountants

BAKER TILLY INTERNATIONAL

IDLC Investments Limited

Statement of Financial Position

As at 31 December 2016

Particulars	31.12.2016 Taka	31.12.2015 Taka
ASSETS		
Non-Current Assets	**181,089,031**	**18,824,214**
Property, plant and equipment	15,978,988	11,714,572
Intangible asset	390,998	713,394
Investments in bond	159,274,176	-
Deferred tax asset	5,444,869	6,396,248
Current Assets	**2,524,271,269**	**2,062,350,408**
Investment in marketable securities	511,384,148	184,213,349
Margin loans to portfolio clients	1,300,509,452	1,444,322,328
Account receivables	243,798,925	322,077,683
Cash and cash equivalents	355,533,631	49,354,891
Advance, deposits & prepayments	6,715,315	7,681,000
Advance income tax	106,329,798	54,701,156
Total Assets	**2,705,360,300**	**2,081,174,622**
EQUITY AND LIABILITIES		
Equity	**1,632,403,337**	**1,462,322,307**
Share capital	1,400,000,000	1,400,000,000
Retained Earnings	232,403,337	62,322,307
Liabilities		
Non-Current Liabilities	**8,973,917**	**43,293,812**
Deferred liabilities - gratuity payable	8,973,917	7,876,929
Term loan from Investment Corporation of Bangladesh	-	35,416,883
Current Liabilities	**1,063,983,046**	**575,558,503**
Short-term loan	360,800,001	127,500,001
Portfolio investors' fund	235,466,472	218,042,064
Accounts payable	192,719,137	29,421,846
Liabilities for expenses	14,811,435	12,735,903
Provision for margin loan	47,099,445	64,772,134
Provision for income tax	213,086,556	123,086,556
Total Liabilities	**1,072,956,963**	**618,852,315**
Total Equity and Liabilities	**2,705,360,300**	**2,081,174,622**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

This is the statement of financial position referred to in our separate report of even date

Dhaka,
20 February 2017

Sd/-
ACNABIN
Chartered Accountants

AMARSTOCK

IDLC Investments Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

Particulars	2016 Taka	2015 Taka
Operating income	**322,534,357**	**306,171,272**
Interest income	140,222,587	149,689,441
Income from portfolio management services	44,563,189	67,786,298
Settlement and transaction fees	20,020,841	21,657,515
Documentation charges	746,000	66,000
Income from investment banking	28,418,003	18,062,486
Investment Income	79,156,432	47,546,829
Other income	9,407,305	1,362,704
Operating expense	**(79,174,637)**	**(80,688,088)**
General & administrative expenses	(72,570,370)	(72,219,025)
Depreciation on property, plant and equipment	(6,204,806)	(8,189,047)
Amortization on IT software	(399,461)	(280,016)
Profit before provision for diminution in value of investments and margin loan	**243,359,720**	**225,483,184**
Provision for diminution in value of investments	-	3,468,442
Provision on margin loan	17,672,689	(37,027,528)
	17,672,689	(33,559,086)
Profit before income tax	**261,032,409**	**191,924,098**
Provision for income tax	**(90,951,379)**	**(72,603,829)**
Current tax	(90,000,000)	(70,888,422)
Deferred tax expense	(951,379)	(1,715,407)
Net profit	**170,081,030**	**119,320,269**
Other comprehensive Income	-	-
Total comprehensive income	**170,081,030**	**119,320,269**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

This is the statement of profit or loss and other comprehensive income referred to in our separate report of even date

Dhaka,
20 February 2017

Sd/-
ACNABIN
Chartered Accountants

AMARSTOCK

Directors' Report to the Shareholders of IDLC Asset Management Limited



Mir Tariquzzaman
Chairman

Dear shareholders,

It is with immense pleasure that the Board of IDLC Asset Management Limited (IDLC AML) presents the Directors' Report, the audited financial statements of the Company for the year ended December 31, 2016 and the Auditor's Report thereon in compliance with the Companies Act, 1994, and the guidelines issued by the Bangladesh Securities and Exchange Commission.

Market and Industry Overview

Asset management industry is still at a nascent stage in Bangladesh. The primary business of the industry is to mobilize funds from institutes and individuals and manage the asset to generate superior risk adjusted return. At present, mutual funds and alternative investment options are the main investment vehicles available to the industry. The industry is run mainly in compliance of Bangladesh Securities & Exchange Commission (Mutual Fund) Rules, 2001.

Over the last couple of years, we have experienced a stabilizing period in the Capital Market. Notable improvements have been observed, strong regulatory oversight minimized malpractices, and institutions realized the need for professional approach to capital market investment. General investors also came to appreciate the value of fundamentals driven investments. The qualitative change in market environment and participants' mindset enforced a stability in the market. At the same time, quantitative improvements energized the market as new quality issues joined the market, expanding market depth and breadth. Additionally, change in global macro environment set foreign portfolio managers on a search for return in emerging and frontier economies. Bangladesh, being one of the fastest growing economy on the world, supported by favorable demographic is at the top of global investors' watch list. Resultantly, huge flow of foreign portfolio investment entered the market in recent years.

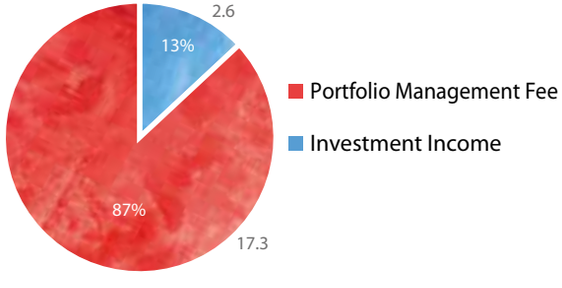
After passing a long consolidation period, the capital market appears to have stabilized. Because of the structural improvement in the market and investors' growing awareness in professional approach to investment, the demand for professional asset management services is to surge. We believe, with IDLC group's brand recognition, technology and process at our disposal, coupled with strong presence of IDLC Investments Limited and IDLC Securities Limited in their respective business line, pivoting towards the asset management industry to meet the rising demand of such services is the natural course for us.

Currently, the industry is dominated by government owned ICB and a handful of private players. The industry is still focused on institutional clients. There has yet not been any significant effort to mobilize the savings of individuals to help them achieve their financial goals. IDLC AML would aim at popularizing mutual fund for retail investors. The company is fully committed to invest in people and process to develop products with game changing features, to deploy sales and marketing network that would define industry standard, and to bring about a complete customer care setup, always ready to go extra miles to serve the customers. We believe IDLC AML would be able to generate superior return on the asset under management by deploying its fundamental analysis driven strategy that has proven to be spectacularly successful in managing IDLC's own capital market investments.

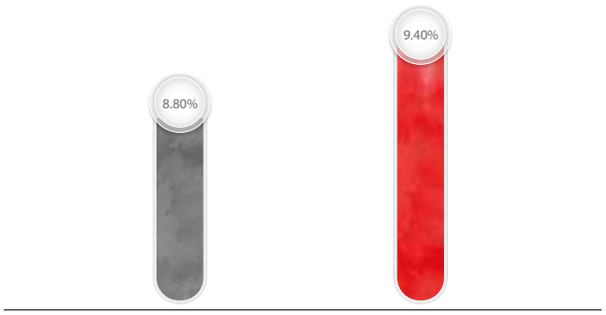
Operating and Financial Performance

We are very pleased to inform you that IDLC AML has become profitable from the very first year of its operation. The company has booked an operational revenue of BDT 19.9 million Portfolio management fee contributed 86.9% of operational revenue while investment income contributed the rest.

Operational revenue in BDT million



Return Ratios



In BDT million

Particulars	2016	2015
Operational revenue	19.9	-
Profit before tax	15.3	-
Net profit after tax	10.4	-
Total Assets	119.0	100.4
Total shareholders' equity	110.4	100.0

Paying off for operational expenses, the company managed to book a pretax profit of BDT 15.3 million After deducting for tax payable to government exchequer, IDLC AML netted an after tax profit of BDT 10.4 million In 2016, the company's ROE stood at 9.4% and ROA stood at 8.8%. We believe the ratios are satisfactory, considering first year of operation of the company.

Outlook

2017 is going to be crucial for IDLC AML. Our focus for this year would be:

- Launching of the company's first open ended mutual fund 'IDLC Balanced Fund' subject to regulatory approval
- Subsequently, launching series of open end mutual funds subject to regulatory approval
- Recruiting and developing key human resources to form complete IDLC AML team
- To develop and deploy IT and network infrastructure capable of facilitating the realization of the vision of IDLC AML
- To devise a customer care system that delivers the highest level of service and satisfaction to all potential and current clients.
- To construct an extensive sales, distribution and marketing channel to broaden the customer base for distributing units of mutual funds

Books of accounts

At IDLC Asset Management Limited, proper books of accounts have been maintained. The appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements and any departure there-from has been adequately disclosed. The financial statements prepared by the management of IDLC Asset Management Limited present fairly its state of affairs, cash flows and changes in the shareholders' equity.

Internal control

The system of internal control is sound in design and has been effectively implemented and monitored.

Distribution of profit for 2016

The Company reported a profit of BDT 10,427,563 in the year 2016. Considering Company's investment opportunities and growth potentials, the board of IDLC Asset Management Limited decided not to declare any dividend to the shareholders of the Company for 2016.

Appointment of auditors

In terms of Article 68 of the Articles of Association of the Company, the Company shall, at each Annual General Meeting (AGM), appoint an auditor or auditors to hold office until the next AGM. The shareholders of IDLC Finance Limited at its 31st Annual General Meeting appointed ACNABIN, Chartered Accountants, as the group auditors for the company and its subsidiaries for 2016. Accordingly, the shareholders at its 2nd Annual General Meeting, appointed ACNABIN, Chartered Accountants as the statutory auditors for IDLC AML for 2016. In 2016, they have also completed their terms for consecutive three years. As per the stipulation of Bangladesh Securities Exchange Commission's regulation, they are not eligible for reappointment.

Based on the recommendation of the Audit Committee, the Board of IDLC Finance Limited at its 253rd meeting of the Board, held on February 20, 2017, recommended A. Quasem & Co., Chartered Accountants, to appoint them as the statutory auditors for the group. Accordingly, the Board of IDLC AML at its 8th meeting held on February 19, also recommended to the shareholders of the Company A. Quasem & Co, Chartered Accountants to appoint them as the statutory auditors for the company for 2017 at a remuneration of BDT 1 (one) Lac only.

Going concern

There is no significant doubt on IDLC Asset Management Limited's ability to continue as a going concern.

Appreciation

In conclusion, on behalf of the Board, I would like to thank our loyal clients and honorable shareholders for their continued faith and support. Taking this opportunity, the members of the Board would also like to thank the Bangladesh Securities and Exchange Commission, Dhaka and Chittagong stock exchanges and Central Depository Bangladesh Limited who continue to remain our partners in growth.

For and on behalf of the Board of Directors,

Sd/-

Mir Tariquzzaman
Chairman
IDLC Asset Management Limited

ACNABIN
Chartered Accountants

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

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e-mail : <acnabin@bangla.net>
Web : www.acnabin-bd.com

Independent Auditor's Report

To the Shareholders of IDLC Asset Management Limited

We have audited the accompanying financial statements of IDLC Asset Management Limited which comprise the Statement of Financial Position as at 31 December 2016 and the related Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS) 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 financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements.

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 financial statements referred to above give a true and fair view of the financial position of IDLC Asset Management Limited as at 31 December 2016 and of the results of its operations and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Report on Other Legal and Regulatory Requirements

We as required by the Companies Act, 1994, the Securities and Exchange Rules, 1987, Financial Institution Act, 1993 and other applicable laws and regulation further report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) 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;

(c) the statement of financial position of the Company dealt with by the report are in agreement with the books of account maintained by the Company; and

(d) the expenditure incurred was for the purpose of business of the Company.

Dhaka,
19 February 2017

Sd/-
ACNABIN
Chartered Accountants

BAKER TILLY INTERNATIONAL

AMARSTOCK

IDLC Asset Management Limited

Statement of Financial Position

As at 31 December 2016

Particulars	31.12.2016 Taka	31.12.2015 Taka
ASSETS		
Non-Current Assets	**2,351,877**	**445,675**
Property, plant and equipment	1,445,866	-
Deferred tax asset	906,011	-
Preliminary expenditure	-	380,000
Pre-operating expenses	-	65,675
Current Assets	**116,639,029**	**100,000,000**
Investment in marketable securities	44,030,956	-
Advance, deposits & prepayments	1,509,960	-
Accounts receivable	752,290	-
Advance income tax	469,822	-
Cash and cash equivalents	69,876,001	-
Share money in arrear	-	100,000,000
Total Assets	**118,990,906**	**100,445,675**
EQUITY AND LIABILITIES		
Equity	**110,427,563**	**100,000,000**
Share Capital	100,000,000	100,000,000
Retained Earnings	10,427,563	-
Non Current Liabilities	**2,698,488**	**-**
Payable for gratuity	2,698,488	-
Current Liabilities	**5,864,855**	**445,675**
Provision for audit fees	43,125	43,125
Provision for Income tax	5,800,000	-
Accounts Payable	21,730	-
Payable to IDLC Finance Limited	-	402,550
Total Equity and Liabilities	**118,990,906**	**100,445,675**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

This is the statement of financial position referred to in our separate report of even date

Dhaka,
19 February 2017

Sd/-
ACNABIN
Chartered Accountants

IDLC Asset Management Limited

Statement of Profit or Loss and Other Comprehensive Income

As at 31 December 2016

Particulars	2016 Taka	19 Nov 2015 - 31 Dec 2015 Taka
Operating Income (a)	**19,877,073**	**-**
Portfolio Management Fee	17,267,948	-
Income from Investment	2,609,125	-
Operating Expenses (b)	**9,830,033**	**-**
General & administrative expenses	9,777,751	-
Depreciation on property, plant and equipment	52,282	-
Operating Profit for the year/period (a-b)	**10,047,039**	**-**
Interest Income	5,274,512	-
Profit before provision for income tax	**15,321,551**	**-**
Provision for income tax	**(4,893,989)**	**-**
Current tax	(5,800,000)	-
Deferred tax income	906,011	-
Net profit for the year/period	**10,427,563**	**-**
Other comprehensive income	-	-
Total Comprehensive Income	**10,427,563**	**-**

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

This is the statement of profit or loss and other comprehensive income referred to in our separate report of even date

Dhaka,
19 February 2017

Sd/-
ACNABIN
Chartered Accountants

AMARSTOCK



IDLC. Opening doors!

The story of Mahbub Hossain, VIP Doors and Furniture

This narrative is one where responsibility on one's shoulders can encourage one to either rise or discourage one to sink. This is the narrative of Mahbub Hossain who came to Dhaka to get a job, any job in fact, because his family had high hopes from him.

Glancing through the newspapers one day, he found a small advertisement of a furniture company that was looking for a door-to-door salesman. Mahbub applied for the job and got it.

Mahbub, with his his wit, power of persuasion and ' never-give-up' attitude excelled in the job. He would carry his bag of wood samples on his shoulders and kept visiting potential customers every day, studying their requirements, offering them customised products to meet this gap and persisting till they gave him an order. It was a job that required both mental and physical strength. Soon, his skills were on full display when, on a fixed salary of Taka 2,500, he received more than Taka 30,000 as commission!

This amount was way beyond what the others earned. Inevitably, as the others in the sales team conspired, Mahbub was forced to quit his job. However, though he had to leave, he had created good contacts and soon, one of his old acquaintances introduced him to a wood factory in Chittagong, where his capabilities were appraised and he was elevated as a partner. Here, Mahbub was entrusted with the task of marketing which was his forte. As he became better and better at what he did, he even provided his customers a personal touch when he offered them free advice on interiors and how they could use their functional spaces better.

This venture was also quite profitable and he rented a showroom at Khilgaon along with two new partners. However, they were soon faced with some supply chain issues that fuelled them to set up their own factory. Yet again, due to his burgeoning customer base and appeal, the other partners accused him of wrongdoing and he thought of giving up the business altogether.

However, his perseverance and patience made him set up a new factory along with a friend. In fact, by the time they split, they had two such facilities, allowing them one premises each. That is when VIP Doors and Furniture took root and its relationship with IDLC began. The SME loan provided by IDLC enabled Mahbub to expand his business. The working relationship is now six years old.

Today, VIP Doors and Furniture employs 120 people. Currently, his company sells Taka 20 million worth of inventory every month. As Mahbub looks to start a new 150,000 sq. ft facility and open five new furniture showrooms, IDLC is committed to open new doors for him!

STOCK

Information for the Stakeholders

IDLC is very much concern of the stakeholders' interest on the company including the potential investors. IDLC with 31 years of financial expertise helps its clients to decide in taking right financial decisions. The following historical information will help our current and potential investors for their decision making:

Financial calendar to the stakeholders

Events for the year	2016	2015
Publication of Financial Statements for the 1st Quarter	April 28, 2016	May 07, 2015
Publication of Financial Statements for the Half-year	July 29, 2016	July 28, 2015
Publication of Financial Statements for the 3rd Quarter	October 18, 2016	October 14, 2015
Annual Financial statements approved by the Board	February 20, 2017	February 18, 2016
Date of Record	March 14, 2017	March 13, 2016
Dispatching notice for the Annual General meeting	March 15, 2017	March 08, 2016
Dispatching of Annual Report	March 15, 2017	March 15, 2016
Holding of Annual General Meeting	March 30, 2017	March 30, 2016
Transfer/ payment of Dividend	Within stipulated timeline	April 30, 2016

Comparative Shareholding Structure of IDLC as on December 31

Types of Share Holders	2016		2015	
	Number of Shares	% of Shares	Number of Shares	% of Shares
Sponsor/Director	149,969,402	59.66	149,969,402	59.66
Institutions	54,991,296	21.88	45,481,554	18.09%
Individuals	35,712,452	14.21	50,308,406	20.01%
Foreign	10,694,037	4.25	5,607,825	2.23%
Total shares held	**251,367,187**	**100.00**	**251,367,187**	**100.00**

Top ten shareholders of IDLC as on December 31

Sl. No.	Name of the shareholders	2016		2015	
		Number of shares held	% of Issued shares	Number of shares held	% of Issued shares
	The City Bank Limited (CBL) and its subsidiaries	**60,854,056**	**24.21%**	**60,854,056**	**24.21%**
1	The City Bank Limited (CBL)	25,137,225	10.00%	60,854,056	24.21%
2	City Bank Capital Resources Limited (CBCRL)	24,885,352	9.90%	-	-
3	City Brokerage Limited	10,831,479	4.31%	-	-
	Transcom Group	**33,515,443**	**13.33%**	**33,515,443**	**13.33%**
4	Eskayef Bangladesh Limited	20,109,375	8.00%	20,109,375	8.00%
5	Transcraft Limited	10,088,022	4.01%	10,088,022	4.01%
6	Bangladesh Lamps Limited	3,318,046	1.32%	3,318,046	1.32%
7	**Shadharan Bima Corporation (SBC)**	**19,151,663**	**7.62%**	**19,151,663**	**7.62%**
8	**Mercantile Bank Limited**	**18,852,538**	**7.50%**	**18,852,538**	**7.50%**
9	**Reliance Insurance Limited**	**17,595,702**	**7.00%**	**17,595,702**	**7.00%**
10	**Investment Corporation of Bangladesh (ICB)**	**10,744,986**	**4.27%**	**5,813,612**	**2.31%**

Equity statistics of IDLC important to the stakeholders:

Particulars	2016	2015	2014	2013	2012
Number of shares in issue (No.)	251,367,187	251,367,187	201,093,750	160,875,000	123,750,000
Net asset value per share (BDT)	35.56	30.97	25.97	21.33	18.67
Market Capitalization (BDT in million)	14,327.93	15,986.95	15,021.70	10,119.04	11,372.63
Market value addition per share (BDT)	21.44	32.63	42.24	29.57	44.49
Shareholders' equity (BDT in millon)	8,937.84	7,785.96	6,527.83	5,362.76	4,693.29

IDLC'S share price as on December 31

Particulars	2016	2015	2014	2013	2012
Highest (BDT)	57.80	64.00	75.7	64.5	93.90
Lowest (BDT)	55.60	61.60	73.7	62.5	91.40
Closing (BDT)	57.00	63.60	74.7	62.9	91.90
Shares traded (No.)	1,695,625	942,103	685,710	244,400	27,000
Market Turnover (BDT in million)	96.50	59.55	51.42	15.47	2.49

Economic and Financial indicators

	FY 2015-16 (P)*	FY 2014-15 (P)*	FY 2013-14	FY 2012-13	FY 2011-12
Economic Growth					
GDP at Current Market Prices (BDT in Billion)	17,296	15,158	13,437	11,989	10,552
GDP Growth Rate (%)	7.05	6.55	6.06	6.01	6.52

Source- Bangladesh Bureau of Statistics,

**(P) indicates provisional figure while Bangladesh Bureau of Statistics declared GDP Growth Rate at Constant Market Price to be 6.55% during FY 2014-15*

December	2016	2015	2014	2013	2012
Rate of Inflation (Consumer Price Index) (As of November 30, 2016)					
General	5.60	6.19	6.99	7.53	7.69
Food	4.51	6.05	7.91	7.93	7.33

Source: Major Economic Indicators: Bangladesh Bank

Share Market					
All Share Price Index – DSE	5036.05	4,630.00	4,865.00	4,266.60	4,219.30
Market Capitalization (BDT in million)	3,412,441.49	31,597,600	3,259,247	2,647,791	2,403,556

Source: Major Economic Indicators: Bangladesh Bank

Disclosures and Checklists

Disclosures under Pillar III- Market Discipline

A) Scope of application

Qualitative Disclosures:

a) The name of the top corporate entity in the group

- **IDLC Finance Limited**

b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

- **The IDLC Group has three wholly owned subsidiaries: IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited, which are fully consolidated.**

c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

- **Not applicable.**

Quantitative Disclosures:

d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.

- **Not applicable.**

B) Capital structure

Qualitative Disclosures

a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.

- **Tier 2 capital includes:**

i) General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk;

ii) Revaluation reserves:

- 50% Revaluation reserve for fixed assets;
- 45% Revaluation reserve for securities;

iii) All other preference shares.

Conditions for maintaining regulatory capital:

The calculation of Tier 1 capital, and Tier 2 capital, shall be subject to the following conditions:

i) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.

ii) 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities are eligible for Tier 2 capital.

Quantitative Disclosures:

b) The amount of Tier 1 capital, with separate disclosure of:

Particulars	Amount in crore BDT
Paid up capital	251.37
Non-repayable share premium account	0.38
Statutory reserve	178.20
General reserve	100.00
Retained earnings	359.19
Minority interest in subsidiaries	0.00
Non-cumulative irredeemable preference shares	-
Dividend equalization account	4.65
Total Tier 1 capital	893.78
(c) The total amount of Tier 2 capital	**47.98**
(d) Other deductions from capital	**-**
(e) Total eligible capital	**941.77**

C) Capital Adequacy

Qualitative Disclosures

(a) A summary discussion of the FI's approach to assessing the adequacy of its capital to support current and future activities.

- **Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)**

IDLC has adopted Standardized Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio i.e. 10% and adding the resulting figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Regulatory Capital as on numerator to derive Capital Adequacy Ratio.

- **Strategy to achieve the required Capital Adequacy:**

Operational level:

Immediate measures:

- Asking unrated Corporate clients to have credit rating from External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank;
- Rigorous monitoring of overdue contracts to bring those under 90 days overdue;

- Assessing incremental effect of capital charge over the expected net income from financing before sanctioning any appraisal, which could be one of the criteria for taking financing decision.

Continuous measures:

- Concentrating on SME clients having exposure up to BDT 1 crore as this will carry 75% fixed risk weight (for regular contracts only);
- Financing clients having good credit rating;
- Using benefit of credit risk mitigation by taking eligible financial collaterals against transactions;
- Focusing more on booking high spread earning assets and thus increasing retained earnings.

Strategic level:

- Injecting fresh capital by issuing right shares, if required.

Quantitative Disclosures		Amount in crore BDT
(b)	Capital requirement for Credit Risk	524.91
(c)	Capital requirement for Market Risk	57.61
(d)	Capital requirement for Operational Risk	67.06

(e) Total and Tier 1 capital ratio:

- For the consolidated group; and
- For stand alone

Particular	Consolidated	Stand Alone
CAR on Total capital basis (%)	14.50	13.25
CAR on Tier 1 capital basis (%)	13.76	12.46

D) Credit Risk

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk, including:

- Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

- Description of approaches followed for specific and general allowances and statistical methods;

Specific and General provisions are maintained according to the relevant Bangladesh Bank guideline. For Example, 0.25% provision is maintained against SME-Standard loan/ lease, 1% provision is maintained against good loans (other than SME-Standard loan/ lease, 5% against SMA loan/ lease, 20% against sub-standard loan/ lease, 50% against doubtful loan/ lease and 100% against bad/loss loan/ lease after deducting the amount of interest expenses and value of eligible securities from the outstanding balance of classified accounts.

- Discussion of the FI's credit risk management policy.
- Implementation of various strategies to minimize risk:
  - To encounter and mitigate credit risk the following control measures are taken place at IDLC:
  - Looking into payment performance of customer before financing;
  - Annual review of clients;
  - Adequate insurance coverage for funded assets;
  - Vigorous monitoring and follow up by Special Assets Management and collection Team;
  - Strong follow up of compliance of credit policies by Credit Administration Department;
  - Taking collateral and performing valuation and legal vetting on the proposed collateral;
  - Seeking legal opinion from internal and external lawyer for any legal issues;
  - Maintaining neutrality in politics and following arm's length approach in related party transactions;
  - Regular review of market situation and industry exposure;
  - Sector-wise portfolio is maintained within specific limits to ensure diversification of loan assets.

In addition to the industry best practices for assessing, identifying and measuring risks, IDLC also considers Guidelines for Managing Core Risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank; vide FID Circular No. 10 dated September 18, 2005 for management of risks.

Approved Credit Policy by the Board of Directors

The Board of Directors has approved the Credit Policy for the company where major policy guidelines, growth strategy, exposure limits (for particular sector, product, individual company and group) and risk management strategies have been described/stated in detail. Credit Policy is regularly updated to cope up with the changing global, environmental and domestic economic scenarios.

Separate Credit Risk Management (CRM) Department

An independent Credit Risk Management (CRM) Department is in place, at IDLC, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. Research team

of CRM regularly reviews market situation and exposure of IDLC in various industrial sub-sectors. CRM has been segregated from Credit Administration Department in line with Central Bank's Guidelines. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

Special Assets Management and Collection Team

A strong Law and Recovery Team monitors the performance of the loans & advances, identify early signs of delinquencies in portfolio, and take corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

Independent Internal Control and Compliances Department (ICC)

Appropriate internal control measures are in place at IDLC. IDLC has also established Internal Control and Compliances Department (ICC) to ensures, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control and documentation procedures. ICC frames and implements policies to encounter such risks.

Credit Evaluation

The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects considering the current global financial crisis and its probable impact on the project.

Risk Grading Model (RGM) helps a Financial Institution to understand the various dimensions of risks involved in transactions related to small business clients who are plying their businesses in various geographical locations across the country. IDLC has been developing and managing RGM to promote the safety and soundness of the Company by facilitating informed decision-making. This model measures credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows management and examiners to monitor changes and trends in risk levels. The process also allows the management to manage risk to optimize returns.

To mitigate credit risk, IDLC search for credit report from the Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by CRM and CEC to understand the liability condition and repayment behavior of the client. Depending on the report, banker's opinions are taken from client's banks. Suppliers' and buyers' opinion are taken to understand the market position and reputation of our proposed customers.

Credit Approval Process

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multilayer system. Depending on the size of the loan, a multilayer approval system is designed. As smaller loans are very frequent and comparatively less risky, lower sanctioning authority is set to improve the turnaround time and associated risk. Bigger loans require more scrutiny as the associated risk is higher. So sanctioning authority is higher as well.

Credit Quality and Portfolio Diversification

IDLC believes in diversification in terms of products as well as sectors. To mitigate the Credit Risk, the company diversifies its loan exposure to different sectors confirming the Central Bank's requirements. Threshold limit is set for any sector so that any adverse impact on any industry has minimum effect on IDLC's total return. Central Bank's instructions are strictly followed in determining Single Borrower/Large Loan limit. Significant concentration of credit in terms of groups or geographical location is carefully avoided to minimize risk.

Early Warning System

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It enables the company to grow its credit portfolio with ultimate objective to protect the interest of stakeholders.

NPL Management

IDLC measures its loan portfolio in terms of payment arrears. The impairment levels on the loans and advances are monitored regularly.

As per FID Circular No.3 dated March 15, 2007:

1. Loan/Lease, classified as bad/loss and with 100% provision, can only be written-off.
2. Approval from the Board of Directors has to be taken before write-off.
3. The financial institutions should constantly try to recover the loan/lease written-off amount. If legal action has not been taken against the client, legal charges should be placed before the write off.
4. To expedite the legal settlement or collection of the due amount, third party agents can be appointed by the financial institutions.
5. A separate ledger should be maintained for the written off loans/leases and the accumulated written off value should be disclosed separately under the heading of "notes to the account" in the annual report/balance sheet of the financial institutions.
6. Even if the loan/lease has been written off, the client should be classified as defaulter and reported to CIB accordingly.

Detail records for all such write off accounts are meticulously maintained and followed up.

Counter-party Credit Rating

IDLC is taking initiatives to rate the Corporate Clients of the company immediately by the External Credit Assessment Institutions (ECAIs)/Rating Agencies duly recognized by the Central Bank. As on December 31, 2016, 743 clients with total net exposure of BDT 2,225.63 crore were eligible for credit rating. Among these 743 clients, 152 clients having net exposure of BDT 875.41 crore had valid credit ratings. That is, about 39% of ratable exposure was rated. We are optimistic of getting more counter party ratings by 2017.

Methods used to measure Credit Risk

As per the directives of Bangladesh Bank, 'The Standardized approach' is applied by the company to measure its Credit Risk.

Quantitative Disclosures

(b) Total gross credit risk exposures broken down by major types of credit exposure.

Particulars	Amount in crore BDT
Leasing	494.99
Long-term finance	3,304.44
Real estate finance	1,810.82
Car loan	236.98
Personal loan	8.80
Short term finance	84.54
Loan against deposit	48.82
Margin loan to portfolio investors	139.00
Interest receivable	98.09
Total	**6,226.49**

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

Area	Amount in crore BDT
Dhaka	4,501.06
Chittagong	621.07
Bogra	174.82
Sylhet	139.32
Savar	147.22
Comilla	143.85
Jessore	133.54
Narsingdi	77.74
Bhulta	34.17
Khulna	76.86
Natore	47.83
Kushtia	30.86
Hobiganj	34.32
Mymensingh	32.74
Rangpur	31.09
Total	**6,226.49**

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

Sector	Amount in crore BDT
Agriculture	88.98
Cement and Allied Industry	59.86
Electronics and Electrical Products	65.74
Food Production and Processing Ind.	283.03
Garments and Knitwear	328.83
Glass, Glassware and Ceramic Industries	50.88
Housing	1,881.41
Iron, Steel and Engineering	269.66
Jute and Jute-Products	19.31
Leather and Leather-Goods	5.49
Paper, Printing and Packaging	98.62
Pharmaceuticals and Chemicals	66.26
Plastic Industry	25.41
Power, Gas, Water & Sanitary Service	24.63
Ship Manufacturing Industry	0.31
Telecommunication and IT	93.54
Textile	304.85
Trade and Commerce	1,176.36
Transport and Aviation	140.05
Others	1,130.37
Total	**6,113.57**

Beside these, total consumer finance (which includes individual Car Loan and Personal Loan, Loan against Deposit) amounts to BDT 303.27 crore and Loan to subsidiaries amounts to BDT 26.08 crore. Therefore, the total industry exposure amounts to BDT 6,226.49 crore.

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Particulars	Amount in crore BDT
Repayable on demand	416.26
Over 1 month but not more than 3 months	465.35
Over 3 months but not more than 1 year	1,483.29
Over 1 year but not more than 5 years	2,817.61
Over 5 years	1,043.98
Total	**6,226.49**

(f) Gross Non Performing Assets (NPAs)

Non Performing Assets (NPAs) to Outstanding Loans & advances

Movement of Non Performing Assets (NPAs)

Particulars	Amount in crore BDT
Opening balance	164.70
Additions	74.29
Reductions	57.11
Closing balance	181.89

Movement of specific provisions for NPAs

Particulars	Amount in BDT crore BDT
Opening balance	65.82
Provisions made during the period	26.62
Write-off	(25.27)
Write-back of excess provisions	(7.65)
Closing balance	59.52

E) Equities: banking book positions

Qualitative Disclosures

The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and

- **Total equity shares holdings are for capital gain purpose.**

Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

- Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and condition of regulatory authority. On the other hand, unquoted share is valued at cost price or book value as per latest audited accounts.

Quantitative Disclosures

b) Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.

Particulars	Cost Price	Market Price
Quoted shares	271.48	292.81
Unquoted shares	171.12	

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

- Gain of BDT 22.25 crore

d)

Particulars	Amount in crore BDT
Total unrealized gains (losses)	(0.61)
Total latent revaluation gains (losses)	-
Any amounts of the above included in Tier 2 capital.	-

e) Capital requirements broken down by appropriate equity groupings, consistent with the FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.

- Specific Risk Market value of investment in equities is BDT 292.81 crore. Capital Requirement is 10% of the said value which stand to BDT 29.28 crore.
- General Risk Market value of investment in equities is BDT 292.81 crore. Capital Requirement is 10% of the said value which stand to BDT 29.28 crore.

All requirements are 10% of the said value, which stand to BDT 29.28 crore.

F) Interest rate in the banking book

Qualitative Disclosures

a) The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of an assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis. IDLC measure the Interest Rate Risk by calculation Duration Gap i.e. a positive Duration Gap affect company's profitability adversely with the increment of interest rate and a negative Duration Gap increase the company's profitability with the reduction of interest rate.

Quantitative Disclosures

b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

Maturity wise Distribution of Assets-Liabilities

Amount in crore BDT

Particulars	1 to 30/31 day (One month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year
1	2	3	4	5	6
A. Total Rate Sensitive Liabilities (A)	412.14	564.84	457.32	584.86	597.79
B. Total Rate Sensitive Assets (B)	542.52	524.39	561.78	641.79	921.28
C. Mismatch	130.38	-40.45	104.47	56.94	323.49
D. Cumulative Mismatch	130.38	89.94	194.40	251.34	574.83
E. Mismatch (%)	31.64%	-7.16%	22.84%	9.73%	54.11%

Interest Rate Risk - Increase in Interest Rate

Magnitude of Shock	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio	-8.07	-16.14	-24.21
Net Interest Income	11.50	22.99	34.49
Revised Regulatory Capital	945.19	948.62	952.05
Risk Weighted Assets	6495.77	6495.77	6495.77
Revised CAR (%)	14.55%	14.60%	14.66%

G) Market risk

Qualitative Disclosures (a)

Views of BOD on trading/investment activities

All the Market Risk related policies/guidelines are duly approved

by BOD. The BOD sets limit and review and updates the compliance on regular basis aiming to mitigate the Market risk.

Methods used to measure Market risk

Market Risk is the probability of losing assets in balance sheet and off- balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardized (rule based) Approach where capital charge for interest rate risk, price and foreign exchange risk is determined separately.

Market Risk Management system

Policies and processes for mitigating market risk

A Policy for managing Market Risk has been set out by the Board of Directors of the company where clear instructions has been given on Loan Deposit Ratio, Whole Sale Borrowing Guidelines, Medium Term Funding, Maximum Cumulative Outflow, Liquidity Contingency Plan, Local Regulatory Compliance, Recommendation / Action Plan etc. Treasury manages the Market Risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following fashion:

Interest Risk Management

Treasury Division reviews the risks of changes in income of the Company as a result of movements in market interest rates. In the normal course of business, IDLC tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

Market analysis

Market analysis over interest rate movements are reviewed by the Treasury of the company. The type and level of mismatch interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and an earning perspective.

GAP analysis

ALCO has established guidelines in line with central Bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular monthly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liability and take decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

Continuous Monitoring

Company's treasury manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks.

Equity Risk Management

Equity Risk is the risk of loss due to adverse change in market price of equities held by the Company. Equity Risk is managed by the following fashion:

IDLC minimizes the Equity Risks by Portfolio diversification as per investment policy of the company. The entire portfolio is managed by IDLC Investments Limited.

Quantitative Disclosures (b)

The capital requirements for Market Risk:

Particular	Amount in BDT crore
Interest rate risk	-
Equity position risk	57.61
Foreign Exchange Position and Commodity risk (if any).	-

H) Operational Risk:

Qualitative disclosure (a)

Views of Board on system to reduce Operational Risk:

All the policies and guidelines of internal control and compliances are duly approved by the Board. The Board delegates its authority to Executive Committee and to ManCom members as per company policy of delegation of authority. Audit Committee of the Board directly oversees the activities of internal control and compliance as per good governance guideline issued by Securities and Exchange Commission.

Performance gap of executives and staffs

IDLC's recruitment strategy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the requirements of the job (both now and in the near future), matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. We are proud to state that favorable job responsibilities are increasingly attracting greater participation from different level of employees in the IDLC family. We aim to foster a sense of pride in working for IDLC and to be the employer of choice. As such thee exists no performance gap in IDLC.

Potential external events

No such potential external event exist to rise operational risk of IDLC at the time of reporting.

Polices and procedures for mitigating operational risk:

IDLC has also established Internal Control and Compliances Department (ICC) to address operational risk and to frame and implement policies to encounter such risks. ICC assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and mange operational risk.

Approach for calculating capital charge for operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. IDLC uses basic indicator approach for calculation capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

Quantitative Disclosures (b)

Capital requirement for operational risk:

Particular	Amount in crore BDT
Capital requirement for operational risk:	67.06

Annual Report Review Checklist

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Quality of the Report/ Layout of Contents	Qualitative
Cover and printing including the theme on the cover page	Qualitative
Appropriateness and effectiveness of photographs and their relevance	Qualitative
Effectiveness of Charts and Graphs	Qualitative
Clarity, simplicity and lucidity in presentation of Financial Statements	Qualitative
Timeliness in issuing Financial Statements and holding AGMs	
• 3 months time to produce the Annual Report and hold AGM are considered reasonable for full marks	AGM on March 30, 2017
• Delay after the initial period of 3 months -deduction of 2 marks is to be made for each month	
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• Sustainability Development Reporting	Separate report published
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Corporate Governance Disclosure Checklist

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1.5	Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	141
1.6	Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	143
1.7	Disclosure of policy on annual evaluation of the CEO by the Board.	142
1.8	Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	143
1.9	At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	143
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2.1	Company's vision / mission statements are approved by the board and disclosed in the annual report.	15
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*	Review and approve any non-audit work assigned to the external auditor and ensure that such work does not compromise the independence of the external auditors.	157
*	Recommend external auditor for appointment/ reappointment	157
3.2.5	Statement on Audit committee involvement in selection of appropriate accounting policies that are in line will applicable accounting standards and annual review.	157
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5.2	Dissemination / communication of the statement of ethics & business practices to all directors and employees and their acknowledgment of the same	149, 150
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6	**REMUNERATION COMMITTEE**	
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6.2	Disclosure of the composition of the committee (majority of the committee should be non-executive directors, but should also include some executive directors)	140
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6.5	Disclosure of Remuneration of directors, chairman, chief executive and senior executives.	171, 247
7	**HUMAN CAPITAL**	
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9.1	Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity	152
9.2	Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	152

Integrated Reporting Checklist

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
1	Elements of an Integrated Report		
1.1	**Organizational overview and external environment**		
	An integrated report should disclose the main activities of the organization and the environment of which it operates.	28, 52, 204	Our Business Model, Operating Environment and Strategic Response, Note 1: Company and its activities
	An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters such as:		
	• The organization's:		
	• culture, ethics and values	15	Our Philosophies – the Backbone of Our Enterprise
	• ownership and operating structure including size of the organization, location of its operations)	17, 20	Shareholding Composition, National Presence
	• principal activities and markets	28, 104, 106, 109, 111, 113, 117, 119, 123, 204	Our Business Model, Business Segment Review - Overview, Note 1: Company and its Activities
	• competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)	55	Market Forces and Competitive Landscape
	• position within the value chain	26	Value Creation Process
	• Key quantitative information		
	e.g. The number of employees, revenue and number of countries in which the organization operates highlighting, in particular, significant changes from prior periods	2,3,18, 66-121	Core Highlights, National Presence, Management Discussion and Performance Analysis
	• Significant factors affecting the external environment and the organization's response (include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term)	52	Macroeconomic Aspects in Play
	Eg:		
	• The legitimate needs and interests of key stakeholders	60, 62	Stakeholder and Materiality
	• Macro and micro economic conditions, such as economic stability, globalization, and industry trends	12, 20, 52, 163, 105, 107, 112, 118, 120, 121	Letter from the Chairman - Economic review, Performance Analysis with CEO & Managing Director, Macroeconomic Aspects in Play - Economic, Director's Report, Business Segment Review - Influential trends shaping the industry, Key business trends and our responses
	• Market forces, such as the relative strengths and weaknesses of competitors and customer demand	52, 55	Macroeconomic Aspects in Play, Market Forces and Competitive Landscape
	• The speed and effect of technological change	53, 122	Macroeconomic Aspects in Play - Technological, Risks and Opportunities
	• Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems	53	Macroeconomic Aspects in Play - Social
	• Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	54	Macroeconomic Aspects in Play - Environmental
	• The legislative and regulatory environment in which the organization operates	54	Macroeconomic Aspects in Play - Legal
	• The political environment in countries where the organization operates and other countries that may affect the ability of the organization to implement its strategy	52	Macroeconomic Aspects in Play - Political
1.2	**Governance**		
	An integrated report should show how does the organization's governance structure support its ability to create value in the short, medium and long term.	122, 138	Strategy and Resource Allocation, Statement of Corporate Governance

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:		
	• The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	32, 138	Profile of the Board of Directors, Statement of Corporate Governance
	•Mandatory and voluntary code of corporate governance adopted by the Company.		
	•Code of ethical conduct adopted by the Company in relation to ethical business.	149	Statement of Corporate Governance - Ethics and Compliance
	• Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues	128, 138	Statement of Risk Management, Statement of Corporate Governance
	• Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management		
	• How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	66-103, 122, 149	Capitals, Strategy and Resource Allocation, Statement of Corporate Governance- Ethics and Compliance
	• Whether the organization is implementing governance practices that exceed legal requirements/ Key Policies	149	Statement of Corporate Governance- Ethics and Compliance
	• The responsibility those charged with governance take for promoting and enabling innovation	153	Statement of Corporate Governance - IDLC's Overall Governance
	• How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals.	85, 153	Human Capital, Statement of Corporate Governance - IDLC's Overall Governance
1.3	**Stakeholder Identification/ relationships**		
	An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interest. Stakeholders are the groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes or whose actions can reasonably be expected to significantly affect the ability of the organization to create value.	60, 92	Stakeholder and Materiality, Social and Relationship Capital
	An entity may disclose the following in their integrated reports in respect of stakeholder relationships:		
	• How the company has identified its stakeholders.	60	Stakeholder and Materiality
	• Stakeholder engagement methodology.	60, 92	Stakeholder and Materiality, Social and Relationship Capital
	• Identification of material matters of stateholders.	60	Stakeholder and Materiality
	• How the Company has applied such matters.	60, 92	Stakeholder and Materiality, Social and Relationship Capital
	• How the stakeholders are engaged in assessing impacts, implications and outlook unrespects of Company's business model.	60, 92, 122	Stakeholder and Materiality, Social and Relationship Capital, Strategy and Resource Allocation
	Capitals		
	An integrated report needs to provide insight about the resources and the relationships used and affected by the organization, which are referred to collectively as the capitals and how the organization interacts with the capitals to create value over the short, medium and long term	26, 28, 66, 78, 81, 85, 92, 101, 122	Value Creation Process, Business Model, Capitals, Strategy and Resource Allocation

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.	26, 28	Value Creation Process, Business Model
	Eg:		
	Financial Capital -The pool of funds that is available to the organization for use in the production of goods or provision of services.	66	Financial Capital
	Manufacturing Capital -Manufactured physical objects that are available to the organization for use in the production of goods and provision of services.	78	Manufactured Capital
	Intellectual Capital -Organizational Knowledge based intangibles.	81	Intellectual Capital
	Human Capital -People's competences, capabilities and experience, and their motivations to innovate.	85	Human Capital
	Social and Relationship Capital -The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective wellbeing.	92	Social and Relationship Capital
	Natural Capital -All renewable and non-renewable environmental resources and processes that provide goods and services that support the past, current and future prosperity of the organization.	101	Natural Capital
	Note: However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that it uses or affects		
1.4	**Business model**		
	An integrated report should describe the organization's business model		
	An integrated report need to describe the business model, including key:		
	• Inputs	26	Value Creation Process, Business Model
	• Business activities	29	
	• Outputs	29	
	• Outcomes	27	
	Features that can enhance the effectiveness and readability of the description of the business model include:		
	• Explicit identification of the key elements of the business model	26, 28	Value Creation Process, Business Model
	• A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization	26	Value Creation Process
	• Narrative flow that is logical given the particular circumstances of the organization	26	Value Creation Process- Narrative Flow
	• Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment	26,28	Value Creation Process, Business Model
	• Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).	26, 28, 66, 78, 81, 85, 92, 101, 122	Value Creation Process, Business Model, Capitals, Strategy and Resource Allocation
	Inputs		
	An integrated report shows how key inputs relate to the capitals on which the organization depends, or that provide a source of differentiation for the organization, to the extent they are material to understanding the robustness and resilience of the business model.	26, 28, 122	Value Creation Process, Business Model, Strategy and Resource Allocation

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	Business activities		
	An integrated report describes key business activities. This can include:		
	• How the organization differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing)	28, 124	Business Model - Value Proposition, Strategy and Resource Allocation - Strategy formulation and our sources of competitive advantage
	• How the organization approaches the need to innovate	124	Strategy and Resource Allocation - How we develop and utilize our intellectual and human capitals,The role of innovation
	• How the business model has been designed to adapt to change.	122	Strategy and Resource Allocation - What makes our business model highly adaptable
	When material, an integrated report discusses the contribution made to the organization's long term success by initiatives such as process improvement, employee training and relationships management	124	Strategy and Resource Allocation - Strategy formulation and our sources of long-term capital
	Outputs		
	An integrated report identifies an organization's key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.	25, 28, 125	Our Range of Products and Services, Business Model - Our offerings,Strategy and Resource Allocation - Tradeoffs we seek to avoid
	Outcomes		
	An integrated report describes key outcomes, including:		
	• Both internal outcomes (e.g., employee morale, organizational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects)	27, 66-103, 104-121	Value Creation Process - Outcomes, Capitals, Business Segment Review
	• Both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value).	124, 125	Strategy and Resource Allocation - interdependencies, complexities and tradeoffs,...tackling unintended consequences of potentially narrow focus on KPIs
1.5	**Performance**		
	An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals	20, 66-103	Performance analysis with CEO & Managing Director, Capitals
	An integrated report should contain qualitative and quantitative information about performance that may include matters such as:		
	• Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them	66, 122, 124	Financial Capital, Strategy and Resource Allocation - Risks and Opportunities, Strategy formulation and our sources of competitive advantage
	• The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	26, 66-103	Value Creation Process, Capitals
	• The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	60, 122	Stakeholder and Materiality, Strategy and Resource Allocation - Responses to issues raised through stakeholder engagement
	• The linkages between past and current performance, and between current performance and the organization's outlook.	66, 20	Financial Capital, Performance Analysis with the CEO & Managing Director

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	26,124, 125	Value Creation Process - narrative flow, Strategy and Resource Allocation - Key interdependencies, complexities and tradeoffs between capitals, tradeoffs we seek to avoid
	Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organization's non-compliance with laws or regulations may significantly affect its operations.	52, 109, 164, 165, 135, 136	Macroeconomic Aspects in Play - Environment, Business Segment Review - Corporate Division, Directors' Report - Capital Markets Review, IDLC's Performance, Statement of Risk Management - Operational Risk Management, Credit Risk concentration limits
1.6	**Risks, opportunities and internal controls**		
	An integrated report should explain what are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them? and effectiveness of the system of internal controls.	105, 108, 110, 118, 120, 121, 122, 128	Business Segment Review - Risks and Mitigation Strategies, Risks and Opportunities, Statement of Risk Management
	This can include identifying:		
	• The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	105, 108, 110, 118, 120, 121, 122, 128	Business Segment Review - Risks and Mitigation Strategies, Risks and Opportunities, Statement of Risk Management
	• The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.	129, 132, 133, 134	Statement of Risk Management - Risk Heat Maps
	• The specific steps being taken to mitigate or manage key risks (e.g: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	105, 108, 110, 118, 120, 121, 130	Statement of Risk Management - Risk Management Structure, Business Segment Review - Risks facing the business, Risks and Opportunities
	• Risk Management Report (Which includes details about risk, root course, potential impact, repsponse to risk, risk rating)		Statement of Risk Management
	• Response on the effectiveness of the internal controls and the board's responsibility for the disclosures on internal controls to safeguard stakeholder interest.	148, 157	Statement of corporate governance - Acknowledgment of Directors' responsibility in respect of internal control of IDLC, Report of the Audit Committee - Review of the activities of the Internal Control and Compliance Department (ICC
1.7	**Strategy and resource allocation**		
	An integrated report should describe its strategic direction (Where does the organization want to go and how does it intend to get there)	122	Strategy and Resource Allocation
	An integrated report needs to identify:		
	• The organization's short, medium and long term strategic objectives	123	- Goals
	• The strategies it has in place, or intends to implement, to achieve those strategic objectives	123	- Resource allocation strategies to meet our objectives
	• How the entity has positioned in the wider market.	124	- Strategy formulation and our sources of competitive advantage
	• How the long term strategies relate to current business model.	123	- Responses to issues raised through stakeholder engagement
	• The resource allocation plans it has to implement its strategy	123	- Resource allocation strategies to meet our objectives
	• How it will measure achievements and target outcomes for the short, medium and long term.	125	- Measuring the efficacy of our objectives
	This can include describing:		
	• The linkage between the organization's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• relate to the organization's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organization's ability to adapt to change	122	- Business model adaptability and change requirements
	• are influenced by/respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals	122	- Highlighted challenges facing our company and strategies to counter them
	• What differentiates the organization to give it competitive advantage and enable it to create value, such as:		
	• the role of innovation	124	- Strategy formulation and our sources of competitive advantage
	• how the organization develops and exploits intellectual capital		
	• the extent to which environmental and social considerations have been embedded into the organization's strategy to give it a competitive advantage		
	• Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans.		- Highlighted challenges facing our company and strategies to counter them
1.8	**Outlook**		
	An integrated report should explain what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance	12, 20, 52, 66-103, 105, 108, 110, 118, 120, 121	Letter from the Chairman, Performance analysis with the CEO & Managing Director, Operating Environment and Strategic Response, Capitals, Business Segment Reviews of SME, Consumer, Structured Finance - Outlook
	An integrated report should highlight anticipated changes over time and provides information on:		
	• The organization's expectations about the external environment the organization is likely to face in the short, medium and long term	52	Operating Environment and Strategic Response
	• How that will affect the organization		
	• How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.	122	Strategy and Resource Allocation - Business model adaptability and change requirements
	The discussion of the potential implications, including implications for future financial performance may include:		
	• The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives	52, 122	Macroeconomic Aspects in Play, Risk and opportunities
	• The availability, quality and affordability of capitals the organization uses or affects (e.g., the continued availability of skilled labor or natural resources), including how key relationships are managed and why they are important to the organization's ability to create value over time.	26,124	Value Creation Process - narrative flow, Strategy and Resource Allocation - Key interdependencies, complexities and tradeoffs between capitals
	An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyzes. If forecasts or projections are included in reporting the organization's outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.	167	Directors' Report to the Shareholders of IDLC Finance Limited - Comparison of actual and budgeted performance of IDLC Group
	Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject.	9	Integrated Report - Scope and Its Boundary
1.9	**Basis of preparation and presentation**		
	An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?	8, 9	Navigating Through This Report, Integrated Report - Scope and Its Boundary
	An integrated report describes its basis of preparation and presentation, including:		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• A summary of the organization's materiality determination process	8, 9	Navigating Through This Report, Integrated Report - Scope and Its Boundary
	• Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters	60, 62	Stakeholder and Materiality- Stakeholder Engagement Process Table, Materiality and Material Aspects
	•Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters.	9	Integrated Report - Scope and Its Boundary - Responsibility over the Integrity of the Integrated Report
	• A description of the reporting boundary and how it has been determined	9	Integrated Report - Scope and Its Boundary
	Eg: Include process used for identifying the reporting boundary, geographic scope, the entities represented in the report and the nature of the information provided for each entity		
	• A summary of the significant frameworks and methods used to quantify or evaluate material matters	8, 9, 168	Navigating Through This Report, Integrated Report - Scope and Its Boundary, Directors' Report to the shareholders of IDLC Finance Limited- Corporate and financial reporting framework
	(e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry based framework for evaluating risks).		
2	**Responsibility for an integrated report**		
	An integrated report should include a statement from those charged with governance that includes:	9,144	Integrated Report - Scope and Its Boundary, Statement of Corporate Governance - Directors' Report on Preparation of Financial Statements and Corporate Governance
	• An acknowledgement of their responsibility to ensure the integrity of the integrated report	9	
	• An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report	9	
	• Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework	9	
3	**Other Qualitative Characteristics of an Integrated Report**		
3.1	**Conciseness**		
	An integrated report should be concise.		
	An integrated report need to include sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information	8, 122	Navigating Through This Report, Strategy and Resource Allocation
	Eg:		
	Follows logical structure and includes internal cross-reference as appropriate to limit repetition.	8	Navigating Through This Report
	Express concepts clearly and in as few words.	8	Navigating Through This Report
	Favors plain language over the use of jargon or highly technical terminology.		
	Avoids highly generic disclosures.		
3.2	**Reliability and completeness**		
	An integrated report should include all material matters, both positive and negative, in a balanced way and without material error	122, 148	Strategy and Resource Allocation, Statement of corporate governance- Acknowledgment of Directors' responsibility in respect of internal control of IDLC
	The organization achieves the reliability and completeness through,		
	Eg:		
	• Selection of presentation formats that are not likely to unduly or inappropriately influence assessments made on the basis of intergrated report.	8	Navigating Through This Report

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• Giving equal consecration to both increases and decreases in the capitals, both strengths and weaknesses of the organization, both positive and negative performance etc.	66	Management Discussion and Performance Analysis
	When information includes estimates, this is clearly communicated and the nature limitations of the estimation process are explained.	12	Letter from the Chairman
3.3	**Consistency and comparability**		
	The information in an integrated report should be presented:		
	• On a basis that is consistent over time	144	Statement of corporate governance - Directors' report on preparation and presentation of financial statements and corporate governance
	• In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time	8, 9	Navigating Through This Report, Integrated report - scope and its boundary
	• Presenting information in the form of ratios (e.g., research expenditure as a percentage of sales, or carbon intensity measures such as emissions per unit of output)	2, 66	Core Highlights, 2016; Financial Capital
	• Reporting quantitative indicators commonly used by other organizations with similar activities, particularly when standardized definitions are stipulated by an independent organization (e.g., an industry body).		
	• Reporting policies are followed consistently from one period to other unless a change is needed to improve the quality of information reported.	144	Statement of corporate governance - Directors' report on preparation and presentation of financial statements and corporate governance
	• Reporting the same KPIs if they continue to be material across reporting period.	2, 66	Core Highlights, 2016; Financial Capital
3.4	**Connectivity of information**		
	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.	26	Value Creation Process
	Eg: Connectivity between		
	• Capitals	26, 125	Value Creation Process - narrative flow, Strategy and Resource Allocation - Tradeoffs we seek to avoid
	• Content elements	8	Navigating Through This Report
	• Past, Present & Future	12, 20, 163	Letter from the Chairman, Performance analysis with the CEO & Managing Director, Directors' Report to the Shareholders of IDLC Finance Limited
	• Finance and other information	125	Strategy and Resource Allocation - Tradeoffs we seek to avoid
3.5	**Materiality**		
	An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term	26, 60	Value Creation Process - narrative flow, Stakeholder and Materiality
3.6	**Assurance on the Report**		
	• The policy and practice relating to seeking assurance on the report	162	Statement of Directors' Responsibility for Internal Control, Financial Reporting and Corporate Governance
	• the nature and scope of assurance provided for this particular report	187, 266, 274, 279	Independent Auditor's Report To the Shareholders of IDLC Finance Limited, IDLC Securities Limited, IDLC Investments Limited, IDLC Asset Management Limited
	• any qualifications arising from the assurance, and the nature of the relationship between the organization and the assurance providers		

Other Pertinent Information

Glossary

Terms

Terms	Meaning
Accrual Basis	Recognizing the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.
Amortization	Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life.
Cash Basis	Recognizing the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.
Cash Equivalents	Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.
Consolidated Financial Statements	Financial Statements of a Group presented as those of a single Company.
Depreciation	Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to net profit or loss for the period either directly or indirectly.
Executions	Advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Fair Value	Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	A lease that transfers substantially all the risk and rewards incident to ownership of the asset to the lessee. Title may or may not eventually be transferred.
Gross Dividend	The proportion of profit distributed to shareholders inclusive of tax withheld.
Gross Portfolio	Total rental receivable of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Intangible Asset	An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
Interest Cost	The sum of monies accrued and payable to the sources of borrowed working capital.
Interest in Suspense	Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.
Investment Property	Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.
Lease	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Non-controlling interest (Minority Interest)	Part of the net results of operations and of net assets of a subsidiary attributable to interests who are not owned, directly or indirectly through subsidiaries, by the parent.
Net Portfolio	Total rental receivable excluding interest of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Non-Performing Portfolio	Facilities granted to clients which are in default for more than the period recommended by Bangladesh Bank.
Paid up Capital	All amounts received by the Company or due and payable to the Company (a) in respect of the issue of shares (b) in respect of calls on shares.
Provision	Amounts set aside against possible losses on net receivable of facilities granted to clients, as a result of them becoming partly or wholly uncollectible.
Related Parties	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.
Related Party Transactions	A transfer of resources or obligations between related parties, regardless of whether a price is charged.

Terms	Meaning
Segmental Analysis	Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.
Shareholders' Funds (Equity)	Total of issued and fully paid ordinary share capital and reserves.
Subsidiary Company	Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another Company known as the parent.
Value Addition	Value of wealth created by providing leasing and other related services considering the cost of providing such services.

Ratios

Ratio	Method of computation	Indication
Cost to Income Ratio	Operating expenses excluding provision for bad and doubtful debts as a percentage of total operating income, net of interest cost.	Efficiency of cost management in generating income.
Debt to Equity (Gearing) Ratio	Total debts divided by equity.	The extent to which debt contributes to fund total assets, compared to the contribution from equity.
Dividend Cover	Profit attributable to ordinary shareholders divided by gross dividends of ordinary shares.	Number of times dividend is covered by current year's distributable profits.
Dividend Per Share (DPS)	Value of the dividend proposed and paid out to ordinary shareholders divided by the number of ordinary shares in issue.	Share of current year's dividend distributable to an ordinary share in issue.
Earnings Per Share (EPS)	Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.	Share of current year's earnings attributable to an ordinary share in issue.
Interest Cover	Earnings before interest and tax divided by interest charges.	Ability to cover or service interest charges of the debt holders.
Market Capitalization	No. of ordinary shares in issue multiplied by market value of a share.	Total market value of all ordinary shares in issue.
Net Asset Value per Ordinary Share	Ordinary shareholders' funds divided by the number of ordinary shares in issue.	Book value of ordinary shares.
Non-Performing Facilities Ratio	Total gross non-performing portfolio divided by total gross portfolio.	Percentage of total gross non-performing portfolio against the total gross portfolio.
Price Earning Ratio (PER Ratio)	Market price of a share divided by Earnings Per Share (EPS).	Number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.
Return on Assets (ROA)	Net profits expressed as a percentage of average total assets.	Overall effectiveness in generating profits with available assets; earning power of invested total capital.
Return on Equity (ROE)	Net profit, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' funds.	Earning power on shareholders' book value of investment (equity).

IDLC's Presence

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IDLC Finance Limited
financing happiness

32nd Annual General Meeting

PROXY FORM

I/We .....of.....

..... being a member of IDLC Finance Limited and a holder of .....

..... shares hereby appoint Mr./ Ms. .....

of..... as my/ our proxy to vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on March 30, 2017 (Thursday) and at any adjournment thereof.

Signed this	day of March 2017	
Signature	Revenue Stamp of Taka 20	Signature
Name :		Name :
(Proxy)		(Member)
		Folio/BO ID No

NOTE :

a) This form of proxy, duly completed, must be deposited at least 72 hours before the meeting at the Company's registered office. Proxy is invalid if not signed and stamped as explained above.

b) Signature of the shareholders should agree with the specimen signature registered with the Company and Depository Register.

IDLC FINANCE LIMITED
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Tel: +88 02 8834990, Fax : 8834377
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IDLC Finance Limited
financing happiness

32nd Annual General Meeting

ATTENDANCE SLIP

I hereby record my attendance at the **32nd Annual General Meeting of IDLC Finance Limited** as a holder of.....

..... shares of the Company.

Signature
Name :
(Member/ Proxy)
Folio/BO ID No.

NOTE :

Signature of the shareholders should agree with the specimen signature registered with the Company and Depository Register.

AMAR STOCK

AMAR STOCK

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