ANNUAL REPORT
2 0 1 7



ENGAGING COMMUNITIES
SPREADING
HAPPINESS

IDLC Finance Limited

financing happiness

AMARSTOCK

AMAR STOCK



IDLC Finance Limited is the largest Non-Banking Financial Institution in the country that houses three other fully owned subsidiaries within the group. Spreading our presence in 24 cities of the country, we serve over fifty thousand customers through 41 major touch points. More than 1,300 people put their efforts together every day to deliver to our diverse customer base through varied products in Corporate Finance, SME Finance, Consumer Finance and Capital Market segments.

Since its inception in 1985, IDLC has been a story of success and growth built on the trust and respect it has earned on the back of demonstrating high level of corporate governance and transparency. In 2017 as well, we have been able to deliver strong financial performance that can be reviewed in details in this report.

However, as we review the year that has gone by and try to measure what we have achieved, we realize once again, that our story is not only about the performance and the financials but also about the impact that we want to create. With IDLC, it has never been about achievement in isolation - rather we aim for inclusive growth as we make our mark in the lives of the people whom we have been privileged to come across. In some cases, it has been through serving them with our products & services, while in others, it has been through the initiatives we had taken to solve a few of their problems. It is this philosophy that prompted us last year to launch *IDLC Khushir Kheya* – a volunteering platform encompassing areas such as education, health, environment and community projects where volunteers from all over the country can join hands with us to build a happier tomorrow.

On that note, while we carry our slogan, *Financing Happiness* very close to our hearts and strive to successfully excel in the businesses that we are in, we hope and we aim for our efforts to be, in the long haul, consistent in -

Engaging Communities, Spreading Happiness

IDLC at a Glance

IDLC Finance Limited (IDLC FL)

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

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

IDLC Investments Limited (IDLC IL)

Wholly owned subsidiary of IDLC FL
Private Limited Company limited by shares

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

IDLC Securities Limited (IDLC SL)

Wholly owned subsidiary of IDLC FL
Private Limited Company limited by shares

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

IDLC Asset Management Limited (IDLC AML)

Wholly owned subsidiary of IDLC FL
Private Limited Company limited by shares

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

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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, 2017

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, 2017 and Income Statements, Cash Flow Statements and Statement of Changes in Equity for the year ended December 31, 2017 along with the notes thereon of IDLC Finance Limited and its subsidiaries (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited) for your kind perusal and record.

Thank you.
Yours faithfully,

Sd/-
Mohammad Jobair Rahman Khan ACA
Group Company Secretary

Dhaka
February 14, 2018

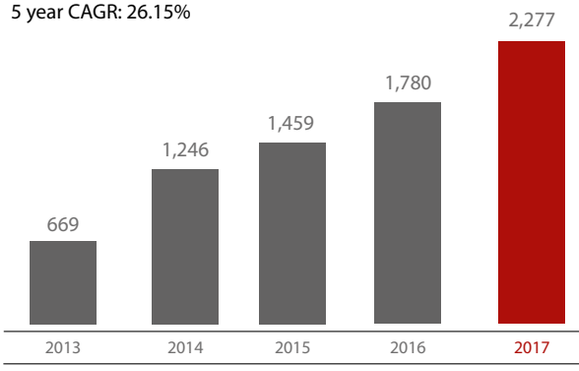
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Core Highlights, 2017

Profit after tax

5 year CAGR: 26.15%

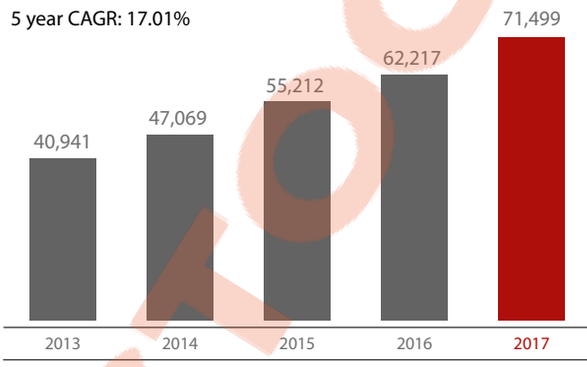
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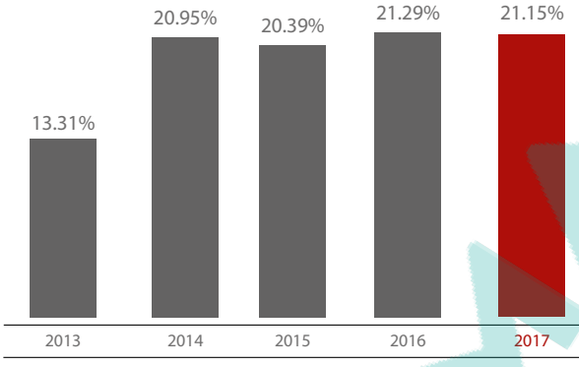
Total Loan Portfolio

5 year CAGR: 17.01%

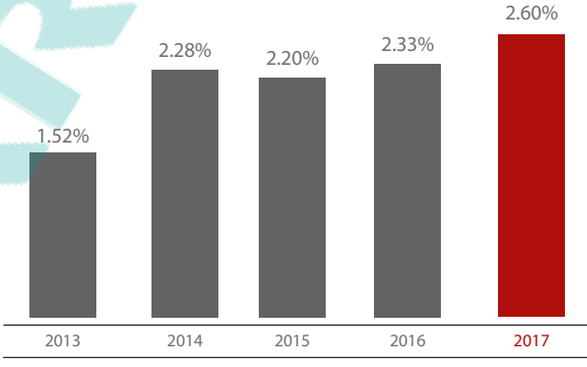
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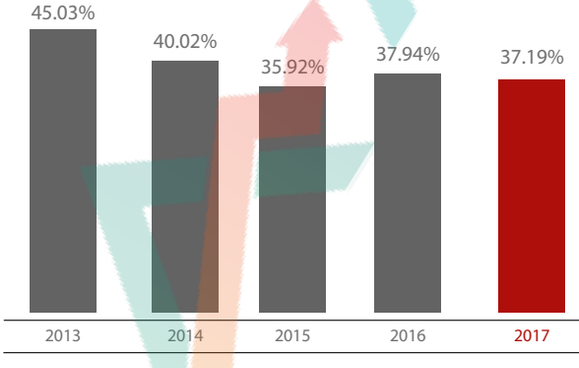
Return on Equity



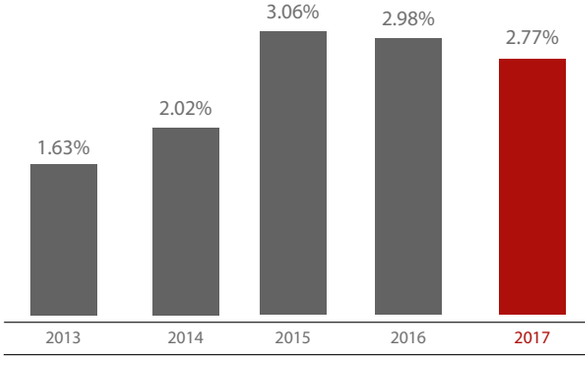
Return on Assets



Cost to Income Ratio



Non-performing Loans



Customers

05
New Branches

Launched IDLC Balanced Fund

Shareholders

30%
Cash Dividend

21.15%
Return on Equity

Regulators

BDT 1,008 million
Tax and VAT against income

BDT 986 million
Withholding Tax, VAT & Excise Duty

Employees

188
No. of Trainings

3,172
No. of attendees

Community

1,700+
Students of 12 schools were supported

3,500
Underprivileged individuals received healthcare support

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Report Markers

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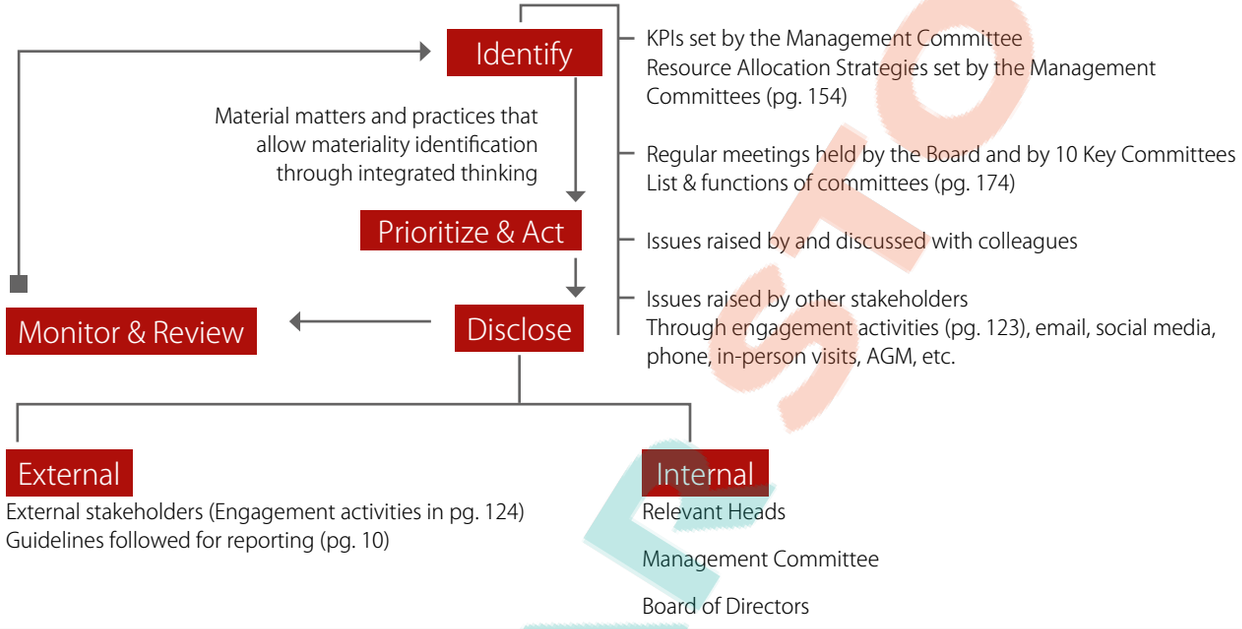
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Materiality Determination and Reporting at IDLC

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

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



Materiality determination for disclosures to various stakeholders

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

Target audience

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

The material factors present in this report have been highlighted in Navigating Through the Material Aspects (pg. 9).

Navigating Through The Material Aspects

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. 30 pg. 32 pg. 164 pg. 112
What are the various challenges within the operating environment and competitive landscape affecting our business?	▸ Our Operating Context and Risk Management	▸ Macroeconomic aspects that shape the industry. ▸ Market forces and the competitive landscape that shape our business. ▸ Our key competencies and scope of improvement.	pg. 46 pg. 49 pg. 52
How do we transform our resources - the various capitals - to create value for our stakeholders?	▸ Our Financial Capital ▸ Our Human Capital ▸ Our Intellectual Capital ▸ Our Manufactured Capital ▸ Our Social and Relationship Capital ▸ Our Natural Capital	▸ Our financial resources. ▸ Our people. ▸ Our knowledge-based intangibles. ▸ Our tangible inputs. ▸ Our key relationships and engagement with stakeholders. ▸ Our environmental resources.	pg. 90 pg. 111 pg. 117 pg. 121 pg. 123 pg. 130
How do we formulate our strategies and allocate resources?	▸ Performance Analysis with the Management Committee ▸ Strategy and Resource Allocation	▸ Our historical performance and resource allocation strategies ▸ Goals and breakdown of objectives. ▸ Risks and opportunities identified through analysis of operating environment and stakeholder engagement. ▸ Business model adaptability and change requirements. ▸ Responses to issues raised through stakeholder engagement. ▸ Resource allocation strategies to meet our objectives. ▸ Strategy formulation and our sources of competitive advantage. ▸ Interdependencies, complexities and trade-offs between our capitals. ▸ How we measure the efficacy of our objectives. ▸ Our strategies to avoid unintended consequences of potentially narrow focus on KPIs. ▸ Our scope and boundaries for long term value creation.	pg. 85 pg. 154 pg. 155 pg. 156 pg. 157 pg. 157 pg. 157 pg. 158 pg. 159 pg. 159 pg. 159
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. 133-153
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. 154-182
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. 22 pg. 25 pg. 85 pg. 163

Integrated Report: Its Scope and Boundaries

We are pleased to present to our shareholders with the 2017 Annual Report in the form of an 'Integrated Report' for IDLC Finance Limited and its subsidiaries (collectively referred to as IDLC Group).

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

Scope and Boundaries of this Report

The report covers the period from 1 January 2017 to 31 December 2017, which encompasses the activities that have been carried out within the geographical boundaries of Bangladesh, as IDLC does not have operation or subsidiary in other countries.

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

In elucidating the Company's operations and financial performance, we have extracted the financial information from the Audited Financial Statements for the financial year ended 2017 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.

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

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

To report our corporate governance practices, we have drawn reference from the revised Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission (BSEC). Furthermore, there have not been any significant changes to the scope, boundary and reporting basis since the last reporting date as of December 31, 2016.

Comparability

All the information presented in this report is on the same basis as the 2016 report in terms of the entities covered, the measurement methods applied and time frames used. The information provided covers all material matters relating to business strategy, risk and areas of critical importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

Determining Materiality of the Report Content

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

Availability of the Annual Report

The 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.

External Assurance

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

Sl.	Description of Report	External Assurance
1	Financial Statements Audit Report	A Qasem & Co., Chartered Accountants, a member of Ernst & Young Global Limited
2	Corporate Governance Certification	M/s. Mazumdar Sikdar and Associates, Cost Management 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 BSEC regulations	Masih Muhith Haque & Co., Chartered Accountants, Correspondence firm of RSM 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

Responsibility over the Integrity of the Integrated Report

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

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

Sd/-

Arif Khan, CFA, FCMA
CEO & Managing Director

Creating Smiles
by doing our bit



Engaging with the community

At IDLC, we strive relentlessly to spread happiness not only for our customers but also for the society at large. We engage with our community, hoping to make our due contributions in creating a better and happier society, where children can dare to dream big and pursue their ambitions.



Our Philosophies - The Backbone of Our Enterprise

Our Vision

We will be the best financial brand in the country.

Our Mission

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

Our Strategic Objectives

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

Our Core Values

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

Our Code of Conduct and Ethical Guidelines

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

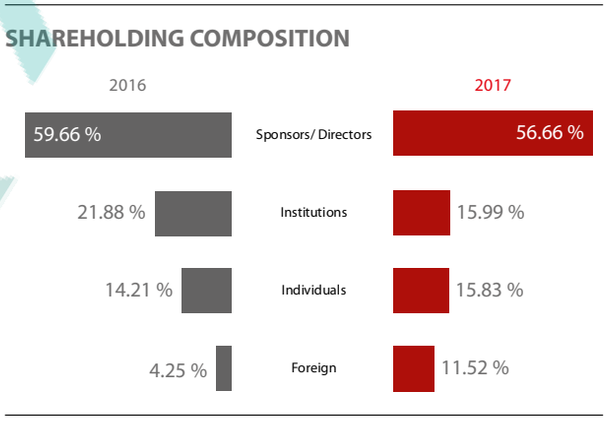
- Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and the public
- Act and encourage others to behave in a professional and ethical manner that will reflect positively on IDLC employees, their profession and on IDLC at large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

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

Our Shareholding Composition

As on December 31, 2017

Sl. No.	Name of Shareholders	Number of shares	% of total Shares
1	**SPONSORS/DIRECTORS**		
	The City Bank Limited (CBL) and its subsidiaries	**87,510,575**	**23.21**
	The City Bank Limited (CBL)	33,935,329	9.00
	City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90
	City Brokerage Limited	16,247,218	4.31
	Transcom Group	**50,273,164**	**13.33**
	Eskayef Pharmaceuticals Limited	30,164,062	8.00
	Transcraft Limited	15,132,033	4.01
	Bangladesh Lamps Limited	4,977,069	1.32
	Sadharan Bima Corporation (SBC)	**28,727,494**	**7.62**
	Reliance Insurance Limited	**26,393,553**	**7.00**
	Mercantile Bank Limited	**20,737,791**	**5.50**
	Sub-Total	**213,642,577**	**56.66**
2	**GENERAL**		
	Institutions:		
	Bangladesh Fund	6,330,000	1.68
	Investment Corporation of Bangladesh (ICB)	5,251,913	1.39
	Marina Apparels Limited	3,770,506	1.00
	Other Institutions	44,930,605	11.92
	Sub-Total	**60,283,024**	**15.99**
	Individuals:		
	General Public (Individuals)		
	Sub-Total	59,688,255	15.83
		59,688,255	**15.83**
3	**FOREIGN**		
	Institutions & Individuals	43,436,924	11.52
	Sub-Total	**43,436,924**	**11.52**
	Total Holdings	**377,050,780**	**100.00**



AMAR STOCK

Key Corporate Milestones 1985-2017

1985 - 1995

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

1996 - 1999

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

2004 - 2008

- **29 Jan 2004**
  Opening of the first retail focused branch at Dhanmondi
- **29 Jun 2004**
  Opening of the Gulshan Branch
- **22 Nov 2004**
  Launched investment management services, 'Cap Invest'
- **2 Jan 2006**
  Opening of the first SME-focused branch at Bogra
- **1 Jul 2006**
  Relocation of the Company's Registered and Corporate Head Office at own premises at 57, Gulshan Avenue
- **18 Sep 2006**
  Commencement of operations of IDLC Securities Limited, a wholly-owned subsidiary of IDLC
- **14 Mar 2007**
  Launching of discretionary portfolio management services under ' Managed Cap Invest'
- **5 Aug 2007**
  Company name changed to 'IDLC Finance Limited' from 'Industrial Development Leasing Company of Bangladesh Limited'

2009 - 2015

6 Jan 2009
Opening of the Sylhet branch

26 Aug 2009
Commencement of operation at Narayanganj

24 Feb 2010
Inauguration of the Savar branch

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

27 Oct 2010
IDLC entered Comilla

23 Dec 2010
IDLC inaugurated its Narsingdi branch

27 Dec 2010
Opening of the Keraniganj branch

15 Jun 2011
IDLC started operations at Mirpur

9 Aug 2011
Opening of the Tongi branch

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

18 Jan 2012
Opening of the Jessore branch

11 Mar 2012
Change of logo and rebranding of IDLC

8 Jun 2014
Opening of the Khulna Branch

18 Oct 2014
Opening of the Bhulta Branch

10 Nov 2014
Opening of the Natore Branch

2016 - 2017

11 April 2016
Opening of the Habiganj Branch

19 April 2016
Opening of the Kushtia Branch

31 May 2016
Opening of the Rangpur Branch

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

09 Aug 2016
Launching of Easy Invest

24 Aug 2016
Opening of the Mymensingh Branch

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

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

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

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

29 Oct 2017
Opening of Rajshahi Branch

30 Oct 2017
Soft Opening of Faridpur Branch

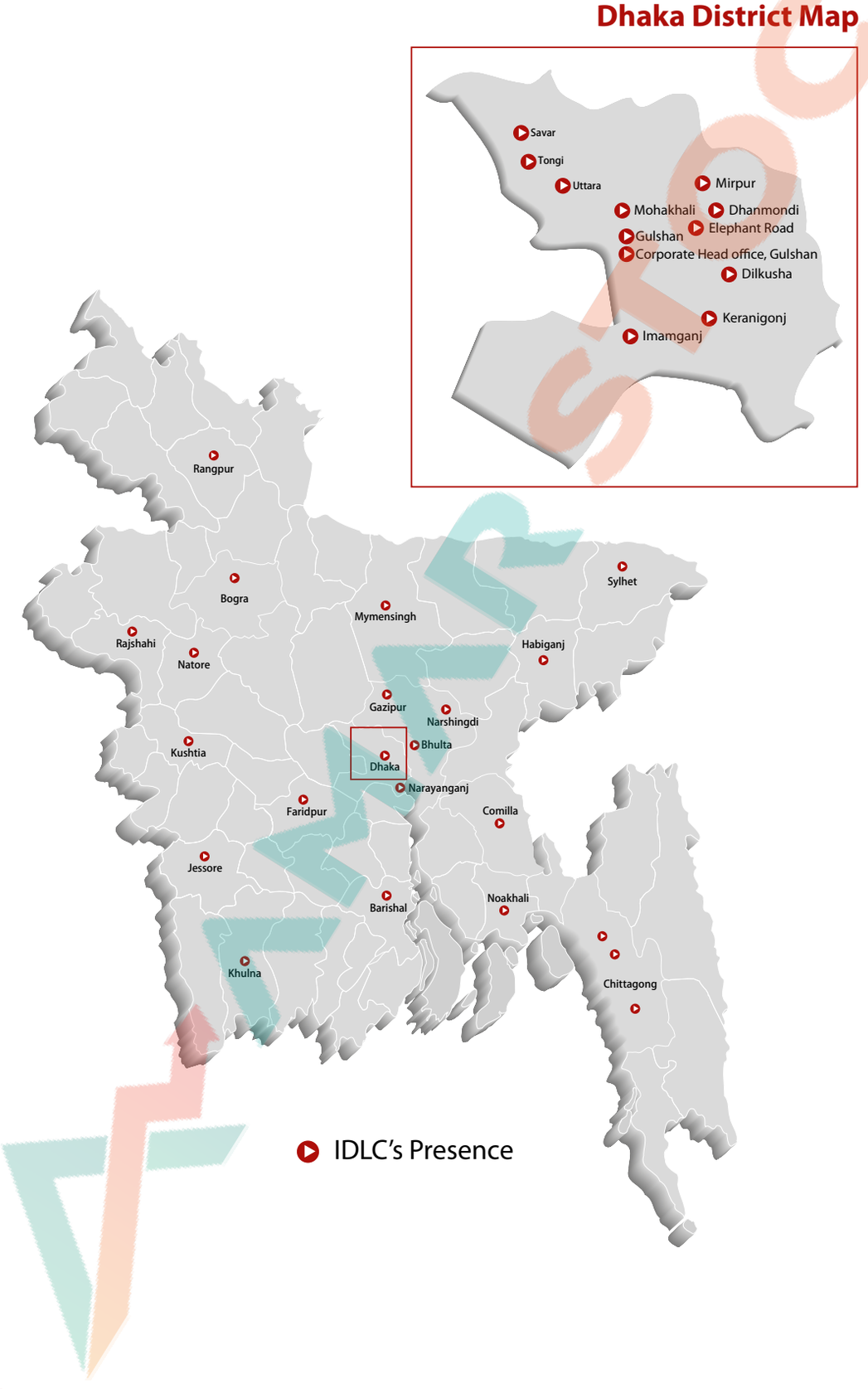
16 Nov 2017
Opening of Noakhali (Chowmuhani) Branch

28 Nov 2017
Opening of Elephant Road Branch

03 Dec 2017
Opening of Barisal Branch

Our National Footprint

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



Awards & Recognitions



SAFA Best Presented Annual Report Awards 2016- **Overall Winner**



SAFA Best Presented Annual Report Awards 2016 – **Integrated Report- Winner**



SAFA Best Presented Annual Report Awards 2016 – **Financial Services Sector-Winner**



17th ICAB National Award for Best Presented Annual Reports 2016- Integrated Reporting Category (among all listed companies) – **First Position**



17th ICAB National Award for Best Presented Annual Reports 2016- **Financial Services Sector– First Position**



ICMAB Best Corporate Award 2016 – Non-bank Financial Institutions Category – **First Position**



4th ICSB National Award for Corporate Governance Excellence, 2016 – **First Position**



Tax Card 2016-17:
Highest tax payer among Non-bank Financial Institutions in the nation



Recognition from Large Tax Payer Unit (LTU) for being the highest tax payer

Happiness
in Every Thread



Helping dreams come true

She dreams to make a statement and set the trends in fashion. Fearless in pursuing her dreams, she is not alone in her journey. IDLC is there to help her break through some of the many obstacles she faces.





Message from the Chairman

Dear Shareholders,

I welcome you to the Annual Report, 2017, of IDLC Finance Limited and am happy to present before you a pivotal year that augmented our value as a premier financial brand and helped further solidify our market hold.

Bangladesh economic review

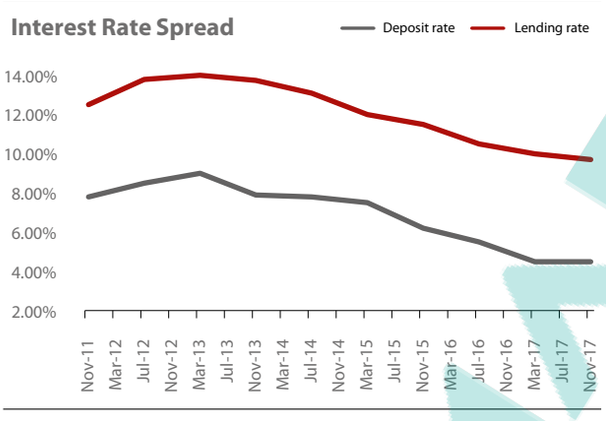
With global economy shaking off the rut and picking up its growth momentum as it reached an estimated GDP growth of 3.6% in 2017, Bangladesh economy attained a much talked-about growth of 7.28% in the fiscal year 2016-2017. This sense of accomplishment is also reflected in the controlled inflation rate of 5.70% as reported in December 2017, in spite of the rising food inflation on account of floods during the latter half of the year.

Meanwhile, the growth rate of import surpassed the growth rate of export, which resulted in the deficit of the current account balance to escalate during fiscal year 2016-2017, standing at a negative USD 1,480 million. Furthermore, remittance in USD saw

a negative growth of 2.2% year-on-year basis. As the US Dollar strengthened against Bangladeshi Taka, the Central Bank took measures to avoid large volatilities in the foreign exchange market. On a hopeful note, the import coverage of foreign exchange reserve standing at USD 33.2 billion as on December 2017, is considered to be adequate, according to Monetary Policy January-June 2018 published by Bangladesh Bank. As such, it may be concluded that the economy appears to be in control and the future prospects impart a positive tone.

Our business performance

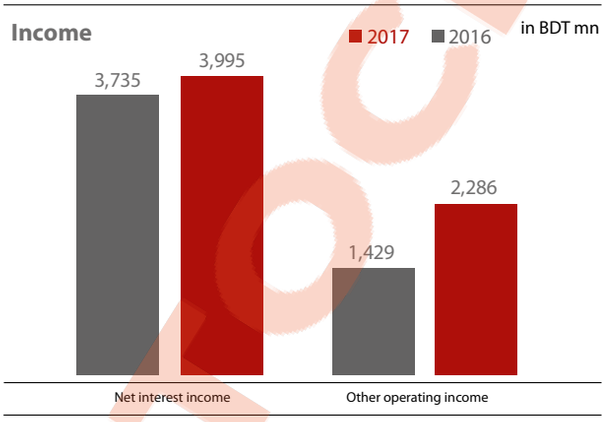
To illustrate IDLC's performance, it is important to exemplify the prevalent market context for interest rates. In the latter half of 2017, the deposit rate started escalating as prescribed asset-deposit ratio was breached by many to utilise the prior year's excess liquidity scenario. The over-exuberance with which the credit growth exceeded the deposit growth led to the narrowing of interest rate spread. It is to be noted that the weighted average bank deposit rate stood at 4.89% as on October 2017 which was 5.22% in Dec 2016.



Source: Monetary Policy Jan-June 2018, Bangladesh Bank

IDLC enjoyed an improvement in Net Interest Income by 6.97% to BDT 3,995 million as our timely implemented asset-liability management directives helped control our deposit and lending rates. Coupled with the generous increase in operating income by 21.62%, the Net Profit after Tax rose by 27.91% to BDT 2,277 million. This is primarily accountable to i) increase in loan book size by 14.92% as a result of our drive towards fostering long-term customer relationships and improving operational quality, ii) increased market share in fee based business, especially in the brokerage business through IDLC Securities Limited and iii) superior performance of investments made by IDLC in the equity market. To add to these income drivers, the constrained costs further aided in achieving healthy profitability.

Coming to segmental performance, I take pleasure in reporting that our portfolio under SME segment continued its ascent by 18.41% to reflect a robust portfolio size of BDT 30,851 million. Not only has the loan book size increased but also NPL (non-performing loans) remained in control at 3.17% for the said business group. On a similar note, our Consumer loans portfolio grew by 12.78% to BDT 24,152 million, largely driven by 18.21% rise in our home loan business, amidst stiff competition. Even the Corporate Division in its highly constrained market, experienced a 7.66% increase in loan portfolio reaching BDT 14,432 million.



On the Wealth Management frontier, we managed a healthy term deposit book of BDT 60,538 million at a controlled cost, despite the onslaught of rising deposit rates in the latter parts of the year. I need to specially mention the performance of our subsidiaries engaged in capital market operations, as they performed magnificently to capitalize on the thriving bourse during 2017 in the form of 267.1% growth in net profit to BDT 379 million for IDLC Securities Limited and 62.58% growth of net profit after tax of BDT 277 million for IDLC Investments Limited. With the newly launched open-ended mutual fund by IDLC Asset Management Limited, our third subsidiary, we aim to further strengthen our foothold in the capital market arena.

Engaging communities

At IDLC, we recognise our responsibility to each of our stakeholders; from the regulators, to the shareholders and the community at large.

We try to play a key role in shaping policies, teaming with various autonomous bodies and trade institutions that help shape the long-term term interests of our clients and our shareholders, as well as for the wider financial sector and the society in general. Moreover, we employ strict policies to comply with regulatory requirements; one of which includes portraying our excellent corporate governance practices to the regulators and ensuring accurate and timely contribution to the Government Exchequer. Our effort, in this field, has been recognised by the National Board of Revenue (NBR) by honouring us with the Tax Card that recognises IDLC as the Highest Tax Payer in the Financial Institution Category in the year 2017.

With the specific aim to engage communities to build a brighter future, we have launched the 'Khushir Kheya' platform under the Corporate Social Responsibility (CSR) wing that invites members of the community to be engaged in community development initiatives. This one-of-a-kind platform allows integration of various minds and efforts, from institutional to individual levels, to help build our surrounding community, and in effect a sustainable economy.

Our dedicated team tirelessly works to integrate the community at large within our core value that strengthens our foundations. The Sustainability Report, which specifies the measures taken against this objective, is issued annually to highlight the impact of our efforts to our stakeholders. For better understanding, the prime points are mentioned within this report. Our goal is to present the collaborative approach for maximising benefits and creating value for all our stakeholders.

Outlook

As we step into the realms of 2018, we mould our strategies to better suit the changing market scenario and take a step further, in order to broaden our customer base. On the back of strong policies and corporate governance, we would:

- Focus on a granular level to delve further into the small enterprises financing;
- Employ retail driven strategy to explore the middle income strata with offerings of affordable home loans and other consumer products;
- Reap the benefits of the mutual fund market, primarily through the open-ended mutual fund launched in 2017 and some of the funds lined up to be launched in 2018 and beyond;
- Innovate customer tailored wealth management solutions to target the High Net-worth customer segment;
- Explore into the untapped prospects of the Private Equity and Venture Capital Industry; and
- Re-engineer operational procedures to improve efficiency and further shrink the turnaround time.

I must mention that as a Company we remain committed to our customer-centric drive which we plan to build on in the years to come. Aided by our innate culture of focusing on teamwork and transparency, we aim to enrich ourselves through increased training in order to ensure improved operations and better customer service.

In conclusion

As one of Bangladesh's oldest and leading non-bank financial institutions, our financial strength, risk management protocols, governance framework and performance aspirations are directly attributable to a discipline that regularly brings prosperity to our shareholders and customers and adds solidity to our business model. Our competitive standing and reputation stem from our drive to create value for the society at large; thus our pledge is towards ***Engaging Communities, Spreading Happiness.***

Wishing you much happiness,

Sd/-

Aziz Al Mahmood
Chairman
IDLC Finance Limited



CEO's Reflections

Dear Shareholders and fellow Stakeholders,

As we step into a new year, let us take a moment to rejoice that together we have had the most profitable year in the history of IDLC. Through our combined efforts, we have solidified our position as one of the most efficient financial brands in the country, and built a solid foundation upon which we will strive to take IDLC to ever greater heights.

Global economic outlook

The Global economy rebounded with an estimated growth rate of 3.7% in 2017, after being stuck at around 3.0 percent growth per year in the last seven years. This broad-based upturn with growth in more than half of the world's economies was supported by stronger investment, rising industrial production and increased global trade. Among the developed economies, growth in US, Euro area, Canada, Japan picked up due to stronger momentum in domestic and external demand. Emerging and developing Asia, which account for over half of world growth, experienced 6.5% growth in 2017.

This stronger global growth momentum is likely to continue and through continued growth expansion, Global Economy is projected to grow by 3.9% in 2018, up 0.2% point from previous year's growth. The growth forecasts for the United States and Advanced Economies have been revised up counting on stronger than expected growth in 2017. Japan and other export oriented countries are expected to benefit from increased global investment and trade and are likely to post stronger growth in 2018.

Emerging markets & developing economies are expected to grow at 4.6%, while advanced economies are expected to grow at 2.2%. Southeast Asia however, is expected to grow by 5.1% in 2018.

Bangladesh economic review

Economic growth

The Bangladesh economy has an impressive track record of achieving steady growth of above 6.0% over the last six years and has entered in the growth phase of above 7.0%. GDP growth rate was recorded to be 7.28% in FY'17, exceeding the target of 7.2%. Rising private sector credit demand coupled with stable political situation bolstered the overall economic growth during the last fiscal year.

The government of Bangladesh has set the GDP growth target at 7.4% for FY'18 as compared to 7.0% by IMF and 6.9 % by Asian Development Bank (ADB). Bangladesh Bank is expected to continue its accommodative monetary stance to help the government achieve its desired economic growth.

Inflation

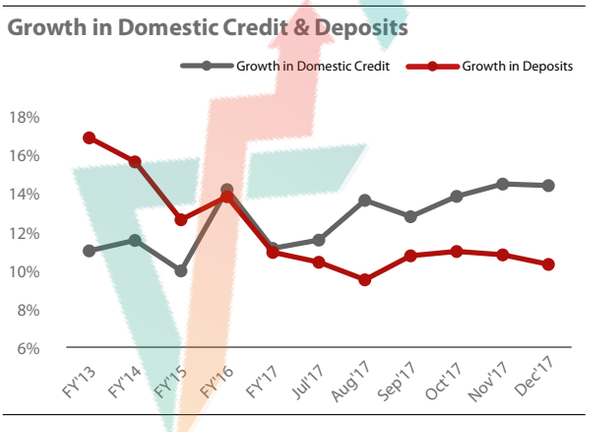
Easing and stabilization of CPI inflation lie in the core objective of the central bank. CPI inflation has been declining slowly over the last couple of years owing to good agricultural production, prudent macroeconomic management and normal flow of supply of goods in the backdrop of political stability to reach 5.4% in FY'17, well below the target of 5.8%. For a developing economy such as Bangladesh, various empirical studies suggest that 6.0% inflation along with one standard deviation is a growth maximizing threshold and can be considered moderate.

Bangladesh government has set the inflation target at 5.5% in FY'18. However, inflation has been showing an increasing trend since July 2017, mainly triggered by food inflation on the backdrop of floods in recent times. Considering domestic inflation dynamics and food price developments, some upward price pressure may emerge during FY18. However, subdued global inflation and favorable regional inflation may mitigate some domestic inflation pressure.

Credit growth

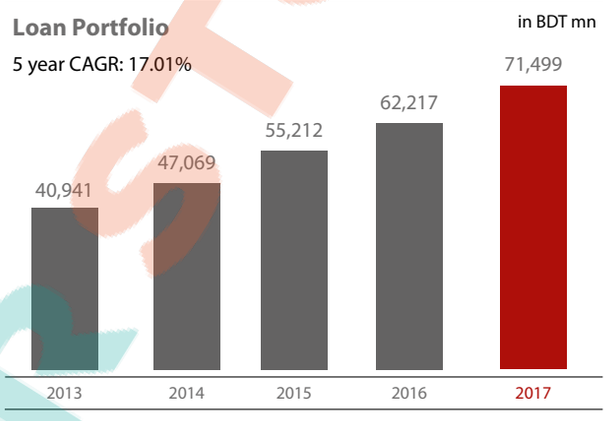
The credit growth figures in the public sectors have always been very volatile based on the actual financing needs of the government. It remained fairly below the targeted level in recent past, with a negative growth of 16.2% till May 2017 as opposed to target of 16.1 for FY'17.

In contrast, private sector credit growth has always remained stable particularly since the fiscal year of 2013. The private sector credit growth was recorded to be 16.0% in May 2017, marginally falling short of the target of 16.5% for FY'17. The overall domestic credit growth target has been set at 14.4% for H1 FY'18, with 3.8% growth in public sector credit and 16.2% growth in private sector credit; while the targets are 15.8%, 12.1% and 16.3%, respectively for H2 FY'18.



Looking back at our performance and new milestones

2017 has been an extraordinary year, reflecting on our performance as well as the milestones we have attained. Our Net Interest Income grew by 6.97% to BDT 3,995mn despite margin pressures. Non-Performing Loans (NPL) ratio continued its downward trend and has come down to 2.77% from 2.98% the previous year. Our Balance Sheet size now stands at BDT 95.7bn, marking a 20.65% growth from last year from BDT 79.3bn. We have been able to grow our Net Profit by 27.91% to BDT 2,277mn; owing to the quality growth of 14.92% in our loan portfolio to BDT 71.5bn – which drives our core business, combined with strong performance posted by our capital market subsidiaries.



In May 2017, we launched our first Mutual Fund, IDLC Balanced Fund; with Fund Under Management (FUM) of BDT 500 million. By the close of 2017, its FUM grew close to BDT 1bn, registering a 95% growth in 7 months. Our brokerage wing, IDLC Securities Ltd has been holding 4+% market share in the closing months, claiming 3rd position in the DSE in terms of turnover. Another one of our important capital market business operations, IDLC Investments' 'Easy Invest', a monthly investment scheme, has expanded its customer base across the branches to 2,789 clients – up from 1,551 from 2016. The subsidiaries have contributed 30.5% of the Group's Net Profit in 2017, compared to 15.9% the previous year; primarily owing to extraordinary performance attributable to the capital market in the first quarter.

In terms of national footprint, we have expanded our services through 5 new branches in Rajshahi, Barisal, Chowmuhani, Faridpur and Elephant Road.

Adding to our list of accolades

IDLC has received numerous awards that reflect our governance and the transparency we embody. Overall winner across 8 SAARC nations in the SAFA awards, Gold Award at the prestigious ICSB National Award for *Corporate Governance Excellence 2016*, first position for *Integrated Reporting* and *Best Presented Annual Report 2016* by ICAB and the *Best Presented Annual Report 2016* award by ICMAB, are mentionable recognitions that have been added to the extensive list of our honors, in acknowledgement of our efforts.

Growing together with our community through a unique initiative

Together, we are also creating positive impacts in respective communities where IDLC operates. In 2017, we launched a one-of-a-kind online Corporate Social Responsibility (CSR) platform - *Khushir Kheya* – which enables anyone from the community to step forward and volunteer, for managing issues and exploring opportunities that will help improve lives of underprivileged groups across Bangladesh in the fields of health, education, nutrition and environment.

As one of the oldest financial institutions, we bear in mind the responsibility we carry towards the society at large. I am thrilled to announce that our Board has consented to increasing the community work further, by 3 times, in 2018 compared to the year 2017.

An empowering board and vigilant regulators – the backbone of success

I am honored to state that IDLC has been awarded the Tax Card 2016-17 as the highest tax payer among NBFIs in the nation. I must take the opportunity to thank our Board for not only setting the right governance benchmarks, but also for being vigilantly empowering towards the management, which has enabled us to achieve such a feat.

I must also convey my sincerest regards to our regulatory bodies for their keen foresight into developing business-friendly policies and working affirmatively towards ensuring the right environment to aid and encourage sustainable business practices. We intend to be a part of the movement that is encouraging a nationwide culture of long-term business mindset among corporations across the board through participative policy dialogue and lead the way through ensuring proper business practice initiatives ourselves, reinforced with our legacy of transparency.

Calibrating our strategic direction going forward

Developing markets while addressing unmet demand

We have a lot to look forward to in 2018 and beyond, including bringing more small entrepreneurs under the formal system by creating access to finance, offering semi urban households under affordable housing plans, helping individuals better plan their financials, provide guidance towards investing and few other services that we believe our clients will love.

Addressing stakeholder concerns and leveraging technology in preparation for a challenging environment

We realize however, that there are going to be obstacles along the path as we pursue our core business in the short term, resulting from a rising interest rate scenario – with lending rates on existing portfolio being comparatively stickier than the cost of funds – coupled with competition from the industry over our clients and even our colleagues.

The implications of these pressures present us with even further challenges. As we strive hard to balance the need for portfolio growth while ensuring that we can command a margin that is sustainable enough to maintain the long term growth in the profitability of the company, we will also have to keep our eyes firmly on the quality of the portfolio. When the market goes through a transition period of moving to an increasing interest rate scenario from a period of steady decline that had lasted for almost three years, all financial institutions pursuing growth run the risk of a compromised asset book with rising non-performing loans in the medium to long term scenario, if their strategy executions are not properly aligned with market dynamics.

Hence, in 2018, our focus will remain on strengthening our stakeholder relationships further through practical value additions. We will continue our endeavor of providing superior customer service through ensuring that our clients' (legitimate) needs are met in the quickest and best possible manner. We will review our organization level HR strategy to continue and even improve the success that we have had in attracting and utilizing some of the best resources within the industry and further deepen the culture of performance driven reward system through all layers of the organization. Career paths we offer to our colleagues will be reviewed based on job nature and progression of job scope or value-adding capacity. Risk management and collection strategies will be upgraded to cater to new customer segments and markets.

These undertakings cannot be achieved by looking at our challenges in silos, but rather through investigating common threads that lie within operational structures and process flows; aiming to find fixes that will address a range of otherwise unrelated problems. Our approach towards addressing the web of issues that surround us is, naturally, through utilizing our intellectual capital. For instance, our efforts towards establishing and dedicating resources towards improving our own credit risk grading model not only saves the analyst's time allowing him/her to support greater business growth, it also improves standardization of the Credit Risk Management process and improves accountability; enabling the growing loan book to maintain its quality and thus reassuring sustainability.

It goes without saying, integration of all such efforts is needed to achieve optimum resource utilization. This in turn requires significant efforts towards reviewing existing systems and possible re-structuring. In fact, we initiated relevant proactive measures since 2017 when we set up our Change Management department, besides other initiatives. These efforts are to continue to improve how we do business and serve our customers.

New initiatives to solidify our sustainability motto

In line with our long-standing practice of exploring into new markets and customer segments to utilize opportunities presented by underserved niches, our short and medium term strategy involves diversifying our lending businesses further, extending our focus over more granular levels to tap into comparatively less contested customer profiles. This will involve increasing our attention beyond major cities for both SME lending and housing finance. Starting with places where

we already have existing operations, we expect to leverage our intellectual capital to expand our business in these segments sustainably over the foreseeable future; emulating what we have successfully done in SME lending by means of integrating the right structures, processes and policies.

As we strengthen our position in our existing business verticals, we must also continually look towards the future. At IDLC, we pride ourselves on our ability to pinpoint future growth opportunities and establish ourselves in new segments ahead of our competitors. This is a core strength of IDLC, and we believe this approach will guide us for many years to come.

As such, we see Asset Management as one of the new thrust segments for IDLC. The growth story of Bangladesh is one we've all come to know over the last decade. Beneath its surface, this growth hides tremendous opportunities for companies willing to brave the risks. The growing consumer disposable income, technology penetration, focus on exports and infrastructure is driving the growth of several sectors including Healthcare & Pharmaceuticals, Leather & Leather Goods, Consumer Durables, Agri-Business, and Ready-made Garments, among others.

With the formation of Alternative Investment Guidelines by BSEC and easing of IPO lock-in period restrictions, combined with the growing consumer market present in Bangladesh, we feel that there are bright prospects for the Private Equity and Venture Capital industry in Bangladesh. We anticipate a major push into this sector over the next couple of years. Entering this segment will allow us to diversify our Capital Market operations, and allow us to move forward in our pursuit to become the best financial brand in the country.

I am immensely proud to have been a part of the growth story of IDLC so far and consider myself privileged for the opportunity to work towards taking this great financial brand to even greater heights.

Wishing you my best,

Sd/-

Arif Khan, CFA FCMA

CEO & Managing Director

AMARSTOCK

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
- 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
- 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

- Debt Syndication (Local & Foreign Currency)
- Working Capital Syndication
- Agency & Trusteeship
- Fund Raising through Zero Coupon & Coupon Bearing Bonds
- Commercial Paper
- Arrangement of Private Equity & Preference Shares
- Corporate Advisory for Mergers & Acquisitions and Joint Venture Making
- Balance Sheet Restructuring
- Preparation of Feasibility Study

Green Banking Solutions

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

Consumer Finance

Loans

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

Deposits

- Flexible Term Deposit Package
- Regular Earner Package

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

IDLC Asset Management Limited

- Mutual Funds
- Portfolio Management

AMARSTOCK

Our Value Chain Activities and Impacts

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

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

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

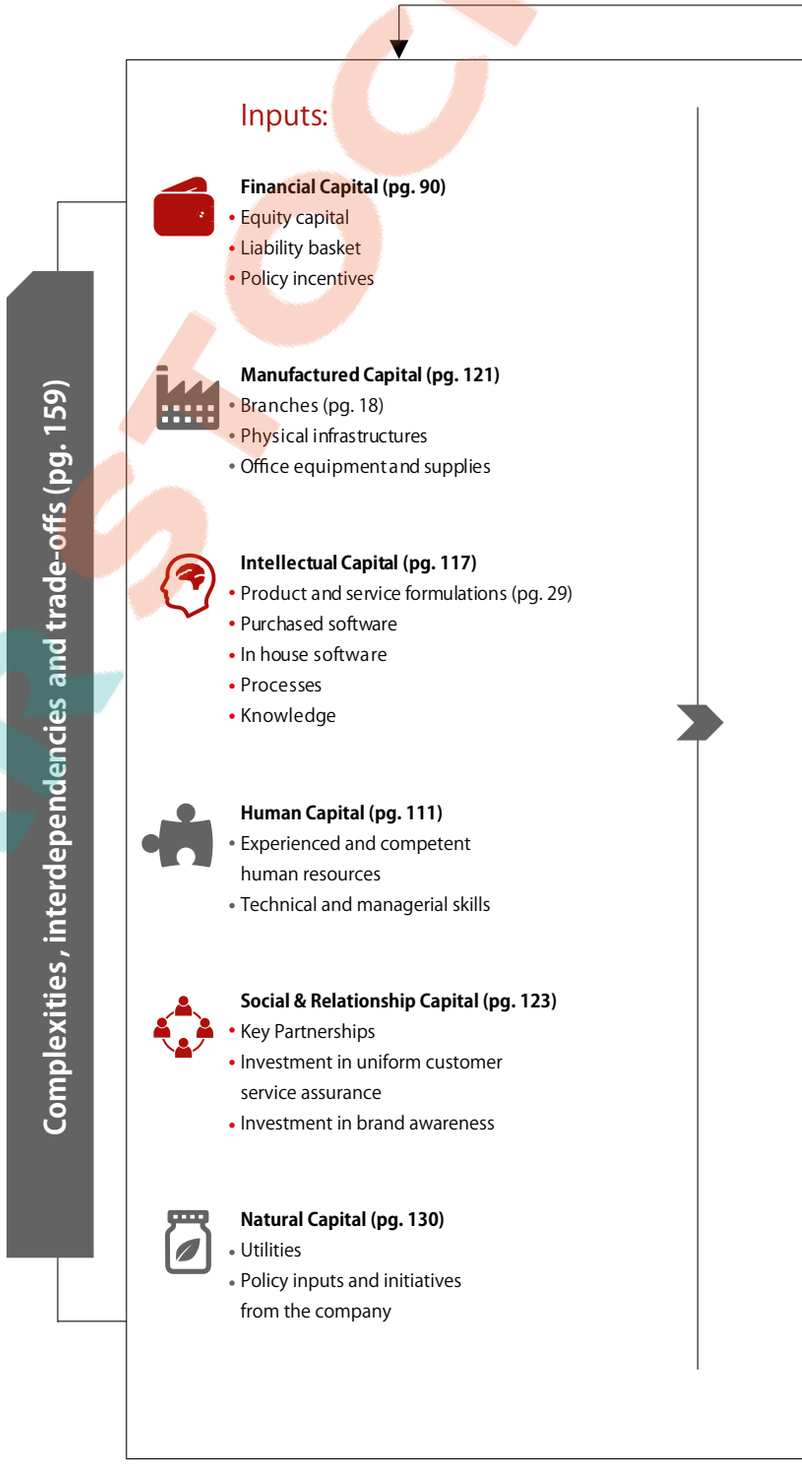
Our overall business model (pg. 32) involves extending our presence physically and virtually. It also involves a high dependence on IT; which together means a significant investment in branches and technological infrastructure – our manufactured capital.

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. 32).



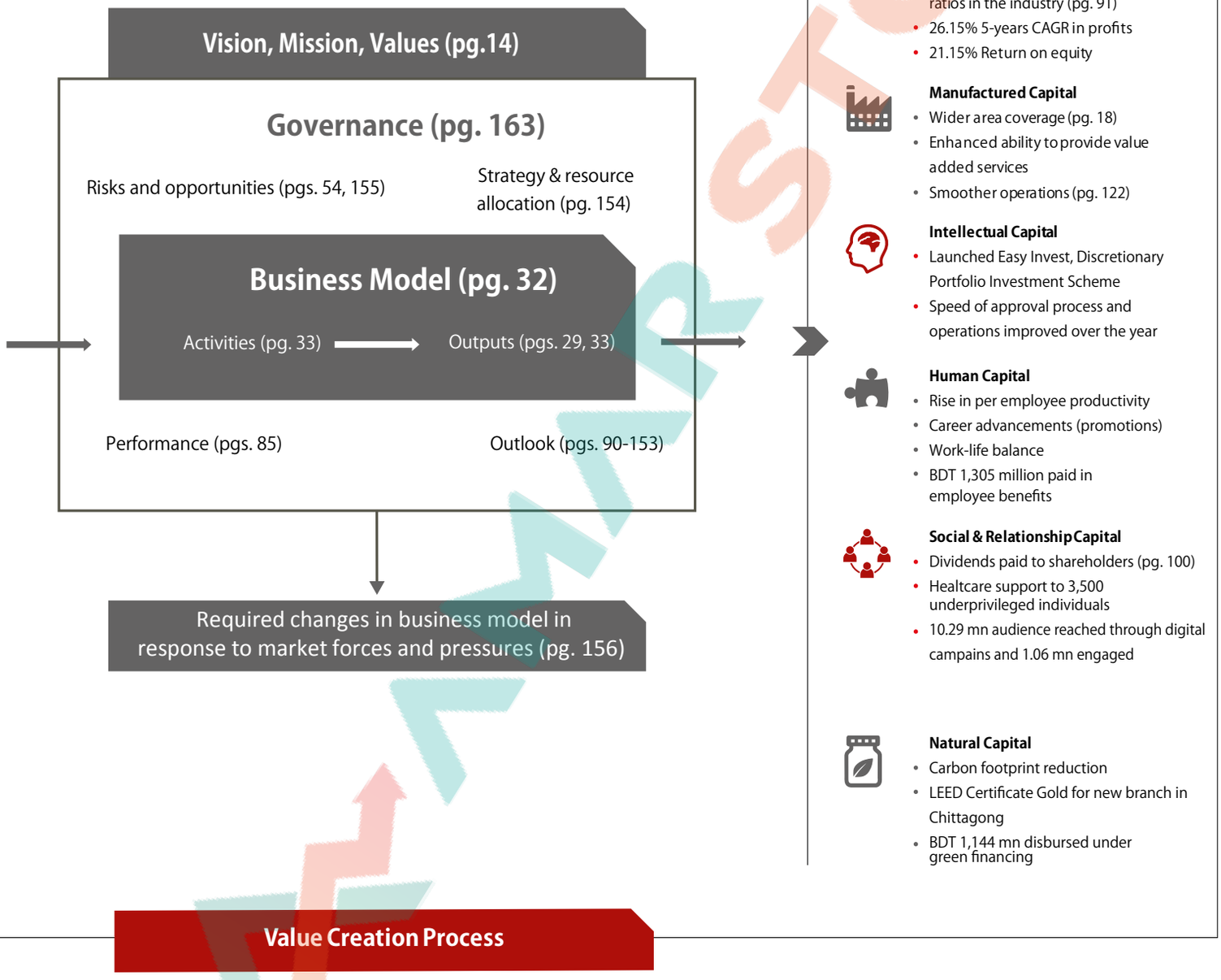
Useful references:

Our Business Model (pg. 32) –The intricacies of our business

Our Corporate Governance Structure (pg. 164) – The governance structure that enables our Business Model

Our Extensive Range of Products and services (pg. 29) –Outputs/our offerings

Our Organizational Chart (pg. 112) –Hierarchy and chain of command



Value Creation Process

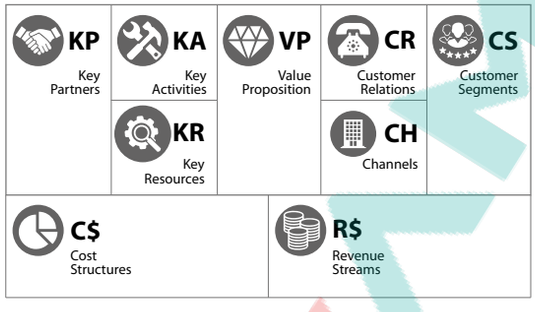
Our Business Model

Having over 30 years of experience in the marketplace, our business model is designed to withstand market pressures and absorb macroeconomic shocks. (pg. 46)

In order to make optimum contributions across the value chain, we are careful to strike a balance between different stakeholder objectives (pg. 124)

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. 154)

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



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. 30) – The flow of Capitals

Subsidiary Business Reviews (pgs. 144, 147 & 151) - Activity Models of Subsidiary Businesses

Our Corporate Governance Structure (pg. 164) – The governance structure that enables our Business Model

Our Extensive Range of Products and services (pg. 29) –Outputs/our offerings

Our Organization Chart (pg. 112) –Hierarchy and chain of command

Channels

- Branches
- Direct selling
- Telephone and online channels

Customer Relationships: 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

Value Proposition

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

Our Customer Segments

- 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

AMARSTOCK

Our Leadership

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) Ltd., Danish Milk (BD) Ltd., Danish Foods Ltd., Danish Distribution Network Ltd., Rubel Steel Mills Ltd., Danish Dairy Farm Ltd., Ferrotechnic Ltd., Shubornobhumi Housing Ltd., VOICETEL Ltd., Sky Telecommunication Ltd., Giovana Denim Mills Ltd., Partex Tissue Ltd. and Danish Multipurpose Farm Ltd. In addition, he is also a Director of a number of companies of Partex Star Group.

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



Adil Islam
Director of the Board &
Chairman of the Executive Committee
Nominated by The City Bank Limited

Adil Islam has more than 26 years of banking and business leadership experience, gained through working in various international banks and financial institutions in Southeast Asia and Middle East, in countries such as Bangladesh, Saudi Arabia, Bahrain, Indonesia and Singapore. He has extensive knowledge and experience in business development, risk governance, organizational transformation and driving sustainable business growth.

Mr. Islam has held business and functional head positions both in Bangladesh and in overseas locations, working for organizations like HSBC and ANZ Bank. Over the years, he has held positions which include Chief Risk Officer for South & Southeast Asia, ANZ Bank, Chief Risk Officer, HSBC Indonesia, Head of Wholesale Banking HSBC, Bangladesh and others. His area of specialty spans across Corporate Banking, Trade, Cash Management, Financial Institutions, Commercial Banking, Credit and Risk Governance.



Monower Uddin Ahmed
Independent Director &
Chairman of the Audit Committee and
Chairman of IDLC Investments Limited

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

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



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 MBA from Victoria University, Melbourne, Australia.

Mr. Arefin is a director of CBL Money Transfer Sdn. Bhd, Malaysia and of City Bank Capital Resources Limited.

AMAR STOCK



Mohammad Mahbubur Rahman FCA
Director of the Board &
Member of the Audit Committee
Nominated by The City Bank Limited

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

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.



Md. Kamrul Hassan FCA
Director of the Board &
Member of the Audit Committee
Nominated by Transcom Group of Companies

Md. Kamrul Hassan is a Fellow member of the Institute of Chartered Accountants of Bangladesh. He has 29 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 coampany in Libya for 3 years. Further in 1994, he was employed by Transcom Group, one of the largest business conglomerates in the country. Currently he is holding the position of Executive Director (Finance) since 2008. He is also a Director of National Asset Management Limited.

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

AMARSTOCK



Syed Shahriyar Ahsan
Director of the Board &
Member of both the Executive Committee and the Audit Committee
Nominated by Sadharan Bima Corporation

Syed Shahriyar Ahsan, Managing Director, Sadharan Bima Corporation, did his Master`s and MBA Degree from Dhaka University. He is in the Insurance Industry for the last 32 years having practical experience in Underwriting, Re-insurance, Accounts, Marketing and Claims of various exposure and complexity.

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

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



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. Limited (Pharma, Diagnostics, Heinz, Garnier,Loreal, Fritolays), Eskayef Pharmaceuticals Limited (Formerly SmithKline & French, USA), Mediastar Limited (Publishers of leading Bangla daily PROTHOM ALO), Trinco Limited (Sponsor Shareholder of Reliance Insurance Ltd. & The Daily Star), Transfin Trading Limited (Sponsor Shareholder of Reliance Insurance Limited & The Daily Star), Transcom Consumer Products Limited (First ever PepsiCo Snack Franchisee) and Ayna Broadcasting Corporation Limited (FM Radio).

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

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



Niaz Habib
Independent Director &
Member of the Executive Committee and
Chairman of IDLC Securities Limited

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

Mr. Habib completed his Masters of Business Administration from Institute of Business Administration (IBA) of University of Dhaka. He also completed his M.A. in Economics with Honours from the University of Rajshahi. He is the proud father of a daughter and a son. Mr. Niaz Habib is presently working as an Advisor with Meghna Group of Industries.



Matiul Islam Nowshad, CMgr, FCMI
Independent Director
Chairman of IDLC Asset Management Limited

Matiul Islam Nowshad is a seasoned management professional with over three decades of experience spanning three industrial segments- tea, textile and telecommunication, of which 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 and 2018 World HRD Congress held in Mumbai, India as the "50 Most Talented Global HR Leaders in Asia" and '100 Top Global HR Minds' respectively. In 2011 he was also awarded with "Best HR Leader" of the year award at World HRD Congress. Nowshad served Robi Axiata Limited as Chief Human Resources Officer and Chief Corporate and People Officer from February 14, 2010 to February 28, 2018. During his 8 years tenure, Robi Axiata Ltd. has been recognized as "Best People Management Company" for consecutive five times in the years 2012, 2013, 2014, 2015 and 2016. His personal contribution was duly recognized with a milestone award at Axiata Annual Group Awards Program.

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

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

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



Arif Khan, CFA, FCMA

Ex-Officio Member of the Board &
Member of the Executive Committee

Arif Khan brings more than 27 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 had served IDLC Finance Limited for 15 years before leaving as the Deputy Managing Director. During this period, he played a key role in the growth of the company as well as development of several business wings.

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

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

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

AMARSTOCK

Management Committee



Sitting (from left)

Mir Tariquzzaman
Chief Technology Office

Syed Javed Noor
Head of Consumer Division

M. Jamal Uddin
Deputy Managing Director & Head of Business

Standing (from left)

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

Ahmed Rashid
Head of SME Division

Atatur Rahman Chowdhury
Head of Operations

Mahbub-ul-Kader
Head of Internal Control & Compliance

Rajib Kumar Dey
Managing Director
IDLC Asset Management Limited



Arif Khan, CFA, FCMA
CEO & Managing Director

Asif Saad Bin Shams
Head of Credit & Collection

Mesbah Uddin Ahmed
Head of Corporate Division

Md. Saifuddin
Managing Director
IDLC Securities Limited

Mohammad Jobayer Alam, CFA
Head of Treasury & Strategic Planning

Md. Moniruzzaman, CFA
Managing Director,
IDLC Investments Limited

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

Akhteruddin Mahmood
Group Head of Human Resources

Senior Executives
(In alphabetical order of last name)


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

Sl.	Name	Designation
9	Md. Ariful Islam	Head of Micro Enterprise Finance, SME
10	Md. Ariful Islam	Head of Change Management
11	Nafius Noor Khan	Head of Outstation, Consumer Assets
12	Farzana Islam Lisa	Senior Relationship Manager
13	Shamima Akter Lovely	Head of HR- Capital Market & Head of Organizational Development
14	Indrajit Mallick	Head of Chittagong Region
15	Md. Abu Musha	Head of Legal


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Sl.	Name	Designation
16	Laila Nasrin	Head of Software Solutions
17	Nurul Karim Patwery	Head of Money Market Operations, Treasury Division
18	Mahjebeen Binte Rahman	Head of Consumer Assets
19	Mohammad Ashiqur Rahman	Head of Business Transformation, SME
20	Md. Masud Rana	AGM, CRM Central
21	Adnan Rashid	Head of Credit-Small Enterprise Finance
22	Jane Alam Romel	Group Chief Marketing Officer
23	Mohammad Saifuddowla	Head of Small Enterprise Finance

Sl.	Name	Designation
24	Md. Masud Sajjad	Cluster Head & Branch Manager, Dilkusha
25	Isa Mahmud Shovo	Head of Agency and Trust
26	Ifham Siddiqui	Head of Operational Risk Management
27	Kazi Farhan Zahir	Head of Structured Finance

Financing Happiness,
brick by brick



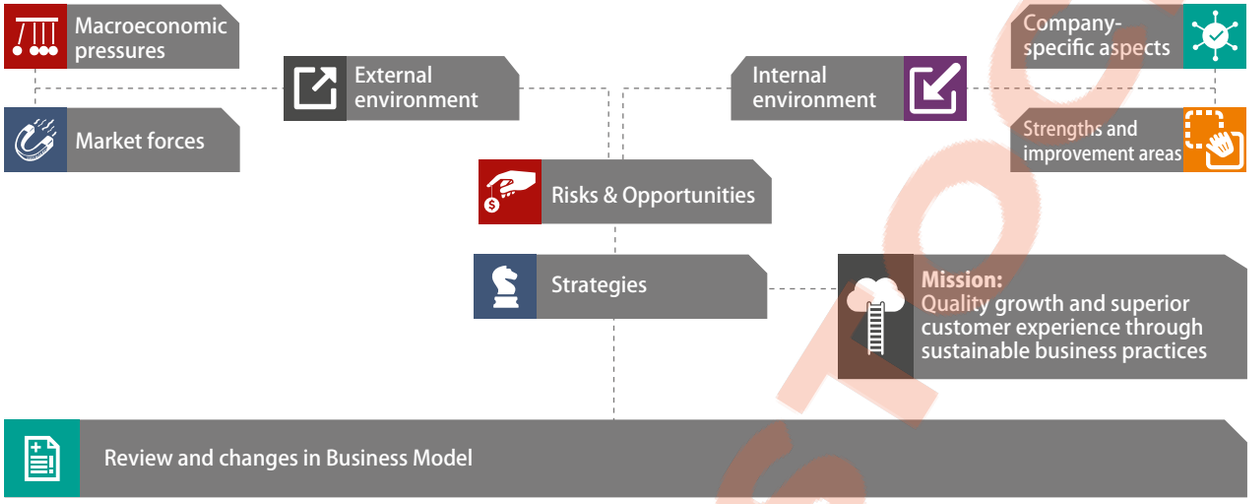
Building a home full of happiness

Happier together – happiness is best experienced when families are together in their homes. That is why happiness lies in every brick of a house. And nothing makes us more content than helping our clients build their homes full of happiness.



AMAR STOCK

Our Operating Context and Risk Management



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 how the environment and competitive pressures evolved over the last one year. We have also articulated the strategies and programs that we have in place to successfully face those pressures and uncertainties in order to minimize, to the extent possible, the risks that we are exposed to.

Macroeconomic Aspects Shaping the Industry

Macroeconomic Dimension	Impact on the Industry	IDLC's Front	Evident in
Political			
Stable political environment with looming uncertainty We have experienced relatively calm and stable political environment over the last 2-3 years. However, with the general election looming in 2018 there has been anticipation of potential political unrest **Policy continuation on developing infrastructure** With the stability in the political front, there has been continuity in government policies and priorities have been given on developing infrastructure including large outlay on building bridges, roads and power generation.	**Investments expected to gain further traction amidst potential hiccups under short-term uncertainties** While the investment to GDP ratio increased to 30.12% from 29.98% a year ago, it has largely been driven by public investments.[1] However, with most of these massive public investments going to the development of infrastructure, it is anticipated that private investments will soar as well. This means that the vibrancy experienced in the industry is expected to continue in the future with a few bumps and stresses along the way.	▸ We have seen businesses on our coverage doing very well last year riding on low borrowing cost coupled with robustness in demand. ▸ Demand for retail financing (both consumer loans and small individual driven business loans) remained robust as well throughout the year. ▸ While real estate prices remained stable, demand for real estate financing increased on the back of a low interest rate scenario. ▸ Our focus will remain on quality acquisition, diversification of exposure and regularizing default accounts. ***Long-term strategy:*** Diversify sector exposures and focus on thrust sectors to go beyond leveraging current political stability and cushion against future uncertainties.	Message from the Chairman (pg. 22) CEO's Reflections (pg. 25) Financial Capital (Portfolio growth, NPL) (pg. 94-95) Risk (sectorial exposure) (pg. 65) Strategy & Resource Allocation (pg. 154)

[1] *IMF World Economic Outlook (WEO) Database, October 2017*

Macroeconomic Dimension	Impact on the Industry	IDLC's Front	Evident in
Economic			
Continuation of strong GDP growth and expansionary monetary policy In FY17, GDP growth remained strong at 7.28% [1] amidst political stability and growth friendly policies and programs from the government. Monetary policy remained expansionary throughout the year. However, remittance growth declined and import bills kept increasing throughout the year 2017 as both import volumes and import prices increased with the rise of global commodity prices and in the aftermath of the devastating flood that massively damaged crop production.	**Considerable excess liquidity in the system at the start of the year gradually decreased, with 19.6% credit growth in 2017 vis a vis only 11% deposit growth.[1]** On the back of a significant gap between the deposit rates in scheduled banks and the rates offered by National Savings Certificates (NSC), with the banking rates significantly lower, savings continued to flow to the NSCs. Some of the private banks extended lending activities aggressively despite not having enough growth in deposits and resultantly breached the regulatory limit of Advance Deposit ratio. This caused a scrap among banks and FIs for deposits in Q4 2017 and a subsequent increase in the deposit rates. This increase in Deposit rates is expected to continue till the market comes to an equilibrium whereby deposit rates of savings approach closer to the rates offered by NSCs.	▸ IDLC has been facing stiffer competition, takeover attempts and margin reduction as a result of too many institutions floating on excess liquidity and effectively starting a price war in the market. ▸ It therefore, makes even more sense for the company to concentrate on growing strongly in the SME segment, which offers good returns, through improving its reach to those in financing need. ▸ If the deposit rates go up as expected, there will be massive pressure on the Net Interest Margins for all Banks and FIs. Most of the effect of this increase can be passed through as the majority of the lending book of IDLC is of a floating rate. However, this will require to be executed with great caution and precision. ***Long-term strategy:*** Focus on improving value added to clients through service and product offerings.	Business Segment Review-SME (pg. 153) CEO's Reflections (growth in credit vs. deposits) (pg. 26) Performance Analysis with the Mgt. Committee (pg. 89) Intellectual Capital (pg. 117)
Social			
Improved standard of living and access to information The country achieved lower middle income status in 2015, with a per capita income of $1,314[1] 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.	**The rising middle income population, expected to reach 35mn by 2025 , will be the driving factor for the increase in local consumption demand.** With purchasing power increasing in this group, so will their needs for financial products grow in the form of requirements for Home Loans, Small Business Loans and other consumer finance products.	▸ IDLC's strategy to expand its SME business to further granular level dovetails very well with this development. ▸ The growth of the middle income segment will not only be concentrated in Dhaka or other large cities, but also throughout different other regions. IDLC will address this demand through opening small distribution centers all over the target regions. ▸ IDLC plans to introduce specific Home Loan products aimed at the middle-class segment in 2018 and distribute this product throughout the country to capture the opportunities thereby. ***Long-term strategy:*** Focus on superior segmentation, targeting, product innovation and excellent customer relationship management.	Performance Analysis with the Mgt. Committee (pg. 86) Strategy & Resource Allocation (pg. 156)
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.	**Improved technological platforms to meet customer demands with possibilities of disruption by Fintechs looming in the horizon** So far, the technological improvements in the industry focused mainly on increasing control, bringing operational efficiency and managing scale. However, we have recently seen efforts from select institutions in digitizing customer interactions and customer experience management. This is expected to become the trend as more and more organizations try to adopt technological innovations to increase customer satisfaction. However, the threat of Fintech companies to enter the market in Bangladesh is not imminent due to the current stance of the regulatory establishments.	▸ IDLC has made great strides in building a holistic technology based platform to increase operating efficiency through the Core Banking System and the support systems that have enabled the total loan generation to disbursement process to be completed digitally. ▸ The focus for 2018 will be to enhance mobility of the customer facing employees by equipping them with all information and system access they need through hand held smart devices. ▸ IDLC will also strive to introduce web based customer service platform to enhance service. ***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.	Statement of Risk Mgt. (pg. 54) Intellectual Capital (pg. 117) Strategy & Resource Allocation (pg. 154)

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 encouragement not always enough to spur the borrowers** There has been a sharp increase in 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. However, not all promoters/factory owners are ready to accept greener technology as they, many of the times, do not necessarily realize the long term cost savings that accrues through the upfront investment in sustainable technology, and there is a sense amongst many that it is only feasible through an extremely low cost subsidized financing.	▸ IDLC 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 well since its launch in 2014, although it took a hit in 2017 owing to a slowdown of new disbursements under green financing schemes due to narrower interest rate difference amidst low lending rates in the market. However, it is expected to pick up pace again as interest rates are expected to see gradual rise. ▸ IDLC improved its Environmental and Social Management System (ESMS), which was launched with support from the Entrepreneurial Development Bank (FMO) of Netherlands and FI Konsult, further in in 2017. ***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.	Natural Capital (Green banking, ESMS) (pg. 130) Business Segment Review – Green Banking (pg. 143) Strategy & Resource Allocation (pg. 154)
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 are, understandably, subjected to greater scrutiny by the regulators to ensure safety of the deposits made by the general public.** The focus has correctly been on strengthening the foundation of Financial Institutions through strict implementation of capital adequacy parameters, stress testing and other ALM indicators.	▸ IDLC's history of strict legal and regulatory compliance places it in a good position within the financial services industry. ▸ Close communication is maintained with regulators and trade bodies to carry out a supportive and participatory role in policy discussion. ▸ Separate compliance team ensures compliance across the Group. ***Long-term strategy:*** Continue to set the benchmark as a compliant institution through assisting regulators and ensuring organization's values such as integrity, trust and respect are followed in practice by every employee.	CEO's Reflections (pg. 25) Performance Analysis with the Mgt. Committe (pg. 85) Statement of Corporate Governance (pg. 163)

Supplementary details of the 2017 economy and business environment relevant to IDLC:

- Private sector credit posted staggering growth of 18.13% in 2017 while deposits grew by 10.22%, such divergence in growth rates resulted in substantial fall in excess liquidity in the banking system and put an upward pressure on the interest rate in the later part of the year
- Inter-bank call money market remained stable throughout the year. Monthly average call money rate remained in the range of 3.50% to 3.93% in 2017
- Widened trade deficit due to sharp rise in imports, coupled with moderate growth in exports and remittances pushed the current account balance into negative territory which exerted downward pressure on foreign exchange rates. BDT depreciated by 5.08% against USD in 2017
- Foreign exchange reserves dropped marginally to 33.2 billion in Dec'17, after hitting record high of BDT 33.6 in Aug'17
- Point to point inflation increased to 5.83% in Dec'17 from 5.03% a year ago

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 imminent future as well as in the long term.

Buyer power  High

Factors in consideration	Breakdown analysis and IDLC's response	Elaboration
As we indicated in our past Annual Report for 2016, Buyer Power has been increasing on the borrowers' side on the back of high excess liquidity in the system with the big borrowers (big corporates, conglomerates and recipient of corporate financing) enjoying the most power, followed by mid-sized businesses, the big ticket consumer loan (Home Loan) customers and small business customers. Overall, as banks were flush with liquidity, most banks tried to aggressively grow their loan portfolio and subsequently started a price war by reducing margin and further increased borrower power. The depositors on the other hand had a tough time with return from deposits often lagging the inflation rate, thereby being subjected to a negative real return on their deposits. This prompted depositors to look for other avenues such National Savings Certificate (NCS), Equity Investments and so on. As a result, credit growth in 2017 far exceeded deposit growth for Banks, and in the last quarter of 2017 we have seen a reversal in the scenario. In continuation of the theme, we expect depositors to have increasing power over the year in 2018, also while the borrowing units will likely see a decrease in the level of financing available to them.	It is likely that the rates of interest we pay for booking deposits will increase significantly in 2018. However, this would be a part of the normal market cycles and the long run systematic liquidity scenario of the industry is expected to be healthy. In case of a likely increase in deposit rates IDLC will be able to increase lending rates on the existing loan book as the majority of the portfolio is of a floating nature. However, there will be timing gaps and in the transition phase, margins may get impacted. At the end of the day, to what extent this increase in rate can be passed to the borrowers and how much would be absorbed by the company in the form of margin correction will be determined by the power the borrowers hold over the financial institutions. In 2018, it is likely that this power will be dented to some extent. ***Our strategy:*** Focus on relationship building among existing client base and channel resources towards finding new opportunities. In the next three years, IDLC will significantly increase its retail depositor base to ensure a sustainable source of funds for future loan growth	Business Model (pg. 30) Financial Capital (pg. 90) Strategy & Resource Allocation (pg. 154)

Supplier power  High

Factors in consideration	Breakdown analysis and IDLC's response	Elaboration
As a financial institution, our major supplier comprises of providers of funds. These different parties, mainly depositors, are elaborated in our business model. 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 miscellaneous activities, such as events and programs. However, they are responsible only for a small part of our total cost structure.	Bargaining power varies across fund providers. The major holder of power is the central bank, through its policies. However, IDLC has always believed in being self-sufficient through mobilizing customer deposits rather than being dependent on loans from Banks and other institutions. Resultantly, 84% of the funding basket of IDLC consists of term deposits. Therefore, 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. Breakdown of our term deposits and our Net Bank Deposits trend have been provided in our Financial Capital. 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.	Business Model (pg. 30) Financial Capital (pg. 90) Strategy & Resource Allocation (pg. 154)

Threat of new entrants  High

Factors in consideration	Breakdown analysis and IDLC's response	Elaboration
A number of new banks and NBFIs have entered the already crowded financial services industry over the last three years. There is even a possibility of few more joining the already over-crowded pool in the near future, intensifying competition further. Threat of new entrants is also largely dependent on decisions made by various wings of the government, be it in terms of granting new licenses or varying the scope of services provided and/or operating procedures of financial and non-financial institutions. Another dimension on this discussion is the change in the customer segmentation and target markets of the existing players and potential new entrants. The possibility of more banks to change its focus to SME financing from the traditional model of corporate financing cannot be overruled. In the long-run however, the industry is likely to see consolidation in the face of exceeding an optimum number of institutions.	The investment climate and a thriving SME sector and their long term potential to expand and grow in stature through leveraged activities make the case for new entrants in this segment. However, IDLC already has a strong foothold in this arena and is focused in further strengthening the existing customer base while targeting new granular businesses through fresh product offerings. The demographic dividend expected to be achieved from a growing middle-class continue to make the case for new market entrants in the consumer, and especially Home Loan segments. IDLC plans to be one of the first financial institutions to distribute home loans in a disciplined manner throughout the country, and not only in the dense Dhaka and Chittagong markets, by targeting the middle income segment through newly designed products and through automation in operations to increase efficiency. ***Our strategy:*** Ensure product differentiation for the target niche markets and increase brand awareness, while keeping rates competitive. Continue efforts in process improvement to ensure long run competitiveness through balancing between cost minimization and service flexibility.	CEO's Reflections (pg. 25) Strategy & Resource Allocation (pg. 154)

Threat of substitute products  Moderate

Factors in consideration	Breakdown analysis and IDLC's response	Elaboration
IDLC has little threat of substitute offerings from the NBFI Industry. However, the threat is high when we consider loan products offered by select banks. 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.	Although major threats of substitute products damaging our revenues and profits do not exist in the short or medium term, we need to constantly stay on the alert for looming breakthroughs and remain adaptable to changes in the market conditions to be prepared for the future. ***Our strategy:*** Continue to update the technological platform, embrace breakthrough technology and process upgrades to stay ahead of competition and be the first to address new opportunities offered through technology and policy incentives.	Strategy & Resource Allocation (pg. 154)

Competitive rivalry High

Factors in consideration	Breakdown analysis and IDLC's response	Elaboration
Number of competitors: The Bangladeshi financial services industry is marked by high levels of competition with 57 banks and 32 NBFIs operating in the space. **Switching cost:** The switching cost is low due to a high concentration of service providers. However, for longer term loans, switching cost is significant as most Banks and FIs will demand compensation in the form of Early Settlement Fees if the customers opt to switch in the middle of a long term commitment. **Quality difference:** Though IDLC has consistently belonged to the top quartile of service providers, there are few organizations 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. The situation is expected to be reversed in the coming year where borrower stickiness is expected to increase at the cost of lower stickiness from the depositors in search of higher deposit rates.	While not every competitor operates in the segments that drive the top line growth of IDLC, we have experienced a significant increase in the competitive scenario over the last couple of years. More banks are entering the favored SME financing space while 2-3 banks have emerged as strong competitors in Home Loans, a segment that was largely dominated by NBFIs in the preceding years. On the face of increased competition, IDLC remains focused on increasing its efficiency further through adoption of technology. This, coupled with the expertise of the company in underwriting SME loans with superior precision, as demonstrated over the years, will keep the organization in good stead. ***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.	CEO's Reflections (pg. 25) Strategy & Resource Allocation (pg. 154)

A closer examination of how specific aspects of the operating environment and market forces shape our approach, focus and resource utilization is discussed within *Strategy and Resource Allocation (pg. 154).*

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. 32), followed by an in-depth view into our business model (pg. 30).

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. 154).

Key Competencies	Strengthening our enterprise further	Elaboration
The IDLC brand		
Over three decades of impeccable track record as a responsible, proactive and customer-focused financial service provider	Investment on promoting Brand Equity of the company is to continue.	Social & Relationship Capital (pg. 123)
High standing among local brands	Continue to uphold our image in the community by continuing as a responsible, transparent and trust-worthy operator while supplementing the image through engaging in community services through our volunteer based community service platform *Khushir Kheya* and other initiatives.	
Customer centricity		
Need based products and superior service standards	Focus will be on continuous innovation in product and service suits to cater to the evolving needs of the new niches that are identified.	Our Product Offerings (pg. 29)
Quick decision-making (lowest loan TAT in the industry)	In continuation of the improvements achieved in the technological platform to introduce a centralized operations system, efforts will be made to automate all manual processes to increase mobility of relationship managers through offering app based platform to manage and document customer interactions.	Social & Relationship Capital (pg. 123) Intellectual Capital (pg. 117)
Transparent and ethical	Training programs for new recruits on our code of ethics and values are to continue. Comprehensive training for sales employees through IDLC Sales Academy; also includes training on value system and ethical standards.	Human Capital (pg. 111)
Training, counselling and business facilitation services	Launch new non-financial services and expand the horizon for existing business facilitation services.	
Infrastructure		
World-class core banking software	Customize and upgrade the core banking system to further utilize the benefits that it can potentially offer.	Manufactured Capial (pg. 121)
Strategically located branches	While most of the target customer segments can potentially be covered by the existing branches that are spread all over the country, further expansion is planned through small sized, low cost, strategically placed *"IDLC Business Centers"* to further increase proximity to the customers.	Intellectual Capital (pg. 117) Our National Footprint (pg. 18)
Uninterrupted service delivery infrastructure	Service delivery processes have been centralized to increase efficiency and improve accuracy. Further investments in technology is to be made to automate processes in order to increase efficiency further.	CEO's Reflections (pg. 25)
Corporate governance and compliance		
Stringent regulatory adherence	IDLC will continue to abide by the law of the land in both letter and spirit.	Statement of Corporate Governance (pg. 163)
Collaborative and proactive approach towards regulatory and industry reform initiatives	We will continue to collaborate with regulators, peers and other industry participants and adopt best practices.	
Respectable institutional shareholding; experienced and professional Board of Directors		
Visionary management with direct ownership		

Key Competencies	Strengthening our enterprise further	Elaboration
Quality human resources		
Competent and empowered human resources	Continue investing in people as they are the principal driving force of the company.	Human Capital (pg. 111)
Focused on continuous training and development	Continue need-based training programs and promote leadership from within.	
Highest levels of integrity	Educate new employees on IDLC's moral codes, values and ethics.	
A winning culture fostered through years of embracing best-in-class practices	Continue to innovate and improve; continue to uphold the culture of trying new things without the fear of failure.	
Strong financial footing		
Solid capital base	Continue to deploy capital in an efficient manner to maximize shareholder returns while ensuring sustainability of the profits.	Financial Capital (pg. 90)
Efficient asset liability management	Continue good fund management practices, utilize bonds to minimize asset liability mismatch.	
Sound and steady ROA and ROE	Continue to deliver superior financial results and maintain shareholder returns.	

Scope for improvement	Addressing our weaknesses	
Dependency on interest income as a major revenue source - a limitation of being an NBFI	This has already been addressed to some extent by the strengthening of the Fee based products and services offered through the parent company as well as the subsidiaries. Example includes the increase of market share of IDLCSL in brokerage business to 4% in 2017, up from 2.4% in 2016. Several other new initiatives in Structured Finance, Investment Banking and Asset Management businesses are expected to boost fee income further. On a longer horizon, the company is intends to establish solid footing in fund management business in the alternative investment space.	Financial Capital (pg. 90)
Dependency on term lending in the absence of transactional accounts - a limitation of being an NBFI	The company continues to bring innovation in the product suite and carefully find new niche markets to enter into. On this note, SME business is expected to delve further into granular small enterprises in 2018 equipped with technical advancement in terms of automated score based underwriting process and mobile devices to manage the whole process from lead handling to loan disbursement.	Strategy & Resource Allocation (pg. 154)
Portfolio concentration in Dhaka and adjacent areas as most of the distant branches are established in the last 4-5 years	Conscious, strategic effort is in place to expand the geographic coverage and reduce portfolio concentration in Dhaka. Branches outside of Dhaka and Chittagong metropolitan areas are driving the new business generation efforts and the company aims to increase geographic coverage further by introducing *IDLC Business Centers*, small sized distribution points empowered with technology to cover newer areas every year. These centers will facilitate portfolio growth of SME as well as support the spread of our home loan business to the middle class segment all over the country.	Our National Footprint (pg. 18) CEO's Reflections (pg. 25)

Statement of Risk Management

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

Risk types

IDLC's risks have been divided into nine categories, in congruence with Bangladesh Bank guidelines and international best practices:



Broad Risk	Further Classification	Short Description	Worst Case Meter (/10)	Avg. Heat Map Score	Risk Sources	Risk Identifiers and/or Initial Safeguards
Credit Risk	Default Risk	Borrower's failure to repay debt	8	5.00	- Borrower's willful non-payment - Cash crunch - Wrong product - Over Financing	- CIB analysis - Market review - Debt-service coverage ratio (DSCR) - Projection analysis - Purpose Assessment - Seasonal Impact Consideration - Debt to Equity - Balalnce Sheet analysis
	Recovery Risk	Failure to recover sufficient amount		5.00	- Double financing against same asset - Decline in Collateral Value - Repossession of Collateral - Owner's Financial Capability	- Procurement documents checking - Internal / External valuation - At best 3 years old valuation can be accepted - Legal goodright - Title Search - Official visit by IDLC employees - PNW of owners - Strong Group support
	Concentration Risk	Loss triggered by loss in a heavily concentrated individual concern / group / product / region		4.25	- Macro impact on Particular Industry - Macro impact on Particular Product - Macro impact on particular Region - Name / Group Concentration	- Product cap - Discouraging sectors - Different approval tier for different single borrower exposure

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

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

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

IDLC's approach to achieving an appropriate balance between risk and return include the following 5 pillars:

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.

Mitigation Techniques	Monitoring Mechanisms and/or Post Event Defenses	Risk Mgt. Performance Indicator	Highlights, Way Forward & Initiatives Planned
- Credit Structuring - Risk transfer -Early Alert Report	- Early Alert - Restructuring -Rescheduling	- NPL% - PAR - Provision coverage - NPL portfolio - Collection from write-off accounts - Reschedule status, etc	- In 2017, Integral Safeguard & Credit Risk Mitigation have been strengthened via the introduction of Internal Risk Grading (IRG) Model - We are currently in the process of developing a Credit Risk Grading (CRG) model for Micro Business Financing - Going forward, we expect to develop and derive successful test results from a risk grading model that will enable financing without collateral, especially for underserved segments - Annual review of facilities are to become more extensive
-Primary Security and Collateral -Third party PG of Owner of the Mortgaged Property -Provisioning	- Negotiation - Liquidation of Primary Security & Collateral - Recovery Agency		
- Monthly Business Review - Quarterly portfolio review - Quarterly Review of Large Borrowers	- Top 10 borrower exposure - Top 10 sectoral exposure - Top 10 product exposure	All exposure limits as set by the regulator, have been maintained	

Broad Risk	Further Classification	Short Description	Worst Case Meter (/10)	Avg. Heat Map Score	Risk Sources	Risk Identifiers and/or Initial Safeguards
Market Risk	Interest Rate Risk	Impact of changes in interest rate on the company's net interest income	8.6	7.80	Mismatch of re-pricing dates of cash flows	- Policy settings with respect to risk appetite - Explicit and prudent interest rate risk limit
	Equity Price Risk	Adverse changes in the value of investment due to price volatility		7.90	-Macroeconomic Instability -Market volatility -Political Unrest -Under performance of investee company	- Investment in Fundamentally sound and well governed companies considering broader economic cycle
Liquidity Risk	Funding Liquidity Risk	Inability to carry out necessary funding transactions due to asset liability mismatch	9.3	5.60	Tenor mismatch of Assets and Liabilities	- Maintaining CRR & SLR - Limits on negative gap % in various time buckets - Composition & concentration of assets and liabilities - Funding mix (ratio of stable fund to total fund)
	Market Liquidity Risk	Limited access to fund due to changes in external factors (changes in regulatory policy, liquidity depth, higher interest rates on non-bank products)		6.65	- Concentrated funding mix - Dependency on wholesale borrowing - Investment in highly illiquid assets	- Diversification of funding basket - Maintaining easily accessible secured credit lines - Maintaining reserve in excess of CRR & SLR requirement (Multiple line of defense)
Operational Risk	People Risk	The risk of loss intentionally or unintentionally caused by employees, for example an error or a misdeed; or issues involving employees such as disputes.	9.1	6.75	- Employee error - Employee defection - Internal fraud (e.g. Misappropriation, Fraudulent Financial Reporting, Insider Trading)	- Setting of an appropriate 'tone at the top' by the IDLC Board and management - Effective employee engagement - Ensuring appropriate segregation of duties - Use of physical and logical access controls, where appropriate - Whistleblower reporting
	Process Risk	The risk related to the execution and maintenance of transactions and the various aspects of running a business.		6.25	- Incomplete / inadequate legal documentation - Collateral management failures - Data entry failures	- Vetting of relevant documentation by appropriately qualified and experienced legal personnel - Centralized operations for better oversight over collateral management processes - Employing independent third party valuation specialists - Data validation routines
	System Risk	The risk of loss caused by piracy, theft, failure, breakdown or disruption in technology, data or information		6.05	- Hardware (including network) and software failures - Telecommunication problems - Utility outages	- Service Level Agreements with vendors - Network redundancy arrangements - Alternative power sources
	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		6.10	- Natural disasters - Political unrest - Regulatory change - External fraud (e.g.Theft, Forgery, Hacking)	- Business continuity planning - Use of physical and logical access controls, where appropriate - Whistleblower reporting

Mitigation Techniques	Monitoring Mechanisms and/or Post Event Defenses	Risk Mgt. Performance Indicator	Highlights, Way Forward & Initiatives Planned
Operating within the interest rate risk limit	- Gap analysis - Changes in net interest income - Simulation method	- Sensitivity ratio - No of occurrence of deviation from approved limit	- All ratios remained within the allowable range in 2017 - Going forward, interest rate risk measurement techniques will be improved further - Interest rate risk limit will be reviewed and calibrated more frequently
- Prudence in terms of market volatility - Portfolio re-allocation according to observed feedbacks	- Observing Macroeconomic cycle - Staying updated about company performance - Continuous monitoring of political development	- Portfolio beta in comparison to the market - Exposure management in different market scenario	- Further improvements will be brought in ongoing risk management mechanisms - Portfolio standard deviation in comparison to the market will be followed more rigorously
- Reviewing liquidity and funding profile - Conducting periodical stress test - Using contingency funding plan as an integral part of liquidity management	- Tracking balance sheet movement and key ALM ratios - Tracking major changes in key economic indicators and acting accordingly	- Negative GAP% in various time buckets - Loan to fund ratio - Medium term funding ratio - Ratio of stable fund to total fund - No of occurrence of failing to maintain CRR & SLR	- All the ALM ratios remained within the limit in 2017 - Increased focus will be placed on retail deposits - Emphasis will be given on tapping new re-financing schemes of Bangladesh Bank - Internal ALM ratios will be expanded upon - Efforts will be made towards increasing the proportion of long term fund in funding basket
- Adherence to policy with sufficient cushion to deal with liquidity disruptions - Activating contingency funding plan for handling liquidity crisis		- Counterbalancing capacity - Score of liquidly stress test: test of resilience	
- Insurance (where applicable) - Legal recovery measures (where applicable) - Remediation activities (where possible, for e.g. in case of financial misreporting)	- Top level management reviews - Reconciliations of key accounts and balances - Verification procedures (using independent third parties, where applicable) - Internal audits - External audits	Taka amount of operational loss incurred	- Operations Centralization Project has been successfully implemented, which will improve efficiency as well as transparency of operations - A separate Operational Risk Management (ORM) department was formed in late 2017. The ORM department will be primarily responsible for reviewing and updating (if necessary) the Standard Operating Procedures (SOP) of each department and preparing gap analysis with existing best practices. It will also ensure implementation of process controls embedded in the revised Standard Operating procedure. Its responsibilities will also include development and monitoring of unit / department-wise checklist of operational risk along with review and update (if necessary) of the documentation checklist of Operations division. In addition to that, the department will also manage risks identified at all branch business operations and administrative operations level
- Insurance (where applicable) - Legal recovery measures (where applicable) - Remediation activities (where possible, for e.g. in case of incomplete legal documentation) - Data backup and recovery processes	- Pending document report - Credit collection review meetings		
- Use of Disaster Recovery site - Multiple telecommunication channels	- Network monitoring - IT Dashboard - IT Service Desk		
- Insurance (where applicable) - Legal recovery measures (where applicable)	- Context analysis (environmental scanning) as part of strategic planning process - BCP testing - Verification procedures (using independent third parties, where applicable) - Whistleblower reporting		

Broad Risk	Further Classification	Short Description	Worst Case Meter (/10)	Avg. Heat Map Score	Risk Sources	Risk Identifiers and/or Initial Safeguards
Strategic Risk	Business Strategy Risk	Risk of losing business volumes and margins due to internal and external pressures	8.8	6.15	- Incorrect assumptions about cost drivers, revenue streams, etc in respect to business volume - Inaccurate assessment about the environment, unforeseen competition or other changes - Misallignment between long-term objectives and immediate strategies of different business segments - Insufficient resources available / deployed for apt execution	- Regular market survey and cost of fund projection - Funding needs projection based on disbursement pipeline - Monthly business review of various industries - Quarterly financial analysis of major industry players - Participatory interaction with regulators on policy discussion - Integrated planning accross the company through collaboration from all business and departmental heads - Monthly financial analysis and discussion on variances from budget - Discussion and engagement with all relevant parties at the planning stage of all essential projects
	HR Strategy Risk	Inaccuarate HR planning and/or structuring leading to lack of skilled resources or excessive growth in remuneration costs, and attrition of high performers due to inadequate retention strategy		6.25	- Possible misallignment between Human Resource & other strategies - Potential resignation of top level colleagues - Possibility of critical skill shortage - Growth in remuneration costs exceeding income growth	- Increasing turnaround times / Fall in average perfomance of colleagues - Two months' notice policy prior to resignation - Review of colleagues' skills by HR and senior managers during project assignments - Monthly financial review of growth in business, revenues and expenses
Technology Risk	System Failure Risk	Unavailability of business critical systems	10	5.20	- Infrastructure - Platform - Software - Malicious Intrusion - Cyber Attack	High Availability Redundancy Disaster Recovery Site Firewall IPS Antivirus Encryption Private SSL System & Network Security Controls Privileged Account Management
	Information Security Risk	Leak / disclosure of business critical information		5.00	- People - Process - Vendor - Malicious Intrusion - Cyber Attack	Physical Access Control Logical Access Control Policy & Standard Operating Procedure (SOP) Firewall IPS Antivirus Encryption Private SSL System & Network Security Controls Privileged Account Management
	Business Continuity Risk	Interruption / unavailability of business critical systems		5.50	- Natural disasters (e.g. Earthquake) - Hazards (e.g. Fire)	Disaster Recovery Site
				4.30	Vendor	Annual Maintenance Contract (AMC) Service Level Agreement (SLA)
				6.00	Technology Obsolesces	Technology Adoption
				4.50	- Malicious Intrusion - Cyber Attack	Firewall IPS Antivirus Encryption Private SSL System & Network Security Controls Privileged Account Management

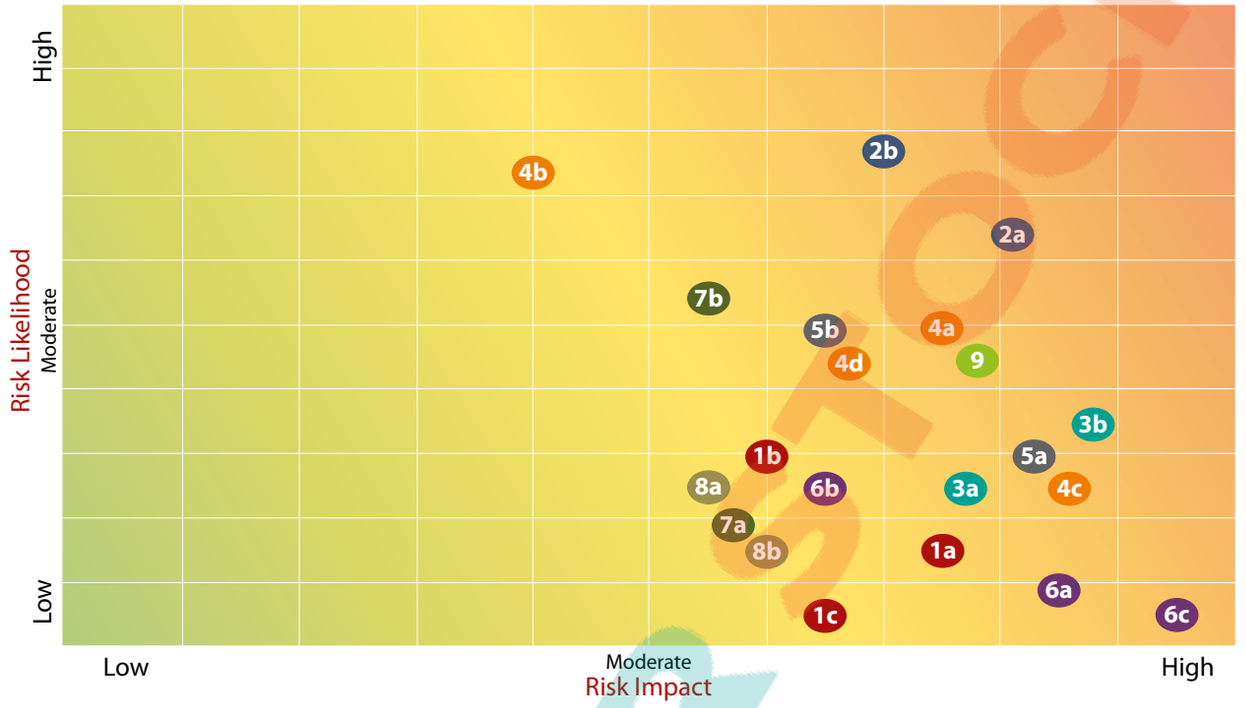
Mitigation Techniques	Monitoring Mechanisms and/or Post Event Defenses	Risk Mgt. Performance Indicator	Highlights, Way Forward & Initiatives Planned
- Setting KPIs at the branch, divisional and organizational levels - Benchmarking KPIs within the company overtime and across the industry with relevant institutions - Timely withdrawal of resources from under-performing projects	- Monthly preparation of forecasts based on inputs from all business segments and liability team and reviewing reasons for variances - Monthly review of all major sectors and macroeconomic issues that can impact our growth projections and portfolio quality - Evaluation of studies prepared for competitor intelligence	- ROE - ROA - Cost of Risk as % of Average Assets	While we have a comprehensive set of tools and practices in place to mitigate against the host of risks facing us, our efforts going forward will be towards ensuring protection against black swan events including but not limited to liquidity crisis in the financial sector, unforeseen volatility in the capital market and potential disruptions caused by fintech
- Workforce planning and gap analysis focused on capability and capacity to attain future goals - Alignment of benefits packages with the market and constant efforts at maintaining a talent pipeline, in addition to apt succession planning - In-house skill development and external training programs, in line with officially conducted individual career development plans of colleagues - Creation of sustainable HR structures and remuneration policies	- Structured and systematic methods of gaining colleagues' views and feedback through Branch Managers' Meeting with CEO, Change Management initiatives and so on - Analysis and monitoring of standard unit times for benchmark setting and improving process efficiencies - Regular financial analysis to monitor cost to company for compensation related expenses, besides other expenditures	Company KPIs measured against per taka paid in compensation, adjusting for business segments, location of branches and job nature of departments	
Hardware Upgrade Periodic Backup	System Alerts Performance Upgrade / Update process	Service Downtime	- Strengthen security perimeter to further enhance our defenses - Improve Multilayer Intrusion Detection System to add to our capacity of detecting malicious attacks - Enhance Vulnerability Assessment and Penetration Testing to improve our ability to detect security loopholes - Upgrade system to improve efficiency
Periodic Review of Access Awareness & Training Deterrent Initiatives Contract Termination Multiple vendors for single service Asset Management Periodic Backup Risk Avoidance	System Log Monitoring Network Traffic Monitoring Audit Trail	Incident Count Impact of Leaked Information	
Activation of Disaster Recovery Site	Awareness	Service Downtime	
Due Diligence Periodic review of Contracts Maintain Relationship	Service & Performance monitoring Business Operation Monitoring Market Intelligence		
Research & Development Skill Development	Awareness of Technology Trend & Change		
Periodic Backup	System Log Monitoring Network Traffic Monitoring Audit Trail		

Broad Risk	Further Classification	Short Description	Worst Case Meter (/10)	Avg. Heat Map Score	Risk Sources	Risk Identifiers and/or Initial Safeguards
Legal risk	Compliance Risk	Compliance risk is defined as the current or prospective risk of legal sanction and material financial loss IDLC may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of the best practice as well as from the possibility of incorrect interpretation of effective laws or regulations	6.2	4.30	- Violations or noncompliance with laws and regulations and prescribed standards - Lack of or inadequate compliance with contractual obligations and other legal documentation - Pending litigation	- Setting of an appropriate 'tone at the top' by the IDLC Board and management - Aligning in-house policies and procedures with national laws and regulations - Regular scanning of regulator websites to stay up-to-date with latest changes - Legal vetting of documentation - Employee training
	AML/CFT Risk	Money laundering and terrorist financing (ML/TF) risk is the risk that IDLC may - a) be used to launder money and/or finance terrorism and b) not be meeting its obligations under existing legislation, rules and regulations for the prevention of money laundering and for the combatting of financing of terrorism		6.00	- Use of IDLC to carry out money laundering and/or terrorist financing - Failure to comply with existing AML/ CFT legislation and/or regulations	- Designated AML/CFT organisation structure consisting of Central Compliance Unit, a Chief Anti-Money Laundering Compliance Officer, and Branch Anti-Money Laundering Compliance Officers - Appropriate AML/CFT policies and procedures - Know Your Customer (KYC) and Know Your Employee (KYE) procedures - Customer risk grading - Transaction monitoring - Employee training
Environmental & Social Risk	Environmental Risk	Financing in Business with Negative Impact on Environment	6.5	4.50	- Financing in Business with hazardous impact on Environment - Financing in business that is environment sensitive	- Checking Exclusion list - Checking Project Category -Monitoring Government Policies
	Social Risk	Financing in Business with Negative Impact on Social Life of Stakeholders		4.25	- Financing in Business with negative impact on social life of stakeholders - Government Intervention in Project for protecting social interest	
Reputation Risk		The risk of potential or actual damage to the company's image which may impair the profitability and/or sustainability of its business	8.3	6.65	Actions and word-of-mouth of internal and external stakeholders	- Whistleblower policy, - Know Your Customer (KYC) & Know Your Employee (KYE) procedures - Appropriate AML/CFT policies and procedures - Employee training on ethics, values and code of conduct
					Various media platforms	Communication policy
					Operational hindrances	Transaction monitoring
					Technological disruptions	Formal ICT manual

Mitigation Techniques	Monitoring Mechanisms and/or Post Event Defenses	Risk Mgt. Performance Indicator	Highlights, Way Forward & Initiatives Planned
- Insurance (where applicable) - Legal recovery measures (where applicable) - Remediation activities (where possible, for e.g. in case of incomplete legal documentation)	- Top level management reviews - Branch and Departmental Control Function Checklists - Litigation register - Internal audits - External audits	- Regulatory fines / penalties incurred - Taka amount of claims paid on account of unfavourable decisions received in litigation	- BFIU AML/CFT system check awarded IDLC a "Satisfactory" rating - Leverage recently rolled-out intranet platform to create a knowledge base for the benefit of employees. The knowledge base will untimately serve as a one-stop repository for all relevant laws, regulations, internal policies, procedures, manuals etc. that employees will need in the pursuit of their duties. - Continue with AML/CFT and other trainings - Introduce e-learning for employees
- Enhanced due diligence for select customer categories - Suspicious Transaction and/or Activity Reporting	- Cash transaction review - IT based screening mechanism for UN Sanctions checklist and locally proscribed organization - Continuous monitoring of media reports	- Number of STR/SAR filed	
-Implementation of ESMS -Training	Follow up if clients have obtained Environmental Clearance Certificate within stipulated deadline	Cases of revocation of refinance due to lack of compliance by recipient of financing under refinance scheme	- As a proactive organization, IDLC already has incorporated ESMS in its overall risk management strategy prior to governmental policies regarding social risk management came to light - Going forward, our focus will be on rigorous monitoring of implementation of action plans included as approval covenants - We will continue to do business in a socially and environmentally ethical manner
Compliance with applicable laws and regulations and internal policies	Regular monitoring of laws and regulations and ensuring those are complied with	- No fines or penalties imposed by regulatory authorites on IDLC - No negative media coverage - Improvements in share prices	- In 2017, Right Issue has been successfully implemented without any instance or any complaints from shareholders - Going forward, improvement of Online Platform for clients will improve their ability to provide us with feedback - Online platform for shareholders will be implemented to better manage their queries and concerns, and at a much quicker pace - Khushir Kheya platform will be continued to enhance community engagement and more importantly, encourage voluntarism in the society
- Managing media partners and regular and close monitoring of news and events - Establishment of a set of non-financial reputational risk indicators	Monitoring the non-financial reputational risk indicators and identifying matters that might give rise to potential risk		
- Parameters established to detect errors and operational anomalies strengthened by regular due diligence - Regular employee training to ensure accurate detection of risk areas, and their mitigation	Active evaluation by 'Change Management team' to analyse impact on reputation among others and implement improvements if and where required		
- Information flows are authorized and disseminated timely amd accurately	Regular system upgradation and running tests on a regular basis to ensure the efficacy of the IT system		

Impact analysis

Risk Heat Map



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

The nine risks faced by IDLC are further classified into 21 sub-categories.

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

That being said, we have nonetheless, taken numerous measures against such risks in the form of Business Continuity Planning among other initiatives.

Coming to more consistent perils involving our portfolio quality (1), revenues and margins (2) and fund management (3), IDLC has demonstrated great success in fending off the dangers over its 33 years of existence. Going forward, we intend to deploy more resources into Strategic (5) and Technology (6) related risk management given the rapidly changing operating environment.

In the upcoming sections, we will delve further into the various risks, including their sources, identifiers, initial safeguards, mitigation techniques and monitoring mechanisms.

Credit risk

Credit risk at a glance & further classification

Contract Level

Default risk
Borrower might fail to pay back against debt

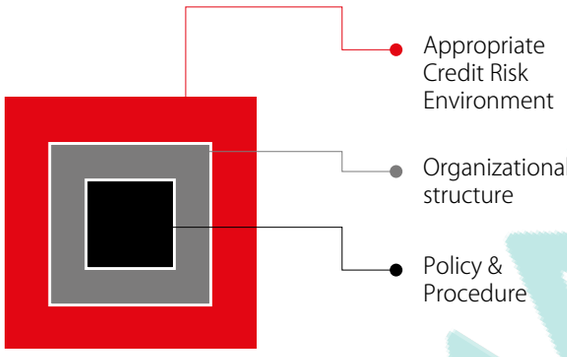
Recovery risk
Sufficient amount can not be recovered from non-performing debt

Portfolio Level

Concentration risk
Huge loss triggered by loss in a heavily concentrated individual concern or group or product or region

Credit risk management framework

Risk management is a continuous process. This process is based on a three layers framework.



At IDLC, we have multiple levels of credit approval authorities within the organizational structure, ranging from the CEO and Managing Director to the Board of Directors, for different levels of credit exposure. In turn, the approval authority bestowed on the CEO and Managing Director is further delegated to the Head of Credit Risk Management and other credit approvers within the Credit Risk Management team, based on exposure level, criticality of the proposal and compliance with product program guidelines. This helps in processing loan proposal with low exposure quickly while proposal with higher exposure gets necessary attention from higher approval authorities who possess better experience and expertise. This structure aids to achieve three objectives: Faster approval, quality credit and ownership.

Separation between the loan origination team and risk assessment team is another crucial part of our organizational structure. 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 the process.

At the outer shell is the organizational environment. 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.

Noteworthy highlights - 2017

Credit risk

Integral safeguard & mitigation of credit risk

Since 2017, IRG (IDLC Risk Grading) model has been in effect. The primary idea is to define a propsoed financing from the viewpoint of all probable risks associated with the financing, encompassing default risk, recovery risk and concentration risk and setting decision regarding approval, rejection and follow-up based on this grade. Our IRG includes Facility Risk Grading where a particular facility is rated based on its purpose, nature, tenure etc. Later in mid 2017, we have consolidated risk pricing with our risk grading so that risk premium against an approved facility matches with the risk of that facility. IRG model is applicable for our corporate and medium clients only.

Credit risk sources & initial safeguards

Default risk sources & safeguards

Cash crunch
- Debt service coverage ratio
- Projection analysis

Over financing
- Debt to Equity
- Balalnce sheet analysis

Wrong product
- Purpose Assessment
- Seasonal Impact Consideration

Borrower's willful non-payment
- CIB Analysis
- Market Review

Recovery risk sources & safeguards

Decline in collateral value
- Internal/External valuation
- At best 3 years old valuation can be accepted

Owner's financial capability
- Personal Net Worth of owners
- Strong Group support

Repossession of collateral
- Legal goodright
- Title Search
- Official visit by IDLC employees

Double financing against same asset
- Procurement documents checking

Concentration Risk Sources & Safeguards

Macro impact on Particular Product	Name / Group Concentration
Macro impact on particular Region	Macro impact on Particular Industry

At IDLC, our credit policy which is updated on regular basis sets the "Product Cap", maximum bar of total exposure against a particular product. Based on macro-economic aspects, some industries are considered as discouraged sectors from time to time. Both of these are taken into account for assessing any credit proposal.

Also, we have different approval tier for different single borrower exposure. The more the concentration is, the higher is the approval tier. This ensures more experienced and secured decision making regarding financing to a particular concern or particular group of concerns. For calculating single borrower exposure, we consider sister concerns, parent concerns, subsidiaries and proprietorship concerns of any representative of the applicant concern.

Credit Risk Mitigation Techniques

Default Risk Mitigation

Credit Structuring

Credit Structuring is the primary technique to mitigate default risk. Credit structuring includes:

- Determining the type of facility considering the actual requirement of clients
- Fixing facility tenure to match client's cash cycle
- Structuring payments considering client's cash inflow and seasonality impact associated to client's business

A part of credit structuring can be facilitating moratorium period when the financing is done for a new project or expansion of an existing one or procurement of machineries where client needs some time to start generating revenue from that project or machinery.

Risk transfer

Risk transfer usually includes keeping personal guarantee to hold the owner liable if the concern goes through crisis due to owner's negligence. Risk transfer also includes protecting claims by keeping them insured which we usually do for our lease financing.

Early Alert Report

Relationship Managers (RMs) maintain regular communication with client. RMs circulate Early Alert Report if they can predict any sudden downfall in a client's business. Steps can be taken to secure our financing accordingly.

Recovery Risk Mitigation

Primary Security and Collateral

To mitigate recovery risk, while financing we try to keep our financing contribution against the primary asset to be financed at a secured level. Moreover, for consumer clients we take full collateral coverage. For small clients full collateral coverage has been taken in most cases. For corporate and medium clients, we try to maximize collateral coverage. Visit of Mortgaged property by IDLC employees, title search and obtaining legal opinion can be done any time as post sanction stage based on market information.

Provision

The most common technique of mitigating recovery risk is provisioning. Provisioning is even kept for a standard facility, meaning facility against which payment is regular so that organization needs not to go serious liquidity crisis to cover a bad loan. While calculating our net exposure against a facility for provisioning, forced sale value of a collateral is considered. The forced sale value of the collateral takes all odds like people's reluctance to buy a property for a good price which they might need to take possession of or sudden decline in price of a property for unexpected reason like construction of flyover in front of that property in consideration.

Third party PG of Owner of the Mortgaged Property

A not technical but realistic recovery risk is taking possession of a property which is not directly owned by the client. In such a case, even though technically we have every right to sell the property in case the client becomes defaulter, it might not be possible to take possession of that property easily. Third party PG of the property owner hold the owner herself/himself liable in case a facility becomes non-performing.

Concentration Risk Mitigation

Monthly Business Review

Monthly Business Review is basically our regular monthly publication with a focus on macro issues. Global and national economical trend, recent change in policies and procedures, entrepreneurial success all are parts of our Monthly Business Review. Monthly business review helps our top management as well as credit management team to take decision regarding financing in particular sectors or products.

Quarterly Portfolio Review

Single concern or group of concerns with significant exposure are reviewed on quarterly basis. Based on their payment performance and utilization, further decision regarding their limit enhancement, reduction or exit can be designed.

Similarly, quarterly portfolio review helps in understanding the future risk of a particular product or sector or region beforehand and taking decision in policy level.

Credit Risk Post Event Defense Mechanisms

Defense for Default Risk

Early Exit

If through Early Alert Report or any other means, we can predict a high probability of default for a client, our primary defense is to take "exit" from the client. In this case, we provide a timeline and offer structured payment during that period so that client can foreclose her/his facility with us in ease.

Restructuring

Restructuring means either extending whole tenure of a facility or structuring payment before a facility becomes non-performing but early alert suggests it might be later.

Rescheduling

Rescheduling is a sort of restructuring but it is done for a facility which has already become non-performing. While rescheduling, extension of tenure, change of interest rate might be taken into consideration.

Defense for Recovery Risk

Negotiation

The primary defense strategy is negotiation; negotiation might be with the client or with related business associates. The aim of the negotiation is to carve out a peaceful and smooth exit from the loan facility.

Liquidation of Collateral

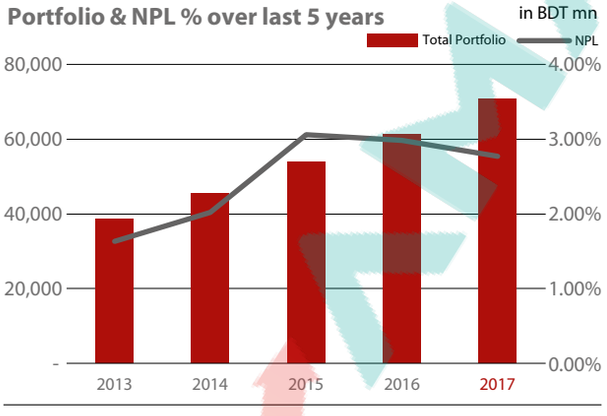
In case negotiation fails and other immediate avenues are exhausted, steps are taken to liquidate asset that are kept with us as collateral. Examples include encashment of cash security, sale of vehicles or mortgaged property etc.

Recovery Agency

Recovery agencies have expertise in recovering receivables and are utilized in in cases of willful defaults. Recovery agencies help in tracking and taking possession of assets such as vehicles, equipments, land etc. which have been kept as collaterals against the loan facility.

Risk Management Performance Indicators

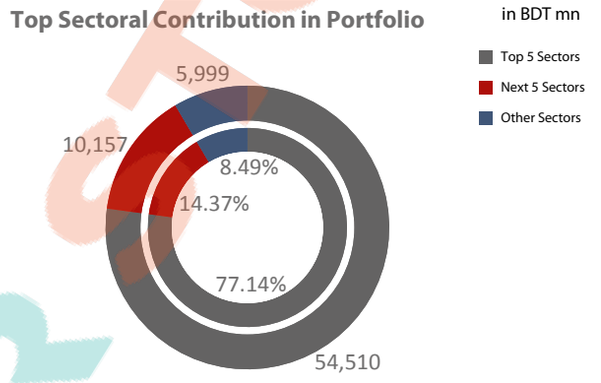
Default and Recovery Risk Indicators

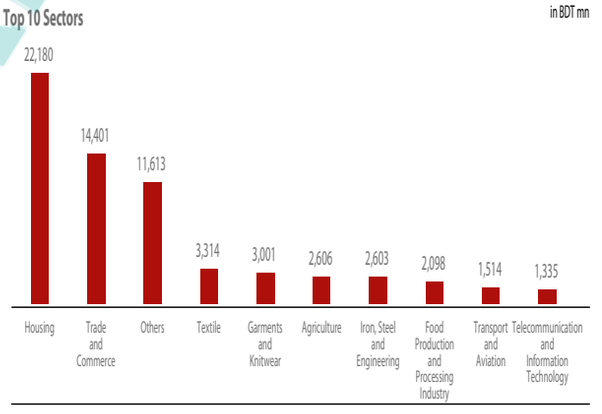


Concentration Risk Indicator

Top 10 Group Exposure		
Group Name	**Outstanding Amount [in BDT]**	**% of total portfolio (IDLCFL)**
Group - 1	1,230,349,692	1.74%
Group - 2	805,600,000	1.14%
Group - 3	697,926,612	0.99%
Group - 4	646,019,528	0.91%

Top 10 Group Exposure		
Group Name	**Outstanding Amount [in BDT]**	**% of total portfolio (IDLCFL)**
Group - 5	606,302,758	0.86%
Group - 6	603,166,667	0.85%
Group - 7	479,802,514	0.68%
Group - 8	423,768,202	0.60%
Group - 9	384,731,949	0.544%
Group - 10	383,608,448	0.543%
Total Top 10 Sectors	6,261,276,370	8.86%





Way Forward - 2018 and Beyond

Improving Safeguard

Financing without Collateral

At IDLC, collateral coverage is ensured against financing in many cases. However, some facilities are unsecured in nature. In case of unsecured financing, either the facilities tend to be of small ticket size or the borrower is a strong candidate with a sound business, can command support from group companies and has a strong reputation. In all cases, however, the assesssment is done based on the cash flow and

projected cashflow of the borrowing client. Still, considering that underlying risk of such unsecured loans and the adverse impact that might have on the overall portfolio, a separate policy has been developed for financing without collateral to adress the risk specific to unsecured facilities. This policy aims to bring in writing a lot of the institutional learnings that we have gathered over many years and standardize the underwriting of unsecured facilities. The newly crafted, expected to further strengthen our underwriting standards, will be in effect from 2018.



Risk Mitigation Improvements

Annual Review of Facilities

Default rsk and recovery risk mitigation techniques are in place at IDLC. However, the most important part is to adress any upcoming problem in a client's business first to implement mitigation strategy. Herein lies the importance of post sanction monitoring of faciltiies. Facilities which are revolving in nature are naturally monitored at a particular time interval. Also, as per our internal policy, we monitor and report on all large faciltiies on a quarterly basis. To further strengthen the monitoring process and document any change in client condition, a policy has been developed for Annual Review of Faciltiies. Going forward, particular facilities based on set criteria will be reviewed on annual basis.

Refinement of Credit Risk Grading (CRG) model for Small Enetrprise Financing

We have been tracking the performance of a Credit Risk Scoring model that we develoeped in 2016 with cooperation from International Finance Corporation (IFC). While we calculated the score of all loan proposals of Small Enterprise Finance (SEF) through this model, we do not yet depend on it soelly for underwriting. In 2018, we will further refine the model based on the experience gathered over the last couple of years and use the refined model to automate underwriting of loan proposals in certain sectors with very small ticket size.

Market Risk

Market Risk at a Glance & Further Classification

Market risk can be defined as the risk of losses in on and off - balance sheet positions arising from adverse movement in market rates or prices such as interest rates, equity prices, foreign exchange rate, commodity price and general credit spreads. Market risk of IDLC may arise, broadly, in any of the following forms:

- Interest Rate Risk
- Equity Price Risk

Interest rate risk arises when the value of IDLC's cash flows changes due to a change in the absolute level of interest rate. It has potential impact on IDLC's earnings and net asset value. The volume of risk depends on the magnitude and direction of interest rate changes and the size of the maturity structure of the mismatched portion. The immediate impact of change in interest rate is on the net interest income, while a long term impact is on the net worth since it affects the economic value of assets, liabilities and off - balance sheet exposures. The key sources of interest rate risk are:

- Re - pricing Risk
- Yield Curve Risk
- Basis Risk
- Option Risk

Equity price risk is the financial risk involved in the investment in equity securities through purchase of common or preferred stock. This risk may arise from adverse changes in the value of the investee company due to price volatility.

Market Risk Management Framework

Significant factors in managing interest rate risk include the frequency, volatility and direction of rate changes, the slope of the interest rate yield curve, the size of the gap position of rate sensitive assets and liabilities and the basis for re - pricing at rollover dates.

In order to implement an effective interest rate risk management program, IDLC adopts following procedures:

- ALCO (Asset-Liability Committee) reviews balance sheet position with respect to rate sensitive assets and liabilities and evaluates the level and trend of aggregate interest rate risk exposure both in short term and long term under normal business condition as well as under stressed scenarios.
- Treasury Department demonstrates compliance with policies and limits that are reviewed by the ALCO.
- ALCO assesses the implications of future business on interest rate risk profile of IDLC and determine whether IDLC's capital base is sufficient to withstand any sudden movement of interest rate and policy settings are adjusted accordingly.

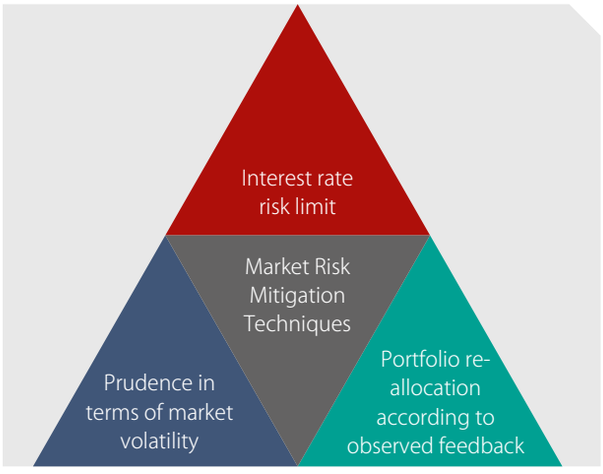
Equity Price Risk Management approach of IDLC includes:

- Keeping the investment amount within the regulatory limit and limits set by the Board of Directors
- Investment through a professional fund manager with an impressive track record with respect to return and investment risk management.

Market Risk Sources and Initial Safeguards

Market Risk	Risk Sources	Safeguards
Interest Rate Risk	Mismatch of re-pricing dates of cash flows	- Policy settings with respect to risk appetite -Explicit and prudent interest rate risk limit
Equity Price Risk	-Macroeconomic Instability -Market volatility -Political Unrest -Under performance of investee company	-Investment in Fundamentally sound and well governed companies considering broader economic cycle

Market Risk Mitigation Techniques



Treasury department of IDLC has the responsibility of managing the interest rate risk. The department reviews the gap position of rate sensitive assets and liabilities and recommends strategy to the ALCO to keep the sensitivity ratio within the permitted range. Sensitivity ratio is the ratio of rate sensitive assets to rate sensitive liabilities up to one year time bucket on cumulative basis. Depending on market movement and gap position, ALCO may set any range for sensitivity ratio within the permitted range of 0.7 to 1.2 suggested by Bangladesh Bank's integrated risk management guideline to mitigate potential loss in net interest income due to changes in interest rate. Equity investment of IDLC, more specifically, investment in capital market securities portfolio is managed by a professional fund manager. To mitigate equity price risk, the fund manager follows two major techniques: portfolio re-allocation according to observed feedback and prudence in terms of market volatility.

Market Risk Monitoring Mechanisms

Interest Rate Risk

- Gap analysis
- Changes in net interest income
- Simulation method

Equity Price Risk

- Observing macroeconomic cycle
- Staying updated about company performance
- Continuous monitoring of political development

Risk Management Performance Indicators

To shield IDLC from unwarranted exposure to interest rate movements, a limit has been set in the interest rate policy on the ratio of rate sensitive assets to rate sensitive liabilities, termed as sensitivity ratio. This ratio remained within the allowable range of 0.7 to 1.2 throughout the year of 2017.

To measure the risk management performance of investment in equity securities, IDLC uses following two indicators:

- Portfolio beta in comparison to the market
- Exposure management in different market scenario

Way Forward - 2018 and Beyond

Breaking the downward trend of last three years, interest rates have started to go up gradually in the later part of 2017 amid significant drop in excess liquidity in the market. We project an upward trend of interest rate in 2018 that might have a negative impact on net interest margin depending on the gap of rate sensitive assets and liabilities. To manage this risk, we will be focusing on improving the interest rate risk measurement techniques along with regular review and calibration of interest rate risk limit. To manage equity price risk, we will be rigorously following portfolio standard deviation in comparison to the market and improving ongoing mechanism.

Liquidity Risk

Liquidity Risk at a Glance & Further Classification

Sound liquidity management reflects a Financial Institution's ability to meet financial obligations and fund assets under both normal operating conditions and stressed situation. IDLC's liquidity and fund management system ensure that payments to the government can be made when it becomes due and any obligations arising from customer deposit maturities or early encashment, repayment of treasury borrowing, funding to support asset growth, and other commitments can be efficiently met under various conditions.

Liquidity risk can be broadly classified into two categories:

a. Funding Liquidity Risk

b. Market Liquidity Risk

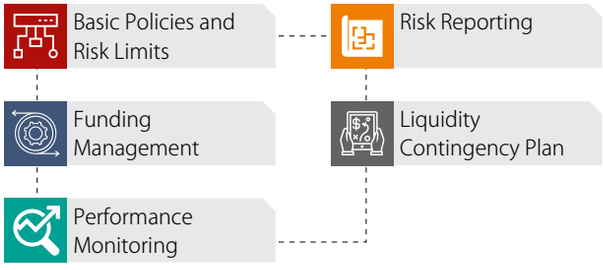
Funding liquidity risk is the inability to carry out necessary funding transactions due to asset liability mismatch. This risk is inherent in the balance sheet of Banks and FIs as most of the assets are funded by short term liabilities.

Market liquidity risk is the limited access to fund due to changes in external factors which include, but are not limited to changes in regulatory policy, liquidity depth, and higher interest rates on non-bank products like national savings certificates.

Liquidity Risk Management Framework

IDLC's liquidity policy defines and establishes standards for measuring, communicating and managing balance sheet risks, directing movements of assets and liabilities while ensuring maximum possible return in a sustainable manner. Treasury ensures that funding mix is optimized and diversified in terms of product category and maturity. IDLC's funding mix include retail deposit, various refinancing schemes of Bangladesh Bank, Zero Coupon Bond, Long Term BDT and USD Loan and money market borrowing.

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



Liquidity Risk Sources and Initial Safeguards

Liquidity Risk	Risk Sources	Safeguards
Funding Liquidity Risk	Tenor mismatch of Assets and Liabilities	-Maintaining CRR & SLR -Limits on negative gap % in various time buckets -Composition & concentration of assets and liabilities -Funding mix (ratio of stable fund to total fund)
Market Liquidity Risk	-Concentrated funding mix, -Dependency on wholesale borrowing - Investment in highly illiquid assets	-Diversification of funding basket -Maintaining easily accessible secured credit lines -Limit on wholesale borrowing -Maintaining reserve in excess of CRR & SLR

Liquidity Risk Mitigation Techniques

- Reviewing liquidity and funding profile
- Conducting periodical stress tests
- Updating contingency funding plan

Treasury department of IDLC has the responsibility of managing the liquidity risk. The department reviews liquidity and funding position that reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effect of changing market conditions. Asset Liability Management (ALM) desk generates regular measurement reports that are enable to capture significant information related to movement of investments, advances, deposits, borrowings, etc. and monitor liquidity position more rigorously. Among all the measurement reports, liquidity gap analysis is a key tool for assessing cash inflows against its outflows to identify the potential for any net shortfalls going forward. While calculating expected cash inflows and outflows, Treasury department estimates future liquidity needs and prospective investment decisions both in the short and long time periods. ALM desk plays a big role in this regard. In addition to generating management report, ALM desk monitors the economic outlook and market movements. The desk recommends changes in policies and procedures and provides all elements for decision - making purpose to the ALCO. Stress tests are conducted periodically and funding plans are adjusted accordingly.

IDLC has an approved Contingency Funding Plan (CFP) to ensure that liquidity is prudentially managed in a stressed or crisis situation. This CFP takes into consideration both the availability and reliability of the funding sources. Using cash flow projections, the CFP analyzes a base case scenario as well as future funding surpluses and shortfalls under various "stress test" scenarios.

Liquidity Risk Monitoring Mechanisms

- Tracking balance sheet movement and key ALM ratios
- Tracking major changes in key economic indicators and setting strategy accordingly

Risk Management Performance Indicators

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

Way Forward - 2018 and Beyond

Money market remained adequately liquid in the first three quarters of 2017 and the excess liquidity dropped significantly in the last quarter due to disproportionate growth in credit and deposit. We expect a tighter liquidity condition in the market in 2018. Keeping that in mind, we will focus on stability of funding through increasing concentration of retail deposit, increasing the proportion of long term fund in funding basket, tapping new re-financing schemes and implementing internal ALM ratios among other measures.

Operational Risk

Operational Risk at a Glance & Further Classification

Operational Risk is the risk of loss resulting from -

- Inadequate or failed internal processes;
- Inadequate or failed people and systems; or
- External events

Events giving rise to operational loss can be classified into seven broad categories:

Internal Fraud

- Theft & Misappropriation
- Fraudulent financial reporting
- Insider trading

Employment practices and workplace safety

- Violation of health and safety rules

Clients, Products and business practices

- Money laundering
- Misuse of confidential customer information

External fraud

- Robbery
- Forgery
- Computer hacking

Business disruption and system failures

- Hardware and software failures
- Telecommunication problems
- Utility outages

Damage to physical assets

- Natural disasters (flood, storm, earthquake etc.)
- Terrorism
- Vandalism
- Political unrest

Execution, delivery and process management

- Incomplete legal documentation
- Collateral management failures
- Data entry errors

Operational Risk Management Framework

Operational risk management refers to the continual, cyclical, end-to-end process that ensures operational risks are effectively managed from the time they are identified to the time they are mitigated to within the risk appetite of the company.

The operational risk management process used by IDLC consists of the following steps:

- **Risk identification** – Risk management starts with risk identification. Risks that have the potential to impact IDLC are identified through analysis of internal factors and external factors.
- **Risk assessment** – Once identified, the potential impact of the risks to the company is quantified using the operational risk grading matrix. Risks are assigned risk grades (High, Medium and Low) based on the assessment of the likelihood and impact of the risks.
- **Risk treatment** – Actions to mitigate or control identified risks are prioritized based on the assessed impact. Based on the priority, appropriate action plans are established to reduce the inherent risks to within the IDLC's risk appetite.
- **Risk monitoring** – The final step of the risk management process is to monitor unresolved risks until the point when the risk exposures are within the risk appetite of IDLC. This involves periodic re-assessment of risk grades to capture changes in environment that may increase or decrease potential impact of the risks.



Operational Risk Sources and Initial Safeguards

Operational Risk Category	Risk Sources	Safeguards
People risk	▸ Employee error ▸ Employee defection ▸ Internal fraud (e.g. Misappropriation, Fraudulent Financial Reporting, Insider Trading)	▸ Setting of an appropriate 'tone at the top' by the IDLC Board and management ▸ Effective employee engagement ▸ Ensuring appropriate segregation of duties ▸ Use of physical and logical access controls, where appropriate ▸ Whistleblower reporting
Process risk	▸ Incomplete/inadequate legal documentation ▸ Collateral management failures ▸ Data entry failures	▸ Vetting of relevant documentation by appropriately qualified and experienced legal personnel ▸ Centralized operations for better oversight over collateral management processes ▸ Employing independent third party valuation specialists ▸ Data validation routines
System risk	▸ Hardware (including network) and software failures ▸ Telecommunication problems ▸ Utility outages	▸ Service Level Agreements with vendors ▸ Network redundancy arrangements ▸ ICT security measures ▸ Alternative power sources
External risk	▸ Natural disasters ▸ Political unrest ▸ Regulatory change ▸ External fraud (e.g. Theft, Forgery, Hacking)	▸ Business continuity planning ▸ Use of physical and logical access controls, where appropriate ▸ ICT security measures ▸ Whistleblowers reporting

Operational Risk Mitigation Techniques

Operational Risk Category	Risk Sources	Mitigation techniques
People risk	▸ Employee error ▸ Employee defection ▸ Internal fraud (e.g. Misappropriation, Fraudulent Financial Reporting, Insider Trading)	▸ Insurance (where applicable) ▸ Legal recovery measures (where applicable) ▸ Remediation activities (where possible, for e.g. in case of financial misreporting)
Process risk	▸ Incomplete/inadequate legal documentation ▸ Collateral management failures	▸ Insurance (where applicable) ▸ Legal recovery measures (where applicable) ▸ Remediation activities (where possible, for e.g. in case of incomplete legal documentation)
System risk	▸ Hardware (including network) and software failures ▸ Telecommunication problems ▸ Data entry failures ▸ Utility outages	▸ Use of Disaster Recovery site ▸ Multiple telecommunication channels ▸ Data backup and recovery processes ▸ Alternative power sources
External risk	▸ Natural disasters ▸ Political unrest ▸ Regulatory change ▸ External fraud (e.g. Theft, Forgery, Hacking)	▸ Insurance (where applicable) ▸ Legal recovery measures (where applicable)

Operational Risk Monitoring Mechanisms

Operational Risk Category	Risk Sources	Monitoring mechanisms
People risk	▸ Employee error ▸ Employee defection ▸ Internal fraud (e.g. Misappropriation, Fraudulent Financial Reporting, Insider Trading)	▸ Top level management reviews ▸ Reconciliations of key accounts and balances ▸ Verification procedures (using independent third parties, where applicable) ▸ Internal audits ▸ External audits
Process risk	▸ Incomplete/inadequate legal documentation ▸ Collateral management failures ▸ Data entry failures	▸ Pending document report ▸ Credit collection review meetings
System risk	▸ Hardware (including network) and software failures ▸ Telecommunication problems ▸ Utility outages	▸ Network monitoring ▸ IT Dashboard ▸ IT Service Desk
External risk	▸ Natural disasters ▸ Political unrest ▸ Regulatory change ▸ External fraud (e.g. Theft, Forgery, Hacking)	▸ Context analysis (environmental scanning) as part of strategic planning process ▸ BCP testing ▸ Verification procedures (using independent third parties, where applicable) ▸ Whistleblower reporting

Way Forward - 2018 and Beyond

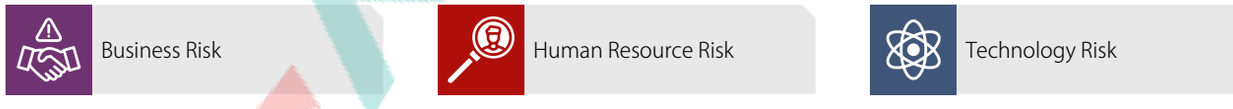
A separate Operational Risk Management (ORM) department was formed in 2017. The ORM department will be primarily responsible for reviewing and updating (if necessary) the Standard Operating Procedures (SOP) of each department and preparing gap analysis with existing best practices. It will also ensure implementation of process controls embedded in the revised Standard Operating procedure. Its responsibilities will also include development and monitoring of unit/ department-wise checklist of operational risk along with review and update (if necessary) of the documentation checklist of Operations division. In addition to that, the department will also manage risks identified at all branch business operations and administrative operations level.

In addition to the above, there are plans for instituting a structured reporting mechanism for whistleblowers.

Strategic Risk

Strategic Risk at a Glance & Further Classification

Strategic risk arises when a company fails to anticipate the market's needs in time to meet them. IDLC classifies its Strategic Risk into 3 main categories:



Note: Technology risk has been covered in detail separately.

Strategic Risk Management Framework

IDLC follows the below strategic risk framework:



Strategic Risk Sources, Identifiers and/or Initial Safeguards

Business Risk Sources, Identifiers

Incorrect assumptions about cost drivers, revenue streams, etc in respect to business volume

- Regular market survey and cost of fund projection
- Funding needs projection based on disbursement pipeline
- Monthly Opex Review

Inaccurate assessment about the environment, unforeseen competition or other changes

- Monthly business review of various segments
- Quarterly financial analysis of major industry players
- Participatory interaction with regulators on policy discussion

Misallignment between long-term objectives and immediate strategies of different business segments

- Integrated planning accross the company through collaboration from all business and departmental heads
- Monthly financial analysis and discussion on variances from budget

Insufficient resources available / deployed for apt execution

- Discussion and engagement with all relevant parties at the planning stage of all essential projects

Human Resource Risk Sources, Identifiers

Growth in remuneration costs exceeding income growth

- Monthly financial review of growth in business, revenues and expenses

Potential resignation of top level colleagues

- Two months' notice policy prior to resignation

Possibility of critical skill shortage

- Review of colleagues' skills by HR and senior managers during project assignments

Possible misallignment between Human Resource & other strategies

- Increasing turnaround times / Fall in average perfomance of colleagues

Strategic Risk Mitigation Techniques

Business Risk Mitigation Techniques

- Setting KPIs at the branch, divisional and organizational levels
- Benchmarking KPIs within the company overtime and across the industry with relevant institutions
- Timely withdrawal of resources from under-performing projects

Human Resource Risk Mitigation Techniques

- Workforce planning and gap analysis focused on capability and capacity to attain future goals
- Alignment of benefits packages with the market and constant efforts at maintaining a talent pipeline, in addition to apt succession planning
- In-house skill development and external training programs, in line with officially conducted individual career development plans of colleagues
- Creation of sustainable HR structures and remuneration policies

Strategic Risk Monitoring Mechanisms

Business Risk Monitoring Techniques

- Monthly preparation of forecasts based on inputs from all business segments and liability team and reviewing reasons for variances
- Monthly review of all major sectors and macroeconomic issues that can impact our growth projections and portfolio quality
- Evaluation of studies prepared for competitor intelligence

Human Resource Risk Monitoring Techniques

- Structured and systematic methods of gaining colleagues' views and feedback through Branch Managers' Meeting with CEO, Change Management initiatives and so on
- Analysis and monitoring of standard unit times for benchmark setting and improving process efficiencies
- Regular financial analysis to monitor cost to company for compensation related expenses, besides other expenditures

Risk Management Performance Indicators

Performance Indicator	2017 %	Growth from previous year
ROE	21.15	(14) bps
ROA	2.60	27 bps
Cost of risk as % of Average Assets	0.30	10 bps

Way Forward - 2018 and Beyond

Going forward, we expect to further enhance our integrated risk management approach to become even more responsive to strategic risks arising from internal and external sources.

Technology Risk

Technology Risk at a Glance & Further Classification



Technology Risk Management Framework



Noteworthy Highlights - 2017

System Infrastructure

- Core Banking System Storage & Server Upgrade
- Implementation of High Availability for Communication Service
- Redundant System for Corporate E-mail Inflow

Information Security

- Additional Security Layer for Corporate E-mail System
- Upgrade of Central Antivirus Management System
- Enhancement of Network Security Policy
- Awareness & Training

Business Continuity

- Annual Maintenance Contract (AMC) of Core Banking System
- Evaluation & Service Level Agreement (SLA) with Data Connectivity Vendors
- Business Continuity Plan
- Training on Emerging Technologies

Technology Risk Sources and Initial Safeguards

System Failure Risk

Platform
- Disaster Recovery Site
- High Availability
- Redundancy

Sofware
- Disaster Recovery Site
- High Availability
- Redundancy

Cyber Attack/ Malicious Intrusion
- Firewall
- Intrusion Prevention System (IPS)
- Antivirus
- System & Network Security Controls
- Encryption
- Privileged Account Management

Infrastructure
- Disaster Recovery Site
- High Availability
- Redundancy

Information Security Risk

Process
- Policy & Standard Operating Procedure (SOP)

Vendor
- Physical Access Control
- Logical Access Control
- Privileged Account Management

Cyber Attack/ Malicious Intrusion
- Firewall
- Intrusion Prevention System (IPS)
- Antivirus
- System & Network Security Controls
- Encryption
- Privileged Account Management

People
- Logical Access Control
- Physical Access Control
- Privileged Account Management

Business Continuity Risk

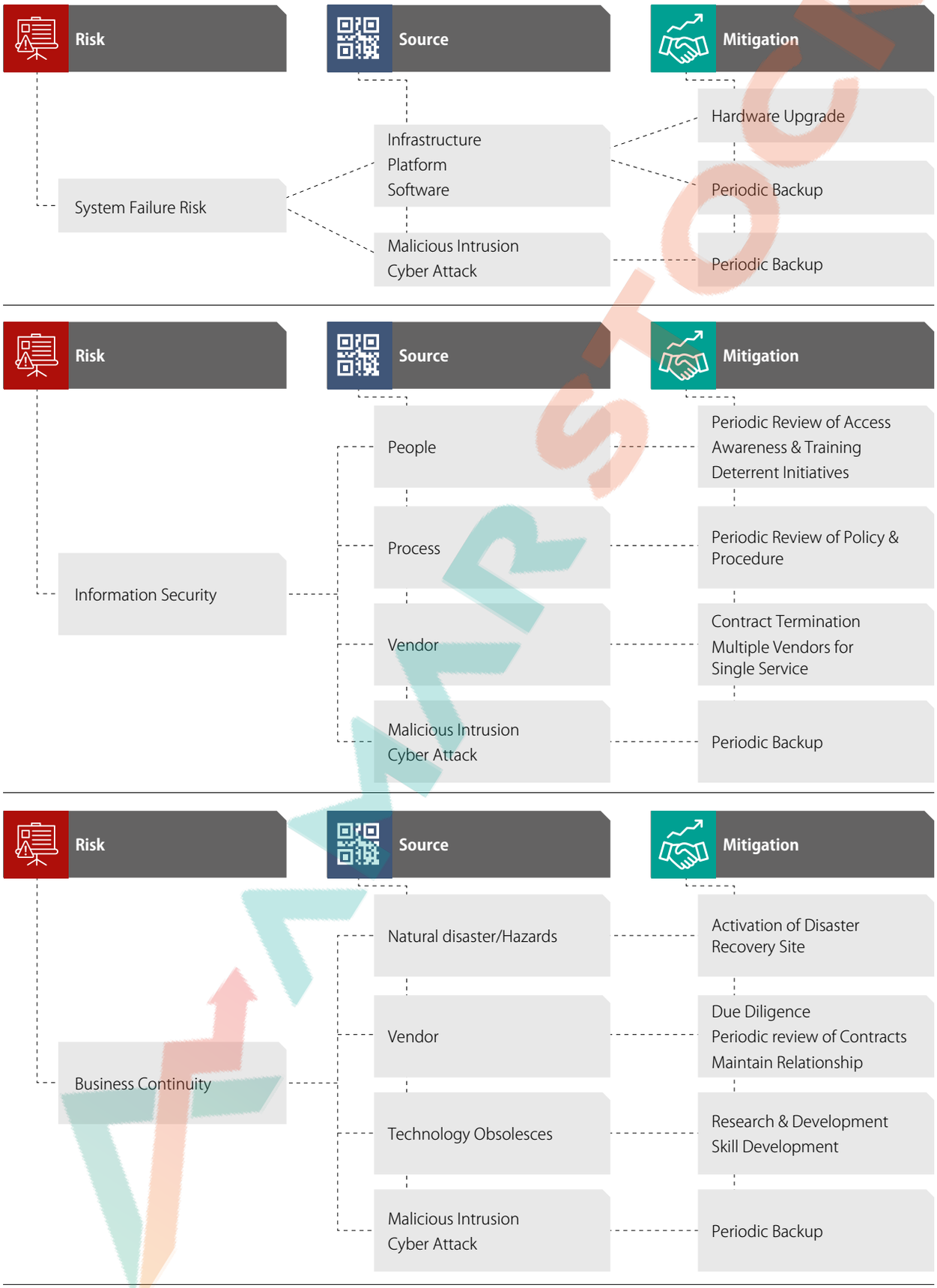
Vendor
- Annual Maintenance Contract (AMC)
- Service Level Agreement (SLA)

Technology Obsolescence
- Technology Adoption

Cyber Attack/ Malicious Intrusion
- Firewall
- Intrusion Prevention System (IPS)
- Antivirus
- System & Network Security Controls
- Encryption
- Privileged Account Management

Natural Disaster/ Hazards
- Disaster Recovery Site

Technology Risk Mitigation Techniques



Technology Risk Monitoring Mechanisms



System Failure Risk

System Alerts

System Performance

Upgrade/ Update process



Information Security Risk

System Log Monitoring

Network Traffic Monitoring

Audit Trail



Business Continuity Risk

Service & Performance

Business Operations

Awareness of Technology Trend & Change

Risk Management Performance Indicators

Risk management performance indicators for technology risk are:

Service Downtime

Incident Count

Impact of Leaked Information

Data of the last 5 years is given below:

System Failure Performance Indicator

Downtime less than 0.1%

Information Security Performance Indicator

Not a single incident of information leak

Business Continuity Performance Indicator

No downtime caused by Business Continuity risk rources

Way Forward - 2018 and Beyond

Challenges

- Projected High Growth of Inbound Internet Traffic
- Continuously Evolving Cyber Threats
- Fast Changing Technology

Way Forward- 2018

- **Strengthening Security**
  - Perimeter
  - Multilayer Intrusion Detection System
  - Vulnerability Assessment and Penetration Testing
- **System Upgrade**

Legal Risk

Legal Risk at a Glance & Further Classification

Legal risk is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or indifference to, the way laws and regulations apply to IDLC's business, its relationships, processes, products and services.

Legal risk has a number of dimensions. Compliance risk is defined as the current or prospective risk of legal sanction and material financial loss IDLC may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of the best practice as well as from the possibility of incorrect interpretation of effective laws or regulations. Money laundering and terrorist financing (ML/TF) risk is the risk that IDLC may –

a) be used to launder money and/or finance terrorism and

b) not be meeting its obligations under existing legislation, rules and regulations for the prevention of money laundering and for the combatting of financing of terrorism

Legal risk may also arise from contractual disputes, legal claims (including defences to claims or counterclaims), and from changes in laws and regulations.

Legal Risk Management Framework

Legal risks are managed in IDLC using a multifaceted approach. The Internal Control and Compliance (ICC) department plays the point role in matters relating to ML/TF risk and in the management of compliance risk through its compliance wing. All other components of legal risk fall within the purview of the IDLC Legal department.

Management of Compliance risk

Compliance risk management consists of the usual steps:

- Risk identification
- Risk analysis
- Risk evaluation
- Risk treatment

Policies and procedures are in place to guide employee actions at each of the above mentioned stage. Examples of such policies and procedures include:

- Requirements that product program guidelines for new products and changes to internal policies and procedures are reviewed by the compliance wing for any inconsistencies with laws and regulations in force at the time

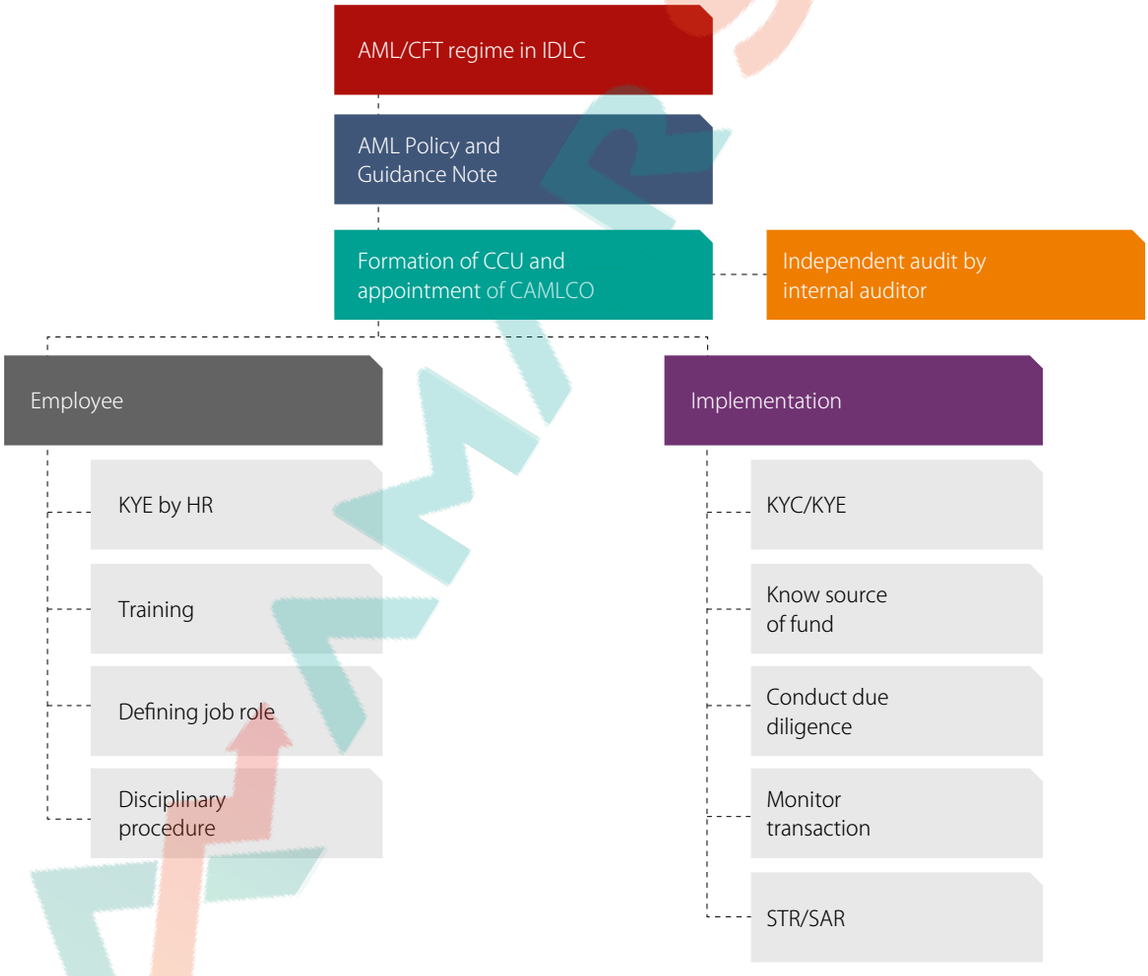
- Standardized contracts for products, clients, and other services with third parties. Terms or conditions contracts are vetted by legal experts
- Specification of the required legal documents which will establish IDLC's claim on the collateral on loans and leases. These also include vetting, by IDLC's legal expert, of the legitimacy of the collateral
- Use of standard operating procedures (SOP) to carry out day to day activities

Monitoring and review occurs at all stages of the risk management process described above. Compliance risks are addressed in branch and departmental control function checklists. The compliance wing of ICC plays an important role in the monitoring and review process by providing an independent review of the compliance risk management process. The compliance wing is operationally separate from and independent of the other departments.

Management of Money Laundering and Terrorist Financing (ML/TF) risk

AML/CFT measures at IDLC are guided by and closely aligned to directives issued by the Bangladesh Financial Intelligence Unit (BFIU). The IDLC compliance program for combating money laundering and terrorism financing consists of the following components:

a. Development, implementation and execution 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.



Noteworthy Highlights - 2017

IDLC was awarded a **"Satisfactory"** rating by the Bangladesh Financial Intelligence Unit (BFIU) based on its AML/CFT System Check Inspection conducted in 2017.

Legal Risk Sources and Initial Safeguards

Legal Risk Category	Risk Sources	Safeguards
Compliance risk	▸ Violations or noncompliance with laws and regulations and prescribed standards ▸ Lack of or inadequate compliance with contractual obligations and other legal Documentation	▸ Setting of an appropriate 'tone at the top' by the IDLC Board and management ▸ Aligning in-house policies and procedures with national laws and regulations ▸ Regular scanning of regulator websites to stay up-to-date with latest changes ▸ Legal vetting of documentation ▸ Employee training
AML/CFT risk	▸ Use of IDLC to carry out money laundering and/or terrorist financing ▸ Failure to comply with existing AML/CFT legislation and/or regulations	▸ Designated AML/CFT organization structure consisting of Central Compliance Unit, a Chief Anti-Money Laundering Compliance Officer, and Branch Anti-Money Laundering Compliance Officers ▸ Appropriate AML/CFT policies and procedures ▸ Know Your Customer (KYC) and Know Your Employee (KYE) procedures ▸ Customer risk grading ▸ Transaction monitoring ▸ Employee training

Legal Risk Mitigation Techniques

Legal Risk Category	Risk Sources	Mitigation Techniques
Compliance risk	▸ Violations or noncompliance with laws and regulations and prescribed standards ▸ Lack of or inadequate compliance with contractual obligations and other legal Documentation	▸ Insurance (where applicable) ▸ Legal recovery measures (where applicable) ▸ Remediation activities (where possible, for e.g. in case of incomplete legal documentation)
AML/CFT risk	▸ Use of IDLC to carry out money laundering and/or terrorist financing ▸ Failure to comply with existing AML/CFT legislation and/or regulations	▸ Enhanced due diligence for selected customer categories ▸ Suspicious Transaction and/or Activity Reporting

Legal Risk Monitoring Mechanisms

Legal Risk Category	Risk Sources	Monitoring Mechanisms
Compliance risk	▸ Violations or noncompliance with laws and regulations and prescribed standards ▸ Lack of or inadequate compliance with contractual obligations and other legal Documentation	▸ Top level management reviews ▸ Branch and Departmental Control Function Checklists ▸ Litigation register ▸ Internal audits ▸ External audits
AML/CFT risk	▸ Use of IDLC to carry out money laundering and/or terrorist financing ▸ Failure to comply with existing AML/CFT legislation and/or regulations	▸ Cash transaction review ▸ IT based screening mechanism for UN Sanctions checklist and locally proscribed organization ▸ Continuous monitoring of media reports

Risk Management Performance Indicators

During the year ended 31 December 2017, IDLC did not face any regulatory fines or penalties. The company also did not face any major outflow on account of unfavorable legal decisions.

Way Forward - 2018 and Beyond

For 2018, IDLC plans to leverage its recently rolled out intranet to create a knowledge base for ready reference of all IDLC employees. The knowledge base will act as a repository of all laws and regulations relevant to Financial Institutions as well as for IDLC internal policies, procedures, manuals. In addition to continuing head office arranged training sessions for employees, there are also plans for introduction of e-learning initiatives to enable employees to continue learning at their own pace and in their own time.

Environmental & Social Risk

Environmental & Social Risk at a Glance & Further Classification

Financing in Business with Negative Impact on Environment	Financing in Business with Negative Impact on Social Life of Stakeholders
Water use and conservation	Labor and Working Conditions
Air emissions and Air Quality	Community Health, Safety & Security
Wastewater and water quality	Land Acquisition and Resettlement
Wastes	Project with Impact on Indigenous Peoples
Land contamination	Project with Impact on Cultural Heritage

Environmental & Social Risk Management Framework

Organizational Structure

- ESMS Team

Policies & Procedures

- Internal Policy ecompassing IFC Performance Standard, ADB Safeguard for Financing & ESRM Guideline 2017
- ESMS Tool

Noteworthy Highlights – 2017

Environmental & Social Risk Management (ESRM) 2017 by Bangladesh Bank has been published on February 08, 2017. The new guidelines is more detailed covering much more risk aspects than the previous ERM Guidelines of 2011. The key differences of these two are presented below:

Key Points	ERM 2011	ESRM 2017
Applicability	Corporate and Real Estate with exposure > BDT 10 million SME with exposure > BDT 2.5 million	Corporate- all transactions Trade, Retail & Microfinance: only without exclusion list. SEF> BDT 1 million MEF- all transactions In case of project financing, ESIA is a must.
Coverage of issues	Covers environmental and to limited extent occupational health & safety and labour issues	Inclusion of ESMS for Banks/FIs Exclusion list, ESAP, E&S progress monitoring template etc.
Detailed Risk Identification	No specific guideline for risk identification	Following risks are to be considered while assessing a transaction: •Project wise E&S risks •Credit Type Wise E&S Risks

Key Points	ERM 2011	ESRM 2017
Risk Rating Process	▸ For all transactions: General Environmental Due Diligence ▸ For 12 mentioned Sector: General Environmental Due Diligence & Specific Environmental Due Diligence	▸ For all transactions: General Environmental & Social Due Diligence ▸ For 12 Sector: Sector Specific Environmental & Social Due Diligence
ESAP	No probation for any ESAP.	For High and Medium Risk transaction, a time bound ESAP is provided by a specific checklist.
Risk monitoring	No precise process was mentioned.	A template for E&S monitoring is provided for such actions.
Provision of Incentives/ Disincentives	No such probation.	Guideline has recommended to provide incentives/disincentives for E&S compliant clients or no compliant clients respectively.
Accountability	No guideline for precise workflow.	Sustainable Finance Unit will be responsible for monitoring & reporting to BB.

At IDLC, we has started rolling out our ESMS system incorporating the changes of new ESRM Guideline from August 1, 2017

Environmental & Social Risk Sources and Safeguards

Financing in Business with hazardous impact on Environment

- Exclusion list of products and business (e.g: business dealing in tobacco)

Financing in business that is environment sensitive

- Checking against Project Category

Government Intervention in Project

- Monitoring Government Policies

Financing in Business with negative impact on social life of stakeholders

- Exclusion list of products and business (e.g: business related to fire arms)

Environmental & Social Risk Mitigation Techniques & Defense Mechanism

Environmental & Social Risk Mitigation
Implementation of ESMS ESMS is a tool that is used to grade the environmental and social risk associated with a particular financing. Three different project categories, green, red and yellow have been defined by Bangladesh Bank Environmental and Social Guidelines. Different project categories required different preconditions to be met and documentation to be done for operating of the project. ESMS rates a financing based on this meeting of preconditions and documentation and guides further action plan. Being a proactive organization, IDLC has incorporated environmental and social risk management based on 22 sector specific criteria since 2016. Our internal environmental and social policy has been already updated according to the latest Environmental and Social Guidelines 2017 of Bangladesh Bank.
Training To ensure proper implementation of ESMS, it is a must to educate RMs so that they can better identify risk sources and better communicate with clients regarding management of environmental and social risks associated with client's business. Regular training on environmental and social risks is one of our mitigation strategy therefore.

In case, proper identification and mitigation of environmental and social risk has not been done, it might eventually result in credit risk -default or recovery risk, operational risk and reputational risk. The defense plan will be designed accordingly as well.

Way Forward - 2018 and Beyond

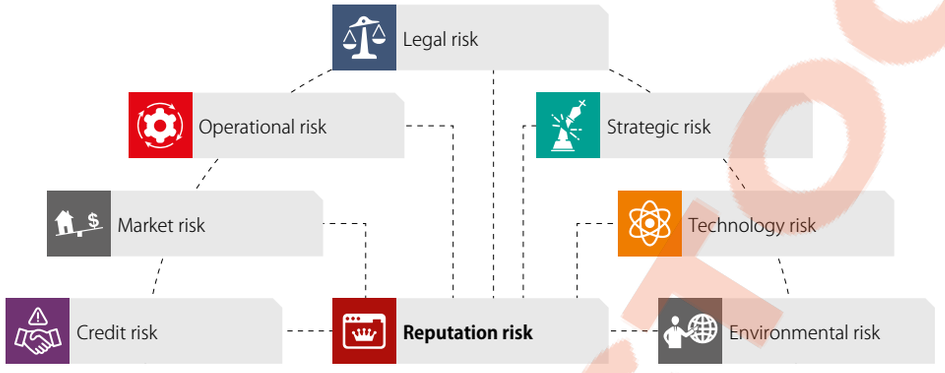
As a proactive organization, IDLC already has incorporated ESMS in its overall risk management strategy prior to governmental policies regarding social risk management came to light. Going forward, our focus will be on rigorous monitoring of implementation of Action plans included as approval covenants.

Reputation Risk

Reputation Risk at a Glance & Further Classification

Reputation risk is the risk of potential or actual damage to the company's image which may impair the profitability and/or sustainability of its business.

Reputation risk is driven by all other risks.



Each of the risks indicated above can impact the reputation of a company, and may lead to deterioration of brand value.

Reputation Risk Management Framework

As reputation risk is driven by all other risks already mentioned above, proper implementation of each of their risk mitigation frameworks amalgamates to a mitigation framework for reputational risk.

Noteworthy Highlights - 2017

- Right Issue of shares have been successfully executed without any instance or any reported complaints from shareholders.
- Positive media coverage of IDLC due to:
  - Attaining Highest Tax payer award in the Financial Institution Category,
  - Achieving various awards on Annual Report and Corporate Governance from autonomous bodies- South Asian Federation of Accountants (SAFA), Institute of Chartered Accountants of Bangladesh (ICAB), Institute of Cost Management Accountants of Bangladesh (ICMAB), Institute of Chartered Secretaries of Bangladesh (ICSB);
  - Obtaining accreditation as the First ever LEED certified environment friendly branch in financial industry of Bangladesh at World Trade Centre, Agrabad, Chittagong;
  - Achieving laudable financial performance as revealed in each of the quarterly Earnings Disclosure briefings.
- Launch of our remodeled website that functions as a comprehensive source of information for our stakeholders.

Sl. No	Risk source	Initial Safeguards
01.	Stakeholders- ▸ Customers ▸ Shareholders ▸ Employees ▸ Regulators- non-compliance of laws, regulations and guidelines implemented by regulators ▸ Environment and society	a. Know Your Customer Policies b. Training to employees to ensure smart handling of shareholders complaints and prompt delivery of services to them c. Effective Whistleblower Guideline & Know Your Employee (KYE) procedures; Appropriate Anti-Money Laundering policies and procedures d. i) The tone from the top promotes responsible behavior ii) The Code of Conduct of the IDLC requires that all employees comply with laws and regulations ii) Internal audits and independent assurance provide comfort on compliance with laws and regulations e. i) Special emphasis on green financing projects and ensuring the importance of reducing harm on the environment through policies and practices to ensure reduced waste of resources ii) Initiatives to engage communities to build a sustainable society
02.	Various media platforms	Communication policy
03.	Operation	Transaction monitoring to ensure operations are running smoothly
04.	Information Technology (IT)	Formal ICT Manual

10.5. Reputation Risk Mitigation Techniques

Sl. No	Risk source	Risk Mitigation Techniques
01.	Stakeholders	Compliance with applicable laws and regulations and internal policies
02.	Various media platforms	▸ Traditional forms of media - Managing media partners and regular and close monitoring of news and events ▸ Social media- regular monitoring of social media handles and prompt management of feedback ▸ Establishment of a set of non-financial reputational risk indicators and identifying matters that might give rise to potential risk
03.	Operation	Parameters established to detect errors and operational anomalies strengthened by regular due diligence. Regular employee training to ensure accurate detection of risk areas, and its mitigation.
04.	Information Technology (IT)	In-built system requirement that ensures Information flows are authorized and disseminated timely and accurately. Regular monitoring to ensure the information control policy is complied with.

10.6. Reputation Risk Monitoring Mechanisms

Sl. No	Risk source	Risk Mitigation Techniques	Monitoring mechanisms
01.	Stakeholders	Compliance with applicable laws and regulations and internal policies	Regular monitoring of laws and regulations and ensuring those are complied with
02.	Various media platforms	▸ Traditional forms of media - Managing media partners and regular and close monitoring of news and events ▸ Social media- regular monitoring of social media handles and prompt management of feedback	Monitoring the non-financial reputational risk indicators
03.	Operation	Parameters established to detect errors and operational anomalies strengthened by regular due diligence Regular employee training to ensure accurate detection of risk areas, and its mitigation	Active evaluation of 'Change management team' to analyse impact on reputation among others and implement improvements if and where required
04.	Information Technology (IT)	In-built system requirement that ensures Information flows are authorized and disseminated timely and accurately	Regular system up- gradation and running tests on a regular basis to ensure the efficacy of the IT system

Regular monitoring

Active evaluation of every aspect of IDLC by 'Change Management Team'

Monitoring non-financial risk

Risk Management Performance Indicators

At IDLC, we continuously monitor each of our risk sources to ensure that the long-built reputation remains in tact.

The fruit of our continuous efforts are revealed in the form of the following facts that exemplifies our well managed 2017 in terms of reputation risk.

1. No fines or penalties have been imposed by regulatory authorities on IDLC during 2017.
2. We have not received any undesirable media coverage.
3. Our share prices have risen by 50% to BDT 85.3 (closing price) as on the last trading date of the year in comparison to the closing price of 2016 which was BDT 57 per share.

Way Forward - 2018 and Beyond

In 2018, we plan to leverage on our recently revamped website to create an online platform for shareholders, to better manage their queries and complaints, and at a much quicker pace. This would further portray our commitment to better services and a sustainable organization.

Building Happiness for the future



Securing the future, bit by bit

Securing the future of their children is what parents invest for. They can invest with peace in mind knowing that IDLC is beside them with its successful track record of 33 years and a bouquet of options; be it fixed deposits, monthly savings or mutual funds.



Management Discussion & Analysis

Following a bird's eye-view of our **strategies and overall performance analysis,** detailed reviews of each of our **capitals** illustrate how value has been transformed through our various activities. Subsequently, the **business segment reviews** portray how we combine our capitals to achieve successful results in each of our business fronts and how we plan to **navigate going forward;** while we discuss our **long-term objectives, key tradeoffs** between the capitals, required **changes in our business** model and our **resource allocation strategies** at the end of this **Management Discussion** review.

Topic	Sub-topic
Performance Analysis with the Management Committee	
In-Depth Review of Our **Financial Capital**	Discussion of Key Financial Matters
	Key Operating & Financial Highlights
	Time-Series Analysis
	Vertical Analysis
	Highlights as Required by Bangladesh Bank
	Value Added Statement
	Market Value Added (MVA) Statement
	Economic Value Added (EVA) Statement
	Contribution to the National Economy
Transformation of Our **Human Capital**	Our Organization Chart
	Human Resource Accounting
Mastering Our **Intellectual Capital**	
Utilization of our **Manufactured Capital**	
Expanding on Our **Social & Relationship Capital**	Stakeholder identification & engagement
	Our citizenship endeavors to enhance stakeholder relationships
	Events highlights
Value Creation for Our **Natural Capital**	
Business Segment Review – **Lending Business Operations**	SME Division
	Consumer Division
	Corporate Division
	Structured Finance Department
	Green Banking Department
Business Segment Review – **Subsidiary Business Operations**	IDLC Investments Limited
	IDLC Securities Limited
	IDLC Asset Management Limited
Strategy and Resource Allocation	

Performance Analysis with the Management Committee

Accounting for changes in reporting standards

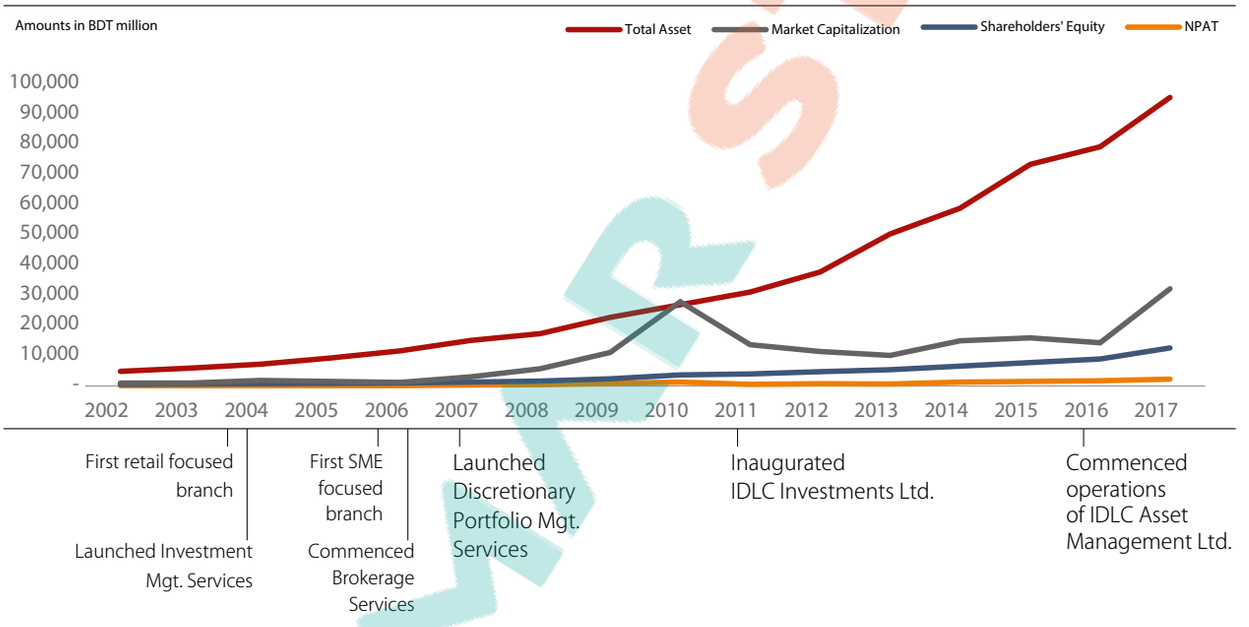
As is applicable, we adhere to the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRS), for our reporting framework, except the circumstances where the local regulations differ and supersede the standards. These are listed in details in note 2.3 of the notes to the consolidated and separate financial statements as presented in pg. 309 of this Annual Report.

Two new financial reporting standards BFRS 9 *Financial Instruments* and BFRS 15 *Revenue from Contracts with Customers* have come into effect from 01 January, 2018. We would be incorporating as and where they will be applicable for us; keeping in mind the scope to which they would be permissible by our prime regulatory authority - Bangladesh Bank.

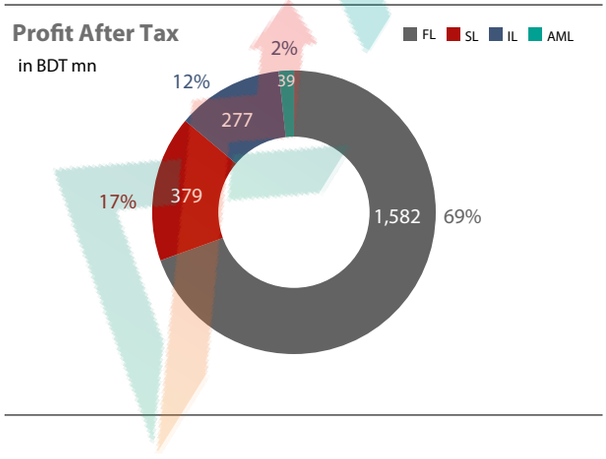
The fundamentals of our business strategy

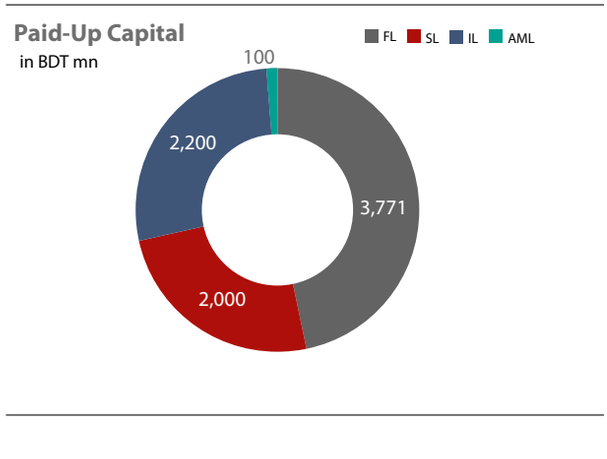
IDLC has delivered a strong performance in 2017 thanks to our robust customer-focused approach, sound capital allocation strategy and a sustainable growth platform that enabled us to mitigate earnings volatility and report consistent growth.

This is reflective in the sustainable growth trends of our Net Profit, Total Assets and Market Capitalization which have registered cumulative growth rates of 26.15%, 20.42% and 23.11% respectively over the last 5 years.



Over the years, IDLC's successive management teams have demonstrated keen foresight into industry trends and have taken timely decisions regarding key strategic maneuvers. This has enabled us to gain foothold across a well-diversified range of businesses in the financial sector. Moving forward to current times, our multiple business verticals allow us to strategically balance our focus over different fronts to take advantage of potential opportunities, enabling us to maximize our Return on Equity (ROE).





Growth in NPAT (%) for IDLC Finance & Subsidiaries

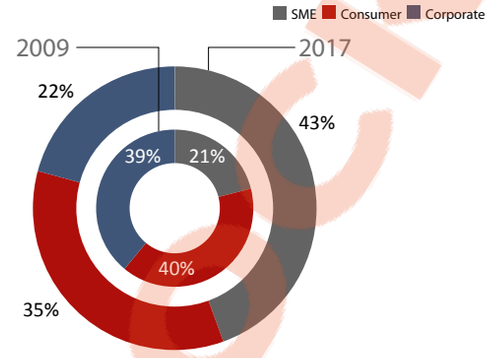
5.72%
IDLC Finance

267.07%
IDLC Securities

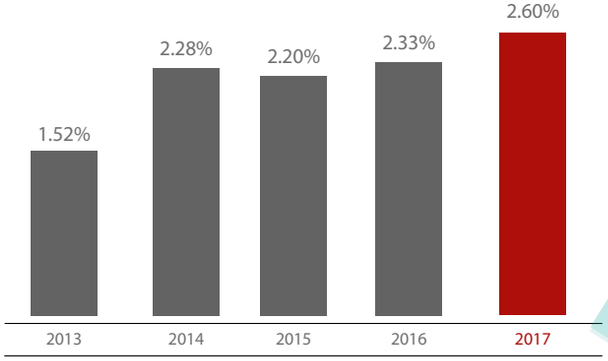
62.58%
IDLC Investments

274.84%
IDLC Asset Management

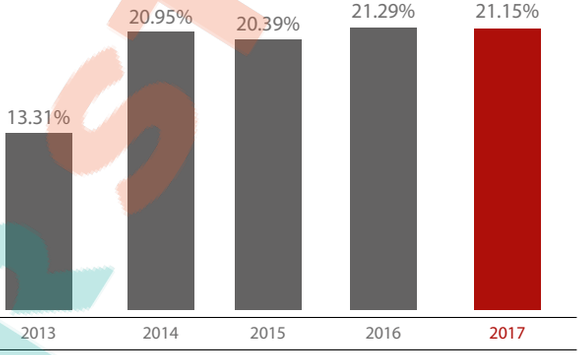
Portfolio Composition



Return on Assets



Return on Equity



Lending Business Review

Our total loan book, the core driver of our lending business, has increased by 15.59% and now stands at BDT 70,666mn. A total of 26,692 new clients were booked and we were able to grow our Net Interest Income by 7.85% to BDT 3,805mn in 2017. This came despite a tightening of our margins, resulting from a 22 bps fall in our Loan Deposit Spread over the year.

2016 Portfolio
BDT 61,136mn

2017 Portfolio
BDT 70,666 mn

Growth%
15.59%

The time-series growth trend of our portfolio has been provided under our Financial Capital (pg. 90).

While we pursue growth targets for our lending business, we are left to decide on how much funds to allocate towards each business segment. Over time, we have strategically moved from highly crowded to comparatively less contested spaces, which has helped us maintain our profitability.

Our SME business – harnessing the prospects of a thriving economy

Our SME book grew by 18.41% in 2017, and currently accounts for 43.66% of our loan portfolio. Over the years, we have ventured into SME riding on the growing opportunities of Small & Medium Enterprises made available by increasing business friendly policies targeted towards this segment and a growing middle class population, among other things.

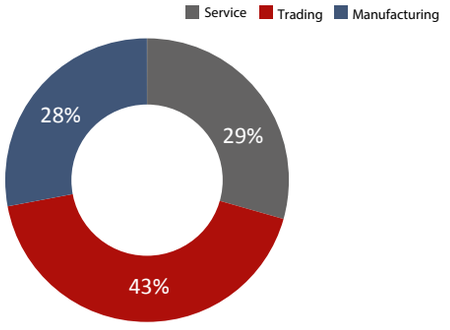
2016 Portfolio
BDT 26,054 mn

2017 Portfolio
BDT 30,851 mn

Growth%
18.41%

Our superior operations model and risk management approach has enabled us to achieve a cumulative growth rate of 24.83% in this segment over the last 5 years. Our total number of SME customers now stands at 12,582, up from 10,812 in the previous year. The loan book is diversified across different sectors; with 27.74%, 43.25%, and 29.01% over Manufacturing, Trading and Service sectors respectively.

SME Portfolio Composition



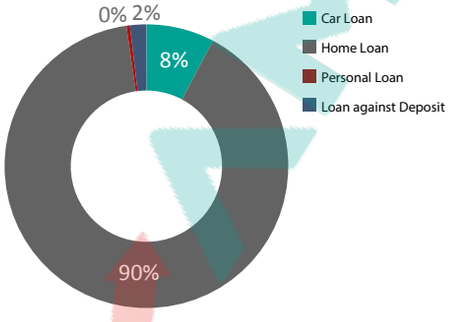
With increasing competitive pressure in this segment, we have set in motion the necessary initiatives to dive into a more granular level, with the objective of tapping into the immense opportunity in lower ticket SME segments. Our approach in this endeavor will be process-centric and technology-driven,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

In-depth business segment review followed by our assessment of industry trends and business outlook for SME has been provided in pg. 135 and following pages.

Our Consumer business – venturing beyond the status quo

Our Consumer business comprises of Home Loans, Car Loans and Personal Loans, with 89.98% of the loan book concentrated in Home Loans. We began our journey in Consumer business from 1997 with the vision to address the gap that had existed in house financing within the country. Over the years, we have grown our portfolio in this segment significantly, and it currently takes up 34.18% of our total loan portfolio.

Consumer Portfolio Composition



However, in the last few years, we have experienced few of the strongest banks entering this traditionally NBFI dominated segment on the back of excess liquidity in the market and in a bid to diversify their business. As a result there has been a significant pressure on lending rates. Our response to this has been a deliberate attempt to move beyond major cities and in some cases to stay away from the extreme price war in major metros, especially Dhaka. This has been greatly aided through synergistic benefits reaped from our branch network (pg. 18) set up to maintain our national reach in the SME segment.

Resultantly, in spite of heavy competition, our total Consumer loan book has seen a cumulative growth rate of 19.64% over the last 5 years with an average NPL of 1.11%. And we currently serve 8,600 clients, up from 8,015 in the past year.

2016 Portfolio
BDT 21,415 mn

2017 Portfolio
BDT 24,152 mn

Growth%
12.78%

Going forward, we aim to reinvigorate our efforts towards other consumer products such as car loans and improve our foothold beyond major cities even further. We as an organization are a firm believer in the macro economic growth prospects of Bangladesh as a whole and the impact it will have in the financial inclusion throughout the country. We subscribe to the estimate that the middle class population of the country will reach 30mn by 2020 and there will be great demand from this segment for affordable housing. We are currently in the process of launching new Home Loan products aiming at this segment and to be distributed throughout the country facilitated by our vast branch network. We are also aiming to cooperate with multilateral organizations with exposure in this segment to learn the intricacies of this business further and in search of long term financing source.

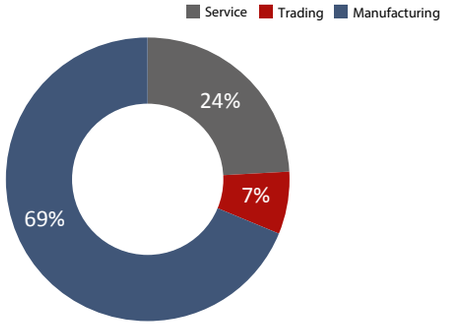
Looking ahead, we expect to improve services for our outstation clients (located beyond major cities) even further, focusing staunchly on reducing turnaround time through process improvements. In fact, these improvements are going to have a ripple effect over our entire Consumer Division and help us continue to improve on our resource utilization further.

In-depth business segment review followed by our assessment of industry trends and outlook for Consumer business has been provided in pg. 138 and following pages.

Our Corporate business – balancing risks and opportunities

On the Corporate front, we have achieved a modest 7.66% growth in portfolio, which now stands at BDT 14,432mn, up from BDT 13,406mn the previous year. Our corporate loan book now holds 20.42% of our total portfolio, down from 21.93% in the previous year. The portfolio is composed of a wide range of sectoral exposures; with Textile, Financial Services, Apparels & Accessories, Iron & Steel and Agro Based Industries comprising over 50% of the lending basket.

Corporate Portfolio Composition



Our corporate business, although constrained with higher cost of funds than some of the strongest banks, is equipped with an agile management team and the ability to customize loan structures to cater to the differentiated financing needs of our clients. However, given our limitations as an NBFI, we cannot participate in Trade Financing or foreign exchange transaction, and hence, we have focused our efforts more intensively on leasing, bridge financing, long term financing and opportunistic short term financing to address gaps in working capital. As such, we have managed to secure a cumulative average growth of 12.63% over the last 5 years in our Corporate portfolio.

2016 Portfolio
BDT 13,406 mn

2017 Portfolio
BDT 14,432 mn

Growth%
7.66%

We expect to see an increase in corporate lending opportunities for us in the short to medium term, with many of the banks in a tight liquidity scenario and having to re-calibrate their loan exposure since the last quarter of 2017. Having said that, our approach towards corporate lending will remain cautious and quality driven, given the efforts required towards boosting our funding basket and the impact such rapid growth targets can have on our cost of fund.

Hence, besides seeking opportunistic growth in the corporate portfolio, we have reiterated our vision to strengthen our Structured Finance Unit under the umbrella of our Corporate Division, to improve our capacity in generating advisory and fee-based revenues. In 2017, we have added to the team strength of our Structured Finance unit to set the base for a wider scope of operations.

Although the department's performance against this recent expansion in team size is expected to truly demonstrate its incremental contributions from the year 2019 onwards, we have already been able to successfully arrange BDT 3.5bn to complete the 1st tranche of a subordinated debt for a bank, closed our first M&A transaction in the form of 100% acquisition of a Feed Mill, raised equity for a leading social club of Bangladesh and have provided advisory services for a telecommunications company. Furthermore, we acted as a trustee for 9 corporations just in the year 2017. Going forward, we expect to utilize the intellectual capital of our Structured Finance unit to a much greater extent amidst the increasing popularity of equity financing options, mergers and acquisitions in different industries and need for specialized services such as debt restructuring and corporate advisory.

In-depth business segment review followed by our assessment of industry trends and outlook for Corporate business has been provided in pg. 141 and following pages.

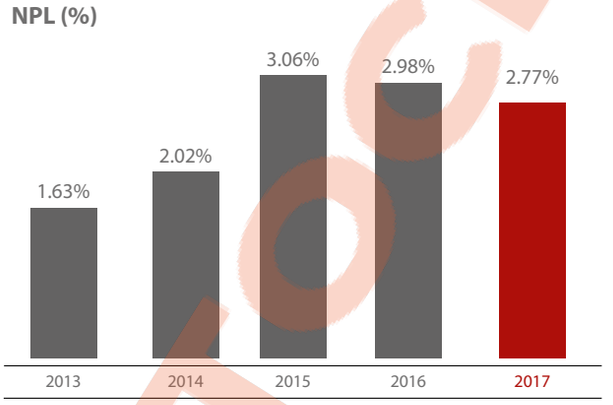
Green Banking – our responsibility to environmental governance

Under our corporate division, in 2014, we started to look more closely at the emerging possibilities of 'green finance'. Our Green Banking portfolio stands at BDT 613mn at the end of 2017, with 42 projects in green buildings, renewable energy and energy-efficient projects, waste management capability development, initiatives to ensure safety and security of factory workers and so on.

In 2018, we aim to strengthen our Green Banking unit further to re-emphasize our focus on environmental governance, besides leveraging on policies that incentivize environment-friendly projects and initiatives.

Further information on our Green Banking Unit has been provided in pg. 143.

Focus on portfolio quality amidst strong business growth



We were able to bring down our NPL ratio to 2.77% by the end of 2017 from 2.98% in the previous year. Following an increase in NPL in 2015 as demonstrated in the chart above, we took up programs for different customer segments to arrest the rise of NPLs further. Apart from this collection effort, we have also further strengthened the credit appraisal process and introduced a credit scoring model, developed in collaboration with International Finance Corporation (IFC), to assist the credit decision-making process. These initiatives have enabled us to control our NPLs since and we aim to maintain our efforts through 2018.

Our Statement of Risk Management (pg. 54) covers in-depth details on risks beyond those affecting the quality of our portfolio, together with our strategies to mitigate them.

Further breakdown analysis of our non-performing loans has been provided within our Financial Capital (pg. 95).

Capital market verticals – complementing the financing business profitably

Our wholly owned subsidiaries in the brokerage, investment banking and asset management fronts, enhance our ability to provide a comprehensive wealth management service basket to our clients. All three of our subsidiary businesses exceeded expectations in 2017, owing to a thriving capital market.

IDLC Securities Ltd.

IDLC Securities achieved a 117.54% operating income growth to BDT 822mn and a 267.07% net profit growth to BDT 379mn. This has been possible due to our efforts in improving our brokerage services, which is also evident in the growth of the subsidiary's market share (in terms trade volume) from 3.48% to 4.02% over the year. Consequently, our brokerage wing has moved up in overall ranking from 4th to 3rd place in the industry. We aim to improve our market share further to mitigate the consequential effects of a possible lower trade volume in the capital market in 2018 compared to the previous year.

In-depth business segment review followed by our assessment of industry trends and outlook for Brokerage business has been provided in pg. 146 and following pages.

IDLC Investments Ltd.

Our merchant banking wing, IDLC Investments grew its profit by 62.58% to BDT 277mn. Following an improved market stability in the year 2017, IDLC Investments prudently increased its margin

lending exposure to BDT 1,977.95mn, up from BDT 1,300.51mn in 2016. It also increased its investment exposure by 305% to BDT 2,447,37mn in 2017, up from BDT 511mn in the previous year to capitalize on select market opportunities. Going forward, the Investment Banking arm of the company will focus on new avenues of business particularly in advisory services and various equity related transactions while maintaining its position as the premium underwriter in the primary market. The company will also leverage further on the strong Brand Equity of IDLC to engage more with the investors, regulator and other stakeholders to continue its advocacy for the sustainable development of the Capital Market of Bangladesh.

In-depth business segment review followed by our assessment of industry trends and outlook for Investment Banking business has been provided in pg. 150 and following pages.

IDLC Asset Management Ltd.

Our newly formed Asset Management vertical, IDLC AML, which became profitable from its first year in operation, has impressed with its performance in the second year as well, growing its bottom-line to BDT 39.1mn, after tax. With merely 1.0% of the broad market capitalization being comprised of mutual funds, there is immense potential for growth in this segment granted the right set of strategies. Our first open end mutual fund, namely IDLC Balanced Fund, was launched with an initial fund size of BDT 500mn. The AUM of the fund has increased to BDT 977.6mn by December, 2017; We aim to build on our superior track record in fund management coupled with our the trust of investors in IDLC to launch more funds that will be based on different investment themes and will serve different sets of investment purposes for our customers, going forward.

In-depth business segment review followed by our assessment of industry trends and outlook for Asset Management business has been provided in pg. 153 and following pages.

Setting a solid base for stable growth through the right funding strategy

We aim to continue with our retail level strategy for deposit mobilization and build a further diversified retail customer base. While in terms of numbers we have taken a step backwards in 2017, our number of depositors decreasing slightly from 6,620 in 2016 to 6,454 in 2017, we have made great strides in re-structuring the Wealth Management team, the team primarily responsible to source deposits, and the way they operate and recognize performance. These changes are expected to reap rewards in the next three years, a period when we aim to grow our number of depositors significantly.

We also aim to utilize the range of financial products at the arsenal of the whole group to provide wholesome wealth management solutions for our clients. To this extent, we have started distribution of all Wealth Management products, including fixed income term deposits, mutual funds, discretionary portfolio management and Easy Invest (monthly investment scheme), through a single sales channel to optimize the solution provided to our customers.

Further breakdown analysis of our funding strategy has been provided within our Financial Capital (pg. 96).

A rich heritage of harnessing talents

One of the biggest accolades we carry lies in our legacy of a rich management pool that has consistently displayed the capability to foresee industry trends and has unwaveringly demonstrated a keen ability to take action ahead of the curve with the right strategies (as demonstrated in pg.85).

Comparison with industry benchmarks

Although the financial sector consists of a wide variety of organizations, a brief comparison sheds at least some light on the level of capital and asset utilization that we have been successfully pursuing over the years. That being said, we recognize that we are going to face comparatively tougher times in regards to potential margin pressures, in addition to rising pressures on key operating expenditures, which we will navigate through vigilant portfolio growth and apt resource allocation over new projects for leveraging growth opportunities in considerably niche spaces for the medium to long-term.

Amounts in BDT

Comparison With Industry Averages	IDLC	Average of Top 5 Companies (in terms of Market Capitalization) in Financial Sector	Average of Top 3 Companies (in terms of Market Capitalization) in Financial Sector
Market Capitalization	32.46bn	47.59bn	56.30bn
Loan Portfolio	70.61bn	295.53bn	355.30bn
Net Profit After Tax	1.81bn	2.88bn	3.29bn
Cost to Income	35.61%	52.09%	55.95%
RoA (annualized)	2.75%	1.20%	1.23%
RoE (annualized)	22.90%	13.26%	14.48%
Debt to Equity	6.60 times	8.48 times	11.48 times

For the 9 months ending 30 September, 2017; full year data is not publicly available for all companies yet

Excluding Investment Corporation of Bangladesh (ICB)

Strategy review going forward

Our lending business will maintain its objective in establishing itself as the financier of choice and to grow the loan portfolio in broad based retail segments, both in terms of loans to small businesses and individuals.

To this extent, we aim to bring more small entrepreneurs under our coverage by creating access to finance. We have already decided on a course of actions to bring more granular level businesses into our book, through a change in the distribution model and by automating the underwriting system based on a credit scoring model. We also aim to bring semi urban households under affordable housing plans, helping individuals achieve their dreams of home ownership. This will involve increasing our attention beyond major cities for both SME lending and housing finance. Starting with places where we already have existing operations, we will gradually cover more areas through introducing low cost and smaller size distribution points powered by technology to enable seamless service.

Apart from the existing businesses that we have a firm foothold in, the success of the company in sustaining its growth will largely depend on identifying future growth opportunities. This is what the thought process was while launching the Asset Management arm of IDLC. At $1.2bn (0.4% of GDP) the asset management industry in Bangladesh is very small. Thus the opportunity size is large and IDLC is the first financial company to properly focus in this segment with a detailed retail approach. If executed correctly, we believe the mutual fund business size can be as big as the lending business of IDLC in the medium to long term. Finally, with the formation of Alternative Investment Guidelines by BSEC and easing of IPO lock-in period restrictions, combined with the growing consumer market present in Bangladesh, we feel that there are bright prospects for the Private Equity and Venture Capital industry in Bangladesh. We anticipate a major push into this sector over the next couple of years. Entering this segment will allow us to diversify our Capital Market operations, and allow us to move forward in our pursuit to become the best financial brand in the country.

In-Depth Review of Our Financial Capital

What it entails

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

How it adds value

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

Material Aspects

- Revenue mix
- Cost Optimization
- Quality asset growth
- Strength of funding strategy
- Capital adequacy

Highlights

- Raised Tier-I capital taking CAR to **15.3%**
- Obtained portfolio growth of **14.9%**
- Restricted NPLs further below targeted **3%**
- Retained cost to income ratio below the targeted level of **40%**
- Achieved **21.7%** growth in net profit

Challenges

- Competitive pressures affecting both asset and liability sides
- Interest rates bottoming out and lending rates being stickier than cost of funds, leading to poorer margins
- Management of operating expenses

Responses

- Added new products targeting different customer needs, further improved customer service and ensured efficient fund-sourcing
- Initiated re-pricing of loan assets and enhanced management of liability basket through prudent resource allocation
- Improved operating efficiency through process optimizations

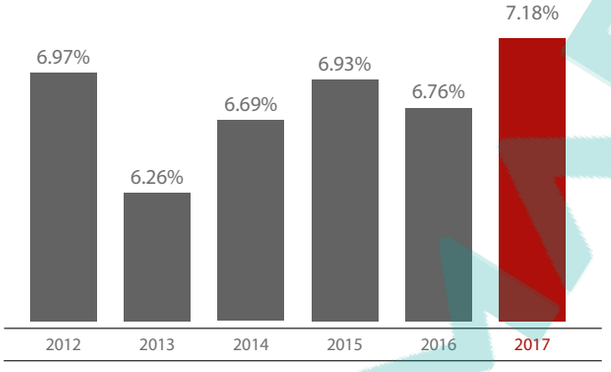
Discussion of Key Financial Matters

The 2017 financial year has been one with a challenging operating environment, constrained margins and rising expenses. Nonetheless, we have managed to end the year with a strong set of results. Considering our substantial investment in infrastructure and human capital so as to enhance efficiency and cater for ongoing growth, we are pleased with the progress of the group. The sections that follow contain in-depth financial analysis dissecting our performance.

Du-Pont analysis highlights key strengths

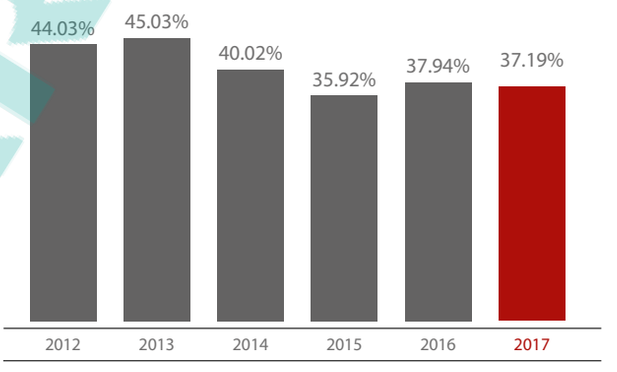
Dupont	Description	2012	2013	2014	2015	2016	2017
Net Interest Income	% of Avg Assets	5.08%	4.71%	5.28%	5.16%	4.89%	4.57%
Non Interest Income	% of Avg Assets	1.89%	1.55%	1.41%	1.77%	1.87%	2.61%
Operating Income	% of Avg Assets	6.97%	6.26%	6.69%	6.93%	6.76%	7.18%
Operating Expenses	% of Avg Assets	-3.07%	-2.82%	-2.68%	-2.49%	-2.57%	-2.67%
Cost/Income	% of Operating Income	44.03%	45.03%	40.02%	35.92%	37.94%	37.19%
PBT&P	% of Avg Assets	3.90%	3.44%	4.01%	4.44%	4.20%	4.51%
Provisions	% of Avg Assets	-0.27%	-0.44%	-0.01%	-0.47%	-0.20%	-0.27%
PBT	% of Avg Assets	3.63%	3.00%	4.00%	3.97%	3.99%	4.24%
Tax Rate	% of PBT	-43.07%	-49.48%	-43.04%	-44.48%	-41.61%	-38.65%
Minorities	% of Avg Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoA	Return on Avg. Assets	2.07%	1.52%	2.28%	2.20%	2.33%	2.60%
Assets/Equity	Avg. Assets/Avg. Equity	7.9	8.8	9.2	9.2	9.1	8.1
RoE	Return on Avg. Equity	16.44%	13.31%	20.95%	20.39%	21.29%	21.15%

Operating Income as % of Avg. Assets



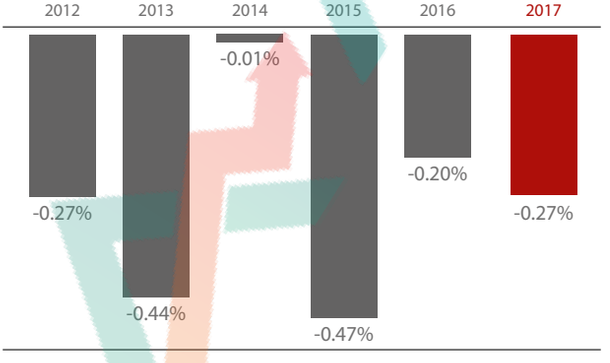
Total Income as a percent of average Total Assets has been fairly resilient throughout the years.

Cost/Income



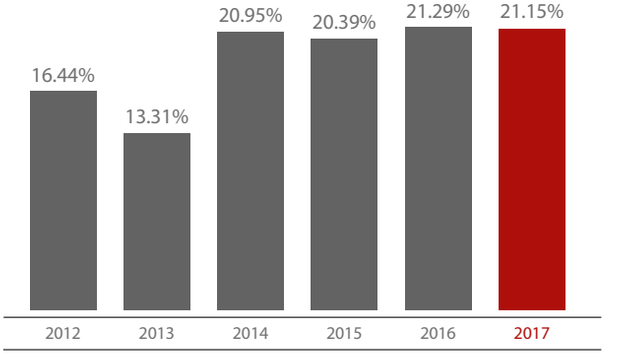
Cost/Income ratio has been decreasing via higher efficiency and appropriate resource allocation towards diversified income streams.

Cost of Risk as % of Avg. Assets



Cost of risk (provisions) as % of avg. assets averaged only 28bps in the last 6 years. Excluding 2014, which is an outlier year due to a change in provisioning policy, average cost of risk has been 33bps

Return on Equity



ROE has been consistently over 20% in the last 4 years.

Summarized Income Statement

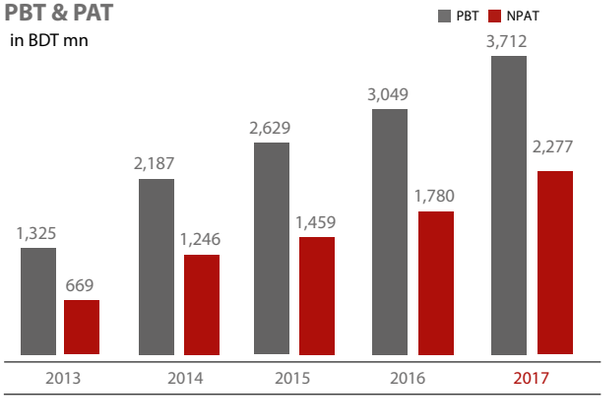
Amounts in BDT mn

Details	2017	2016	Growth
Net interest income	3,995	3,735	6.97%
Fee Income	1,147	832	37.86%
Operating expense	2,336	1,959	19.23%
Provision	233	156	49.45%
Tax	1,435	1,269	13.09%
Profit after tax	2,277	1,780	27.91%

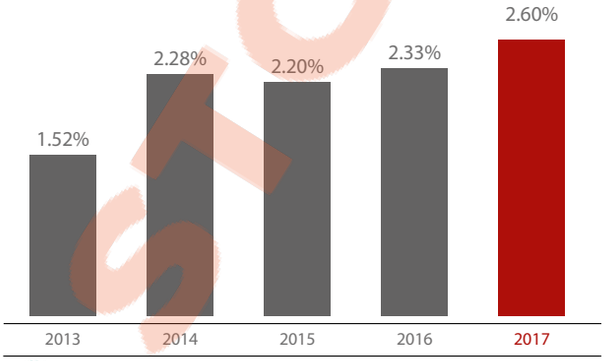
Profitability

PBT & PAT

in BDT mn



Return on Asset



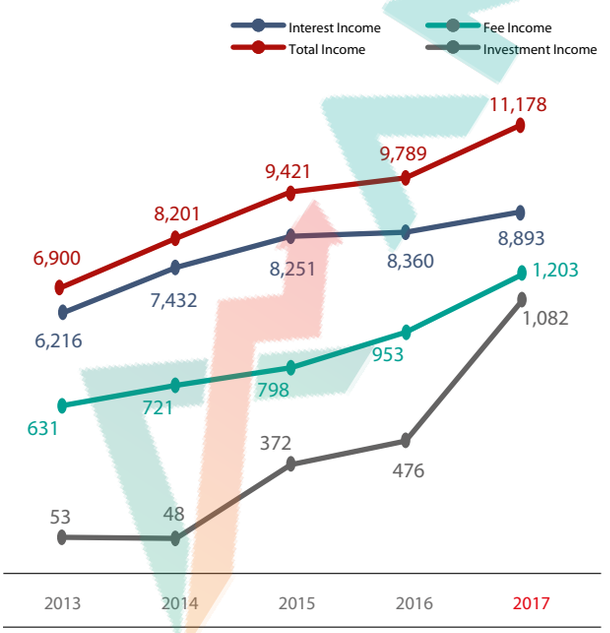
Owing to a well-developed channel of diversified revenue streams, we have registered a strong post-tax profit of BDT 2,277.12mn, marking a 27.9% growth over the previous year. This growth reflects the capacity of the company to generate superior returns to the capital that the shareholders have contributed. The key drivers behind this feat were growth in the lending book, efficient management of funds, maintenance of operational efficiency and restriction of non-performing loans, which are discussed in turn, in the following sections.

Subsequently, the profitability ratios have followed suit. This year, our Return on Assets rose to 2.60% from 2.33% while our Return on Equity saw marginal depletion to 21.15% from 21.29% in the previous year. Our Debt to Equity ratio shines some light on the matter, having come down to 6.6 times from 7.9 times in the previous year, on the back of raising capital worth BDT 2,514mn in the beginning of the year through issuance of rights shares.

Income Composition	2016	2017	% Chng
Fee Income	9.74%	10.76%	1.02%
Investment Income	4.86%	9.68%	4.82%
Interest Income	85.40%	79.55%	-5.85%

Incomes

Income Breakdown

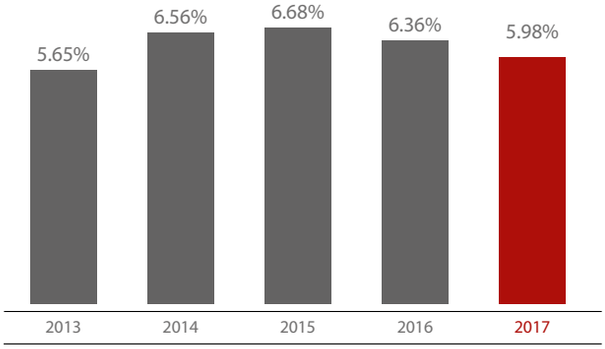


Total Income rose by 15% in 2017 to BDT 11,178mn and Operating Income (adj. for interest expense) rose 21.6% to BDT 6,280mn. While all broad revenue streams posted growth over the previous year, the largest contributor has been Investment Income, with a 127% growth of BDT 1,082mn in 2017. As a result, it accounted for 9.7% of the total income of the group, up from 4.9% in 2016.

On the other hand, Interest Income rose modestly by 6.4% to BDT 8,893mn, on the back of a portfolio growth of 14.9%, which is reflective of the competitive forces in motion (pg. 49). Interest Expense grew by 5.9% to BDT 4,898mn – resulting in a Net Interest Income of BDT 3,995mn in 2017, a 7% growth from BDT 3,735mn in 2016.

Fee Income grew by 26.2% and contributed towards 10.8% of the total income. It mainly resulted from a 91.5% increase in Brokerage Fees and a 34.4% rise in Mgt. & Advisory Fees. Growth in Processing Fees and Service Charges were nominal despite increased disbursement, essentially due to significant fall in fee rates from the funded businesses (customer loans), which was an industry phenomenon throughout the year. This trend is expected to hold going forward as well, prompting the company to further strengthen its Structured Finance, Advisory Services and Investment Banking businesses as a sustainable source of Fee Income going forward.

NII as % of Loan Assets



Net Interest Income as a % of Loan Assets increased over the last few years as interest rates on deposit were going down. However, NIM correction started in 2016 and continued in 2017 as average lending rates came down significantly throughout the industry.

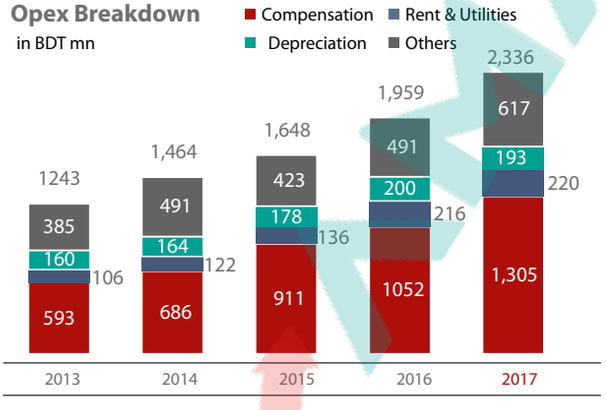
Expenses and Provisions

Operating Income
21.2% 5 year CAGR

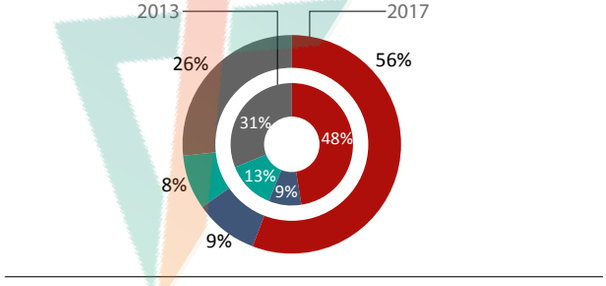
Operating Expense
17.2% 5 year CAGR

While Operating Income grew by 21.6%, Operating Expenses increased by 19.2% to BDT 2,336mn in 2017, from BDT 1,959mn in 2016. Our Operating Expense comprises of costs associated with compensation, premises rent & maintenance, technology and other expenses.

Opex Breakdown
in BDT mn



Opex Composition Trend



Over the years, compensation expenses have taken up a comparatively larger share of our total Opex. In 2013, 48% of the total Operating Expenditure was comprised of compensation; while in 2017, it contributed 56%. While this is due to the 20% CAGR over the last 5 years in compensation related expenses, it also highlights the success that the company had in reigning costs in areas other than compensation. Given HR related expenses takes the lion share of our Operating Expenses, a detailed rundown of our Human Resource accounting has been provided in Human Capital (pg. 111). Nevertheless, some of the material changes in Opex over the last year are discussed below.

Compensation

Our compensation expense has increased by BDT 253mn in 2017, with the major drivers behind the rise being salary revisions done during the year, increase in performance bonus due to excellent performance of the company and impact of promotion. Compensation expense for the company in 2017 stands at BDT 1,305mn. Going forward, compensation expenses are expected to increase at a reduced rate as we establish company-wide measures for increasing efficiency and automating numerous processes that would otherwise require human intervention.

Other Operating Expense

Portfolio management fees have risen BDT 17.7mn over the year, especially due to increased portfolio management fee. This has resulted from an increment of the portfolio holding of marketable shares compared to 2016. However, it should be noted that subsequent increase in the returns earned from these investments far outweigh the increase in portfolio management cost.

Advertisement, Promotions & CSR

We recorded a 41.5% growth (BDT 18.9mn) in promotional and CSR activities, owing to increased marketing expenditure, combined with our new CSR initiative, Khushir Kheya.

Office Maintenance

Expenses incurred in office maintenance increased by 4.6% (BDT 12.3mn) and stood at BDT 280.8mn for the year 2017. This was mainly due to added rent from 4 new branches and increased number and compensation of sourcing employees. We have had great success in controlling office related costs in 2017 and expect to continue this. Only nominal increase is expected in office maintenance costs for existing premises, with further cost growth, if any, being driven by new, smaller, low-cost distribution points that the company plans to deploy in 2018 for attending to small businesses on a more granular level.

As depicted in Pg. 91, we have been able to restrict our Cost to Income ratio below 40% since 2015. Strategies to control it going forward have been discussed in Strategy & Resource Allocation (pg. 154).

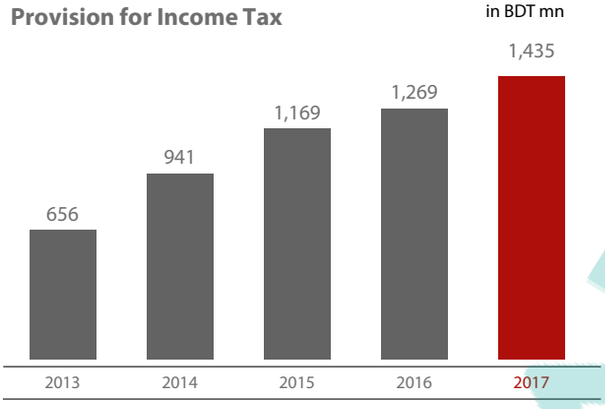
Provisions for Loans/Investments

In BDT mn

Details	2017	2016
Increase in General Provision during the year	62	49
Increase in Specific Provision during the year	171	168
Increase in Provision for dimunition in value of investments	-	(60)

Provision have been maintained for classified loans as per the provisioning policy by the Central Bank. Increase in provision in 2017 exceeded that of 2016 by BDT 77mn. The majority of the increase came from General Provisioning, which is reflective of the 14.9% growth in Loan Portfolio. A detailed picture of the increase/decrease in provisions has been provided in the note for provision (pg. 277).

Provision for Income Tax

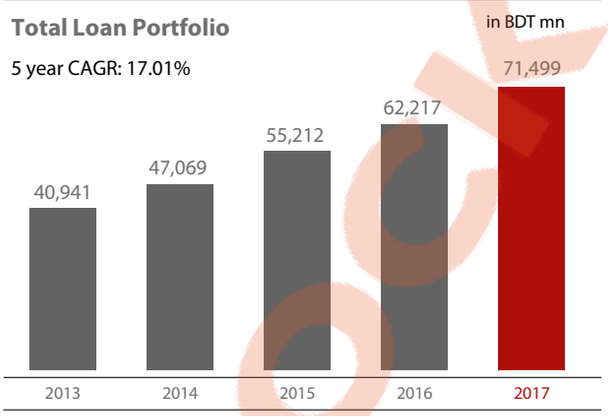


As the income generation capacity of the group increased gradually throughout the last 5 years, so did the contribution of the company to the government exchequer in the form of income tax. In fact, in the year 2016/17 assessment year, IDLC has been awarded the Gold Certificate for being the highest tax payer among NBFIs. The tax expense of the group has increased to BDT 1,435mn in 2017 from BDT 1,269mn in the previous. The effective tax rate in 2017 was 38.65%.

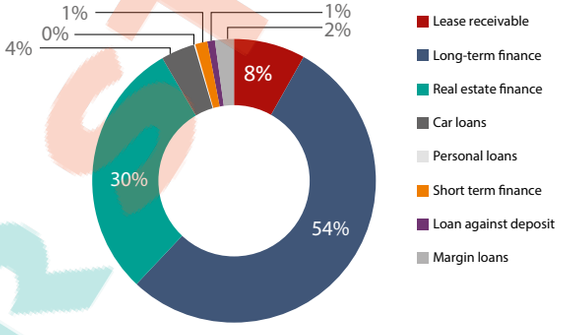
Balance Sheet Summary

Particulars	2017	2016
Assets:		
Cash and cash equivalent	14,728	11,353
Investment	7,923	4,348
Lending portfolio	71,499	62,217
Others	1,538	1,393
Liabilities:		
Deposit	62,092	49,324
Borrowing	11,400	12,564
Other liabilities	9,597	8,485
Equity	12,597	8,938

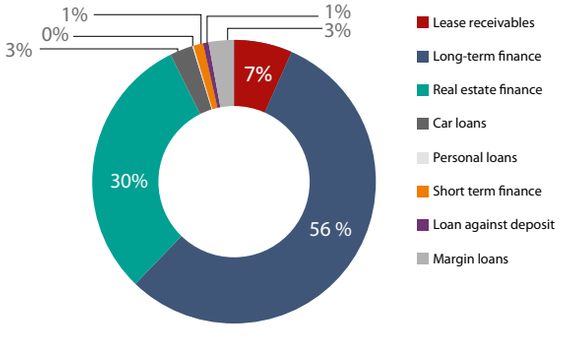
Total Loan Portfolio



Portfolio Composition-2016



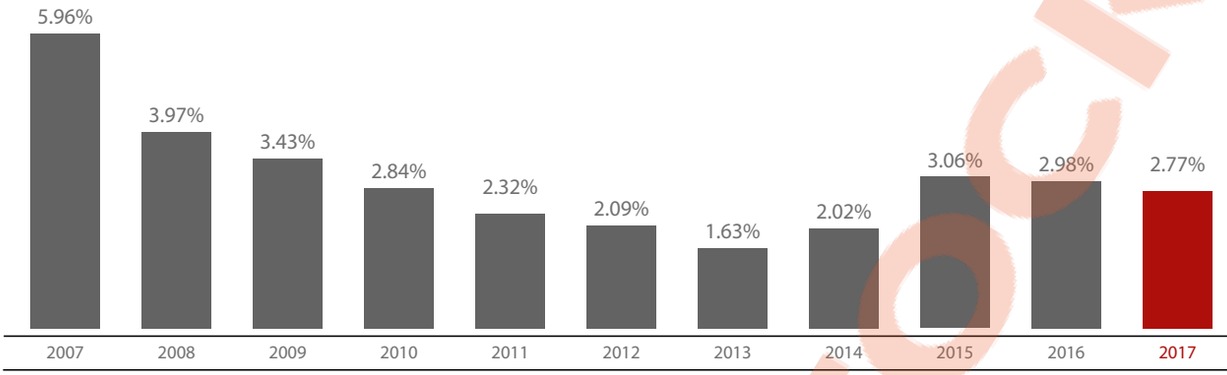
Portfolio Composition-2017



Lending Portfolio

Our core lending portfolio grew by 14.92% reaching BDT 71,499mn in 2017 from BDT 62,217mn in 2016. The growth in lending portfolio was majorly driven by Term Finance and Real Estate Finance. In fact, two major portions of the portfolio are made up of these categories, 56% and 30% respectively. Our business acquisition and growth strategies going forward have been elaborated in Performance Analysis with the Management Committee (pg. 85).

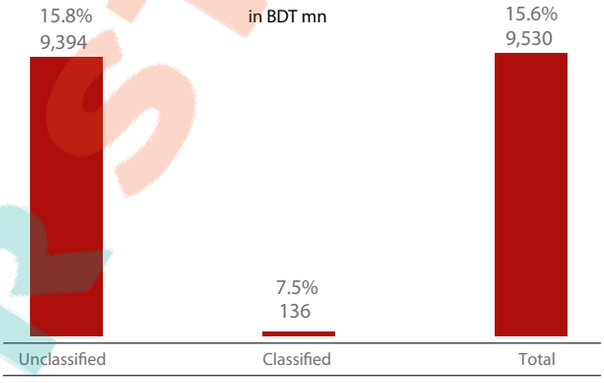
Non-Performing Loans %



Over the years, we have been able to bring down and maintain our non-performing loan ratio in spite of numerous shocks to the economy, indicative of the quality of our credit appraisal system and the credit risk management teams.

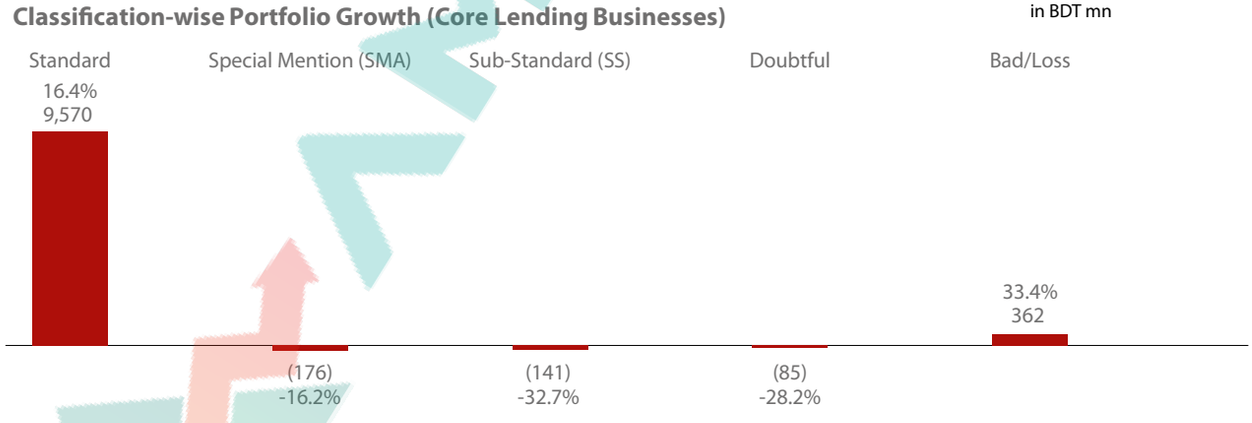
While the Loan Portfolio from core lending businesses in SME, Consumer and Corporate business segments, grew by BDT 9,530mn in 2017, classified portfolio saw only a mild growth of 136mn. However, while Sub-standard and Doubtful portfolio fell by 32.7% and 28.2% respectively; Bad & Loss portfolio has increased by 33.4%, as we continue our efforts to be proactive in marking accounts as Bad & Loss subjectively whenever we see a low probability of collection, even if the account does not yet fall into this category technically. We maintain adequate provision as per the regulation against these cases and also initiate necessary counter measures to prevent further degradation and to recover the dues owed to us.

Portfolio Growth-2017, Core Lending Businesses

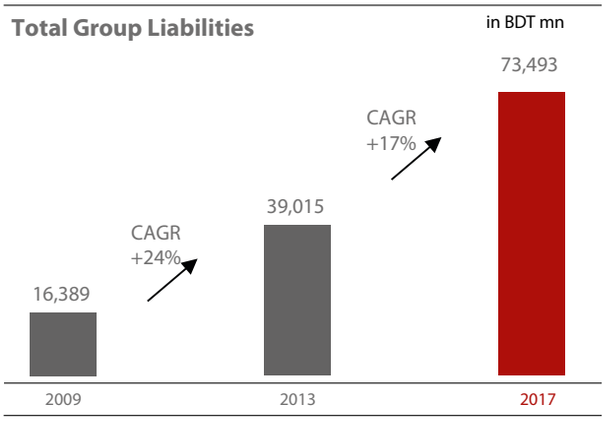


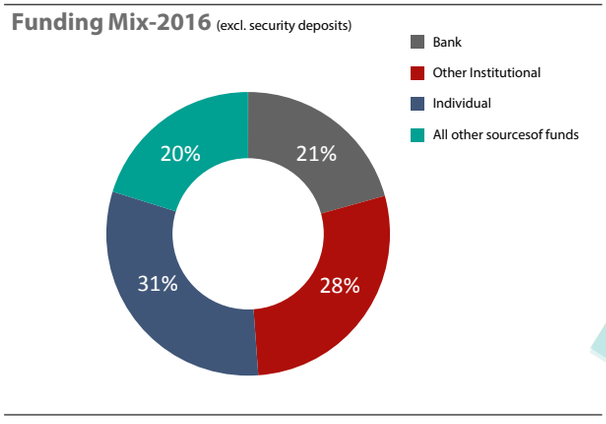
A detailed picture of the loan classifications can be found in the note for classification of loans, advances and leases in pg. 268.

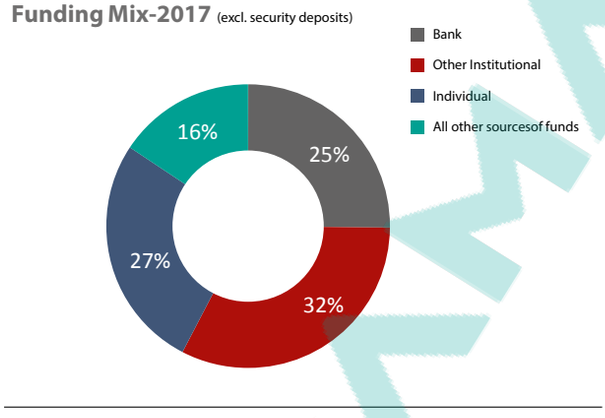
Classification-wise Portfolio Growth (Core Lending Businesses)

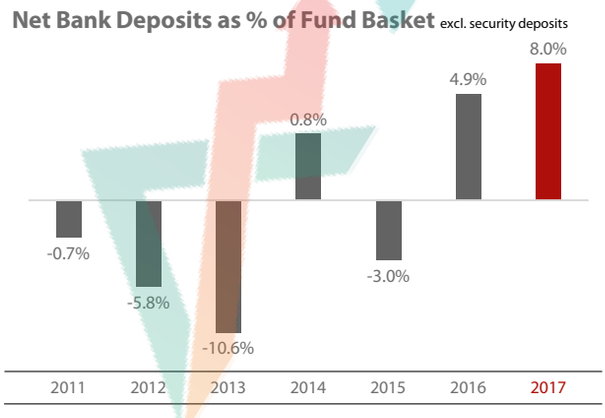


Fund Size & Mix









Total Funding Basket

The total liabilities of the group has grown by 24% (avg. cumulative) between 2009 and 2013, and by 17% (avg. cumulative) between 2013 and 2017. This is in coherence with the cumulative average growth in Total Assets in the said periods; 23% & 17% respectively.

Our funding base increased by 18.7% in 2017 and moved to BDT 73,493mn from BDT 61,889mn. This growth was largely driven by Term Deposits, which amounted to BDT 59,854mn (26% growth) in 2017, adjusted for intercompany deposits.

The funding basket including inter-company deposits, and excluding security deposits amounted to BDT 71,769mn in 2017, registering a 20.4% growth. In 2016, it was BDT 59,598mn.

Major Fund Source

The majority of our funding basket is comprised of Term Deposits – 84.4% of the funding basket (incl. inter-company deposits & excl. security deposits) at the close of 2017. It was 79.8% in 2016. These include deposits from Banks, Other Institutions and Individuals.

Reliance on Customer Deposits rather than on Deposits from Banks

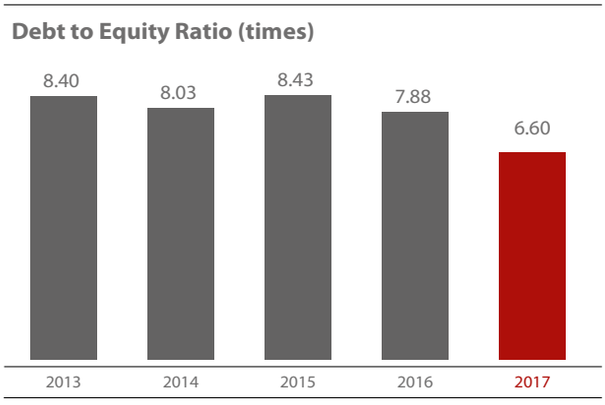
Our long-term strategy involves enhancing our customer deposit portfolio as a sustainable source of funds; in 2017, deposit growth rates from Banks, Institutions (excl. Banks) and Individuals have been 46.6%, 38.7% and 4.0% respectively. As a result, deposits from Banks now take up 25% of the total basket, compared to 21% in the previous year. However, this figure is slightly misleading in isolation and should be read in conjunction with the deposits that IDLC maintains with banks. Therefore, net Bank Deposits (after netting placement in banks from deposits received from banks) is more reflective of the situation as a measurement criteria.

In 2017, Net Bank Deposit as a percent of the total fund basket (incl. inter-company deposits & excl. security deposits) reached 8%; this is reflective of the market scenario - as deposit rates dwindled to record low levels and banks had excess liquidity, IDLC could capitalize on the situation and take cheap deposits from banks. The situation will reverse in a tight money market as evidenced in 2012 and 2013 when IDLC was a net lender to the banking sector. This was a period when interbank interest rates were very high due to tight liquidity conditions. Our funding strategy involves flexibly altering our positions, in terms of increasing/lowering Bank Deposits, depending on the scenario; to best mitigate against interest rate and liquidity related risks.

Outlook

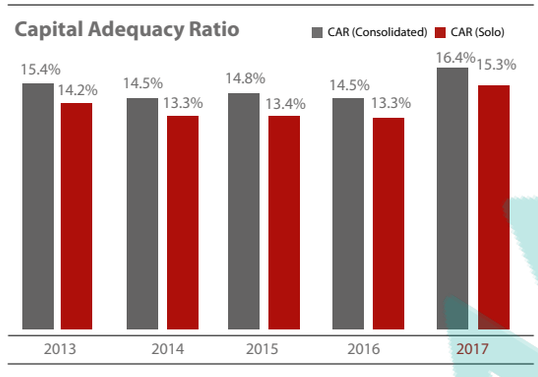
Interest rates appear to have bottomed out and are expected to rise going forward. Moreover, the banking sector is expected to face liquidity pressures as Banks race to bring their Advance to Deposit (A/D) ratio down to Central Bank's new guidelines by the end of 2018.

Debt to Equity Ratio



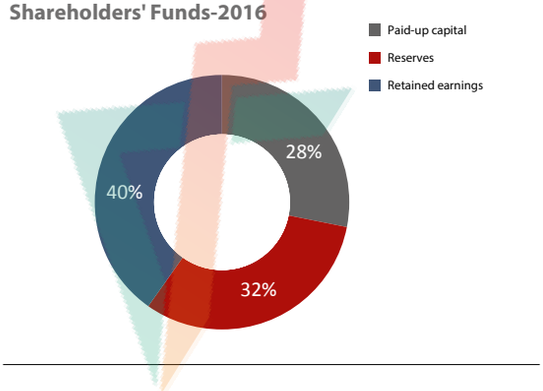
The debt to equity ratio has been on a downward trend in the past 2 years. At the end of 2017, it has come down to 6.6 times. This is mainly due to the Rights Share Issuance in 2017, which increased our paid up share capital to BDT 3,770.5mn. While the existing ratio demonstrates that we have further room to grow the leverage position of the group, we intend to carefully take it to a more optimal level going forward, as we grow our SME and Home Loan books.

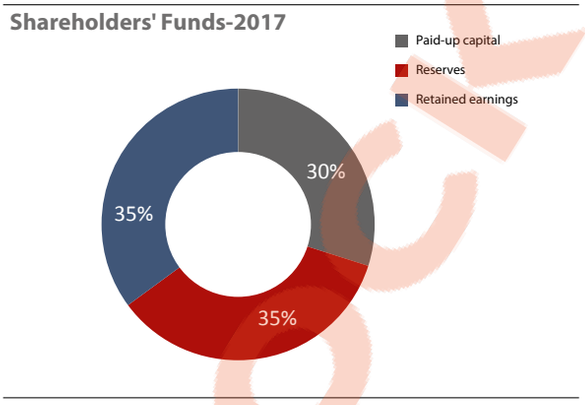
Capital Adequacy Ratio



IDLC issued a rights offer at a ratio of 1R:2 on December 15, 2016 (record date) to raise BDT 2,513.7mn. Rights price was set at BDT20. The rights offer was originally decided in 2014 when fast growth led to a decline in CAR. However, due to various issues, the final permission came in 2016. Regardless, given the sufficient level of capital adequacy to support our growth targets, we do not expect further requirements to capital in the short to medium term.

Shareholders' Funds

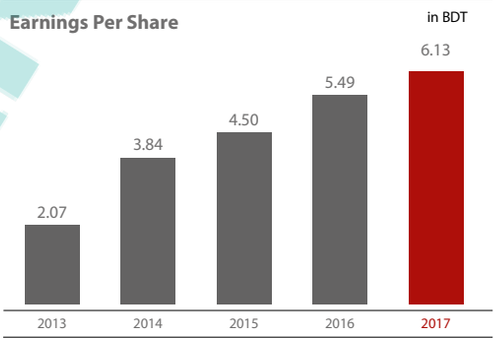




A 41% growth took the shareholders' fund to BDT 12,597mn compared to BDT 8,938mn in the preceding year. This growth was mainly driven by the 1:2 rights share issuance at a premium of BDT 10 per share (face value being BDT 10 per share).

Paid-up capital and Reserves increased by 50% and 56% respectively. Their corresponding compositions at the year-end were 30% and 35% of the Shareholders' Funds respectively. Hence, in spite of having risen by 23%, Retained Earnings now hold 35% of the Shareholders' Funds, down from 40% in the previous year.

Earnings per Share



Our earnings per share (restated) has increased to BDT 6.13 in 2017 from BDT 5.49 in 2016, posting a growth of 11.6%.

Cash Flow Analysis

In BDT mn

Particulars	2017	2016
A) Net cash flows from/(used in) operating activities	7,449	(1,197)
B) Net cash used in investing activities	(3,734)	(1,228)
C) Net cash flow from financing activities	(341)	344
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**3,375**	**(2,082)**
E) Cash and cash equivalents at beginning of the year	11,353	13,435
F) Cash and cash equivalents at end of the year (D+E)	**14,728**	**11,353**

Cash Flow from Operating Activities

In 2017, cash flow from operating activities before adjusting the changes in operating assets and liabilities increased by 24.5%, amounting to 5,766mn. It was BDT 4,630mn in the prior year. The growth primarily came from increased inflows of receipts from interest as well as gain from marketable securities. Driven by a significant growth in Term Deposits, there was a net cash inflow from operating activities of BDT 7,449mn in 2017, as compared to a net cash outflow of BDT 1,197mn in 2016.

Cash Flow from Investing Activities

The cash flow from investing activities increased to BDT 3,734mn in 2017 from BDT 1,228mn in 2016, as a result of increase in investments. The large growth in net proceeds of investment in securities is backed by our legacy of prudent fund management with a discerning eye for the right investments.

Cash Flow from Financing Activities

The group obtained BDT 2,787mn from term loan, while it repaid BDT 4,516mn of its previously obtained loans. BDT 2,514mn of cash inflow was generated from the rights issue, while BDT 1,126mn was paid out as Cash Dividends – marking a 1.8 fold increase from BDT 625mn in the preceding year.

Overall Scenario

The cash and cash equivalent balance of the group rose to BDT 14,728mn in 2017 compared to BDT 11,353mn in 2016 - the major driver being the net cash flows from operating activities of BDT 7,449mn. This puts us in a comfortable position ahead of the anticipated pressure on liquidity in 2018 as this position will net off majority of the Term Deposits from banks that will mature in the coming months.

Going Forward

Taking everything into account, we intend to achieve cautious and measured growth in earnings in the immediate year ahead amidst tight margins and a partly uncertain economic climate looming in light of the impending general election. However, we intend for it to pick up pace again in the medium term future as we recalibrate our operations model and the composition of our revenue sources to leverage the opportunities presented by the country's growing economy. Given the well-tested dynamism and perseverance of our human, intellectual, relationship and other capitals, we are well positioned to reap the benefits from such prospects.

The following sections under this topic cover:

- Key operating and financial highlights
- Time series growth data
- Data for vertical analysis
- Value Added Statement
- Market Value Added (MVA) Statement
- Economic Value Added (EVA) Statement
- Capital Adequacy Ratio
- Contribution to National Economy.

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Key Operating and Financial Highlights

IDLC Group

in BDT million

Particulars	2013	2014	2015	2016	2017	Growth
Financial Performance						
Total assets	50,429	58,927	73,434	79,311	95,687	20.65%
Long term liabilities	43,951	51,371	64,154	68,931	81,548	18.30%
Term deposit balance	29,064	35,240	46,039	47,475	59,854	26.07%
Operational Performance						
Operational income	2,761	3,658	4,588	5,164	6,280	21.62%
Operational expenses	1,243	1,464	1,648	1,959	2,336	19.23%
Financial expenses	4,138	4,543	4,833	4,625	4,898	5.90%
Profit before tax	1,325	2,187	2,629	3,049	3,712	21.74%
Net profit after tax	669	1,246	1,459	1,780	2,277	27.91%
Financial Ratios						
Debt equity ratio (Times)	8.40	8.03	8.43	7.88	6.60	(1.28)
Financial expenses coverage ratio (Times)	1.32	1.48	1.54	1.66	1.76	0.10
Return on total assets (%)	1.52	2.28	2.20	2.33	2.60	0.27
Return on shareholders' equity (%)	13.31	20.95	20.39	21.29	21.15	(0.14)
Earnings per share* (BDT)	2.07	3.84	4.50	5.49	6.13	0.64
Price earnings ratio (Times)	15.12	12.06	10.96	8.05	13.91	5.86
Average effective tax rate %	49.48	43.04	44.48	41.61	38.65	(2.96)
Net interest income as a percentage (%) of working funds	5.65	6.56	6.68	6.36	5.98	(0.39)
Operating Profit as percentage (%) of working fund	3.97	4.99	5.75	5.46	5.90	0.44
Equity Statistics						
Number of shares outsatnding (No.)	160,875,000	201,093,750	251,367,187	251,367,187	377,050,780	50.00%
Year end market price per share (BDT)	62.90	74.70	63.60	57.00	85.30	49.65%
Net asset value per share (BDT)	14.22	17.31	20.65	23.70	33.41	40.95%
Market capitalization	10,119	15,022	15,987	14,328	32,162	124.47%
Market value addition	29.57	42.24	32.63	21.44	51.89	141.99%
Shareholders' equity	5,363	6,528	7,786	8,938	12,597	40.95%

**Earning per share is required to be calculated based on adjustment factor, as there was issuance of right shares during the year.*

Key Operating and Financial Highlights

IDLC Finance Limited

in BDT million

Particulars	2013	2014	2015	2016	2017	Growth
Financial Performance						
Lease and Term loans disbursed	16,895	17,473	22,140	29,807	35,511	19.14%
Housing finance disbursement	4,421	5,896	5,954	5,646	7,893	39.80%
Short term finance (portfolio)	604	735	1,079	845	778	-8.01%
Lease Finance (portfolio)	6,358	6,282	6,016	4,950	4,629	-6.49%
Real estate finance assets (portfolio)	11,170	14,822	17,206	18,108	21,462	18.52%
Total assets	48,535	57,160	71,769	76,505	92,611	21.05%
Long term liabilities	42,884	50,471	63,591	67,446	80,540	19.41%
Term deposit balance	29,164	35,241	46,174	47,564	60,538	27.28%
Net current assets	2,682	2,778	5,924	5,031	6,580	30.80%
Operational Performance						
Operational income	2,573	3,326	3,961	4,433	4,801	8.31%
Operational expenses	1,021	1,237	1,394	1,679	1,934	15.23%
Financial expenses	4,127	4,530	4,827	4,625	4,902	6.00%
Profit before tax	1,406	2,029	2,276	2,581	2,639	2.25%
Net profit after tax	811	1,154	1,244	1,496	1,582	5.72%
Financial Ratios						
Debt equity ratio (Times)	9.50	9.04	9.65	9.06	7.76	(1.30)
Average effective tax rate (%)	42.32	43.15	45.34	42.02	40.05	(1.97)
Financial expenses coverage ratio (Times)	1.34	1.45	1.47	1.56	1.54	(0.02)
Current ratio (Times)	1.14:1	1.13:1	1.22:1	1.17:1	1.18:1	0.01
Return on total assets (%)	1.92	2.18	1.93	2.02	1.87	(0.15)
Non performing loan ratio (%)	1.63	2.02	3.06	2.95	2.77	(0.18)
Return on shareholders' equity (%)	19.24	22.37	20.01	20.87	17.41	(3.46)
Earnings per share* (BDT)	2.50	3.56	3.84	4.62	4.26	(0.36)
Dividend per share (BDT)	3.00	3.50	2.50	3.00	3.00	-
Dividend yield (%)	4.77	4.69	3.93	5.26	3.52	(1.75)
Dividend payout ratio (%)	92.98	76.27	50.52	75.59	71.50	(4.09)
Shareholders' equity	4,621	5,694	6,737	7,605	10,569	38.98%
Net interest income as a percentage (%) of working funds	6.13	6.78	6.44	6.14	5.77	(0.36)
Operating Profit as percentage (%) of working fund	4.46	4.97	5.18	4.79	4.35	(0.44)

**Earning per share is required to be calculated based on adjustment factor, as there was issuance of right shares during the year.*

Horizontal Analysis

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

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
PROPERTY AND ASSETS					
Cash					
In hand (including foreign currencies)	128%	125%	122%	105%	100%
Balance with Bangladesh Bank and its agent (including foreign currencies)	147%	131%	120%	98%	100%
	147%	**131%**	**120%**	**98%**	**100%**
Balance with other banks and financial institutions					
Inside Bangladesh	192%	146%	176%	102%	100%
Outside Bangladesh	-	-	-	-	
	192%	**146%**	**176%**	**102%**	**100%**
Money at call and short notice	-	-	-	-	-
Investments					
Government	-	-	-	-	100%
Others	1007%	553%	393%	297%	100%
	1007%	**553%**	**431%**	**335%**	**100%**
Loans and advances					
Loans, cash credit, overdraft etc.	175%	152%	135%	115%	100%
Bills purchased and discounted	-	-	-	-	-
	175%	**152%**	**135%**	**115%**	**100%**
Fixed assets including land, building, furniture and fixtures	167%	165%	136%	96%	100%
Other assets	194%	164%	191%	190%	100%
Non-banking assets					
Total Assets	**190%**	**157%**	**146%**	**117%**	**100%**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	**129%**	**142%**	**120%**	**104%**	**100%**
Deposits and other accounts					
Current accounts and other accounts etc.	-	-	-	-	-
Bills payable	-	-	-	-	-
Savings bank deposits	-	-	-	-	-
Term deposits	206%	163%	158%	121%	100%
Bearer certificate of deposits	-	-	-	-	-
Other deposits	199%	165%	141%	121%	100%
	206%	**163%**	**158%**	**121%**	**100%**
Other liabilities	**159%**	**140%**	**123%**	**109%**	**100%**
Total Liabilities	**184%**	**156%**	**146%**	**116%**	**100%**
Capital/Shareholders' equity					
Paid-up capital	234%	156%	156%	125%	100%
Share premium	33616%	100%	100%	100%	100%
Statutory reserves	209%	178%	148%	123%	100%
General reserves	123%	123%	123%	123%	100%
Dividend equalisation reserves	100%	100%	100%	100%	100%
Retained earnings	234%	190%	145%	118%	100%
Total Equity attributable to equity holders of the company	**235%**	**167%**	**145%**	**122%**	**100%**
Non-controlling interest	**162%**	**129%**	**117%**	**105%**	**100%**
Total Liabilities and Shareholders' equity	**190%**	**157%**	**146%**	**117%**	**100%**

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Horizontal Analysis

Consolidated Profit and Loss Account (For last five years)

	2017	2016	2015	2014	2013
Interest income	143%	135%	133%	120%	100%
Interest on deposits and borrowings etc.	118%	112%	117%	110%	100%
Net interest income	**192%**	**180%**	**165%**	**139%**	**100%**
Investment income	2024%	890%	696%	90%	100%
Commission, exchange and brokerage	261%	152%	123%	124%	100%
Other operating income	131%	150%	129%	106%	100%
Total operating income	**227%**	**187%**	**166%**	**132%**	**100%**
Salaries and allowances	223%	180%	155%	129%	100%
Rent, taxes, insurance, electricity etc.	208%	204%	128%	115%	100%
Legal expenses	317%	229%	197%	106%	100%
Postage, stamp, telecommunication etc.	117%	105%	109%	106%	100%
Stationery, printing, advertisements etc.	167%	123%	103%	138%	100%
Managing Director's salary and benefits	80%	68%	88%	100%	100%
Directors' fees	234%	192%	144%	116%	100%
Auditors' fees	205%	149%	103%	103%	100%
Charges on loan losses	-	-	-	-	-
Depreciation and repair of Company's assets	121%	125%	112%	103%	100%
Other expenses	158%	128%	110%	99%	100%
Total operating expenses	**188%**	**158%**	**133%**	**118%**	**100%**
Profit before provision	**260%**	**211%**	**194%**	**145%**	**100%**
Provision for loans and investments					
General provision	(499%)	(392%)	(396%)	(363%)	100%
Specific provision	87%	85%	140%	(28%)	100%
Provision for diminution in value of investments	0%	(749%)	(168%)	221%	100%
Other provisions	-	-	-	-	-
Total provision	**121%**	**81%**	**162%**	**4%**	**100%**
Total profit before taxation	**280%**	**230%**	**198%**	**165%**	**100%**
Provision for taxation					
Current tax expense	227%	199%	184%	151%	100%
Deferred tax (income)/expense	(72%)	(6%)	(13%)	(99%)	100%
	219%	193%	178%	144%	100%
Net profit after taxation	**340%**	**266%**	**218%**	**186%**	**100%**

Vertical Analysis

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

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
PROPERTY AND ASSETS					
Cash					
In hand (including foreign currencies)	0.00%	0.00%	0.00%	0.00%	0.00%
Balance with Bangladesh Bank and its agent (including foreign currencies)	1.15%	1.23%	1.21%	1.24%	1.48%
	1.15%	**1.23%**	**1.21%**	**1.24%**	**1.48%**
Balance with other banks and financial institutions					
Inside Bangladesh	14.25%	13.08%	17.08%	12.31%	14.10%
Outside Bangladesh	-	-	-	-	-
	14.25%	**13.08%**	**17.08%**	**12.31%**	**14.10%**
Money at call and short notice	-	-	-	-	-
Investments					
Government	0.00%	0.00%	0.41%	0.51%	0.00%
Others	8.28%	5.48%	4.21%	3.96%	1.56%
	8.28%	**5.48%**	**4.62%**	**4.47%**	**1.56%**
Loans and advances					
Loans, cash credit, overdraft etc.	74.72%	78.45%	75.19%	79.88%	81.19%
Bills purchased and discounted	-	-	-	-	-
	74.72%	**78.45%**	**75.19%**	**79.88%**	**81.19%**
Fixed assets including land, building, furniture and fixtures	0.69%	0.82%	0.73%	0.65%	0.78%
Other assets	0.91%	0.93%	1.17%	1.45%	0.89%
Non-banking assets	-	-	-	-	-
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	**11.91%**	**15.84%**	**14.42%**	**15.61%**	**17.51%**
Deposits and other accounts					
Current accounts and other accounts etc.	-	-	-	-	-
Bills payable	-	-	-	-	-
Savings bank deposits	-	-	-	-	-
Term deposits	62.55%	59.86%	62.69%	59.80%	57.63%
Bearer certificate of deposits	-	-	-	-	-
Other deposits	2.34%	2.33%	2.16%	2.30%	2.23%
	64.89%	**62.19%**	**64.85%**	**62.10%**	**59.86%**
Other liabilities	**10.03%**	**10.70%**	**10.13%**	**11.21%**	**12.00%**
Total Liabilities	**86.83%**	**88.73%**	**89.40%**	**88.92%**	**89.37%**
Capital/Shareholders' equity					
Paid-up capital	3.94%	3.17%	3.42%	3.41%	3.19%
Share premium	1.32%	0.00%	0.01%	0.01%	0.01%
Statutory reserves	2.19%	2.25%	2.02%	2.09%	1.99%
General reserves	1.05%	1.26%	1.36%	1.70%	1.61%
Dividend equalisation reserves	0.05%	0.06%	0.06%	0.08%	0.09%
Retained earnings	4.62%	4.53%	3.73%	3.79%	3.75%
Total Equity attributable to equity holders of the company	**13.17%**	**11.27%**	**10.60%**	**11.08%**	**10.63%**
Non-controlling interest	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total Liabilities and Shareholders' equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

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Vertical Analysis

Consolidated Profit and Loss Account (For last five years)

	2017	2016	2015	2014	2013
Interest income	79.55%	85.40%	87.58%	90.62%	90.08%
Interest on deposits and borrowings etc.	43.82%	47.25%	51.30%	55.40%	59.97%
Net interest income	**35.74%**	**38.15%**	**36.28%**	**35.23%**	**30.11%**
Investment income	9.68%	4.86%	3.95%	0.59%	0.78%
Commission, exchange and brokerage	6.76%	4.51%	3.79%	4.38%	4.20%
Other operating income	4.01%	5.23%	4.68%	4.41%	4.94%
Total operating income	**56.18%**	**52.75%**	**48.70%**	**44.60%**	**40.03%**
Salaries and allowances	11.59%	10.66%	9.54%	9.14%	8.41%
Rent, taxes, insurance, electricity etc.	1.97%	2.21%	1.44%	1.48%	1.53%
Legal expenses	0.23%	0.19%	0.17%	0.11%	0.12%
Postage, stamp, telecommunication etc.	0.34%	0.35%	0.37%	0.42%	0.47%
Stationery, printing, advertisements etc.	1.25%	1.05%	0.91%	1.40%	1.21%
Managing Director's salary and benefits	0.09%	0.09%	0.12%	0.16%	0.19%
Directors' fees	0.02%	0.02%	0.01%	0.01%	0.01%
Auditors' fees	0.01%	0.01%	0.01%	0.01%	0.01%
Charges on loan losses	-	-	-	-	-
Depreciation and repair of Company's assets	1.73%	2.04%	1.89%	2.00%	2.32%
Other expenses	3.67%	3.40%	3.02%	3.11%	3.75%
Total operating expenses	**20.90%**	**20.01%**	**17.49%**	**17.85%**	**18.02%**
Profit before provision	**35.29%**	**32.74%**	**31.21%**	**26.75%**	**22.00%**
Provision for loans and investments					
General provision	0.55%	0.50%	0.52%	0.55%	-0.18%
Specific provision	1.53%	1.71%	2.93%	-0.67%	2.86%
Provision for diminution in value of investments	0.00%	-0.62%	-0.14%	0.22%	0.12%
Other provisions	-	-	-	-	-
Total provision	**2.08%**	**1.59%**	**3.31%**	**0.09%**	**2.80%**
Total profit before taxation	**33.21%**	**31.15%**	**27.90%**	**26.66%**	**19.21%**
Provision for taxation					
Current tax expense	12.95%	12.97%	12.44%	11.70%	9.23%
Deferred tax (income)/ expense	-0.12%	-0.01%	-0.02%	-0.23%	0.27%
	12.83%	12.96%	12.41%	11.47%	9.50%
Net profit after taxation	**20.37%**	**18.19%**	**15.49%**	**15.19%**	**9.70%**

Highlights as Required by Bangladesh Bank

IDLC Finance Limited as on December 31, 2017

Sl no.	Particulars		2017	2016
1	Paid-up capital	in BDT million	3,771	2,514
2	Total capital (eligible)	in BDT million	11,098	8,084
3	Surplus/(shortage) capital	in BDT million	3,843	1,983
4	Total assets	in BDT million	92,611	76,505
5	Total deposits	in BDT million	62,777	49,413
6	Total loans, advances and leases	in BDT million	70,666	61,136
7	Total contingent liabilities and commitments	in BDT million	2,026	1,734
8	Loans to deposit ratio (total loans/total deposits)	%	1.13	1.24
9	% of classified loans against total loans	%	2.77	2.98
10	Profit after tax and provision	in BDT million	1,582	1,496
11	Classified loans, advances and leases during the year	in BDT million	1,954	1,819
12	Provisions kept against classified loans, advances and leases	in BDT million	171	187
13	Provision surplus / (deficit) against classified loans, advances and leases	in BDT million	-	-
14	Cost of fund	%	7.05	7.73
15	Interest earning assets	in BDT million	87,652	74,039
16	Non-interest earning assets	in BDT million	4,959	2,466
17	Return on investment (ROI)	%	2.30	2.48
18	Return on assets (ROA)	%	1.87	2.02
19	Income from investment	in BDT million	517	323
20	Operating profit per share	in BDT	7.60	7.30
21	Earnings per share	in BDT	4.26	4.62
22	Price earning ratio	Times	20.02	12.34

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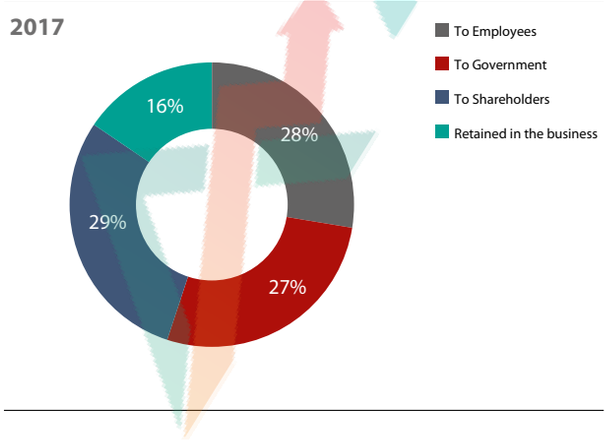
Value Added Statement

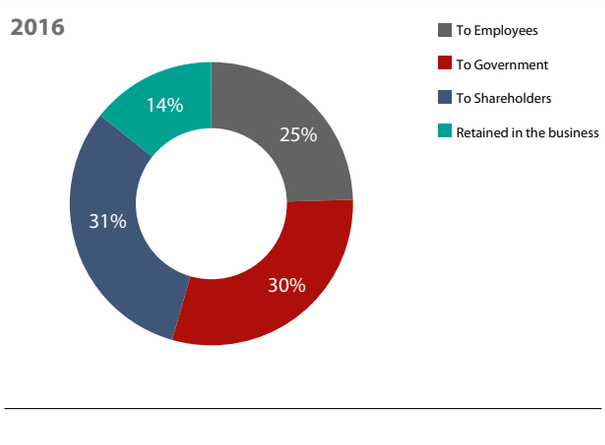
for the year ended December 31, 2017

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, 2017 in BDT million	%	Dec. 31, 2016 in BDT million	%
Value added				
Operating revenue	9,266		8,551	
Cost of borrowing	(4,902)		(4,625)	
	4,364		3,926	
Other income	438		506	
	4,801		4,433	
Provisions	(228)		(173)	
Operating expenses excluding staff costs and depreciation.	(726)		(636)	
Value added	**3,847**	**100%**	**3,623**	**100%**
Distribution of value addition				
To Employees as remuneration	1,062	28%	889	25%
To Government as taxes	1,057	27%	1,084	30%
To Shareholders as stock dividend (cash and stock)	1,131	29%	1,131	31%
Retained in the business	597	16%	518	14%
as capital and revenue reserve	451	12%	365	10%
as depreciation	146	4%	153	4%
	3,847	100%	3,623	100%
Number of employees	1,137		1,099	
Value added per employee	3.38		3.30	





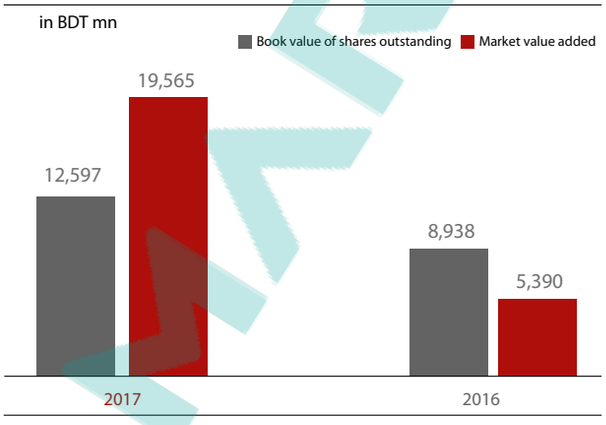
Market Value Added (MVA) Statement

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

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

The following statement shows how the MVA has been calculated for the year ended December 31, 2017 and 2016:

	in BDT Million	
	2017	2016
Market value of shares outstanding	32,162	14,328
Book value of shares outstanding	12,597	8,938
Market value added	**19,565**	**5,390**



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 million	
	2017	2016
Net operating profit	2,867	2,754
Provision for taxes	(1,057)	(1,084)
Net operating profit after tax (NOPAT)	**1,810**	**1,670**
Charges for capital		
Capital employed	10,180	8,291
Cost of equity (%)*	10.34%	9.89%
Capital charge	1,053	820
Economic Value added	**758**	**850**
Capital employed as on December 31		
Shareholders' equity	10,569	7,605
Accumulated provision for doubtful accounts and future losses	1,105	1,081
Average shareholders' equity**	**10,180**	**8,291**

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

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

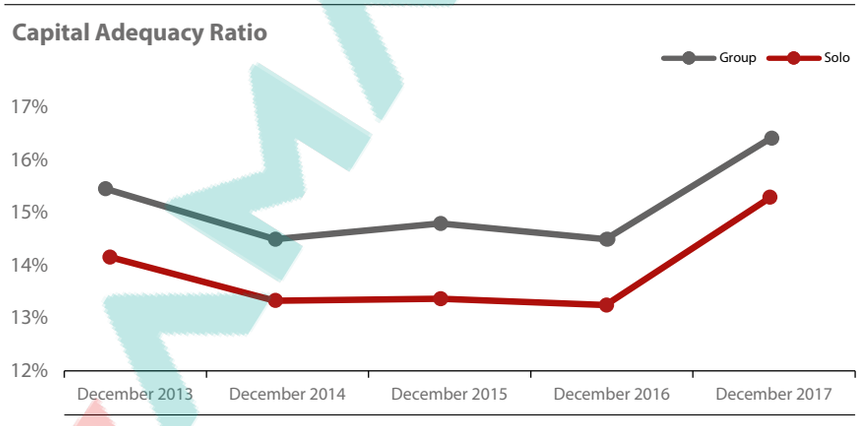
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Capital Adequacy Ratio

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 2017, capital adequacy ratio of the group stood at 16.42%.

in BDT million

	IDLC Group	IDLC Finance
Tier I: Core Capital	**12,597**	**10,569**
Paid-up capital	3,771	3,771
Share premium	1,261	1,261
Statutory reserves	2,098	2,098
General reserves	1,000	1,000
Dividend equalization reserves	47	47
Retained earnings	4,421	2,393
Non-controlling interest	0.003	-
Tier II: Supplementary Capital	**534**	**529**
General Provision	534	529
Total eligible capital	**13,131**	**11,098**
Total risk weighted assets	**79,992**	**72,546**
Capital Adequacy Ratio (%)	**16.42%**	**15.30%**



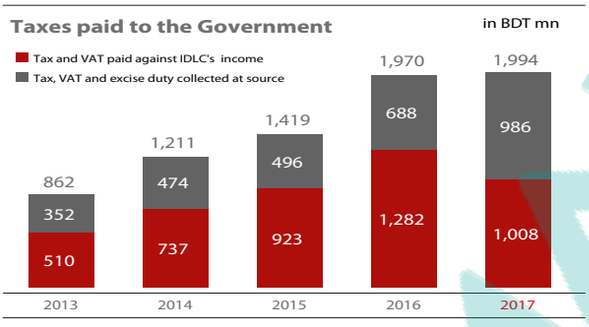
Contribution to the National Economy

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

Taxes to Government

In 2017, IDLC deposited BDT 945.76 million to the Government exchequer as corporate income tax and BDT 62.63 million as VAT against fee income; totaling to BDT 1,008.39 million paid as Tax and VAT against the income earned by IDLC. Also, BDT 986.03 million was collected and deposited to the Government exchequer as withholding tax (BDT 886.80 million), withholding VAT (BDT 56.88 million) and excise duty (BDT 42.34 million).

Notably, we received the prestigious accolade of being the Highest Tax Payer in the Financial Services Sector for the fiscal year 2016-2017, for our contribution to the Government Exchequer, on the back of our profound governance culture.



Employment generation

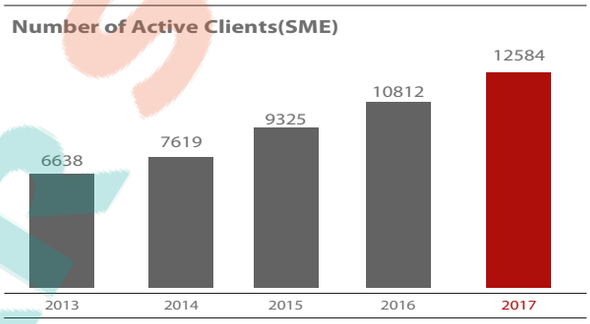
We create economic impact by creating employment and giving appropriate training to the employees. As on December 31, 2017 IDLC Group accounts for 1,318 talented employees, due to a recruitment of 290 employees during the year; which is a 5% rise in comparison to the prior year. During 2017, the group paid BDT 1,295.05 million as salaries and allowances to its employees and spent BDT 24.51 million for both local and foreign trainings. Moreover, at a time when job creation is a top priority for government, we continued to catalyze our lending to small and medium enterprises (SME), thereby helping accelerate both direct and indirect job creation.



Focus on SME Financing

SMEs are the key drivers of any economy, while narrowing income inequality and supporting poverty alleviation. According to economic census 2013, there are 7.1 million Cottage, Micro, Small, and Medium Enterprises (CMSMEs) in Bangladesh, making up 75% of the domestic economy, while accounting for 80% of industrial employment and 25% of the total workforce. Under this milieu, IDLC initiated SME financing back in 2006 and is now among the top five financial service providers to small businesses in Bangladesh. Today it comprises more than 44% 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.

This is well represented by the increasing trend of our active SME clientele, as depicted in the graph, which highlights a 16% rise in number of clients to 12,584 in 2017, which was 10,812 in 2016.



Environment friendly technologies

Sustainable economic growth and a healthy environment are interlinked. Keeping this in mind, IDLC is also offering 52 products under green financing umbrella covering the sectors like Renewable Energy, Waste Management, Non Fire Block Brick, Auto Brick Kiln, Green Industry, Fire & Safety measures, Industrial Energy Efficiency, Recycling Industry etc. In the year 2017, IDLC have managed to disburse as much as BDT 366.88 under Green Financing umbrella; leading to a healthy portfolio of BDT 612.94 million as of 31 December 2017. The increase indicates IDLC's drive towards sustainability.

Details of Green Banking initiative are enunciated in the segment on 'Green banking', in pg.143.

Supporting community through various CSR activities

At IDLC, commitment to social welfare and community has been part of its corporate culture, and IDLC is much reputed for its contributions towards environmental and community development. We support economic growth by investing in programs that enable economic development with a social purpose. With the aid of our one-of-a-kind 'Khushir Kheya' platform, we have extended our reach towards social and economic development by leaps and bounds, as we engage members of the community in various social development initiatives that further enhances our effort towards ensuring a sustainable economy. Details of our activities in this area has been discussed on pg. 123 in section Expanding on 'Our Social & Relationship Capital'.

Transformation of Our Human Capital

What it entails

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

How it adds value

The passion, dedication and commitment of our employees determine our ability to realize our vision and empower us to reach new heights of success.

Material Aspects

- Talent development
- Career development
- Employee well-being
- Compensation management
- Employee productivity

Highlights

- Implemented Talent Identification 9 Grid Model & ICP (individual career plan)
- Introduced new performance appraisal process based on 9 Box Model
- Initiated competence based recruitment process
- Rolled out 1:2 succession planning at branch level
- Introduced Sales Academy for the comprehensive development of sales teams

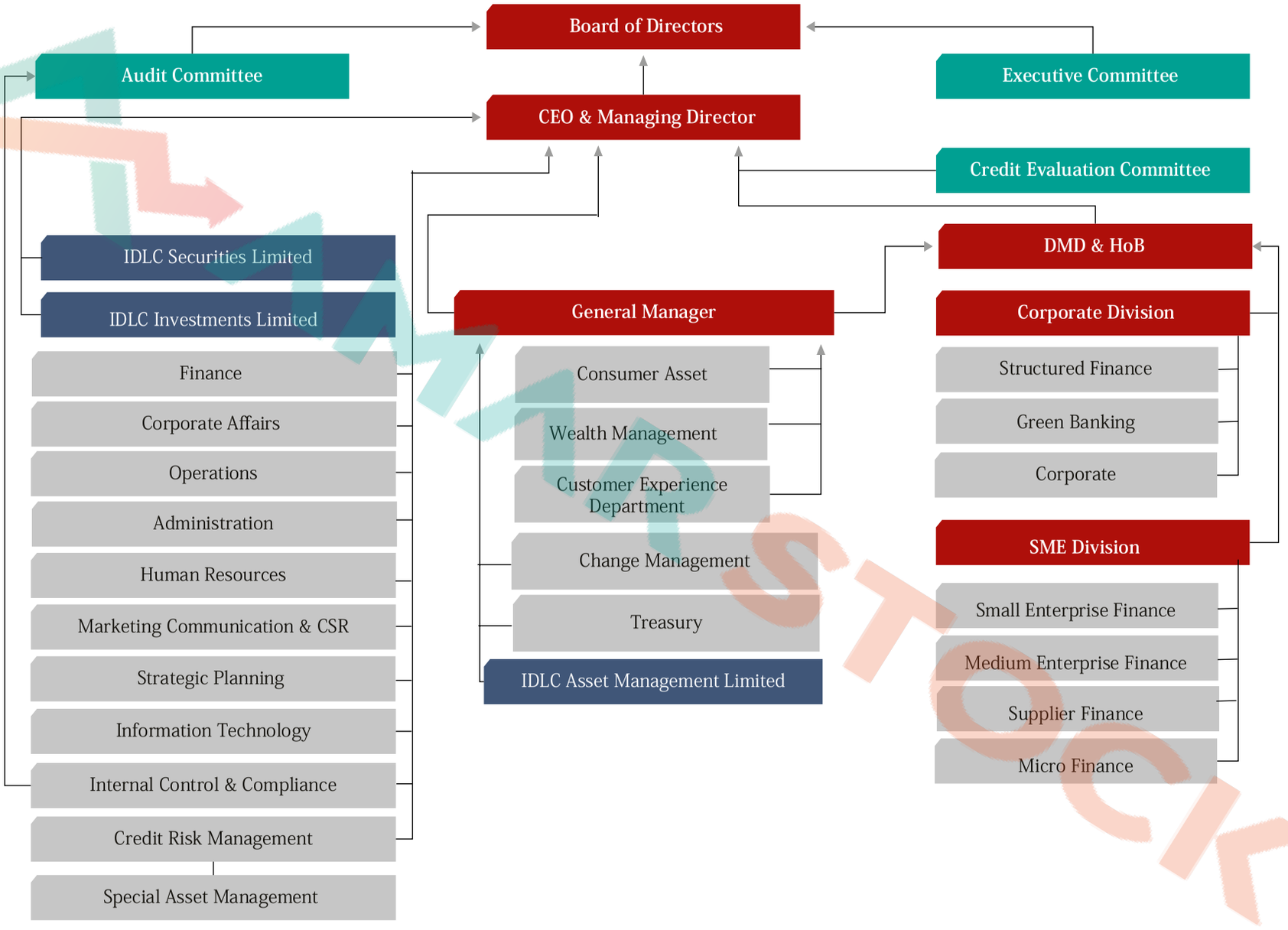
Challenges

- Ensuring work-life balance
- Ensuring proper succession planning
- Improving employee retention
- Ensuring employee motivation
- Enhancing per person productivity

Responses

- Assigning work that are realistic and achievable: Introduced Objective Based Performance Appraisal System
- Standard Unit Time calculation in different departments
- Blend of internal resources & external hires for important roles, based on:
  - requirement of new expertise
  - need for change in policies and
  - process improvements
- Attractive benefit packages, motivating through engagement, recognition & promotion
- Linking performance with reward

Our Organization Chart



At IDLC, our goal is not only to achieve through business activities but also to contribute to the livelihood of our more than 1300 employees and their families. It is our responsibility to ensure that our people are motivated, inspired & 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.

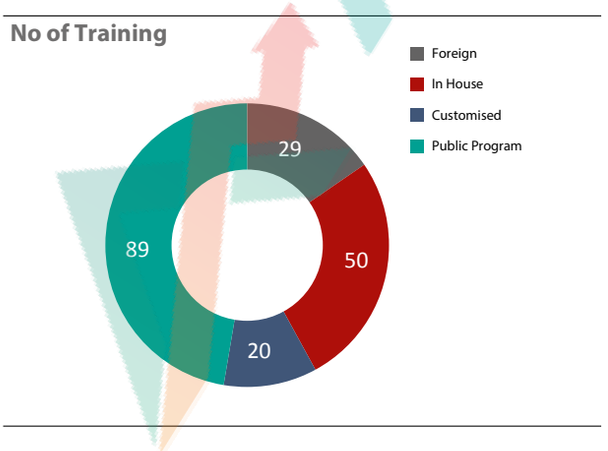
Our objective always remains to recruit dynamic people whose caliber and capabilities are best suited for the job, which we conform to through our multi-step merit-based recruitment and selection process. In addition to recruiting employees externally, we seek to meet our HR requirements through job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

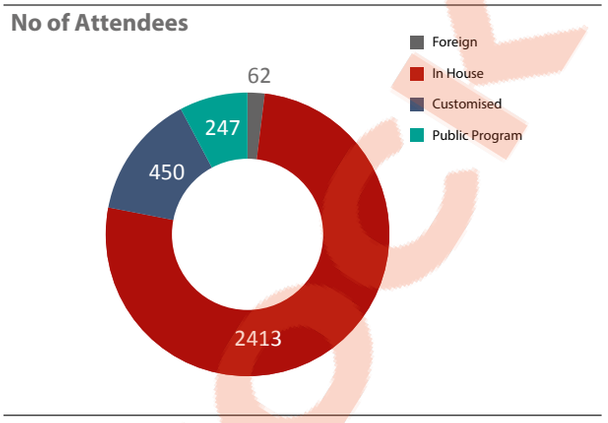
Talent development

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 24.51 million in developing our people and provided 188 trainings.



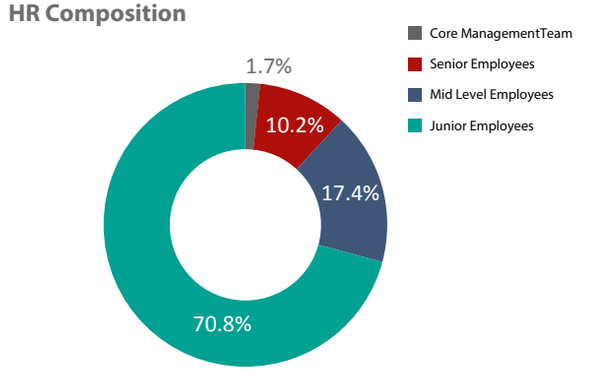


Performance and reward

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.



Communication

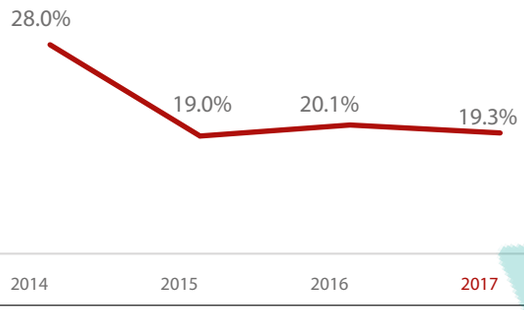
We consider communication to be a critical success factor for us. Communication is given importance in the sense that it helps create a robust network and ensures cooperation

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. In an effort to keep everyone in IDLC connected, allow them to share their views, have access to knowledge base and most importantly share their innovative ideas, we have launched IDLC intranet site.

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.

Attrition Rate



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 in the forms of fire alarms, fire extinguishers. We carry fire drills periodically to test the effectiveness of fire safety.
- All our branches have well-equipped first aid kits in order to maintain a hazard free environment.
- Our employees get group life insurance & hospitalization insurance coverage.
- Our employees get the opportunity to consult our company doctor on a monthly basis, if needed.
- All our employees get to enjoy earned leave of 25 days which includes a mandatory annual block leave of 15 calendar days.
- Employees are entitled to a casual leave of 5 working days.
- 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.
- 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.
- Employee engagement activities such as family day, children's day, birthday of employees, pitha utshob, Pohela Boishakh, etc. are celebrated among several others.
- Employees are encouraged to notify if they experience anything, which is not in alignment with the core values of the company. We are committed to ensure swift & impartial resolution to grievances brought forward by employees.

Benefits at IDLC

- Housing Loan Policy
- Company Provided Transport
- Personal Loan Policy
- Group Life Insurance Scheme
- Hospitalization Scheme
- Spot Award Policy
- Outstation Allowance
- Motor Cycle Loans

HR and compensation committee

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

- Suitable Recruitment
- Compensation on the basis of merit, qualification 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.

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 14 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.

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.

Per employee productivity

No. of FTE (person)

2016	2017
1262	1318

Operating Cost

2016	2017
1.55	1.77

(in BDT million)

Training Cost

2016	2017
11.24	18.59

(in BDT thousand)

Operating Profit

2016	2017
2.54	2.99

(in BDT million)

Gross Turnover

2016	2017
7.76	8.48

(in BDT million)

Operating Income

2016	2017
4.09	4.77

(in BDT million)

Profit Before Tax (PBT)

2016	2017
2.42	2.82

(in BDT million)

Profit After Tax (PAT)

2016	2017
1.41	1.73

(in BDT million)

PBT Before Salary

2016	2017
3.25	3.81

(in BDT million)

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.

During the year 2017, our operating cost per employee grew by 14.16%, owing to increased compensation expense, portfolio management fee, and marketing and CSR expenditure. In addition, our premises cost increased by a significant amount due to the opening of four new branches. In spite of the increase in operating cost, our post-tax profit increased by 22.47%, consequent to an increase in the operating income.

Outlook

- Further embed the process of identifying high potential employees and drive the individual career plan (ICP) with more rigor
- Continue to invest in talent development – increase the depth and breadth of talent pool with role based specialized training and development programs
- Develop relevant module for the E-Learning platform
- Drive superior performance with differentiated reward
- Evolve an engaging and inspiring culture, based on mutual trust, respect, and accountability
- Build a strong employer brand and emerge as one of the top EOC (Employer of Choice).

AMARSTOCK

Mastering Our Intellectual Capital

What it entails

Our intellectual capital include our knowledge-based assets such as licenses, software, copyrights, procedures and protocols.

How it adds value

Our proprietary and licensed technologies in combination with our expertise, provide us a key competitive advantage that underpins our growth ambitions and help us generate the returns on investment we seek.

Material Aspects

- Information security
- Technology risks
- Process efficiency
- IT requirements forcustomer service
- IT requirements for employee engagement

Highlights

- Launched online platform for centralized operation
- Introduced a mobile app for risk management team
- Launched IDLC intranet
- Strengthened information security
- Developed a business continuity plan (BCP)

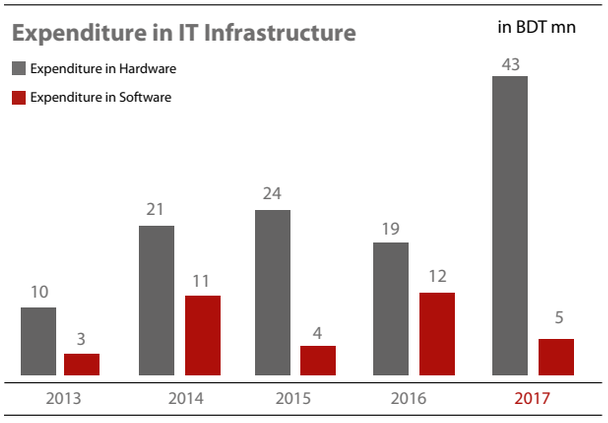
Challenges

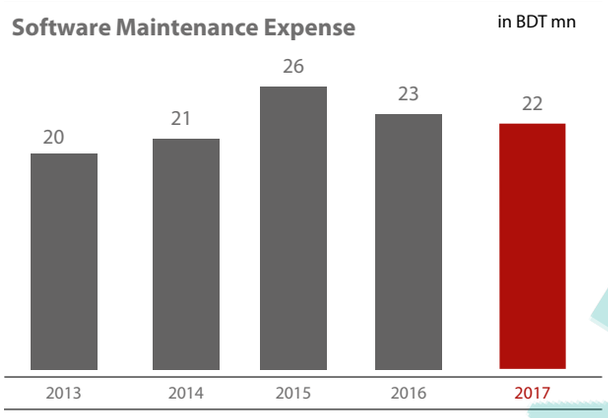
- Adhering to strict internal control & risk management procedures
- Rapid changes in technology
- Risks in system failure, connectivity failure & data breach
- Fixed costs involved in IT infrastructure need to be justified by continuous growth in portfolio
- Attaining process improvements for continuous development of employee productivity & customer service

Responses

- Proper information security up gradation
- Updated software, increase automation & employee training
- Maintaining secured back-ups;
- Set-up of ORM (Operational Risk Management) department
- Allocating costs aligning with overall strategic objectives
- Designed processes that are in line with facilitating employee productivity and improve customer service ability of the business

IT Infrastructure





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

Risk mitigation through IT

Besides scaling our operation, 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). Business critical systems in DC are configured with on-site high availability, load balancing and redundancy features to ensure impeccable service experience. Furthermore, the branches and booths of IDLC are connected to DC and DRS through fiber optic with redundant connectivity up to tertiary level.

Data breach risk

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

Ensuring security beyond compliance

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

Further elaboration and depiction of IT related risks and mitigation strategies are highlighted in our Statement of Risk Management (pg. 64).

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
- Systems security

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 the Satellite System	Functions Done with the Software	Practical Convenience
1	Payment Module	All sort of payments either through BEFTN or Cheque are disbursed through 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

Sl.	Name of the Satellite System	Functions Done with the Software	Practical Convenience
3	Treasury Module	Day to Day Treasury operations are managed by using 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 tools. The system allows following facilities ▸ Track status of the Chase ▸ Activity Journal ▸ Customer collection performance ▸ Chaser performance	Facilitates efficient collection follow-up and 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 and 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	▸ Manage all sort of Assets related to the loan/lease accounts. ▸ Insurance management	Allows time-saving accurate tracking of said assets and employees' insurance related calculations
10	Online Service Portal	Using this portal users can get 30+ services online. Some of the major services are: ▸ Lending Product Services (e.g. Foreclosure, prepayment etc.) ▸ Liability Product Services (e.g. TD encashment, LAD account opening etc.)	Integrated with Core Banking System (FCUBS) that increases the operational efficiency and productivity
11	Online Credit Appraisal	Basic functionalities of this system are: ▸ Lead Management ▸ Prospect Management ▸ Deviation Management ▸ Online CIB Request ▸ Online Legal Vetting Service ▸ Pre Sanction Document Management ▸ Credit Appraisal Management	Automates credit appraisal process and increases the operational efficiency and productivity
12	PDC Management	This module enables following features: 1. Deposit Cheques 2. Dishonor Cheques 3. Authorize Dishonor Cheques 4. Return Cheque to Customer 5. Release available Fund 6. Other MIS reports	Integrated with core banking software to eliminate manual work

Sl.	Name of the Satellite System	Functions Done with the Software	Practical Convenience
13	Satellite Tools	This tool is used for: ▸ Deposit Encashment calculator considering Excise duty and Tax ▸ LAD Calculation with safety net margin	Integrated with core banking software to eliminate manual work
14	Business Analytics	MIS & Reports	Enables data-centric, timely decision-making.
15	Helpdesk	To provide day to day IT support & tracking	Provides for a one-stop solution terminal.
16	Online Platform for Centralized Operation	Basic functionalities of this system are: ▸ Document upload facility ▸ Centralized Document verification ▸ System generated document printing from any braches ▸ Post sanction activities	One stop online solutions for end to end services starting from lead generation to disbursements. All document movements are digitized in all stages and verified centrally.
17	Mobile App for Risk Management Team	Approval facility of Lead, Prospect, Appraisal and Deviation from mobile device	Facilitates approver to review the proposals in pipeline that require their attention and approval.

Contact center

Apart from the above, 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 2017, the focus of the IT strategy has been on business alignment and engagement, process automation, stability, availability, information security, risk & compliance. Process automation has allowed us to save 5 FTE (full-time equivalent) savings.

These have been aided through our technology investments, combined with initiatives to deploy intellectual resources towards this aspect. For instance, while our investments in creating an online platform for centralized operations enables our colleagues in the business, credit risk management and operations departments to improve their productivity, our initiative to establish a Change Management department has enabled in-depth examination of existing processes on an ongoing basis to reduce turnaround times and costs, while addressing various process related issues raised by our colleagues.

Knowledge

Training

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

Knowledge seminars

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

Strategic job rotation

- Employee's knowledge, expertise & dynamic capabilities are considered vital for business growth.
- Our department heads interact regularly with the employees in their teams to give them opportunities best suited to accommodate their interests and ambitions, while being aligned with company objectives.

Outcomes of above initiatives

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

Outlook

- Launch a scalable customer onboarding and common enquiry platform
- Develop a rule based credit-risk grading model for faster loan processing
- Enhance service portal to automate more services in order to improve efficiency
- Strengthen perimeter security
- Customize our core banking system to gain process efficiency and enhance business scalability
- Further automate manual processes.

Utilization of Our Manufactured Capital

What it entails

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

How it adds value

Our investment in manufactured capital improves efficiency of our day-to-day operations, facilitates our growing business needs and helps us ensure optimum accessibility to clients.

Material Aspects

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

Highlights

- Opening of 5 new branches
- Relocation of Savar and Uttara branches to meet larger space requirements
- Capacity expansion of server

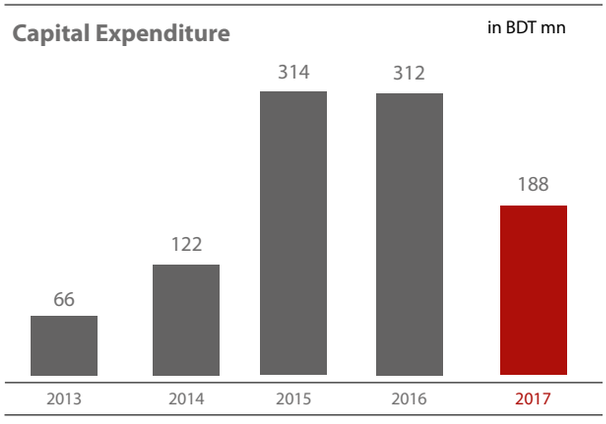
Challenges

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

Responses

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

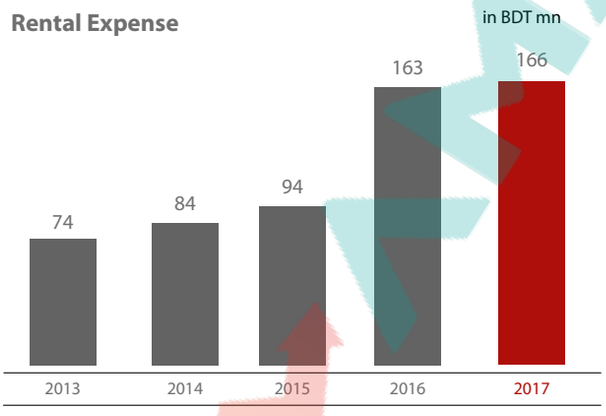
Our investment in manufactured capitals is consistent with the growth trajectory of our organization. Our business model relies quite heavily on this resource. Evidently, 14% of our fixed assets are buildings, while 13% of it is computing equipment for day-to-day operations. In order to facilitate our growing business needs, we have also been steadily investing in technology (pg.118).



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 5 new branches during 2017. (Milestones, pg.17).

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. 123). The outcomes of improving our presence are evident in our Financial Capital (pg. 90).

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.

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. 117)

Economies of scale

When we invest in new branches, servers, equipment and employees the cost incurred are paid off through the additional number of clients we 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. 118)
- 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. 115)
- 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. 32)

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 workspace, 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. 111).

Outlook

- Further enhance infrastructural capabilities to meet future business needs
- Improve process efficiencies to enable even better utilization of manufactured capital inputs

Expanding on Our Social & Relationship Capital

What it entails

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

How it adds value

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

Material Aspects

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

Highlights

- Inaugurated 5 new branches bringing the total number of branches to 41
- Launched IDLC Balance Fund
- 8,064 ordinary shareholders in our investment community
- An employee family of 1,318, spread across Bangladesh
- 1800+ employee volunteer hours

Challenges

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

Responses

- Better & faster customer service
- Earnings disclosure sessions with analysts, increased engagement through social media
- Purnota Fair, Khushir Kheya and other events that bring various stakeholders on common platforms
- Partnerships with multilateral organizations to innovate financing solutions for underserved segments

Our strategy to enhance social & relationship capital

While shareholders, customers, suppliers and employees are the prime stakeholders; the regulators, local community, and the environmentally interested groups complete stakeholder circle of IDLC. Effective management of stakeholder relations through active engagement has enabled us to foster a strong goodwill with our stakeholders. We believe, this has been further strengthened through our platforms which facilitated engagement among the stakeholders.

Stakeholder identification & engagement

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	How we engage	Sustainable Business Objectives	How IDLC Addresses this
Economic	Shareholders	▸ Website ▸ Print media ▸ Broadcast Media ▸ Email ▸ Postal service ▸ Annual General Meeting	▸ Maximizing shareholder 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 and compliances.
	Customers	▸ Geographical coverage ▸ Product innovation ▸ Faster service ▸ Dedicated RMs ▸ Customer relationship teams	▸ 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	▸ One-on-one meetings ▸ Emails ▸ Verbal communication	▸ 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	▸ Statutory Reporting ▸ Meetings as and when required ▸ Emails ▸ Letters ▸ Verbal Communication	▸ 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 Stakeholders Targeted	How we engage	Sustainable Business Objectives	How IDLC Addresses this
Social	Employees	▸ Training programs ▸ Employee days (Pitha utshob, Family day, etc.) ▸ Sports and recreational activities ▸ Ladies Forum ▸ Celebration nights	▸ 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	▸ CSR initiatives ▸ Website ▸ Social Media page ▸ Marketing events ▸ Seminars and workshops	▸ 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.
Environmental	Environmentally interested groups/Non-Government Organizations	▸ Green Banking practices ▸ CSR initiatives ▸ Training programs, seminars and workshops	▸ 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

Our endeavors to enhance stakeholder relationships

	How We Create Value	Outcomes
Our Employees	▸ 188 Training Programs ▸ Investment on training: BDT 24.51m Refer to Human Capital for More Details (pg. 111)	▸ 3,172 employees trained ▸ Per Employee Productivity – BDT 4.77m
Our Customers	▸ 5 new branches in New Elephant Road, Chowmuhani, Barisal, Rajshahi and Faridpur ▸ Launched IDLC Balanced Fund ▸ Uniform Customer Service Initiatives	▸ Total Customer Base – 49,531 ▸ Total Number of Branches – 41 ▸ AUM of IDLC Balanced Fund – BDT 977.6m
Our Shareholders	▸ Return on investment More details of how we create value for our shareholders is available in the section titled Financial Capital (pg. 90)	▸ Total Number of Individual Shareholders – 8,064 Further information on no. of shareholders has been provided in Statement of Corporate Governance (pg. 163)
Our Regulators	▸ Maintain compliance with all regulatory guidelines and directives Refer to Statement of Corporate Governance section for more details (pg. 163)	▸ Number of Participants in 13 AML Training Sessions – 334 ▸ No. of Penalties incurred for non-compliance - 00
Our Environment	▸ Green Banking Initiatives ▸ In-House Environmental Management System Refer to Natural Capital section for more details (pg. 130)	▸ Number of Green Banking Trainings – 23 ▸ Green Banking Portfolio – BDT 613m ▸ 2000 saplings planted
Our Community	▸ CSR initiatives ▸ Educational support ▸ Facilitating curative and preventive healthcare ▸ Disaster aid	▸ 1800+ employee volunteer hours ▸ 2000+ individuals received disaster aid in 4 locations ▸ 1700+ students were supported in 12 schools ▸ 3500 underprivileged individuals received healthcare support ▸ Mental Health workshops at 3 universities Detailed information regarding our citizenship endeavors can be found in our Annual Sustainability Report available in www.idlc.com

Engagement Highlights



Shareholders of IDLC Finance Limited approved 30% cash dividend for the year 2016 at the 32nd Annual General Meeting (AGM) held at Radisson BLU Water Garden Hotel, Dhaka



The Chairman of IDLC Finance Limited welcoming newly joined Director Mr. Adil Islam to the Board



IDLC Finance Limited was awarded the "South Asian Federation of Accountants (SAFA) Award 2016" among participants from eight SAARC countries. IDLC won the First Prize in overall category as well as securing1st position in Integrated Reporting and 1st position in Best Presented Annual Report 2016 under Financial Services sector



IDLC was awarded the 1st position for Integrated Reporting among all listed companies and also 1st position for Best Presented Annual Report 2016 under the Financial Services Sector by The Institute of Chartered Accountants of Bangladesh (ICAB)



IDLC Inaugurates Its 35th Branch in Rajshahi



IDLC Inaugurates Its 36th Branch in Chowmuhani, Noakhali



IDLC Finance Limited was awarded the top position among the non-bank financial institutions (NBFIs) for the "ICMAB Best Corporate Awards-2016" for outstanding performance



IDLC Finance Limited has won 4th ICSB National Award for Corporate Governance Excellence, 2016 under the Non-Bank Financial Institution category



IDLC Inaugurates Its 37th Branch in Elephant Road



IDLC Inaugurates Its 38th Branch in Barisal



IDLC launches "IDLC Balanced Fund", first open end mutual fund under its wholly owned subsidiary IDLC Asset Management Limited



IDLC participates in an agreement signing ceremony between Bangladesh Bank and Financial Institutions for the UNCDF funded project titled "Local Finance Initiatives Support to SMEs in Bangladesh"



IDLC organizes Financial Literacy Program in Chittagong



IDLC Purnota Club organizes "Women Entrepreneur Trade Fair"



IDLC signs a Term Sheet with Tarasima Apparels Limited for Raising Zero Coupon Bond of BDT 1,000 Million



IDLC celebrates family day for its employees



Employees' birthday celebration



IDLC celebrates "Pohela Boisakh", Bengali New Year with underprivileged children



Volunteers of IDLC share a smile with the children of Savar CRP



IDLC arranges Female Health Awareness Workshop for women in Khulna



When Badal Miah sacrificed his life for saving another life, IDLC stood beside his family



IDLC organizes Health Camp at Rangpur for the flood affected population



IDLC and AMAL arrange health camp for women and children at Gazipur



IDLC joins hands with Casper Foundation to bring a ray of hope for flood victims in Haor area in Sunamganj

Value Creation for Our Natural Capital

What it entails

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

How it adds value

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

Material Aspects

- Sustainable business practices
- Environmental initiatives
- Green financing
- In-house environmental management

Highlights

- Received award under "Best Green Initiative" Category at the 8th Bangladesh Infrastructure Innovation and Development (BIID) Expo 2017
- USAID CCEB Presents training on "Best Practices for Industrial Energy Efficiency Financing" for IDLC Employees

Challenges

- Reducing paper usage
- Lowering carbon footprint across the organization
- Establishing a resource optimization system to reduce energy & resource usage during operations
- Improving awareness regarding the benefits of green projects
- Green financing – loosely regulated industries that overlook gross level non-compliance

Responses

- In process of shifting towards a paperless e-memo system
- Enhanced our green office guidelines
- Creating & implementing organization-wide Carbon Management & Resource Optimization Model
- Regularly conduct trainings & seminars for employees and other stakeholders about the benefits of green projects
- Work on regular basis, with Regulator and multilateral organizations to drive specifically customized products & services for green financing at preferential terms & rates

Our commitment to sustainability

Environmental & Social Management System (ESMS)

At IDLC we are also focusing on 'mother planet and its sustainability', shifting from 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 & 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 & ECR-1997 standard within its organizational framework. We also comply with the UNGC & UNEP FI principles on a voluntary basis being the only listed FI in Bangladesh. We have been implementing Environmental & Social Management System (ESMS) from March 1, 2016 to compute scoring of risk of different sectors, under different business segment.

Environmental initiatives

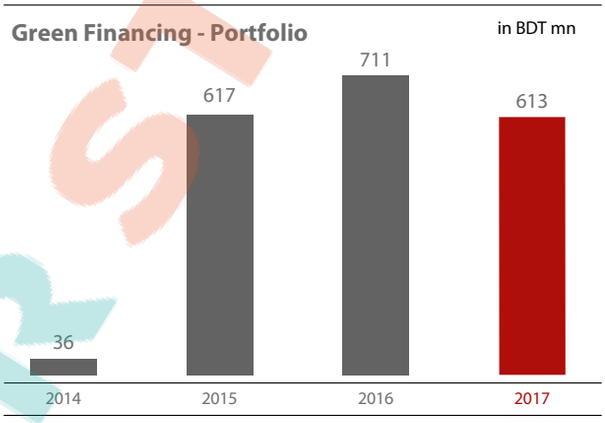
Our environmental initiatives are conducted under the banner of both CSR and Green Banking. Whereas CSR is more focused on external initiatives such as awareness campaigns, tree plantation, public events, Green Banking is more aligned with green financing, E&S risk management and in-house environmental management (detailed under the section "Green Banking", pg. 143).

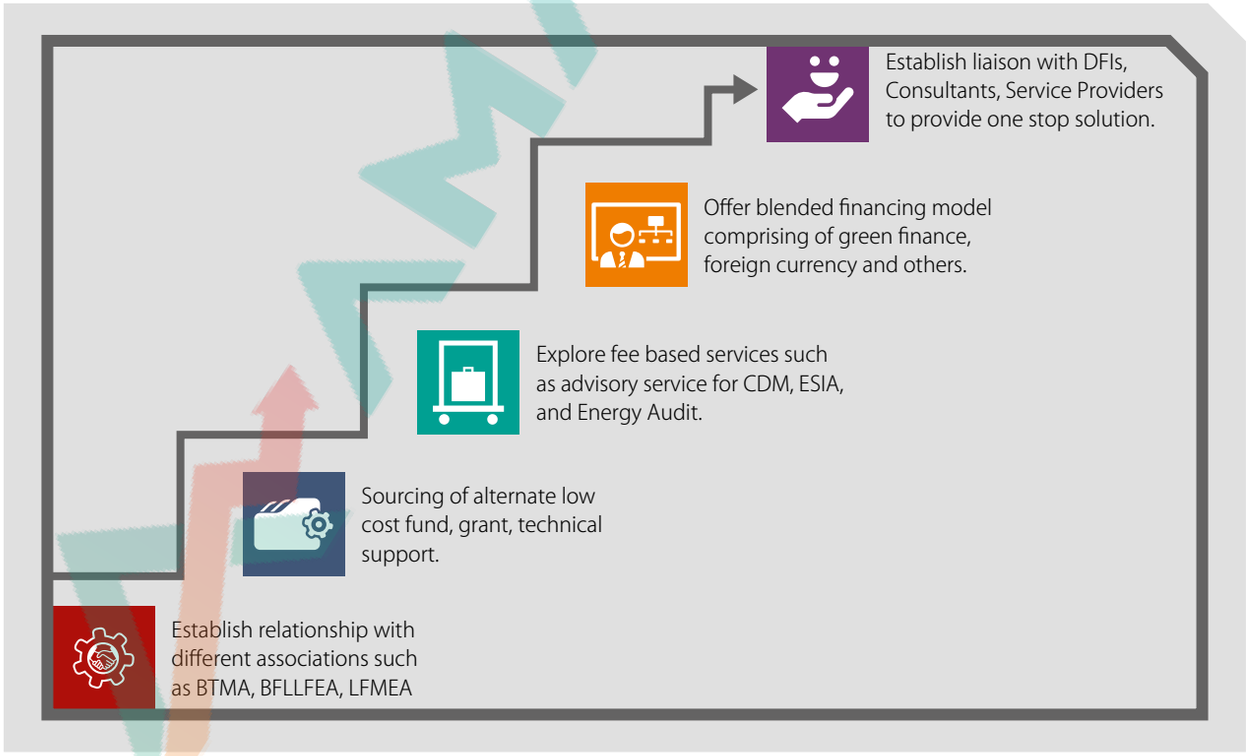
Tree plantation

In an effort towards reduction of carbon footprint IDLC, with technical collaboration of Green Savers, organized tree plantation workshops at Habigonj School and Mymensingh Mukul Niketan School and also sponsored a plantation program whereby over 2000 saplings were planted and a rooftop Green Lab Garden was installed.

Green banking

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



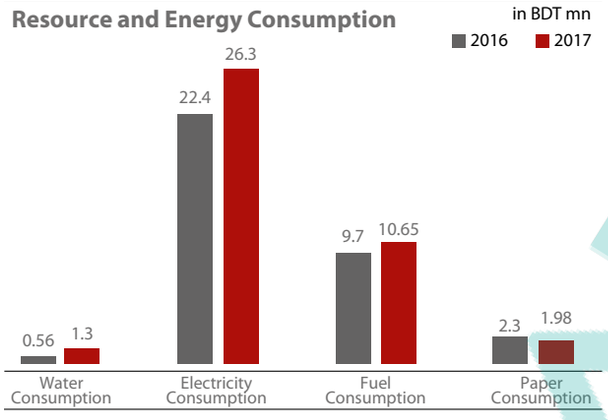


In-house environmental management

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 achieved the prestigious LEED (Leadership in Energy and Environmental Design) Gold Certification from USGBC (United States Green Building Council) under the category of commercial interior. The branch is the first of its kind to achieve such acknowledgment under the aforementioned category among the financial institutions of Bangladesh.

Green office guide

Our Green Office Guide, consisting a set of general instructions, helps us achieve better in-house environmental management across the organization through activities 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 exploration as financial partner of IFC's PACT Program
- Offering blended financial model with USAID's CCEB team
- Promoting green financing through various business channels

	Total
No. of programs, trainings, seminar, workshops and awareness programs exclusively conducted for Green Banking	23
No. of participants covered	118
Employees	79
Customers	39

Key milestones

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

Outlook

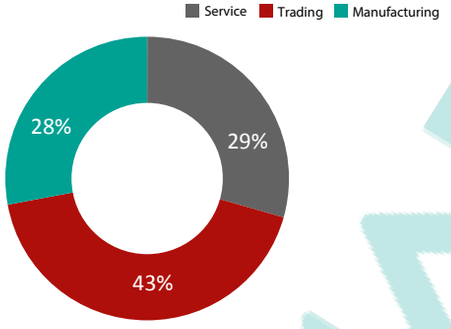
- Create and implement an organization-wide Carbon Management and Resource Optimization Model
- Proceed towards a paperless e-memo system

Business Segment Review - Lending Business Operations

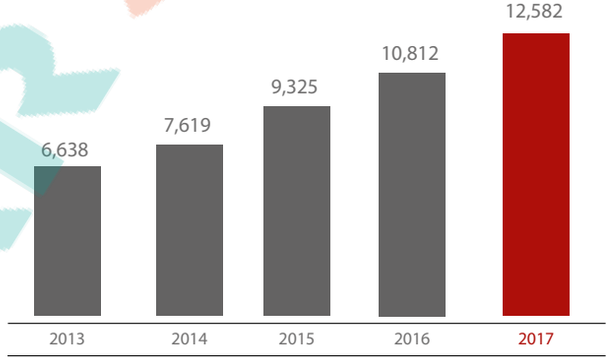
SME Division

DECEMBER, 2005	**JANUARY, 2006**	**28**
Commencement of SME Financing	Opening of first SME branch at Bogra	No. of branches with SME clients
43.66%	**BDT 30,851mn**	**18.41%**
% of overall portfolio	Asset portfolio	Asset portfolio growth over 2016
24.83%	**BDT 22,756mn**	**BDT 2.95mn**
Asset portfolio 5 year CAGR	Disbursement	Avg. ticket size

Portfolio Composition

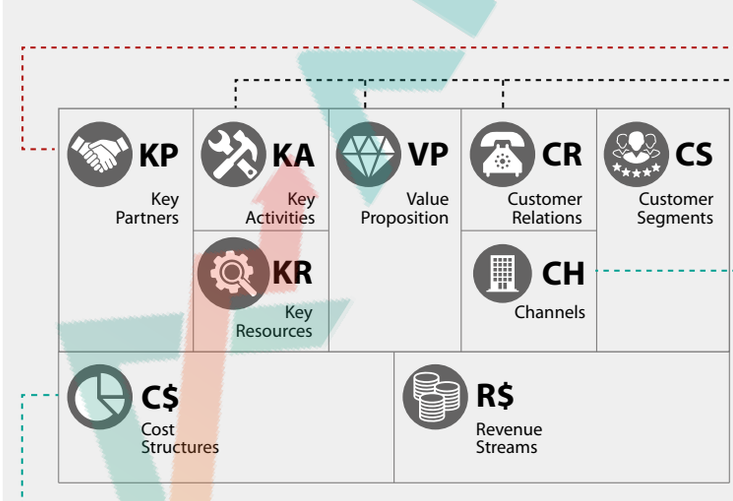


No. of clients



Key strategic concerns for 2018

*Long-term strategies discussed in Strategy & Resource Allocation (pg. 154)



Collaborating with Multilateral organizations such as IFC and SME Foundation to enhance growth opportunities

Innovating our product offerings and activity model for newer customer demographics

Increasing cost efficiency amidst growth targets, given a hub & spoke business model for SME

AMARSTOCK

Divisional overview

The SME Division is our largest business segment, providing financing solutions for Small and Medium Enterprises across the country. The Division was officially launched in 2006 with select offerings in term loan, working capital loan and lease financing. Over the last decade, it has evolved and expanded into a comprehensive suite of customizable products, with solutions such as project financing, commercial lodging facility financing, bill discounting & factoring, among others. Supported by a wide ranging distribution network with deep-rooted local expertise and a decentralized credit assessment, the division has driven the growth of IDLC, with divisional portfolio growing at a CAGR of 24.83% over the last five years. Our SME business model has proven to be a success in driving sustainable growth for IDLC, and perhaps even more importantly, it has been a partner in the success and growth of SMEs throughout Bangladesh.

Core highlights, 2017

Leveraging technology

- Centralized Operations system was implemented at all branches for smoother and faster service delivery.
- Credit scoring model is being used as a complementary tool for decision making.

Expanding our reach

- Expansion to five new locations: Elephant Road, Faridpur, Rajshahi, Chowmuhani & Barisal.
- Conversion of Gazipur booth to a branch.
- Developed kiosk based low cost "IDLC Business Center" model for channel expansion.
- Developed new business model for Very Small Enterprise financing under a new unit in SME.

Capacity development

- Launching of Sales Academy, a complete structured training program, divided into tiers based on designation, for our sales based employees.
- Launching of online training materials on product and process knowledge for development of sales force.

Managing cost of fund

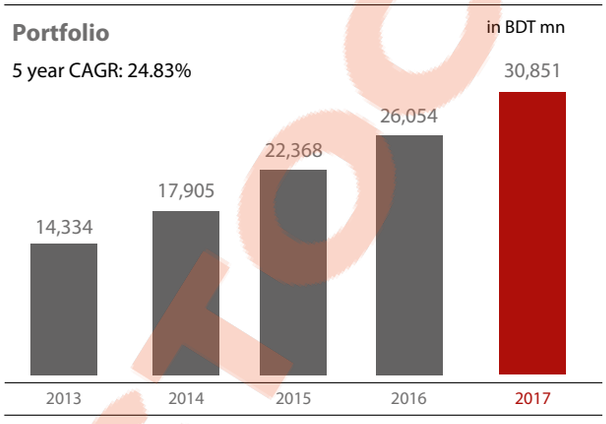
- New agreement with Bangladesh Bank for availing low cost fund under ADB refinancing scheme.

Collaboration

- Selected as a pilot Financial Institution for initiation of Credit Guarantee Scheme under UNCDF – Women Entrepreneur Support Fund in collaboration with Bangladesh Bank for easier financing of women entrepreneurs.
- Diagnostic conducted by IFC showed performance quality and brought to light new arenas of exploration and scope for improvement.
- Provided training to over 100 women entrepreneurs in 6 districts in collaboration with SME Foundation.

Customer management

- Net Promoter Score (NPS) survey conducted and achieved score improvement to 72% from 63% in 2016.
- Online application for loans introduced via our website.



Competence drivers

- Industry Sector Diversification: The SME loan portfolio represents multiple sectors, with less than 20% in any single sector and a total of about 40% portfolio weightage in the top 3 sectors.
- Customer-centricity (SME customer model): The SME model follows a customer centric approach characterized by priority based segments driven by relationship managers. Innovative relationship based activities focus on identifying the most valuable customers and nurturing the relationship through multiple levels of interactions between us and the customer; especially on mass scale through various customer engagement initiatives such as Mezban, Iftar & Shakhrain and such events.
- Policies and Processes: Continuous process and policy reengineering such as development of a Sales Governance Policy for managing the sales force helps to identify bottlenecks and introduce innovative ways of improving performance and efficiency.
- Objective based performance evaluation system: A structured and objective based performance management system helps recognize & encourage star performers.
- Market Differentiation – IDLC was recognized as a unique SME financier due to "Non-Financial Services" (NFS) provided to SMEs. The highlighted NFS activities for 2017 included hosting of Purnota Fair, a free space for women entrepreneurs for showcasing their products and signing of MOU with "Kichai IT Solutions" for providing low cost ERP solutions to SME Businesses.

Risks facing the business

- Rising Cost of Funds
- Rising non-performing loans in the industry
- Entrance of new players in the market
- Poaching of employees by new entrants

Mitigation strategies provided in the following section

Outlook

Influential trends shaping up the industry

2018	Beyond 2018
As external influence on the economy intensifies, exchange rate pressure on BDT will continue. Coupled with the rising inflation, the market liquidity is expected to fall. Also, following the period of high credit growth up to December 2017, it is expected that this trend will soon reverse. As the liquidity surplus from 2016 continues to fall, it can be expected that in 2018 we will see the interest rates climb thus pushing up cost of funds in the financial industry. As the credit market becomes tougher, it can be seen that big players will continue to redesign their operations and start focusing on the SME segments. With the entry of 3 new commercial banks in the upcoming months, it is expected that existing players in the market face competition to retain skilled employees.	Due to high levels of internet and mobile penetration and the licensing of 4G technology, the rising trend of internet and mobile banking as well as agent banking will continue. This will open up the field for FinTechs in a market that has so far been largely controlled by banks and FIs. The rapid popularity of Mobile Financial services means that now more than ever banks and FIs need to innovate if they are to remain in the forefront of the customers' minds. As more and more global trends are adopted, banks will move from the branch banking model to focus on a centralized approach to reduce bad loans, scams and security threats.

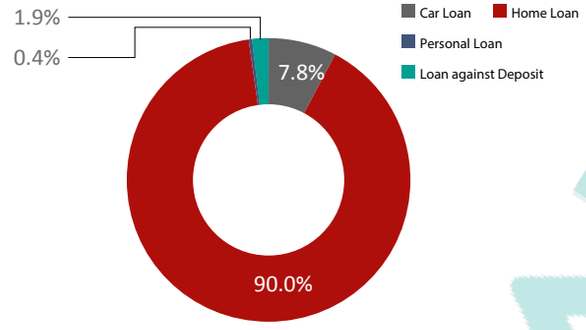
IDLC's response & objectives

2018	Beyond 2018	Strategies to achieve objectives
With cost of funds rising across the industry, a major objective for 2018 will be to keep the cost of funds low in order to remain competitive in the market. As competition in the SME market increases, we plan to expand our footprint via new channels and to newer target markets via down streaming. Despite the demand for skilled personnel on the rise, in 2018 we will not only try to retain the skilled work force, but also to find a continuous supply of skilled employees.	With entrance of new players in the banking and SME market, we will need to focus on customer retention. Going forward, we will be focusing on improving the efficacy of our credit scoring model further to ensure quality portfolio growth and solidify the early mover's advantage we expect to have in the new SME and Consumer niches.	Our dedicated deposit team will be incentivized to further diversify our client base and potentially increase the share of retail depositors. Products, customer engagement programs and employee incentive schemes will be re-designed and further improved. Additionally, going into 2018, we will continue to seek low cost funds under refinancing schemes from various sources including Bangladesh Bank. We are already expanding our target market in the arena of SME financing to include the lesser served segment of SME entrepreneurs, who neither fall into the traditional target of MFIs, nor into the SME target of banks. For this, a new business wing, Micro Business Financing (MBF) has already been approved and is in the process of being launched. Across the division, use of an online knowledge hub will promote knowledge development of the employees. In addition, via the Sales Academy, a tier-wise structured training and capacity development program for the sales force will be prioritized. To strengthen customer relationships, we will continue to explore new avenues, including implementation of software solutions, customer touch point in digital channels, and online customer service.

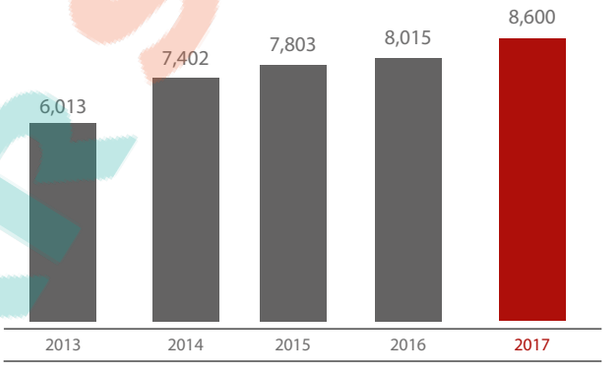
Consumer Division

May, 1997 Commencement of Home Financing	**JANUARY, 2004** Opening of first Consumer Finance focused branch in Dhanmondi	**24** No. of touchpoints for Consumer Loan products
34.18% % of overall portfolio	**BDT 24,152mn** Asset portfolio	**12.78%** Asset portfolio growth over 2016
19.64% Asset portfolio 5 year CAGR	**BDT 9,228mn** Disbursement	**BDT 3.00mn** Avg. ticket size

Portfolio Composition

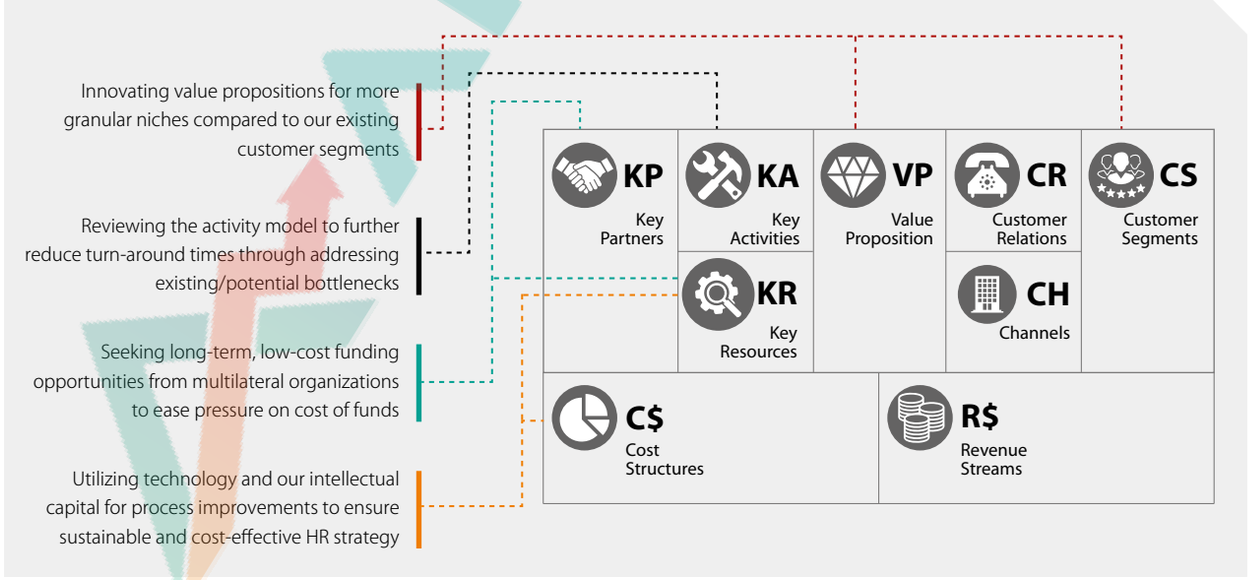


No. of clients



Key strategic concerns for 2018

*Long-term strategies discussed in Strategy & Resource Allocation (pg. 154)



Divisional overview

Our Consumer Division has been a strong force behind the steady growth of the company through providing its core financial services: Home Loan, Car Loan & Personal Loan. Moreover, the division has been creating multifarious fund sourcing capabilities through Customer deposits from both institutional and individual segments that enable all core business divisions to utilize these funds and enhance loan disbursements. Major strengths of this division include superior understanding of the Home Loan market - being one of the oldest and most successful operators in this segment, expert and professional sales teams with door-to-door service capabilities, longstanding and customized customer relationships and fast loan processing times. We intend to widen the division's geographical coverage to increase our footfall in untapped areas with good business potential, aiming for sustainable business growth in 2018 and beyond.

Core highlights, 2017

Reformation of liability & wealth management department

- The department was re-introduced as a "Value Center" to ensure liquidity for the IDLC Group at competitive rates.
- The team also contributed significantly in the distribution of our recently launched mutual fund and other capital market products.

Enhanced disbursement capacity through technological advancement

- Company-wide Centralized Operational Model has been introduced for smoother and faster service delivery.
- Web-based performance tracker has been implemented for better monitoring at the individual level.
- Our website has been modified with new features such as online application for loans.

Expansion of area coverage

- New branches with Consumer Product coverage include: Rajshahi, Elephant Road, Faridpur, Chowmuhani and Barisal

Training & development

- Sales Academy was introduced for comprehensive training programs for our sales based colleagues.

External stakeholders engagement

- Several client-centric programs were arranged to enhance customer engagement.

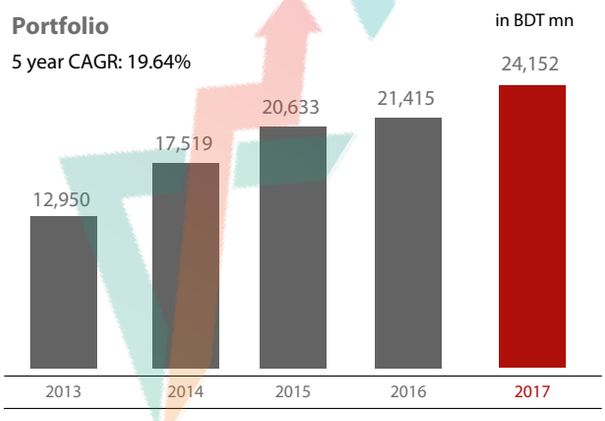
Competence drivers

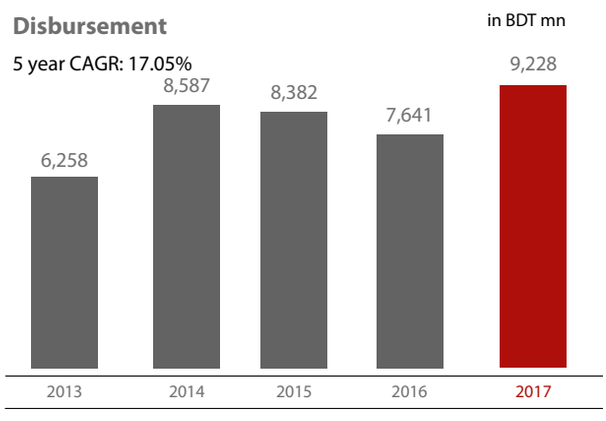
- **Extensive product bouquet** with a wide variety of term deposits and retail loans offered to the target customer segment.
- **USP** – customized solution, need based service and transparent dealings.
- **Optimal Loan-to-Value** for our home & car loan clients to mitigate collateral risks and enable better cash flow management.
- **Resilient, comprehensive & time-tested** business strategy based on strong intellectual capital to ensure faster service.
- **Quality-centric growth focus with** a high emphasis on loan sourcing from preferred customer segments with a strong credit track record.
- **Quicker turnaround time (TAT) with seamless processes** to ensure that loan processing time, starting from application submission to credit decision-making and final loan disbursement, is minimized.
- **Transparency** is ensured at all levels – from employees ensuring proper communication with customers & other stakeholders to offering product features, pricing and other documentary terms and conditions that are transparent with simple interpretation.
- **Robust resource base** with experienced, motivated and customer-facing teams enabling business to grow successfully and sustainably.
- **Extensive branch network** that enables distribution of products in various promising geographic locations that are expected to become the primary growth areas for Home Loan business in the near future.

Risks facing the business

- Upward trending consumer deposit rates pose a threat to margins and growth of the overall segment.
- New market entry by numerous banks that had previously not targeted this segment.

Mitigation strategies provided in the following section





Outlook

Influential trends shaping up the industry

2018	Beyond 2018
Retail market in Bangladesh is highly volatile, so are retail customers. With a lot of players in the market, interest rate has always been a challenge for the industry. Moreover, with the rising trend of inflation, market liquidity is expected to fall at least for some months. All these indicate an imminent rise in the cost of fund. As this industry deals with individual consumers, customer satisfaction will play a big role. Market players in the industry are expected to modify their service models to attract more customers.	Technology will play an immense role in the coming years. As the number of mobile phone users is increasing at an exponential rate, together with the usage of internet, mobile marketing is expected to get more popularity. As more and more global trends are adopted, banks and financial institutions will move from the branch banking model to focus on a centralized approach to reduce bad loans, scams and security threats. With an expanding middle and affluent class population, there is great potential to capitalize on in the home finance sector.

IDLC's response & objectives

2018	Beyond 2018	Strategies to achieve objectives
As the cost of fund is expected to rise, one of the major objectives will be to keep the interest rates for lending at tolerable levels for existing and prospective clients. As competition intensifies in the market, we intend to expand our scope of reaching further consumers. New products will be launched, targeting the middle income group of the country. Emphasis will be given towards increasing efficiency through the right processes and HR strategies.	Process and technology solutions will be explored to improve on our turnaround time and cost-optimization. Product customization options will be explored further through customer engagement and by addressing their needs.	Alternative sources of funds will be looked at to keep the lending rates affordable for middle income groups. While our Wealth Management team is dedicated to source funds from different customer segments and to further diversify the retail customer base, most of the deposits sourced through this channel tend to be of a lower maturity profile than that of our Home Loans, which comprises the majority of the consumer loan book. Efforts would therefore be on sourcing long term funding for the product. Beyond 2018, efforts would be made to introduce and popularize mortgage based securities as a reliable source of funding. We expect to introduce a more user-friendly and smart phone based loan processing system to keep pace with the technological advancement in the industry. Customized and faster service will be ensured by integrating internal databases that are otherwise used in silos and through manual processes.

Corporate Division

January, 1999
Commencement of Corporate Financing

BDT 14,432mn
Asset portfolio

3
No. of major touchpoints for Corporate Loan products

20.42%
% of overall portfolio

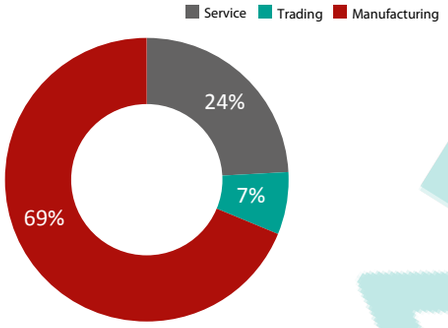
7.66%
Asset portfolio growth over 2016

BDT 12,755mn
Disbursement

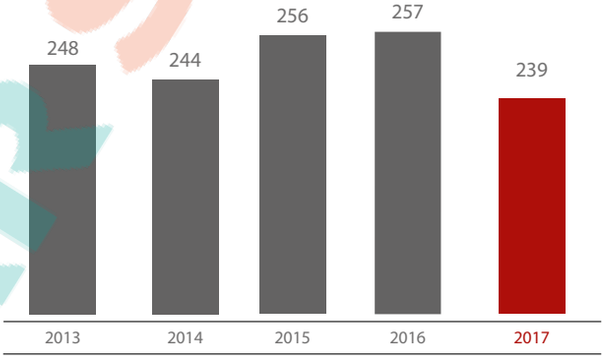
12.63%
Asset portfolio 5 year CAGR

BDT 47.69mn
Avg. ticket size

Portfolio Composition

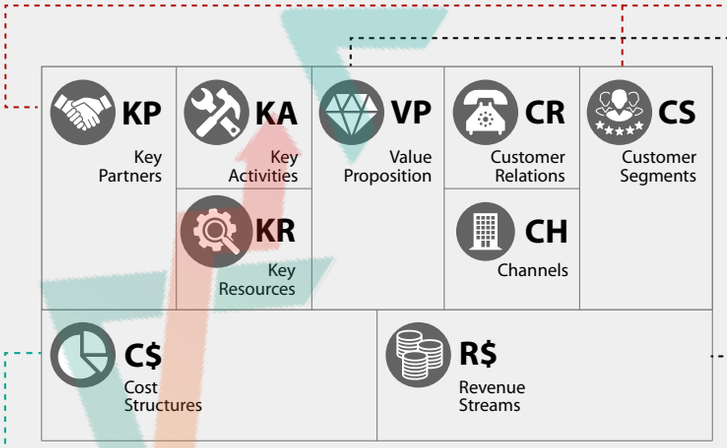


No. of clients



Key strategic concerns for 2018

*Long-term strategies discussed in Strategy & Resource Allocation (pg. 154)



Seeking alliance and involvement with more development organizations to match with the right clients.

Exploring corporate advisory and other fee based income generating opportunities to add to our revenue streams.

Improving the cost structure of the division by increasing efficiency through minimising exposure to clients with irregular payments.

SMARTSTOCK

Divisional overview

Our Corporate Division has been a partner of choice for the country's top tier large corporate houses ever since its inception. The legacy has continued in 2017 and the loan portfolio of the division increased by 8% over last year and reached BDT 14,432mn. The growth has been possible by re-generation of some dormant relationships as well as creation of new relationships with some prominent and big corporate houses. The division in this endeavor created unique customer experiences by focusing more on integrated relationship management approach and offered innovative & flexible product offerings that covered end to end requirement of the customers. This was possible through ensuring sophisticated professional services to the clients, generated by highly capable relationship managers. Two separate wings, Structured Finance Department (SFD) and Green Banking Department, have complemented the growth of core corporate financing business. Reviews of these two separate wings have been provided separately for better comprehension. The key drivers which enabled the effort have been discussed hereafter.

Core highlights, 2017

- Reached a portfolio size of BDT 14,432mn, registering a 7.66% growth
- Disbursed BDT 12,755mn during the year 2017
- Structured Finance Department raised a cumulative fund of BDT 80bn for 52 deals at the close of 2017

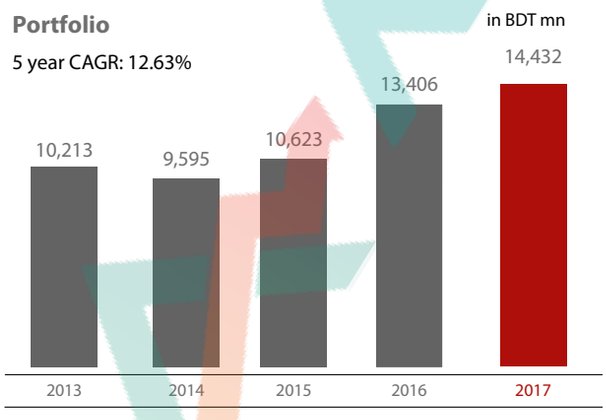
Competence drivers

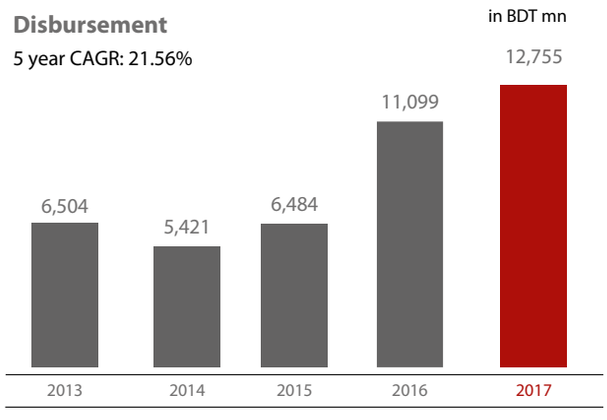
- Unique Client Approach: The division has historically tried to provide tailored solutions (crafted within the realms of regulatory guidelines) to client group leveraging fast decision making process with a view to become a growth partner rather than a financial partner.
- Diversified Portfolio: The division's focus has always been towards financing diversified industries in order to mitigate concentration risks and ensure sustenance of a quality credit portfolio.
- High Workplace Standards & Governance Responsibility: Regulatory compliance and accountability has always been the guideline in maintaining relationships & interactions with both internal and external stakeholders.
- Strong Resource Base: As per HR policy the division has recruited and retained well-qualified resources derived from reputed business schools & experienced professionals hired as lateral entrants.
- Strategic alliances: Operational efficiency and knowledge leadership has enabled the division to create alliances with other banks, NBFIs and developmental organizations to ensure full-fledged & cost-effective financing solutions for clients.
- Cross reference of different business wings: Our own subsidiaries & different business units engaged in various segments of the financial market including capital market, brokerage and so on and has enabled exploration of the financial market in both dimensions, horizontal and vertical, to connect with reputed and distinguished clientele of the industry.

Risks facing the business

- Increasing rate for fund sourcing is squeezing the spread of business and thereby affecting profitability.
- Customer delinquency and default risks are intrinsic parts of doing big ticket financing in the corporate segment
- Increasing payment obligation due to mounting interest rate will increase vulnerability of clients.
- Increased cost of doing business as a result of hike in energy price and inflation might deter business houses from making new investments.

Mitigation strategies provided in the following section





Outlook

Influential trends shaping up the industry

2018	Beyond 2018
Increase in interest rate: Liquidity crunch instigated by higher Advance-Deposit ratio in the banking sector than is permitted by the regulator will make deposit dearer. And subsequently, interest rates for deposits will increase. **Decreasing trend in foreign loan:** Foreign currency borrowing is expected to decrease in coming years on account of BDT depreciating against USD in the face of rising import payments and widening current account balance **Huge investment in infrastructure project:** Various large size government infrastructure projects will continue and is expected to increase government spending and borrowing **Stringent monetary policy:** Regulators have hinted towards a contractionary policy by increasing the Asset-Deposit ratio, so it is expected that market will remain relatively illiquid. **New SEPZs:** Construction of some new Specialized Export Processing Zones are under way, although start of production at those SEPZs' within 2018 may not be possible **Alternative financing sources:** Corporate houses will now redirect their focus towards alternative source of money by issuing corporate bonds and commercial paper. The portfolio of these relatively novel financing products will eventually increase in 2018 and onwards.	**Alternative financing source:** It is expected that big corporate houses will incline more towards alternative sources of financing. As the Central Bank is expected to discourage long term financing from banks, industries in need of long term project financing might chose specialized FIs and NBFIs' more as well as trying to raise funds through long term Bonds and other equity backed products. **Completion of big infrastructure projects:** Some big government infrastructure projects will be completed by 2019 onwards. Moreover current energy shortage is also expected to subside as full-fledged LNG import will commence. This positive change in the macro economy will surely increase economic activity. **Energy efficient technology and green industry:** The trend has started few years back, but will gather momentum in the coming years and will surely impact the industrial sector positively

IDLC's response & objectives

2018	Beyond 2018	Strategies to achieve objectives
Increase the quality of the portfolio without compromising the profitability Increasing market penetration by offering differentiated products	Become differentiated and most preferred financial service provider of the corporate houses and MNCs of the country	Focusing more towards client base who have high credit worthiness and proven track record Emphasizing on holistic returns from the corporate relationships rather than focusing only on revenues generated from lending activities. Corporate advisory and M&A activities are to increase significantly Alliance with various development organizations will enable to source fund at a lower rate and at the same time to provide the client various value added services

Structured Finance Department (SFD)

(A unit of IDLC's Corporate Division)

Structured finance services

The department has been dedicated towards providing innovative & cost effective financing solutions to its clients. It has a wealth of experience in arranging syndication deals in the form of term loans and working capital facilities. Over the years, SFD has broadened its scope and sphere to sectors such as steel, power, cement, real estate, food, hospital, telecom and energy. The department has also diversified its products which ranges from regular term loan and working capital to bond, advisory (mergers & acquisitions, feasibility analysis, investment decision making, etc.), foreign currency term loan, Investment Promotion Financing Facility (IPFF), subordinated bonds for tier-II regulatory capital requirement of commercial banks, zero-coupon bond, commercial paper, preference share, private equity, securitization of assets, loan restructuring, Long Term Financing Facility (LTFF), different refinancing and pre-financing schemes of Bangladesh Bank, Asian Development Bank (ADB), World Bank, etc. including efficient brick kiln efficiency program. Our range of activities entail:

- Providing customized solutions for Project Finance and Loan Syndication
- Arranging low-cost foreign currency loans for suitable projects
- Facilitating special funds for unique requirements
- Ensuring smooth operations as agency and trustee
- Providing Advisory Services in the raising of Private equity, Joint Venture Matchmaking, Balance Sheet Restructuring, etc
- Performing as an Merger & Acquisition advisor to both buyers and sellers
- Advising on business planning and project rationality
- Arranging financing through Bonds, Preference Shares & Commercial Papers for Corporate Houses and Financial Institutions

2017 in review

2017 has been a very challenging year for the Structured Finance Department (SFD). However, the department was able to innovate new offerings for its clientele as well as complete milestone transactions.

The department completed fund raising of BDT 7,500mn for two banks through various alternative financial solutions. In 2017, the department also arranged short term loans for reputed corporate houses in the power and apparels sectors.

The department also made huge strides through Corporate Advisory this year. SFD completed its first ever M&A transaction by divestiture of 100% shares of a feed mill. Besides this milestone transaction, the department also acted as the Corporate Advisor for valuation of a company in the telecommunication sector. The Corporate Advisory team has also successfully completed the raising of the 1st tranche of equity for a renowned social club.

Moreover, the dedicated team for agency and trustee services ensured smooth operations for multiple transactions. We have successfully acted as a trustee for numerous companies. In total, 14 trustee deals are on-going and significantly contributing to the annual income of the department.

In addition to the regular business, the department believes in the need of enhancing the capabilities of the professionals in the financial market. Keeping this in mind, we have jointly organized a seminar on the 'Development of Bond Market in Bangladesh' with the PPP Authority, Prime Minister's Office in order to address the prospects and challenges of the Bond Market. The purpose of the seminar was to come up with some plausible solutions towards the development of a bond market in Bangladesh. The department also arranged a day-long workshop titled 'Securitization - A Practical Guide' conducted by Mr. Vinod Kothari, an internationally recognized author, trainer and consultant on specialized financial subjects. The purpose behind this program was to create a great learning opportunity for institutions to gain insights of securitization & learn some of the best strategies adopted by world leaders to substantially minimize risk and optimize the organization's profitability and growth.

Moving forward - strategies for 2018

In 2018, the department will explore various avenues through structuring new products for its corporate clients in the tightened money market scenario. The department will focus on new products like quasi equity products, debt restructuring, corporate advisory services for mergers & acquisitions and private equity. Moreover, the department will also continue to raise subordinated bonds for scheduled banks for their BASEL-III compliance.

The specific focus will be on various projects and corporate finance in the form of local & foreign currency arrangement through loan syndication, zero coupon bond, preference share, commercial paper; provide corporate advisory services in the form of debt restructuring, merger & acquisition, private equity and so on. The department will also focus on accessing specialized funds from various multilateral and bilateral agencies.

Green Banking

(A unit of IDLC's Corporate Division)

Overview

Green Banking refers to banking practices that foster environmentally responsible financing practices and environmentally sustainable internal process minimizing GHG emission of the organization. Under the practices of ethical banking, Green Banking Unit is IDLC's commitment towards nature & sustainability by promoting environment friendly business practices to the various business segment of the country as well as reducing carbon footprints from our organizational framework.

Green Banking thus involves these two pronged approach:

- Adopting environmentally responsible financing
- Focusing on the green transformation of internal operations of the organization

The broad objective of the unit is to avoid degradation and give priority to environment and society, focus on environment-friendly initiatives by providing innovative financing and ensure sustainable development.

Year in review

2017 has been a challenging year for the Green Banking unit, with yearly disbursement falling by 37.8% to BDT 366.88mn, from BDT 589.53mn in 2016. The Green Banking loan book currently stands at BDT 612.95mn, falling below its 2016 portfolio of BDT 617.04mn. This has mainly been a result of intense competition in this space, with few notable Banks enjoying access to larger sources of low cost funds for Green Finance purposes. In light of the matter, it is in our agenda to re-strategize our Green Banking efforts and reinvigorate our stance in this category.

Product offerings

There are now 52 variants of green financing products to cater to the specialized needs of different industries and segments, in line with the guidance from the Central Bank.

Rolling out Environmental & Social Management System (ESMS)

We have been one the front runners in adopting the "Environmental & Social Management System (ESMS)", a global standard to minimize Environmental & Social Risks from the financial footprints of the organization. With the cooperation of FMO (Netherlands Development Finance Company), IDLC has the most efficient ESMS system of the market, blending the local & international standards for formulating E&S risks before financing any proposal. Our ESMS system comprises the following guidelines: Environmental & Social Risk Management Guideline by Bangladesh Bank, the Environment Conservation Rules 1997, IFC Performance Standards & ADB Safeguard for Financing. In addition to this, we have also adopted the 10 UNGC (United Nations Global Compact) principles within our organizational frameworks as the only signatory of UNEP FI (United Nations Environment Programme Finance Initiative) from Bangladesh. We also have a dedicated E&S Team to rollout the operations of ESMS across the organization, capacity building of the business unit as well as the credit risk management officials to enhance the core of our in house E&S management.

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 banking's strategic importance in value creation for IDLC and its stakeholders

Banks and financial institutions all over the world are concerned about the overall impact of the depletion of environment. General frameworks describing the climate strategies are difficult to transfer to the financial sector as such frameworks usually focus on basic industries, and FIs are not generally exposed to weather stresses, nor are they heavily dependent on fossil fuels in their operations. Here, Green Banking plays a significant role as it allows the FI to assess the impact of climate change on the asset quality of lending and investment portfolios. The activities of Green Banking influence the FIs to develop a business model which is sustainable and adaptable to their environment policies. While many banks understand the significance of emission reduction, we have comprehensively integrated climate change-related aspects into our business processes. Green Banking allows us to measure social and economic impact of lending, reduce annual paper consumption of full-time employees by the better implementation of Green Office Guidelines and continue to reduce energy and water consumption via its LEED Certified Green Office initiative. In essence, Green Banking also has an effect in financial performance, because if a bank/FI fails to practice Green Banking guidelines or finances a project that has adverse effects on the environment, it may face credit risk, liquidity risk and also reputation risk. The bank/FI may have to incur cleanup costs for the damages caused if it financed a project that has adverse effects on the environment. The bank/FI may also suffer credit risk if it finances a project harmful to the environment, especially if the project is stalled or forbidden by regulatory authorities leading to a default in payment of the loan by the client. A financial institution may also face reputation risk when it fails to practice the prescribed guidelines causing it to lose business from clients who are sensitive to the environment.

Overall, even though Green Banking practices have yet to mature in our country, Bangladesh Bank's active participation in the promotion of inclusive and environmentally-sustainable financing has encouraged substantial progress in this segment so far. At IDLC, we intend to play a participative role in advancing such efforts further.

Business Segment Review – Subsidiary Business Operations

IDLC Securities Limited

September, 2006
Commencement of Operation

24.67%
Equity as % of Group Equity

BDT 379.47mn
Net Profit After Tax

14.80%
Return on Asset

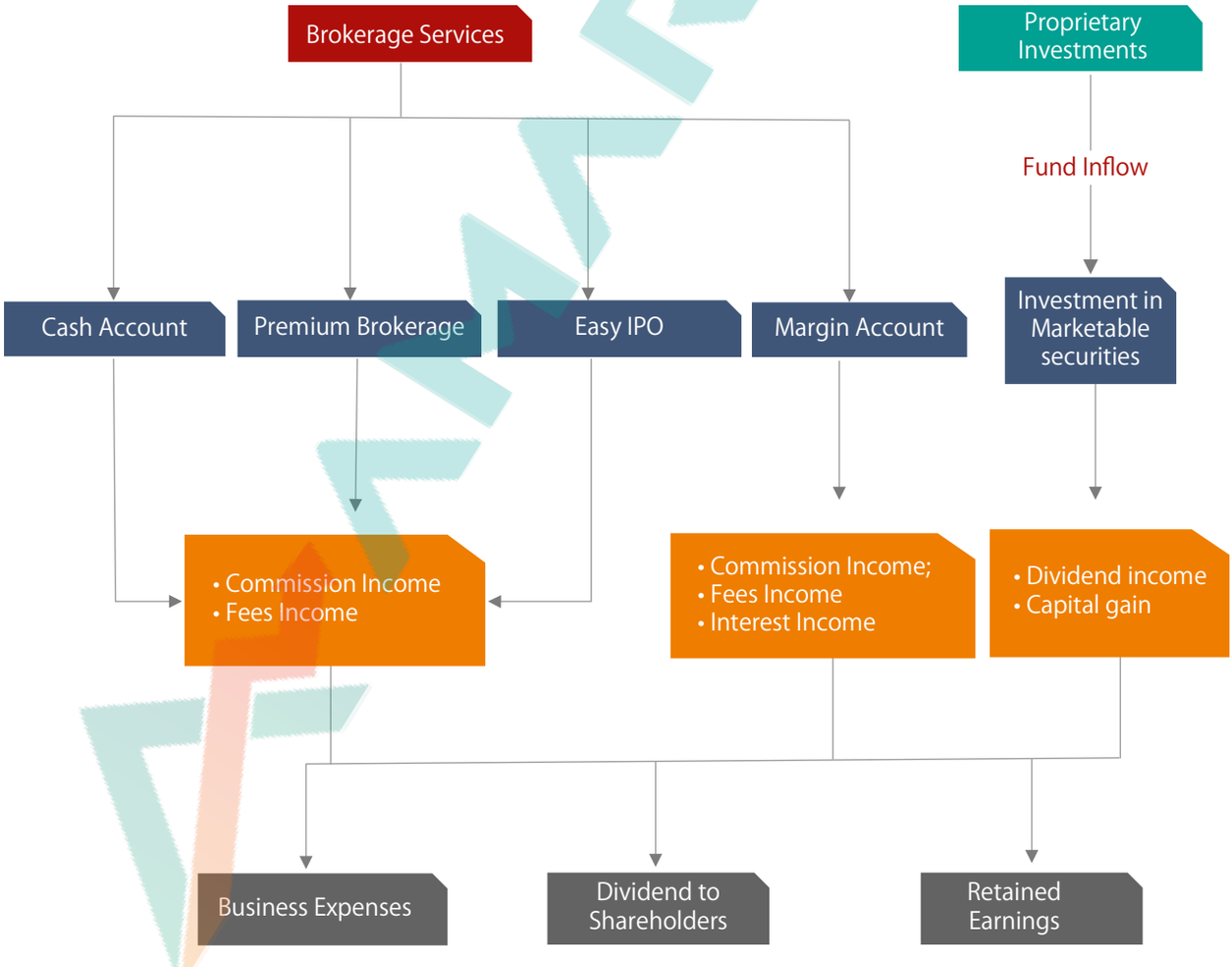
36.32%
NPAT Growth (5 year CAGR)

16.66%
NPAT as % of Group NPAT

24.60%
Return on Equity

16,727
No. of Clients

Activity Model of IDLC Securities Limited



Company overview

IDLC Securities Limited, one of the top brokerages of Bangladesh, commenced operations in 2006. The Company provides brokerage services to more than 17,000 retail, local & foreign institutional investors through reliable trading platforms of both the Dhaka and Chittagong stock exchanges. It also serves more than 2,500 customers of its enlisted merchant banks as a panel broker. It possesses a proven track record of delivering quality customer services while maintaining high standard of compliance and corporate ethics.

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

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

Products

- Cash Account
- Margin Account
- Premium brokerage for HNWs, Institutions and Foreign Investors
- Easy IPO

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, 2017

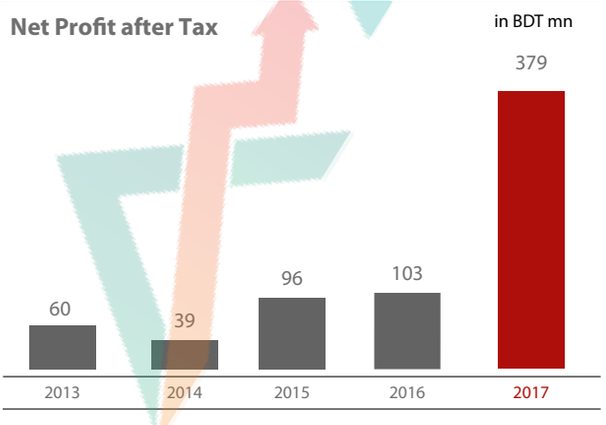
- Average daily turnover of IDLC SL increased by 104% to Taka 703 mn compared to 77% increase in market average daily turnover. Thus, market share increased to 4.02% from 3.5% of previous year
- New capital injection of BDT 1,600mn in September 2017.
- Net brokerage commission income increased by 92.3% to Taka 480.5mn
- Profit before tax and provision increased by 200.2% to Taka 575.7mn
- Net profit increased by 267.1% to Taka 379.5mn
- Shareholder's equity organically grew by 33.6%.
- Achieved business growth in retail business. Cash account contribution continued to increase to 78% in 2017 from 49% of 2011
- Expanded and enhanced depth of sell side research coverage
- Enhanced retail and strategic sales effort
- Achieved significant footing in foreign sales operation
- Revamped operational risk management process

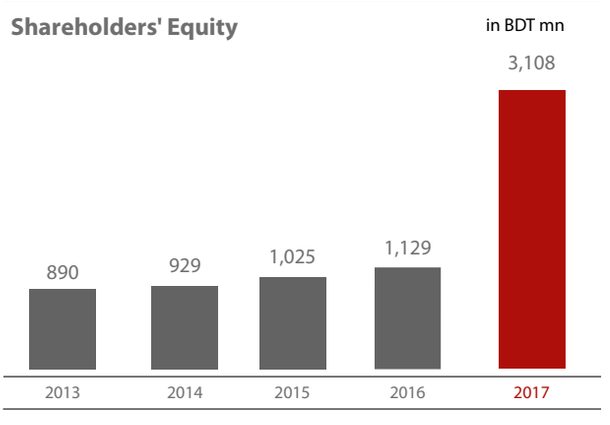
Key strengths

- Strong Group Brand
- Skilled traders with professionalism and market insights
- Dedicated relationship managers for all investors
- Competent sell side research team
- Wider branch network with reliable and user friendly online trading infrastructure
- Culture of confidentially and secured custodianship of clients' assets
- Performance management model that drives business and its quality

Key risks and mitigation strategies

- **Investment risks:** We have investment committee for taking investment decisions based on research insight and recommendation. We carefully monitor our risk exposure and evaluate our portfolio performance periodically following international best practices.
- **HR retention risks:** We manage the HR retention risk through implementing performance management on continuous basis. We also ensure that our pay scales and other benefits are best in class and aligned with the industry standards.
- **Operational Risk:** We mitigate operational risk by streamlining and strengthening Finance, Operations and Compliance department with focus leadership.
- **Technology risks:** We continually review our existing technology and take step accordingly.





Outlook

Influential trends shaping up the industry

2018	Beyond 2018
Selection of Strategic Partners in DSE board will help to bring technological advancement	Radical improvement in technology platforms for the brokerage industry
Digital penetration expected to increase as more and more people shift away from traditional trading methods to app based solutions	Shift in human resource quality in front line business
Increased volatility is expected in the bourses in anticipation of possible political turbulence in an election year	Shift in investor segments, from retails to institutions
	Move towards a more regulatory and compliance intensive environment necessary for investor confidence
	Introduction of new asset classes beyond equity

IDLC's response & objectives

2018	Beyond 2018	Strategies to achieve objectives
Selective research based investment	Adopt technology that drive business growth	Technology leader
Implementation of clients' investment monitoring system	Attract high quality talent to spur innovation	Innovation and alignment of business growth
Explore technology options	Further enhance team capacity for foreign and institutional clients	Tapping opportunities from shift in investor segment
Enhanced team capacity for foreign and institutional clients	Stronger back office for real time risk management	Create and attract youth and emerging investor class
Independent branding	Fostering culture of ethics and compliance	Customer confidence and trust
	Virtual presence	

IDLC Investments Limited

August, 2011
Commencement of Operation

21.50%
Equity as % of Group Equity

BDT 276.52mn
Net Profit After Tax

7.20%
Return on Asset

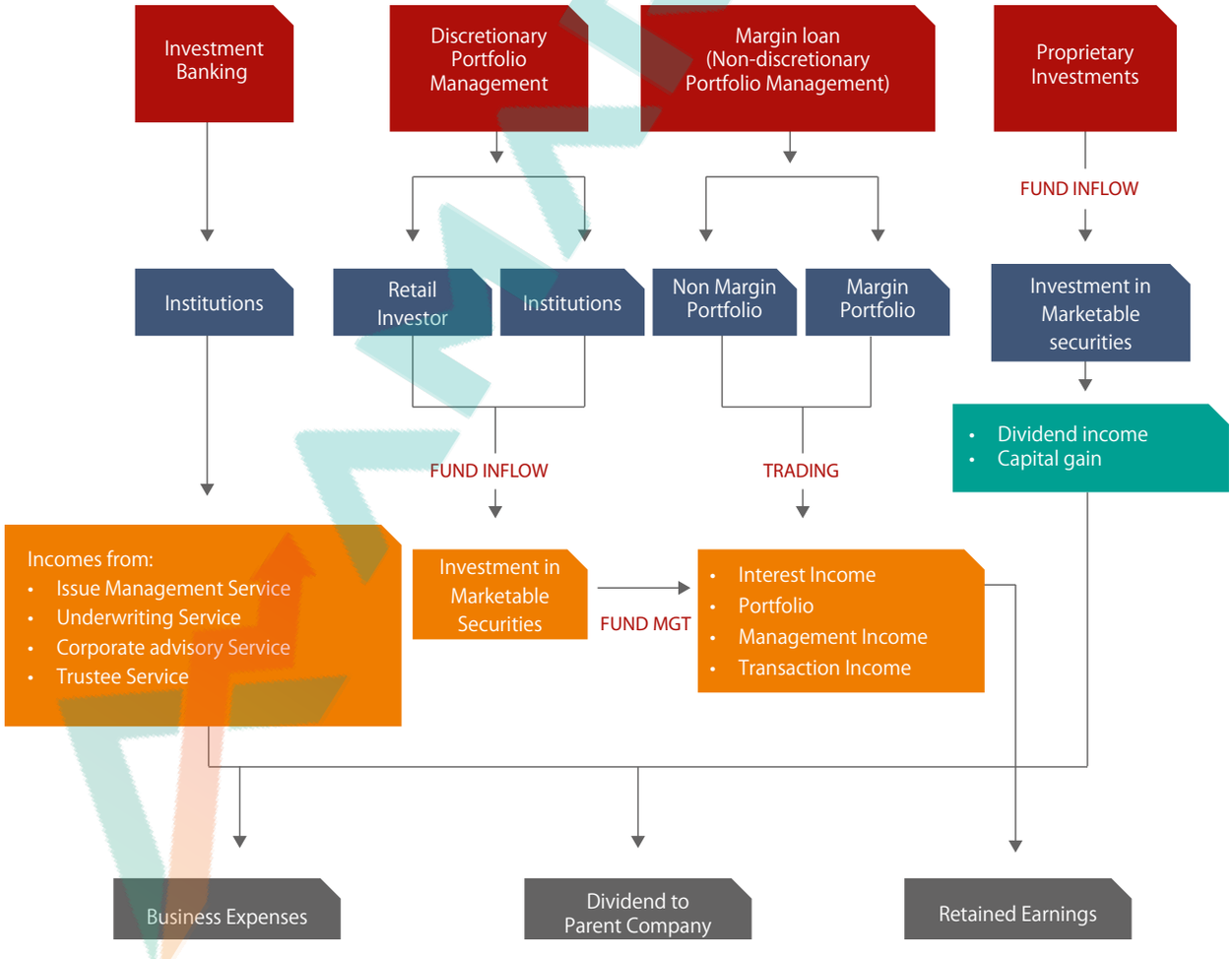
45.05%
NPAT Growth (5 year CAGR)

12.14%
NPAT as % of Group NPAT

14.30%
Return on Equity

5,637
No. of Clients

Activity Model of IDLC Investments Limited



Company overview

IDLC Finance commenced its merchant banking operations in 1999 through participating in underwriting of IPOs. The Company managed its first IPO as issue manager in 2003. It also managed the first IPO under the book-building method in the capital market history of Bangladesh. Aligning with regulatory requirements, the merchant banking operation was carved-out and transferred to IDLC Investments Limited, a fully-owned subsidiary of IDLC Finance, which was established in 2011.

Product & Services

Investment banking:

- Initial Public Offering (IPO)
- Rights Issue Management
- Repeat Public Offering (RPO)
- Corporate advisory
- Underwriting
- Arranging pre-IPO placement/ capital raising of forthcoming IPOs
- Substantial share acquisition and take over
- Valuation services for repatriation of sale proceeds of non-resident owned equity in unlisted companies
- Mergers & acquisitions
- Acting as trustee of bond issuances through private placement of debt securities

Discretionary portfolio management (DPM): IDLC Investments Limited has been offering DPM services for the last eleven years with a consistent track record. DPM manages funds on behalf of investors, formulating appropriate investment strategies, constructing and re-balancing portfolios, monitoring market perspectives on a regular basis, actively managing risk profiles and optimally diversifying portfolios. Currently, we offer a variety of investment products with different risk-return profiles, including:

- MAXCAP
- Easy Invest
- Profit-Loss Sharing Scheme
- Capital Protected Scheme
- Portfolio Advisory Services

Our primary strength lies in our ability to effectively manage our overall portfolio to generate consistent returns for our clients. We have a diversified product basket suitable for different investor risk grades and our fund managers embrace appropriate diversification strategies to maximize the return potential and minimize downside risk.

One of our major challenges comprises the ongoing volatility in the capital markets along with systemic risks arising from political or 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 product and grow portfolio size.

Margin loan: During 2004, IDLC Finance had launched a margin lending product, 'Cap Invest' and since then, we have been considered as one of the top portfolio managers in the Bangladesh capital market. Subsequently, this business was transferred to IDLC Investments. Since the market crash of 2010, IDLC Investments has reduced its margin loans significantly.

During these times, we took the initiative of counselling our clients to build a constructive and risk-mitigated portfolio. Our advisory includes knowledge sharing on the market scenario, stock analysis, effects of leverage, effective risk management and the importance of disciplined portfolio management. Accordingly, we empowered our clients with multiple value-added services (VAS).

Core highlights, 2017

NIM 6.26%	ROI 15%
ROA 7.20%	ROE 14.3%

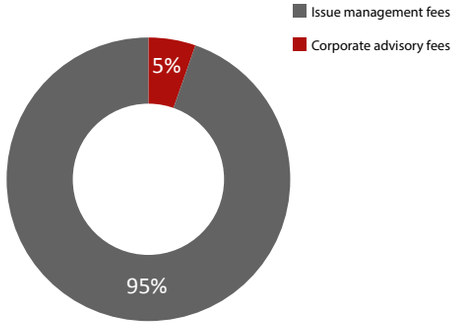
- During 2017, our operating income and operating profit stood at BDT 539.70mn and BDT 450.66mn, respectively.
- NPAT grew from BDT 170.08mn in 2016 to BDT 276.52mn in 2017, representing a robust 62.58% growth.
- Higher Investment Income and Income from Portfolio management services assisted healthy bottom line growth too.

Operating Income BDT 539.70 mn	Operating Profit BDT 450.66 mn
NPBT BDT 446.02 mn	NPAT BDT 276.52 mn

- Higher operating profit and lower-than-usual provisions significantly boosted NPAT.
- Our Investment banking division achieved a robust performance (with revenue growth of 63.84% to BDT 46.60mn in 2017) with significant contributions from corporate advisory fees (95%) and issue management fees (5%). Investment banking division managed nine IPOs to raise a cumulative BDT 6,515mn as of 31 December 2017. And assisted in raising BDT 34,358mn for clients so far since inception.

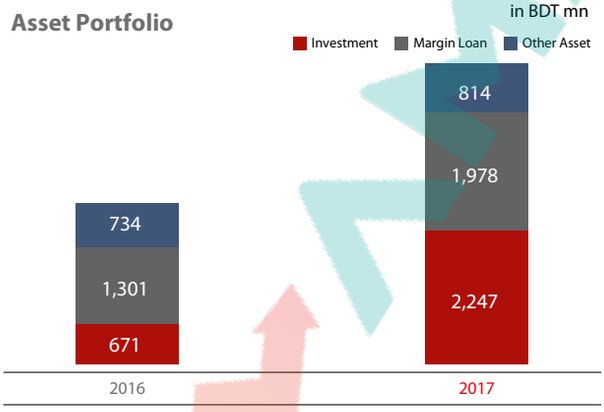
Financials	2017	2016	2015
Issue management fees	2.50	11.00	4.61
Underwriting	0.00	0.20	1.28
Corporate advisory fees	44.06	17.21	12.17
Total revenue from investment banking	46.56	28.42	18.06

Investment Banking 2017



- During 2017, pioneering product 'Easy Invest' has reached the door steps of over 3,000 clients, achieved fund under management of BDT 286mn and generated return of 29.3%.
- However, margin loans growth was moderate considering the industry growth, in 2017, wherein the margin loan was in downward trend in 2016. We focused on counselling clients to use margin cautiously while increasing the margin lending exposure to BDT 1,977.95mn in 2017, from BDT 1,300.51mn in 2016

Asset Portfolio



- To capitalize on selected market opportunities, investment exposure amplified by 235% to BDT 2,247.37mn in 2017, up from BDT 670.66mn in the previous year.

Key strengths

- Expert fund management capabilities backed by the track record of generating consistent returns over a long time horizon.
- Diversified product basket suitable for different investor risk appetites with fund managers embracing appropriate diversification strategies to maximize the return potential & minimize downside risks.
- Strong brand image, adoption of highest ethical standards with rigorous compliance. We comprehensively understand our clients' needs & cater to these accordingly, meeting & even exceeding their expectations. Regular customer counseling on the basis of our research recommendations assists in maintaining a balance between upside potential, downside risks.
- Sound HR strategy, well-documented processes, cutting-edge technology & high-quality research reports have been key for our clients to realize long-term wealth creation aspirations.

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. This risk is applicable for the company's own investment as well as the investments managed by the company on behalf of the clients. The company takes an integrated risk management approach ensured by a prudent investment committee, high quality buy-side research and transparent transactions to safeguard against this risk. If faced by increased volatility in the market or in anticipation of a prolonged bearish run, the investment committee will rebalance/reduce the proprietary investments in the capital market.

Outlook

Influential trends shaping up the industry

2018	Beyond 2018
▸ With the rise in awareness of the complexities in active fund management among retail investors, it is expected that fund inflow for discretionary portfolio management products will keep increasing ▸ Fund raising through issuing initial public offering is expected to increase this year as the regulator fasten the approval process to the company's proposal. ▸ Further regulatory changes aimed at ensuring better governance, risk management and transparency are expected ▸ Secondary market is expected to show more volatility while Institutional fund managers are expected to assume a bigger role in the market ▸ With the new strategic partner/s, the new board of DSE is expected to start the modernization of the technology used by the bourse and, as such, to bring new dimensions in the stock trading business	▸ Macro-economic paradigm shift will have positive impact on capital market and the long term positive outlook of the economy will increase investors' confidence ▸ Enlistment of companies with good corporate governance and performance will enrich market ▸ Completion of the mega infrastructure projects managed by the government will bring a further bout of vibrancy to the economy ▸ Volatility is expected to stabilize in secondary market beyond 2018 ▸ Increase in investment banking opportunities based on business and economic growth ▸ Widened scope of advisory services for financial sector

IDLC's responses & objectives

2018	Beyond 2018	Strategies to achieve objectives
Discretionary portfolio management (DPM) ▸ Build capacity of own sales force ▸ Keep exploring to discover value of select new stocks and continue investing in value stocks ▸ Minimize use of paper for greener operations **Investment banking** ▸ Focus on corporate advisory services **Margin loan** ▸ Take prudent exposure in light of circumstances / opportunities	**Discretionary portfolio management (DPM)** ▸ Be an active observer of economic shifts and act accordingly for necessary changes ▸ Continue reaching the retail investors in every corner of the country **Investment banking** ▸ Leverage the expected market stability to expand business ▸ Continue building capacity to accurately forecast market trends in order to capitalize on opportunities **Margin loan** ▸ Improve stakeholder engagement	**Discretionary portfolio management (DPM)** ▸ Generating alpha following value investment ▸ Sales campaign for internal stakeholders ▸ Leveraging network of the company's overall sales force ▸ Establishing agent based sales model ▸ Developing a customer portal and a new website ▸ Technological development for effective fund management and operations **Investment banking** ▸ Focus on new avenues of business particularly in advisory services based on client needs and market opportunities ▸ Leverage strong brand equity to enhance engagement with regulators, investors and other stakeholders ▸ Further improve stakeholder engagement **Margin loan** ▸ Enhance research based analysis ▸ Establish RM based client service model ▸ Technological development for effective client service and smooth operations

IDLC Asset Management Limited

July, 2016
Commencement of Operation

1.19%
Equity as % of Group Equity

BDT 39.09 mn
Net Profit After Tax

32.85%
Return on Asset

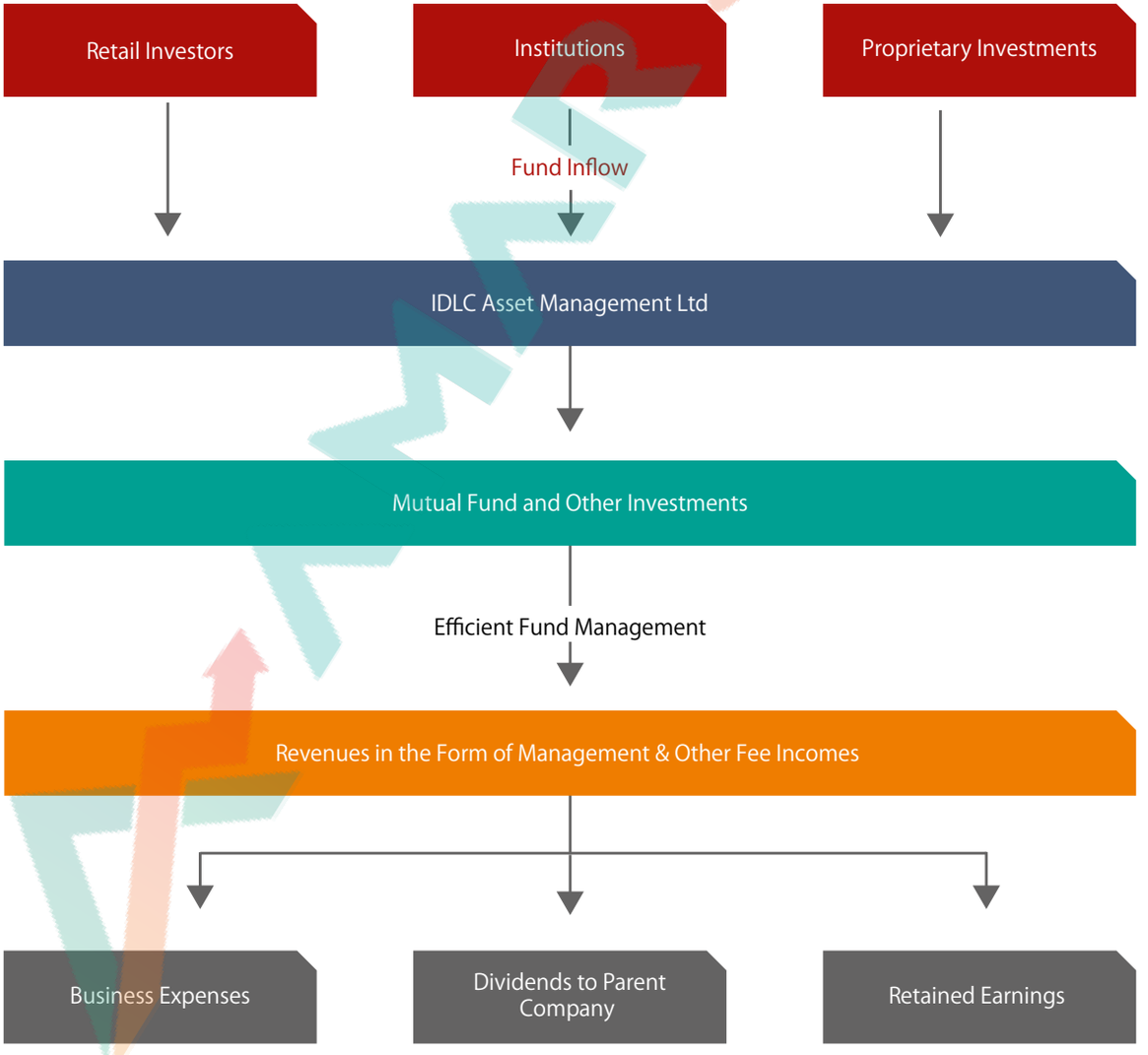
275%
NPAT Growth Over 2016

1.72%
NPAT as % of Group NPAT

35.40%
Return on Equity

475
No. of Clients

Activity Model of 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 7 June 2016 with a paid-up capital of BDT 100,000,000 (BDT one hundred million only). We expect to operate in the nascent but growing asset management industry of Bangladesh. The Company's principal objective is to conduct the business of asset management, primarily through launching and managing mutual funds, to cater the diverse investor needs. Alongside, we plan to operate in Alternative investment services, subject to regulatory approval.

Products

- Mutual funds,
- Alternative investment services.

Core highlights

- Launching of *IDLC Balanced Fund* with an initial fund size of BDT 500.0mn. The AUM increased to BDT 977.6mn by December, 2017
- Introduced Zero Exit Load so that investors of I*DLC Balanced Fund* can buy and sell its units at weekly disclosed NAV/unit incurring no exit fee which eventually maximizes their sales proceeds.
- Launched a Digital Platform, the first of its kind in the Bangladeshi industry to facilitate the investors in the purchase and surrender of their mutual fund units and view their investment status online from anywhere.

Key strengths

- Management know-how
- Experienced and tested fund management professionals
- Our strong brand image as a knowledge leader in capital market operations
- Investors' trust in us fostered through years of providing transparent and quality service
- Suitable technologies at its behest, enabling it to scale smoothly

Key risks and mitigation strategies

As a newly-established Company, we see both opportunities and challenges in asset management industry.

- **Economic environment:** For IDLC AML and funds under its management to succeed, stable yet growing economic environment is required.

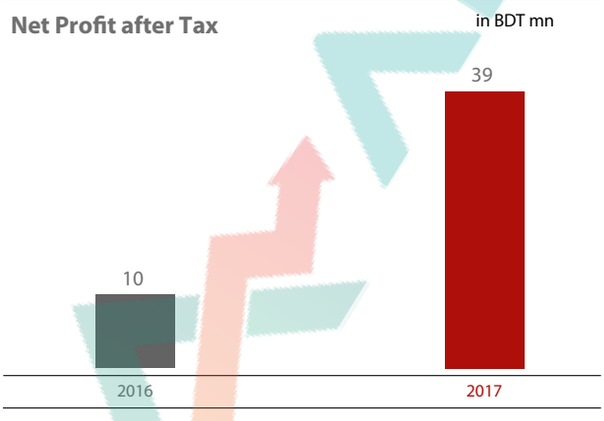
  Mitigation strategy: We believe the economy of Bangladesh is in a growth trajectory. While, systematic risks and challenges may emerge from time to time, it is normal for a rapidly developing economy. Our ability to gauge ahead any potential risks and taking appropriate measures to safeguard our investors' wealth.

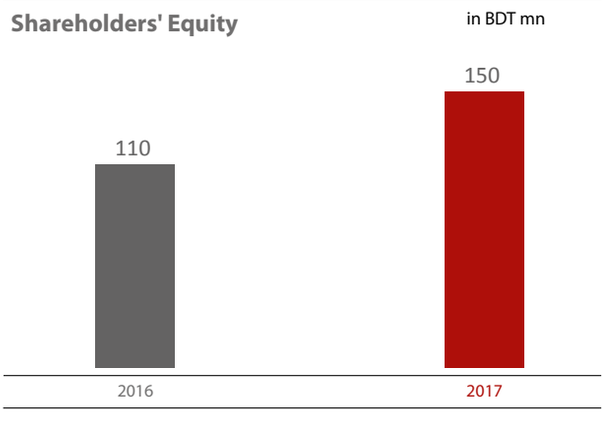
- **Market trend:** It is not uncommon for the capital market's performance to diverge from that of the broad economy in the short run.

  Mitigation strategy: We adhere to fundamentals driven long term investment practices. In the long run market performance reflects the underlying economy.

- **Market awareness:** Potential investors are still unaware about mutual funds.

  Mitigation strategy: We fully understand the importance of market awareness in realization of its vision. Hence, it invests significantly in marketing, prioritizing efforts that offer high ROI on money spent in marketing.





Outlook

Influential trends shaping up the industry

2018	Beyond 2018
Entry of more asset management companies	Emergence of clear industry leaders
Increasing number of Open end Funds	Open end funds emerging as one of the key institutional investors in the market
Diversity in Fund Types (e.g. Balanced, Growth, Income etc.)	More diversified and customer oriented mutual funds offering
Introduction of Systematic Investment Plan (SIP)	Popularization of SIP
Embryonic development in local PE/VC firms	Active PE/VC space subject to structural support

IDLC's response & objectives

2018	Beyond 2018	Strategies to achieve objectives
Establish solid footing in the Asset Management scene through launching numerous thematic funds	Achieve substantial growth in AUM to become one of the largest Asset Management firms in the country	We aim to be the top asset management company by delivering consistent and superior investment result, innovative product offerings, extensive marketing and top notch customer service powered by advanced technologies
	Explore alternative investment opportunities	We will stay focused on offering new Open End Funds, and increasing AUM of the existing ones
		We are enthusiastic about the prospects of PE/VC business in the country. We are working to build an organization that has the right mindset and resourcefulness to become an industry leader

AMARSTOCK

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.

While this section delves into the future outlook of our strategy and resource allocation plans, the apportionment of our resources in the past until the preceding year have been outlined in detail in Performance Analysis with the Management Committee (pg. 85). Meanwhile, the strategic direction going forward, provided in CEO's Reflections (pg. 25) has been broken down into short, medium and long-term goals for better insight and for the convenience of our stakeholders.

Our goals

Short-term

In the short-run, our immediate goal is to sustain our net interest margins (NIM) as we are witnessing an upward pressure on deposit rates – and subsequently, our cost of funds – in the current liquidity scenario. We also realize that we cannot be out-priced by the market and hence in addition to offering innovative lending products and solutions, improving on our robust customer service standards will continue to be a major focus area.

Existing efforts to achieve these are reflected in our active partnerships with multilateral organizations, launching of a Customer Experience Department and such other initiatives.

Medium-term

As demonstrated in our management team's keen foresight to have gradually and strategically added to our business verticals (pg. 85), we have historically been able 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 7.4%, 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.

Within the next few years, we aim to leverage the intellectual capital we have developed throughout our journey this far to venture into more granular levels of the SME and home financing segments of the country. In addition, we will improve our resource utilization further to be able to improve profitability even if we have to take a moderate hit in margin.

Currently, a set of actions are already in motion to penetrate the targeted niches through our existing reach, while we intend to set aside sufficient cushion to test and fine-tune our improved risk grading model before scaling into these areas. In regards to improving resource utilization, we have introduced a Change Management department, which has already been working rigorously to improve the internal processes and reviewing scope of productivity improvement in every area.

Long-term

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

In perspective, we will reiterate our long-set track record of successfully enhancing our range of business operations in a synergistic way. In essence, we intend to continuously reshape our business model to account to changes and pressures resulting from the operating environment. On that regard, we will continue to focus on enhancing our fee-based revenue generation capacities in the different areas we operate in.

In 2017, we have launched our first Mutual Fund product, *IDLC Balanced Fund* and aim to introduce more going forward. We have also invested in and restructured our Structured Finance team to broaden our scopes of bringing in non-funded income.

Breakdown of objectives

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

Vision

We will be the best financial brand in the country.

Mission

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

Undertake measured business growth

- Continue the strong growth momentum in Small Enterprise Financing, exploring the opportunities in further granular level financing
- Grow Home Loan financing, with added focus in affordable housing
- Grow market in other metros
- Consider opportunistic growth potentials in corporate lending
- Accelerate development of fee-based Corporate Advisory capacities in M&A, Debt Restructuring and so on
    - Continue efforts to increase market share in the brokerage business to set-off potential hit in brokerage fees in case overall trade volumes fall

Wealth management endeavors

- Achieve desired deposit growth while optimizing cost and increasing contribution from retail depositors

- Offer a one-stop solution for differentiated deposit as well as investment products for clients in various demographic segments to provide a whole range of wealth management solutions under one roof

Further invest in our people

- Evolve an engaging & inspiring culture based on mutual trust, respect and accountability
- Drive objective based performance management process across the organization
- Continue to invest in talent development; drive the Individual Career Plan (ICP) program with more rigor
- Put forth the right-sizing and HR strategy for HR cost optimization, talent attraction and retention
- Build a strong employer brand

Improve credit & collection processes

- Restrict NPL amount within desired level

Expand distribution channels strategically

- Diversify distribution and service channels – launch alternate delivery channels

Enhance 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

Boost efficiency further

- Invest in technology to increase automation of comparatively non-value adding tasks
- Re-engineer and simplify processes and, resultantly, improve cost/income ratio

Further strengthen citizenship endeavors

- Continue to invest in nurturing the invaluable relationships with various communities through effective CSR (Corporate Social Responsibility) initiatives

Risks and opportunities

Following 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. 54)**: Broad risks and mitigation strategies for the company.
- **Business Segment Review (pg. 133-153):** Strategies based on risk, challenges and influential trends shaping the industry for individual business units and subsidiaries.

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

Key challenges	Opportunities and key strategies	Risk Category	Business model adaptability
Margins being squeezed as a result of intense competition on the asset as well as deposit side	▸ Find niche and underserved markets. ▸ Further diversify funding sources ▸ Explore alternative and cheaper sources of funds	Interest Rate Risk (pg. 66)	Short-term: Moderate Medium-term: High
Dependency of capital gains and brokerage incomes on stock market cycles	▸ Balance capital market exposures in the overall portfolio while taking advantage of market inefficiencies ▸ Gradually enhance scope for non-funded business revenues for capital market segments	Equity Price Risk (pg. 66)	Short-term: Low Medium-term: Moderate
Attaining growth targets with controlled growth in operating expenses	▸ Follow through on process optimization initiatives ▸ Review and implement improved sizing and HR strategy for optimizing productivity	Operational Risk (pg. 69) Technology Risk (pg. 73)	Short-term: Moderate Medium-term: 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 ▸ Delve into more granular levels of SME segments with the right risk management strategies	Credit Risk (pg. 63)	Short-term: High
Intense price war in home loan financing	▸ Extend our presence to all parts of the country	Strategic Risk (pg. 71)	Short-term: Low Medium-term: Moderate Long-term: High
Risks and opportunities arising from Fintech	▸ Stay updated with industry best practices and new opportunities offered through technology	Technology Risk (pg. 73)	Short-term: Low Medium-term: Moderate

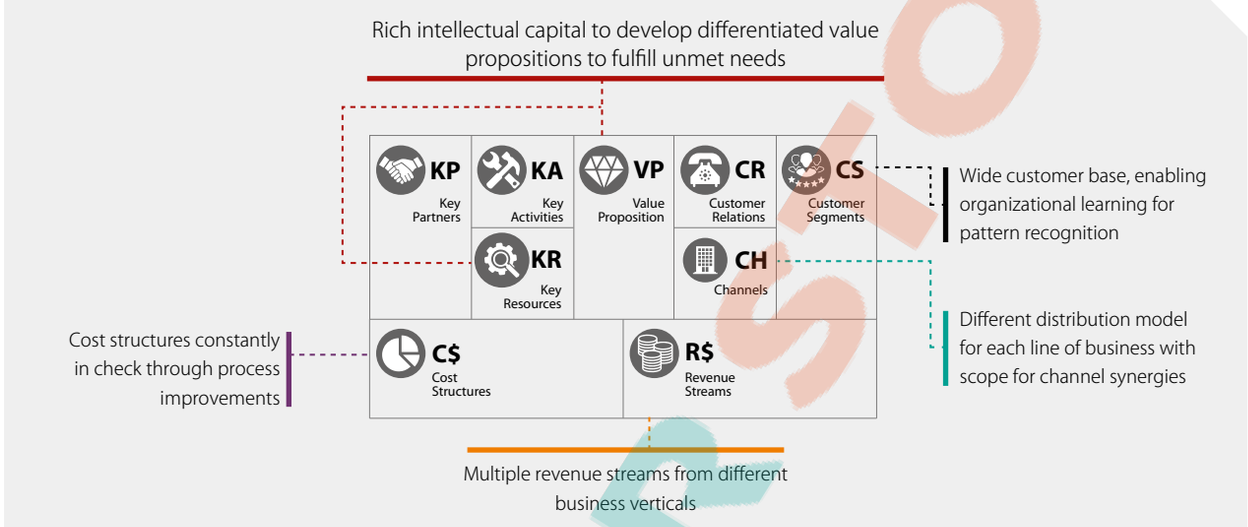
Business model adaptability and change requirements

What makes our business model highly adaptable to change

Our business model is highly flexible and hence, adaptable to most of the discussed strategic needs. For instance, our Wealth Management 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 and governance standards allow us to seek loans from regulatory as well as multilateral organizations, which considerably helps us in managing our cost of funds. Our focus on environmentally sustainable lending policies and corporate citizenship, in part, paves the way for availing such opportunities.

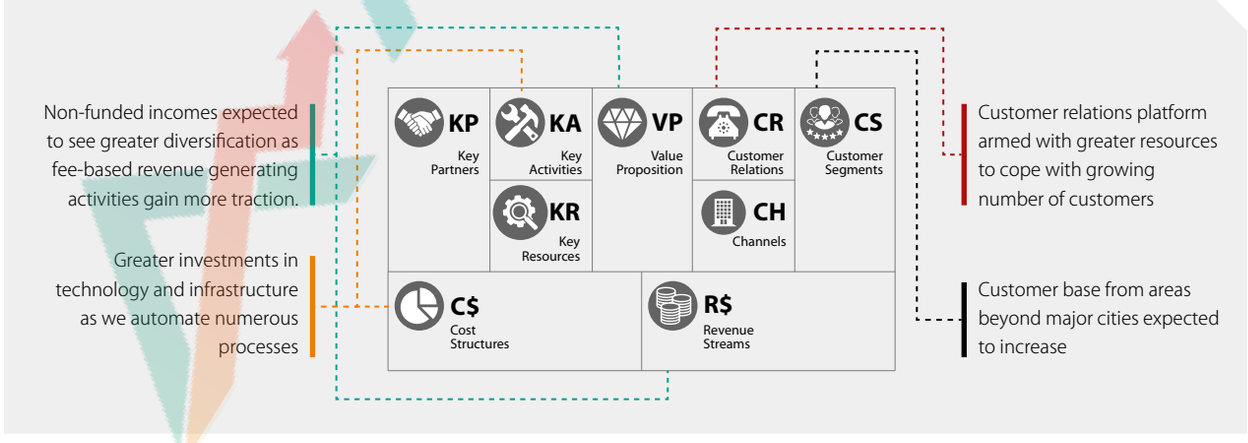
As a whole, it is the way we utilize the different elements within our business model and our culture of valuing innovation at every level that allows us to be highly responsive to client needs and adapt to market trends as well as to changes in the competitive landscape.



Change requirements

In order to successfully meet our business objectives, and in response to the various pressures from our operating environment, there are certain components of our business model that will undergo some degree of change. For instance, our revenue model – while not shift immediately – will start demonstrating more diversification in non-funded income as fee based revenue generating activities begin to gain more traction in our list of value propositions. Consequently, our cost structure will see greater portions of expenditures in technology and infrastructure as we move to automate numerous processes. Our customer base will become more diverse and grow in numbers, for which we have been preparing in the past couple of year and especially in 2017 through the launch of our Customer Experience Department.

With challenges such as risks presented by the advent of fintech, we are well aware of other changes we may have to undergo to stay relevant in the medium to long-run, including but not limited to changing the way we generate leads and onboard customers. While we are prepared to welcome such changes, the regulatory environment in Bangladesh is likely to only allow gradual changes in such aspects to avoid any major shocks to the economy. On a different note, given the opportunities presented by fintech, 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	Capitals Invested	Elaboration
Customers	Investment opportunities	Launched new investment product, IDLC Balanced Fund, by IDLC Asset Management Limited	Financial, Intellectual & Social and Relationship	Social & Relationship Capital (pg. 123)
Shareholders	Timely performance review and transparency	Conduct quarterly earnings disclosures every quarter	Human & Intellectual	Social & Relationship Capital (pg. 123)
Regulator	Anti-money laundering and operational risks	An Operations Risk Management (ORM) Department has been formed to better mitigate against operational risks		Statement of Risk Management - Operational Risk Management (pg. 69)
Employees	Well-being	Healthy premises, company doctor, regular fire drills	Financial & Human	Human Capital (pg. 111)
Community	Environmental protection Social Involvement	Invest on green premises. Increased focus on Green Financing Launched unique community platform, Khushir Kheya to encourage volunteerism	Financial, Social & Relationship	Business Segment Review - Green Banking (pg. 143), Natural Capital (pg. 130) Social & Relationship Capital (pg. 123)

Resource allocation strategies to meet our objectives

As a rule, we are as concerned about long-term value creation in our attempts to maximize returns for our investors. This means, occasionally, certain tradeoffs are needed to be made between capitals in order to accommodate our long-term orientation. Mostly, these are in the form of financial investments made towards ensuring the development and sustainability of other capitals in a way that the resulting long-term returns will outweigh the short term costs. 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 72.76% 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. 118, 122). 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 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. 117) and Human Capital (pg. 111).

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
Human Capital (pg. 111)	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	Business Transformation team in coordination with sales, operations, credit risk management and technology teams
Product Range (pg. 29)	Introduce new innovative products	
	Innovate by tinkering with existing products	
	Introduce non-financial services	
Business Segment Review (pg. 133-153)	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
Intellectual Capital (pg. 117)	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

Our focus on ensuring our environmental and social responsibilities, extends to that of our clients as well, through our policies, strengthened by government regulations and international frameworks that help us communicate our rationale and ways to implement sustainable practices with many of our clients. It is also evident in our efforts towards Green Financing initiatives (pg. 143).

Key interdependencies, complexities and trade-offs 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. 32).

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. 91) and quicker service in the form of turnaround times, which enables us to operate competitively in the market. Hence, our various initiatives, while incur expenses, also strengthen our financial capital, through economies of scale supported by our business growth. This not only ensures solvency in the short term, but also enhances our long-term value creation prospects through enriching our capabilities as a knowledge-based 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.

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. 124).

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.

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.

Trade-offs 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 certain tradeoffs are consciously avoided 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 possible ripple effects of essential KPIs

KPIs	Achievement	Activities to enhance achievements
Portfolio growth	14.9% (trend in pg. 90)	Undertake market development activities for SME and Consumer businesses (pg. 25)
NPL management	2.77% (trend in pg. 95)	Focus on perfecting risk grading model for quality growth (pg. 27)
Maintain/reduce cost to income ratio	37.19% (trend in pg. 91)	Undertake process optimization initiatives to improve cost efficiencies (pg. 117)

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 (pg. 65).
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

Reviewing our core competencies, our key strength lies in our ability to have consistently hired the right talent for the right job, especially in key management positions. Combined with a Board that is well-informed about the industry and empowering about the matters that require swift decision-making, we are able to optimize our resource allocation strategy in response to market variables.

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. In 2017, we launched IDLC Balanced Fund, to take advantage of the low availability of investment opportunities in the Mutual Fund space that is present for the populace in current times. Interestingly, these segments have been largely untapped and we hope that our keen initiatives will enable us to capitalize on the progressive growth potential.

This is also true for many areas of our core lending business, where most financial institutions often concentrate too narrowly in the major cities, leaving vast markets elsewhere out of focus. Recently, some Banks and NBFIs have started to show interest in these segments – that are more granular in nature than majority of the existing customer base. We believe, only a handful of organizations will be able to penetrate into these spaces successfully and sustain in the long-run. With the expertise we have developed through our success in SME financing, we are well positioned to eventually rise as one of the leading organizations in the country for such a venture.

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

Happiness
in a cup



Creating memories that will be cherished

He wanted a business of his own; create his own hallmark. With a modest start, his main concern has always been the happiness of his customers when they would take in the aroma from their cup of coffee and leave his shop only with a pleasant memory. IDLC is there to help him create those memories.



Letter from the Board of Directors Presented by the Company Secretary

Dear valued shareholders,

On behalf of the Board, we are pleased to present the corporate governance report of your company for the year ended December 31, 2017.

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

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

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

Throughout the year, IDLC has complied with all relevant provisions set out in the CGG issued by both BSEC and Bangladesh Bank. The said compliances are also vetted and certified by the independent auditors, M/s. Mazumdar Sikder and Associates, Cost & Management Accountants. The report along with the compliance status are enclosed with our annual report 2017 on pg. 214.

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

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

Yours faithfully

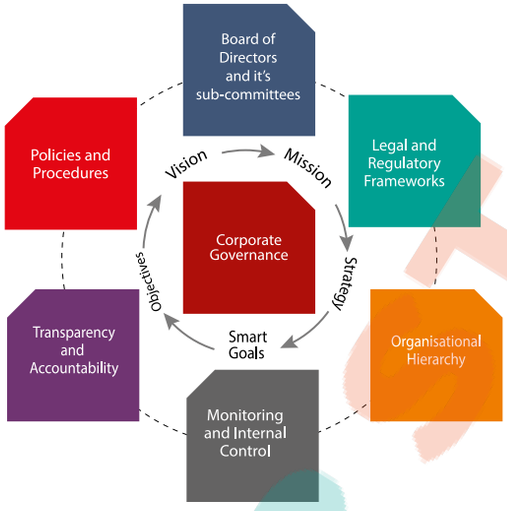
On behalf of the board

Sd/-

Mohammad Jobair Rahman Khan ACA
Group Company Secretary

Statement of Corporate Governance

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



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

The Company's Board of Directors are responsible for proper governance, which includes setting out the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to shareholders on their stewardship. The Board is collectively accountable to the Company's shareholders for good governance to facilitate efficient and effective management towards delivering long-term shareholder value within appropriately established risk parameters.

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.

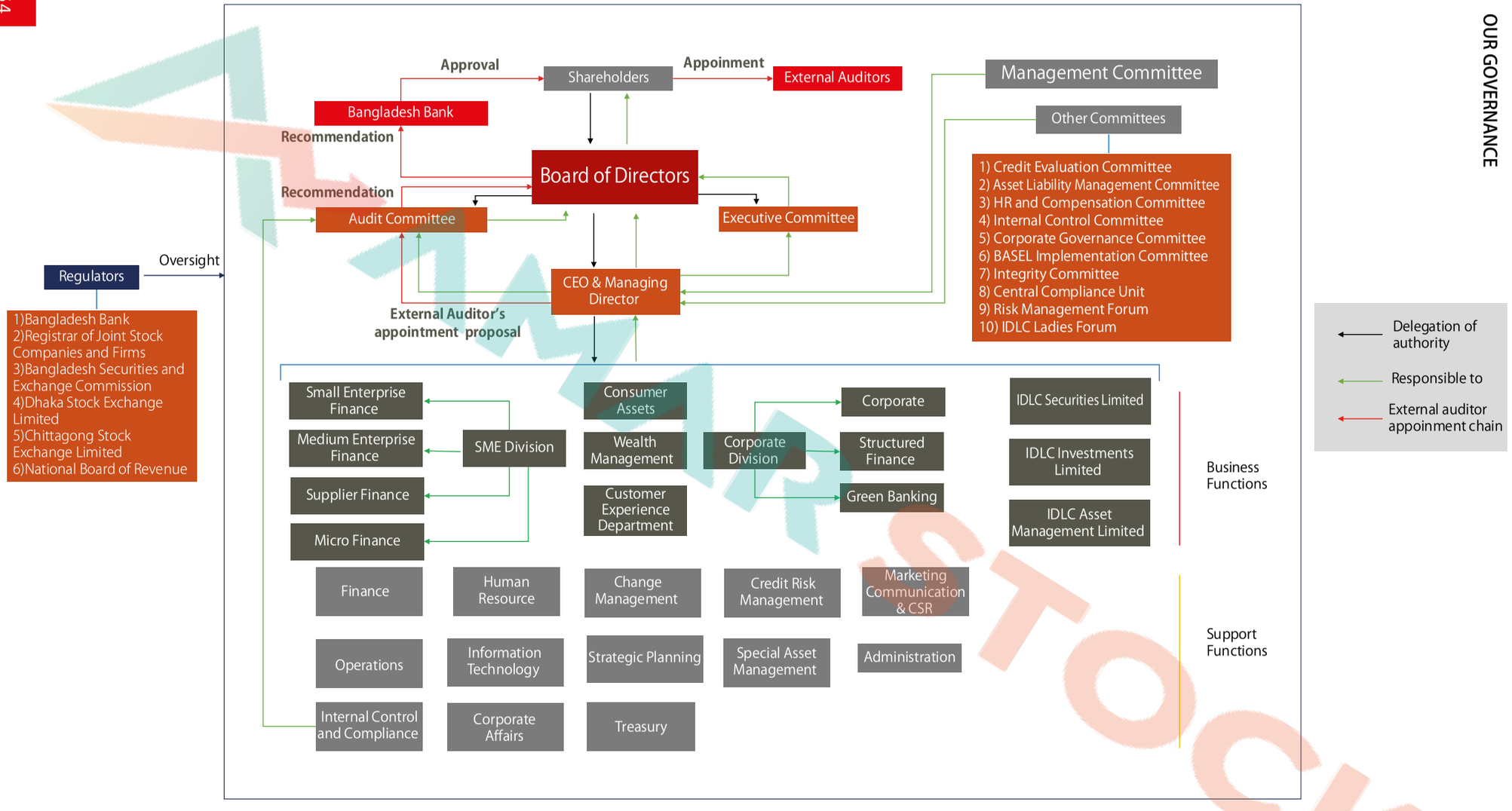
The sustenance of effective corporate governance remains a key priority of IDLC's Board. To exercise clarity about the Directors' responsibilities towards shareholders, corporate governance must be dynamic and remain focused on the Company's business objectives and create a culture of openness, transparency 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/2006-158/134/Admin/44, dated August 07, 2012, and subsequent notifications there on vide ref. no. SEC/ CMMRRCD/2006-158/147/ Admin/48, dated July 21, 2013 and notification No. SEC/ CMMRRCD/2009-193/151/ Admin, dated August 18, 2013, issued by Bangladesh Securities and Exchange Commission (BSEC) and all aspects of Bangladesh Bank's DFIM Circular No. 7, dated September 25, 2007 and subsequent circulars thereon DFIM vide Circular No. 09, dated October 08, 2007, DFIM Circular No. 18, dated October 26, 2011 and DFIM Circular No. 06, dated June 17, 2012.

In addition to establish 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 pg. 214 of this Annual Report.

Our Corporate Governance Structure



1. Board of Directors

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

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

Name of the Director	Status	Executive Committee	Audit Committee	Subsidiary's Board
Aziz Al Mahmood	Chairman, NED	-	-	-
Adil Islam	NED	Chairman	-	-
Monower Uddin Ahmed	IND, NED	-	Chairman	Chairman, IDLC IL
S M Mashrur Arefin	NED	-	-	-
Mohammad Mahbubur Rahman FCA	NED	-	Member	-
Md. Kamrul Hassan FCA	NED	-	Member	-
Syed Shahriyar Ahsan	NED	Member	Member	-
Atiqur Rahman	NED	-	-	-
Niaz Habib	IND, NED	Member	-	Chairman, IDLC SL
Matiul Islam Nowshad	IND, NED	-	-	Chairman, IDLC AML
Arif Khan CFA FCMA	ED	Member		

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

1.1 IDLC's policy on appointment of Directors

The Directors of IDLC are :

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



New Director recommendation

Nominated Director

Nominated by Sponsor/Director Shareholder

Independant Director

Recommended from various sources



Appointment by the Board

Newly appointed Director

Casual vacancies are filled by the board

Existing Director- subject to rotation

Retire at the AGM but are eligible for re-appointment



Approval by Shareholders at the AGM

Approval of appoinment of Independant Director

Re-appointment of existing directors or new one by rotation

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; and
- Any change in the members of the Board requires intimation to the Bangladesh Bank, all scheduled banks and Financial Institutions (FIs), Bangladesh Securities and Exchange Commission (BSEC) and the stock exchanges.

1.1.1 Retirement and re-election of Directors

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

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

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

The following non-executive directors will retire from the board in the upcoming 33rd AGM:

I) Mr. Aziz Al Mahmood, Director Nominated by The City Bank Limited;

ii) Mr. Adil Islam, Director Nominated by The City Bank Limited;

iii) Mr. Md. Kamrul Hassan FCA, Director nominated by Transcom Group of Companies; and

iv) Mr. Syed Shahriyar Ahsan, Director Nominated by Sadharan Bima Corporation

Further re- appointment of Mr. Monower Uddin Ahmed as independent director for the 2nd tenure for another 3 (three) years with effect from May 11, 2017 will be placed before the shareholders in the AGM.

1.2 Adequate representation of non-executive directors

We maintain the minimum requirement of non-executive directors as per guideline of Bangladesh Bank, as the only Executive Director is the CEO &Managing Director while the rest 10 are Non-Executive Directors (including 3 independent Directors).

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

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

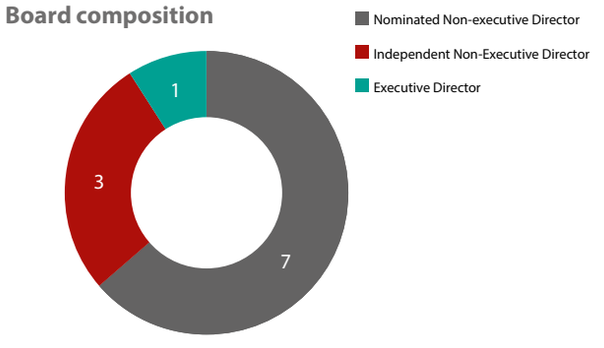
All the Non-Executive Directors are nominated by their respective institutions except for the Independent Directors. All the Directors bring forth independent judgment and considerable knowledge to perform their roles effectively. The Board of Directors ensures that the Company's activities are always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

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

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

As per the revised Corporate Governance 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 eleven (11) 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.



1.3.1 Role and responsibilities of the Board

The Board is committed to the Company to achieve superior financial performance and long-term prosperity, while meeting stakeholder expectations of sound corporate governance practices. The Board determines the corporate governance arrangements for the Company. As with all its business activities, the Board is proactive with regards to corporate governance and puts in place those arrangements that it considers in the best interest of the Company and its shareholders and consistent with its responsibilities to other stakeholders.

Structural

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

Strategic

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

Governance

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

Process for board functioning

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

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

The Board of Directors is in full control of the Company's affairs and is also fully accountable to shareholders. It firmly believes that the success of the Company hinges on the credible corporate governance practices embraced by it. Taking this into consideration, the Board of Directors set out its strategic focus and supervises the business and the related affairs of the Company. The Board also formulates the strategic objectives and policy framework for the Company. In discharging the above responsibilities, the Board carries 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.
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.

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

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

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

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

1.5.1 Role of the Chairman

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

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

1.5.2 Responsibilities of the Chairman

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

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

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

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

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

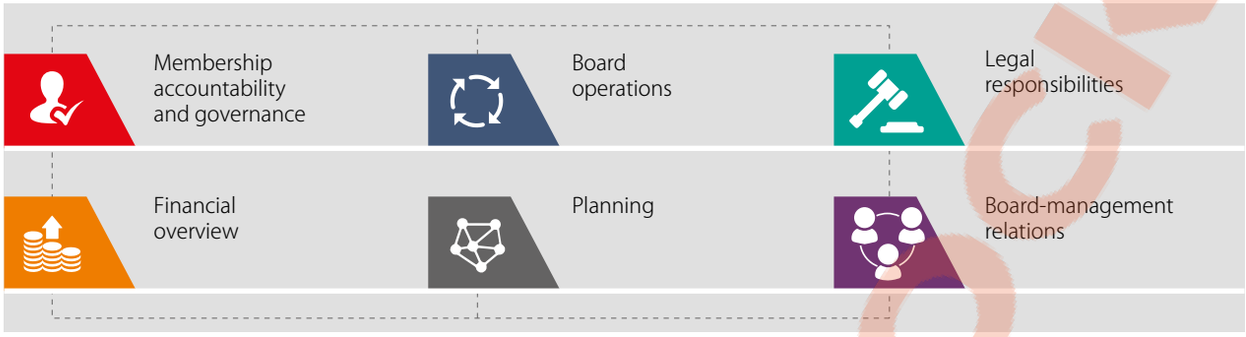
1.6 Annual appraisal of the Board's performance and disclosure

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

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

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

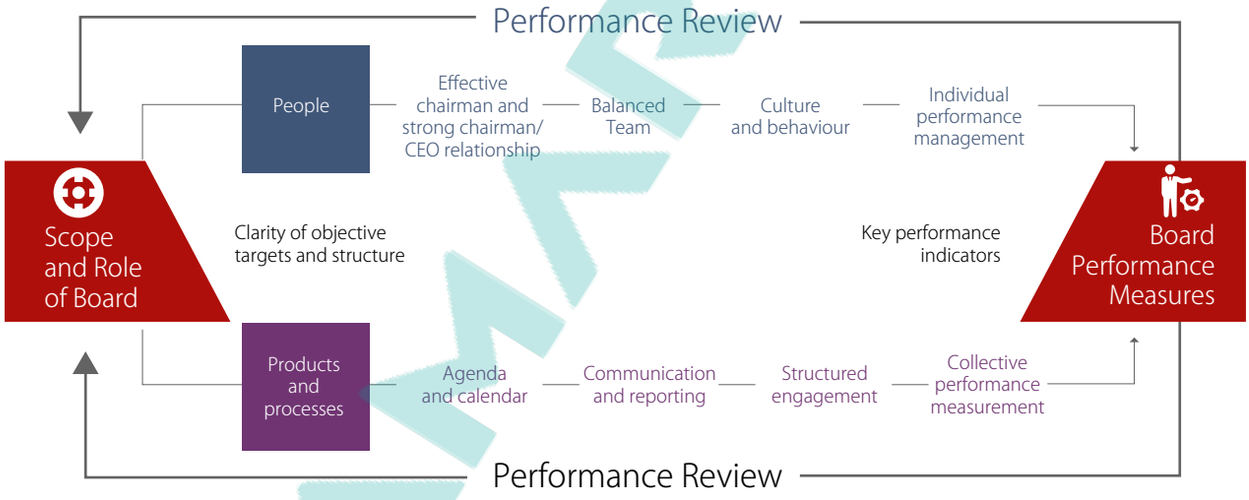
The following criteria are considered for the evaluation:



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

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

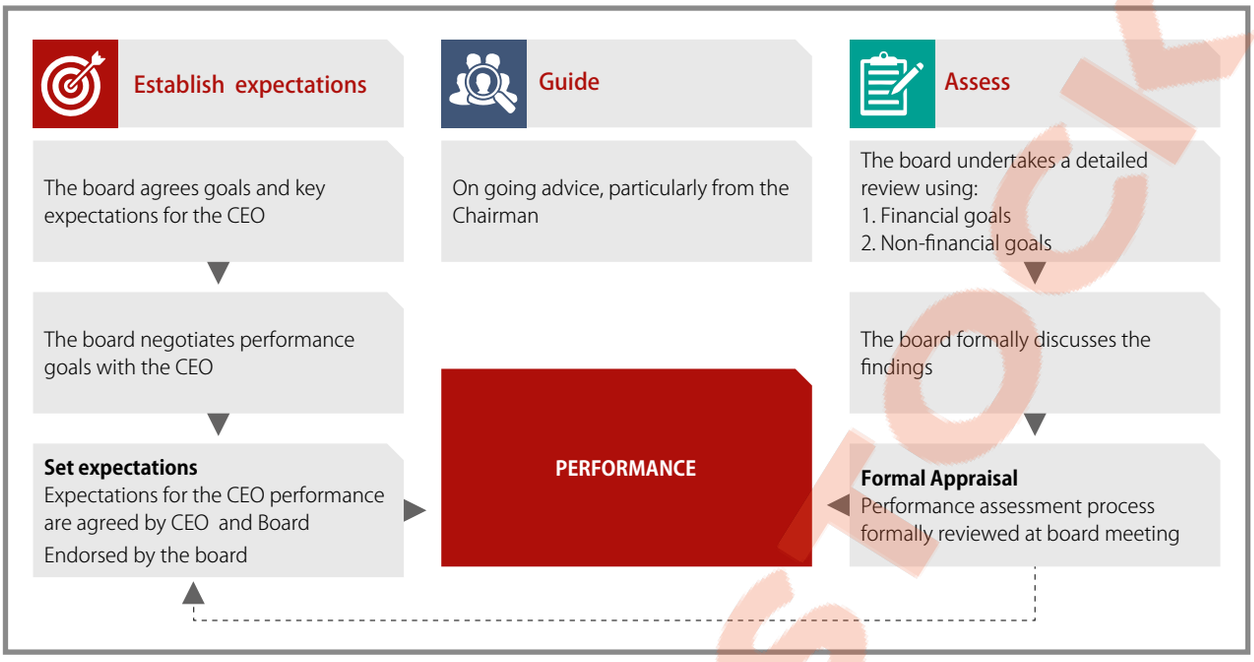
The effectiveness of the evaluation very much depends on how the board structures the evaluation process. It should consist of three phases: The first—setting annual board objectives at the beginning of the fiscal year. The process picks up again at the end of the year, when, in the second phase, the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



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

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

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



1.7.1 Evaluation based on financial performance

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

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

1.7.2 Evaluation based on Non-Financial goals

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

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

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

1.8 Training program of Directors

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

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

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

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

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

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

1.9 Financial and accounting knowledge and expertise of Directors

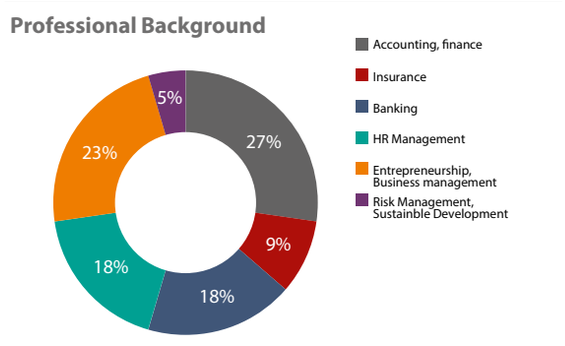
Our Board of Directors consists of members who possess a wide variety of knowledge and experience in finance, economy, management, business administration, marketing and law. This ensures that together, they formulate the right policy for the development of the business while having the specialized skills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

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

Expertise of Directors

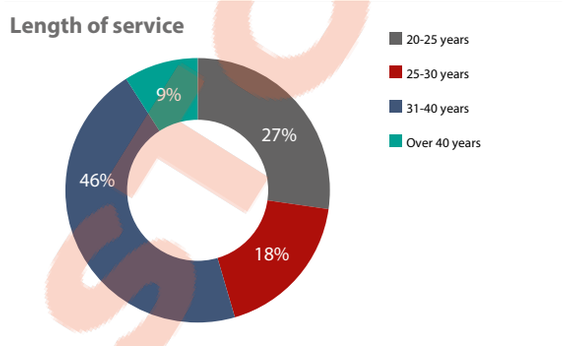
Professional background

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



Length of service

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



Respective qualifications of the Directors in details are appended in Directors' profile on pg. 34-39 of this annual report.

1.10 Holding of Board meetings

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

1.10.1 Process of holding Board meetings

The Company Secretary prepares the detailed agenda for the meeting. The Board papers comprising the agenda, explanatory notes and proposed resolutions are circulated to the Directors well in advance for their review. The members of the Board have complete access to all the information of the Company, enabling them to work efficiently. The members of the Board are also free to recommend inclusion of any matter in the agenda for discussions, subject to the permission of the Chairman of the meeting. The Company Secretary 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.

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

1.10.2 Number of Board meetings held in 2017

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 pg. 213 of this annual report.

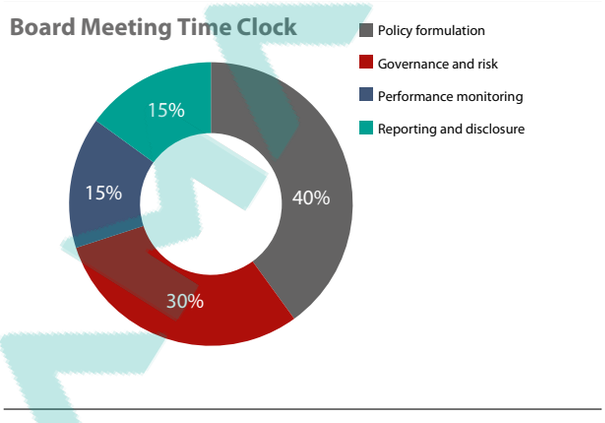
The number of Directors required to constitute a quorum is six (6), out of the eleven Directors. During 2017, a total of twelve (12) Board meetings were held.

1.10.2.1 Key Activities of the Board in 2017

The following table shows a breakdown of the matters considered by the Board in 2017, in addition to business agenda.

Quarter-wise Overview of the Main Recurring Board Activities-2017	
January – March	▸ Authorization of Financial Statements and Annual Report 2016 ▸ Dividend declaration ▸ Appointment of Auditors and determination of Audit Fees ▸ Approval of Performance Bonus for 2016 ▸ Holding of Annual General Meeting ▸ Review of Base Rate for the Fourth Quarter 2016
April – June	▸ Endorsement of First Quarter Financial Statement 2017 (January – March) ▸ Employee Salary revision ▸ Review of Base Rate for the First Quarter 2017
July – September	▸ Endorsement of Second Quarter Financial Statement 2017 (April – June) ▸ Review of Base Rate for the Second Quarter 2017
October – December	▸ Endorsement of Third Quarter Financial Statement 2017 (July – September) ▸ Approval of Budget for the year 2018 ▸ Modification of Credit Policy ▸ Review of Base Rate for the Third Quarter 2017

The Board spent it's time for the 2017 Board meetings* in the following manner:



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

Key Highlights of 2017

- Change in Director of the Board
- Revision of employee salary structure
- Affirmation of Code of Conduct
- Revision of Delegation Authority Matrix
- Declaration of dividend
- Successful Right Issue and injection of fund

1.10.3 Directors' remuneration

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

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

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

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

The Board of Directors are also responsible for the implementation of the best and the most suitable corporate governance practices. A separate statement of the Directors' responsibility for financial reporting and corporate governance is given on pg. 204 of this Annual Report.

1.12 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.

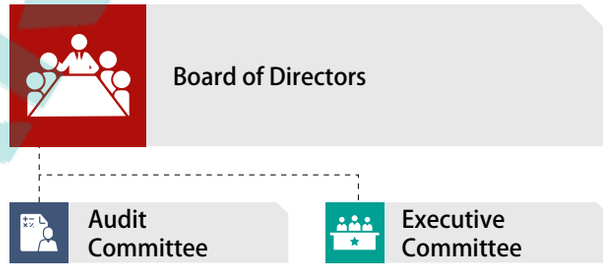
The Company Secretary ensures that the best management practices and work ethics are embraced to create value for the Company. He represents the Company among internal and external stakeholders, co-ordinates the policies of the Company, fulfills the management function and provides guidance on strategic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

1.13 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 below.



Section no.	Name of Committee of the Board	Members of the Committee	Functions of the Committee	Number of meetings held in 2017
1.13.1	Executive Committee	Adil Islam- Chairman Syed Shahriyar Ahsan- Member Niaz Habib- Member Arif Khan CFA FCMA- Member	▸ Establishing strategic and operational plans ▸ Taking prompt decisions to adapt to changes in the market ▸ Determine and outline the area of business focus area where	17
1.13.2	Audit Committee (See Section 3 below for details)	Monower Uddin Ahmed- Chairman Mohammad Mahbubur Rahman FCA- Member Md. Kamrul Hassan FCA- Member Syed Shahriyar Ahsan- Member	▸ Examine any matter relating to the financial affairs of the Company; ▸ Recommend financial statements to the Board for authorization; ▸ Recommend external auditors for appointment; ▸ Review all audit and inspection reports, internal control systems and procedures, accounting policies and adherence to compliance requirements	7

2. IDLC's Vision, Mission and Strategies

2.1 Board-approved vision and mission statements of the company

The Board of Directors, at its 193rd meeting held on May 13, 2012, redefined the Company's vision, mission, strategic objectives and value statements. Adhering to our value statements, we are driving towards our vision.

Our vision, mission, strategic objectives and value statements are depicted on pg. 14 of this annual report.

Management Committee and its subcommittees

To ensure that the company's vision, mission are adhered to, we have our Management Committee, depicted below,who are entrusted to set objectives and lead from the front. On the back of the Board's exemplary guidance, the Management and its various sub-committees determines IDLC's strategic objectives such as areas of business focus; policies, monitoring and process improvements.

No.	Name of the Committee	Composition of the Committee	Functions of the Committees
1	**Management Committee**	▸ Arif Khan CFA, FCMA, CEO & 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 ▸ Mohammad Jobair Rahman Khan ACA, Head of Group Corporate Affairs & Taxation and Group Company Secretary ▸ Md. Moniruzzaman, CFA, Managing Director, IDLC Investments Limited ▸ Md. Saifuddin, Managing Director, IDLC Securities Limited ▸ Rajib Kumar Dey, Managing Director, IDLC Asset Management Limited	▸ Oversee IDLC in accordance with its Constitution and applicable laws and regulations; ▸ Overseas ongoing operations; ▸ Segregation of the responsibilities and accountability of the committee from those of the Executive Officer to ensure good governance; ▸ Monitoring achievement against strategic plans and allocated budget ; ▸ Making key decisions for the Company's management and operations under the official delegation of authority from the Board.
1.1	**Credit Evaluation Committee**	▸ Arif Khan CFA FCMA, CEO & 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	Evaluates all projects/ proposals of the Company from the risk point of view.
1.2	**Asset Liability Management Committee (ALCO)**	▸ Arif Khan CFA FCMA, CEO & 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 ▸ Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning	▸ To look after the financial market activities; ▸ To manage liquidity and interest rate risk; ▸ To understand market position and competition among other activities; and ▸ To convene periodical meetings and regularly reviews the decisions of the meetings with due consideration of the market situation.
1.3	**Internal Control Committee**	▸ Arif Khan CFA FCMA, CEO & 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	▸ Addresses operational risks and frames and implements policies to encounter such risks; and ▸ Assesses operational risks across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risks.

No.	Name of the Committee	Composition of the Committee	Functions of the Committees
1.4	**Remuneration Committee**	▸ Arif Khan CFA FCMA, CEO & 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 Resource ▸ Md. Masud K. Majumder ACA, Group Chief Financial Officer ▸ Mohammad Jobayer Alam CFA, Head of Treasury & Strategic Planning	▸ 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; ▸ Ensure wide, equal opportunity and transparency in terms of suitable recruitment, compensation, performance evaluation and other benefits-related issues, issue ▸ Assist the management in fulfilling its corporate governance and oversight responsibilities in relation to establishing people management and remuneration policies.
1.5	**Corporate Governance Committee**	▸ Arif Khan CFA FCMA, CEO & 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 Group Corporate Affairs & Taxation and Group Company Secretary	▸ Ensures that the Corporate Governance practice within the Company is as required by the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank. ▸ Recommends and advises course of action in the areas where there is a scope of improvement.
1.6	**BASEL Implementation Committee**	▸ Arif Khan, CFA, FCMA; CEO & 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 Group Corporate Affairs & Taxation and Group Company Secretary	▸ Apply the action plan of BASEL-II and review thereof; ▸ Communicate issues related to the implementation of BASEL-II to the management; ▸ Assist in carrying out the quantitative impact study (QIS), if necessary; ▸ Engage in capacity building and training according to the training need assessment (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
1.7	**Integrity Committee**	▸ M. Jamal Uddin, Deputy Managing Director ▸ Mir Tariquzzaman, Chief Technology Officer (CTO) ▸ Ahmed Rashid, Head of SME Division ▸ Syed Javed Noor, Head of Consumer Division ▸ Md. Mesbah Uddin Ahmed, Head of Corporate Division ▸ Akhteruddin Mahmood, Group Head of Human Resources ▸ Mahbub-ul-Kader, Head of Internal Control & Compliance	▸ Create awareness on code of integrity and good governance across the company; ▸ Identify the scopes where efficiency of employee can be developed and arrange appropriate training in this regards; ▸ Amend existing policies and procedures as per requirements; ▸ Evaluate and reward the respective employees for integrity and good work; ▸ Improve e-governance system; ▸ Develop complaint management system; and ▸ Implement code of conduct.

No.	Name of the Committee	Composition of the Committee	Functions of the Committees
1.8	**Central Compliance Unit (CCU)**	▸ Asif Saad Bin Shams, Head of Credit & Collection ▸ Mahbub-ul-Kader, Head of Internal Control & Compliance	▸ Keeping updated with changes in regulations regarding the combating 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; and ▸ Monitoring business activities of branches through AML and ATA self-assessment procedure and provide corrective measures
1.9	**Risk Management Forum (RMF)**	▸ 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 Group Corporate Affairs & Taxation and Group Company Secretary ▸ Jane Alam Romel, Group Chief Marketing Officer	▸ Design overall risk management strategy; ▸ Communicate views of the Board and senior management regarding the risk management culture and risk appetite across the Company; ▸ Prepare risk management policies and procedures; ▸ Monitor the prescribed/ threshold limits of risk appetite set by the regulator and/ or by the Company itself; ▸ Develop and observe the use of models to measure and monitor risks; ▸ Develop and oversee implementation of stress testing; ▸ Oversee the capital management functions in accordance with the risk-based capital; adequacy measurement accord, i.e. BASEL-II/ III ▸ Determine the most cost-effective way to minimize risks; ▸ Highlight risks in portfolios and deficiencies of the Company on a timely manner and report the 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

No.	Name of the Committee	Composition of the Committee	Functions of the Committees
1.10	**IDLC Ladies Forum (IDLC LF)**	Shamima Akter Lovely, Head of Human Resources, Capital Market Operations and Head of Organizational Development & Recruitment **Executive Committee** Comprises of 14 women employees representing different divisions and branches of the Group **Secretary** Ayesha Haque, Head of CSR Members All the women employees of the Group	▸ Ensuring all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. ▸ Enabling IDLC's management to better understand and address issues and develop strategies accordingly.

2.2 Business objectives and areas of business focus

Our business objectives have been explained in detail in the section 'Strategy and Resource Allocation' in pg.154.

2.3 Strategies to achieve the Company's business objectives

Aligned with our focus on enhancing shareholder communication and reporting our progress and prospects on an ongoing basis, we describe our strategy, resource allocation approach and our future plans to achieve our business objectives on pg. 154 of this annual report.

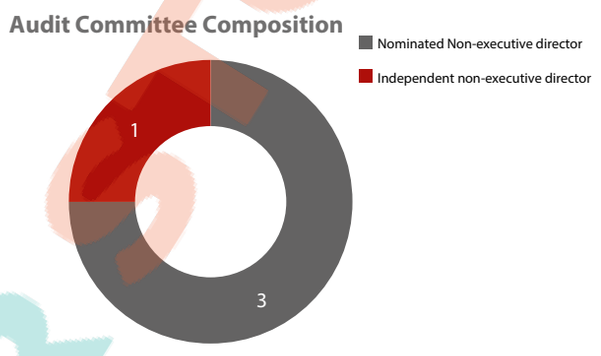
3. Audit Committee

3.1 Appointment of members and composition of the Audit Committee

IDLC's Audit Committee is a sub-committee of the Board formed in compliance with the requirements of DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and relevant BSEC 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.



3.1.1 Qualification of the Chairman

Mr. Monower Uddin Ahmed, one of the Independent and Non-Executive Directors, is the Chairman of the Audit Committee, possessing of vast experience. All the members of the Committee are 'financially literate' as defined by the revised corporate governance guidelines. His qualifications are addressed in detail in the brief profile on pg. 35 of this annual report.

3.1.2 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:

3.1.2.1 In respect of internal control:

1. Evaluating whether the management:
    a. Has an appropriate internal control and compliance culture with regards to risk management
    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

3.1.2.2 In respect of financial statements:

1. Reviewing whether financial statements were prepared in compliance with all directives and guidelines prescribed by the Bangladesh Bank and other applicable standards
2. Engaging in discussions with external auditors and the management prior to the finalization of the financial statements
3. Attending and answering questions related to accounts and audit at the AGM

3.1.2.3 In respect of internal audit:

1. Reviewing the activities and 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

3.1.2.4 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

3.1.2.5 In respect of compliance with existing regulations:

Reviewing whether the rules and regulations set by regulatory authorities (Bangladesh Bank and other regulatory bodies) as well as internal policies and guidelines approved by the Board of Directors are being complied with.

3.1.2.6 Miscellaneous:

Placing quarterly reports before the Board of Directors on rectification / correction status of errors, fraud, forgery and other irregularities identified by internal auditors, external auditors and the Bangladesh Bank inspection teams

Undertaking development functions through implementing an improved infrastructure and reporting system and

Performing all other supervisory activities as assigned by the Board as well as evaluating its own efficiency on a regular basis

3.1.3 Members of the Committee comprising of Non-Executive Directors:

The Audit Committee comprises of 4 members of the Board, which includes all Non-Executive Directors, which covers the requirement clause of having more than two-thirds of the members being Non Executive Directors.

3.1.4 Members of the Committee being suitably qualified:

Two members of the Committee, Mr. Kamrul Hassan FCA and Mr. Mohammad Mahbubur Rahman FCA, are Fellow members of the Institute of Chartered Accounts of Bangladesh (ICAB), and consequently possess significant working experience in the fields of finance, accounting and audit. The qualifications of the members of the Committee are addressed in detail in their brief profile on pg. 36 of this annual report.

3.1.5 Accessibility of Head of Internal Audit to the meeting of the Audit Committee

The Head of Internal Control and Compliance, Mr. Mahabub-ul-Kader has direct access to the Audit Committee, which in turn is directly accountable to the Board.

3.1.6 Holding of the Audit Committee meeting during 2017

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 2017, the Committee held seven (7) meetings. The details of the meetings held and members' attendance in the meetings are disclosed in Annexure II of the Directors' Report.

3.1.7 Quorum of the Audit Committee meetings

The number of Directors required to constitute a quorum is two (2). Of them, one shall be an Independent Director. The Company Secretary shall act as the secretary of the Committee.

3.1.8 The Audit Committee and Internal Control and Compliance

IDLC's Internal Control and Compliance (ICC) department is tasked with reviewing the Company's system of internal controls including the conduct of regular audits of all operational units. ICC is operationally independent in that its members are not involved in the Company's operational activities and that the Head of ICC (HoICC), in addition to his direct reporting line to the CEO & Managing Director, also has access to the Audit Committee.

The Audit Committee is responsible for approving the annual audit plan of ICC and reviewing the plan's subsequent implementation.

The internal audit reports or summaries thereof prepared by the ICC are reviewed on a regular basis by the Committee.

3.1.9 Reporting of the Audit Committee

The Audit Committee reports directly to the Board of Directors and under certain circumstances, can also report to the BSEC.

Immediate reporting to the Board of Directors the Audit Committee shall immediately report to the Board of Directors in the following cases:

- On conflict of interest;
- Suspected and presumed fraud or irregularity or material defect in the internal control system;
- Suspected infringement of laws, including securities-related laws, rules and regulations and
- Any other matter which should be disclosed to the Board of Directors immediately

No such issues arose at IDLC during the year ended 31 December 2017.

3.1.10 Immediate reporting to the Bangladesh Securities and Exchange Commission

If the Audit Committee has reported to the Board of Directors about anything that has a material impact on the financial conditions and results of operations of, and where the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such findings to the SEC, upon reporting of such matters to the Board of Directors for three such instances or completion of a period of 9 (nine) months from the date of first reporting to the Board of Directors, whichever is earlier.

No such circumstances arose during the year ended 31 December 2017.

3.2 Objectives and Activities of the Audit Committee

3.2.1 Objectives of the Audit Committee

The Audit Committee shall assist the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the Company. The committee will also ensure good monitoring systems within the business.

The principal functions of the Audit Committee are to exercise oversight over IDLC's risk management, financial reporting and regulatory compliance functions.

3.2.1.1 Activities during 2017

The Committee met seven (7) times during the year 2017 and carried out the following tasks:

- Reviewed internal audit reports issued by the Internal Control and Compliance Department during the year 2016
- Reviewed the report of the Audit Committee for 2016 prior to publication in the annual report 2016
- Reviewed and approved annual audit plan of Internal Control and Compliance Department for the year 2017
- Recommended for appointment of external auditors for the year 2017
- Discussed the financial statements for the year ended December 31, 2016 with external auditors and management prior to their finalization as per DFIM circular number 13
- Reviewed the financial statements of IDLC Finance Limited for the year ended December 31, 2016 as per clause no. 3.3 (v) of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission;
- Reviewed the management letter issued by ACNABIN, Chartered Accountants, statutory auditors of the company based on annual audit of financial statements of IDLC Finance Limited for the year ended December 31, 2016
- Reviewed Bangladesh Bank core risk inspection report as of June 30, 2016 and management responses thereon
- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the first quarter ended March 31, 2017
- Reviewed Finance and Accounting Manual of IDLC Finance Limited
- Reviewed half-yearly unaudited financial statements of IDLC Finance Limited and its subsidiaries for the half-year ended on June 30, 2017
- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the third quarter ended September 30, 2017
- Reviewed Bangladesh Bank's comprehensive inspection report on Corporate Head Office of IDLC Finance Limited based on information as of December 31, 2016 and management responses thereon

3.2.2 Internal controls are well conceived, properly administered and satisfactorily monitored

Based on the review of activities of ICC department in 2017, the Audit Committee is of the view that the internal control and compliance procedures are well conceived, properly administered and satisfactorily monitored which have been stated by the report of the Audit committee on pg. 201 of this annual report.

3.2.3 Ensuring compliance with Laws, Regulations and timely settlements of statutory dues

Being compliant ensuring sustainable business is the ultimate focus of IDLC. IDLC puts its best effort to remain compliant with all applicable laws and regulations including the regulatory reporting in due course. IDLC has never been penalized for any regulatory non-compliance.

3.2.4 Audit committee's involvement in the review of the external audit functions

On the basis of the proposal of the Audit Committee, the board recommended A.Qasem & Co. Chartered Accountants, a partnership firm in Bangladesh and a member firm of Ernst & Young Global Limited, to the shareholders in the 32nd AGM

to appoint them as statutory external auditors of the company for 2017. Accordingly the shareholders have approved their appointment.

Before their appointment as statutory auditors, declaration of their independence from IDLC was obtained, in compliance with DFIM Circular no. 04, dated April 30, 2015 of Bangladesh Bank.

In compliance with the BSEC corporate governance guidelines, the statutory auditors did not perform any activities other than the statutory audit.

During their tenure, ICC department has coordinated and reviewed their functions and reported to the Audit Committee. Before presenting the financials before the board, the committee at its 60th meeting held on February 14, 2018 reviewed their activities and hold a discussion with them in this regard. And the committee and the auditors, both have expressed their satisfaction.

Further, the auditors have also expressed their satisfaction on the action taken based on the recommendations of previous auditors, ACNABIN, Chartered Accountants and regulatory bodies, which they have stated in their audit report on pg. 227 of this annual report.

All these have been stated by the Audit Committee in their report on pg. 201 of this annual report.

3.2.5 Selection of appropriate accounting policies

While reviewing the financial statements for 2017 by the Audit Committee, they have reviewed that the financial statements were prepared following appropriate accounting policies that are in line with applicable accounting standards adopted by Institute of Chartered Accountants of Bangladesh (ICAB), which was also vetted by the statutory auditors and reflected in their report on pg. 227 of this annual report.

3.2.6 Review of interim financial statements before presenting to the board for authentication

In compliance with Bangladesh Bank DFIM circular No. 13, dated October 26, 2011 as well as the Terms of Reference (ToR) of the Audit Committee, the committee reviews the interim financials before presenting before the board.

3.2.7 Review of reliability of management information used for such computation

Based on the effectiveness of the internal control process along with its proper application and effective measures taken to prevent possible fraud and forgery, the Audit Committee expressed its satisfaction to the board on the reliability of management information used for preparation these financial statements.

Statutory auditors have also expressed their satisfaction in this regard and which was stated in their report on pg. 227 of this annual report.

4. Internal Control and Risk Management

4.1 Acknowledgment of Directors' responsibility in respect of internal control of IDLC

IDLC's Board of Directors acknowledges its overall responsibility for maintaining the adequacy and effectiveness of the Group's system of internal controls. The Board is of the view that the internal control framework is designed to manage the Group's risks within an acceptable risk profile, rather than completely eliminate the risk of failure to achieve the policies, goals and objectives of the Group. The Board therefore believes that it can provide only reasonable, rather than absolute, assurance regarding effectiveness against material mis-statements of management and financial information or against financial losses and fraud.

4.2 Internal control

IDLC has adopted the definition of internal control provided by the Committee of Sponsoring 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.

4.2.1 Key features of the internal control system

The Company's internal control system consists of five interrelated components:

a. The control environment

The control environment refers to the orientation, awareness and actions of those in the governance and management roles with regards to the Company's internal control and its importance in the entity. Elements under IDLC's control environment include:

Active participation by those charged with governance as evidenced through regular meetings of its Board of Directors and Audit Committee;

The communication and fostering of an environment that consistently requires integrity and ethical behavior as evidenced by regular communication and confirmation of its Code of Conduct and zero tolerance for illegal or unethical behavior;

A formal well-defined 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

b. Risk assessment

Risk assessment refers to the process/(es) with which the Company identifies and assesses risks in the achievement of its objectives.

A changing external and internal environment means that risk assessment is a dynamic process and must occur at all levels of the 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.

c. Control activities

Control activities are the policies and procedures that help ensure that the management directives are carried out. Control activities have various objectives and are applied throughout the Company at all levels and in all functions. These include activities such as authorization, reviews, reconciliations and verifications.

d. Information and communication

The information and communication component facilitates the functioning of the other components by providing information that is necessary for the attainment of Company objectives and by establishing a continuous process for collecting, sharing and disseminating necessary information from both within and outside the Company. Towards this end, the Company has established information systems that deal with internally generated data as well as external events, activities and conditions relevant to business decision-making to produce operational, functional and compliance-related information. In addition to Flexcube, our other customized software have greatly enriched the capabilities of the Company's information systems. In a more general sense, the IDLC culture encourages sharing of information and opinions across the management hierarchy and among different businesses, functions and departments.

e. Monitoring

Monitoring ensures that controls are operating as intended and that they are appropriately modified in response to changing conditions. At IDLC, this is achieved through a variety of measures including ongoing monitoring which occurs in the course of, and as a part of, day-to-day operations as well as separate management reviews, evaluations and periodic internal audits of various departments and business functions.

Although the Board of IDLC is primarily responsible for ensuring that the Company has an adequate and effective control system in place, ultimately, all employees are accountable for managing internal controls. Business and operational units, particularly department heads, are in-charge of ensuring that internal controls are established, well-documented and maintained across his / her department. The Internal Control and Compliance (ICC) department acts as a second line of defense through conducting tests on the efficiency and effectiveness of the control systems through audit.

A prudently designed management structure, clearly defined responsibilities, delegation of authorities, risk awareness, establishment of accountability at each level and a system of periodic reporting and performance monitoring represent the key elements of the internal control framework employed at IDLC.

4.3 Directors' reviewing the adequacy of internal control

Subject to the caveats of reasonable assurance mentioned earlier, the Board confirms that it has reviewed and assessed the Group's system of internal controls with regards to its adequacy and effectiveness in providing reasonable assurance regarding the achievement of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with the applicable laws and regulations.

4.4 Identification of key risks IDLC is exposed to – both internally and externally

Risk is the element of uncertainty or the possibility of loss that prevails in any business transaction in any place, in any mode and at any time. Risk is an integral part of the financing business. Risk management entails the adoption of several measures to strengthen the ability of an 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**

Details of the risks are described in Statement of Risk in page number 54.

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 page 54 of the report. The adequacy of the system of internal controls is reviewed by the Board of Directors as well.

4.5 Disclosure of the strategies adopted to manage and mitigate the risks

In order to address and mitigate the risks prudently, at IDLC, the following committees are operational:

- ✓ 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.

5. Ethics and Compliance

The Board's commitment to establishing the highest levels of ethics and compliance.

5.1 Disclosure statement on ethics

The IDLC Group remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in its Code of Conduct that covers, among other issues, the following areas:

- Their relationship with and responsibilities to IDLC.
- Their relationship with and responsibilities to customers.
- Compliance with laws and regulations.
- Acting in a professional and ethical manner.
- Protection of business assets.
- Disclosure of conflicts of interest.
- Prohibition of any conduct involving dishonesty, fraud, deceit or misrepresentation including insider trading.

The complete Code of Conduct can be read on pg. 14 of this annual report.

5.2 Dissemination of the statement of ethics and Code of Conduct

All IDLC employees are required to sign an annual declaration confirming that they have read and understood the Code of Conduct. The Human Resources department circulates the required declaration, and ensures that all employees signed the declaration. The Internal Control and Compliance (ICC) department, through regular audits, assesses whether any employees have breached the Code of Conduct.

5.3 Board's commitment to establishing high levels of ethics and compliance within IDLC

The IDLC Board acknowledges its responsibility for ensuring that the Company's business activities are conducted in accordance with the highest standards of ethics and compliance.

The Board views adherence to ethical standards and compliance as an integral part of the broader corporate governance framework and seeks to adopt a holistic approach in ensuring its implementation. As part of this, it has instituted a number of approaches to underline its commitment to high standards of ethical behavior:

- Setting down standards of expected behavior through the formulation and communication of a Code of Conduct.
- Installing a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis.
- Positioning Company policies and procedures on ethical foundations to ensure that ethical considerations are integrated in the day-to-day decision-making, activities and processes.
- Establishing a clearly-defined 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.

5.3.1 Code of Conduct for Board members

The Board of Directors of IDLC is committed to the highest standards of conduct in their relationship with IDLC employees, customers, members, shareholders, regulators and the public. This refers to conducting our business in accordance with all applicable laws and regulations and also represents our commitment to the spirit of the law. Our actions should reflect IDLC's values, demonstrate ethical leadership and promote a work environment that upholds IDLC's reputation for integrity, ethical conduct and trust. This Code is intended to provide a statement of the fundamental principles applicable to our Directors.

Our Directors are encouraged to bring forth questions about particular circumstances that may involve one or more of the provisions of this Code to the Chairman of the Board.

In compliance with the revised corporate governance 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.

5.3.2 Scope of the Code of Conduct

(a) A member must observe the Board's Code of Conduct whenever he/she:

- Conducts the business of the Board
- Acts as a representative of the Board

(b) The Board's Code of Conduct shall not have any effect in relation to the activities of a Board member undertaken other than in an official capacity, except and in so far as otherwise indicated

(c) Where a Board member acts as a representative of the Board at the meeting of another public body or Committee, he/she must, when acting in that capacity, comply with the Board's Code of Conduct, except and in so far as it conflicts with any other legal obligations to which he/she may be subject to.

5.3.3 General obligation

The Code of Conduct for Board members of the Company includes:

A. Prudent conduct and behavior

Each Board member should seek to use due care in the performance of his / her duties, be loyal to the Company, act in good faith and in a manner that such a Board member reasonably believes to be not opposed to the best interests of the Company. A Board member shall seek to:

i. Make reasonable efforts to attend Board and Committee meetings

ii. Dedicate time and attention to the Company

iii. Seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the Company

iv. Act in the best interest of, and fulfill their fiduciary obligations to, the Company's shareholders

v. Use due care and diligence in performing their duties of office and in exercising their powers attached to that office

B. Business opportunities

In carrying out their duties and responsibilities, the Board members shall avoid:

(ii) Appropriating corporate business opportunities for themselves that are discovered through the use of Company property or information or their position as Board member

(ii) Using Company property or information, or their position as Board member, for personal gain

(iii) Competing with the Company

C. Conflict of interest

Each Board member shall endeavor to avoid having his or her private interests interfere with:

(i) The interests of the Company

(ii) His or her ability to perform his or her duties and responsibilities objectively and effectively

The Board members shall avoid receiving or permitting members of their immediate family to receive improper personal benefits from the Company, including loans from or guarantees of obligations by the Company.

A Board member shall make a full disclosure to the entire Board of any transaction or relationship that such a member reasonably expects could give rise to an actual conflict of interest with the Company and seek the Board's authorization to pursue such transactions or relationships.

D. Company property

In carrying out their duties and responsibilities, the Board members shall endeavor to ensure that the management is using the Company's assets, proprietary information and resources to be used by the Company and its employees only for legitimate business purposes.

E. Confidential information

The Board members shall maintain confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the Company or legally mandated or if such information is in the public domain.

The Company's confidential and proprietary information shall not be inappropriately disclosed or used for the personal gain or advantage of any Board member other than the Company. These obligations apply not only during a Board member's term but thereafter as well.

F. Fair dealing

In carrying out their duties and responsibilities, the Board members shall endeavor to deal fairly and should promote fair dealing by the Company, its employees and agents with customers, suppliers and employees.

G. Compliance with laws and regulations

In carrying out their duties and responsibilities, the Board members shall comply and endeavor to ensure that the management is causing the Company to comply with all applicable laws, rules and regulations.

In addition, if any Board member becomes aware of any information that he / she believes constitutes evidence of material violation of any securities or other laws, rules and regulations applicable to the Company or the operation of its business, by the Company or any employee or another Board member, then such a Board member should bring such information to the attention of the CEO & Managing Director of the Company.

H. Insider trading

The Board members shall not engage in insider trading with respect to the purchase and sale of the Company's securities. The Board members shall not buy or sell securities while in possession of material non-public information about the issuer of that security, whether the issuer is IDLC or any another company. The Board members shall also not pass such information to someone who may buy or sell securities. The Code of Conduct for Board members sets forth guidelines for conduct and they affirm compliance with the Code on an annual basis. Accordingly, IDLC's Board designed the Code of Conduct for all the members of the Board and its annual compliance has been recorded for 2017. To abide by the code of integrity and good governance in line with the National Integrity Strategy of Bangladesh, IDLC constituted an 'Integrity Committee', composition and functions of which in detail are given on pg. 175 of this annual report.

5.4 Existence of effective anti-fraud programs and controls through whistle-blower mechanism

In recent times, the Company has come to identify the risk of fraud as one of the emerging issues in the overall risk management framework. Planned anti-fraud initiatives include the introduction of a whistle-blower mechanism. Whistleblower Guideline has been approved on December 17, 2017 Additionally, emphasis is placed on strengthening existing processes or activity levels and anti-fraud controls are embedded within the overall system of internal controls.

5.5 Redress of investor's complaints and recommendation

IDLC has a formal complaint and recommendation management process that is open to all stakeholders including both investors and customers. A dedicated complaints cell is headed by a senior member of the management for dealing with complaints and recommendations. Those may also be dropped at complaint boxes kept at all IDLC branches or can be submitted online on the IDLC website: www.idlc.com.

6. Remuneration Committee

IDLC's Remuneration Committee has been established in the named "HR and Compensation Committee" on 24 May 2007 to provide a forum for discussion on the Company's various HR-related issues.

6.1 Roles and responsibilities of the Committee

The principal role and function of the HR and Compensation Committee is to assist the human resource department in developing and administering a fair and transparent procedure for setting policies on the Group's overall human resource strategy. The responsibility of the committee is to ensure wide, equal opportunity and transparency in terms of suitable recruitment, compensation on the basis of merit, qualification and competence, adequate training and development facilities, performance evaluation and promotion based on individual performance and contribution and other benefits-related issues with regards to the Company's operating results and comparable market statistics. The Composition, responsibilities and process of holding of the meeting of the committee is stated on pg. 175 of this annual report.

6.2 Composition of the Committee

As per Bangladesh Bank guideline, IDLC being a financial institution can only form 2 (two) committees: Executive Committee and Audit Committee, as sub-committee of the Board.

Hence, in compliance with the regulation, IDLC has form the committee with the following senior executives' including the CEO & MD, executive director of the board.

As disclosed in the table in section 1.4 above, the composition of the Committees is as follows:

- ✓ Arif Khan, CFA, FCMA; CEO & 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 Resource
- ✓ Md. Masud K. Majumder, ACA, Group Chief Financial Officer
- ✓ Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning

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

In compliance with the latest circular issued by Bangladesh Bank, vide DFIM Circular No. 13, dated November 30, 2015, directors are only entitled to the remuneration for attending the meeting of the board and its sub-committees.

Also in compliance with the DFIM Circular No. 02, dated March 25, 2015, of Bangladesh Bank, the remuneration of the CEO & Managing Director is approved by the Bangladesh Bank as recommended by the board.

Remuneration of all other employees are determined by the CEO & Managing Director.

6.4 Number of Meetings held and work performed

There were four meetings of the HR Compensation Committee in the 2017.

6.4.1 Work Performed in 2017

The four meetings were held with following agenda:

January 2017-

1) Employee promotion phase I

2) Performance bonus

June 2017-

3) Salary revision

4) Employee promotion phase II

6.5 Remuneration of chairman, directors, CEO and senior executives

6.5.1 Chairman & directors:

As stated earlier, in compliance with the policy mentioned earlier, the chairman of the board and other members are entitled to the remunerations. The remuneration paid to the chairman and directors during 2017 have been disclosed on pg. 213 of this annual report.

6.5.2 CEO & Managing Director

Remuneration paid to the CEO & MD as approved by Bangladesh Bank has also been disclosed on pg. 284 of this annual report.

6.5.3 Remuneration of senior executives

Remuneration for senior executives is market-based and competitive in order to attract, motivate and retain skilled and competent employees. The total remuneration package to senior executives comprises basic pay, allowances, retirement benefits (Gratuity and Provident Fund) and other benefits as per company's policies. Executives are also paid a variable amount each year (yearly performance bonus) determined based on the performance of the company and the outcome in the executive's personal area of responsibility and individually established targets that were set in the beginning of the year.

7. Human Capital

IDLC considers its human resources as its most important asset. We mobilize people and teams through engaging them with leading and cutting-edge financial industry practices and also as an attractive employer. IDLC offers a broad spectrum of opportunities for both professional and personal development as well as a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the knowledge, skills and enthusiasm of our employees are a major force that enables us to achieve consistent growth. IDLC believes its human resource is the most important driver of building and running the Company. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals.

7.1 Human resources policy

Disclosure of general description of the policies and practices codified and adopted by the Company with respect to human resource development and management, including succession planning, merit-based recruitment process, performance appraisal system, criteria for promotion and reward and motivation, training and development, grievance management and counselling are well-defined in the section "Our Human Capital" on pg. 111 of this annual report.

7.2 Organizational chart

IDLC's organizational chart outlines the internal structure of the Company. It emphasizes on the roles, responsibilities and relationships between individuals within the Company. It is used to depict the structure of IDLC as a whole as well as the Company segregated by divisions and departments.

The organizational chart is shown on pg. 112 of this annual report.

7.2.1 Structure

The Company's management structure comprises the CEO & Managing Director and the management team (ManCom). The ManCom is responsible for developing 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.

7.2.1.2 Management Committee (ManCom)

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

The Committee is responsible for all aspects of the ongoing operations of IDLC. It delegates day-to-day operations to the Executive Officer. A significant feature of good governance is

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

7.2.2 Performance review

The CEO is responsible for setting financial targets as well as operational and management goals for the members of the ManCom. Both short-term and long-term goals form part of the performance management of all senior executives. Longterm goals are directly linked with the Company's vision. Short-term goals are generally directly linked to the objectives of the Company. The CEO and the Evaluation Committee conduct a detailed review of the performance of senior executives against these goals on an annual basis at the end of each year.

7.3 IDLC Ladies Forum (IDLC LF)

IDLC has launched its first Ladies Forum through a formal ceremony with the participation of all the female employees from different levels of positions, working areas and distribution points to address their views, problems and opinions to facilitate a better working environment for them. This Forum will provide all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. This will enable IDLC's management to better understand and address these issues and develop strategies accordingly.

8. Communication and Relationship with Shareholders

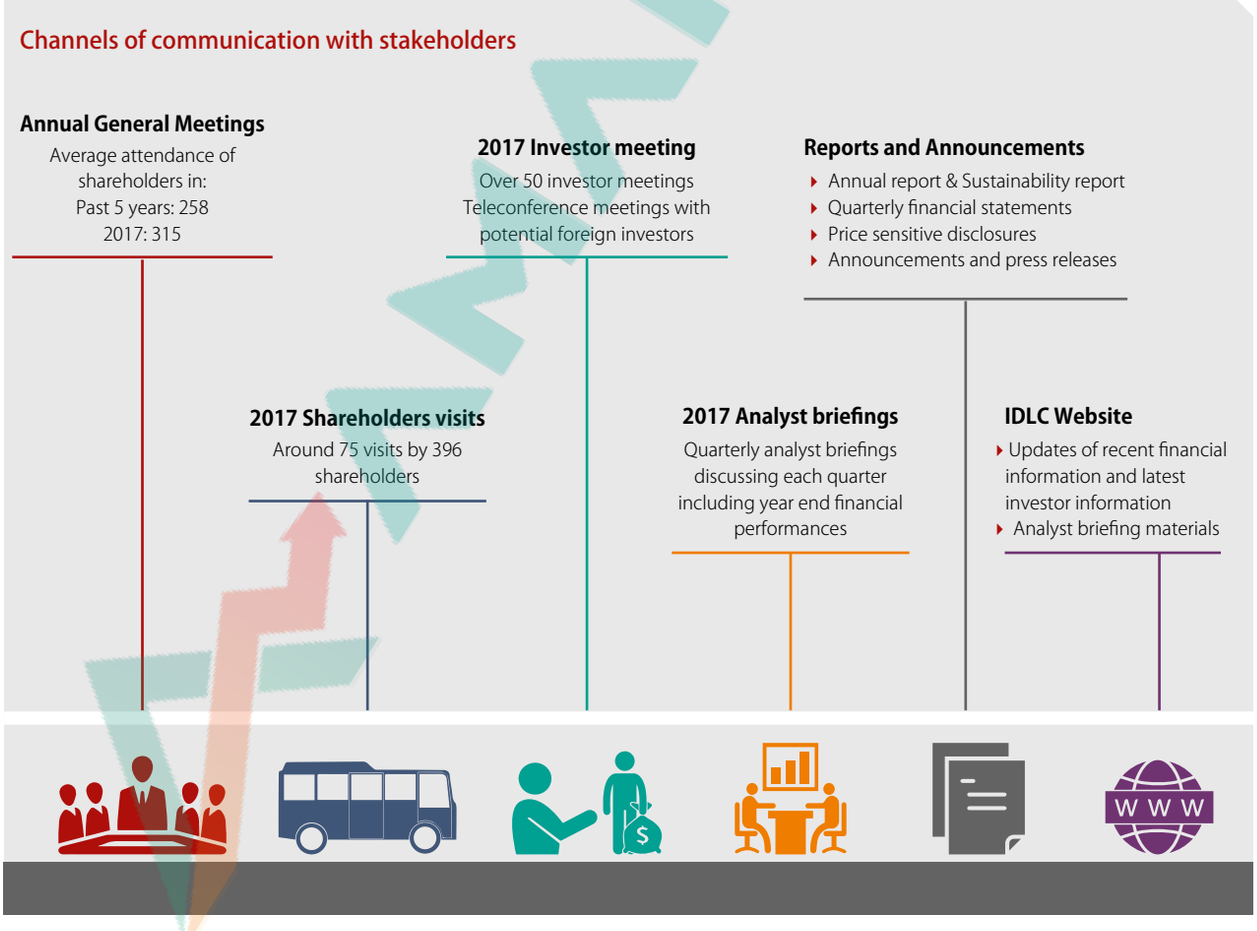
8.1 Strategy to facilitate effective communication with shareholders

It is the Company's policy that all external communication by the Company will:

- Be factual and subject to internal vetting and authorization before issue
- Not omit material information
- Express information in a timely, clear and objective manner IDLC strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives.

8.1.1 Way of communication with the stakeholders

The following diagram illustrates the multiple channels of communication with shareholders:



a. Communication through website

The Company's website www.idlc.com displays, inter-alia, the Annual Reports, half yearly reports, quarterly reports, monthly business reviews, product offerings, recent announcements, presentations and event updates.

All disclosures required by the Bangladesh Securities and Exchange Commission, Listing Regulations of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited and the Bangladesh Bank in the form of Price Sensitive Information (PSI) are made adequately and promptly. In addition to ensuring timely compliance, this also enables dissemination of information to all stakeholders and the public through print and online media.

b. Communication through quarterly reports

The Company reports to its shareholders four times a year through quarterly and half-yearly reports and a detailed Annual Report.

c. Quarterly earning disclosure

In the following day of the authentication of quarterly financial statements by the board, IDLC arranges a quarterly earning disclosure meeting with the analyst, press and foreign investors through webinar to explain and update further about the company in addition to the financials.

8.2 Policy on ensuring participation of shareholders

The Members whose names would appear in the Register of Members of the company and/or in the Depository on the 'Record Date' will be eligible to attend AGM and entitled to the Dividend as approved.

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

Pursuant to Article 81 of the Articles of Association, a corporate member of the company, by resolution of the Board of Directors or other Governing Body of such body corporate, may authorize such person as it thinks fit, to act as representative at any meeting of the members of the company.

Annual Report, Attendance Slip and Proxy Form along with the Notice will be sent to all the Members by Courier Service/ Post. The Members may also collect the Proxy Form from the Registered Office of the company. These will also be available in the website of the company: www.idlc.com.

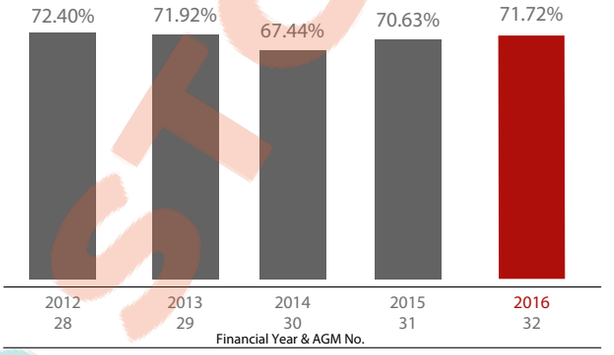
Members/proxies are need to register their entry at the AGM in the counter at the entrance of the AGM venue.

8.2.1 Communication through AGM

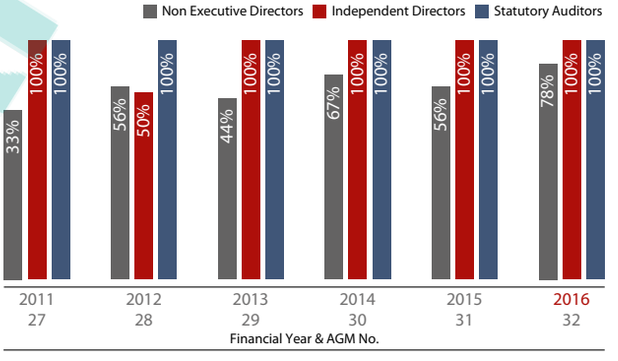
All shareholders have the right to attend the Annual General Meeting where they can meet and communicate with the Directors and express their views regarding the Company's business, its future prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or, if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

The shareholders who attend the AGM have the option to ask questions and give suggestions to the Board members during the AGM. The CEO & Managing Director, on behalf of the Board, answers the queries of the shareholders.

Percentage of shareholders who have attended the Annual General Meeting in the last five years



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



8.2.2 Process of communicating the schedule

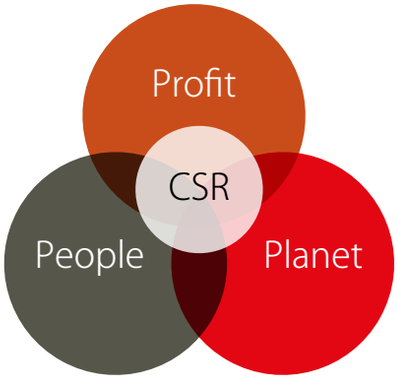
At least 14 to 21 days before the AGM, hard copies of the Annual Report and notice of the AGM are mailed to shareholders as on the Record Date. Notice of the AGM is sent to the Dhaka Stock Exchange (DSE), Bangladesh Securities and Exchange Commission (BSEC), online newspapers and print media. The notice of the AGM is also made available on the company website.

9. Environmental and Social Obligation

9.1 Policy and practices on environmental and social obligation

At IDLC, we believe in the concept of a sustainable business, one that integrates good governance, environmental issues

and social concerns with its business strategies to maximize value for stakeholders. IDLC's sustainability model is based on the 3P approach – People, Planet and Profit:



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

Accordingly, IDLC has aligned its CSR (corporate social responsibility) initiatives to deliver on this commitment and aid community empowerment and responsible environmental management in a sustainable manner.

9.2 Activities undertaken

At IDLC, we are also focusing on Earth and its sustainability, shifting from the traditional financing approach. In this regard, we are making our credit appraisal process to be much more stringent from an environmental and social (E&S) perspective – evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to approving a loan. Being the only listed member of UNEP FI, we have been following Environmental Risk Management guideline 2011 by Bangladesh Bank. Taking this approach one step further, IDLC is in the process of adopting an extensive environmental and social management system (ESMS) across the 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 pg. 125 of this annual report.

10. IDLC's Overall Governance

At IDLC, the Board of Directors are responsible to shareholders for ensuring that the Company is appropriately managed and that it achieves its strategic objectives. It meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance, to set the Company's risk appetite and to provide oversight that the Company is adequately resourced and effectively controlled. The specific duties of the Board are clearly set out in its Terms of Reference (ToR) that address a wide range of corporate governance issues and list those items that are specifically reserved for decision by the Board. Matters requiring Board approval include:

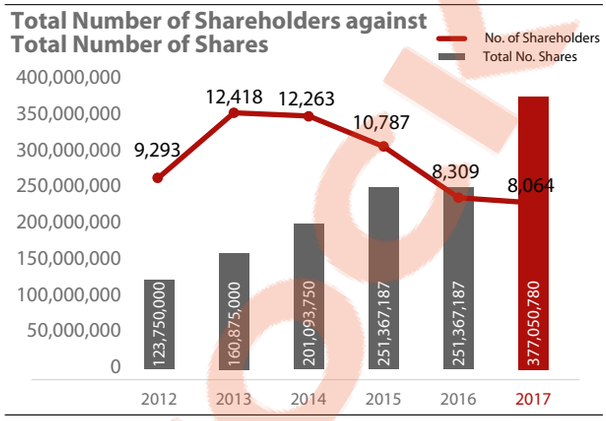
- Group strategy, business plans and performance monitoring
- Financial reporting and controls, capital structure and dividend policy
- Group risk appetite and framework and risk management policies
- Corporate governance
- Others (shareholder documentation, Board and committee succession planning, constitution of Board committees, Board effectiveness review, committee reports and key business policies)

In pursuit of business sustainability and within the ambit of our integrated reporting framework, our governance structure, stewarded by our well-composed Board (as detailed above with regards to their core responsibilities), helps in value creation over the medium and long term. Some of the drivers that enable us to generate consistent value include the following:

- Our robust 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 institutional shareholders both local and foreign and other reputed financial participants in the market. Thus IDLC's shares have been concentrated among limited no. of shareholders specially institutions, which has reflected in the following graph:



- In our focus on reinforcing our governance culture and framework, we are implementing ongoing governance practices that go beyond the stipulated legal requirements. For instance, our focus on green banking not only fosters the development of green assets and environmental friendly practices but, in fact, aims to create an overall compliant corporate culture by helping clients understand and mitigate key environmental and social risks in their long-term plans and manufacturing facilities;
- One of the agenda of our Board is also to gauge the levels of innovation fostered within the enterprise even as the diversity of our Board enables us to understand the key trends shaping the market / industry and convert these into relevant business opportunities. Our women entrepreneur empowerment product, IDLC Purnota, is an excellent case in point demonstrating our ability to innovate a solution around a pressing need – that of ensuring viability among women in business; and
- Our best-in-class remuneration and incentives structures are continually aligned with the market, ensuring that our pay and benefit structures are among the best in the industry. These not only enable us to attract and retain core talent but also keep our workforce motivated and engaged enough for the organization to reach its short, medium and long range goals and objectives, thus fostering a win-win relationship.

Statutory Reporting

Key Pointers for Shareholders

IDLC is very much concern of the stakeholders' interest on the company including the potential investors. IDLC with 33 years of financial expertise helps its clients to decide in taking right financial decisions. The following historical information will help our current and potential investors for their decision making:

Financial calendar to the stakeholders

Events for the year	2017	2016
Publication of Financial Statements for the 1st Quarter	April 26, 2017	April 28, 2016
Publication of Financial Statements for the Half-year	July 20, 2017	July 29, 2016
Publication of Financial Statements for the 3rd Quarter	October 17, 2017	October 18, 2016
Annual Financial statements approved by the Board	February 14, 2018	February 20, 2017
Date of Record	March 08, 2018	March 14, 2017
Dispatching notice for the Annual General meeting	March 09, 2018	March 15, 2017
Dispatching of Annual Report	March 14, 2018	March 15, 2017
Holding of Annual General Meeting	March 29, 2018	March 30, 2017
Transfer/ payment of Dividend	Expected within April 25, 2018	April 27, 2017

Comparative Shareholding Structure of IDLC as on December 31

Types of Share Holders	2017		2016	
	Number of Shares	% of Shares	Number of Shares	% of Shares
Sponsor/Director	213,642,577	56.66	149,969,402	59.66
Institutions	60,283,024	15.99	54,991,296	21.88
Individuals	59,688,255	15.83	35,712,452	14.21
Foreign	43,436,924	11.52	10,694,037	4.25
Total shares held	**377,050,780**	**100.00**	**251,367,187**	**100.00**

Top ten shareholders of IDLC as on December 31

Sl. No.	Name of the shareholders	2017		2016	
		Number of shares held	% of Issued shares	Number of shares held	% of Issued shares
	The City Bank Limited (CBL) and its subsidiaries	**87,510,575**	**23.21 %**	**60,854,056**	**24.21%**
1	The City Bank Limited (CBL)	33,935,329	9.00 %	25,137,225	10.00%
2	City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90 %	24,885,352	9.90%
3	City Brokerage Limited	16,247,218	4.31 %	10,831,479	4.31%
	Transcom Group	**50,273,164**	**13.33%**	**33,515,443**	**13.33%**
4	Eskayef Pharmaceuticals Limited	30,164,062	8.00%	20,109,375	8.00%
5	Transcraft Limited	15,132,033	4.01%	10,088,022	4.01%
6	Bangladesh Lamps Limited	4,977,069	1.32%	3,318,046	1.32%
7	Sadharan Bima Corporation (SBC)	28,727,494	7.62%	19,151,663	7.62%
8	Reliance Insurance Limited	26,393,553	7.00%	17,595,702	7.00%
9	Mercantile Bank Limited	20,737,791	5.50%	18,852,538	7.50%

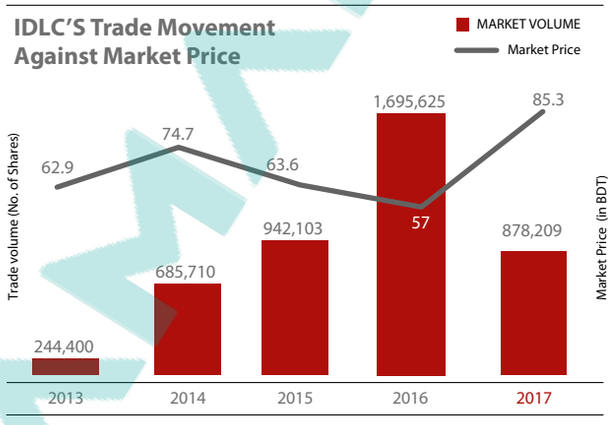
Sl. No.	Name of the shareholders	2017		2016	
		Number of shares held	% of Issued shares	Number of shares held	% of Issued shares
10	Bangladesh Fund	6,330,000	1.68%	8,040,750	3.20%

Equity statistics of IDLC important to the stakeholders:

Particulars	2017	2016	2015	2014	2013
Number of shares in issue (No.)	377,050,780	251,367,187	251,367,187	201,093,750	160,875,000
Net asset value per share (BDT)	33.41	23.70	20.65	17.31	14.22
Market Capitalization (BDT in million)	32,162.43	14,327.93	15,986.95	15,021.70	10,119.04
Market value addition per share (BDT)	51.89	21.44	32.63	42.24	29.57
Shareholders' equity (BDT in million)	12,597.48	8,937.84	7,785.96	6,527.83	5,362.76

IDLC'S share price as on December 31

Particulars	2017	2016	2015	2014	2013
Highest (BDT)	85.9	57.80	64.00	75.7	64.5
Lowest (BDT)	84.9	55.60	61.60	73.7	62.5
Closing (BDT)	85.3	57.00	63.60	74.7	62.9
Shares traded (No.)	878,209	1,695,625	942,103	685,710	244,400
Market Turnover (BDT in million)	74.97	96.50	59.55	51.42	15.47



Disclosures under Pillar III- Market Discipline

A) Scope of application

Qualitative Disclosures:

The name of the top corporate entity in the group to which this guidelines applies.

- **IDLC Finance Limited**

An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

- The IDLC Group has three wholly owned subsidiaries: IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited, which are fully consolidated.

Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

- **Not applicable.**

Quantitative Disclosures:

The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.

- **Not applicable.**

B) Capital structure

Qualitative Disclosures

Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.

- **Tier 2 capital includes:**

i) General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk;

ii) Revaluation reserves:

- 50% Revaluation reserve for fixed assets;
- 45% Revaluation reserve for securities;

iii) All other preference shares.

- **Conditions for maintaining regulatory capital:**

The calculation of Tier 1 capital, and Tier 2 capital, shall be subject to the following conditions:

i) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.

ii) 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities are eligible for Tier 2 capital.

Quantitative Disclosures:

The amount of Tier 1 capital, with separate disclosure of:

Particulars	Amount in BDT crore
Paid up capital	377.05
Non-repayable share premium account	126.06
Statutory reserve	209.84
General reserve	100.00
Retained earnings	442.15
Minority interest in subsidiaries	0.00
Non-cumulative irredeemable preference shares	-
Dividend equalization account	4.65
Total Tier 1 capital	**1,259.75**

(c)	**The total amount of Tier 2 capital**	**53.37**
(d)	Other deductions from capital	-
(e)	**Total eligible capital**	**1,313.12**

C) Capital Adequacy

Qualitative Disclosures

(a A summary discussion of the FI's approach to assessing the adequacy of its capital to support current and future activities.

- **Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)**

IDLC has adopted Standardized Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio i.e. 10% and adding the resulting figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Regulatory Capital as on numerator to derive Capital Adequacy Ratio.

- **Strategy to achieve the required Capital Adequacy:**

Operational level:

Immediate measures:

- Asking unrated Corporate clients to have credit rating from External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank;
- Rigorous monitoring of overdue contracts to bring those under 90 days overdue;
- Assessing incremental effect of capital charge over the

expected net income from financing before sanctioning any appraisal, which could be one of the criteria for taking financing decision.

Continuous measures:

- Concentrating on SME clients having exposure up to BDT 1 crore as this will carry 75% fixed risk weight (for regular contracts only);
- Financing clients having good credit rating;
- Using benefit of credit risk mitigation by taking eligible financial collaterals against transactions;
- Focusing more on booking high spread earning assets and thus increasing retained earnings.

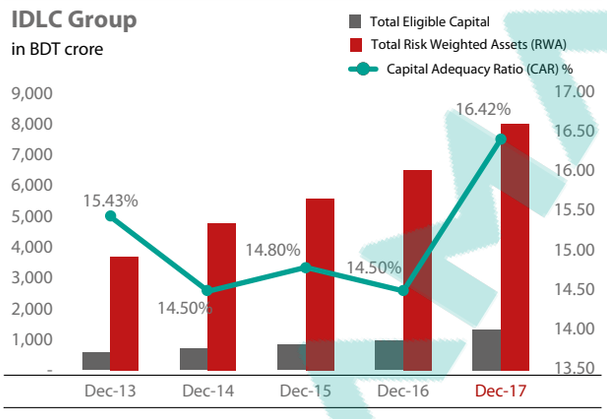
Strategic level:

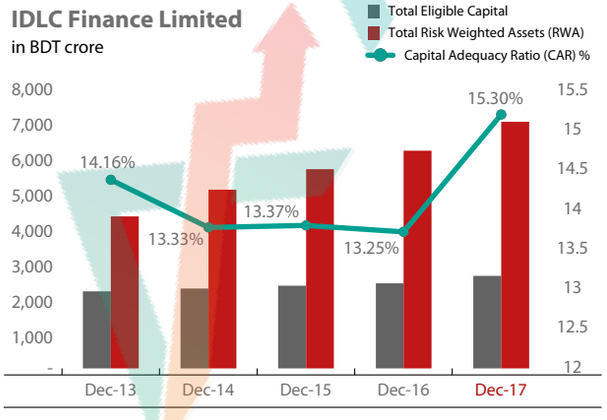
- Injecting fresh capital by issuing right shares, if required.

Quantitative Disclosures		Amount in BDT crore
(b)	Capital requirement for Credit Risk	5,689.90
(c)	Capital requirement for Market Risk	1,507.53
(d)	Capital requirement for Operational Risk	801.74

(e) Total and Tier 1 capital ratio:

- For the consolidated group; and
- For stand alone





Particular	Consolidated	Stand Alone
CAR on Total capital basis (%)	16.42	15.30
CAR on Tier 1 capital basis (%)	15.75	14.57

D) Credit Risk

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk, including:

- Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

- Description of approaches followed for specific and general allowances and statistical methods;

Specific and General provisions are maintained according to the relevant Bangladesh Bank guideline. For Example, 0.25% provision is maintained against SME-Standard loan/ lease, 1% provision is maintained against good loans (other than SME-Standard loan/ lease, 5% against SMA loan/ lease, 20% against sub-standard loan/ lease, 50% against doubtful loan/ lease and 100% against bad/loss loan/ lease after deducting the amount of interest expenses and value of eligible securities from the outstanding balance of classified accounts.

- Discussion of the FI's credit risk management policy.
- Implementation of various strategies to minimize risk:
  - To encounter and mitigate credit risk the following control measures are taken place at IDLC:
  - Looking into payment performance of customer before financing;
  - Annual review of clients;
  - Adequate insurance coverage for funded assets;
  - Vigorous monitoring and follow up by Special Assets Management and collection Team;
  - Strong follow up of compliance of credit policies by Credit Administration Department;
  - Taking collateral and performing valuation and legal vetting on the proposed collateral;
  - Seeking legal opinion from internal and external lawyer for any legal issues;
  - Maintaining neutrality in politics and following arm's length approach in related party transactions;
  - Regular review of market situation and industry exposure;
  - Sector-wise portfolio is maintained within specific limits to ensure diversification of loan assets.

In addition to the industry best practices for assessing, identifying and measuring risks, IDLC also considers Guidelines for Managing Core Risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank; vide FID Circular No. 10 dated September 18, 2005 for management of risks.

- **Approved Credit Policy by the Board of Directors**

The Board of Directors has approved the Credit Policy for the company where major policy guidelines, growth strategy, exposure limits (for particular sector, product, individual company and group) and risk management strategies have been described/stated in detail. Credit Policy is regularly updated to cope up with the changing global, environmental and domestic economic scenarios.

- **Separate Credit Risk Management (CRM) Department**

An independent Credit Risk Management (CRM) Department is in place, at IDLC, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. Research team of CRM regularly reviews market situation and exposure of IDLC in various industrial sub-sectors. CRM has been segregated from Credit Administration Department in line with Central Bank's Guidelines. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

- **Special Assets Management and Collection Team**

A strong Law and Recovery Team monitors the performance of the loans & advances, identify early signs of delinquencies in portfolio, and take corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

- **Independent Internal Control and Compliances Department (ICC)**

Appropriate internal control measures are in place at IDLC. IDLC has also established Internal Control and Compliances Department (ICC) to ensures, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control and documentation procedures. ICC frames and implements policies to encounter such risks.

- **Credit Evaluation**

The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects considering the current global financial crisis and its probable impact on the project.

Risk Grading Model (RGM) helps a Financial Institution to understand the various dimensions of risks involved in transactions related to small business clients who are plying their businesses in various geographical locations across the country. IDLC has been developing and managing RGM to promote the safety and soundness of the Company by facilitating informed decision-making. This model measures credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows management and examiners to monitor changes and trends in risk levels. The process also allows the management to manage risk to optimize returns.

To mitigate credit risk, IDLC search for credit report from the Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by CRM and CEC to understand the liability condition and repayment behavior of the client. Depending on the report, banker's opinions are taken from client's banks. Suppliers' and buyers' opinion are taken to understand the market position and reputation of our proposed customers.

- **Credit Approval Process**

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multilayer system. Depending on the size of the loan, a multilayer approval system is designed. As smaller loans are very frequent and comparatively less risky, lower sanctioning authority is set to improve the turnaround time and associated risk. Bigger loans require more scrutiny as the associated risk is higher. So sanctioning authority is higher as well.

- **Credit Quality and Portfolio Diversification**

IDLC believes in diversification in terms of products as well as sectors. To mitigate the Credit Risk, the company diversifies its loan exposure to different sectors confirming the Central Bank's requirements. Threshold limit is set for any sector so that any adverse impact on any industry has minimum effect on IDLC's total return. Central Bank's instructions are strictly followed in determining Single Borrower/Large Loan limit. Significant concentration of credit in terms of groups or geographical location is carefully avoided to minimize risk.

- **Early Warning System**

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It enables the company to grow its credit portfolio with ultimate objective to protect the interest of stakeholders.

- **NPL Management**

IDLC measures its loan portfolio in terms of payment arrears. The impairment levels on the loans and advances are monitored regularly.

As per FID Circular No.3 dated March 15, 2007:

1. Loan/Lease, classified as bad/loss and with 100% provision, can only be written-off.
2. Approval from the Board of Directors has to be taken before write-off.
3. The financial institutions should constantly try to recover the loan/lease written-off amount. If legal action has not been taken against the client, legal charges should be placed before the write off.
4. To expedite the legal settlement or collection of the due amount, third party agents can be appointed by the financial institutions.
5. A separate ledger should be maintained for the written off loans/leases and the accumulated written off value should

be disclosed separately under the heading of "notes to the account" in the annual report/balance sheet of the financial institutions.

6. Even if the loan/lease has been written off, the client should be classified as defaulter and reported to CIB accordingly.

Detail records for all such write off accounts are meticulously maintained and followed up.

Counterparty Credit Rating

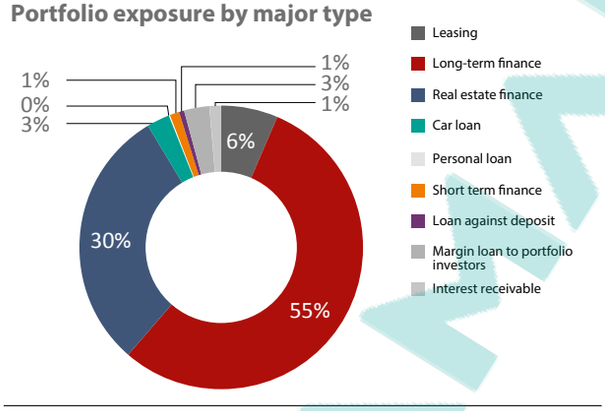
IDLC is taking initiatives to rate the Corporate Clients of the company immediately by the External Credit Assessment Institutions (ECAIs)/Rating Agencies duly recognized by the Central Bank. As on December 31, 2013, 464 clients with total net exposure of BDT 1451.15 crore were eligible for credit rating. Among these 464 clients, 171 clients having net exposure of BDT 937 crore had valid credit ratings. That is, about 65% of ratable exposure was rated. We are optimistic of getting more counter party ratings by 2014.

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.

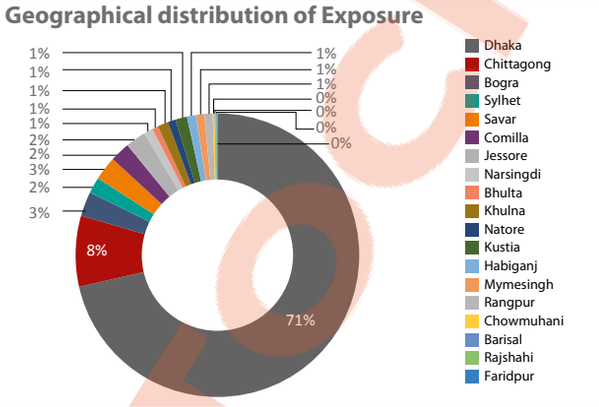
Quantitative Disclosures

(b) Total gross credit risk exposures broken down by major types of credit exposure.



Particulars	Amount in BDT crore
Leasing	462.88
Long-term finance	3,924.28
Real estate finance	2,146.15
Car loan	185.85
Personal loan	9.29
Short term finance	77.77
Loan against deposit	41.52
Margin loan to portfolio investors	206.33
Interest receivable	95.78
Total	**7,149.85**

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



Area	Amount in BDT crore
Dhaka	5,106.33
Chittagong	577.23
Bogra	200.49
Sylhet	129.95
Savar	193.76
Comilla	161.55
Jessore	165.13
Narsingdi	73.94
Bhulta	49.90
Khulna	86.39
Natore	62.42
Kustia	96.56
Habiganj	73.13
Mymesingh	68.07
Rangpur	67.35
Chowmuhani	14.99
Barisal	6.53
Rajshahi	9.84
Faridpur	6.30
Total	**7,149.85**

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

Sector	Amount in BDT crore
Agriculture	260.62
Cement and Allied Industry	45.76
Electronics and Electrical Products	81.50
Food Production and Processing Industry	209.84
Garments and Knitwear	300.13

Sector	Amount in BDT crore
Glass, Glassware and Ceramic Industry	50.73
Housing	2,217.96
Iron, Steel and Engineering	260.35
Jute and Jute products	11.96
Leather and Leather Goods	6.11
Paper, Printing and Packaging	96.89
Pharmaceuticals and Chemicals	107.52
Plastic Industry	36.47
Power, gas water and sanitary services	39.27
Ship Manufacturing Industry	0.61
Telecommunication and Information Technology	133.55
Textile	331.44
Trade and Commerce	1,444.21
Transport and Aviation	147.29
Others	1,284.37
Total	**7,066.56**

Beside these, IDLC group portfolio includes total margin loan to clients by our capital market subsidiaries (IDLC SL and IDLC IL) of amount BDT 206.33 crore but does not include Loan to subsidiaries paid by IDLC Finance Limited of amount BDT 123.03 crore, which should be deducted from the portfolio. Therefore, the total industry exposure amounts to **BDT 7,149.85 crore**.

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Particulars	Amount in BDT crore
Repayable on demand	637.03
Over 1 month but not more than 3 months	427.96
Over 3 months but not more than 1 year	1,616.25
Over 1 year but not more than 5 years	3,233.07
Over 5 years	1,235.56
Total	**7,149.85**

(f) Gross Non Performing Assets (NPAs)

Non Performing Assets (NPAs) to Outstanding Loans & advances

Movement of Non Performing Assets (NPAs)

Particulars	Amount in BDT crore
Opening balance	181.89
Additions	69.40
Reductions	55.85
Closing balance	195.44

Movement of specific provisions for NPAs

Particulars	Amount in BDT crore
Opening balance	59.52
Provisions made during the period	27.59
Write-off	(20.40)
Write-back of excess provisions	(9.08)
Closing balance	57.63

E) Equities: banking book positions

Qualitative Disclosures

The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and

- Total equity shares holdings are for capital gain purpose.

Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

- Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and condition of regulatory authority. On the other hand, unquoted share is valued at cost price or book value as per latest audited accounts.

Quantitative Disclosures

Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.

(Amount in BDT Crore)

Particulars	Cost Price	Market Price
Quoted shares	419.53	-
Unquoted shares	672.49	764.53

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

- Nil

Particulars	Amount in BDT crore
Total unrealized gains (losses)	0.79
Total latent revaluation gains (losses)	-
Any amounts of the above included in Tier 2 capital.	-

Capital requirements broken down by appropriate equity groupings, consistent with the FI's methodology, as well as the

aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.

- **Specific Risk-** Market value of investment in equities is BDT 764.53 crore. Capital Requirement is 10% of the said value which stand to BDT 76.45 crore.
- **General Risk-** Market value of investment in equities is BDT 764.53 crore. Capital Requirement is 10% of the said value which stand to BDT 76.45 crore.

F) Interest rate in the banking book

Qualitative Disclosures

The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of an assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis. IDLC measure the Interest Rate Risk by calculation Duration Gap i.e. a positive Duration Gap affect company's profitability adversely with the increment of interest rate and a negative Duration Gap increase the company's profitability with the reduction of interest rate.

Quantitative Disclosures

The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

Maturity wise Distribution of Assets-Liabilities

(Amount in BDT Crore)

Particulars	1 to 30/31 day (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year
1	2	3	4	5	6
A. Total Rate Sensitive Liabilities (A)	591.42	710.75	787.06	650.99	700.55
B. Total Rate Sensitive Assets (B)	631.81	583.33	624.37	797.51	987.80
C. Mismatch	40.40	-127.42	-162.69	146.52	287.25
D. Cumulative Mismatch	40.40	-87.02	-249.71	-103.19	184.06
E. Mismatch (%)	6.83%	-17.93%	-20.67%	22.51%	41.00%

Interest Rate Risk - Increase in Interest Rate

Magnitude of Shock	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio	-5.25	-10.51	-15.76
Net Interest Income	3.68	7.36	11.04
Revised Regulatory Capital	1,311.54	1,309.97	1,308.40
Risk Weighted Assets	7,999.18	7,999.18	7,999.18
Revised CAR (%)	16.40%	16.38%	16.36%

G) Market risk

Qualitative Disclosures

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

The capital requirements for Market Risk:

Particular	Amount in BDT crore
Interest rate risk	-
Equity position risk	150.75
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:

Opreational 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 BDT crore
Capital requirement for operational risk:	80.14

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, communication, dissemination and book keeping of any declaration, published or publicly available information, statement etc. of securities issuer
- Collection, book keeping and communication of gain, income, profit, stake on behalf of clients
- 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
- Each client receives his/her due dividends, bonus share, right share, interest, principal etc. in a timely manner
- No unwarranted change in the assets, records, agreements etc. occur
- Prevent loss, theft, damage due to natural calamity

As on December 31, 2017, IDLC Finance Limited is the custodian of 240,980,665 ordinary shares of RAK Ceramic (Bangladesh) Limited held by RAK Ceramics, PSC, UAE and 7 individual sponsor shareholders. IDLC Finance Limited has entered into an agreement during 2014 with RAK Ceramics PSC, UAE regarding providing security custodian service.

IDLC Finance Limited is providing security custodian service for 8,477,970 ordinary shares of Aamra Networks Limited held by Augere Holdings (Netherlands) B.V. In 2017, another agreement was entered with SEAF Bangladesh Ventures LLC for providing custodian service for 1,285,832 ordinary shares of ADN Telecom Limited.

AMARSTOCK

Notice of the 33rd Annual General Meeting

Notice is hereby given to all the Members of IDLC Finance Limited (IDLC) that the 33rd Annual General Meeting of the company will be held on **March 29, 2018 (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:

FLG180329-0033-01	Adoption of Directors' Report, Auditors' Report along with the Audited Financial Statements for the year ended December 31, 2017;
FLG180329-0033-02	Approval of dividend for the year 2017 as recommended by the Board;
FLG180329-0033-03	Election of Directors including the confirmation of appointment of Independent Directors; and
FLG180329-0033-04	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 09, 2018

Notes:

- As notified earlier the **"Record Date"** was **Thursday, March 08, 2018.** 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 33rd AGM and entitled to the Dividend as approved ;
- 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 (mobile phone) through their respective Depository Participant (DP) before the 'Record Date'. Advance Income Tax (AIT) @15% (instead of 10%) will be deducted from the eligible cash dividend amount, if anyone fails to update his/her BO Account with the 12 Digit TIN before the Record Date;
- A Member may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 103 of the Articles of Association of the company. The proxy form, duly completed and stamped, must be deposited at the office not later than 72 hours before the time scheduled for holding the meeting;
- Pursuant to Article 81 of the Articles of Association, a corporate member of the company, by resolution of the Board of Directors or other Governing Body of such body corporate, may authorize such person as it thinks fit, to act as representative at any meeting of the members of the company;
- Annual Report, Attendance Slip and Proxy Form along with the Notice will be sent to all the Members by Courier Service/Post. The Members may also collect the Proxy Form from the Registered Office of the company. These will also be available in the website of the company: www.idlc.com;
- Members/proxies are 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 29, 2018.**

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের নির্দেশনা অনুযায়ী আসন্ন বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার/কোন ধরনের কুপন প্রদানের ব্যবস্থা থাকবে না।

Report of the Audit Committee

Scope of work of Audit Committee

The scope of the Audit Committee of IDLC Finance Limited is determined by its Terms of Reference (ToR) which, in turn, are shaped by directives from its principal regulators, Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC). These include, but are not limited to, exercising oversight over:

- The internal control system of the company
- Financial reporting
- The Internal Control and Compliance department
- Compliance with regulatory requirements

The Committee is authorized to investigate any matter within its terms of reference, access all documents and information of the company, seek information from any director or employee of the Group and co-opt any resource (including external professional assistance) it sees fit in order to fulfill its duties. However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit.

The Committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee Chairman attends all general meetings of the Company's shareholders to answer any questions on the committee's activities.

Review of financial statements by the Audit Committee

The Audit Committee reviewed the annual financial statements for the year 2017 and placed its recommendations to the Board of Directors.

Review of the activities of the Internal Control and Compliance (ICC)

Major activities of the ICC department during the year were as follows:

- Execution of risk-based annual audit plan 2017;
- Review of internal control system to create robust control mechanism;
- Issuance of timely responses to inquiries by regulators and other government agencies;
- Coordination of regulatory inspections and statutory external audit;
- Coordination of management responses to the external audit and regulatory inspection reports;
- Management of IDLC Complaint cell;
- Monitoring of anti-money laundering compliance procedures;
- Conduct of 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:

- As per resolution of Chief Anti-Money Laundering Compliance Officer (CAMLCO) Conference 2017, organized anti-money laundering training program in Dhaka South and Rajshahi region for the officials of Financial Institutions for overall development of the financial industry.
- Coordinated to implement Taxpayer's Identification Number (TIN) Certificate verification process through online National Board of Revenue (NBR) web-based portal facilities.
- Coordinated with Election Commission Bangladesh to avail online National Identity (NID) verification facilities.
- Coordinated Operational Risk Management activities in the company.

All this enables the Committee to evaluate major risk areas, issue broad level guidance for management so as to ensure effective controls are in place and to provide accurate, appropriate and timely information to the Board of Directors, regulatory bodies and shareholders.

External audit

A. Qasem & Co. Chartered Accountants, a partnership firm in Bangladesh and a member firm of Ernst & Young Global Limited, acted as statutory external auditors of the company for 2017.

Independence of External Auditor

As a policy, the Committee prohibits the external auditors from performing any work that they may subsequently need to audit, or which might otherwise create a conflict of interest. The Committee also monitors the balance between audit and non-audit related functions to ensure that auditor independence can be shown to be maintained.

The external auditors are not engaged by the company on any material non-audit work such as:

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;

- Actuarial services; and
- Internal audit services

The Audit Committee appraised the expertise, resources, independence and objectivity of the external auditors and also reviewed their effectiveness as external auditors before reaching the recommendation to the Board that their re-election should be proposed to shareholders.

Resolutions of the Audit Committee meeting

The Committee met seven (7) times during the year 2017 and carried out the following tasks:

- Reviewed internal audit reports issued by the Internal Control and Compliance Department during the year 2016
- Reviewed the report of the Audit Committee for 2016 prior to publication in the annual report 2016
- Reviewed and approved annual audit plan of Internal Control and Compliance Department for the year 2017
- Recommended for appointment of external auditors for the year 2017
- Discussed the financial statements for the year ended December 31, 2016 with external auditors and management prior to their finalization as per DFIM circular number 13
- Reviewed the financial statements of IDLC Finance Limited for the year ended December 31, 2016 as per clause no. 3.3 (v) of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission;
- Reviewed the management letter issued by ACNABIN, Chartered Accountants, statutory auditors of the company based on annual audit of financial statements of IDLC Finance Limited for the year ended December 31, 2016
- Reviewed Bangladesh Bank core risk inspection report as of June 30, 2016 and management responses thereon
- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the first quarter ended March 31, 2017
- Reviewed Finance and Accounting Manual of IDLC Finance Limited
- Reviewed half-yearly unaudited financial statements of IDLC Finance Limited and its subsidiaries for the half-year ended on June 30, 2017
- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the third quarter ended September 30, 2017
- Reviewed Bangladesh Bank's comprehensive inspection report on Corporate Head Office of IDLC Finance Limited based on information as of December 31, 2016 and management responses thereon

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, 2017. 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 2017 is prepared based on going concern assumption:

Financial Indications

Fixed term debt with realistic renewal or repayment.

At the close of financial year 2017, total borrowing from other banks and financial institutions was BDT 11,400 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 2017, total short-term borrowings were BDT 3,355 million, representing 29.43% 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 27% in total deposits in 2017.

Positive key financial ratios

The Company's financial ratios indicate sound financial strength and prospects and are evident from financial highlights given on pg. 99-100 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 pg. 100 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 2017 which is same as the year 2016, 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 18.76% and 18.52%, respectively, in 2017 as compared with 2016.

Operating indications

Strengthening of Human Capital

During the year 2017, the Company has recruited 290 new employees, which resulted in a net increase in human resource count to 1,318 at the end of the year 2017, in comparison to 1,261 at the end of the year 2016.

Average length of service of an employee at IDLC was 3.53 years in 2017 (3.01 years in 2016). A report on human resource has been given on pg. 111 of this Annual Report.

Business expansion

IDLC is continuously expanding its segment geographically by opening new branches (five 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 2017, 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 pg. 279 and at "Disclosure under Pillar III-Market Discipline" on page no. 192.

Strong equity base

As on 31 December 2017, total equity of IDLC stands at BDT 12,597 million (BDT 8,938 million in December 31, 2016), representing an increase of 41% 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-bank financial institution. The composite rating adjudged by the Bangladesh Bank signifies satisfactory performance of IDLC. The report contained no adverse material observations of the Bangladesh Bank on the activities of the Company.

Changes in government policy

The management anticipates no significant changes in legislation or government policy, which may materially affect the business of the Company.

Statement of Directors' Responsibilities for Internal Control, Financial Reporting and Corporate Governance

Responsibility for financial statements

The Directors are responsible for ensuring that the Company keeps proper books of accounts of all the transactions and prepares financial statements, which give a true and fair view of the state of its affairs and profit/ loss for the year.

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements. It ensures that the estimates and judgments relating to the financial statements were made on a prudent and reasonable basis so that they reflect in a true and fair manner, the form and substance of transactions and reasonably presents the Company's true state of affairs.

The Board of Directors confirm that the International Financial Reporting Standard (IFRS) and International Accounting Standards, as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, have been adhered to, subject to any material departure being disclosed and explained in the notes to the accounts.

The Board also confirms that the Company keeps accounting records, which disclose with reasonable accuracy, the financial position of the Company, and which enables it to ensure that the financial statements comply with the requirements of the Companies Act, 1994, Securities and Exchange Rules, 1987, Financial Institutions Act, 1993, and Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and amendments thereto.

Responsibility for internal control systems

To ensure this, the Company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The internal control and compliance department of the Company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Responsibility for Corporate Governance

At IDLC, we view the governance and oversight of our distinctive business model and prudent strategy as key to the ongoing creation and delivery of value to our stakeholders, particularly in an economic environment that remains both uncertain and challenging.

At our Company, the Board's primary role is to provide leadership, ensure that it is appropriately managed and deliver long-term shareholder value. It also sets the Group's strategic objectives and provides direction as a whole. A number of key decisions are reserved for and may only be made by the Board, which enables it and the executive management to operate within a clear governance framework.

At IDLC, we have also established and embraced - both in letter and spirit - our Code of Conduct, signed by each and every member as an acceptance to adhere to the principles of the Code during all business dealings. The Code also sets out guidance on best practices in the form of principles and provisions on how we should adopt and follow good governance practices. It has been the Board's view that the Company's governance regime has been fully compliant with the best practices set out in the Code during the year under review.

Opinion of external auditors

The auditor of the Company, A. Qasem & Co., Chartered Accountants, member firm of Ernst & Young Global Limited, have carried out annual audit to review the system of internal controls, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the management together with all the financial records, related data, minutes of shareholders and Board meetings, relevant policies and expressed their opinion.

Moreover, in compliance with the conditions of the Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) vide their notification no. SEC/ CMRRCD/2006-158/134/Admin/44, dated 07 August 2012, Mazumdar Sikder and Associates, Cost and Management Accountants, have 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.

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, 2017; 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.

Macroeconomic review

Breaking the long-standing average 3.4% growth cycle, the global economy picked up momentum from the end of 2016 that spilled over to 2017. Accordingly, International Monetary Fund (IMF) revised up the global GDP growth rate forecast to 3.6% and 3.7% for 2017 and 2018, respectively on the back of firmer domestic demand growth in advanced economies and China and improved performance in other large emerging market economies. Emerging markets & developing economies are expected to grow at 4.6%, while advanced economies are expected to grow at 2.2%.

GDP Growth Rate

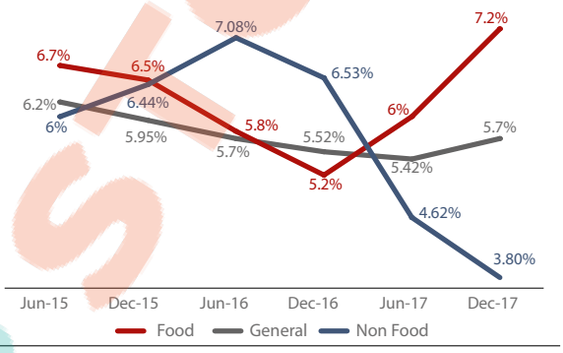


(Source: Monetary Policy January-June 2018, Banglades Bank from Bangladesh Bureau of Statistics)

In this global purview, Bangladesh remains a keenly observed developing economy as it continues its impressive track record of achieving a steady growth of over 6%, and attaining the coveted 7.28% growth rate in the fiscal year 2016-2017. Rising private sector credit demand coupled with stable political situation bolstered the overall economic growth during the last fiscal year. Investment is a major impetus to Bangladesh's growth which has majorly been contributed by public sector investment that saw an increase to 7.4 percent in FY 2016-17 from 6.7 percent in FY 2015-16; resulting in investment as a share of GDP to go up to 30.5 percent in FY 2016-17.

This positive economic outlook is further reflected in the slowly declining CPI inflation rate over the last couple of years owing to prudent macroeconomic management in the backdrop of political stability to reach 5.4% in FY'17, well below the target of 5.8%. However, on the onset of floods during second half of 2017, the food inflation revealed increasing trends. In spite of the food and commodity price pressures, the 12-month average inflation was 5.70% on December 2017.

Twelve Months' Average Inflation



(Source: Monetary Policy January-June 2018, Banglades Bank)

Among all the positives, however, the current account deficit increased substantially over the year and stood at a USD 1,480 million during fiscal year 2016-2017. Growth in imports outpaced growth in exports by several folds due to rise in imports of global commodity, food and capital machinery. Based on November 2017 data, remittance in USD saw a negative growth of 2.2% year-on-year basis, thus deteriorating the current account status. Moreover, Bangladeshi Taka against the US Dollar gradually depreciated from 78.8 at the end of 2016 to 82.7 at the end of 2017, while the foreign exchange reserve stood at USD 33.2 billion as on December 2017.

While food inflation index increased in the second half of 2017, the interest rate spread narrowed from 4.7 percent in June 2017 to 4.4 percent in November 2017. The tightening of spreads reflect the gradually heightening deposit rates as banks' demand for additional funding rises, as credit growth outpaced deposit growth. The weighted average bank deposit rate stood at 4.89% as on October 2017 which was 5.22% in Dec 2016. The weighted average rate on advances reached its lowest point in October 2017 at 9.39% which was 9.93% in December 2016. The weighted average spread also hit the lowest point in October 2017 at 4.5%. The private sector credit growth picked up significantly, recording 19.06% year-on-year (YoY) growth in November, 2017 compared to 15.66% YoY growth in June, 2017, driven by the political stability, low inflation and low interest environment; surpassing private sector growth expectation set by Bangladesh Bank for the fiscal year 2018 at 16.3%. The public sector borrowing however saw a negative 14.77% year-on-year growth as the government continued to borrow from National Savings Certificates.

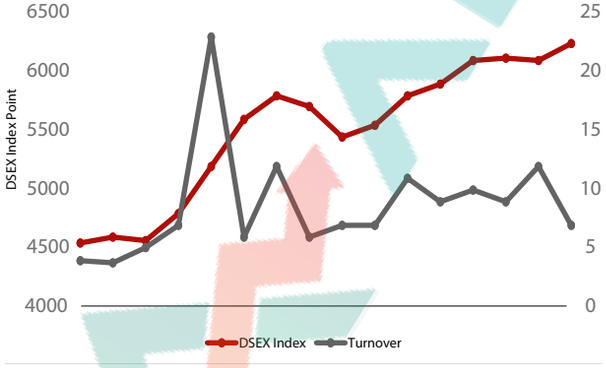
However, in spite of some challenges stemming from flood-related damages and stressed credit conditions, the economic activities remain buoyant in the fiscal year 2018, underpinned by both domestic and external demand. While the Central Bank takes stringent measures to manage the asset-liability ratio to improve the credit conditions of the financial frontier, the strong import demand for capital machinery and industrial raw materials the economic growth continues its escalated momentum seen in the latter part of 2017. In complete alignment, as is expected in a growing economy, the inflation risks appear on the upside, but subdued global inflation and favorable regional inflation may mitigate some domestic inflation pressure, provided that food inflation remains in control. In addition, with the hopeful phenomena of both readymade garments and total exports picking up during July-December of FY 2017-18 and improved inflow of remittances in comparison to that of 2017, the negative factors are expected to be countered in the near future, paving way for materializing Government's Vision 2021.

Capital markets review

Declining interest rates in 2016 which spilled over to earlier parts of 2017 boosted the country's capital market. The Dhaka Stock Exchange Index, the country's premier bourse, gained 24% in 2017. Backed by increased participation of retail investors, the market liquidity, which is measured by DSE turnover, recorded its highest in 2017 since the largest stock market correction in 2010-11, with the daily average turnover value standing at a robust BDT 8,800 million in 2017. The trading was further benefitted by the increased participation of overseas investors and positive macroeconomic outlook.

The DSEX traded between index value of 6,244 in December 2017 and 5,036 in December 2016, with the all-time high index value 6,336.88 being recorded in November. Banks and Non-bank Financial Institutions became the lead benefactor followed by multinational companies and insurance companies.

DSEX Index and Turnover (In BDT Billion)



(Source: Monetary Policy January-June 2018), Bangladesh Bank

IDLC's performance

In conjunction with the growing economy and relatively steady business environment, IDLC Finance Limited focused on enhancing growth through widening the customer base by playing on its core strengths of a) a strong brand recall, b) well-established customer service culture c) high-quality human resource, d) focused compliance and governance frameworks, e) growing emphasis on technology, f) continued enhancement of alignment of customer needs with product profiles and g) engaging communities to build a sustainable institution and in turn the society at large . Overall, the year 2017 was one during which we not only focused on the institutional growth of IDLC but also on 'engaging communities to spread happiness' in every form and matter; thus further strengthening our drive to a sustainable and 'happy' future.

During the year 2017, the Company reported a Net Interest Income of BDT 3,995 million and Net Income after Tax of BDT 2,277million, which contributed to a notable growth of 40.95% in shareholders' equity. This demonstrates effective deployment of capital and resources as the business continues to lead in terms of performance. The Net Interest Income and Net Income after Tax reported a healthy 6.97% and 27.91% growth over the previous year (2016).

Total loan book size increased by over 14.92% to BDT 71,498 million as on December 31, 2017. With the continued aim to ensure quality portfolio growth, we have managed to further reign the Non-Performing Loans (NPL) to 2.77% in 2017, compared with 2.98% in 2016. Our robust screening process and our inflexible stance in adhering to sustainable growth has enabled us to restrain our NPLs, which is in paradox to the industrial trend. This also resulted in a higher Capital Adequacy Ratio of IDLC Group, from 14.51% in 2016 to 16.42% in 2017, on the back of inflow of capital through our successful Rights Issue of shares and controlled Risk Weighted Assets.

IDLC's Rights share issue

IDLC Finance Limited obtained approval for issuance of Rights offer for 125,683,593 ordinary shares (1R:2 Ordinary Shares held) of BDT 10 each at an issue price of BDT 20 per share, including a premium of BDT 10 per share from Bangladesh Securities and Exchange Commission (the "BSEC") vide letter no BSEC/CI/RI-104/2015/668, dated November 22, 2016.

Purpose of the rights issue:

As stated in the Rights Share Offer Document, the purpose of issuance of Rights share has been to strengthen the capital base of the Company and subsequently maintain a healthy Capital Adequacy Ratio (CAR) as per the "Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) for Financial Institutions" under BASEL Accord. The proceeds from Rights issue were planned to be invested to increase the lending portfolio of the Company as well as to maintain its smooth growth.

Utilization of the fund from Right Issue:

The fund generated from right issue was utilized as per the following purpose and schedule, which are in line with the objective outlined in the Rights Share Offer Document. The report on utilization of fund outlined below has been certified

by Masih Muhith Haque & Co., Chartered Accountants, correspondent firm of RSM International.

Capital Raised Through Right Issue	: BDT 2,513.67 million
Date of Close of Subscription	: January 19, 2017
Proceeds Receiving Date	: From January 26, 2017 to March 01, 2017
Last Date of Full Utilization of Fund as per ROD	: Within 6 (Six) months after receiving right issue fund
Fund fully utilized on or before	: July 10, 2017

Sl. No.	Purpose Mentioned in Right Share Offer Document(ROD)	Time line as per ROD	Revised Time Line	Amount as per ROD	Amount as per Revised Utilization Plan	Status of Utilization			
						Total Utilized Amount	Utilized (%)	Total Un-utilized Amount	Un-utilized (%)
a)	Investment in SME lending portfolio	6 Months	N/A	1,500,000,000	N/A	1,500,000,000	100%	-	0%
b)	Investment in Retail/ Consumer lending portfolio	6 Months	N/A	600,000,000	N/A	600,000,000	100%	-	0%
c)	Investment in Corporate lending portfolio	6 Months	N/A	413,671,860	N/A	413,671,860	100%	-	0%
	Total			2,513,671,860		2,513,671,860	100%	-	0%

IDLC has deployed 60% of its fund in the comparatively high yielding SME portfolio, 24% in the retail/consumer portfolio and rest 16% in the corporate portfolio. Each of the individual categories portfolio has performed well over the year and has contributed as a whole in the growth of IDLC.

The rights fund itself, as well as the return from the portfolio, have contributed to build a sound equity base of IDLC FL as on December 31, 2017 of BDT 10,569 million, which is 39% higher than 2016.

By maintaining a sound portfolio and thus reducing the risk weighted assets at optimum level, IDLC FL has increased its Capital Adequacy Ratio (CAR) at 15.30% over 13.25% in 2016, higher of 205 basis points.

Business analysis

In hand with a prolific product basket that also entails an integrated capital market platform under three wholly-owned subsidiaries (IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited), IDLC retains its distinction of being a role model in the financial market of the country with its focus on continuous improvement of operational quality and providing client-specific solutions. During the year 2017, the Company continued to build on its advantages to optimize 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-bank financial institution of Bangladesh.

IDLC's major business segments comprises of SME financing, Consumer Financing, Wealth Management and Corporate financing. While the SME division is focused on providing comprehensive financial solutions to medium and small enterprises, the corporate financing unit is engaged in providing larger and more sophisticated financial services to large and established corporations. The Consumer financing business, which has a typical business-to-consumer orientation, is engaged in providing quality home and car loans whereas Wealth Management provides a holistic solution to cater to management of funds in the form of deposits and various tailored capital market based solutions.

On the overall, while our total loan book has increased by BDT 9,281.68 million or 14.92% to BDT 71,498.55 million, our term deposit base is up by BDT 12,378.69 million or 26.07% to BDT 59,853.62 million, as on 31 December 2017.

Our SME division led our overall asset portfolio with a loan book of BDT 30,851 million, up by BDT 4,797 million or 18.41% over the previous year; a significant achievement considering the intense marketplace competition. This growth was made possible on account of innovative customer relationship management that is reflected in our low Turnaround Time (TAT), resulting in reduced non-performing loan for the segment, a feature which in itself is a milestone considering the prevailing market trend.

Recognizing the immense unexplored customer base in this segment, we took to focus on a more granular level. We started off the plan in 2017 by expanding our national footprint to include Faridpur, Rajshahi, Chowmuhani & Barisal in our branch basket, along with the Dhaka region expansion to encompass Elephant Road; to target the vibrant commercial hubs of the country. In addition, we are working to revolutionize the sales points in the form of low cost distribution centers to spread out our customer-serving channels. Equipped with our proficient and regularly trained resource personnel coupled with the technology platform that we are building, we aim to delve into financing at a more micro level in the near future.

The Consumer division experienced an increase in its loan portfolio to BDT 24,152 million registering a 12.78% rise over the last year. During 2017, we focused on retail penetration that is reflected in the 18.21% increase in our home loan portfolio amounting to BDT 21,731 million in comparison to BDT 18,383 million in 2016. There is immense untapped potential in not only the urban housing finance market but also in several semi-urban areas, which we plan to explore in the upcoming years, on the back of alternative modes of client sourcing. Our focus on better credit control and client monitoring has allowed a stronghold on the non-performing loan ratio which we plan to continue in the near future. With our car loans, we continued to employ a cautious approach in order to ensure the curbed NPL we enjoyed in 2017.

In retrospect, our Wealth Management profile enunciated strong payoff. In tandem to the 27.28% growth witnessed by our term deposit balance of IDLC Finance to BDT 60,538 million, our capital market services such as Easy Invest and the newly launched 'IDLC Balanced Fund', IDLC's first open-ended mutual fund, showed remarkable performance. With our aim to provide a holistic wealth management solution tailored to customer requirements, IDLC has managed to retain its foothold in the market despite the stressful interest rate competiveness that erupted in the second half of 2017 and continues in 2018.

Despite the strict competition prevalent in the corporate financing arena, IDLC's Corporate division managed to plough 7.66% increase in their loan portfolio in 2017, reaching BDT 14,432 million. The growth has been possible through re-generation of some expired relationship as well as creation of new relationships with some prominent and big corporate houses. Corporate division in this endeavor created unique customer experience by focusing more on integrated relationship management approach and offered innovative & flexible product offerings. This exceptional service was equipped by sophisticated professional service generated by highly capable relationship managers. Two separate wings, Structured Finance Division (SFD) and Sustainable Financing Unit (Green Banking), have complemented the growth of core corporate financing business.

In 2017, the Structured Finance Department (SFD) focused on advisory services and corporate structuring functions; a fruitful route that would continue to be explored in the following year. Being in a knowledge-intensive business where the opportunity of expanding the understanding and awareness of different sophisticated financing products is high, our SFD arranged subordinated debt for banks and engaged in specialized corporate endeavors such as raising equity of social clubs.

In conjunction, our Green Banking Unit has been remodeled to encompass a targeted approach, in order to combat the inherent challenges in this financing segment. With a view to protect and ensure environmental sustainability, our green financing loan book amounted to BDT 612.95 million in 2017, aided by a disbursement of BDT 366.88 million in 2017. The Green Banking Unit not only tends to financing green initiative, it also works to make IDLC a green institution. Working on this goal, IDLC Finance Limited has received an award in "Best Green Initiative" Category for being the 1st financial Institution to achieve a LEED Certified Green Office (World Trade Centre Branch, Chittagong) at 8th Bangladesh Infrastructure Innovation and Development (BIID) Expo 2017.

Riding on the back of the soaring bourse during 2017, our capital market subsidiaries, IDLC Investments Limited (IDLCIL), IDLC Securities Limited (IDLCSL) and IDLC Asset Management Limited (IDLCAML) turned in strong performances. While IDLCIL recorded a robust net profit after tax of BDT 276.52 million (62.58% growth over 2016), IDLCSL achieved a profound growth in net profit to BDT 379 million (267.1% growth over 2016). In a breakthrough development, IDLC Asset Management Limited (IDLCAML) in its second year of operation, launched IDLC's first open-ended mutual fund 'IDLC Balanced Fund' to cater to the highly potential market of mutual funds. In line with managing mutual funds and providing alternative investment services, IDCLAML culminated a noteworthy net profit after tax worth of BDT 39.09 million.

IDLC's treasury team continued to demonstrate excellent performance in both managing liquidity on one hand and keeping the cost of funds at reasonable levels on the other. While the money market started experiencing some tightness in the latter half of 2017, the Treasury team's prudent fund management kept IDLC in a comfortable position and well within the boundaries of all ALM (Asset Liability Management) recommended by the Central Bank and the Board of Directors of IDLC.

Overall financial analysis

Amount in BDT million

Particulars	IDLC Group		
	2017	2016	Growth (%)
Net interest income	3,995	3,735	6.97%
Other operating income	2,286	1,429	59.92%
Total operating income	6,280	5,164	21.62%
Total operating expenses	2,336	1,959	19.23%
Profit before provisions	3,945	3,205	23.09%
Provision for loans/investments	233	156	49.45%
Profit before taxes	3,712	3,049	21.74%
Provision for taxes	1,435	1,269	13.09%
Net profit after taxation	2,277	1,780	27.91%

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 other operating income witnessed a growth of 6.97% and 59.92%, respectively, during 2017 on the back of a 14.92% in the customer loan book and significant increase in fee and investment incomes.

Corresponding increase in operating expenses was 19.23% on account of i) opening of 5 new branches ii) regular increment in administrative costs and iii) increased investments in human resources in the form of recruitment of 290 new employees, effect of restructures made in compensation packages in the prior year and increased training and development efforts.

Profit before provision increased by 23.09% as against a 21.62% increase in total operating income. Although the provision charges against loans/investments appears quite high at 49.45% in 2017, it should be noted that the low provision charges in 2016 was on account of reversal of provisions made against diminution in the value of securities. The reversals led to a comparative perplex, as in actuality the provisions in 2017 are in line with the business growth and the market trend as the non-performing ratio has declined to 2.77% in 2017 from 2.98% in 2016.

Comparison of actual and budgeted performance of IDLC Group

Amount in BDT million

Particulars	IDLC Group		
	Actual	Budget	Variances (%)
Net interest income	3,995	4,492	-11.08%
Other operating income	2,286	1,627	40.48%
Total operating income	6,280	6,119	2.63%
Total operating expenses	2,336	2,484	-5.95%
Profit before provisions	3,945	3,636	8.49%
Provision for loans/investments	233	276	-15.73%
Profit before taxes	3,712	3,360	10.49%
Provision for taxes	1,435	1,302	10.19%
Net profit after taxation	2,277	2,057	10.68%

The bottom-line variance reveals IDLC Group in a favorable view as IDLC exceeded, in terms of Net Profit after Tax, the budget set for the year 2017. 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 for amidst intense competition which verged on price war couple with increasingly tightening interest margins; it was well compensated by i) 26.22% increase in Fee Income driven by the brokerage business where IDLC's market share increased from 3.48% in 2016 to 4.02% in 2017, and ii) smart choices in investment that yielded a 127.42% increase in investment income. Overall, the group exceeded the operating Income target by 2.63%. With the prudent management of expenses the operating expenses were capped below 6% of budgeted growth. Another big savings against budgeted numbers came from provision charges 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 controlled at a significantly lower level than the budgeted amount. Overall, the financial performance was indeed satisfactory and places the group in good light for future growth.

Quarterly disclosed financial performance and 2017 financial performance:

As stipulated by law, the Company is required to publish the financial performance of its 1st, 2nd and 3rd quarters. The quarterly financial performance and the yearly performance are indicated in the following table:

Amount in BDT million

Particulars	Quarterly performance - IDLC Finance Limited				
	2017				
	Q1	Q2	Q3	Q4	Year 2017
Net interest income	904	1,017	978	906	3,805
Other operating income	263	256	285	193	997
Total operating income	1,167	1,272	1,263	1,099	4,801
Total operating expenses	479	500	459	497	1,934
Profit before provisions	688	772	804	603	2,867
Provision for loans/ investments	98	43	(5)	93	228
Profit before taxes	591	730	809	510	2,639
Provision for taxes	256	270	313	219	1,057
Net profit after taxation	335	460	496	291	1,582

Particulars	Quarterly performance - IDLC Group				
	2017				
	Q1	Q2	Q3	Q4	Year 2017
Net interest income	950	1,065	1,015	965	3,995
Other operating income	689	451	692	453	2,286
Total operating income	1,639	1,516	1,707	1,418	6,280
Total operating expenses	568	591	573	604	2,336
Profit before provisions	1,071	925	1,135	814	3,945
Provision for loans/ investments	102	41	(3)	92	233
Profit before taxes	969	884	1,137	721	3,712
Provision for taxes	368	316	498	253	1,435
Net profit after taxation	601	568	640	468	2,277

The above table depicts that the company was fairly consistent throughout the year in terms of performance and generating profits with a dip in the last quarter due to several factors: i) narrowing of the interest spread as seen in the market trend. This was mainly due to strong upward pressure on deposit rates against the downward/stable trend in lending rates. Ii) decrease in fee income from the brokerage business as the overall capital market activities slowed down markedly in the last quarter culminating in a significant decrease in trade volumes in the market, iii)slight increase in operating expenses as the overall marketing, administrative and employee engagement related activities for the year were ramped up in the last quarter and iv) increase in provision charges against loans as the company

took proactive steps in downgrading some classified accounts subjectively and providing for probable losses from those accounts in the future. However, it should be noted here that some of the reasons mentioned above tend to demonstrate a seasonal/cyclical nature and slight decrease in profits was experienced in the last quarter of 2016 as well. We are confident that the company will manage the transition from decreasing interest rate environment to an increasing one prudently and will deliver strong financial performance in 2018 as well.

IDLC's contribution to the economy of Bangladesh

Being a key player in the financial market not only bestows IDLC with the responsibility of its shareholders but also to the national economy. IDLC, with its solid pillars of governance and compliance takes its role in social and economic development very seriously.

As such, in addition to providing financial solutions that help ensure generate employment and contribute to the nation's growth and development, we directly contribute to the government exchequer in the form of various taxes in correct measures. In 2017, IDLC deposited BDT 1,008 million to the Government exchequer against own income, which included BDT 946 million as corporate income tax and BDT 63 million as value added tax. Moreover, BDT 987.28 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 1,326 members with a recruitment of 290 new employees during the course of 2017. Salary and other allowances increased 20.71% during 2017. Detail in this regard is on page no. 110 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 keys to sustainable growth and underpin the robustness of our business plans and strategic objectives, protecting our license to operate and our reputation and helping create a long-term source of competitive advantage.

Risk management is embedded in IDLC's 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. 54.

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.

Compliance and conviction

IDLC is in complete compliance of all applicable laws and regulations and does not adhere to any non-compliance of regulatory requirements, any loan default by the company or its directors or senior management.

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 pg. 99.

Highlights of the Company's operations as per the DFIM Circular No. 11 dated December 23, 2009, have also been presented on pg. 105.

Management's Discussion & Analysis

Detailed discussion and analysis by the CEO & Managing Director is appended on pg. 25 & 85.

CEO and CFO's declaration certificate

The CEO and CFO's declaration to the Board is appended on pg. 226.

Senior management

Disclosure of all senior management personnel have been accounted for in pg. 42-43.

Related Party Transactions

Disclosure of all related party transactions, including basis for such transactions, has been provided in Note 39 on pg. 288.

Insider Trading

The members of the board of IDLC, or its sub –committee, or its senior management and their family members did not involve in any insider trading and did not violate the provision with regard to insider trading.

Shareholding Pattern

IDLC's shareholding pattern as on December 31, 2017, is disclosed as per the revised CGG of BSEC in Annexure-I of this annual report on pg. 212.

Board Meetings and Attendance by the Directors

During the year 2017, a total of twelve meetings of the Board were held. Attendance by the Directors and remuneration to the Directors has been summarized in Annexure-II of this annual report on pg. 213.

Proposed Dividend

The Board has proposed Cash Dividend @30% (BDT 3.0) per share (amounting to BDT 1,131,152,340) for the year 2017.

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 33rd Annual General Meeting:

Mr. Aziz Al Mahmood	Director Nominated by The City Bank Limited
Mr. Adil Islam	Director Nominated by The City Bank Limited
Mr. Md. Kamrul Hassan, FCA	Director nominated by Transcom Group of Companies
Mr. Syed Shahriyar Ahsan	Director Nominated by Sadharan Bima Corporation

However, they are also eligible for re-election.

Auditors

The statutory auditors of the Company, A Qasem & Co. Chartered Accountants have successfully completed their first year as the statutory auditors of the Company, as appointed at the 32nd Annual General Meeting. As per the stipulation of FID Circular No. 03, dated March 02, 1999, they are eligible for appointment for three consecutive years. On the basis of the proposal of the Board's Audit Committee, the Board recommends the reappointment of A Qasem &Co., Chartered Accountants, as the auditors of the Company for the year 2018 at an existing remuneration of BDT 600,000 (BDT Six lac only).

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 modifications by SEC/CMRRCD/2006-158/147/Admin/48 dated July 21, 2013 and SEC/CMRRCD/2009-193/151/Admin, dated August 18, 2013, along with a certificate from a practicing Chartered Accountant has been enclosed in Annexure-III on pg. 214 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 pg. 222 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, 2017 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	50	0.00001%	
Chief Executive officer (CEO) and his spouse and minor children	NIL		
Chief Financial Officer (CFO) and his spouse and minor children	NIL		
Company Secretary (CS) and his spouse and minor children	NIL		
Head of Internal control and Compliance (HICC)	2,776	0.00074%	
Sub-Total	**2,826**	**0.00075%**	
Executives (Top five person other than CEO, CFO, CS, HICC):			
1. M. Jamal Uddin, Deputy Managing Director	7,500	0.00199%	
2. Asif Saad Bin Shams, Head of Credit and Collection	23,125	0.00613%	
3. Mir Tariquzzaman, Chief Technology Officer (CTO)	NIL		
4. Ahmed Rashid, Head of SME Division	NIL		
5. Syed Javed Noor, Head of Consumer Division	NIL		
Sub-Total	**30,625**	**0.00812%**	
Shareholders holding 10% or more voting right:			
The City Bank Limited (CBL) and its subsidiaries	87,510,575	23.20923%	
Transcom Group	50,273,164	13.33326%	
Sub-Total	**137,783,739**	**36.54249%**	
Total	**137,817,190**	**36.55213%**	

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Annexure-II

Meeting attended by the Directors of IDLC Finance Limited during 2017

Name of Director	Board of Directors Meeting				Executive Committee Meeting				Audit Committee Meeting				Total Remuneration paid for the year 2017
	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. Aziz Al Mahmood	12	12	100	96,000	-	-	-	-	-	-	-	-	96,000
Mr. Faruq M. Ahmed	9	7	77.78	56,000	14	14	100	112,000	-	-	-	-	168,000
Mr. Adil Islam	3	1	33.33	8,000	3	3	100	24,000	-	-	-	-	32,000
Mr. Monower Uddin Ahmed	12	12	100	96,000	-	-	-	-	7	7	100	56,000	152,000
Ms. Meherun Haque	12	2	16.67	16,000	-	-	-	-	-	-	-	-	16,000
Mr. S.M. Mashrur Arefin	12	8	66.67	64,000	-	-	-	-	-	-	-	-	64,000
Mr. Mohammad Mahbubur Rahman FCA	12	9	75.00	72,000	-	-	-	-	7	5	71.43	40,000	112,000
Mr. Md. Kamrul Hassan FCA	12	11	91.67	88,000	-	-	-	-	7	7	100	56,000	144,000
Mr. Atiqur Rahman	12	10	83.33	80,000	-	-	-	-	-	-	-	-	80,000
Mr. Syed Shahriyar Ahsan	12	8	66.67	64,000	17	15	88.24	120,000	7	4	57.14	32,000	216,000
Mr. Mati Ul Hasan	11	5	45.45	40,000	16	13	81.25	104,000	-	-	-	-	144,000
Mr. Shahidul Ahsan	1	0	0	-	1	1	100.00	8,000	-	-	-	-	8,000
Mr. M. Ehsanul Haque	1	1	100	8,000									8,000
Mr. Matiul Islam Nowshad	12	9	75.00	72,000	-	-	-	-	-	-	-	-	72,000
Mr. Niaz Habib	11	10	90.91	80,000	3	2	66.67	16,000	-	-	-	-	96,000
Total Remueration paid				**840,000**				**384,000**				**184,000**	**1,408,000**

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. M. Ehsanul Haque, Independent Director of the Board of IDLC, resigned on January 27, 2017.

** Mr.Niaz Habib was appointed as the Independent Director in the Board of IDLC to replace Mr. M. Ehsanul Haque on January 27, 2017.

*** Nomination of Mr. Faruq M. Ahmed was withdrawn from the Board of IDLC by The City Bank Limited on September 28, 2017.

**** Mr.Adil Islam nominated by The City Bank Limitd was appointed as the Director in the Board of IDLC to replace Mr. Faruq M. Ahmed on September 28, 2017.

***** Nomination of Mr. Mati Ul Hasan was withdrawn from the Board of IDLC by Mercantile Bank Limited on November 27, 2017.

****** Mr. Shahidul Ahsan nominated by Mercantile Bank Limited was appointed as the Director in the Board of IDLC to replace Mr. Mati Ul Hasan on November 27, 2017.

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Annexure III

Certificate on Compliance of Conditions of Corporate Governance Guidelines to the Shareholders of IDLC Finance Limited

We have examined the compliance to the BSEC guidelines on Corporate Governance of IDLC Finance Limited as at 31st December 2017. These guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 as amended vide notification dated 21 July 2013 and 18 August 2013 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

Such compliance to the codes of Corporate Governance is the responsibility of the company. Our examination was limited to the procedures and implementation thereof as adopted by the management in ensuring compliance to the conditions of Corporate Governance.

In our opinion and to the best of our information and according to the explanations provided to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines issued by BSEC.

Place -Dhaka.
Date- 5 March 2018

Sd/-
Mazumdar Sikder and Associates
Cost & Management Accountants

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105/A (3rd Floor), Kakrail, Dhaka - 1000, Phone: 02-8300376, Fax: 02-8300375

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, and subsequent notifications no. SEC/CMMRRCD/2006-158/147/Admin/48, dated July 21, 2013 and no. SEC/CMMRRCD/2009-193/151/Admin, dated August 18, 2013, thereon, 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, 2017		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's Corporate Governance Report on pg. 165 of the 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's Corporate Governance Report on pg. 165 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 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 notification on page no. 200 of this annual report

Condition No.	Title	Compliance Status as on December 31, 2017		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 Code of Conduct of all board members was adopted in 201st meeting, held on February 14, 2013 and the annual compliance for 2018 was confirmed and recorded in 263rd meeting held on December 20, 2017.
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.	√		Refer to the Annexure II of the Directors' Report on pg. 213 of this Annual Report.
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 of respective Independent Directors is disclosed in Director's Profile on pg. 35 & 38 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.	√		Refer to the Corporate Governance Report on pg. 168 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 pg. 205 of this Annual Report
1.5(ii)	Segment-wise or product-wise performance	√		Refer to the 'Directors' Report' on pg. 207 of this Annual Report
1.5(iii)	Risks and concerns	√		Refer to the 'Directors' Report' on pg. 210 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 follow the format prescribed by Bangladesh Bank is followed
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss			No such item exists

Condition No.	Title	Compliance Status as on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
1.5(vi)	Statement of all related party transactions	√		Refer to the 'Directors' Report' on pg. 211 and subsequently elaborated in the note No. 39 of 'Audited Financial Statements' of this Annual Report
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			Refer to the 'Directors' Report' on pg. 207 and subsequently elaborated in the notes13 & 14 of 'Audited Financial Statements' of this Annual Report
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			Not applicable as because IDLC's financial results have boosted up after Rights Offer.
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	√		No such variation has occurred which has properly been mentioned in 'Directors' Report' on pg. 209 of this Annual Report
1.5(x)	Remuneration to directors including independent directors	√		Refer to the Directors' Report on pg. 213 as well as note no. 31 of the financial statements 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 'Directors' Report' on pg. 211 of this Annual Report
1.5(xii)	Proper books of accounts of the issuer company have been maintained.	√		Refer to the 'Directors' Report' on pg. 211 as well as the auditors' report on pg. 227 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 the 'Directors' Report' on pg. 211 as well as the auditors' report on pg. 227 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 the 'Directors' Report' on pg. 211 as well as the auditors' report on pg. 227 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 the 'Directors' Report' on pg. 211 as well as the auditors' report on pg. 227 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 going concern issues have been aroused and a status of going concern key indicators have been mentioned on pg. 203 of this annual report.

Condition No.	Title	Compliance Status as on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
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.	√		No such deviation has occurred which has properly been mentioned in 'Directors' Report' on pg. 207 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 pg. 211 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 265th meeting of the Board, held on February 14, 2018 declared 30% cash dividend for 2017.
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 pg. 211 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 pg. 212 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).	√		
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' are disclosed in brief profile of the Directors' on pg. 34-39 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 the Corporate Governance Report on pg. 173 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 the Corporate Governance Report on pg. 171 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 the Corporate Governance Report on pg. 177 of this Annual Report

Condition No.	Title	Compliance Status as on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
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 the Corporate Governance Report on pg. 178 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 the Corporate Governance Report on pg. 177 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 the Corporate Governance Report on pg. 177 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 the Corporate Governance Report on pg. 177 of this Annual Report
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 the Corporate Governance Report on pg. 177 of this Annual Report
3.1(iv)	Filling of casual vacancy in the Audit Committee			No casual vacancy was created during 2017
3.1(v)	The company secretary shall act as the secretary of the Committee	√		Refer to the Corporate Governance Report on pg. 177 of this Annual Report
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without Independent Director	√		Refer to the Corporate Governance Report on pg. 177 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 the Corporate Governance Report on pg. 177 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 the Corporate Governance Report on pg. 178 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	√		
3.3(x)	Declaration to Audit Committee by the company regarding utilization of IPO/RPO, Right issue money.	√		Refer to Directors' Report on pg. 207 of this Annual Report

Condition No.	Title	Compliance Status as on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
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 the Corporate Governance Report on pg. 179 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
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.	√		A. Qasem & Co (EY Bangladesh), chartered Accountants have 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.	√		

Condition No.	Title	Compliance Status as on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
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' of subsidiaries companies such as IDLC Securities Limited, IDLC Investments Limited and IDLC Asset Management Limited on pg. 301, 326 & 348, respectively 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.	√		
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 pg. 226 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 required Certificate is available on pg. 214 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 pg. 211 of this Annual Report

Annexure IV - Statement of Compliance with the Good Governance Guidelines Issued by the Bangladesh Bank

Bangladesh Bank vide, DFIM Circular No. 7, dated 25 September 2007, initially has issued a policy on the responsibility & accountability of the Board of Directors, Chairman & Chief Executive of financial institution. Subsequently, Bangladesh Bank vide its DFIM Circular No. 09, dated October 08, 2007 and DFIM Circular No. 18, dated October 26, 2011and DFIM Circular No. 06, dated June 17, 2012, has revised some clauses of the first mentioned circular. The Board of Directors of the Company has taken appropriate steps to comply with all the guidelines of the policy.

A status report on compliance with those guidelines is stated below:

Sl. No.	Particulars	Status of Compliance
1.	**Responsibilities and authorities of the Board of Directors:** The Board of Directors should focus mainly on the policy matters and evaluation of the performance of the institution, such as:	
	(a) Work-planning and strategic management:	
	(I) The Board shall determine the Vision/ Mission of the institute. In order to enhance operational efficiency and to ensure business growth, they shall chalk out strategies and work-plans on annual basis. The Board shall review such strategies on quarterly rests and shall modify accordingly, if required. If any structural modification is required, shall bring those changes with consultation with the management.	Complied
	(ii) The Board shall have its analytical review incorporated in the Annual report as regard to the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders on future plans and strategies.	Complied
	(iii) The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will appraise those on half yearly basis.	Complied
	(b) Formation of sub-committee:	
	Executive Committee may be formed in combination with directors of the Company for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities. Except the Executive Committee and Audit Committee, no other committee or sub-committee can be formed, even in temporary basis.	Complied
	(c) Financial management:	
	(i) Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(ii) Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recover overdue loan/lease.	Complied
	(iii) Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board to the maximum extend shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget.	Complied
	(iv) The Board shall adopt the process of operation of bank accounts. To ensure transparency in financial matters, groups may be formed among the management to operate bank accounts under joint signatures.	Complied
	(d) Management of loan/lease/investments:	
	(i) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
	(ii) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied

Sl. No.	Particulars	Status of Compliance
	(iii) Any large loan/lease/investment proposal must be approved by the Board.	Complied
	(e) Risk management:	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	(f) Internal control and compliance management:	
	An Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditors, external auditors and Bangladesh Bank Inspection team as well.	Complied
	(g) Human resource management:	
	Board shall approve the policy on Human Resources Management and Service Rule. The Chairman and directors of the Board shall not interfere on the administrative job in line with the approved Service Rule. Only the authority for the appointment and promotion of the Managing Director/ Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board incompliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
	(h) Appointment of CEO:	
	The Board shall appoint a competent CEO for the institution with the prior approval of the Bangladesh Bank and shall approve the proposal for increment of his salary and allowances.	Complied
	(I) Benefits offer to the Chairman:	
	For the interest of the business, the Chairman may be offered an office room, a personal secretary, a telephone at the office and a vehicle subject to the approval of the Board.	Complied
2.	**Responsibilities of the Chairman of the Board of Directors:**	
	(a)Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(b)The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(c)The Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
3.	**Responsibilities of Managing Director:**	
	(a)Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
	(b)For day to day operations, Managing Director shall ensure compliance with the rules and regulation of the Financial Institutions Act, 1993 and other relevant circulars of Bangladesh Bank;	Complied
	(c)All recruitment/ promotion, except those of DMD, GM and equivalent positions shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the institution;	Complied
	(d)Managing Director may re-schedule job responsibilities of employees;	Complied
	(e)Except for the DMD, GM and equivalent positions, power to transfer and to take disciplinary action shall vested to the Managing Director.	Complied
	(f)Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by MD.	Complied

Happiness at Work



Engaging and empowering our employees

The bond that we share in IDLC makes it a special place to work at. At the end of the day, we are all on the same boat, working together with the shared purpose of financing happiness.



SMARSTOCK

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, 2017, 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 & Managing Director

Sd/-
Chief Financial Officer

Dated: February 14, 2018

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

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Independent Auditors' 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 financial statements of IDLC Finance Limited ("the Company") which comprise the consolidated balance sheet and the separate balance sheet as at 31 December 2017 and the consolidated and separate profit & loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of the Group and also the separate financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRSs) as explained in notes, the Financial Institutions Act, 1993, the rules and regulations issued by the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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. 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 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 separate financial statements of the Company. The procedures selected depend on the auditors' 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 and fair presentation of the consolidated financial statements of the Group and separate financial statements of the Company 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 consolidated financial statements of the Group and also 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 also 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 2017 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in notes and comply with the Financial Institutions Act, 1993, the rules and regulations issued by the Bangladesh Bank, the Securities and Exchange Rules, 1987, the Companies Act,1994 and other applicable laws and regulations.

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 purpose of our audit and made due verification thereof;

(ii) in our opinion, proper books of account as required by law have been kept by the Group and the Company so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;

(iii) the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate 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 and returns;

(iv) the expenditure incurred was for the purposes of the Group and the Company's business;

(v) the consolidated financial statements of the Group and the separate financial statements of the Company have been drawn up in conformity with prevailing rules, regulations and Bangladesh Financial Reporting Standards as explained in notes as well as with related guidance, circulars issued by Bangladesh Bank;

(vi) adequate provisions have been made for loans, leases, advances and other assets which are, in our opinion, doubtful of recovery;

(vii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

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EY Building a better working world

(viii) the information and explanation required by us have been received and found satisfactory;

(ix) the Company has complied with relevant laws pertaining to capital and reserves and found satisfactory;

(x) we have reviewed over 80% of the risk weighted assets of the Group and the Company, and we have spent around 1,700 person hours for the audit;

(xi) 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;

(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) taxes and other duties collected and deposited to Government treasury by the Company as per Government instructions found satisfactory;

(xiv) 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;

(xv) the company has complied prevailing policy or regulation while approving loan or leases to the Directors of the company;

(xvi) the company's all of the subsidiaries have been audited by us and the accounts of those subsidiaries were consolidated properly in the financial statements;

(xvii) all other issues which are important for the stakeholders of the company have been adequately disclosed in the audit report.

Sd/-
A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
February 14, 2018

AMAR STOCK

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IDLC Finance Limited and its Subsidiaries

Consolidated Balance Sheet

As at December 31, 2017

Particulars	Note	31.12.2017 Taka	31.12.2016 Taka
PROPERTY AND ASSETS			
Cash	3	**1,096,112,369**	**976,157,535**
In hand (including foreign currencies)	3.1	385,000	376,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	1,095,727,369	975,781,535
Balance with other banks and financial institutions	4	**13,631,778,315**	**10,377,181,667**
Inside Bangladesh	4(a)	13,631,778,315	10,377,181,667
Outside Bangladesh	4(b)	-	-
Money at call and short notice	5	-	-
Investments	6	**7,922,749,192**	**4,348,316,767**
Government		-	-
Others		7,922,749,192	4,348,316,767
Loans and advances	7	**71,498,548,035**	**62,216,869,177**
Loans, cash credit, overdraft etc.		71,498,548,035	62,216,869,177
Bills purchased and discounted		-	-
Fixed assets including land, building, furniture and fixtures	8(c)	662,791,925	654,273,352
Other assets	9	874,963,255	738,284,186
Non-banking assets		-	-
Total Assets		**95,686,943,091**	**79,311,082,684**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	**11,400,359,336**	**12,564,377,442**
Deposits and other accounts	11	**62,092,433,912**	**49,324,324,830**
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		59,853,619,702	47,474,930,697
Bearer certificate of deposits		-	-
Other deposits		2,238,814,210	1,849,394,133
Other liabilities	12	**9,596,670,976**	**8,484,540,856**
Total Liabilities		**83,089,464,224**	**70,373,243,128**

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Particulars	Note	31.12.2017 Taka	31.12.2016 Taka
Capital/Shareholders' equity			
Paid-up capital	13	3,770,507,800	2,513,671,870
Share premium	14	1,260,585,930	3,750,000
Statutory reserves	15	2,098,412,371	1,782,004,350
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		4,421,469,765	3,591,910,951
Total Equity attributable to equity holders of the company		**12,597,475,866**	**8,937,837,171**
Non-controlling interest		**3,001**	**2,385**
Total Liabilities and Shareholders' equity		**95,686,943,091**	**79,311,082,684**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1	**841,601,562**	**949,206,314**
Acceptances and endorsements		-	-
Letters of guarantee		91,601,562	199,206,314
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	750,000,000
Other commitments	17.2	**1,184,170,146**	**784,630,423**
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Un-drawn note issuance and revolving underwriting facilities		-	-
Un-drawn formal standby facilities, credit lines		-	-
Un-disbursed contracted loans and leases		1,184,170,146	784,630,423
Total Off-Balance Sheet items including contingent liabilities		**2,025,771,708**	**1,733,836,737**
Net Assets Value (NAV) per share	37	**33.41**	**23.70**

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,
February 14, 2018

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

Consolidated Profit and Loss Account

For the year ended December 31, 2017

Particulars	Note	2017 Taka	2016 Taka
Interest income	19	8,892,872,138	8,359,739,673
Interest on deposits and borrowings etc.	20	(4,898,052,961)	(4,625,068,399)
Net interest income		**3,994,819,177**	**3,734,671,274**
Investment income	21	1,082,497,483	475,981,791
Commission, exchange and brokerage	22	755,121,539	441,325,925
Other operating income	23	447,973,309	511,882,259
Total operating income		**6,280,411,508**	**5,163,861,249**
Salaries and allowances	24	1,295,049,167	1,043,602,767
Rent, taxes, insurance, electricity etc.	25	220,165,817	215,855,916
Legal expenses	26	25,855,925	18,682,742
Postage, stamp, telecommunication etc.	27	37,748,974	33,958,799
Stationery, printing, advertisements etc.	28	139,569,069	102,687,500
Managing Director's salary and benefits	29	10,440,000	8,875,000
Directors' fees	30	2,283,518	1,872,048
Auditors' fees	31	1,368,381	991,875
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	193,101,509	199,948,282
Other expenses	33	410,185,643	332,627,249
Total operating expenses		**2,335,768,003**	**1,959,102,178**
Profit before provision		**3,944,643,505**	**3,204,759,071**
Provision for loans and investments	12.6(ii)		
General provision		61,886,988	48,686,037
Specific provision		170,923,913	167,588,219
Provision for diminution in value of investments		-	(60,498,426)
Other provisions		-	-
Total provision		**232,810,901**	**155,775,830**
Total profit before taxation		**3,711,832,604**	**3,048,983,241**

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Particulars	Note	2017 Taka	2016 Taka
Provision for taxation			
Current tax expense	12.2	1,448,167,284	1,269,750,001
Deferred tax income	9.4	(13,454,473)	(1,062,076)
		1,434,712,811	1,268,687,925
Net profit after taxation		**2,277,119,793**	**1,780,295,316**
Attributable to:			
Shareholders of the Company		2,277,119,177	1,780,295,096
Non-controlling interest		616	220
		2,277,119,793	**1,780,295,316**
Appropriations to:			
Statutory reserves		316,408,021	299,281,679
General reserves		-	-
Dividend etc.		-	-
		316,408,021	299,281,679
Retained surplus		**1,960,711,156**	**1,481,013,417**
Earnings Per Share (EPS)	36	**6.13**	**5.49**

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

Dhaka,
February 14, 2018

Sd/-
A Qasem & Co.
Chartered Accountants

IDLC Finance Limited and its Subsidiaries

Consolidated Cash Flow Statement

For the year ended December 31, 2017

Particulars	2017 Taka	2016 Taka
A) Cash flows from operating activities		
Interest received	8,870,522,996	8,269,382,239
Interest paid	(2,146,404,404)	(1,959,930,894)
Dividend received	137,228,732	86,295,233
Fees and commission received	755,121,539	441,325,925
Paid to employees and suppliers	(2,171,542,986)	(1,794,077,141)
Payment of income tax	(1,058,910,701)	(1,302,580,492)
Received from other operating activities	1,379,575,318	889,242,718
Cash generated from operating activities before changes in operating assets and liabilities	**5,765,590,494**	**4,629,657,588**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	321,121,665	1,066,236,433
Long-term finance	(6,198,456,511)	(7,667,524,740)
Real estate finance	(3,353,294,266)	(902,272,967)
Car loan	511,304,825	120,182,628
Personal loan	(4,900,190)	32,445,417
Loan against deposit	73,045,124	18,950,046
Margin loan to portfolio investors	(721,292,737)	196,675,992
Short term finance	67,716,381	233,975,541
Other assets	(91,253,076)	58,207,684
Term and other deposits	12,768,109,082	1,699,759,537
Net drawdown of short term loan	565,000,000	1,010,000,000
Payable and accrued expenses	(2,473,954,907)	(1,811,116,956)
Deferred liability-employee gratuity	13,536,253	7,641,006
Portfolio investors' fund	183,555,256	17,424,409
Deferred tax liability	471,990	38,459
Interest suspense account	22,695,287	92,284,134
	1,683,404,176	(5,827,093,377)
Net cash flows from/(used in) operating activities	**7,448,994,670**	**(1,197,435,789)**
B) Cash flows from investing activities		
Purchase of fixed assets	(187,993,259)	(312,435,792)
Disposal of fixed assets	28,916,411	39,859,711
Net proceeds of investment in securities	(3,574,432,425)	(955,848,206)
Net cash used in investing activities	**(3,733,509,273)**	**(1,228,424,287)**

AMARSTOCK

Particulars	2017 Taka	2016 Taka
C) Cash flows from financing activities		
Drawdown of term loans	2,786,742,982	6,330,092,954
Repayment of term loans	(4,515,761,089)	(5,361,298,258)
Proceeds from right issue	2,513,671,860	-
Dividend paid	(1,125,587,669)	(624,787,700)
Net cash flow from financing activities	**(340,933,915)**	**344,006,996**
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**3,374,551,482**	**(2,081,853,080)**
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	**11,353,339,202**	**13,435,192,282**
G) Cash and cash equivalents at end of the year (D+E+F)	**14,727,890,684**	**11,353,339,202**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	385,000	376,000
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	1,095,727,369	975,781,535
Balance with other banks and financial institutions (Note-4)	13,631,778,315	10,377,181,667
Money at call and short notice (Note-5)	-	-
	14,727,890,684	**11,353,339,202**
Net operating cash flow per share (Note-38)	**19.76**	**(3.18)**

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, 2017

Particulars	Attributable to equity holders of the company							Non-controlling interest	Total equity
	Paid-up capital	Share premium	Statutory reserves	General reserves	Dividend equalisation reserves	Retained earnings	Total		
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance at January 1, 2017	2,513,671,870	3,750,000	1,782,004,350	1,000,000,000	46,500,000	3,591,910,951	8,937,837,171	2,385	8,937,839,556
Dividend for 2016:									
30% cash dividend	-	-	-	-	-	(1,131,152,342)	(1,131,152,342)	-	(1,131,152,342)
Rights Issue	1,256,835,930	1,256,835,930	-	-	-	-	2,513,671,860	-	2,513,671,860
Changes in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**1,782,004,350**	**1,000,000,000**	**46,500,000**	**2,460,758,609**	**10,320,356,689**	**2,385**	**10,320,359,074**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-
Net gain and losses not recognised in the profit and loss accounts	-	-	-	-	-	-	-	-	-
Net profit for the year 2017	-	-	-	-	-	2,277,119,177	2,277,119,177	616	2,277,119,793
Appropriation to reserves	-	-	316,408,021	-	-	(316,408,021)	-	-	-
Balance at December 31, 2017	**3,770,507,800**	**1,260,585,930**	**2,098,412,371**	**1,000,000,000**	**46,500,000**	**4,421,469,765**	**12,597,475,866**	**3,001**	**12,597,478,867**

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

AMARSTOCK

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 1, 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 recognised in the profit and loss accounts	-	-	-	-	-	-	-	-	-
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.

AMARSTOCK

IDLC Finance Limited

Balance Sheet

As at December 31, 2017

Particulars	Note	31.12.2017 Taka	31.12.2016 Taka
PROPERTY AND ASSETS			
Cash	3	**1,096,012,369**	**976,057,535**
In hand (including foreign currencies)	3.1	285,000	276,000
Balance with Bangladesh Bank and its agent (including foreign currencies)	3.2	1,095,727,369	975,781,535
Balance with other banks and financial institutions	4	**12,676,746,983**	**9,179,584,564**
Inside Bangladesh	4(a)	12,676,746,983	9,179,584,564
Outside Bangladesh	4(b)	-	-
Money at call and short notice	5	-	-
Investments	6	**3,213,212,864**	**2,748,103,457**
Government		-	-
Others		3,213,212,864	2,748,103,457
Loans and advances	7	**70,665,633,916**	**61,135,698,103**
Loans, cash credit, overdraft etc.		70,665,633,916	61,135,698,103
Bills purchased and discounted		-	-
Fixed assets including land, building, furniture and fixtures	8(c)	597,256,072	606,912,609
Other assets	9	4,362,120,314	1,858,789,208
Non-banking assets		-	-
Total Assets		**92,610,982,518**	**76,505,145,476**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	11,230,359,336	12,394,377,442
Deposits and other accounts	11	**62,777,147,198**	**49,413,062,330**
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		-	-
Term deposits		60,538,332,988	47,563,668,197
Bearer certificate of deposits		-	-
Other deposits		2,238,814,210	1,849,394,133
Other liabilities	12	**8,034,379,208**	**7,093,168,554**
Total Liabilities		**82,041,885,742**	**68,900,608,326**
Capital/Shareholders' equity			
Paid-up capital	13	3,770,507,800	2,513,671,870
Share premium	14	1,260,585,930	3,750,000
Statutory reserves	15	2,098,412,371	1,782,004,350
General reserves	16	1,000,000,000	1,000,000,000
Dividend equalisation reserves		46,500,000	46,500,000
Retained earnings		2,393,090,675	2,258,610,930
Total Equity		**10,569,096,776**	**7,604,537,150**
Total Liabilities and Shareholders' equity		**92,610,982,518**	**76,505,145,476**

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Particulars	Note	31.12.2017 Taka	31.12.2016 Taka
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1	**841,601,562**	**949,206,314**
Acceptances and endorsements		-	-
Letters of guarantee		91,601,562	199,206,314
Irrevocable letters of credit		-	-
Bills for collection		-	-
Indemnity bond		-	-
Corporate guarantee		750,000,000	750,000,000
Other commitments	17.2	**1,184,170,146**	**784,630,423**
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Un-drawn note issuance and revolving underwriting facilities		-	-
Un-drawn formal standby facilities, credit lines		-	-
Un-disbursed contracted loans and leases		1,184,170,146	784,630,423
Total Off-Balance Sheet items including contingent liabilities		**2,025,771,708**	**1,733,836,737**
Net Assets Value (NAV) per share	37	**28.03**	**20.17**

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

Sd/-
A Qasem & Co.
Chartered Accountants

Dhaka,
February 14, 2018

IDLC Finance Limited

Profit and Loss Account

For the year ended December 31, 2017

Particulars	Note	2017 Taka	2016 Taka
Interest income	19	8,706,732,278	8,152,388,213
Interest on deposits and borrowings etc.	20	(4,902,102,651)	(4,624,771,431)
Net interest income		**3,804,629,627**	**3,527,616,782**
Investment income	21	516,904,081	323,468,796
Commission, exchange and brokerage	22	42,055,874	75,401,525
Other operating income	23	437,656,645	506,398,528
Total operating income		**4,801,246,227**	**4,432,885,631**
Salaries and allowances	24	1,051,989,193	880,378,299
Rent, taxes, insurance, electricity etc.	25	179,080,115	171,261,564
Legal expenses	26	21,562,320	15,320,592
Postage, stamp, telecommunication etc.	27	30,186,959	29,126,790
Stationery, printing, advertisements etc.	28	114,900,212	93,910,849
Managing Director's salary and benefits	29	10,440,000	8,875,000
Directors' fees	30	1,619,200	1,490,400
Auditors' fees	31	1,023,381	690,000
Charges on loan losses		-	-
Depreciation and repair of Company's assets	32	170,014,444	179,115,424
Other expenses	33	353,343,088	298,412,595
Total operating expenses		**1,934,158,912**	**1,678,581,513**
Profit before provisions		**2,867,087,315**	**2,754,304,118**
Provision for loans and investments	12.6(ii)		
General provision		57,242,047	46,925,871
Specific provision		170,923,913	187,021,074
Provision for diminution in value of investments		-	(60,498,426)
Other provision		-	-
Total provision		**228,165,960**	**173,448,519**
Total profit before taxation		**2,638,921,355**	**2,580,855,599**
Provision for taxation			
Current tax expense	12.2	1,065,400,300	1,089,706,190
Deferred tax income	9.5	(8,519,052)	(5,258,987)
		1,056,881,248	1,084,447,203
Net profit after taxation		**1,582,040,107**	**1,496,408,396**
Appropriations to:			
Statutory reserves		316,408,021	299,281,679
General reserves		-	-
Dividend etc.		-	-
		316,408,021	299,281,679
Retained surplus		**1,265,632,086**	**1,197,126,717**
Earnings Per Share (EPS)	36	**4.26**	**4.62**

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,
February 14, 2018

Sd/-
A Qasem & Co.
Chartered Accountants

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IDLC Finance Limited

Cash Flow Statement

For the year ended December 31, 2017

Particulars	2017 Taka	2016 Taka
A) Cash flows from operating activities		
Interest received	8,674,735,935	8,053,911,263
Interest paid	(2,150,454,094)	(1,959,633,926)
Dividend received	48,998,371	45,623,873
Fees and commission received	42,055,874	75,401,525
Paid to employees and suppliers	(1,788,319,626)	(1,528,349,385)
Payment of income tax	(838,214,694)	(1,174,622,879)
Received from other operating activities	897,113,940	772,104,787
Cash generated from operating activities before changes in operating assets and liabilities	**4,885,915,706**	**4,284,435,257**
Increase/(decrease) in operating assets and liabilities		
Lease receivable	321,121,665	1,066,236,433
Long-term finance	(6,198,456,511)	(7,667,524,740)
Real estate finance	(3,353,294,266)	(902,272,967)
Car loan	511,304,825	120,182,628
Personal loan	(4,900,190)	32,445,417
Loan against deposit	73,045,124	18,950,046
Loan to subsidiaries	(969,549,692)	(28,300,000)
Short term finance	67,716,381	233,975,541
Other assets	(2,452,510,933)	29,074,259
Term and other deposits	13,364,084,868	1,652,697,037
Net drawdown of short term loan	565,000,000	840,000,000
Payable and accrued expenses	(2,285,530,377)	(2,370,086,707)
Interest suspense account	22,695,287	92,284,134
	(339,273,819)	(6,882,338,918)
Net cash flows from/(used in) operating activities	**4,546,641,887**	**(2,597,903,661)**
B) Cash flows from investing activities		
Purchase of fixed assets	(151,047,125)	(281,254,291)
Disposal of fixed assets	27,565,812	36,437,904
Increase/(Decrease) in inter-company payables	-	(99,999,990)
Net proceeds of investment in securities	(465,109,407)	22,843,648
Net cash used in investing activities	**(588,590,719)**	**(321,972,729)**
C) Cash flows from financing activities		
Drawdown of term loans	2,786,742,982	6,330,092,954
Repayment of term loans	(4,515,761,089)	(5,325,881,376)
Proceeds from right issue	2,513,671,860	-
Dividend paid	(1,125,587,669)	(624,787,700)
Net cash flow from financing activities	**(340,933,915)**	**379,423,878**
D) Net increase/(decrease) in cash and cash equivalents (A+ B + C)	**3,617,117,254**	**(2,540,452,511)**
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	**10,155,642,099**	**12,696,094,610**
G) Cash and cash equivalents at end of the year (D+E+F)	**13,772,759,352**	**10,155,642,099**
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies) (Note-3.1)	285,000	276,000
Balance with Bangladesh Bank and its agent bank(s) (Note-3.2)	1,095,727,369	975,781,535
Balance with other banks and financial institutions (Note-4)	12,676,746,983	9,179,584,564
Money at call and short notice (Note-5)	-	-
	13,772,759,352	**10,155,642,099**
Net operating cash flow per share (Note-38)	**12.06**	**(6.89)**

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, 2017

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 1, 2017	2,513,671,870	3,750,000	1,782,004,350	1,000,000,000	46,500,000	2,258,610,930	7,604,537,150
Dividend for 2016:							
30% cash dividend	-	-	-	-	-	(1,131,152,342)	(1,131,152,342)
Rights Issue	1,256,835,930	1,256,835,930	-	-	-	-	2,513,671,860
Changes in accounting policy	-	-	-	-	-	-	-
Restated balance	**3,770,507,800**	**1,260,585,930**	**1,782,004,350**	**1,000,000,000**	**46,500,000**	**1,127,458,589**	**8,987,056,669**
Surplus/(deficit) on account of revaluation of properties	-	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-
Net gain and losses not recognised in the profit and loss accounts	-	-	-	-	-	-	-
Net profit for the year 2017	-	-	-	-	-	1,582,040,107	1,582,040,107
Appropriation to reserve	-	-	316,408,021	-	-	(316,408,021)	-
Balance at December 31, 2017	**3,770,507,800**	**1,260,585,930**	**2,098,412,371**	**1,000,000,000**	**46,500,000**	**2,393,090,675**	**10,569,096,776**

The annexed notes from 1 to 45 form an integral part of these financial statements.

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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 1, 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 recognised in the profit and loss accounts	-	-	-	-	-	-	-
Net profit for the year 2016	-	-	-	-	-	1,496,408,396	1,496,408,396
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**	**2,258,610,930**	**7,604,537,150**

The annexed notes from 1 to 45 form an integral part of these financial statements.

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IDLC Finance Limited

Liquidity Statement

As at December 31, 2017

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)	1,096,012,369	-	-	-	-	1,096,012,369
Balance with other banks and financial institutions	3,836,746,983	7,440,000,000	1,400,000,000	-	-	12,676,746,983
Money at call and short notice	-	-	-	-	-	-
Investments	243,846,286	2,186,752,578	198,250,000	576,500,000	7,864,000	3,213,212,864
Loans & advances	6,370,297,692	4,279,556,642	15,329,541,777	32,330,656,107	12,355,581,698	70,665,633,916
Fixed assets including land, building, furniture and fixtures	11,735,779	23,166,892	100,232,394	268,106,736	194,014,271	597,256,072
Other assets	-	396,011,272	-	-	3,966,109,042	4,362,120,314
Non-banking assets	-	-	-	-	-	-
Total assets	**11,558,639,109**	**14,325,487,384**	**17,028,024,171**	**33,175,262,843**	**16,523,569,011**	**92,610,982,518**
Liabilities						
Borrowings from Bangladesh Bank, other banks and financial institutions & its agents	1,605,519,521	2,135,231,625	2,854,049,599	3,983,406,946	652,151,645	11,230,359,336
Deposits	5,508,634,997	14,553,360,347	11,230,450,195	31,076,471,932	408,229,727	62,777,147,198
Other accounts	-	-	-	-	-	-
Provision and other liabilities	380,634,083	761,268,166	3,838,559,276	1,948,570,620	1,105,347,063	8,034,379,208
Total liabilities	**7,494,788,601**	**17,449,860,138**	**17,923,059,070**	**37,008,449,498**	**2,165,728,435**	**82,041,885,742**
Net Liquidity Gap	**4,063,850,508**	**(3,124,372,754)**	**(895,034,898)**	**(3,833,186,655)**	**14,357,840,576**	**10,569,096,776**

The annexed notes from 1 to 45 form an integral part of these financial statements.

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IDLC Finance Limited and its Subsidiaries

Notes to the Consolidated and Separate Financial Statements

As at and for the year ended December 31, 2017

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, governed by Bangladesh Bank (the Central Bank of Bangladesh).

The Company went for public issue of its shares in 1993. Its shares are listed in both the Stock Exchanges in Bangladesh.

1.2 Principal activities and nature of operation

When incorporated, the Company started with lease and term financing, as its core businesses. It expanded its activities into 'Short-Term Finance' (factoring of accounts receivable and work order financing) and 'Real Estate Finance' operations in 1997. It also started car loan and personal loan services to individuals in 2004 and 2007 respectively. Now, the company has evolved itself as multiproduct financial institution.

1.3 Subsidiary companies

1.3.1 IDLC Securities Limited (IDLC SL)

IDLC Securities Limited, a wholly owned subsidiary company of IDLC Finance Limited, was incorporated on April 19, 2006 as a private limited company under Companies Act, 1994. The Company had started its operation from September 2006. The main objective of the Company is to act as a member of stock exchanges to operate the Central Depository System (CDS) and to carry on the business of brokers, jobbers or dealers in stocks, shares, securities, commodities, commercial papers, bonds, obligations and debentures etc.

1.3.2 IDLC Investments Limited (IDLC IL)

As required by the Bangladesh Securities & Exchange Commission (BSEC), the Company formed a separate subsidiary 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. 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 seperate financial statements of the Company have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement and investment in marketable securities which are stated at market value in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), except the circumstances where local regulations differ, and the Companies Act, 1994, the Financial Institutions Act, 1993, Securities and Exchange Rules 1987 & the (Listing) Regulations, 2015 of Dhaka & Chittagong Stock Exchanges and other applicable laws and regulations.

The presentation of the financial statements has been made as per the requirements of DFIM Circular No: 11, dated December 23, 2009 issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been kept blank in the financial statements.

The requirements of accounting standards as per 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 with Bangladesh Bank's requirements

Bangladesh Bank (the local Central Bank) is the prime regulatory body for Financial Institutions in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of BAS and BFRS. As such the company has departed from those contradictory requirements of 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 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 228.17 million has been charged as incremental provision for leases, loans and advances, which includes Taka 57.24 million as general provision on good loan for the year 2017. Also, as at 31 December 2017, accumulated provision for leases, loans and advances stand at Taka 1,105.35 million. In consolidated Financial Statements, the same amount is Taka 232.81 million which includes general provision of Taka 61.88 Also, as at 31 December 2017, accumulated provision for leases, loans and advances stand at Taka 1,145.27 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. As on December 31, 2017 there was Taka 920.12 million gross unrealised gain on consolidated investment in marketable listed securities and Taka 543 million gross unrealised gain on investment by IDLC Finance Limited in marketable securities.
3	Recognition of interest income for SMA and classified lease, 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 396.05 million from Taka 373.36 million resulting increase of Taka 22.69 million of interest suspense. This amount has been shown in other liabilities in note 12.5
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 banks and NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.	Financial Statements for 2017 and corresponding year 2016 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
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 lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company did not consider any deductible temporary difference against 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 2017 and corresponding year 2016 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.
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 2017 and corresponding year 2016 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 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure but there is a disclosure in the financial statements

SL.	Nature of Departure	Title of BFRS	Treatment of BFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
10	Impairment of Margin Loan (Loans and receivables	BAS-39 "Financial instruments: Recognition and measurement"	Measurement after initial recognition at amortized cost and recording of changes through profit and loss.	As per Bangladesh Securities and Exchange Commission (BSEC) Circular No. SEC/ CMRRCD/2009-193/196 dated 28 December 2016, provisions for the year 2016 on impairment of principal portion of margin loan may be kept at 20% on each quarter for the five quarters starting from December 2016. As per Bangladesh Securities and Exchange Commission (BSEC) Circular No. BSEC/ CMRRCD/2009-193/203 dated 28 December 2017, this facility of keeping provision has been extended till 31 December, 2018.	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 2017 and corresponding year 2016 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 2017 and corresponding year 2016 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.
13	Other comprehensive income	BAS 1 "Presentation of Financial Statements"	As per BAS 1: "Presentation of Financial Statements" Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement.	Bangladesh Bank has issued templates for financial statements which will strictly be followed by financial institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of OCI allowed to be included in a single OCI statement. As such the financial institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.	Financial Statements for 2017 and corresponding year 2016 have been prepared as per the guideline and templates issued by Bangladesh Bank. There is no financial impact for this departure in the financial statements.
14	Disclosure of presentation of profit	N/A	There is no requirement to show appropriation of profit in the face of statement of comprehensive income.	As per DFIM circular no 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account	Financial Statements for 2017 and corresponding year 2016 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, 2017;
b) Consolidated and Separate Profit and Loss Account for the year ended December 31, 2017;
c) Consolidated and Separate Statement of Cash Flows for the year ended December 31, 2017;
d) Consolidated and Separate Statement of Changes in Equity for the year ended December 31, 2017;
e) Liquidity Statement for the year ended December 31, 2017;
f) Notes to the Consolidated and Separate Financial Statements for the year ended December 31, 2017.

2.5 Directors' responsibility statement

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

2.6 Date of authorisation

The Board of directors has authorised this financial statements for public issue on February 14, 2018.

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 recognised in the period in which the estimates are revised. In accordance with the guidelines as prescribed by BAS 37: "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized in the following situations:

Provisions

Provisions are liabilities that are uncertain in timing or amount. Provisions are recongnized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Contingent Liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present obligation as a result of past events but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to occur.

Contingent Assets

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are never recognized, rather they are disclosed in the financial statements when they arise.

2.9 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries, as mentioned in note No. 1.3.1, 1.3.2 and 1.3.3 have been consolidated in accordance with 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 nine branches and one SME booth, with no overseas branches as on December 31, 2017. 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 amortised to revenue on a monthly basis over the primary lease term yielding a constant rate of return over the period.

At present, the company does not have any operating lease arrangements 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 unrealised principal for long-term finance, real estate finance, car loans and other finances are accounted for as term finance assets of the Company. Interest earnings are recognised as operational revenue periodically.

2.13 Accounting for Margin Loan

Margin Loan to Portfolio investors is given at an agreed ratio (not more than the ratio prescribed by BSEC) between 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 price. 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 capitalised at the inception of the lease at fair value of the leased property or at the present value of the

minimum lease payments, whichever is lower as per Bangladesh Accounting Standard (BAS) 17: "Leases". The corresponding obligation under the lease is accounted for as liability.

ii) Subsequent expenditure on Fixed assets

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

iii) Depreciation

Depreciation is charged to amortise the cost of assets, over their estimated useful lives, using the straight-line method in accordance with 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 recognised in the profit and loss account.

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

2.16 Intangible assets and amortization of intangible assets

Recognition & Measurement

Intangible assets comprise the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation

Amortisation is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management best estimates of 3 or 5 years.

Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits in the specifications to which it relates. All other expenditure are 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 recognised on an accrual basis of accounting on effective interest method.

Lease income

Finance lease income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on net investment in the finance lease. The unearned lease income is recognised on installment date as revenue on an accrual basis over the terms of the lease. However, lease income is not recognised if capital or interest receivable is in arrears for more than three months.

Interest on real estate finance

Interest on real estate finance is recognised as revenue on an accrual basis and no interest on real estate finance is accounted for as revenue where any portion of capital or interest is in arrear for more than nine months.

Interest on term loans and short term finance

Interest on term loan and short term finance is recognised as revenue on an accrual basis and interest income on term loan is not recognised where any portion of interest is in arrear for more than three months. (For five years above loans, this will be more than six months)

Portfolio management fee

Portfolio management fees are recognised on the market value of the clients' portfolio on monthly basis and charged to clients balance on quarterly basis.

Issue management & Corporate advisory fee

Issue management and corporate advisory fees are recognised according to the stage of completion of services as agreed and defined in issue management and corporate advisory agreement between the Company and the clients.

Brokerage commission

Brokerage commission is recognised as income when selling or buying order is signed and trade is executed.

Dividend income

Dividend is recognised as income when the right to receive income is established.

Profit or loss on sale of securities

Profit or loss arising from the sale of securities is accounted for only when the securities are sold/offloaded.

Fee based revenues

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

Mutual fund management fees

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay a management fee based on following criteria:

a. 2.50 percent per annum of the weekly average NAV up to BDT 5.00 crore (Five crore Taka);
b. 2.00 percent per annum for additional amount of the weekly average NAV up to BDT 25.00 crore (Twenty Five crore Taka) over BDT 5.00 crore (Five crore Taka);
c. 1.50 percent per annum for additional amount of the weekly average NAV up to BDT 50.00 crore (Fifty crore Taka) over BDT 25.00 crore (Twenty Five crore Taka); and
d. 1.00 percent per annum for additional amount of the weekly average NAV over BDT 50.00 crore (Fifty crore Taka), accrued and payable quarterly at the end of the period.

Mutual fund formation fee

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay Mutual Fund Formation fee to the Asset Management Company as mentioned in the Published Prospectus of the Fund approved by Bangladesh Securities and Exchange Commission.

Mutual fund Pre-scheme formation fee

As per BSEC Directive vide ref no.: SEC/CMRRCD/2009 – 193/ 160 dated 28 May 2014, Asset Manager can accrue management fees from scheme of the Mutual Fund for the period starting from the registration date of the scheme to pre-trade period according to the Rule 65(2).

2.18 Interest suspense account

Lease income earned, interest on term finance (car loans, personal loans) overdue beyond three months period and interest on real estate finance overdue beyond nine months period and interest on short term finance overdue beyond permitted credit term plus ninety days period are not recognised as revenue and are credited to the interest suspense account.

2.19 Accounts receivable

Accounts receivable at the balance sheet date is stated at amounts which are considered realisable. Specific allowance is made for receivable considered to be doubtful for recovery.

2.20 Securitization

Securitization of various leases/loans result in sale of these assets to Special Purpose Vehicles ('SPVs'), which, in turn issue securities to investors. Financial assets are partially or wholly derecognised when the control of the contractual rights in the securitized assets are lost.

2.21 Borrowing cost

Borrowing costs are recognised as expense in the year in which they are incurred unless capitalisation is permitted under 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 recognised as income or expense for the year after netting off.

2.24 Provision for doubtful accounts and future losses

Provision has been made at estimated rates on outstanding exposures, based on aging and continuous review of the receivables, as per the Bangladesh Bank Provisioning policy. A general provision has been made by the company to cover unforeseen losses on all leases, loans and investments excluding those for which a specific provision has been kept. The provision is considered adequate to meet any probable future losses.

2.25 Write-off

Write-off describes a reduction in recognised value. It refers to the recognition of the reduced or zero value of an asset. Generally it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus cancelled and removed from ("written-off") the Company's balance sheet.

Recovery against debts written-off/provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there-against or are considered recoverable.

2.26 Employees' benefit obligation

2.26.1 Defined contribution plan

The Company operates a contributory provident fund scheme for its permanent employees. Provident fund is administered by a Board of Trustees and is funded by equal contributions both by the employees and the Company at a predetermined rate. The contributions are invested separately from the Company's asset.

2.26.2 Defined benefit plan

The Company also operates a funded gratuity scheme (which is a defined benefit scheme as specified in 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 from five 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 recognised in the profit and loss account when the estimated recoverable amount of an asset is less than its carrying amount.

2.29 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, term deposits and investment in call loan that are readily convertible to a known amount of cash (with less than three months maturity) and that are subject to an insignificant risk of change in value.

2.30 Bank loans

Bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on accrual basis and charged to profit and loss account.

2.31 Earnings Per Share (EPS)

The Company calculates earnings per share in accordance with 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 clause no 6 of Financial Institutions Regulations, 1994, Financial Institution is required to transfer at least 20% of it's profit after tax and before appropriation of dividend in a particular year to Statutory Reserve Account, if the financial institution's sum of Share Premium Account (if any) and Statutory Reserves is less than the paid up capital of that financial institution. Accordingly, 20% of current year's profit after tax has been transferred to Statutory Reserves Account.

2.34 Determination and presentation of operating segment

After incorporation, the company started with lease and loan as its core financing business. By times, it diversified its business into investment banking business, brokerage business and asset management business. The company has decided it 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 recognised 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 have 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 noncontrolling interest (NCI), is ownership of less than 50% of a company's equity by an investor or another company. For accounting purposes, minority interest is a fractional share of a company amounting to less than 50% of the voting shares. Minority interest shows up as a noncurrent liability on the balance sheet of companies with a majority interest in a company, representing the proportion of its subsidiaries owned by minority shareholders. Also, minority interest is reported on the consolidated income statement as a share of profit belonging to minority shareholders.

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

Name of the BAS	BAS No.	Status
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Applied *
Investment Property	40	N/A
Agriculture	41	N/A

Name of the BFRS	BFRS No.	Status
Share 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 money laundering and terrorist financing. In addition to the industry best practices for assessing, identifying and measuring risks, IDLC also considers guidelines for managing core risks of financial instructions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated January 24, 2016.

Credit Risk

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

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

Market Risk

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

Liquidity Risk

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

Operational Risk

Appropriate internal control measures are in place, at IDLC, to address operational risks. IDLC has also established an Operational Risk Management (ORM) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and mange operational risk. The function of the ORM department is to exercise constant vigilance against 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.

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 organisation, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;

c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;

d) Independent audit function including internal and external audit function to test the programs;

e) Ongoing employee training programs.

Additional risks required to be addressed under new regulatory requirements

DFIM Circular No.03 of 2016, introduced the Integrated Risk Management Guidelines for Financial Institutions ("the guidelines"). These guidelines will supplement, and not replace, existing risk management guidelines.

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

Strategic Risk

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

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

Compliance Risk

Compliance risk is defined as the current or prospective risk of legal sanction and/or material financial loss that an organisation may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of 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.

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

As the best financial brand in promoting sustainable business practices, IDLC have adopted Environmental & Social Risk Management System as one of its integral parts of Credit Risk Assessment to compute environmental & social risks from our financial footprints. IDLC is one of the front runners to add "Environmental & Social Management System (ESMS)" within its framework, a global standard to minimize environmental & social risks from the organizational activities. With the co-operation of FMO (Netherlands Development Finance Company), IDLC have the most efficient ESMS system of the market, blending the local & international standards for formulating E&S risks before financing any proposal. Our ESMS system comprises the guidelines like: Environmental & Social Risk Management Guideline by Bangladesh Bank, the Environment Conservation Rules 1997, IFC Performance Standards & ADB Safeguard for financing. Also with the help of an exclusion list, IDLC is contributing to protect its mother nature by prohibiting any illegal/high E&S risk associated project financing. In addition to this, IDLC also adopted the 10 UNGC (United Nations Global Compact) principles within its organizational framework as the only signatory of UNEP FI (United Nations Environment Programme Finance Initiative) from Bangladesh. IDLC also have a dedicated E&S team to rollout the operations of ESMS across the organization, capacity building of the business unit as well as the credit risk management officials to strengthen the core of our in E&S Risk management.

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, 2017, IDLC Finance Limited is the custodian of 240,980,665 ordinary shares of RAK Ceramic (Bangladesh) Limited held by RAK Ceramics, PSC, UAE and 7 individual sponsor shareholders. IDLC Finance Limited has entered into an agreement during 2014 with RAK Ceramics PSC, UAE regarding providing security custodian service.

IDLC Finance Limited is also providing security custodian service for 8,477,970 ordinary shares of Aamra Networks Limited held by Augere Holdings (Netherlands) B.V. In 2017, another agreement was entered with SEAF Bangladesh Ventures LLC for providing custodian service for 1,285,832 ordinary shares of ADN Telecom Limited.

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka

3. Cash

3.1	**Cash in hand (including foreign currencies):**			
	In local currency	285,000	276,000	385,000	376,000
	In foreign currency	-	-	-	-
		285,000	276,000	385,000	376,000
3.2	**Balance with Bangladesh Bank and its agent (including foreign currencies)**			
	In local currency	1,095,727,369	975,781,535	1,095,727,369	975,781,535
	In foreign currency	-	-	-	-
		1,095,727,369	975,781,535	1,095,727,369	975,781,535
		1,096,012,369	**976,057,535**	**1,096,112,369**	**976,157,535**

3.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institutions Act, 1993 & Financial Institutions Regulations, 1994, FID Circular No. 06, dated November 06, 2003, FID Circular No. 02, dated November 10, 2004 and DFIM Circular Letter No. 01, dated January 12, 2017

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on Total Term Deposits which is preserved in current account maintained with Bangladesh Bank. 'Total Term Deposit' means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except Banks & Financial Institutions)

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank and other Banks and Financial Institutions, unencumbered treasury bill, bond and any other assets approved by Government gazette or by Bangladesh Bank.

a)	**Cash Reserve Requirement**			
	Required reserve	1,089,008,878	938,346,684	1,089,008,878	938,346,684
	Actual reserve maintained	1,100,802,430	966,423,302	1,100,802,430	966,423,302
	Surplus/ (deficit)	**11,793,552**	**28,076,617**	**11,793,552**	**28,076,617**
b)	**Statutory Liquidity Reserves**			
	Required reserve (including CRR)	3,031,445,013	2,555,331,956	3,031,445,013	2,555,331,956
	Actual reserve maintained (including CRR) (note 3.3.1)	3,064,750,283	2,565,429,479	3,064,750,283	2,565,429,479
	Surplus/ (deficit)	**33,305,270**	**10,097,522**	**33,305,270**	**10,097,522**
	Total required reserves	3,031,445,013	2,555,331,956	3,031,445,013	2,555,331,956
	Actual reserve held	3,064,750,283	2,565,429,479	3,064,750,283	2,565,429,479
	Total surplus	**33,305,270**	**10,097,522**	**33,305,270**	**10,097,522**

3.3.1 Actual reserve maintained (including CRR)

The City Bank Limited	250,991	40,152,349	250,991	40,152,349
Standard Chartered Bank	-	41,161,313	-	41,161,313
Citibank N.A.	30,162,037	26,889,233	30,162,037	26,889,233
Bangladesh Bank	1,084,337,255	807,226,584	1,084,337,255	807,226,584
Social Islami Bank Limited	800,000,000	-	800,000,000	-

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
Meridian Finance & Investment Limited	200,000,000	-	200,000,000	-
NRB Commercial Bank Limited	-	250,000,000	-	250,000,000
South Bangla Agriculture & Commerce Bank Limited	-	200,000,000	-	200,000,000
EXIM Bank Limited	-	500,000,000	-	500,000,000
Jamuna Bank Limited	450,000,000	-	450,000,000	-
Union Bank Limited	500,000,000	700,000,000	500,000,000	700,000,000
	3,064,750,283	**2,565,429,479**	**3,064,750,283**	**2,565,429,479**

4. Balance with other banks and financial institutions in Bangladesh

4(a) Inside Bangladesh

Current deposits in local currency

Woori Bank limited	15,927	21,767	15,927	21,767
Bank Al- Falah Limited	5,430	7,680	5,430	7,680
One Bank Limited	-	-	8,645,318	2,077,802
Jamuna Bank Limited	8,390	-	8,390	-
The City Bank Limited	38,884,706	3,971,939	38,884,706	3,971,939
National Bank Limited	3,949,086	108,138	3,949,086	108,138
Bank Asia Limited	13,098,902	3,120,544	13,098,902	3,120,544
State Bank of India	4,700,049	3,548,875	4,700,049	3,548,875
Commercial Bank of Ceylon PLC	3,586,580	20,768,572	3,925,605	23,032,520
Citibank N.A.	134,980,349	14,945,104	134,980,349	14,945,104
Standard Chartered Bank	(1,084,422,501)	(378,313,189)	(733,627,887)	(100,242,843)
Mutual Trust Bank Limited	170,695,065	7,225,046	170,695,065	7,225,046
Exim Bank Limited	5,980,591	3,730,856	5,980,591	3,730,856
Dutch Bangla Bank Limited	32,387,903	12,830,525	32,387,903	12,830,525
BRAC Bank Limited	1,275,452	20,598,531	15,082,664	21,664,898
Dhaka Bank Limited	14,570,753	3,917,819	14,570,753	3,917,819
NRB Bank Limited	-	-	3,048,006	73,215,292
Mercantile Bank Limited	2,290,910	6,170	2,290,910	6,170
IDLC Investments Limited	9,586,771	48,022,700	-	-
	(648,405,637)	**(235,488,923)**	**(281,358,233)**	**73,182,132**

Short-term deposit accounts

Prime Bank Limited	7,989,445	85,500	7,989,445	85,500
Dutch Bangla Bank Limited	-	-	3,472,106	2,342,067
The City Bank Limited	(34,098)	1,873,464	(34,098)	1,873,464
BRAC Bank Limited	-	-	38,049,436	92,607,474
Southeast Bank Limited	9,769,680	4,406,862	9,769,680	4,406,862
Citibank N.A.	90,303,317	112,242	90,303,317	112,242
Standard Chartered Bank	923,270,021	429,927	923,803,070	655,201
Commercial Bank of Cylon PLC	3,850,090	8,135,203	34,602,618	42,348,279

AMARSTOCK

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
	One Bank Limited	-	-	42,405,043	468,262,641
	NCC Bank Limited	-	-	445,409,692	-
	Eastern Bank Limited	-	-	777,653	772,339
	NRB Bank Limited	4,165	30,289	88,586	30,289
		1,035,152,620	15,073,487	1,596,636,548	613,496,358
	Fixed Deposits				
	Al-Arafah Islami Bank Limited	700,000,000	300,000,000	700,000,000	300,000,000
	LankaBangla Finance Limited	-	-	-	50,862,500
	AB Bank Limited	-	150,000,000	-	150,000,000
	Meghna Bank Limited	750,000,000	1,000,000,000	750,000,000	1,000,000,000
	NRB BANK Limited	-	500,000,000	-	500,000,000
	NRB Commercial Bank Limited	-	1,250,000,000	-	1,250,000,000
	South Bangla Agriculture & Commerce Bank Limited	-	200,000,000	-	200,000,000
	Union Bank Limited	1,100,000,000	1,800,000,000	1,100,000,000	1,800,000,000
	ONE Bank Limited	2,000,000,000	-	2,000,000,000	-
	Jamuna Bank Limited	1,450,000,000	-	1,450,000,000	-
	The Farmers Bank Limited	-	-	-	162,962,177
	Social Islami Bank Limited	1,400,000,000	900,000,000	1,400,000,000	900,000,000
	Mercantile Bank Limited	500,000,000	-	500,000,000	-
	The City Bank Limited	1,290,000,000	-	1,290,000,000	-
	Dhaka Bank Limited	2,000,000,000	500,000,000	2,000,000,000	500,000,000
	NRB Global Bank Limited	450,000,000	-	450,000,000	-
	Standard Bank Limited	450,000,000	1,200,000,000	450,000,000	1,200,000,000
	Export Import Bank of Bangladesh Limited	-	1,400,000,000	-	1,400,000,000
	Meridian Finance & Investment Limited	200,000,000	200,000,000	200,000,000	200,000,000
	Trust Bank Limited	-	-	2,500,000	2,678,500
	Standard Chartered Bank	-	-	24,000,000	24,000,000
	Phoenix Finance and Investments Limited	-	-	-	50,000,000
		12,290,000,000	9,400,000,000	12,316,500,000	9,690,503,177
		12,676,746,983	**9,179,584,564**	**13,631,778,315**	**10,377,181,667**
4(b)	**Outside Bangladesh**	-	-	-	-
	Total balance	**12,676,746,983**	**9,179,584,564**	**13,631,778,315**	**10,377,181,667**
4.1	**Maturity grouping of balance with other banks and financial institutions:**				
	Payable on demand	(648,405,637)	(235,488,923)	280,125,695	73,182,130
	Up to 1 month	4,485,152,620	2,115,073,487	4,502,152,620	2,763,496,360
	Over 1 month but not more than 3 months	7,440,000,000	6,400,000,000	7,447,000,000	6,620,824,677
	Over 3 months but not more than 6 months	1,400,000,000	900,000,000	1,400,000,000	900,000,000
	Over 6 months but not more than 1 year	-	-	2,500,000	19,678,500
	Over 1 year but not more than 5 years	-	-	-	-
	Over 5 years	-	-	-	-
		12,676,746,983	**9,179,584,564**	**13,631,778,315**	**10,377,181,667**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		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		-	-	-	-
Prize bonds		-	-	-	-
Others		-	-	-	-
		-	-	-	-
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)	774,750,000	913,000,000	952,536,324	1,072,274,178
Investment in commercial papers	(Note 6.3)	-	400,000,000	-	400,000,000
Investment in marketable securities	(Note 6.4)	2,230,598,864	1,427,239,457	6,762,348,868	2,868,178,589
Investment in open end mutual fund	(Note 6.5)	200,000,000	-	200,000,000	-
Other investments		-	-	-	-
Gold etc.		-	-	-	-
		3,213,212,864	2,748,103,457	7,922,749,192	4,348,316,767
		3,213,212,864	**2,748,103,457**	**7,922,749,192**	**4,348,316,767**

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	240,000,000	300,000,000	240,000,000	300,000,000
The City Bank Limited	234,750,000	313,000,000	234,750,000	313,000,000
United Commercial Bank Limited	300,000,000	300,000,000	300,000,000	300,000,000
Impress-Newtex Composite Textile Limited	-	-	177,786,324	159,274,178
Total	**774,750,000**	**913,000,000**	**952,536,324**	**1,072,274,178**

6.3 Investment in Commercial papers

Jinnat Knitwears Limited	-	400,000,000	-	400,000,000
Total	**-**	**400,000,000**	**-**	**400,000,000**

6.4 Investment in marketable securities

Investment in marketable securities (Note 6.4.1)	2,230,598,864	1,397,239,457	6,762,348,868	2,793,178,589
Investment in Initial Public Offering (Note 6.4.2)	-	30,000,000	-	75,000,000
	2,230,598,864	**1,427,239,457**	**6,762,348,868**	**2,868,178,589**

6.4.1 Investment in marketable securities

Details of marketable securities are given below:

Business Segments	IDLC Finance Limited		IDLC Group	
	Cost price	Market price at the end of the year	Cost price	Market price at the end of the year
	Taka	Taka	Taka	Taka
Mutual Funds	55,047,280	51,152,410	80,041,152	76,044,414
Banks	982,231,607	1,282,858,000	2,763,561,021	3,283,694,147
Textiles	-	-	4,378,178	4,390,000
Pharmaceuticals & Chemicals	675,547,852	722,812,063	2,182,958,559	2,243,161,545
Fuel & Power	25,785,861	26,949,600	36,125,861	37,289,600
Financial Institutions	9,999,997	9,999,997	40,340,897	43,069,621
Telecom	479,996,034	674,185,600	1,452,379,389	1,763,462,001
Food & Allied	-	-	189,904,190	210,544,668
Engineering & Others	1,990,233	5,634,850	12,659,621	20,813,288
	2,230,598,864	**2,773,592,521**	**6,762,348,868**	**7,682,469,285**

All investments in marketable securities are valued on an aggregate portfolio basis, at cost value, at the balance sheet date.

Market price for securities not listed as on reporting date, has been shown at cost for calculation purpose.

As on December 31, 2017 there was Taka 920,120,417 gross unrealised gain on consolidated investment in marketable listed securities and Taka 542,993,657 gross unrealised gain on investment by IDLC Finance Limited in marketable securities.

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
6.4.2 Investment in Initial Public Offering	**-**	**30,000,000**	**-**	**75,000,000**

6.5 Investment in open end mutual fund

IDLC Finance Limited (IDLC FL) invested TK. 200,000,000 as the sponsor in open-ended mutual fund. IDLC Asset Management Limited (IDLC AML) is the fund manger of this mutual fund. The objective of the fund is to provide attractive risk adjusted returns to the unit holders by investing the proceeds in the Capital Market and Money Market.

6.6 Maturity grouping of investments

On demand	-	-	-	-
Up to 1 month	243,846,287	344,424,830	601,246,494	258,819,311
Over 1 month but not more than 3 months	2,186,752,577	996,708,420	5,395,490,444	2,005,451,730
Over 3 months but not more than 6 months	60,000,000	146,106,207	147,940,697	663,911,726
Over 6 months but not more than 1 year	138,250,000	478,250,000	340,880,023	478,250,000
Over 1 year but not more than 5 years	576,500,000	654,750,000	1,421,463,534	814,020,000
Over 5 years	7,864,000	127,864,000	15,728,000	127,864,000
	3,213,212,864	**2,748,103,457**	**7,922,749,192**	**4,348,316,767**

			IDLC Finance Limited		IDLC Group	
			31.12.2017	31.12.2016	31.12.2017	31.12.2016
			Taka	Taka	Taka	Taka
7	**Loans and advances**					
	Inside Bangladesh:					
	Lease receivable	(Note-7.1)	4,628,820,564	4,949,942,229	4,628,820,564	4,949,942,229
	Long-term finance	(Note-7.2)	39,242,839,011	33,044,382,500	39,242,839,011	33,044,382,500
	Real estate finance	(Note-7.3)	21,461,517,186	18,108,222,920	21,461,517,186	18,108,222,920
	Car loans	(Note-7.4)	1,858,522,855	2,369,827,680	1,858,522,855	2,369,827,680
	Personal loan	(Note-7.5)	92,857,372	87,957,182	92,857,372	87,957,182
	Short term finance	(Note-7.6)	777,721,688	845,438,069	777,721,688	845,438,069
	Loan to subsidiaries	(Note-7.7)	1,230,349,692	260,800,000	-	-
	Loan against deposit (LAD)		415,164,763	488,209,887	415,164,763	488,209,887
	Margin loan to portfolio investors	(Note-7.8)	-	-	2,063,263,811	1,341,971,074
	Interest receivable	(Note-7.9)	957,840,785	980,917,636	957,840,785	980,917,636
			70,665,633,916	61,135,698,103	71,498,548,035	62,216,869,177
	Outside Bangladesh		-	-	-	-
			70,665,633,916	**61,135,698,103**	**71,498,548,035**	**62,216,869,177**
7.1	**Lease receivable**					
	Balance at January 1		4,949,942,229	6,016,178,662	4,949,942,229	6,016,178,662
	Add: Addition during the year		1,708,529,716	1,633,586,662	1,708,529,716	1,633,586,662
			6,658,471,945	7,649,765,324	6,658,471,945	7,649,765,324
	Less: Realisation during the year		2,029,651,381	2,699,823,095	2,029,651,381	2,699,823,095
	Balance at December 31		**4,628,820,564**	**4,949,942,229**	**4,628,820,564**	**4,949,942,229**
7.1a	**Lease receivable**					
	Gross lease receivable		5,438,756,145	5,866,461,747	5,438,756,145	5,866,461,747
	Less: Unearned lease income		809,935,581	916,519,518	809,935,581	916,519,518
	Lease receivable		**4,628,820,564**	**4,949,942,229**	**4,628,820,564**	**4,949,942,229**

		31.12.2017		31.12.2016	
		Taka	% of total	Taka	% of total
7.1.1	**Aging analysis of lease receivable**				
	Up to one year	1,918,986,448	41.46	2,114,028,835	42.71
	Above one year to three years	2,118,808,251	45.77	2,279,266,871	46.05
	Above three years to five years	582,539,749	12.59	555,232,898	11.22
	More than five years	8,486,116	0.18	1,413,625	0.03
		4,628,820,564	**100.00**	**4,949,942,229**	**100.00**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
7.2	**Long-term finance**				
	Balance at January 1	33,044,382,500	25,376,857,760	33,044,382,500	25,376,857,760
	Add: Disbursement during the year	26,025,645,752	22,769,766,224	26,025,645,752	22,769,766,224
		59,070,028,252	48,146,623,984	59,070,028,252	48,146,623,984
	Less: Realisation during the year	19,827,189,241	15,102,241,484	19,827,189,241	15,102,241,484
	Balance at December 31	**39,242,839,011**	**33,044,382,500**	**39,242,839,011**	**33,044,382,500**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
7.3	**Real estate finance**				
	This represents loans to individuals, employees under the Company's real estate loan scheme and corporate bodies for purchase and construction of apartments and homes in urban areas for periods ranging from 5 to 20 years.				
	Balance at January 1	18,108,222,920	17,205,949,953	18,108,222,920	17,205,949,953
	Add : Disbursement during the year	8,096,148,345	6,797,954,365	8,096,148,345	6,797,954,365
		26,204,371,265	24,003,904,318	26,204,371,265	24,003,904,318
	Less : Realisation during the year	4,742,854,079	5,895,681,398	4,742,854,079	5,895,681,398
	Balance at December 31	**21,461,517,186**	**18,108,222,920**	**21,461,517,186**	**18,108,222,920**

		31.12.2017		31.12.2016	
		Taka	% of total	Taka	% of total
7.3.1	**Aging analysis of real estate finance**				
	Up to one year	2,210,261,219	10.30	1,932,547,235	10.67
	Above one year to three years	4,276,997,252	19.93	3,547,403,663	19.59
	Above three years to five years	4,143,035,544	19.30	3,522,759,169	19.45
	More than five years	10,831,223,171	50.47	9,105,512,853	50.28
		21,461,517,186	**100.00**	**18,108,222,920**	**100.00**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
7.4	**Car loans**				
	Balance at January 1	2,369,827,680	2,490,010,308	2,369,827,680	2,490,010,308
	Add : Disbursement during the year	455,177,855	723,867,202	455,177,855	723,867,202
		2,825,005,535	3,213,877,510	2,825,005,535	3,213,877,510
	Less : Realisation during the year	966,482,680	844,049,830	966,482,680	844,049,830
	Balance at December 31	**1,858,522,855**	**2,369,827,680**	**1,858,522,855**	**2,369,827,680**
7.5	**Personal loan**				
	Balance at January 1	87,957,182	120,402,599	87,957,182	120,402,599
	Add : Disbursement during the year	47,387,733	24,158,238	47,387,733	24,158,238
		135,344,915	144,560,837	135,344,915	144,560,837
	Less : Realisation during the year	42,487,543	56,603,655	42,487,543	56,603,655
	Balance at December 31	**92,857,372**	**87,957,182**	**92,857,372**	**87,957,182**
7.6	**Short term finance**				
	Factoring of account receivable	**777,721,688**	**845,438,069**	**777,721,688**	**845,438,069**
7.7	**Loan to Subsidiaries**				
	Balance at January 1	260,800,000	232,500,000	-	-
	Add : Disbursement during the year	11,593,399,692	5,756,400,000	-	-
		11,854,199,692	5,988,900,000	-	-
	Less : Realisation during the year	10,623,850,000	5,728,100,000	-	-
	Balance at December 31	**1,230,349,692**	**260,800,000**	**-**	**-**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
7.7.1	**Loan to IDLC Investments Limited**				
	Balance at January 1	260,800,000	127,500,000	-	-
	Add : Disbursement during the year	10,098,399,692	2,145,900,000	-	-
		10,359,199,692	2,273,400,000	-	-
	Less : Realisation during the year	9,128,850,000	2,012,600,000	-	-
	Balance at December 31	**1,230,349,692**	**260,800,000**	**-**	**-**
7.7.2	**Loan to IDLC Securities Limited**				
	Balance at January 1	-	105,000,000	-	-
	Add : Disbursement during the year	1,495,000,000	3,610,500,000	-	-
		1,495,000,000	3,715,500,000	-	-
	Less : Realisation during the year	1,495,000,000	3,715,500,000	-	-
	Balance at December 31	-	-	-	-
7.8	**Margin loan to portfolio investors**				
	Balance at January 1	-	-	1,341,971,074	1,586,669,766
	Add : Disbursement during the year	-	-	7,265,731,928	3,408,251,029
		-	-	8,607,703,002	4,994,920,795
	Less : Realisation during the year	-	-	6,544,439,191	3,652,949,721
	Balance at December 31	-	-	**2,063,263,811**	**1,341,971,074**

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	113,515,497	121,149,224	113,515,497	121,149,224
	Long-term finance	511,476,489	484,355,448	511,476,489	484,355,448
	Real estate finance	269,372,331	274,394,245	269,372,331	274,394,245
	Car loan	17,799,917	28,218,423	17,799,917	28,218,423
	Personal loan	1,913,680	2,064,575	1,913,680	2,064,575
	Loan against deposit (LAD)	34,730,266	56,472,184	34,730,266	56,472,184
	Short term finance	9,032,605	14,263,537	9,032,605	14,263,537
		957,840,785	**980,917,636**	**957,840,785**	**980,917,636**
7.10	**Net loans, advances and leases**				
	Gross performing loans, advances and leases (Note-7)	70,665,633,916	61,135,698,103	71,498,548,035	62,264,891,877
	Less:				
	Non-performing loans, advances and leases (Note-7.15(x)(a))	1,954,376,108	1,818,868,397	2,283,703,116	1,935,245,164
	Interest suspense (Note-12.5)	396,051,369	373,356,082	396,051,369	373,356,082
	Provision for loans and advances/investments (Note-12.6 (i))	1,105,347,063	1,081,156,938	1,145,270,344	1,116,435,278
		3,455,774,540	3,273,381,417	3,825,024,829	3,425,036,524
		67,209,859,376	**57,862,316,686**	**67,673,523,206**	**58,839,855,353**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
7.11	**Residual maturity grouping of loans, advances and leases**				
	Repayable on demand	6,370,297,692	4,162,574,181	6,370,297,692	4,162,574,181
	Over 1 month but not more than 3 months	4,279,556,642	4,653,462,738	4,279,556,642	4,653,462,738
	Over 3 months but not more than 1 year	15,329,541,777	13,703,717,726	16,162,455,896	14,784,888,800
	Over 1 year but not more than 5 years	32,330,656,107	28,176,108,347	32,330,656,107	28,176,108,347
	Over 5 years	12,355,581,698	10,439,835,111	12,355,581,698	10,439,835,111
		70,665,633,916	**61,135,698,103**	**71,498,548,035**	**62,216,869,177**
7.12	**Loans, advances and leases on the basis of significant concentration**				
	a) Loans, advances and lease to the institutions in which Directors have interest	5,542,279	9,417,209	5,542,279	9,417,209
	b) Loans, advances and lease to Chief Executive and other senior executives	29,607,918	31,623,893	29,607,918	31,623,893
	c) Loans, advances and lease to customer groups:				
	i) Real estate finance	21,039,978,039	17,676,402,399	21,039,978,039	17,676,402,399
	ii) Car loan	1,874,864,482	2,396,106,508	1,874,864,482	2,396,106,508
	iii) Personal loan	74,622,789	84,023,906	74,622,789	84,023,906
	iv) Loan against deposit (LAD)	449,895,029	544,682,070	449,895,029	544,682,070
	v) Small and medium enterprises	29,042,919,423	23,487,612,958	29,042,919,423	23,487,612,958
	vi) Special program loan (BB refinancing scheme)	2,320,105,027	3,199,448,568	2,320,105,027	3,199,448,568
	vii) Staff loan	168,553,962	103,178,196	168,553,962	103,178,196
	viii) Industrial loans, advances and leases (Note- 7.12 (d))	14,429,195,276	13,342,402,396	14,429,195,276	13,342,402,396
	ix) Other loans and advances	1,230,349,692	260,800,000	2,063,263,811	1,341,971,074
		70,630,483,719	61,094,657,001	71,463,397,838	62,175,828,075
		70,665,633,916	**61,135,698,103**	**71,498,548,035**	**62,216,869,177**
	d) Details of Industrial loans, advances and leases				
	i) Agricultural industries	1,156,782,868	124,112,993	1,156,782,868	124,112,993
	ii) Textiles, Apparels & Accessories	3,745,717,889	3,788,207,328	3,745,717,889	3,788,207,328
	iii) Food and beverage	717,318,604	908,464,460	717,318,604	908,464,460
	iv) Pharmaceuticals	729,915,255	369,356,166	729,915,255	369,356,166
	v) Leather & leather products, chemicals	3,740,188	25,462,467	3,740,188	25,462,467
	vi) Power, energy & engineering	2,198,318,968	1,785,436,041	2,198,318,968	1,785,436,041
	vii) Real estate & Home appliances, cement, ceramics	1,164,505,726	1,340,859,853	1,164,505,726	1,340,859,853
	viii) IT & services	3,758,318,657	4,167,442,973	3,758,318,657	4,167,442,973
	ix) Transportation	342,441,376	299,867,033	342,441,376	299,867,033
	x) Other industries	612,135,745	533,193,082	612,135,745	533,193,082
		14,429,195,276	**13,342,402,396**	**14,429,195,276**	**13,342,402,396**
7.13	**Loans, advances and leases -geographical location-wise**				
	Inside Bangladesh:				
	Dhaka	50,230,348,898	43,881,448,133	51,063,263,017	44,962,619,207
	Chittagong	5,772,257,573	6,210,709,576	5,772,257,573	6,210,709,576
	Bogra	2,004,857,286	1,748,215,543	2,004,857,286	1,748,215,543

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
Sylhet	1,299,497,044	1,393,218,542	1,299,497,044	1,393,218,542
Savar	1,937,591,290	1,472,247,335	1,937,591,290	1,472,247,335
Comilla	1,615,463,040	1,438,467,738	1,615,463,040	1,438,467,738
Jessore	1,651,275,716	1,335,376,776	1,651,275,716	1,335,376,776
Narsingdi	739,423,482	777,370,506	739,423,482	777,370,506
Bhulta	499,044,383	341,662,705	499,044,383	341,662,705
Khulna	863,910,501	768,578,178	863,910,501	768,578,178
Natore	624,204,671	478,303,595	624,204,671	478,303,595
Kustia	965,613,975	308,621,023	965,613,975	308,621,023
Habiganj	731,315,279	343,164,534	731,315,279	343,164,534
Mymesingh	680,673,141	327,382,744	680,673,141	327,382,744
Rangpur	673,507,323	310,931,175	673,507,323	310,931,175
Chowmuhani	149,937,776	-	149,937,776	-
Barisal	65,289,333	-	65,289,333	-
Rajshahi	98,427,269	-	98,427,269	-
Faridpur	62,995,936	-	62,995,936	-
	70,665,633,916	61,135,698,103	71,498,548,035	62,216,869,177
Outside Bangladesh:	-	-	-	-
	70,665,633,916	**61,135,698,103**	**71,498,548,035**	**62,216,869,177**

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 10,569.10 million as at 31 December 2017 (Taka 7,604.54 million in 2016)

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	9,366,772,122	12,660,871,696	10,199,686,241	13,742,042,770
ii) Loans, advances and leases considered good against which the financial institution holds no security other than the debtors' personal guarantee	8,202,973,956	8,377,273,927	8,202,973,956	8,377,273,927
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	53,095,887,838	40,097,552,480	53,095,887,838	40,097,552,480
	70,665,633,916	**61,135,698,103**	**71,498,548,035**	**62,216,869,177**
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)]	198,161,880	134,802,089	198,161,880	134,802,089
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	5,542,279	9,417,209	5,542,279	9,417,209

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
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	198,161,880	134,802,089	198,161,880	134,802,089
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	5,542,279	9,417,209	5,542,279	9,417,209
ix) Due from bank and financial institutions	1,722,520,583	929,916,780	1,722,520,583	929,916,780
x) Classified loans, advances and leases				
a) Classified loans, advances and leases on which interest has not been charged (Note-7.16)	1,954,376,108	1,818,868,397	2,283,703,116	1,935,245,164
b) Provision required for the year	397,524,787	430,079,458	402,169,728	431,839,624
Provision released during the year	(169,358,827)	(256,630,939)	(169,358,827)	(276,063,794)
Total provisions charged during the year	228,165,960	173,448,519	232,810,901	155,775,830
c) Amount of written off loans, advances and leases	203,975,835	252,724,607	203,975,835	252,724,607
Total amount realised against loans and leases previously written off	20,260,467	90,943,246	20,260,467	90,943,246
d) Provision kept against loans and advances classified as bad debts	489,377,162	510,099,689	489,377,162	510,099,689
e) Interest credited to Interest Suspense Account (Note-12.5)	396,051,369	373,356,082	396,051,369	373,356,082
xi) Cumulative amount of written off loans, advances and leases				
Balance at January 1	742,127,398	489,402,791	742,127,398	489,402,791
Amount written off during the year	203,975,835	252,724,607	203,975,835	252,724,607
	946,103,233	742,127,398	946,103,233	742,127,398
The amount of written off loans, advances and leases for which law suits have been filed	1,916,638,713	1,540,218,061	1,916,638,713	1,540,218,061

7.16 Classification of loans, advances and leases

Unclassified:				
Standard including staff loan	67,800,162,979	58,229,861,090	68,303,750,090	59,194,655,397
Special Mention Account (SMA)	911,094,829	1,086,968,616	911,094,829	1,086,968,616
	68,711,257,808	59,316,829,706	69,214,844,919	60,281,624,013
Classified:				
Sub-standard	291,087,794	432,453,066	620,414,802	548,829,833
Doubtful	217,098,520	302,158,349	217,098,520	302,158,349
Bad/Loss	1,446,189,794	1,084,256,982	1,446,189,794	1,084,256,982
	1,954,376,108	1,818,868,397	2,283,703,116	1,935,245,164
	70,665,633,916	**61,135,698,103**	**71,498,548,035**	**62,216,869,177**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka

7.17 Particulars of required provision for loans, advances and leases

Status	Base for provision	Rate (%)				
General Provision						
Loans and leases (Excluding SMA)	42,251,687,082	1.00%	422,516,871	378,095,148	427,182,032	378,115,370
Loans and leases SME-STD (Excluding SMA)	25,548,475,897	0.25%	63,871,189	51,050,866	63,871,189	51,050,866
Special Mention Account (SMA)	853,088,421	5.00%	42,654,421	50,668,522	42,654,421	50,668,522
			529,042,481	479,814,536	533,707,642	479,834,758
Status	**Base for provision**	**Rate (%)**				
Specific provision						
Sub-standard	163,579,458	20%	32,715,892	22,130,089	67,974,012	57,388,208
Doubtful	108,423,055	50%	54,211,528	62,968,424	54,211,528	62,968,424
Bad/ Loss	489,377,162	100%	489,377,162	510,099,689	489,377,162	510,099,689
			576,304,582	595,198,202	611,562,702	630,456,320
Required provision for loans, advances and leases			1,105,347,063	1,075,012,738	1,145,270,344	1,110,291,078
Required provision for diminution in value of investments			-	6,144,200	-	6,144,200
Total provision required			1,105,347,063	1,081,156,938	1,145,270,344	1,116,435,278
Total provision maintained (Note - 12.6 (i))			1,105,347,063	1,081,156,938	1,145,270,344	1,116,435,278
Excess/(short) provision at 31 December			-	-	-	-

8 Fixed assets including land, building, furniture and fixtures

a. Cost				
Balance at January 1	1,205,376,097	1,042,168,288	1,376,871,985	1,208,445,716
Addition during the year	151,047,125	281,254,291	187,993,259	312,435,792
	1,356,423,222	1,323,422,579	1,564,865,244	1,520,881,508
Disposal/Adjustments during the year	(53,651,439)	(118,046,481)	(61,929,512)	(144,009,522)
	1,302,771,783	1,205,376,097	1,502,935,732	1,376,871,985
b. Accumulated depreciation				
Balance at January 1	598,463,488	539,804,931	722,598,634	671,347,033
Charged during the year	145,839,286	152,934,603	164,225,017	167,727,512
	744,302,774	692,739,534	886,823,651	839,074,545
Disposal/Adjustments during the year	(38,787,063)	(94,276,047)	(46,679,844)	(116,475,911)
	705,515,711	598,463,488	840,143,807	722,598,634
c. Written down value (a-b)	**597,256,072**	**606,912,609**	**662,791,925**	**654,273,352**

A schedule of fixed assets including land, building, furniture and fixtures is given in Annexure-A

9. Other assets

Investment in subsidiary companies	(Note-9.1)	3,949,999,790	1,549,999,790	-	-
Accounts receivable	(Note-9.2)	182,287,683	127,039,631	578,936,375	495,507,934
Advances, deposits and prepayments	(Note-9.3)	213,723,589	174,159,587	236,588,461	197,264,296
Deferred tax asset	(Note-9.4)	16,109,252	7,590,200	40,762,419	26,835,956
Investment in stock exchanges	(Note-9.5)	-	-	18,676,000	18,676,000
		4,362,120,314	**1,858,789,208**	**874,963,255**	**738,284,186**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
9.1 Investment in subsidiary companies					
IDLC Securities Limited	(Note-9.1.1)	1,649,999,900	49,999,900	-	-
IDLC Investments Limited	(Note-9.1.2)	2,199,999,900	1,399,999,900	-	-
IDLC Asset Management Limited	(Note-9.1.3)	99,999,990	99,999,990	-	
		3,949,999,790	**1,549,999,790**	**-**	**-**

9.1.1 IDLC Securities Limited has raised its paid-up capital at BDT 2,000 million from existing BDT 400 million through issuing 16 million Ordinary Shares of Taka 100 each (at par) in September 2017 to strengthen the equity and capital base of the company. Out of the total of 20,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 19,999,992 (including bonus shares issued in 2008, 2009 and 2010) ordinary shares of Taka 100 each.

9.1.2 IDLC Investments Limited has raised its paid-up capital at BDT 2,200 million from existing BDT 1,400 million through issuing 8 million Ordinary Shares of Taka 100 each (at par) in December 2017 to strengthen the equity and capital base of the company. Out of the total of 22,000,000 ordinary shares issued and paid up, IDLC Finance Limited holds 21,999,999 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)	140,307,327	89,487,153	140,529,869	95,103,875
Other receivables	(Note-9.2.2)	41,980,357	37,552,478	438,406,507	400,404,059
		182,287,683	**127,039,631**	**578,936,375**	**495,507,934**
9.2.1 Interest receivable					
Interest receivable, Fixed deposit		121,666,250	66,593,056	121,888,792	72,209,778
Interest receivable, Commercial paper		-	2,311,111	-	2,311,111
Receivable from Investment in bonds		18,641,077	20,582,986	18,641,077	20,582,986
		140,307,327	**89,487,153**	**140,529,869**	**95,103,875**
9.2.2 Other receivables					
Accrued other income		32,403,180	34,931,119	32,403,180	34,931,119
Other receivable		9,577,177	2,621,359	406,003,327	365,472,940
		41,980,357	**37,552,478**	**438,406,507**	**400,404,059**
9.3 Advances, deposits and prepayments					
Deposits and prepayments		7,957,426	2,867,426	8,620,606	3,155,425
Advance against expenses		205,766,163	171,292,161	227,967,855	194,108,871
		213,723,589	**174,159,587**	**236,588,461**	**197,264,296**

Advances, deposits and prepayments are considered good but not secured by collateral.

9.4 Deferred tax

Deferred tax has been calculated based on deductible/taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12: "Income Taxes".

Deferred tax liability is arrived at as follows:

2017

Assets (excluding land):

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	Taka	Taka	Taka	Taka	Taka	Taka
Fixed assets net of depreciation as on December 31, 2017 (IDLC FL)	-	-	-	-	-	-
Fixed assets net of depreciation as on December 31, 2017 (IDLC SL)	-	-	-	-	-	-
Fixed assets net of depreciation as on December 31, 2017 (IDLC IL)	-	-	-	-	-	-
Fixed assets net of depreciation as on December 31, 2017 (IDLC AML)	-	-	-	11,697,280	10,238,854	(1,458,427)
Total	**-**	**-**	**-**	**11,697,280**	**10,238,854**	**(1,458,427)**

2016

Assets (excluding land):

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)**

Applicable tax rate for IDLC FL			40.00%			-
Applicable tax rate for IDLC AML			-			35.00%
Deferred tax liability as on December 31, 2017			-			(510,449)
Deferred tax liability as on December 31, 2016			-			(38,459)
Deferred tax (expenses)/ income accounted for during the year			-			(471,990)

Deferred tax asset is arrived at as follows:

2017

Assets (excluding land):

Fixed assets net of depreciation as on December 31, 2017 (IDLC FL)	570,297,602	609,810,828	39,513,226	-	-	-
*Difference for vehicle	(759,904)	-	759,904	-	-	-
Fixed assets net of depreciation as on December 31, 2017 (IDLC SL)	-	-	-	36,018,198	54,834,699	18,816,501
Fixed assets net of depreciation as on December 31, 2017 (IDLC IL)	-	-	-	17,756,828	25,729,052	7,972,224
Fixed assets net of depreciation as on December 31, 2017 (IDLC AML)	-	-	-	-	-	-
Total	**569,537,698**	**609,810,828**	**40,273,130**	**53,775,026**	**80,563,751**	**26,788,725**

Liabilities:

Employee gratuity as on December 31, 2017 (IDLC SL)	-	-	-	27,071,908	-	27,071,908
Employee gratuity as on December 31, 2017 (IDLC IL)	-	-	-	11,550,577	-	11,550,577
Employee gratuity as on December 31, 2017 (IDLC AML)	-	-	-	3,631,925	-	3,631,925
Total	**-**	**-**	**-**	**42,254,410**	**-**	**42,254,410**

	IDLC Finance Limited			Subsidiaries		
	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference	Carrying amount at balance sheet	Tax base	(Taxable)/ deductible temporary difference
	Taka	Taka	Taka	Taka	Taka	Taka
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	-	-	-
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	**-**	**-**	**-**	**28,718,149**	**-**	**28,718,149**

Applicable tax rate for IDLC Finance Limited (2016: 40.00%)	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%
Deferred tax asset as on December 31, 2017	16,109,252	24,653,167
Deferred tax asset as on December 31, 2016	7,590,200	19,245,756
Deferred tax (expenses)/ income accounted for during the year	8,519,052	5,407,411
Net deferred tax (expense)/income	**8,519,052**	**4,935,421**

2017: Consolidated deferred tax income was Taka 13,454,473, which includes Taka 8,519,052 for deferred tax income of IDLC Finance Limited, Taka 3,204,526 for deferred tax income of IDLC Securities Limited, Taka 1,876,182 for deferred tax income of IDLC Investments Limited and Taka 145,287 for deferred tax expense of IDLC Asset Management Limited.

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.

* 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	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
9.5	**Investment in stock exchanges**				
	DSE membership at cost	-	-	15,225,000	15,225,000
	CSE membership at cost	-	-	3,451,000	3,451,000
		-	-	**18,676,000**	**18,676,000**

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

Stock Exchange	Type of Shares	Number of Shares	Face Value
Dhaka Stock Exchange Limited	Floated (40%)	2,886,042	10
	Blocked (60%)	4,329,064	10
		7,215,106	
Chittagong Stock Exchange Limited	Floated (40%)	1,714,932	10
	Blocked (60%)	2,572,398	10
		4,287,330	

Valuation of membership has been shown at cost in the accounts.

10. Borrowings from other banks, financial institutions

Inside Bangladesh (Note- 10.1)	11,230,359,336	12,394,377,442	11,400,359,336	12,564,377,442
Outside Bangladesh	-	-	-	-
	11,230,359,336	**12,394,377,442**	**11,400,359,336**	**12,564,377,442**
10.1 **Inside Bangladesh**				
Secured long term loans				
Long-term loans				
Woori Bank	213,333,333	183,333,333	213,333,333	183,333,333
Total secured long-term loans	**213,333,333**	**183,333,333**	**213,333,333**	**183,333,333**
Unsecured long-term loans				
Bond and Debenture				
A. K. Khan & Company Limited	325,316,491	438,214,164	325,316,491	438,214,164
Universal Jeans Limited	258,187,691	347,789,019	258,187,691	347,789,019
Grameen Telecom Trust	160,076,369	215,629,192	160,076,369	215,629,192
Square Pharmaceuticals Limited	129,093,846	173,894,509	129,093,846	173,894,509
Pragati Life Insurance Limited	25,818,769	34,778,902	25,818,769	34,778,902
BETS Consulting Services Limited	25,818,769	34,778,902	25,818,769	34,778,902
Dr. Abdus Shabur	5,163,754	6,955,780	5,163,754	6,955,780
Bangla Telecom Limited	31,124,005	40,554,479	31,124,005	40,554,479
Bangladesh Infrastructure Finance Fund Limited	311,240,055	405,544,789	311,240,055	405,544,789
Delsey Cotton Spinning Mills Ltd.	62,248,011	81,108,958	62,248,011	81,108,958
	1,334,087,760	1,779,248,694	1,334,087,760	1,779,248,694
Long-term loans				
Kreditanstalt fÜr Wiederaufbau (KfW)	81,275,994	90,801,364	81,275,994	90,801,364
Bangladesh Bank (BB Fund-Small Enterprise Refinancing Program)	33,785,833	54,951,487	33,785,833	54,951,487
Bangladesh Bank (Women-Small Enterprise Refinancing Program)	2,312,457,441	3,091,649,465	2,312,457,441	3,091,649,465

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
Bangladesh Bank (ADB Fund-Small EnterpriseRefinancing Program)	24,478,125	60,316,875	24,478,125	60,316,875
Bangladesh Bank (New Entrepreneur Refinancing Scheme)	101,998,846	102,740,909	101,998,846	102,740,909
Bangladesh Bank (Home Loan Refinancing Program)	570,052,125	629,317,923	570,052,125	629,317,923
Bangladesh Bank (Agro Loan Refinancing Program)	1,243,407,764	1,517,398,317	1,243,407,764	1,517,398,317
Bangladesh Bank (JICA Refinancing Program)	564,763,035	650,896,224	564,763,035	650,896,224
SME Foundation	30,000,000	63,000,000	30,000,000	63,000,000
FMO Loan	310,720,000	621,440,000	310,720,000	621,440,000
Investment Promotion & Financing Facilities (IPFF)	602,458,911	609,391,366	602,458,911	609,391,366
Bangladesh Bank Solar Bio Gas & ETP Scheme	2,916,668	5,250,001	2,916,668	5,250,001
Bangladesh Bank Milk Production Scheme	3,400,000	2,400,000	3,400,000	2,400,000
Saudi Bangladesh Industrial & Agricultural Investment Company Limited	616,223,500	312,241,484	616,223,500	312,241,484
	6,497,938,242	7,811,795,415	6,497,938,242	7,811,795,415
Total unsecured long-term loan	**7,832,026,002**	**9,591,044,109**	**7,832,026,002**	**9,591,044,109**
Short-term and Call loans:				
Short-term loans				
Citi Bank N.A.	400,000,000	520,000,000	400,000,000	520,000,000
Bank Alfalah Limited	200,000,000	200,000,000	200,000,000	200,000,000
Standard Chartered Bank	1,550,000,000	1,100,000,000	1,720,000,000	1,270,000,000
Commercial Bank of Ceylon Plc	535,000,000	400,000,000	535,000,000	400,000,000
One Bank Limited	500,000,000	-	500,000,000	-
Jamuna Bank Limited	-	400,000,000	-	400,000,000
	3,185,000,000	2,620,000,000	3,355,000,000	2,790,000,000
Total short-term and call loans	**3,185,000,000**	**2,620,000,000**	**3,355,000,000**	**2,790,000,000**
Total Borrowings	**11,230,359,336**	**12,394,377,442**	**11,400,359,336**	**12,564,377,442**

10.2 Security against borrowings from other banks and financial institutions

Secured	3,398,333,333	2,803,333,333	3,568,333,334	2,973,333,333
Unsecured	7,832,026,002	9,591,044,109	7,832,026,002	9,591,044,109
	11,230,359,336	**12,394,377,442**	**11,400,359,336**	**12,564,377,442**

Secured loans are covered by first equitable mortgage of all present and future immovable properties and by floating charges on movable assets of the Company ranking pari-passu among the lenders. The Company has a Pari Passu Security Sharing Agreement (PPSSA) among the secured lenders stipulating the procedure in the sharing of the security provided by the Company. Loans repayable within one year have been placed under current liabilities. Details of loans are as follows:

10.3 Maturity grouping of borrowings from other banks and financial institutions

Payable on demand	-	-	-	-
Up to 1 month	1,605,519,521	2,481,575,335	1,775,519,521	2,651,575,335
Over 1 month but within 3 months	2,135,231,625	1,270,410,640	2,135,231,625	1,270,410,640
Over 3 months but within 1 year	2,854,049,599	2,351,255,595	2,854,049,599	2,351,255,595
Over 1 year but within 5 years	3,983,406,946	5,504,415,181	3,983,406,946	5,504,415,181
Over 5 years	652,151,645	786,720,691	652,151,645	786,720,691
	11,230,359,336	**12,394,377,442**	**11,400,359,336**	**12,564,377,442**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		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)	60,538,332,988	47,563,668,197	59,853,619,702	47,474,930,697
Bearer certificate of deposits		-	-	-	-
Refundable deposits	(Note-11.2)	2,238,814,210	1,849,394,133	2,238,814,210	1,849,394,133
		62,777,147,198	**49,413,062,330**	**62,092,433,912**	**49,324,324,830**
11.1 Term deposits					
This represents deposits received from institutions and individuals for a period not less than three months.					
Balance at January 1		47,563,668,197	46,174,475,236	47,474,930,697	46,038,675,236
Add: Deposits received during the year		35,652,152,030	24,844,319,966	35,652,152,030	24,844,319,966
		83,215,820,227	71,018,795,202	83,127,082,727	70,882,995,202
Less: Matured/encashed during the year		22,677,487,239	23,455,127,005	22,677,487,239	23,455,127,005
Inter - company deposit		-	-	595,975,786	(47,062,500)
Balance at December 31		**60,538,332,988**	**47,563,668,197**	**59,853,619,702**	**47,474,930,697**
11.1.1 Rate of interest					
Rate of interest on term deposit receipts ranges from 5.00% to 9.00% (2016: 5.00% to 10.50%).					
11.2 Refundable deposits					
The Company takes deposits from the clients of lease and loan on signing of agreement, refundable at the end of the contract period. Balance at December 31 stands as under:					
Deposits against loan and lease rental		265,089,005	307,085,210	265,089,005	307,085,210
Deposits against financing as per term of agreements (Security deposits)		1,973,725,205	1,542,308,923	1,973,725,205	1,542,308,923
		2,238,814,210	**1,849,394,133**	**2,238,814,210**	**1,849,394,133**
Security deposits are interest bearing while deposits against loan and lease are non interest bearing.					
11.3 Group-wise break-up of deposits and other accounts					
Government		-	-	-	-
Bank		18,061,108,682	12,321,108,682	18,061,108,682	12,321,108,682
Other institutions		25,543,937,556	18,650,760,380	24,859,224,270	18,562,022,880
Individuals		19,172,100,960	18,441,193,268	19,172,100,960	18,441,193,268
		62,777,147,198	**49,413,062,330**	**62,092,433,912**	**49,324,324,830**
11.4 Maturity analysis of deposits					
Maturity analysis of Term deposits					
Payable on demand		-	-	-	-
Up to 1 month		5,344,500,085	3,607,070,471	5,323,936,799	3,607,070,471
Over 1 month but within 6 months		20,245,242,210	14,604,224,030	19,613,242,210	14,604,224,030
Over 6 months but within 1 year		5,296,549,566	4,209,960,328	5,265,149,566	4,209,960,328
Over 1 year but within 5 years		29,250,203,773	24,808,766,742	29,249,453,773	24,720,029,242
Over 5 years but within 10 years		383,765,557	330,783,754	383,765,557	330,783,754
Above 10 years		18,071,797	2,862,872	18,071,797	2,862,872
		60,538,332,988	**47,563,668,197**	**59,853,619,702**	**47,474,930,697**

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		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
	Maturity analysis of Refundable deposit				
	Payable on demand	154,034,285	42,546,426	154,034,285	42,546,426
	Up to 1 month	10,100,628	10,168,718	10,100,628	10,168,718
	Over 1 month but within 6 months	88,646,804	160,958,534	88,646,804	160,958,534
	Over 6 months but within 1 year	153,371,962	139,890,140	153,371,962	139,890,140
	Over 1 year but within 5 years	1,826,268,158	1,492,342,651	1,826,268,158	1,492,342,651
	Over 5 years but within 10 years	6,392,373	3,487,664	6,392,373	3,487,664
		2,238,814,210	**1,849,394,133**	**2,238,814,210**	**1,849,394,133**
12	**Other liabilities**				
	Payable and accrued expenses (Note- 12.1)	4,567,608,997	3,906,034,034	5,343,166,922	4,874,951,910
	Provision for income tax (Note-12.2)	1,948,570,620	1,721,385,014	2,281,617,302	1,892,360,718
	Deferred liability-employee gratuity (Note-12.3)	-	-	42,254,402	28,718,149
	Portfolio investors' fund (Note-12.4)	-	-	370,999,029	187,443,773
	Interest suspense account (Note-12.5)	396,051,369	373,356,082	396,051,369	373,356,082
	Provision for doubtful accounts and future losses (Note-12.6(i))	1,105,347,063	1,081,156,938	1,145,270,344	1,116,435,278
	Unpaid dividend	16,801,159	11,236,486	16,801,159	11,236,486
	Deferred tax liability (Note-9.5)	-	-	510,449	38,459
		8,034,379,208	**7,093,168,554**	**9,596,670,976**	**8,484,540,856**
12.1	**Payable and accrued expenses**				
	Receipt against leases	616,546,078	541,142,816	616,546,078	541,142,816
	Liabilities for expenses	2,803,290,053	2,815,410,155	3,575,729,042	3,783,797,745
	Liabilities for other finance	1,147,772,866	549,481,063	1,150,891,802	550,011,349
		4,567,608,997	**3,906,034,034**	**5,343,166,922**	**4,874,951,910**
12.2	**Provision for income tax**				
	Provision				
	Balance at January 1	6,649,874,999	5,560,168,809	7,459,702,789	6,189,952,788
	Less: Adjustment during the year	-	-	-	-
		6,649,874,999	5,560,168,809	7,459,702,789	6,189,952,788
	Add: Provision made during the year	1,065,400,300	1,089,706,190	1,448,167,284	1,269,750,001
		7,715,275,299	6,649,874,999	8,907,870,073	7,459,702,789
	Settlement of previous year's tax liability	-	-	-	-
	Balance at December 31	**7,715,275,299**	**6,649,874,999**	**8,907,870,073**	**7,459,702,789**
	Advance tax				
	Balance at January 1	4,928,489,985	3,753,867,106	5,567,342,071	4,264,761,578
	Add: Payment made during the year:				
	Under sections 64 and 74 of ITO, 1984	740,958,309	1,072,662,727	765,827,621	1,096,031,190
	Deduction at source	96,076,385	100,355,152	291,903,080	204,944,302
	Others	1,180,000	1,605,000	1,180,000	1,605,000
		838,214,694	1,174,622,879	1,058,910,701	1,302,580,492
		5,766,704,679	4,928,489,985	6,626,252,771	5,567,342,071
	Less: Adjustment during the year	-	-	-	-
		5,766,704,679	**4,928,489,985**	**6,626,252,771**	**5,567,342,071**
	Net balance at December 31	**1,948,570,620**	**1,721,385,014**	**2,281,617,302**	**1,892,360,718**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
12.3	**Deferred Liability-employee gratuity**				
	Balance at January 1	-	-	28,718,149	21,077,143
	Add: Addition during the year	-	-	13,760,293	10,663,620
		-	-	42,478,442	31,740,763
	Less: Payment during the year	-	-	224,040	3,022,614
	Balance at December 31	**-**	**-**	**42,254,402**	**28,718,149**
12.4	**Portfolio investors' fund**				
	This represents the balance of deposits made with the IDLC Investments Limited by the portfolio investors to take margin loan and buy marketable securities. The balance of fund has been arrived at as follows:				
	Balance at January 1	-	-	187,443,773	218,042,064
	Add: Deposit and share sold by clients	-	-	10,248,279,322	2,429,388,445
		-	-	10,435,723,095	2,647,430,509
	Less: Purchase of share and deposit withdraw by clients	-	-	10,064,724,066	2,459,986,736
	Balance at December 31	**-**	**-**	**370,999,029**	**187,443,773**
12.5	**Interest suspense accounts**				
	On lease finance	84,677,038	84,077,661	84,677,038	84,077,661
	On real-estate finance	122,264,764	111,682,597	122,264,764	111,682,597
	On term finance	180,832,816	163,021,286	180,832,816	163,021,286
	On car loan	4,440,593	9,929,717	4,440,593	9,929,717
	On personal loan	1,412,351	1,373,391	1,412,351	1,373,391
	On short term finance	2,423,807	3,271,430	2,423,807	3,271,430
		396,051,369	**373,356,082**	**396,051,369**	**373,356,082**
12.6	**Provision for loans and advances/investments**				
12.6(i)	Balance at January 1	1,081,156,938	1,160,433,026	1,116,435,278	1,213,384,055
	Provision required for the year	397,524,787	430,079,458	402,169,728	431,839,624
	Provision released during the year	(169,358,827)	(256,630,939)	(169,358,827)	(276,063,794)
	Provision charged for the year (Note-12.7(ii))	228,165,960	173,448,519	232,810,901	155,775,830
	Write off during the year	203,975,835	252,724,607	203,975,835	252,724,607
	Balance at December 31	**1,105,347,063**	**1,081,156,938**	**1,145,270,344**	**1,116,435,278**
12.6(ii)	**Provision charged for the year**				
	General provision	57,242,047	46,925,871	61,886,988	48,686,037
	Specific provision	170,923,913	187,021,074	170,923,913	167,588,219
	Provision for diminutions in value of investments	-	(60,498,426)	-	(60,498,426)
	Other Provisions	-	-	-	-
		228,165,960	**173,448,519**	**232,810,901**	**155,775,830**
12.6(iii)	**Product wise break up of provision**				
	Lease	153,648,511	227,320,184	153,648,511	227,320,184
	Long- term finance	539,516,413	503,989,998	539,516,413	503,989,998
	Real estate finance	319,627,905	238,802,590	319,627,905	238,802,590
	Car loan	31,346,700	40,088,534	31,346,700	40,088,534
	Investment in shares	7,864,000	6,144,201	7,864,000	6,144,201

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
Personal Loan	5,747,825	5,087,848	5,747,825	5,087,848
Short term finance	18,429,350	46,260,318	18,429,350	46,260,318
Loan against Deposit	4,498,950	5,446,821	4,498,950	5,446,821
Loan to subsidiaries	12,303,497	2,608,000	482,392	(9,213,107)
Other Assets	12,363,912	5,408,444	12,363,912	5,408,444
Margin loan	-	-	51,744,386	47,099,447
	1,105,347,063	**1,081,156,938**	**1,145,270,344**	**1,116,435,278**

13 Share capital

Authorised

1,000,000,000 ordinary shares of Taka 10 each	**10,000,000,000**	**10,000,000,000**	**10,000,000,000**	**10,000,000,000**

Issued, subscribed and paid-up

377,050,780 ordinary shares of Taka 10 each	**3,770,507,800**	**2,513,671,870**	**3,770,507,800**	**2,513,671,870**

IDLC Finance Limited obtained approval from Bangladesh Securities and Exchange Commission (BSEC) vide its letter no. BSEC/CI/RI-104/2015/668, dated November 22, 2016 for Rights Issue 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 ordinary shares held on the record date).

Accordingly, IDLC Finance Limited declared record date on December 15, 2016 for the entitlement for the rights shares and subsequently the subscriptions period from January 01, 2017 to January 19, 2017. After completion of all the regulatory formalities duly, the entitled rights shares were credited to the respective BO account of eligible shareholders on February 08, 2017. Thereafter, 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 amount stands at Taka 1,260,585,930.

Paid-up share capital as on December 31, 2017 comprises the following:

Composition of shareholding:

Sl. No.	Name of the Shareholders	31.12.2017			31.12.2016
		% of holding	Number of shares	Taka	Taka
1	**SPONSORS/DIRECTORS**				
	The City Bank Limited (CBL) and its subsidiaries	23.21	87,510,575	875,105,750	608,540,560
	The City Bank Limited (CBL)	9.00	33,935,329	339,353,290	251,372,250
	City Bank Capital Resources Limited (CBCRL)	9.90	37,328,028	373,280,280	248,853,520
	City Brokerage Limited	4.31	16,247,218	162,472,180	108,314,790
	Transcom Group	13.33	50,273,164	502,731,640	335,154,430
	Eskayef Bangladesh Limited	8.00	30,164,062	301,640,620	201,093,750
	Transcraft Limited	4.01	15,132,033	151,320,330	100,880,220
	Bangladesh Lamps Limited	1.32	4,977,069	49,770,690	33,180,460
	Sadharan Bima Corporation (SBC)	7.62	28,727,494	287,274,940	191,516,630
	Reliance Insurance Limited	7.00	26,393,553	263,935,530	175,957,020
	Mercantile Bank Limited	5.50	20,737,791	207,377,910	188,525,380
		56.66	**213,642,577**	**2,136,425,770**	**1,499,694,020**
2	**GENERAL**				
	Institutions:				
	Bangladesh Fund	1.68	6,330,000	63,300,000	80,407,500

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
	Investment Corporation of Bangladesh (ICB)	1.39	5,251,913	52,519,130	107,449,860
	Marina Apparels Limited	1.00	3,770,506	37,705,060	25,136,710
	Other Institutions	11.92	44,930,605	449,306,050	336,918,890
	Sub-Total	**15.99**	**60,283,024**	**602,830,240**	**549,912,960**
	Individuals:				
	General Public (Individuals)	15.83	59,688,255	596,882,550	357,124,520
	Sub-Total	**15.83**	**59,688,255**	**596,882,550**	**357,124,520**
3	**FOREIGN**				
	Institutions & Individuals	11.52	43,436,924	434,369,240	106,940,370
		11.52	**43,436,924**	**434,369,240**	**106,940,370**
	Total Holdings	**100.00**	**377,050,780**	**3,770,507,800**	**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 85.30 at Dhaka Stock Exchange Limited and Taka 86.20 at Chittagong Stock Exchange Limited respectively on December 31, 2017.

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, 2017 were Taka 384.35 crore and Taka 513.20 crore, respectively.

Details are as follows:

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
Core Capital (Tier-1)/Shareholders' Equity					
Paid-up capital	(Note-13)	3,770,507,800	2,513,671,870	3,770,507,800	2,513,671,870
Share premium	(Note-14)	1,260,585,930	3,750,000	1,260,585,930	3,750,000
Statutory reserves	(Note-15)	2,098,412,371	1,782,004,350	2,098,412,371	1,782,004,350
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		2,393,090,675	2,258,610,930	4,421,469,765	3,591,910,951
Non-controlling interest		-	-	3,001	2,385
A) Sub-Total		**10,569,096,776**	**7,604,537,150**	**12,597,478,867**	**8,937,839,556**
Supplementary capital (Tier -II)					
General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)*		529,042,481	479,814,536	533,707,642	479,834,758
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		**529,042,481**	**479,814,536**	**533,707,642**	**479,834,758**
C) Total eligible capital		**11,098,139,257**	**8,084,351,686**	**13,131,186,509**	**9,417,674,313**

	IDLC Finance Limited		IDLC Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Taka	Taka	Taka	Taka
Total assets including off-balance sheet exposures	**94,636,754,226**	**78,238,982,213**	**97,712,714,799**	**81,044,919,421**
D) Total risk weighted assets	**72,546,445,689**	**61,008,829,057**	**79,991,798,556**	**64,897,690,350**
E) Required capital based on risk weighted assets (10% of D)	**7,254,644,569**	**6,100,882,906**	**7,999,179,856**	**6,489,769,035**
F) Surplus (C-E)	**3,843,494,688**	**1,983,468,781**	**5,132,006,654**	**2,927,905,279**
Capital Adequacy Ratio (%)	**15.30**	**13.25**	**16.42**	**14.51**

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

14 Share premium

Balance at January 1	3,750,000	3,750,000	3,750,000	3,750,000
Add: Received during the year	1,256,835,930	-	1,256,835,930	-
Balance at December 31	**1,260,585,930**	**3,750,000**	**1,260,585,930**	**3,750,000**

This represents Share Premium amount, which was received @50% over par value of share @Taka 100 against issue of 75,000 Ordinary Shares during IPO in 1993 and subsequently Share Premium amount @Taka 10 per share was received on 125,683,593 no. of Ordinary Shares in 2017 against Rights Issue (1R:2).

15 Statutory reserves

Balance at January 1	1,782,004,350	1,482,722,671	1,782,004,350	1,482,722,671
Add: Transferred on appropriation of profit	316,408,021	299,281,679	316,408,021	299,281,679
Balance at December 31	**2,098,412,371**	**1,782,004,350**	**2,098,412,371**	**1,782,004,350**

In compliance with the clause no 6 of Financial Institutions Regulations, 1994, Financial Institution is required to transfer at least 20% of it's profit after tax and before appropriation of dividend in a particular year, if the financial institution's sum of Share Premium Account (if any) and Statutory Reserves is less than the paid up capital of that financial institution. Accordingly, 20% of current year's profit after tax has been transferred to Statutory Reserves Account.

16 General reserves

Balance at 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)	91,601,562	199,206,314	91,601,562	199,206,314
Irrevocable letters of credit		-	-	-	-
Bills for collection		-	-	-	-
Indemnity bond		-	-	-	-
Corporate guarantee	(Note-17.1.2)	750,000,000	750,000,000	750,000,000	750,000,000
		841,601,562	**949,206,314**	**841,601,562**	**949,206,314**

		IDLC Finance Limited		IDLC Group	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		Taka	Taka	Taka	Taka
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	91,601,562	199,206,314	91,601,562	199,206,314
		91,601,562	**199,206,314**	**91,601,562**	**199,206,314**
17.1.2	**The Company is contingently liable on behalf of IDLC Securities Limited for the guarantees given below in favour of:**				
	Dhaka Stock Exchange Limited	700,000,000	700,000,000	700,000,000	700,000,000
	Chittagong Stock Exchange Limited	50,000,000	50,000,000	50,000,000	50,000,000
		750,000,000	**750,000,000**	**750,000,000**	**750,000,000**
17.2	**Other commitments**				
	Documentary credits and short term trade related transactions	-	-	-	-
	Forward assets purchased and forward deposits placed	-	-	-	-
	Un-drawn note issuance and revolving underwriting	-	-	-	-
	Un-drawn formal standby facilities, credit lines	-	-	-	-
	Lease and term finance commitments outstanding at December 31	344,407,701	211,847,685	344,407,701	211,847,685
	Real estate finance commitments outstanding at December 31	828,654,280	572,174,405	828,654,280	572,174,405
	Car loan commitments outstanding at December 31	408,333	408,333	408,333	408,333
	Personal loan commitments outstanding at December 31	124,077	200,000	124,077	200,000
	Loan Against Deposit commitments outstanding at December 31	10,575,755	-	10,575,755	-
		1,184,170,146	**784,630,423**	**1,184,170,146**	**784,630,423**

		31.12.2017		31.12.2016	
		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	941,023,600	596,615,899	384,500,000	172,652,315
	Real estate finance	2,738,969,670	1,910,315,390	1,579,668,000	1,007,493,595
	Car loans	2,560,000	2,151,667	2,560,000	2,151,667
	Personal loans	1,000,000	875,923	500,000	300,000
	Loan Against Deposit (LAD)	10,575,755	-	-	-
		3,694,129,025	**2,509,958,879**	**1,967,228,000**	**1,182,597,577**

17.2.2 Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at December 31, 2017 (2016: nil). There was no material capital expenditure authorised by the Board but not contracted for at December 31, 2017 (2016: 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	
		2017	2016	2017	2016
		Taka	Taka	Taka	Taka
18 Income statement					
Income					
Interest, discount and similar income	(Note-18.1)	9,174,637,988	8,430,233,136	9,838,140,889	8,749,426,231
Dividend income	(Note-21)	48,998,371	45,623,873	137,228,732	86,295,233
Fees, commission and brokerage	(Note-22)	42,055,874	75,401,525	755,121,539	441,325,925
Other operating income	(Note-23)	437,656,645	506,398,528	447,973,309	511,882,259
		9,703,348,878	9,057,657,062	11,178,464,469	9,788,929,648
Expenses					
Interest on deposits and borrowings etc.	(Note-20)	4,902,102,651	4,624,771,431	4,898,052,961	4,625,068,399
Administrative expenses	(Note-18.2)	1,434,976,538	1,227,234,315	1,761,357,343	1,458,747,417
Other operating expenses	(Note-33)	353,343,088	298,412,595	410,185,643	332,627,249
Depreciation on assets	(Note-32)	145,839,286	152,934,603	164,225,017	167,727,512
		6,836,261,563	6,303,352,944	7,233,820,964	6,584,170,577
		2,867,087,315	**2,754,304,118**	**3,944,643,505**	**3,204,759,071**
18.1 Interest, discount and similar income					
Interest income	(Note-19)	8,706,732,278	8,152,388,213	8,892,872,138	8,359,739,673
Gain on sale of marketable securities	(Note - 21)	349,300,398	121,476,662	808,151,293	222,519,544
Income from investment in bonds	(Note-21)	99,583,090	117,132,150	118,095,236	127,930,903
Income from investment in commercial paper	(Note-21)	19,022,222	39,236,111	19,022,222	39,236,111
		9,174,637,988	**8,430,233,136**	**9,838,140,889**	**8,749,426,231**
18.2 Administrative expenses					
Salary and allowances	(Note-24)	1,051,989,193	880,378,299	1,295,049,167	1,043,602,767
Rent, taxes, insurance, electricity, etc.	(Note-25)	179,080,115	171,261,564	220,165,817	215,855,916
Legal expenses	(Note-26)	21,562,320	15,320,592	25,855,925	18,682,742
Postage, stamp, telecommunication, etc.	(Note-27)	30,186,959	29,126,790	37,748,974	33,958,799
Stationery, printing, advertisement, etc.	(Note-28)	114,900,212	93,910,849	139,569,069	102,687,500
Managing Director's salary and fees	(Note-29)	10,440,000	8,875,000	10,440,000	8,875,000
Directors' fees	(Note-30)	1,619,200	1,490,400	2,283,518	1,872,048
Auditors' fees	(Note-31)	1,023,381	690,000	1,368,381	991,875
Depreciation & repair of Company's a assets	(Note-32)	24,175,158	26,180,821	28,876,492	32,220,770
		1,434,976,538	**1,227,234,315**	**1,761,357,343**	**1,458,747,417**

19 Interest income

This represents interest income from the following products:

Lease finance	561,588,550	685,587,863	561,588,550	685,587,863
Real estate finance	2,187,021,348	2,207,173,042	2,187,021,348	2,207,173,042
Term finance	4,605,514,561	3,969,926,836	4,605,514,561	3,969,926,836
Short term finance	104,661,960	121,283,741	104,661,960	121,283,741
Car loan	287,787,934	353,387,939	287,787,934	353,387,939

	IDLC Finance Limited		IDLC Group	
	2017	2016	2017	2016
	Taka	Taka	Taka	Taka
Personal loan	12,122,550	18,069,844	12,122,550	18,069,844
Margin loan to portfolio investors	-	-	210,724,275	159,436,654
Loan to subsidiaries	77,150,892	15,723,028	-	-
	7,835,847,795	**7,371,152,293**	**7,969,421,178**	**7,514,865,919**
Interest on balance with other banks and financial institutions	819,774,626	718,907,333	872,341,103	782,545,167
Call loan	-	-	-	-
Loan against deposit	51,109,857	62,328,587	51,109,857	62,328,587
	8,706,732,278	**8,152,388,213**	**8,892,872,138**	**8,359,739,673**

20 Interest on deposits and borrowings etc.

Interest on term deposits	4,012,549,026	3,829,651,193	4,001,085,608	3,824,376,681
Interest on borrowings	595,483,462	489,777,346	602,897,190	495,348,826
Interest on secured/unsecured zero coupon bonds	140,719,276	156,095,280	140,719,276	156,095,280
Interest on security deposit	107,201,859	102,642,348	107,201,859	102,642,348
Interest on call loan	46,149,028	46,605,264	46,149,028	46,605,264
	4,902,102,651	**4,624,771,431**	**4,898,052,961**	**4,625,068,399**

21 Investment income

Gain on sale of marketable securities	349,300,398	121,476,662	808,151,293	222,519,544
Dividend income	48,998,371	45,623,873	137,228,732	86,295,233
Income from investment in bonds	99,583,090	117,132,150	118,095,236	127,930,903
Income from investment in commercial paper	19,022,222	39,236,111	19,022,222	39,236,111
	516,904,081	**323,468,796**	**1,082,497,483**	**475,981,791**

22 Commission, exchange and brokerage

Agency fees	18,079,166	13,929,166	18,079,166	13,929,166
Arrangement fees	14,415,672	60,986,445	14,415,672	60,986,445
Advisory fees	8,436,956	50,000	8,436,956	50,000
Commission & brokerage	698,267	-	543,155,522	283,608,543
Underwriting commission	-	-	-	204,800
Documentation fees	-	-	945,500	746,000
Custodial fees	425,813	435,914	425,813	435,914
Fees from mutual fund	-	-	13,655,430	-
Issue management fees	-	-	2,500,000	11,000,000
Portfolio management fees	-	-	50,818,643	33,131,013
Corporate advisory fees	-	-	44,059,460	17,213,203
Settlement charges	-	-	58,629,377	20,020,841
	42,055,874	**75,401,525**	**755,121,539**	**441,325,925**

23 Other operating income

Application, processing and documentation fees	284,658,987	253,408,563	284,658,987	253,408,563
Loan settlement and others	93,966,736	107,600,326	93,966,736	107,600,326
Transfer price/gain at the time of expiry of lease	1,634,471	1,595,833	1,634,471	1,595,833

	IDLC Finance Limited		IDLC Group	
	2017	2016	2017	2016
	Taka	Taka	Taka	Taka
Service charges	10,055,799	25,710,887	10,055,799	25,710,887
Gain on disposal of fixed assets	12,701,436	12,667,469	13,666,742	12,326,099
Account opening & BO account maintenance fees	-	-	3,369,052	4,026,595
IPO service charge	-	-	45,810	65,545
Miscellaneous income	34,639,216	105,415,450	40,575,712	107,148,411
	437,656,645	**506,398,528**	**447,973,309**	**511,882,259**

24 Salaries and allowances

	1,051,989,193	**880,378,299**	**1,295,049,167**	**1,043,602,767**

24.1 Salaries and allowances

Salaries and allowances of IDLC Finance Limited include annual contribution of Taka 37,520,434 to Provident Fund and Taka 30,417,694 to Gratuity Fund. Salaries and allowances of IDLC Group include annual contribution of Taka 44,334,000 to Provident Fund and Taka 45,704,041 to Gratuity Fund.

25 Rent, taxes, insurance, electricity, etc.

Rent, rate and taxes	132,275,809	125,435,167	166,374,941	163,035,233
Insurance	4,894,850	5,582,549	5,467,303	6,372,496
Power and electricity	41,909,456	40,243,848	48,323,573	46,448,187
	179,080,115	**171,261,564**	**220,165,817**	**215,855,916**

26 Legal expenses

Renewal and registration	7,557,918	8,843,118	9,146,039	10,315,958
Other professional charges	14,004,402	6,477,474	16,709,886	8,366,784
	21,562,320	**15,320,592**	**25,855,925**	**18,682,742**

27 Postage, stamp, telecommunication, etc.

Postage	983,837	903,122	1,178,394	1,213,265
Telecommunication and internet etc.	29,203,122	28,223,668	36,570,580	32,745,534
	30,186,959	**29,126,790**	**37,748,974**	**33,958,799**

28 Stationery, printing, advertisements, etc.

Stationery & printing	50,467,568	48,395,556	54,811,257	51,295,626
Advertisement and publicity	64,432,644	45,515,293	84,757,812	51,391,874
	114,900,212	**93,910,849**	**139,569,069**	**102,687,500**

29 Managing Director's salary and benefits

Basic pay	6,000,000	5,000,000	6,000,000	5,000,000
Allowances	2,340,000	1,875,000	2,340,000	1,875,000
Bonus	1,500,000	1,500,000	1,500,000	1,500,000
Company's contribution to provident fund	600,000	500,000	600,000	500,000
	10,440,000	**8,875,000**	**10,440,000**	**8,875,000**

Current CEO & Managing Director has been appointed by the board on March 01, 2016. Bangladesh Bank's approved salary & benefits has been charged for 10 months in 2016 and for full year in 2017.

		IDLC Finance Limited		IDLC Group	
		2017	2016	2017	2016
		Taka	Taka	Taka	Taka
30	**Directors' fees**				
	Honorarium for attending meeting	1,619,200	1,490,400	2,283,518	1,872,048
	Incidental expenses for attending meeting	-	-	-	-
		1,619,200	**1,490,400**	**2,283,518**	**1,872,048**

30.1 Directors' fees

In compliance with Bangladesh Bank's circular No. DFIM Circular No. 13, dated November 30, 2015, Taka 8,000 has been paid to directors of the board excluding the CEO & Managing Director for attending per meeting of the board and its sub-committees of IDLC Finance Limited.

31	**Auditors' fees**				
	Annual statutory audit fees (including VAT)	690,000	460,000	1,035,000	761,875
	Other audit fees (including VAT)	333,381	230,000	333,381	230,000
		1,023,381	**690,000**	**1,368,381**	**991,875**
32	**Depreciation and repair of company's assets**				
	Freehold assets (Note-8 & 8 (b))	145,839,286	152,934,603	164,225,017	167,727,512
	Repair and maintenance:				
	For premises & vehicles	4,760,199	5,944,500	6,502,177	9,051,364
	For computers and computers accessories	19,414,959	20,236,321	22,374,315	23,169,406
		24,175,158	26,180,821	28,876,492	32,220,770
		170,014,444	**179,115,424**	**193,101,509**	**199,948,282**
33	**Other expenses**				
	Bank charges	6,657,090	4,225,539	7,151,481	4,612,559
	Books and periodicals	270,515	229,290	362,175	294,016
	Car expenses	30,722,420	27,676,491	34,650,208	30,361,860
	Donations and subscriptions	593,860	926,631	2,333,937	1,153,006
	Medical & welfare expenses	17,825,322	22,153,006	19,126,991	23,460,266
	Entertainment expenses	14,985,561	10,891,875	17,840,538	13,945,075
	Consultancy fees	10,233,741	5,496,611	10,233,741	5,496,611
	Office service expenses	84,755,788	78,648,595	105,399,803	97,185,011
	Training expenses	13,797,528	13,547,208	24,505,923	14,185,072
	Travel and conveyances	23,296,703	20,733,281	25,415,283	22,357,319
	CDBL charges	900	30,060	1,398,729	507,238
	Howla and Laga charge	-	-	61,975,600	31,982,499
	Portfolio Management Charge	50,632,208	28,700,124	-	-
	Sales Incentive	57,640,875	58,175,883	57,640,875	58,175,883
	Repossession fees and others	41,930,577	26,978,001	42,150,359	28,910,834
		353,343,088	**298,412,595**	**410,185,643**	**332,627,249**

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34 Operating Segment Report

Revenue and profit	For the year 2017				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External revenue					
Net interest income	3,804,629,627	105,256,335	81,930,215	3,003,000	3,994,819,177
Investment income	516,904,081	276,369,399	255,817,499	33,406,504	1,082,497,483
Commission and brokerage	42,055,874	153,132,304	544,912,056	68,491,399	808,591,633
Other operating income	437,656,645	5,324,197	4,964,344	28,123	447,973,309
Inter-segment revenue/interest expense	(74,937,474)	59,834,384	(33,315,700)	(5,051,304)	(53,470,094)
Total Segment Revenue	**4,726,308,753**	**599,916,619**	**854,308,414**	**99,877,722**	**6,280,411,508**
Other operating expenses	1,788,319,626	82,815,051	303,826,866	53,644,359	2,228,605,902
Major non-cash expenses:					
Depreciation	145,839,286	6,604,267	8,136,360	52,282	160,632,195
Provision for future losses	228,165,960	4,644,941	-	-	232,810,901
Inter-segment expense	(50,632,208)	(383,085)	(2,454,801)	-	(53,470,094)
Total Segment Expense	**2,111,692,664**	**93,681,174**	**309,508,425**	**53,696,641**	**2,568,578,904**
Reportable segment profit before tax	**2,614,616,089**	**506,235,445**	**544,799,989**	**46,181,081**	**3,711,832,604**

Revenue and profit	For the year 2016				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External revenue					
Net interest income	3,527,616,782	148,798,515	52,981,465	5,274,512	3,734,671,274
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	**4,422,437,115**	**306,927,744**	**413,179,969**	**21,316,421**	**5,163,861,249**
Other operating expenses	1,525,646,910	72,042,466	214,047,011	9,777,751	1,821,514,138
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	**1,823,329,908**	**60,974,044**	**222,183,371**	**8,390,685**	**2,114,878,008**
Reportable segment profit before tax	**2,599,107,207**	**245,953,700**	**190,996,598**	**12,925,736**	**3,048,983,241**

Segment assets and liabilities	For the year 2017				
	Core financing business	Investment banking business	Brokerage business	Asset management business	Total
External assets					
Total assets	92,610,982,518	4,838,156,060	4,135,974,638	178,816,816	101,763,930,032
Inter-segment assets	(5,189,936,253)	(34,150,000)	(801,033,333)	(51,867,355)	(6,076,986,941)
Total Segment Assets	**87,421,046,265**	**4,804,006,060**	**3,334,941,305**	**126,949,461**	**95,686,943,091**
External liabilities					
Total liabilities	82,041,885,742	1,027,850,542	2,129,234,044	29,302,154	85,228,272,482
Inter-segment liabilities	(698,184,987)	(1,440,623,271)	-	-	(2,138,808,258)
Total Segment Liabilities	**81,343,700,755**	**(412,772,729)**	**2,129,234,044**	**29,302,154**	**83,089,464,224**

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	(1,858,822,490)	(37,950,000)	(100,000,000)	(60,024,214)	(2,056,796,704)
Total Segment Assets	**74,646,322,986**	**2,561,080,502**	**2,045,143,866**	**58,535,330**	**79,311,082,684**
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)	(308,822,700)	(108,484,424)	-	(518,618,021)
Total Segment Liabilities	**68,799,297,429**	**707,670,977**	**858,142,741**	**8,131,981**	**70,373,243,128**

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 12 "Income Taxes".

	IDLC Finance Limited		IDLC Group	
	2017	2016	2017	2016
	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)	1,056,881,248	1,084,447,203	1,434,712,811	1,268,687,925
Accounting profit before tax (B)	2,638,921,355	2,580,855,599	3,711,832,604	3,048,983,241
Average effective tax rate (A÷B)	**40.05%**	**42.02%**	**38.65%**	**41.61%**

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)	1,582,040,107	1,496,408,396	2,277,119,177	1,780,295,096
Weighted average number of ordinary shares outstanding during the year (B)	371,384,449	324,019,728	371,384,449	324,019,728
Earnings Per Share (A÷B)	**4.26**	**4.62**	**6.13**	**5.49**

Earning per share is required to be calculated based on adjustment factor, as there was issuance of right shares during the year.

37 Net Asset Value (NAV) Per Share

Net Asset (total assets less total liabilities) (A)	10,569,096,776	7,604,537,150	12,597,478,867	8,937,839,556
Total number of ordinary shares outstanding (B)	377,050,780	377,050,780	377,050,780	377,050,780
Net Asset Value per share (NAV) (A÷B)	**28.03**	**20.17**	**33.41**	**23.70**

38 Net Operating Cash Flows Per Share (NOCFPS)

Net cash flows from operating activities (A)	4,546,641,887	(2,597,903,661)	7,448,994,670	(1,197,435,789)
Total number of ordinary shares outstanding (B)	377,050,780	377,050,780	377,050,780	377,050,780
Net operating cash flows per share (NOCFPS) (A÷B)	**12.06**	**(6.89)**	**19.76**	**(3.18)**

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 31.12.2017
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%

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 31.12.2017
			Voice Tel Limited	Managing Director	22.50%
			Sky Telecommunication Limited	Managing Director	23.00%
			Partex Tissue Limited	Managing Director	70.00%
			Partex LPG Limited	Managing Director	90.00%
			Danish Multipurpose Farm Limited	Managing Director	70.00%
			Star Particle Board Mills Limited	Director	15.00%
			Corvee Maritime Company Limited	Director	15.00%
			Partex Furniture Industries Limited	Director	15.00%
			Partex Builders Limited	Director	15.00%
			Partex Laminates Limited	Director	15.00%
			Partex Limited	Director	15.00%
			Partex Housing Limited	Director	50.00%
			Partex PVC Limited	Director	15.00%
			Star Adhesive Limited	Director	15.00%
			Partex Aeromine Logistics Limited	Director	15.00%
			Partex Cables Limited	Director	15.00%
2.	Mr. Adil Islam	Director	The City Bank Limited (CBL)	Additional Managing Director	-
			Shahjahan Enterprise	Chairman	50%
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 (CBL)	Additional Managing Director and Head of Branch Banking	-
			CBL Money Transfer Sdn.Bhd.	Director-nominated by CBL	-
			City Bank Capital Resources Limited	Director-nominated By CBL	-
6.	Mr. Mohammad Mahbubur Rahman, FCA	Director	The City Bank Limited (CBL)	Chief Financial Officer	-
			City Bank Capital Resources Limited	Director-nominated By CBL	-
7.	Mr. Md. Kamrul Hassan, FCA	Director Nominated by Transcom Group	Transcom Group of Companies	Executive Director - Finance	-
			National Asset Management Limited	Director	12%
8.	Mr. Syed Shahriyar Ahsan	Director	Sadharan Bima Corporation	Managing Director	-
			Investment Corporation of Bangladesh	Director – nominated by SBC	-
			Central Depository Bangladesh Limited	Director – nominated by SBC	-
			National Tea Company Limited	Director – nominated by SBC	-
			SBC Securities and Investment Limited	Chairman-nominated by SBC	-
			Aroma Tea Limited	Director – nominated by SBC	
			Asian Reinsurance Corporation	Council Member for Bangladesh	-

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 31.12.2017
9.	Mr. Atiqur Rahman	Director	Transcom Limited		-
			M. Rahman Tea Co. Limited	Group Finance Director	7.29%
			Monipur Tea Co. Limited		3.66%
			Marina Tea Co. Limited		8.11%
			W. Rahman Jute Mills Limited		0.01%
			Heritage Agro Farms Limited		5.00%
			Reliance Insurance Limited	Director – nominated by Transcom Limited	-
10.	Mr. Shahidul Ahsan	Director	AG Agro Industries Limited	Chairman	70.00%
			AG Property Developments Limited	Chairman	60.00%
			Regent Holding Developments Limited	Chairman	70.00%
			AG High Tech Limited	Chairman	45.00%
			AG Limited	Chairman	50.00%
			AG Ceramics Limited	Chairman	70.00%
			AG Green Property Development Ltd.	Chairman	70.00%
			AG Fashion & Textile Limited	Chairman	40.00%
			AG Ship Breaking Industries	Proprietor	100.00%
			M/s. Friends Traders	Proprietor	100.00%
			R.N.S. Corporation	Proprietor	100.00%
			Mercantile Bank Limited	Sponsor Shareholder	-
			Mercantile Bank Securities Limited	Sponsor Director	-
			National Credit Ratings Limited	Sponsor Director	-
			Swadesh Life Insurance Company Ltd	Sponsor Director	-
			Meghna Bank Ltd	Sponsor Shareholder	-
11.	Mr. Niaz Habib	Independent Director	-	-	-
12.	Mr. Matiul Islam Nowshad CMgr, FCMI	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

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, 2017 were as follows:

Name of the related party	Transaction nature	Relationship	Balance as at January 1, 2017	Addition	Adjustment	Balance at year end December 31, 2017 receivable/ (payable)
			Taka	Taka	Taka	Taka
The City Bank Limited	Term Deposit	Sponsor shareholder	(3,000,000,000)	(2,590,000,000)	3,000,000,000	(2,590,000,000)
	Subordinated Bond	Sponsor shareholder	313,000,000	-	(78,250,000)	234,750,000
	Term Deposit	Sponsor shareholder	-	(97,098,917)	-	(97,098,917)
Mercantile Bank Limited	Term Deposit	Shareholder	(600,000,000)	-	600,000,000	-
	Subordinated Bond	Shareholder	300,000,000	-	(60,000,000)	240,000,000
Transcom group	Lease/Loan	Shareholder	7,420,825	-	(4,160,411)	3,260,414
	Term Deposit	Shareholder	(1,124,593,644)	(284,107,132)	504,203,183	(904,497,594)
Reliance Insurance Limited	Term Deposit	Shareholder	(182,500,000)	(24,500,000)	81,500,000	(125,500,000)
Directors & their families	Lease/Loan	Shareholder	1,934,276	791,915	(479,896)	2,246,295
	Term Deposit	Shareholder	(58,794,422)	(9,557,390)	18,636,842	(49,714,969)
			(4,343,532,966)	**(3,004,471,525)**	**4,061,449,719**	**(3,286,554,772)**

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	32,895	295,970
AG Agro Industries Ltd.	Lease/Loan	Standard	1,986	141,710
Mahbubur Rahman	Lease/Loan	Standard	14,583	-

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

40 Receivable from Directors

The Company have receivable from Directors of the Company amounting taka 5,506,708 as at December 31, 2017.

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 as of 31 December 2017 consisted of the following members of the Board:

Name	Status at the Company	Status at the Committee
Mr. Monower Uddin Ahmed	Independent Director	Chairman
Mr. Mohammad Mahbubur Rahman, FCA	Director	Member
Mr. Md. Kamrul Hassan, FCA	Director	Member
Mr. Syed Shahriyar Ahsan	Director	Member

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

	Meeting No	Held on
b. Meetings held by the committee during the year by date:	53rd	20-Feb-2017
	54th	27-Mar-2017
	55th	25-Apr-2017
	56th	25-May-2017
	57th	19-Jul-2017
	58th	16-Oct-2017
	59th	27-Nov-2017

c. Seven meetings of the audit committee were held during the year 2017 where it carried out the following tasks:

i) Reviewed internal audit reports issued by the Internal Control and Compliance Department during the year 2016

ii) Reviewed the report of the Audit Committee for 2016 prior to publication in the annual report 2016

iii) Reviewed and approved annual audit plan of Internal Control and Compliance Department for the year 2017

iv) Recommended for appointment of external auditors for the year 2017

v) Discussed the financial statements for the year ended December 31, 2016 with external auditors and management prior to their finalization as per DFIM circular number 13 dated October 26,2011 issued by Bangladesh Bank ;

vi) Reviewed the financial statements of IDLC Finance Limited & its subsidiary for the year ended December 31, 2016 as per clause no. 3.3 (v) of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission;

vii) Reviewed the management letter issued by ACNABIN, Chartered Accountants, statutory auditors of the company based on annual audit of financial statements of IDLC Finance Limited for the year ended December 31, 2016

viii) Reviewed Bangladesh Bank core risk inspection report as of June 30, 2016 and management responses thereon

ix) Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the first quarter ended March 31, 2017

x) Reviewed Finance and Accounting Manual of IDLC Finance Limited

xi) Reviewed half-yearly unaudited financial statements of IDLC Finance Limited and its subsidiaries for the half-year ended on June 30, 2017

xii) Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the third quarter ended September 30, 2017

xiii) Reviewed Bangladesh Bank's comprehensive inspection report on Corporate Head Office of IDLC Finance Limited based on information as of December 31, 2016 and management responses thereon

42 Foreign remittance

There were no foreign remittance during the year 2017.

43 Number of employees

The Company paid an aggregate amount more than Taka 36,000 per annum to 1,138 employees, who were in employment for full year or part of the year. (2016: 1,099)

44 Events after the reporting period

44.1 Dividend for the year 2017

The Board of Directors of IDLC Finance Limited at its 265th Board Meeting held on February 14, 2018, recommended to the shareholders a cash dividend @ 30% i.e. Taka 3.00 per share (amounting to Taka 1,131,152,340) based on financial performance of 2017. This will be considered for approval by the shareholders at the 33rd Annual General Meeting (AGM) to be held on March 29, 2018.

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.

45.4 Previous year's figures have been rearranged where necessary to conform to current year's presentation.

Dhaka, February 14, 2018	Sd/- Chairman	Sd/- Director	Sd/- CEO & Managing Director	Sd/- Company Secretary

Fixed assets including land, building, furniture and fixtures-for 2017

Annexure - A

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2017
	Balance at January 01, 2017	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2017		Balance at January 01, 2017	Charged for the year	Adjustment during the year	Balance at December 31, 2017	
	Taka	Taka	Taka	Taka		Taka	Taka	Taka	Taka	Taka
Free hold assets:										
Land	26,958,470	-	-	26,958,470	-	-	-	-	-	26,958,470
Building	207,519,303	-	-	207,519,303	2.50	20,749,118	5,187,983	-	25,937,101	181,582,202
Furniture and fixtures	80,113,694	11,856,586	(1,654,421)	90,315,859	12.50	28,392,735	9,517,012	(1,201,733)	36,708,013	53,607,847
Electrical equipment	73,366,607	11,512,907	(3,842,089)	81,037,425	20.00	44,116,701	9,066,281	(3,374,124)	49,808,858	31,228,567
Curtain and carpets	4,068,398	1,024,451	(449,950)	4,642,899	33.33	2,105,442	1,094,755	(292,981)	2,907,215	1,735,684
Office equipment	91,913,364	31,230,640	(1,733,923)	121,410,081	20.00	71,957,365	12,018,105	(1,733,778)	82,241,692	39,168,389
Office decoration	121,069,649	30,980,029	(2,361,829)	149,687,850	20.00	56,697,601	18,645,106	(2,361,689)	72,981,018	76,706,832
Computers	133,051,766	38,350,977	-	171,402,743	20.00	77,593,707	18,444,200	-	96,037,907	75,364,836
Software (Office Operation)	31,905,836	1,136,658	-	33,042,494	33.33	22,398,904	5,769,902	-	28,168,806	4,873,688
Software (Business Operation)	137,540,494	-	-	137,540,494	20.00	121,877,160	12,061,935	-	133,939,095	3,601,399
Telephone and telex	9,329,361	1,817,817	(564,684)	10,582,494	33.33	7,303,848	1,380,244	(414,317)	8,269,774	2,312,720
Motor vehicles	288,539,155	23,137,060	(43,044,544)	268,631,671	25.00	145,270,908	52,653,764	(29,408,441)	168,516,231	100,115,440
Total 2017	**1,205,376,097**	**151,047,125**	**(53,651,439)**	**1,302,771,783**		**598,463,488**	**145,839,286**	**(38,787,063)**	**705,515,711**	**597,256,072**

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	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**

TAXHelpBook

A.1 Details of disposals/adjustments-for 2017

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	1,654,421	(1,201,733)	452,687	447,451	(5,237)	As per policy of the Company	Employees/Outsider
Electrical equipment	3,842,089	(3,374,124)	467,965	743,389	275,424	As per policy of the Company	Employees/Outsider
Curtain and carpets	449,950	(292,981)	156,969	170,856	13,888	As per policy of the Company	Employees
Office decoration	2,361,829	(2,361,689)	140	9,555	9,415	As per policy of the Company	Outsider
Office equipment	1,733,923	(1,733,778)	145	337,240	337,095	As per policy of the Company	Employees/Outsider
Telephone and telex	564,684	(414,317)	150,366	169,496	19,129	As per policy of the Company	Employees/Outsider
Motor vehicles	43,044,544	(29,408,441)	13,636,103	25,687,826	12,051,723	As per policy of the Company	Outsider
Total 2017	**53,651,439**	**(38,787,063)**	**14,864,376**	**27,565,812**	**12,701,436**		

AMARSTOCK

A(a) Consolidated fixed assets including land, building, furniture and fixtures-for 2017

Asset category	Cost				Rate %	Depreciation				Written down value at December 31, 2017
	Balance at January 01, 2017	Addition during the year	Disposal/ adjustment during the year	Balance at December 31, 2017		Balance at January 01, 2017	Charged for the year	Adjustment during the year	Balance at December 31, 2017	
	Taka	Taka	Taka	Taka		Taka	Taka	Taka	Taka	Taka
Free hold assets:										
Land	26,958,470	-	-	26,958,470	-	-	-	-	-	26,958,470
Building	207,519,303	-	-	207,519,303	2.50	20,749,118	5,187,983	-	25,937,101	181,582,202
Furniture and fixtures	97,374,689	13,293,973	(2,094,644)	108,574,018	12.50	36,472,604	11,531,461	(1,631,598)	46,372,467	62,201,552
Electrical equipment	95,970,699	13,827,614	(3,842,089)	105,956,223	20.00	64,113,090	9,990,991	(3,374,124)	70,729,957	35,226,267
Curtain and carpets	5,109,062	1,261,731	(486,285)	5,884,508	33.33	2,855,226	1,294,347	(329,311)	3,820,262	2,064,246
Office equipment	125,458,984	34,504,408	(2,444,035)	157,519,357	20.00	102,790,783	12,941,045	(2,443,875)	113,287,954	44,231,404
Office decoration	150,272,999	36,013,543	(5,132,832)	181,153,710	20.00	72,403,675	22,221,897	(5,124,367)	89,501,205	91,652,505
Computers	151,998,424	43,121,104	-	195,119,528	20.00	92,449,197	20,288,839	-	112,738,036	82,381,492
Software (Office Operation)	39,708,911	3,573,962	-	43,282,873	33.33	28,244,756	7,181,286	-	35,426,043	7,856,830
Software (Business Operation)	137,540,494	1,705,103	-	139,245,597	20.00	121,877,160	12,239,461	-	134,116,621	5,128,976
Telephone and telex	12,508,526	2,308,112	(869,684)	13,946,953	33.33	9,897,557	1,761,944	(667,563)	10,991,938	2,955,015
Motor vehicles	326,451,426	38,383,709	(47,059,944)	317,775,191	25.00	170,745,467	59,585,764	(33,109,006)	197,222,225	120,552,966
Total 2017	**1,376,871,985**	**187,993,259**	**(61,929,512)**	**1,502,935,732**		**722,598,634**	**164,225,017**	**(46,679,844)**	**840,143,807**	**662,791,925**

AMARstock

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**

Unbound Happiness



Building a better society

IDLC strives to ensure that the happiness it spreads is reflected on the lives of the people. Helping individuals grow through the continued efforts in building a better community for the future is what makes IDLC special.



AMAR STOCK

IDLC Securities Limited

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)



Standing from left

A.H.M. Nazmul Hasan
Head of Operations

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

Golam Ahad Chowdhury
Head of Trading & Business Development

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

Md. Momin Uddin
Head of International & Institutional Sales

Kazi Monirul Islam
Head of Research

Mizanur Rahman
Head of Chittagong Region

Md. Wayesh Kuruni Azad
Head of Finance

Sitting from left

Md. Saifuddin
Managing Director

Arif Khan, CFA, FCMA
Group CEO & Managing Director

Shamima Akter Lovely
Head of HR- Capital Market & Head of Organizational Development

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, 2017 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 50.3 billion whereas the equity market capitalization is about USD 43.2 billion. Interestingly, the top 10 market cap companies represent about 46% of the equity market capitalization and all 12 listed MNCs represent about 33.4% 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 17.6%, the same ratio is much higher for countries like India (103%), the Philippines (66%), Thailand (150%), Malaysia (97%) and Indonesia (58%). We believe there is ample scope for the market to grow significantly over time with the listing of new equities in the coming days. In this attractively-placed environment, IDLCSL is positioning itself to capture a significant share of this emerging growth, going ahead.

2017 has been an excellent year for Bangladesh stock market with 24.0% return in 2017 compared to 8.8% of 2016. The year started with a positive tone; despite a slight hiccup in last week of January, market remained upbeat till first week of April. From Mid-April to May, market experienced correction but started to rally again from June and peaked in late November with the index reaching 6,337 points. In December, the index retrenched by 1.5% and the year ended with index at 6,245 points. Throughout 2017, DSEX traded between a minimum of 5,083.9 and maximum of 6,336.9. Daily average trades in the DSE amounted to Taka 8.7 billion in 2017 compared with about Taka 4.9 billion in 2016.

It is my great pleasure to inform you that, this has been a fantastic year for your company with organic growth all around. IDLC SL made a net profit after tax of Taka 379.5 million, which is 267.1% higher than Taka 103.4 million reported in 2016. A better performance in both brokerage and investment incomes made this growth possible. While net brokerage commission income rose by 92.3% to Taka 480.5 million, net investment income witnessed a 261.6% growth to Taka 255.8 million in 2017 from Taka 70.7 million in 2016.

Time-Weighted Return (TWR) on investment will provide a better picture of investment performance than growth in net investment income. TWR of proprietary investment was 41.8% in 2017 implying an alpha or excess return of 17.8% above the market return of 24% for 2017.

Market share of your Company grew to more than 4.0% in 2017 from 3.5% of previous year and that was achieved based on fundamental improvement in performance management, key resource retention and substantial rise in our customer base. Daily average turnover of the market increased by 77% in 2017, whereas the average daily turnover of your Company rose by 104%.

Despite the various challenges that prevailed in the market, IDLC SL came out on top by adding near about 2,370 new accounts in 2017, net addition to customer base implied about 12% growth over 2016. Currently, IDLC SL has 17,000+ clients including 697 institutional and foreign clients. Moreover, the Company serves more than 2,500 customers as a panel broker of its enlisted merchant banks. This year, institution and foreign client base grew significantly by 143% and this segment's contribution to incremental customer base has increased from 4% in 2016 to 22% in 2017. This has been a result of continuous drive and focus towards all encompassing growth.

IDLC SL has raised its paid-up capital to BDT 2,000 million from existing BDT 400 million through issuing new ordinary shares at par in September 2017. The purpose of capital raising is to strengthen the equity and capital base of the company.

Operational highlights of 2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
No. of account at the beginning	8,984	10,756	12,854	13,960	15,352
Account opened during the year	1,858	3,062	2,514	1,878	2,370
Account closed during the year	(86)	(964)	(1,408)	(486)	(539)
No. of accounts at year end	10,756	12,854	13,960	15,352	17,183
Growth (year on year)	19.7%	19.5%	8.6%	10.0%	11.9%
Composition of client base:					
Individual	10,406	12,530	13,602	14,933	16,363
Institution & Foreign	159	199	226	287	697
NRB	191	125	132	132	123
Total	10,756	12,854	13,960	15,352	17,183

Key achievements of 2017

- Substantial increase in market share
- Improvement in cost income ratio
- Widened and enhanced depth of sell-side research coverage
- Augmented retail and strategic sales efforts
- Achievement of significant footing in foreign sales operation
- Restructuring of our operational risk management process

Financial highlights of 2017

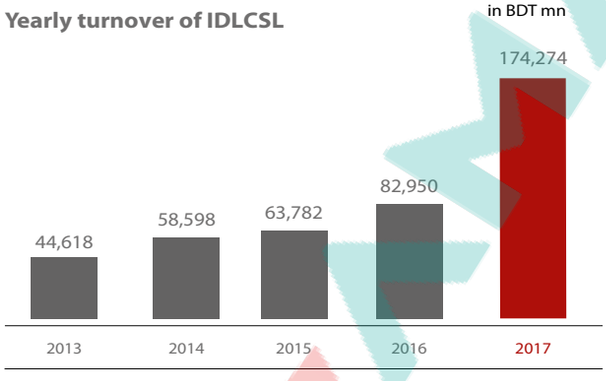
Amount in BDT Million	2013	2014	2015	2016	2017
Total turnover of IDLCSL	44,618	58,598	63,782	82,950	174,274
Total turnover of IDLCSL Growth (%)		31.3%	8.8%	30.1%	110.1%
Total assets	1,487	1,407	1,558	2,145	4,136
Total assets Growth (%)		-5.4%	10.7%	37.7%	92.8%
Total shareholders equity	890	929	1,025	1,129	3,108
Total shareholders equity Growth (%)		4.4%	10.3%	10.1%	175.4%
Net brokerage commission income	132	172	203	250	480
Net brokerage income* Growth (%)		30.7%	18.0%	23.1%	92.3%
Net interest income	104	86	72	53	82
Net interest income Growth (%)		-16.9%	-17.1%	-26.0%	54.6%
Income from share market investment	31	(6)	52	71	256
Investment income growth (%)		-118.9%	-986.3%	36.9%	261.6%
Operating expenses	136	156	181	187	248
Operating expenses Growth (%)		14.9%	16.1%	3.3%	32.4%
Net profit before tax & provision	131	98	148	192	576
Net profit before tax & provision Growth (%)		-25.3%	50.6%	30.0%	200.2%
Net Profit after Tax	60	39	96	103	379
Net Profit after Tax Growth (%)		-35.1%	147.0%	7.6%	267.1%
Return on total assets*	4.51%	2.69%	6.48%	5.58%	14.79%
Return on equity*	6.96%	4.28%	9.83%	9.60%	24.59%

** Time weighted ROA & ROE in 2017*

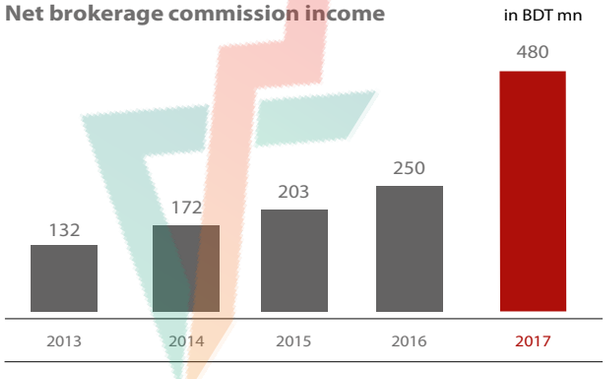
IDLC SL's total turnover rose to Taka 174.3 billion in 2017, which was the highest during the last seven years. This metric grew by 110.1% from 2016. Net brokerage income grew by 92.8% in 2017 and rose to Taka 480.5 million, which was also the highest in the last seven years. Consequently, net profit before tax and provisions witnessed a stellar growth of 200.2% in 2017 to Taka 575.7 million.

Consequently, net profit after tax grew by 267.1% to Taka 379.5 million from Taka 103.4 million in 2016. ROA and ROE stood at 14.8% and 24.6%, respectively, in 2017.

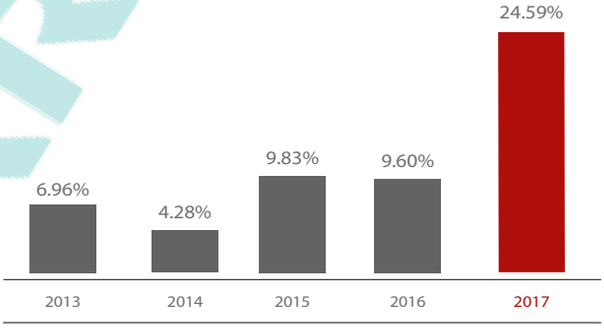
Yearly turnover of IDLCSL



Net brokerage commission income



Return on equity



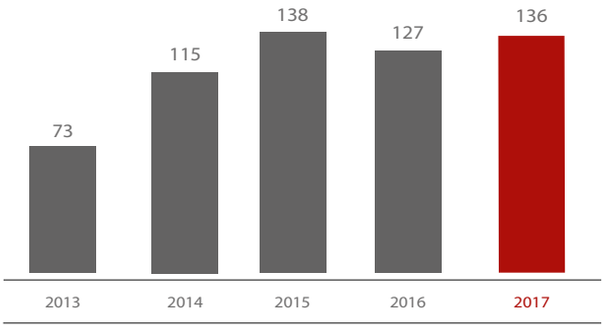
Human resource development

We believe in performance, meritocracy and equal opportunity in every aspects of human resource management. We maintain a culture of continuous learning and invest substantially in talent management. As part of IDLCSL's human resource development initiatives, a significant number of employees attended different training programs during the year, including both managerial development and technical competency. During 2017, in-house and outsourced training exposure was 3.6 times for each employee. In addition, 17 employee attended high quality technical and leadership training abroad.

We believe in high morale and motivated employees all around the organization. In this regard, we also arranged high quality team building and motivational sessions across the board.

At the end of 2017, the total number of employees stood at 136 as compared with 127 in 2016.

Number of Employees



Major HR initiatives in 2017

- Consolidation of performance appraisal system for all the employees
- Enhanced focus on in-house training programs
- Introduction of training calendar as a proactive approach for talent developments

Top-five risks impacting our business and key mitigation strategies

Risk	Mitigation Strategy
Political uncertainty	Balancing between scale of the business and uncertainty
Regulatory risk	Improve internal control, training and monitoring employeesfor enhancing complaince
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 2018

At IDLC SL, we intend to:

- Continue capturing market share
- Continue focus on foreign and premium brokerage segments
- Enhance capacity of sell side research
- Continue to focus on capacity building of dealers
- Embrace new technology conducive for brokerage business
- Increase the number of NRB clients

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 therefrom 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 distribute any profit to the shareholders of the Company for 2017.

Appointment of auditors

In terms of Article 102 of the Articles of Association of the Company, the Company shall, at each Annual General Meeting (AGM), appoint an auditor or auditors to hold office until the next AGM. The shareholders of IDLC Securities Limited at its 11th meeting appointed A. Qasem & Co., Chartered Accountants, as the auditors for the company for 2017. Accordingly, the auditors of the Company, A. Qasem & Co., Chartered Accountants, has completed their first year of audit of the Company. They are eligible for re-appointment as Auditors of the Company for the year 2018 and they have also offered themselves for re-appointment. The Board has recommended A. Qasem & Co. Chartered Accountants, to the shareholders at the AGM to be appointed as the auditors of the Company for the year 2018 at an existing remuneration of Taka 100,000 (Taka One Hundred Thousand only).

Going concern

There is no significant doubt on IDLC Securities Limited's ability to continue as a going concern.

Appreciation

I would like to thank the Board and colleagues for their continued support and unstinted cooperation and on their behalf express my sincere appreciation to the entire IDLC Securities team. I would like to acknowledge the exceptional efforts of our employees who worked hand-in-hand to meet the challenges of a difficult year. They were called upon to embrace major difficulties, at the same time maintaining the highest standards of service to our clients.

On behalf of the Board, I would like to thank our loyal customers and honorable shareholders (specially IDLC Finance Limited, our parent company) for their trust reposed on us. The members of the Board would also like to thank the Bangladesh Securities and Exchange Commission, the Dhaka and Chittagong stock exchanges 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

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
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E-mail : aqasem@aqcbd.com

Auditors' Report to the Shareholders

of IDLC Securities Limited

Report on the Financial Statements

We have audited the accompanying financial statements of IDLC Securities Limited, which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act, 1994 and 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.

Auditors' 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 (BSA). 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 auditors' judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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, present fairly, in all material respects, the financial position of IDLC Securities Limited as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and other applicable laws and regualtions.

We also report that:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;

(iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and

(iv) The expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka
11 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

A member firm of Ernst & Young Global Limited
EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited

EY Building a better working world

IDLC Securities Limited

Statement of Financial Position

As at 31 December 2017

Particulars	Note	31.12.2017 Taka	31.12.2016 Taka
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	35,535,541	27,978,666
Intangible asset	5	482,658	1,566,223
Investment in Stock Exchanges	6	18,676,000	18,676,000
Deferred tax assets	7	16,060,943	12,856,417
		70,755,142	**61,077,306**
Current Assets			
Advances, deposits and prepayment	8	17,771,694	21,594,749
Investment in marketable securities	9	2,365,849,893	885,524,029
Accounts receivable	10	34,554,226	117,954,061
Short term loan to IDLC Investments Limited	11	200,000,000	100,000,000
Margin loan to clients	12	85,310,055	41,461,623
Cash and cash equivalents	13	1,361,733,629	917,532,095
		4,065,219,497	**2,084,066,557**
Total Assets		**4,135,974,639**	**2,145,143,864**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2,000,000,000	400,000,000
Retained earnings	15	1,108,124,097	728,650,188
		3,108,124,097	**1,128,650,188**
Liabilities			
Current Liabilities			
Accounts payable	16	669,743,510	764,417,975
Short term loan	17	170,000,000	170,000,000
Liabilities for expenses	18	47,843,563	23,186,932
Provision for income tax	19	140,263,468	58,888,769
		1,027,850,541	**1,016,493,676**
Total equity and liabilities		**4,135,974,639**	**2,145,143,864**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
11 February, 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

AMARSTOCK

IDLC Securities Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

Particulars	Note	2017 Taka	2016 Taka
Operating income			
Brokerage commission income	20	542,457,255	283,608,543
Brokerage commission expense	21	(61,975,600)	(33,790,832)
Net brokerage commission income (a)		**480,481,655**	**249,817,711**
Interest income	22	92,092,622	60,329,508
Interest expense	23	(10,162,407)	(7,348,043)
Net interest income (b)		**81,930,215**	**52,981,465**
Net investment income (c)	24	255,817,500	70,747,437
Other operating income (d)	25	3,414,862	4,159,245
Total Operating Income (A=a+b+c+d)		**821,644,232**	**377,705,858**
Operating Expenses			
Salaries & allowances	26	151,203,907	106,230,160
Rent, taxes, insurance, electricity, etc.	27	47,912,751	51,736,776
Legal expenses	28	3,492,603	2,276,233
Postage, stamp, telecommunication, etc.	29	6,901,887	4,055,557
Stationery, printing, advertisements, etc.	30	10,159,861	5,704,465
Directors' fee & meeting expenses	31	278,818	171,398
Audit fee		115,000	86,250
Depreciation and amortization	4&5	10,118,568	8,136,360
Other expenses	32	17,349,430	8,555,993
Total Operating Expenses (B)		**247,532,824**	**186,953,192**
Operating Profit (A-B)		**574,111,408**	**190,752,666**
Non-operating Income	33	1,549,481	1,021,012
Profit before Provisions and Tax		**575,660,889**	**191,773,678**
Profit before Provision for Income Tax		**575,660,889**	**191,773,678**
Provision for Income Tax		**196,186,981**	**88,395,352**
Current tax	19	199,391,506	84,243,810
Deferred tax expense/(income)	7	(3,204,525)	4,151,542
Net profit		**379,473,908**	**103,378,327**
Other comprehensive income		-	-
Total Comprehensive Income		**379,473,908**	**103,378,327**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
11 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Securities Limited

Statement of Cash Flows

For the year ended 31 December 2017

Particulars	2017 Taka	2016 Taka
A. Cash flow from operating activities		
Net profit during the year	**379,473,908**	**103,378,327**
Adjustments for:		
Depreciation & amortization	10,118,568	8,136,360
Gain on disposal of property, plant and equipment	(523,452)	(186,534)
(Increase)/decrease in deferred tax asset	(3,204,525)	4,151,542
Cash generated from operating activities before changes in working capital:	**6,390,590**	**12,101,368**
Changes in workings capital:		
(Increase)/decrease in accounts receivable	83,399,835	(49,314,749)
(Increase)/decrease in margin loan to clients	(43,848,432)	(7,721,351)
Decrease/(increase) in advances, deposits and prepayments	3,823,055	4,162,539
Increase/(decrease) in accounts payable	(94,674,465)	410,839,511
(Decrease)/increase in provision for expenses	24,656,631	(44,884)
Increase/(decrease) in provision for current tax	81,374,700	8,384,661
Net cash flow from operating activities	**440,595,822**	**481,785,422**
B. Cash flow from investing activities		
Acquisition of property, plant and equipment	(16,068,424)	(15,187,354)
Investment in shares/securities	(1,480,325,864)	(448,215,922)
(Disbursement)/Reimbursement of Short term loan to IDLC Investments Limited	(100,000,000)	(100,000,000)
Net cash (used in)/ flow from investing activities	**(1,596,394,288)**	**(563,403,276)**
C. Cash flows from financing activities		
Receipt of short term loan - Standard Chartered Bank	-	170,000,000
(Repayment)/Reciept of short term loan - IDLC Finance Limited	-	(105,000,000)
Share Capital	1,600,000,000	-
Net cash flow from in financing activities	**1,600,000,000**	**65,000,000**
D. Net surplus/(deficit) in cash & cash equivalents for the year (A+B+C)	444,201,534	(16,617,852)
E. Cash & cash equivalents at the beginning of the year	917,532,095	934,149,947
F. Cash and cash equivalents at the end of the year	**1,361,733,629**	**917,532,095**
*Cash and cash equivalents:		
Cash in hand	100,000	100,000
Cash at bank	735,133,629	727,791,418
Fixed deposits	626,500,000	189,640,677
	1,361,733,629	**917,532,095**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
11 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

AMAR STOCK

IDLC Securities Limited

Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Share Capital	Retained Earnings	Total Equity
Balance as on 01 January 2016	**400,000,000**	**625,271,861**	**1,025,271,861**
Addition during the year	-	103,378,327	103,378,327
Balance as on 31 December 2016	**400,000,000**	**728,650,189**	**1,128,650,188**
Balance as on 01 January 2017	**400,000,000**	**728,650,189**	**1,128,650,188**
Addition during the year	1,600,000,000	379,473,909	1,979,473,909
Balance as on 31 December 2017	**2,000,000,000**	**1,108,124,098**	**3,108,124,098**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Sd/-
A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
11 February 2018

AMARSTOCK

IDLC Securities Limited

Notes to the Financial Statements

As at and for the year ended 31 December 2017

1 Company and its activities

1.1 Legal status of the Company

IDLC Securities Limited (IDLCSL) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-61319 (3328)/06 with effect from 19 April 2006 as a private limited company limited by shares having its registered office at DR Tower (4th Floor), 65/2/2, Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000 under the Companies Act, 1994. The Company is a Trading Right Entitlement Certificate (TREC) holder of both Dhaka Stock Exchange Limited (058) and Chittagong Stock Exchange Limited (119). The company commenced its business operations on 18 September 2006 as a wholly owned subsidiary of IDLC Finance Limited.

1.2 Nature of business

The principal activities of IDLC Securities Limited are to act as a member of stock exchanges, the central depository system (CDS) companies and to carry on the business of broker, jobbers or dealers in stocks, shares, securities, bonds, debentures. The Company is also authorized to buy, sell, hold or otherwise acquire or invest the capital of the Company in shares, stocks and fixed income securities, etc. The company has ten (10) branches in Bangladesh located at Purana Paltan , Chittagong, Dhanmondi, Mohakhali (DOHS), Gulshan, Narayanganj, Uttara, Gazipur, Khatunganj, and Sylhet. IDLC Securities Limited possesses following licenses from regulatory authorities:

Name of Institutions	License No:	Nature of Business
Bangladesh Securities and Exchange Commission (BSEC)	3.1/DSE/58/2006/130	Stock Broker Business with DSE
Bangladesh Securities and Exchange Commission (BSEC)	3.1/DSE/58/2008/233	Stock Dealer Business with DSE
Bangladesh Securities and Exchange Commission (BSEC)	3.2/CSE/119/2006/135	Stock Broker Business with CSE
Bangladesh Securities and Exchange Commission (BSEC)	3.2/CSE/119/2006/176	Stock Dealer Business with CSE
Central Depository Bangladesh Limited (CDBL)	CDBL- DP 229	Depository functions

2 Basis of preparation of financial statements

2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act, 1994 and other applicable laws and regulations.

2.2 Other regulatory compliance

As required, IDLC Securities Limited also complies with the applicable provisions of the following major laws/ statutes:

-Securities and Exchange Rules, 1987;

-Securities and Exchange Commission Act, 1993;

-Securities and Exchange Commission (Stock-Dealer, Stock-Broker and Authorized Representatives) Rules, 2000; and

-The Income Tax Ordinance, 1984;

-The Income Tax Rules, 1984;

-Negotiable Instruments Act, 1881;

Other applicable laws and regulations.

2.3 Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRS).

2.4 Components of financial statements

-Statement of Financial Position

-Statement of Profit or Loss and Other Comprehensive Income

-Statement of Changes in Equity

-Statement of Cash Flows

-Notes to the Financial Statements

2.5 Functional and presentational currency

These financial statements are presented in Bangladeshi Taka (BDT) which is the functional currency of the company. The amounts in these financial statements have been rounded off to the nearest integer.

2.6 Use of estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the year end.

Provisions and accrued expenses are recognized in the financial statements in line with Bangladesh Accounting Standard (BAS) 37: "Provisions, Contingent Liabilities and Contingent Assets" when - the Company has a legal or constructive obligation as a result of past event; and

i. It is probable that an outflow of economic benefit will be required to settle the obligation.

ii. A reliable estimate can be made for the amount of the obligation.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

2.7 Statement of cash flows

Statement of Cash Flows is prepared in accordance with Bangladesh Accounting Standard (BAS) 7: "Statement of Cash Flows" and the cash flows from operating activities are presented under the indirect method as prescribed by the Securities and Exchange Rules, 1987.

2.8 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.9 Recognition and measurement of financial assets

In accordance with Bangladesh Accounting Standard (BAS) 39, financial assets may be recognized at fair value, with gain and losses taken to the income statement in net investment income. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

2.10 Revenue recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise and in accordance with the Bangladesh Accounting Standard (BAS)-18 "Revenue Recognition":

a. Brokerage commission

Brokerage commission is recognized as income when selling or buying order executed.

b. Interest income from margin loan

Interest Income from margin loan is recognized on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis and applied to the customers' account on quarterly basis.

c. Dividend income and gain/(loss) on sale of marketable securities

Dividend income is recognized when right to receive or payment is established whereas profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized or loss is incurred.

2.11 Investment in stock exchanges for membership

In accordance with section 8 of the Exchanges Demutualization Act, 2013, both stock exchange memberships have been converted into shares through the issuance of two completely de-linked assets to the former members in the Exchange, namely (a) fully paid-up shares and (b) trading right. Exchanges shall have the authority to issue Trading Right Entitlement Certificate (TREC), as per the Exchanges Demutualization Act, 2013 and as outlined in the scheme, to provide the right to trade any securities enlisted in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) to eligible brokers and dealers. Such TRECs will be totally separated from the ownership of the Exchange as there is no obligation for TREC holders to be or remain shareholders of the exchange.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank and fixed deposits which are held and are available for use by the Company without any restriction. There is insignificant risk of change in the value of the above items.

3. Significant accounting policies

3.1 Property, plant and equipment and depreciation

All Property, Plant and Equipment are stated at cost less accumulated depreciation as per BAS-16 " Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use.

3.1.1 Depreciation and Amortization

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is charged using the straight-line method on the acquisition cost of PPE and such cost is written off over the estimated useful lives of assets, in accordance with BAS 16. Depreciation for full month is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. The rates of depreciation used to write off the amount of assets are as follows:

Category of assets	Rate of depreciation
Computer peripherals	20.00% p.a.
Office equipment	20.00% p.a.
Electrical equipment	20.00% p.a.
Motor vehicles	25.00% p.a.
Office decoration	20.00% p.a.
Furniture & fixtures	12.50% p.a.
Telephone and telex	33.33% p.a.
Curtain & carpet	33.33% p.a.

3.1.2. Intangible Assets and Amortization of Intangible assets

The main item includes in intangible asset is computer software. Intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with BAS 38: "Intangible Assets". Accordingly, these assets are stated in the Statement of Financial Position at cost less accumulated amortization. Intangible asset is amortized over a period of three (03) years.

3.2 Provision for tax

3.2.1. Current tax

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

3.2.2. Deferred tax

Deferred Tax is calculated as per Bangladesh Accounting Standard (BAS)-12 “Income Taxes”. Deferred Tax is recognized on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are generally recognized for all deductible temporary differences. Deferred Tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

3.3. Provision for expenses

Provision for expenses is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate of the amount can be made.

3.4. Provision for diminution in value of investments

Investment in quoted shares and un-quoted shares are revalued at the year end at market price and as per book value of last audited statement of financial position. Provision should be made for any loss arising from diminution in value of investment. As such the company measures and recognizes investment in quoted and unquoted shares at cost if the year end market value (for quoted shares) and book value (for quoted shares) are higher than the cost except investment in mutual fund. Incase of mutual fund Bangladesh Securities and Exchange Commission's (BSEC) directive no. SEC/CMRRCD/2009-193/172 dated 30 June 2015 has been followed.

3.5. Employee benefits

IDLC Securities Limited maintains defined benefit plan for its eligible permanent employees. Employee provident fund and gratuity plan are considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to employees as per condition of the fund. The eligibility is determined according to the terms and conditions set in the service rules of the company. The provident fund is recognized under Income Tax Ordinance 1984.

3.6. Related party disclosure

As per Bangladesh Accounting Standard (BAS) 24: "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 35.

3.7. Events after the reporting date

Events after the reporting date that provides additional information about company's financial position at the reporting date are reflected in the financial statements. Events after the reporting date that are material but not adjusting event are discussed in the notes.

3.8. Application of Bangladesh Accounting Standards (BASs):

The Financial Statements have been prepared in compliance with requirement of BAS/BFRS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. IDLC-SL applied following BAS and BFRS:

Name of the BAS	BAS No.	Status
Presentation of Financial Statements	1	Applied
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Financial Instruments: Presentation	32	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Not Applied

Name of the BFRS	BFRS No	Status
Financial Instruments: Disclosures	7	Applied

			31.12.2017	31.12.2016
			Taka	Taka
4	**Property, plant and equipment**			
	A. Cost :			
	Opening balance		121,869,099	117,441,689
	Addition during the year		16,680,284	17,597,459
			138,549,384	135,039,148
	Disposal for the year		(4,478,073)	(13,170,051)
			134,071,311	**121,869,097**
	B. Accumulated depreciation:			
	Opening balance		93,890,435	97,284,281
	Charged for the year		9,035,001	6,975,430
			102,925,436	104,259,711
	Disposal for the year		(4,389,666)	(10,369,280)
			98,535,770	**93,890,431**
	C. Written down Value (A-B)		**35,535,541**	**27,978,666**
	A schedule of property, plant and equipment is given in Annexure - A.			
5	**Intangible asset**			
	A. Cost:			
	Opening balance		5,993,705	5,416,505
	Addition during the year		-	577,200
			5,993,705	**5,993,705**
	B. Accumulated amortization			
	Opening balance		4,427,481	3,266,552
	Amortization for the year		1,083,566	1,160,930
			5,511,048	**4,427,482**
	C. Written down value (A-B)		**482,658**	**1,566,223**
6	**Investment in Stock Exchanges**			
	Dhaka Stock Exchange Limited (DSE)	(Note: 6.1)	15,225,000	15,225,000
	Chittagong Stock Exchange Limited (CSE)	(Note: 6.2)	3,451,000	3,451,000
			18,676,000	**18,676,000**
6.1	**Dhaka Stock Exchange Limited (DSE)**			
	Purchase of DSE membership from Mehnaz Mannan & Co.		15,000,000	15,000,000
	Share transfer stamp duty		225,000	225,000
			15,225,000	**15,225,000**
6.2	**Chittagong Stock Exchange Limited (CSE)**			
	Purchase of CSE membership from Technohaven Securities Limited		3,400,000	3,400,000
	Share transfer stamp duty		51,000	51,000
			3,451,000	**3,451,000**
			18,676,000	**18,676,000**

This represents the amount paid for purchasing membership of Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE) including stamp duty for transferring shares.

Stock Exchange	Types of Shares	Number of shares	Face value (Taka)
Dhaka Stock Exchange	Floated (40%)	2,886,042	28,860,420
	Blocked (60%)	4,329,064	43,290,640
		7,215,106	**72,151,060**

Stock Exchange	Types of Shares	Number of shares	Face value (Taka)
Chittagong Stock Exchange	Floated (40%)	1,714,932	17,149,320
	Blocked (60%)	2,572,398	25,723,980
		4,287,330	**42,873,300**

As per the provision of the Exchanges Demutualization Act, 2013 and in accordance with the Bangladesh Securities and Exchange Commission (BSEC) approved Demutualization Scheme, DSE allotted total 7,215,106 ordinary shares at face value of Tk.10.00 each and CSE allotted total 4,287,330 ordinary shares at face value of Tk.10.00 each against the membership, respectively.

7 Deferred tax assets

Deferred tax asset for 2017 is arrived at as follows:

	Carrying Amount Taka	Tax base Taka	Taxable Temporary Difference
As on 31 December 2017			
Assets:			
Fixed assets net of depreciation	36,018,198	54,834,699	18,816,500
Liabilities:			
Provision for gratuity	27,071,908	-	27,071,908
Total			**45,888,407**
Applicable tax rate			35%
Deferred tax assets as on 31 December 2017			16,060,943
Deferred tax assets as on 31 December 2016			12,856,417
Deferred tax income accounted for 2017			**3,204,525**

Deferred tax asset for 2016 is arrived at as follows:

As on 31 December 2016			
Assets:			
Fixed assets net of depreciation	29,544,889	49,231,766	19,686,877
Liabilities:			
Provision for gratuity	17,045,744	-	17,045,744
Total			**36,732,621**
Applicable tax rate			35%
Deferred tax assets as on 31 December 2016			12,856,417
Deferred tax assets as on 31 December 2015			17,007,960
Deferred tax expense accounted for 2016			**(4,151,542)**

Deferred tax has been calculated based on deductible taxable temporary difference arising due to difference in the carrying amount of the liabilities and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12: "Income Taxes".

			31.12.2017	31.12.2016
			Taka	Taka
8	**Advances, deposits and prepayment**			
	Advances and prepayments	(Note: 8.1)	17,483,694	21,306,749
	Security deposit	(Note: 8.2)	288,000	288,000
			17,771,694	**21,594,749**
8.1	**Advances and prepayments**			
	Advances	(Note: 8.1.1)	2,402,405	2,299,184
	Prepayments	(Note: 8.1.2)	15,081,289	19,007,565
			17,483,694	**21,306,749**
8.1.1	**Advances**			
	Advance to Dhaka Stock Exchange Limited		850,000	850,000
	Advance for expenses		90,000	116,000
	Advances for services /to suppliers		1,233,040	1,105,427
	Advances to Chittagong Stock Exchange Limited		100,000	100,000
	Advance to Bloomberg Finance L.P.		129,365	127,757
			2,402,405	**2,299,184**
8.1.2	**Prepayments**			
	Rent	(Note: 8.1.2.1)	14,436,958	18,440,485
	Insurance premium	(Note: 8.1.2.2)	644,331	567,080
			15,081,289	**19,007,565**
8.1.2.1	**Rent**			
	Head office		8,678,772	11,571,696
	Agrabad branch		3,039,842	3,741,344
	Sylhet branch		400,000	-
	Narayanganj branch		558,344	1,167,445
	Dhanmondi branch		500,000	700,000
	Gazipur branch		1,260,000	1,260,000
			14,436,958	**18,440,485**
8.1.2.2	**Insurance premium**			
	Group life		410,720	365,160
	Hospitalization		51,285	52,971
	Office insurance		85,352	96,480
	Motor vehicles		96,974	52,469
			644,331	**567,080**
8.2	**Security deposit**			
	Security deposit at CDBL		100,000	100,000
	Security deposit at CSE		25,000	25,000
	Security deposit at Dhaka Telephone Company		5,000	5,000
	Security deposit to Brig. Gen. Gyasuddin A Chowdhury		150,000	150,000
	Security deposit to Nabarun Agencies		8,000	8,000
			288,000	**288,000**

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		31.12.2017	31.12.2016
		Taka	Taka
9 Investment in marketable securities			
Investment in shares available for sale	(Note: 9.1.1)	2,355,509,893	802,658,399
Investment in Initial Public Offering (IPO)	(Note: 9.1.2)	-	20,000,000
Investment in non-tradeable shares	(Note: 9.2)	10,340,000	62,865,630
		2,365,849,893	**885,524,029**

9.1.1 Investment in shares available for sale

The investments in shares are categories as financial assets held for trading as per BAS 39. The details of the investments are as follows:

Business Segments	Total Cost of Shares as on 31.12.2017 (Taka)	Market price as on 31.12.2017 (Taka)
Bank	922,486,361	1,103,043,715
Pharmaceuticals & Chemicals	766,825,355	773,530,563
Engineering	127,046	967,315
Food & Allied	103,388,252	119,984,637
Financial Institutions	30,340,900	33,069,624
Telecommunication	530,401,052	598,542,164
Mutual Funds	1,940,927	2,040,555
	2,355,509,893	**2,631,178,573**

All investment in marketable securities are valued on aggregate portfolio basis, at the lower of cost and market value, at the reporting date.

On the reporting date, the aggregate portfolio value at cost price was BDT 2,355,509,893 and at market price was BDT 2,631,178,573, therefore if the reporting entity was recognized the unrealized gain on portfolio then it would recognize BDT 275,668,679 in the statement of profit or loss and other comprehensive income. But as per FID circular No. 08 dated August 3, 2002 of Bangladesh Bank (The Central Bank), IDLC Finance Limited, the Parent Company of reporting entity, recognizes its aggregate portfolio on cost value and no unrealized gain is recognized. So, the reporting entity as a wholly owned subsidiary of the IDLC Finance Limited, follows the similar accounting policy for recognizing the investment in securities listed in both stock exchanges.

9.1.2	**Investment in Initial Public Offering (IPO)**	**-**	**20,000,000**

9.2 Investment in non-tradeable shares

Energypac Power Generation Limited(235,000 shares @ Taka 44 each)	10,340,000	10,340,000
Runner Automobiles Limited (1,165,000 shares @ Taka 45 each)	-	52,425,000
Fortune Shoes Limited (10,063 shares @ Taka 10 each)	-	100,630
	10,340,000	**62,865,630**

10	**Accounts receivable**		
Receivable from DSE	(Note: 10.1)	20,150,960	19,921,116
Receivable from CSE	(Note: 10.2)	214,546	4,155,788
Receivable from clients (broker)	(Note: 10.3)	9,234,491	84,925,309
Receivable from sale of shares	(Note: 10.4)	207,564	1,075,161
Receivable from managed cap investment		-	75,227
Interest receivable	(Note: 10.5)	1,255,875	4,245,709
Other receivable		3,490,790	3,555,751
		34,554,226	**117,954,061**

		31.12.2017	31.12.2016
		Taka	Taka
10.1	**Receivable from DSE**		
	Sale for broker	20,150,960	18,369,568
	Sale for dealer	-	1,551,548
		20,150,960	**19,921,116**
	This balance has been resulted from sale of shares through Dhaka Stock Exchange Limited (DSE).		
10.2	**Receivable from CSE**	**214,546**	**4,155,788**
	This balance has been resulted from sale of shares through Chittagong Stock Exchange Limited (CSE).		
10.3	**Receivable from clients (brokers)**	**9,234,491**	**84,925,309**
10.4	**Receivable from sale of shares**	**207,564**	**1,075,161**
	This balance has been resulted from the sale of marketable securities during the year.		
10.5	**Interest receivable**	**1,255,875**	**4,245,709**
	The interest has been accrued from Fixed Deposit Receipt (FDR).		
11	**Short term loan to IDLC Investments Limited**	**200,000,000**	**100,000,000**
	The amount represents due from IDLC Investments Limited as the inter-company lending.		
12	**Margin loan to clients**		
	Opening balance	41,461,623	33,740,272
	Addition during the year	43,848,432	7,721,351
		85,310,055	**41,461,623**
13	**Cash and cash equivalents**		
	Cash in hand	100,000	100,000
	Cash at bank (Note: 13.1)	735,133,629	727,791,417
	Fixed Deposit Receipt (FDR) (Note: 13.2)	626,500,000	189,640,677
		1,361,733,629	**917,532,095**

13.1 Cash at bank

Name of the Bank	Branch	Type	A/C No.		
Standard Chartered Bank	Dhaka Main	SND	02-3066347-03	480,000	225,274
Standard Chartered Bank	Dhaka Main	SND	02-3066347-01	1,000	-
Standard Chartered Bank	Dhaka Main	CD	01-3066347-01	(8,281,246)	9,487,700
Standard Chartered Bank	Dhaka Main	CD	01-3066347-02	180,584,132	99,164,652
NCC Bank	NCC Bank Bhaban	SND	0103-0325000302	443,658,854	-
NCC Bank	NCC Bank Bhaban	SND	0103-0325000311	1,750,838	-
Standard Chartered Bank	Dhaka Main	CD	01-3066347-05	1,483,285	20,716,194
One Bank Limited	Principal	SND	001-5025642009	38,955,934	284,669,209
One Bank Limited (IPO)	Principal	SND	001-3000000944	3,449,109	183,593,432
Brac Bank Limited	Graphics Building	SND	1513101749870001	38,049,436	92,607,474
Eastern Bank Limited	Motijheel	SND	102.134.49357	777,653	772,339
Commercial Bank of Ceylon PLC	Dhaka	SND	2802005291	30,752,528	34,213,076
Dutch Bangla Bank Limited	Sylhet	SND	121-120-2668	3,472,106	2,342,067
				735,133,629	**727,791,417**

			31.12.2017	31.12.2016
			Taka	Taka

13.2 Fixed Deposit Receipt (FDR)

Name of the Bank	Branch	FDR No.		
Trust Bank Limited	Dilkusha	0017-0330029778	2,500,000	2,678,500
Standard Chartered Bank	Gulshan	93066347051*	7,000,000	7,000,000
Standard Chartered Bank	Gulshan	93066347052*	17,000,000	17,000,000
IDLC Finance Limited	Gulshan	10552206364301	600,000,000	-
Farmers Bank Limited	Motijheel	0124300071994	-	76,049,016
Farmers Bank Limited	Imamganj	0124300071992	-	86,913,161
			626,500,000	**189,640,677**

*FDR #93066347051 & 93066347052 kept under lien with Standard Chartered Bank as security for Overdraft and Short term loan respectively.

14 Share capital

Authorised capital 20,000,000 shares of Taka 100 each	**2,000,000,000**	**2,000,000,000**
Issued, subscribed & paid up capital :	**2,000,000,000**	**400,000,000**

The issued, subscribed and paid-up capital of Taka 2,000,000,000 is divided into 20,000,000 ordinary shares of Taka 100 each. Details are as follows:

IDLC Finance Limited		
19,999,992 shares of Tk. 100 each fully paid up	1,999,999,200	399,999,200
Mr. Asif Saad Bin Shams		
8 shares of Tk. 100 each fully paid up	800	800
	2,000,000,000	**400,000,000**

IDLC Securities Limited has raised its paid-up capital at BDT 2,000 million from existing BDT 400 million through issuing new ordinary shares at par in September 2017. The purpose of capital raising is to strengthen the equity and capital base of the company.

15 Retained earnings

Opening balance	728,650,188	625,271,861
Net profit for the year	379,473,908	103,378,327
	1,108,124,097	**728,650,188**

16 Accounts payable

Payable to clients	(Note: 16.1)	584,368,788	522,273,945
Public issue application money	(Note: 16.2)	340,000	182,070,000
Payable to DSE	(Note: 16.3)	40,120,552	34,204,872
Payable to CSE	(Note: 16.4)	8,669,490	853,494
Deferred liability - employees' gratuity	(Note: 16.5)	27,071,908	17,045,744
Other payable	(Note: 16.6)	9,172,772	7,969,920
		669,743,510	**764,417,975**

16.1 Payable to clients

Broker	584,161,224	521,198,792
Dealer	207,564	1,075,153
	584,368,788	**522,273,945**

This balance represents the clients' sale proceeds of shares and deposits against share purchase which is currently lying with the company's bank A/C.

		31.12.2017	31.12.2016
		Taka	Taka
16.2	**Public issue application money**	**340,000**	**182,070,000**
16.3	**Payable to DSE**		
	Purchase for broker	40,120,552	34,152,552
	Purchase for dealer	-	52,320
		40,120,552	**34,204,872**

This balance has been resulted from purchase of shares through Dhaka Stock Exchange Limited (DSE).

16.4	**Payable to CSE**		
	Purchase for broker	8,669,490	73,646
	Purchase for dealer	-	779,848
		8,669,490	**853,494**

This balance has been resulted from purchase of shares through Chittagong Stock Exchange Limited (CSE).

16.5	**Deferred liability - employees' gratuity**		
	Opening balance	17,045,744	13,200,215
	Addition during the year	10,026,164	5,259,046
		27,071,908	18,459,261
	Payment during the year	-	(1,413,517)
		27,071,908	**17,045,744**
16.6	**Other payable**		
	Payable to CDBL	737,953	772,615
	Payable to Investec Securities Proprietary Limited	399,763	202,673
	Payable to AT Capital Partners (BD) Limited	309,097	50,032
	Payable to Exotix Partners LLP	1,345,037	9,318
	Payable to welfare fund	357,617	1,743,034
	Interest payable	677,014	429,722
	Miscellaneous payable	5,346,291	4,762,526
		9,172,772	**7,969,920**
17	**Short term loan**		
	Short term loan - Standard Chartered Bank	170,000,000	170,000,000
		170,000,000	**170,000,000**

Standard Chartered Bank approved an overdraft facility and a short term loan facility in favor of IDLC Securities Limited for amount of Taka 70,000,000 at 10.00% per annum interest rate and Taka 170,000,000 at 9.50% per annum interest rate for 30 days tenure respectively vide sanction letter ref# CDU/KSR/10350523, dated 23 October 2014. For security purpose, IDLC Securities Limited has to maintain cash security for Taka 7,000,000 for overdraft facility and FDR amount of Taka 17,000,000 kept under lien with SCB for the short term loan. Standard Chartered Bank may revises the interest rate time to time at the discretion of the bank as per the clause no. 03 of the sanction letter.

		31.12.2017	31.12.2016
		Taka	Taka
18	**Liabilities for expenses**		
	Audit fee	115,000	86,250
	Legal & professional fee	708,398	804,428
	Office rent	1,152,042	1,288,804
	Utilities	283,665	256,664
	Office maintenance	554,658	720,986
	Salaries & allowances	45,000,000	20,000,000
	Postage and Courier	25,800	25,800
	Telephone expenses	4,000	4,000
		47,843,563	**23,186,932**
19	**Provision for income tax**		
	Opening balance	58,888,769	50,504,107
	Provision during the year	199,391,506	84,243,811
		258,280,275	**134,747,918**
	Paid during the year	17,179,248	23,368,463
	Tax deducted at source (Note: 19.1)	100,837,558	52,490,686
		(118,016,806)	**(75,859,149)**
		140,263,468	**58,888,769**

19.1 Tax deducted at source

The amount has been deducted by Dhaka Stock Exchange Limited (DSE) & Chittagong Stock exchange Limited (CSE) from the transaction amount as per section 53BBB of the Income Tax Ordinance 1984.

Dhaka Stock Exchange Limited		
For broker	81,172,883	38,540,892
For dealer	3,511,167	1,430,121
	84,684,050	**39,971,013**
Chittagong Stock exchange Limited		
For broker	2,324,290	1,371,469
For dealer	122,366	132,367
	2,446,656	**1,503,836**
Total tax deducted on turnover as per section 53BBB	**87,130,706**	**41,474,849**
Tax deducted at source on bank interest and dividend income	13,706,852	11,015,837
	100,837,558	**52,490,686**

		2017	2016
		Taka	Taka
20	**Brokerage commission**		
	Commission for Dhaka Stock Exchanges (DSE):		
	Broker	508,735,225	266,211,037
	Dealer	17,555,837	7,150,606
		526,291,062	**273,361,643**
	Commission for Chittagong Stock Exchanges (CSE):		
	Broker	15,554,373	9,585,072
	Dealer	611,821	661,828
		16,166,193	10,246,900
		542,457,255	**283,608,543**

			2017	2016
			Taka	Taka
21	**Brokerage commission expense**			
	Howla charges	(Note: 21.1)	203,524	215,288
	Laga charges	(Note: 21.2)	42,510,913	20,093,787
	Charges on corporate/bank guarantee		2,661,458	1,808,333
	International market development fees		16,599,705	11,673,424
			61,975,600	**33,790,832**
21.1	**Howla charges**			
	CSE for broker		198,482	210,284
	CSE for dealer		5,042	5,004
			203,524	**215,288**
21.2	**Laga charges**			
	DSE for broker		40,047,479	18,879,426
	DSE for dealer		1,716,497	702,254
			41,763,976	**19,581,680**
	CSE for broker		704,884	478,618
	CSE for dealer		42,053	33,489
			746,937	**512,107**
			42,510,913	**20,093,787**
22	**Interest income**			
	Interest on FDR		16,135,452	33,968,757
	Bank interest		42,233,592	21,093,149
	Interest against short-term loan to IDLC Investments Limited		24,065,700	777,083
	Interest on margin loan		9,657,878	4,490,519
			92,092,622	**60,329,508**
23	**Interest expense**			
	Interest on short-term		9,841,422	5,509,848
	Interest on overdraft		320,985	1,838,195
			10,162,407	**7,348,043**
24	**Net investment income**			
	Capital gain/(loss) from sale of securities		217,937,412	47,544,834
	Dividend income		37,880,088	23,202,603
			255,817,500	**70,747,437**
25	**Other operating income**			
	Account opening fee		1,076,500	852,000
	BO account maintenance fee		1,686,100	2,128,550
	Transmission fee		566,452	991,045
	Demate & remate fee		40,000	28,000
	Pledge unpledge & others fee		-	27,000
	IPO service charge		45,810	65,545
	Interest income against pre-funding for foreign trade		-	67,105
			3,414,862	**4,159,245**

		2017	2016
		Taka	Taka
26	**Salaries & allowances**		
	Salaries & allowances	136,641,655	97,177,382
	Gratuity	10,026,164	5,259,046
	Provident fund (Company's Contribution)	4,536,088	3,793,732
		151,203,907	**106,230,160**

Salaries & allowances includes key management compensation of BDT 19,952,902 (2016: BDT 10,532,412). Key management personnel comprises the Management Committee, incuding the Managing Director who exercise significant authority and play strategic role in the company.

27	**Rent, taxes, insurance, electricity, etc.**		
	Rent, rates & taxes	24,510,853	27,486,454
	Service charge	4,234,244	2,086,944
	Office maintenance	12,174,964	13,368,090
	Office insurance	534,104	576,257
	Repair & maintenance	1,590,002	3,106,864
	Utilities	4,868,584	5,112,166
		47,912,751	**51,736,775**
28	**Legal expenses**		
	Renewal & registration	887,301	1,139,858
	Subscription & fees	1,690,077	226,375
	Legal & professional fees	915,225	910,000
		3,492,603	**2,276,233**
29	**Postage, stamp, telecommunication, etc.**		
	Postage and courier	66,202	74,675
	Telephone expenses	1,951,137	1,921,836
	Government fees & stamp duty	67,055	57,750
	Internet connectivity charges	4,817,493	2,001,296
		6,901,887	**4,055,557**
30	**Stationery, printing, advertisements, etc.**		
	Printing & stationeries	2,730,716	2,161,236
	Advertisement	1,242,202	155,005
	Selling expense	1,503,580	1,177,240
	Branding & marketing expenses	3,413,328	539,709
	Business promotional expenses	1,270,035	1,671,275
		10,159,861	**5,704,465**
31	**Directors' fee & meeting expenses**		
	Directors' fees	213,750	143,750
	Meeting expenses	65,068	27,648
		278,818	**171,398**

	2017	2016
	Taka	Taka

32 Other expenses

Staff training	7,206,981	481,021
Medical and welfare expenses	227,067	241,895
Entertainment	780,707	661,986
Motor vehicle expenses	2,167,721	1,502,887
Newspapers & periodicals	68,540	64,726
Travelling and conveyance	1,552,001	1,157,898
Employees' group insurance premium	453,051	463,267
Employees' hospitalization insurance premium	621,553	602,098
Software maintenance	2,659,791	2,516,017
CDBL transaction fee	1,200,655	477,178
Bank charges	411,363	387,020
	17,349,430	**8,555,993**

33 Other non-operating income

Miscellaneous income	743,529	666,478
Cheque dishonour charge	282,500	168,000
Gain on disposal of fixed assets	523,452	186,534
	1,549,481	**1,021,012**

34 Number of employees

The number of employees for the whole year who received a total remuneration of Taka 36,000 or above were 151 which was 155 on 31 December 2016.

35 Related Party Transaction

Name of the related party	Relationship	Nature of transaction	Transaction during year	Closing balance as on 31.12.2017	Closing balance as on 31.12.2016
IDLC Investments Limited	Subsidiary of IDLC Finance Limited	Loan	100,000,000	200,000,000	100,000,000

36. Date of authorisation

The Board of director has authorised these financial statements for issue on 11 February 2018.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

IDLC Securities Limited

Schedule of Property, plant and equipment

As on 31 December 2017

Annexure-A

(Amount in Taka)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.17
	Balance as on 01.01.2017	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.2017		Balance as on 01.01.2017	Charged during the year	Disposal/ adjustment during the year	Balance as on 31.12.2017	
Computer peripherals	18,946,658	2,219,719	-	21,166,377	20%	14,855,489	1,533,939	-	16,389,428	4,776,949
Office equipment	26,529,445	1,496,983	(710,112)	27,316,316	20%	24,867,890	542,210	(710,097)	24,700,003	2,616,314
Electrical equipment	19,694,541	1,931,545	-	21,626,087	20%	18,830,645	401,754	-	19,232,399	2,393,687
Motor vehicles	15,870,899	6,796,649	(215,400)	22,452,148	25%	11,386,291	2,360,754	(197,450)	13,549,595	8,902,553
Office decoration	25,627,369	2,395,305	(2,771,003)	25,251,671	20%	15,041,039	2,396,495	(2,762,678)	14,674,857	10,576,813
Furniture & fixtures	12,902,457	1,240,079	(440,223)	13,702,313	12.50%	7,062,226	1,454,167	(429,865)	8,086,528	5,615,787
Telephone and telex	2,077,645	475,295	(305,000)	2,247,940	33.33%	1,665,849	291,160	(253,246)	1,703,763	544,177
Curtain & carpet	220,085	124,709	(36,335)	308,459	33.33%	181,006	54,522	(36,330)	199,198	109,261
Balance as on 31 December 2017	**121,869,099**	**16,680,284**	**(4,478,073)**	**134,071,311**		**93,890,435**	**9,035,001**	**(4,389,666)**	**98,535,771**	**35,535,541**
Balance as on 31 December 2016	**117,441,689**	**17,597,459**	**(13,170,051)**	**121,869,097**		**97,284,281**	**6,975,430**	**(10,369,280)**	**93,890,433**	**27,978,666**

AMARSTOCK

IDLC Investments Limited

(A fully owned subsidiary of IDLC Finance Limited)

Management Committee (ManCom)



Standing from left

Sakhawat Hossain
Head of Finance

Md. Masud Karim Majumder ACA
Group Chief Financial Officer

Rubayet-E-Ferdous
Chief Operating Officer

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

Abul Ahsan Ahmed
Head of Discretionary Portfolio Management

Sitting from left

Shamima Akter Lovely
Head of HR- Capital Market & Head of Organizational Development

Arif Khan, CFA, FCMA
Group CEO & Managing Director

Md. Moniruzzaman CFA
Managing Director

Directors' Report

to the Shareholders of IDLC Investments Limited



Monower Uddin Ahmed

Independent Director & Chairman

Dear Shareholders,

The Directors have the pleasure in presenting to the members of IDLC Investments Limited the Directors' Report, the audited financial statements for the year ended December 31, 2017 and auditor's report thereon along with the capital market overview, the Company's performance and other matters in compliance with the Companies Act, 1994, and Corporate Governance guidelines of the Bangladesh Securities and Exchange Commission.

The Company's principal activities encompass investment banking (issue management, underwriting and corporate advisory), discretionary portfolio management and margin lending.

IDLC Investments Limited has raised its paid-up capital to BDT 2,200 million from the existing BDT 1,400 million through issuance of new ordinary shares at par in December 2017. The purpose of capital raising is to strengthen the equity and capital base of the company.

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 strong capabilities in investment banking, focusing on initial public offerings (IPO), repeat public offerings (RPO), rights issue management, corporate advisory, merger & acquisitions, underwriting, business restructuring, equity valuations, arrangement of pre-IPO placement/ capital raising for forthcoming IPOs, 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.

2017 has been a year of working on new avenues for Investment Banking. During the year, we have successfully executed the merger of Ananta Apparels Limited with four companies. Our trustee business initiated in 2016, has grown during the year with addition of trusteeship of bond issuances of The City Bank Limited, United Commercial Bank Limited and Paramount Textiles Limited. We have also worked as corporate advisor of Bangladesh Honda Private Limited in raising capital from foreign investor as well as existing shareholders. Besides, we also have provided corporate advisory services to Mir Akhter Hossain Limited, Impress-Newtex Composite Textiles Limited and Far East Spinning Industries Limited for raising equity capital.

Since inception, 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 34,358 million for its clientele, so far. The Company has also provided underwriting services to 54 issuers till December 2017. Currently, IDLCIL is working as the issue manager for 13 IPO-bound companies, 1 rights issue and a number of corporate advisory deals.

The key challenges for investment banking continue to be extensive and dynamic regulatory changes and sluggish primary markets. IDLCIL focuses on overcoming these challenges by leveraging its strong brand equity and transparent engagement with regulators, investors and other stakeholders.

In 2018, the investment banking team will continue to emphasize on new avenues of business focusing on corporate advisory, mergers and acquisitions and equity valuation, apart from working on new initial public offerings and rights issuance.

Discretionary portfolio management (DPM)

IDLCIL's discretionary portfolio management (DPM) service was launched in 2007 as "Managed Cap Invest", which was subsequently rebranded as "MAXCAP" in 2010. We have an experienced team of fund managers who manage funds on

behalf of our investors - by developing appropriate investment strategies for value investment with a long-term objective in mind. We intend to put clients' money in the companies that have good governance, reliable financials and a sustainable business model. According to desired risk-return profiles, our clients can choose from a wide variety of investment products including "MAXCAP", "Easy Invest", "Profit-Loss Sharing Scheme", "Capital Protected Scheme", and "Portfolio Advisory Services".

We are the largest merchant bank in terms of asset under management in the discretionary category, serving more than 3,300 clients, the highest in the industry. Being the pioneer in launching monthly investment product "Easy Invest" for retail investors in 2016, we have got overwhelming responses from around the country providing a satisfactory return of 29.3% in 2017 to our clients.

IDLCIL's DPM team has eleven years' worth of strong track record in generating average annual return of 22%. Currently, we have asset under management of BDT 2,346 million.

Margin lending

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". Even before the market downturn in 2010, IDLC Investments had 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.

During the year 2017, we went for counselling our clients 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, 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 to meet our clients' wealth management goals.

The appetite for margin loans was moderate among clients in 2017, wherein margin loan was in downward trend in 2016. Considering the scenario we focused on counselling clients to use margin cautiously. As the market has experienced a return of 24% in 2017, we have been able to grow our margin loan basket moderately in a risk managed way.

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 based recommendations. It is a matter of pride that the company still matched by none in the industry in terms of proactive risk management. This has empowered us with a distinctive competitive advantage.

Financial highlights

The year 2017 proved to be a year of growth for IDLCIL with the Company attaining a net operating income of BDT 451million, which is a significant improvement from BDT 243 million reported in 2016. Consequently, the Company registered a profit after tax of BDT 277 million, representing a growth of 62.58%, year-on-year. The following table demonstrates the breakdown of revenue streams from different products.

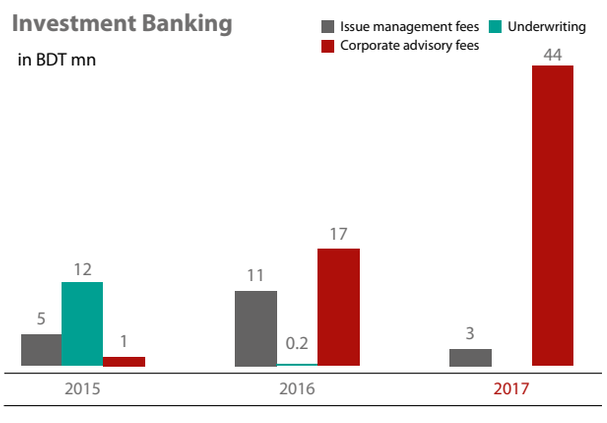
A1: Portfolio operations

Operational income	2015	2016	2017
Net interest income	149,689,441	140,222,587	102,598,485
Portfolio management services	67,786,298	44,563,189	46,614,882
Settlement and transaction fees	21,657,515	20,020,841	58,629,376
Documentation fees	66,000	746,000	945,500
Total operational revenue	**239,199,254**	**205,552,617**	**208,788,243**

In the year 2017, as our net interest income stood at BDT 103 million against BDT 140 million in 2016, with a 27% unfavorable growth due to higher interest expenses compared to 2016. In 2017, margin loan has increased coupled with proprietary investment – requiring more borrowed fund. With regard to fees from portfolio management services, there was a 4.6% growth, while settlement and transaction fees increased by 193% contributable to higher market turnover.

A2: Investment banking

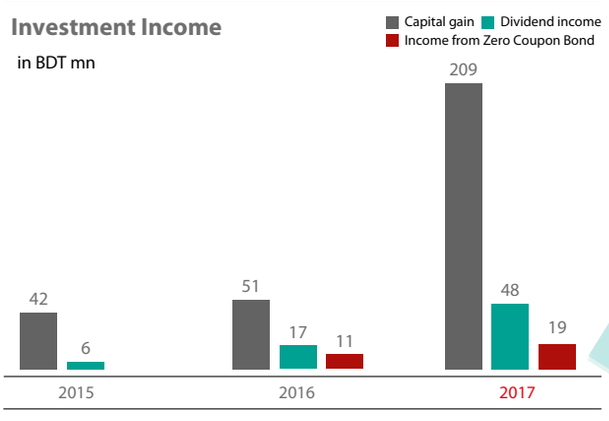
Investment banking	2015	2016	2017
Issue management fees	4,612,000	11,000,000	2,500,000
Underwriting	12,171,083	204,800	-
Corporate advisory fees	1,279,403	17,213,203	44,059,460
Total revenue from investment banking	18,062,486	28,418,003	46,559,460



Revenue from investment banking stood at BDT 46.56 million in 2017 whereas 95% contribution came from corporate advisory fees. The company is focusing more on advisory services, with an added emphasis on mergers and acquisitions. We have a few pipeline IPO deals, revenues from which are expected to be generated in future.

A3: Investment income

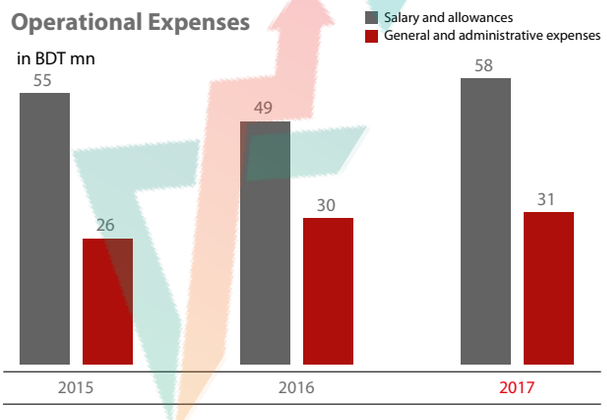
Investment income	2015	2016	2017
Capital gain	41,748,776	50,976,922	209,433,257
Dividend income	5,798,053	17,380,757	48,423,996
Income from Zero Coupon Bond	-	10,798,753	18,512,146
Total Investment income	**47,546,829**	**79,156,432**	**276,369,399**



Investment income was BDT 276.37 million in 2017, where significant contribution came from Capital gain (76%). This was due to a higher investment size from the preceding year as well as healthy returns from the equity investments.

B) Operational expenses

Investment income	2015	2016	2017
Salary and allowances	55,086,696	49,416,932	58,102,739
General and administrative expenses	25,601,393	29,757,705	30,933,493
Total operational expenses	**80,688,089**	**79,174,637**	**89,036,232**



The Company incurred a total cost of BDT 89.04 million during 2017, out of which 65% was incurred for salary and allowances and the rest was for general and administrative purposes. Continuing our effort to be cost conscious, the company attained the cost income ratio at 16.5% in 2017, on the back of significantly higher income generation.

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.

Few years back the Company revamped its operational model by centralizing most of its operation, which saw further improvement to the model.

Diversity

No. of employees	2015	2016	2017
Male	24	24	24
Female	5	5	5
Total	**29**	**29**	**29**

Training and development

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 2017, eighty five (85) participants were trained in ten (10) different local training programs. We also arranged training for Six (6) participants in four different countries, i.e. USA, Singapore, Indonesia and India.

Outlook and strategies

- 2017 was a very good year for capital market in Bangladesh. The Index grew by 24.0%. In 2016, market return was only 8.8%. Market turnover also improved significantly during the year, from BDT 4.9bn to BDT 8.7bn, registering 75.80% growth.
- 2017 saw a low interest rate regime. This prompted people to choose capital market as a preferred investment destination. However, 2018 is showing indications of increasing interest rates. Thus, a portion of the investable funds may flow back to fixed deposits.
- Any rise in interest rates is likely to result in a reduction of margin lending business throughout the industry.
- Our focus will be to grow our discretionary portfolio management business. We hope to continue to grow 'Easy Invest' product, the monthly investment scheme, further in 2018.

- We will continue to be prudent in managing our investments in equities. The exposure will be rebalanced if needs and as decided by the investment committee.
- Our strive to remain as the top investment banking firm will be pursued in the areas of issue management, mergers and acquisitions and other corporate advisory related services.

Books of accounts

Proper books of accounts of IDLC Investments Limited have been maintained. Appropriate accounting policies have been consistently applied in preparation of the financial statements. The accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed. The financial statements prepared by the management of IDLC Investments Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Internal control

The system of internal control is sound in design and has been effectively implemented and monitored.

Distribution of profit for 2017

The Company reported a profit of BDT 276,518,680 in the year 2017. Considering continued market volatility and an uncertain economic environment, the Board has decided not to distribute any profit to the shareholders for the year 2017.

Appointment of Auditors

In terms of Article 18.2 of the Articles of Association of the Company, the Company shall at each annual general meeting, appoint an auditor or auditors to hold office until the next annual general meeting. The Auditors of the Company, A. Qasem & Co., Chartered Accountants, has completed the first year as Auditor of the Company. They are eligible for re-appointment as Auditors of the Company for the year 2018 and they have also offered themselves for re-appointment.

Accordingly, the Board recommended to appoint A. Qasem & Co., Chartered Accountants, to the shareholders at the AGM as the auditors of the Company for the year 2018 at an existing remuneration of BDT 100,000 (Taka one lakh only, excluding VAT).

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 during the 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 Stock Exchange, Chittagong Stock Exchange and Central Depository Bangladesh Limited who continued to remain our partners in our journey of growth.

For and on behalf of the Board of Directors,

Sd/-

Monower Uddin Ahmed
Chairman

A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

Auditors' Report to the Shareholders
of IDLC Investments Limited

Report on the Financial Statements

We have audited the accompanying financial statements of IDLC Investments Limited, which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and 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.

Auditors' 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 (BSA). 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 auditors' judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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, present fairly, in all material respects, the financial position of IDLC Investments Limited as at 31 December 2017, and its finacial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and other applicable laws and regualtions.

We also report that:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;

(iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and

(iv) The expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka
14 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

A member firm of Ernst & Young Global Limited
EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited

EY Building a better working world

IDLC Investments Limited

Statement of Financial Position

As at 31 December 2017

Particulars	Notes	December 31	
		2017	2016
ASSETS			
Non Current Assets	5	17,437,118	15,978,988
Property, plant and equipment	6	383,258	390,998
Intangible asset	7	177,786,322	159,274,176
Investments in bond	8	7,321,050	5,444,869
Deferred tax asset		**202,927,748**	**181,089,030**
Current Assets			
Investment in marketable securities	9	2,069,579,341	511,384,148
Margin loans to portfolio clients	10	1,977,953,756	1,300,509,452
Account receivables	11	358,961,938	243,798,925
Cash and cash equivalents	12	223,624,499	355,533,631
Advance, deposits & prepayments		5,108,779	6,715,315
Advance income tax		201,318,934	106,329,798
		4,836,547,247	**2,524,271,268**
Total Assets		**5,039,474,995**	**2,705,360,298**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	2,200,000,000	1,400,000,000
Retained Earnings	14	508,922,017	232,403,337
		2,708,922,017	**1,632,403,337**
Liabilities			
Non-Current Liabilities			
Deferred liabilities - gratuity payable		11,550,569	8,973,917
Term loan from Investment Corporation Bangladesh	15	-	-
		11,550,569	**8,973,917**
Current Liabilities			
Short-term loan	16	1,430,349,693	360,800,001
Portfolio investors' fund	17	381,272,608	235,466,472
Account payables	18	52,237,073	192,719,137
Liabilities for expenses	19	18,936,615	14,811,435
Provision for margin loan	20	51,744,385	47,099,445
Provision for income tax	21	384,462,034	213,086,556
Total Liabilities		**2,319,002,409**	**1,063,983,044**
Total Equity and Liabilities		**5,039,474,995**	**2,705,360,298**

'The annexed notes from 1 to 33 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
14 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

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IDLC Investments Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

Particulars	Notes	December 31	
		2017	2016
Operating Income			
Interest income	22	102,598,485	140,222,587
Income from portfolio management services	23	46,614,882	44,563,189
Settlement and transaction fees	24	58,629,376	20,020,841
Documentation charges	25	945,500	746,000
Income from investment banking	26	46,559,460	28,418,003
Investment Income	27	276,369,399	79,156,432
Other income	28	7,982,047	9,407,305
		539,699,149	**322,534,357**
Operating Expense			
General & administrative expenses	29	(82,622,488)	(72,570,370)
Depreciation on property, plant and equipment		(6,146,419)	(6,204,806)
Amortization on IT software		(267,326)	(399,461)
Profit before provision for diminution in value of investments and margin loan		**450,662,917**	**243,359,720**
Provision for diminution in value of investments		-	-
Provision on margin loan		(4,644,941)	17,672,689
Profit before income tax		**446,017,976**	**261,032,408**
Provision for income tax			
Current tax		(171,375,478)	(90,000,000)
Deferred tax income/(expense)	30	1,876,181	(951,379)
		(169,499,296)	**(90,951,379)**
Net profit		**276,518,680**	**170,081,029**
Other comprehensive Income		-	-
Total Comprehensive Income		**276,518,680**	**170,081,030**

The annexed notes from 1 to 33 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
14 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

AMARSTOCK

IDLC Investments Limited

Statement of Cash Flows

For the year ended 31 December 2017

Particulars	December 31 2017	December 31 2016
A. Cash flow from operating activities		
Net profit during the year	**276,518,680**	**170,081,030**
Item not involving in movement of cash:		
Depreciation on property, plant and equipment	6,413,744	6,604,267
Loss/(Gain) on Disposal of Fixed Asset	(413,730)	527,904
Provision for diminution in value of investments	-	-
Provision (release)/charged for Margin Loan	4,644,941	(17,672,689)
Provision for income tax	171,375,478	90,000,000
Liabilities for expenses	4,125,180	2,075,532
Decrease in Deferred tax assets	(1,876,181)	951,379
Increase in Deferred Liabilities - Gratuity payable	2,576,652	1,096,988
Cash generated from operating activities before changes in working capital:	**186,846,083**	**83,583,382**
Changes in working capital:		
Decrease/(increase) in Account receivables	(115,163,013)	67,837,442
Decrease/(increase) in Advance, Prepayments & Deposits	1,606,536	965,685
Increase in Advance Income Tax (AIT)	(94,989,136)	(51,628,642)
Increase/(Decrease) in account payables	(140,482,063)	163,297,290
	(349,027,676)	**180,471,775**
Net cash flow from operating activities (A)	**114,337,087**	**434,136,187**
B. Cash flows from investing activities		
Purchase of Property, plant and equipment	(7,947,477)	(11,431,627)
Sale proceed of Property, plant and equipment	497,073	-
Purchase of Marketable Securities	(1,558,195,193)	(327,170,798)
Purchase of Zero Coupon Bond	(18,512,146)	(148,475,425)
Margin loan realized from portfolio clients	(677,444,304)	143,812,876
Net cash (used in)/flow from investing activities (B)	**(2,261,602,047)**	**(343,264,973)**
C. Cash flows from financing activities		
Receipt/(repayment) of loan	1,069,549,693	197,883,117
Proceeds from issuance of stock	800,000,000	-
Receipt/(repayment) of Portfolio investors' fund	145,806,136	17,424,408
Net cash from/(used in) financing activities (C)	**2,015,355,829**	**215,307,526**
Net cash surplus for the year (A+B+C)	**(131,909,131)**	**306,178,740**
Cash and Bank Balance at the beginning of the year	355,533,631	49,354,891
Cash and Bank Balance at the end of the year	**223,624,499**	**355,533,631**
***Cash and Bank Balance:**		
Cash at Bank	189,474,499	216,721,131
Fixed Deposits	34,150,000	138,812,500
	223,624,499	**355,533,631**

'The annexed notes from 1 to 33 form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
14 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

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IDLC Investments Limited

Statement of Changes in Equity

For the year ended 31 December 2017

(Amount in Taka)

Particulars	Share Capital	Retained Earnings	Total Equity
Balance as on 01 January 2017	**1,400,000,000**	**232,403,337**	**1,632,403,337**
Capital Raising	800,000,000	-	800,000,000
Net profit for the year	-	276,518,680	276,518,680
Balance as on 31 December 2017	**2,200,000,000**	**508,922,017**	**2,708,922,017**
Balance as on 01 January 2016	**1,400,000,000**	**62,322,307**	**1,462,322,307**
Net profit for the year	-	170,081,030	170,081,030
Balance as on 31 December 2016	**1,400,000,000**	**232,403,337**	**1,632,403,337**

'The annexed notes from 1 to 33 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
14 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Investments Limited

Notes to the Financial Statements

As at and for the year ended 31 December 2017

1 Company and its activities

1.1 Background and legal status

IDLC Investments Limited (the "Company") is a private limited company incorporated on 19 May 2010 under the Companies Act, 1994 having its registered office at D R Tower (4th floor), 65/2/2, Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000, Bangladesh. It is a wholly owned subsidiary of IDLC Finance Limited since inception. The Company received Merchant Banking License (license no. MB-67/2011) from Bangladesh Securities and Exchange Commission (BSEC) on 02 August 2011 and commenced its operation on 16 August 2011.

1.2 Principal activities and nature of operation

IDLC Investments Limited provides high standard of professional and personalized services to its local and NRB clients. The company's principal activity includes the following:

i. Investment banking (issue management, underwriting of shares, and corporate advisory);

ii. Discretionary portfolio management;

iii. Non-discretionary portfolio management;

iv. Own portfolio management, etc.

2 Basis of preparation and significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act, 1994 and other applicable laws and regulations.

2.2 Other regulatory compliance

As required, IDLC Investments Limited also complies with the applicable provisions of the following major laws/ statutes:

- Securities and Exchange Commission Act, 1993;

- Securities and Exchange Rules, 1987;

- Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996;

- The Income Tax Ordinance, 1984;

- The Income Tax Rules, 1984;

- Negotiable Instrument Act, 1881; and

Other applicable laws and regulations.

2.3 Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRS).

2.4 Components of financial statements

-Statement of Financial Position

-Statement of Profit or Loss and Other Comprehensive Income

-Statement of Changes in Equity

-Statement of Cash Flows, and

-Notes to the Financial Statements

2.5 Functional and presentation currency

The financial statements are presented in Bangladeshi Taka (BDT) currency, which is the functional currency of the company. All financial information presented in Taka has been rounded off to nearest BDT except as stated otherwise.

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2.6 Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed ongoing basis. Revision of accounting estimates is recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, the key areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

Note: 5	Depreciation on property, plant and equipment.
Note: 8	Deferred tax Assets
Note: 11	Accounts receivables
Note: 18	Accounts payables
Note: 19	Liabilities for expenses
Note: 21	Provision for income tax

2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.8 Reporting period

The financial period of the Company is similar to calendar years covers one year from 01 January to 31 December and is being followed consistently.

3 Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Property, plant and equipment are stated at cost less accumulated deprecation. The cost of the property, plant and equipment includes purchase price/construction cost and other directly attributable costs of bringing the property, plant and equipment to working conditions for their intended use.

3.1.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss account as incurred.

3.1.3 Depreciation & Amortization

Depreciation on property, plant and equipment is charged using straight-line method over their estimated useful lives. Depreciation / amortization rates are as follows:

Nature of Assets	Rate of Depreciation / Amortization
Curtain and carpets	33.33%
Electrical equipment	20.00%
IT software and development (amortization)	33.33%
Furniture and fixture	12.50%
Office decoration	20.00%
Office equipment	20.00%
Telephone and telex	33.33%
Motors vehicles	25.00%

Depreciation on all items of property, plant and equipment is calculated and charged from the date of putting the assets in to use irrespective of the value and purchase/ acquisition date of the property, plant and equipment.

3.2 Intangible assets

3.2.1 Recognition and measurement

Intangible assets viz computer software those are acquired by the Company and which have finite useful lives, are measured at cost less accumulated amortization and impairment loss, if any.

3.2.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates.

3.2.3 Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management's best estimates; i.e., 3 years (33.33%).

3.3 Impairment

The carrying value of the Company's assets other than inventories, are reviewed at closing date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

3.4 Investment in shares

Investments are stated at cost or market value whichever is lower. A security which is not listed at stock exchange as on the reporting date then the price is shown at cost.

3.5 Taxation

3.5.1 Current tax

Provision for income tax is made on the basis of company's computation based on the best estimate of taxable profit in accordance with Income Tax Ordinance, 1984.

3.5.2 Deferred tax

Deferred tax is calculated as per Bangladesh Accounting Standard (BAS) 12: Income Taxes. Deferred tax is recognised on difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences.

3.6 Revenue recognition

3.6.1 Interest income

Interest income is recognized on the loan balance of portfolio clients on monthly accrual basis and charged to clients' balance on quarterly basis.

3.6.2 Portfolio management fees

Portfolio management fees are recognized on the market value of the clients' portfolio on monthly accrual basis and charged to clients' balance on quarterly basis.

3.6.3 Issue Management & Corporate Advisory

Issue management and corporate advisory fees are recognized according to the stages of completion of services as agreed and defined in Issue management and corporate advisory agreement between company and client.

3.6.4 Dividend income and profit or loss on sale of securities

Dividend is accounted for as income when right to receive is established whereas profit or loss arising from the sale of securities is accounted for only when the securities are sold/offloaded.

3.7 Provision

A provision is recognized in the accounts when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

AMARSTOCK

3.8 Events after the balance sheet date

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are not adjusting event are disclosed in the notes when material.

3.9 Application of Bangladesh Accounting Standards (BASs):

The Financial Statements have been prepared in compliance with requirement of BAS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. IDLC Investments Limited applied following BAS and BFRS:

Name of the BAS	BAS No.	Status
Presentation of Financial Statements	1	Applied
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Financial Instruments: Presentation	32	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Not Applied

4 Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

** Credit risk

** Market risk

** Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework.

4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans and advances to customers and investment securities. These loans and advances are fully backed by the securities held by the customer.

With respect to credit risk arising from the other financial assets of the Company, the maximum exposure is equal to the carrying amounts of the financial assets.

4.2 Market risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. Market risk is the risk of losses due to failure of entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For such transactions the Company only allows the purchase of tradable securities if the customer has adequate cash/ purchase power beforehand.

4.3 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they falls due. The company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/ fund to make the expected payment within due date.

		31.12.2017	31.12.2016
		Taka	Taka
5	**Property, plant and equipment**		
	A. Cost		
	Opening balance	40,325,568	41,686,929
	Addition during the year/period	7,687,891	11,431,627
		48,013,459	53,118,556
	Disposal during the year/period	(3,550,000)	(12,792,989)
		44,463,459	**40,325,567**
	B. Accumulated depreciation		
	Opening balance	24,346,579	29,972,358
	Charged during the year/period	6,146,419	6,204,806
		30,492,998	36,177,164
	Disposal during the year/period	(3,466,657)	(11,830,585)
		27,026,341	**24,346,579**
	C. Written down value (A-B)	**17,437,118**	**15,978,988**

A schedule of property, plant and equipment is given in Annexure-A.

6	**Intangible asset**		
	A. Cost		
	Opening balance	1,809,369	1,732,304
	Addition during the year/period	259,586	77,064
		2,068,954	**1,809,368**
	B. Accumulated amortization		
	Opening balance	1,418,371	1,018,910
	Charged during the year/period	267,326	399,461
		1,685,697	**1,418,371**
	C. Written down value (A-B)	**383,258**	**390,998**
7	**Investments in bond**		
	Investment in commercial bond	159,274,176	148,475,425
	Interest capitalized during the period	18,512,146	10,798,751
		177,786,322	**159,274,176**

IDLC Investments Limited made investment in commercial zero coupon bond issued by Impress-Nentex Composite Textiles Limited vide bond certificate ref # INCTL ZCB: 01-21 in 12 May 2016 for face value of 210,000,000.

8 Deferred tax asset

Deferred tax assets is arrived at as follows:

	Carrying Amount	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As on 31 December 2017			
Property, plant and equipment	17,756,828	25,729,052	(7,972,224)
Gratuity provision (net of payment)	(11,550,577)	-	(11,550,577)
Net taxable temporary difference			(19,522,801)
Applicable tax rate			37.50%
Deferred tax - Assets			**7,321,050**

	Carrying Amount	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As on 31 December 2016			
Property, plant and equipment	16,153,944	21,699,677	(5,545,733)
Gratuity provision (net of payment)	(8,973,917)	-	(8,973,917)
Net taxable temporary difference			(14,519,650)
Applicable tax rate			37.50%
Deferred tax - Assets			**5,444,869**

		31.12.2017	31.12.2016
		Taka	Taka
9 Investment in marketable securities			
Investment in available-for-sale securities	(Note: 9.1)	2,069,579,341	491,384,148
Investment in Initial Public Offering	(Note: 9.2)	-	20,000,000
		2,069,579,341	**511,384,148**

9.1 Investment in available-for-sale securities

Sector-wise details of marketable securities holding position as of 31 December 2017 is given below:

Name of industry	Cost price	Market price as on 31.12.2017
Bank	818,924,649	851,718,032
Engineering	4,960,957	5,923,192
Food	86,515,938	90,560,031
IT Sector	534,261	1,338,392
Mutual Funds	23,052,945	22,851,449
Pharmaceuticals & Chemicals	713,690,814	717,815,234
Telecommunication	421,899,777	469,548,237
	2,069,579,341	**2,159,754,566**

All investment in marketable securities are valued on aggregate portfolio basis, at the lower of cost and market value, at the balance sheet date.

On balance sheet date, the aggregate portfolio value at cost price was BDT 2,069,579,341 and at market price was BDT 2,159,754,566, therefore if the reporting entity was recognized the unrealized gain on portfolio then it would recognize BDT 90,175,225 in the statement of profit or loss and other comprehensive income. But as per FID circular No. 08 dated August 3, 2002 of Bangladesh Bank (The Central Bank), IDLC Finance Limited, the Parent Company of reporting entity, recognizes its aggregate portfolio on cost value and no unrealized gain is recognized. So, the reporting entity as a wholly owned subsidiary of the IDLC Finance Limited, follows the similar accounting policy for recognizing the investment in securities listed in both stock exchanges.

Market price for securities not listed as on reporting date, has been shown at cost for calculation purpose.

9.2	**Investment in Initial Public Offering (IPO)**	**-**	**20,000,000**

IDLC Investments Limited has applied for 2,000,000 ordinary shares at face value of BDT 10 of Pacific Denims Limited as of 31 December 2016.

10 Margin loans to portfolio clients		
Opening balance	1,300,509,452	1,444,322,328
Loan disbursed during the year/period	7,221,883,496	3,509,136,845
	8,522,392,947	4,953,459,173
Loan reimbursed during the year/period	(6,544,439,191)	(3,652,949,721)
	1,977,953,756	**1,300,509,452**

		31.12.2017	31.12.2016
		Taka	Taka

11 Account receivables

Receivable from corporate advisory		22,983,750	4,133,750
Receivable from portfolio advisory services		800,132	465,816
Receivable from issue management fees		6,500,000	4,350,000
Receivable from Underwriting Commission		-	209,660
Receivable from brokers		324,164,117	232,006,300
Receivable on FDR Interest		-	1,371,013
Other receivables		4,513,939	1,262,386
		358,961,938	**243,798,925**

12 Cash and cash equivalents

Cash at Bank	(Note: 12.1)	189,474,499	216,721,131
Fixed Deposit Receipt	(Note: 12.2)	34,150,000	138,812,500
		223,624,499	**355,533,631**

12.1 Cash at Bank

Name of the Bank	Branch	A/C No	Type		
Standard Chartered Bank	Gulshan	1110866	CD	177,008,443	148,701,800
Commercial Bank of Ceylon	Sylhet	1807005260	CD	21,000	19,000
Commercial Bank of Ceylon	Sylhet	8807005815	CD	318,025	2,244,948
One Bank Limited	Principal	1300000988	CD	8,645,318	2,077,802
NRB Bank Limited	Dilkusha	1081030007238	CD	344,147	62,611,214
NRB Bank Limited	Dilkusha	1081030007229	CD	2,028,858.92	-
NRB Bank Limited	Dilkusha	1081030029855	CD	674,999.99	-
BRAC Bank Limited	Motijheel	1505201920062000	CD	433,707	1,066,367
				189,474,499	**216,721,131**

12.2 Fixed Deposit Receipt

Institution	Branch	Type	A/C No		
IDLC Finance Limited*	Dilkusha	FDR	10253112385001	-	700,000
			10253112385009	1,400,000	1,400,000
			10253112385007	-	1,700,000
			10253112385006	30,000,000	30,000,000
			10253112385003	700,000	700,000
			10253112385002	700,000	700,000
			10253112385004	600,000	600,000
			10252212385002	-	700,000
			10252212385004	-	700,000
			10253112385010	750,000	750,000
Lankabangla Finance Limited	Jessore	FDR	000821000000004	-	50,862,500
Phoenix Finance and Investments Limited	Dilkusha	FDR	21303/16	-	50,000,000
				34,150,000	**138,812,500**

*Fixed Deposit Receipts are kept with IDLC Finance Limited represents the Discretionary Portfolio Management Clients fund under Capital Protected Scheme.

		31.12.2017	31.12.2016
		Taka	Taka

13 Share capital

Authorized Capital			
30,000,000 ordinary shares of Tk. 100 each		**3,000,000,000**	**3,000,000,000**
Issued, subscribed & paid up capital	(Note: 13.1)	**2,200,000,000**	**1,400,000,000**

The issued, subscribed and paid-up capital of Tk. 2,200,000,000 is divided into 22,000,000 ordinary shares of Tk. 100 each. Details are as follows:

13.1 IDLC Finance Limited

21,999,999 shares of Tk. 100 each fully paid up	2,199,999,900	1,399,999,900
Mr. Asif Saad Bin Shams		
1 share of Tk. 100 each fully paid up	100	100
	2,200,000,000	**1,400,000,000**

IDLC Investments Limited has raised its paid-up capital to BDT 2,200 million from existing BDT 1,400 million through issuing new ordinary shares at par in December 2017. The purpose of capital raising is to strengthen the equity and capital base of the company.

14 Retained Earnings/(Loss)

Opening balance	232,403,337	62,322,307
Net profit for the year/period	276,518,680	170,081,030
	508,922,017	**232,403,337**

15 Term loan from Investment Corporation Bangladesh

Opening balance	-	35,416,883
Loan received during the year/period	-	-
	-	35,416,883
Loan paid during the year/period	-	(35,416,883)
	-	-

Term loan represents loan from Investment Corporation of Bangladesh under "Puji Bazare Khotigroshto Khudro Biniogkarider Shohyaota Tohobil" refinanced by Government of Bangladesh.

16 Short term loan

Borrowing from IDLC Finance Limited	(Note: 16.1)	1,230,349,693	260,800,001
Borrowing from IDLC Securities Limited	(Note: 16.2)	200,000,000	100,000,000
		1,430,349,693	**360,800,001**

16.1 Borrowing from IDLC Finance Limited

Opening balance	260,800,001	127,500,001
Loan received during the year/period	10,098,399,692	2,145,900,000
	10,359,199,693	2,273,400,001
Loan paid during the year/period	(9,128,850,000)	(2,012,600,000)
	1,230,349,693	**260,800,001**

Borrowing from IDLC Finance Limited, parent company, to accommodate the regular financial requirements for margin lending which is effective from 16 August 2011 vide sanction letter reference no. 410.9/4103 for a demand loan having limit of Taka. 6,500 million and renewed for a revolving demand loan having limit of Taka 1,700 million on 18 September 2017 vide sanction letter ref # IDLC/TR/2017/2332.

16.2 Borrowing from IDLC Securities Limited

Opening balance	100,000,000	-
Loan received during the year/period	5,700,000,000	599,500,000
	5,800,000,000	599,500,000
Loan paid during the year/period	(5,600,000,000)	(499,500,000)
	200,000,000	**100,000,000**

Loan from IDLC Securities Limited, wholly owned subsidiary of IDLC Finance Limited, to accommodate the regular financial requirements which was effective from 01 January 2012 vide agreement no IDLCSL/12/01/54 for intercompany lending and borrowing facility.

		31.12.2017	31.12.2016
		Taka	Taka
17	**Portfolio investors' fund**		
	Opening balance	235,466,472	218,042,064
	Deposit and share sold by clients	10,248,966,130	2,477,411,144
		10,484,432,602	2,695,453,208
	Purchase of share and withdraw by clients	(10,103,159,994)	(2,459,986,736)
		381,272,608	**235,466,472**

Portfolio investor's fund represents the unutilized balance of the IDLC Investments Limited's clients portfolio.

18	**Account payables**		
	Interest payable to Investment Corporation of Bangladesh	-	-
	Payable against clients' withdrawal & others	16,596,183	111,838,856
	Broker payables	34,575,851	80,602,700
	Other payables (Note 18.1)	1,065,039	277,581
		52,237,073	**192,719,137**
18.1	**Other payables**		
	IDLCIL employees' provident fund	-	1,336
	IDLCIL employees' welfare fund	224,209	176,618
	Others	840,829	99,627
		1,065,039	**277,581**
19	**Liabilities for expenses**		
	Salary and allowance	16,638,075	12,000,000
	CDBL charges	360,225	752,333
	Postage and courier	36,588	78,731
	Office rent	-	-
	Office maintenance	926,783	769,713
	Telephone & telex bill	83,364	185,541
	Utilities	278,336	299,327
	Legal & professional fees	554,146	609,340
	Printing & stationery	7,185	11,246
	Car maintenance and others	51,913	105,204
		18,936,615	**14,811,435**
20	**Provision for margin loan**		
	Provision for margin loan (Note: 20.1)	16,486,267	11,841,327
	Provision for unrealized loss in portfolio (Note: 20.2)	35,258,118	35,258,118
		51,744,385	**47,099,445**

Provision for margin loan is being kept at 1% as per Rules 36 of Merchant Banker and Portfolio Manager Rules, 1996 of Bangladesh Securities and Exchange Commission. Moreover, Provision for unrealized loss in portfolio (Own and client portfolio) has been made for shortfall in negative equity existed as on 31 December 2015 as per BSEC directive no. BSEC/CMRRCD/2009-193/203 dated 28 December 2017.

20.1	**Provision for margin loan**		
	Opening balance	11,841,327	10,081,161
	Charged during the year/period	4,644,941	1,760,166
		16,486,267	11,841,327
	Released during the year/period	-	-
		16,486,267	**11,841,327**

General provision is being kept at 1% as per Rules 36 of Merchant Banker and Portfolio Manager Rules, 1996 of Bangladesh Securities and Exchange Commission.

		31.12.2017	31.12.2016
		Taka	Taka
20.2	**Provision for unrealized loss in portfolio**		
	Opening balance	35,258,118	54,690,973
	Charged during the year/period	-	-
		35,258,118	54,690,973
	Released during the year/period	-	19,432,855
		35,258,118	**35,258,118**

Provision for unrealized loss in portfolio (Own and client portfolio) has been made for shortfall in negative equity existed as on 31 December 2015 as per BSEC directive no. BSEC/CMRRCD/2009-193/203 dated 28 December 2017.

21 Provision for income tax

Opening balance	213,086,556	123,086,556
Add: Charged during the year/period	171,375,478	90,000,000
	384,462,034	**213,086,556**

		2017	2016
		Taka	Taka
22	**Interest income**		
	Income from DPM clients	47,563.69	11,766.00
	Income from Cap Invest clients	201,018,833	154,934,369
		201,066,397	154,946,135
	Interest expenses on borrowing (Note: 22.1)	(98,467,912)	(14,723,548)
		102,598,485	**140,222,587**
22.1	**Interest expenses on borrowing**		
	IDLC Finance Limited	74,402,212	12,349,153
	IDLC Securities Limited	24,065,700	777,083
	Investment Corporation of Bangladesh	-	1,597,312
		98,467,912	**14,723,548**
23	**Income from portfolio management services**		
	Income from DPM clients	26,164,995	31,807,465
	Portfolio advisory service	1,796,364	415,343
	Income from cap invest clients	18,653,523	12,340,381
		46,614,882	**44,563,189**
24	**Settlement and transaction fees**		
	Income from DPM clients	7,668,696	3,743,587
	Income from capital invest clients	60,547,747	19,589,642
		68,216,443	23,333,229
	CDBL expenses	(9,587,066)	(3,312,388)
		58,629,376	**20,020,841**
25	**Documentation charges**		
	Income from DPM clients	862,000	707,500
	Income from cap invest clients	83,500	38,500
		945,500	**746,000**
26	**Income from investment banking**		
	Issue management	2,500,000	11,000,000
	Underwriting	-	204,800
	Corporate advisory	44,059,460	17,213,203
		46,559,460	**28,418,003**

			2017	2016
			Taka	Taka
27	**Investment income**			
	Capital gain/(loss) on investments	(Note: 27.1)	209,433,257	50,976,922
	Dividend income from marketable securities		48,423,996	17,380,757
	Income from Zero Coupon Bond		18,512,146	10,798,753
			276,369,399	**79,156,432**
27.1	**Capital gain/(loss) on investments**			
	Sale price		4,001,214,471	611,474,915
	Cost of investment		(3,791,781,214)	(560,497,993)
			209,433,257	**50,976,922**
28	**Other income**			
	Interest income on SND accounts		2,064,550	1,454,915
	Interest income on fixed deposit receipt		593,301	7,121,013
	Gain on disposal of fixed asset		413,730	-
	Income from DPM-PLS Scheme		2,487,892	-
	Other charges		2,422,575	831,377
			7,982,047	**9,407,305**
29	**General and administrative expenses**			
	Salary and allowances	(Note: 29.1)	58,102,739	49,416,932
	Statutory audit fees		115,000	86,250
	Legal & professional fees		1,213,460	599,310
	Postage and courier		61,300	177,718
	Renewal and registration		515,175	169,202
	Director's remuneration		218,750	210,250
	Printing & stationery		679,678	738,834
	Promotional expenses		4,136,811	3,510,592
	Motor vehicle expenses		1,154,596	1,110,037
	Insurance		38,349	213,690
	Travel and conveyance		566,579	466,140
	Training and developments		1,583,652	156,843
	Entertainment		1,858,008	1,181,755
	Loss on disposal of fixed assets		-	527,904
	Other operational expenses		219,781	101,511
	Office rent, maintenance & services	(Note: 29.2)	12,158,611	13,903,402
			82,622,488	**72,570,370**
29.1	**Salary and allowances**			
	Salary and allowances		52,332,271	45,306,712
	Gratuity		4,326,747	2,706,085
	Provident fund (Company's Contribution)		1,443,721	1,404,135
			58,102,739	**49,416,932**

Salaries & allowances includes key management compensation of BDT 18,009,782 (2016: BDT 14,851,814). Key mangment personnel comprises the Management Committee, including the Managing Director who exercise significant authority and play strategic role in the Company.

		2017	2016
		Taka	Taka
29.2	**Office rent, maintenance & services**		
	Office rent	7,001,479	8,854,374
	Office maintenance	2,875,235	2,414,774
	Office services	272,263	607,613
	Office utilities	1,193,287	1,035,078
	Telephone & telex	516,783	574,495
	IT maintenance	299,565	417,069
		12,158,611	**13,903,402**

30 Deferred tax income/(expense)

Closing balance of deferred tax asset	7,321,050	5,444,869
Opening balance of deferred tax asset	5,444,869	6,396,248
	1,876,181	**(951,379)**

31 Related party transaction

Name of the related party	Relationship	Nature of transaction	Closing balance as on 31.12.2016	Transacton during year	Closing balance as on 31.12.2017
IDLC Finance Limited	Parent company	Loan	260,800,001	969,549,692	1,230,349,693
		FDR	37,950,000	5,150,000	32,800,000
IDLC Securities Limited	Subsidiary to Parent company	Loan	100000000	100,000,000	200,000,000

32 Number of employees

The number of employees for the whole year (31 December 2017) who received a total remuneration of Tk 36,000 or above were 31 which was 29 on 31 December 2016.

33 Date of authorisation

The Board of director has authorised these financial statements for issue on 14 February 2018.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

IDLC Investments Limited

Schedule of property, plant and equipment

As on 31 December 2017

Annexure-A

(Amount in Taka)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.17
	Balance as on 01.01.17	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.17		Balance as on 01.01.17	Charged during the year	Adjustment during the year	Balance as on 31.12.17	
Curtain & Carpet	763,379	64,154	-	827,533	33.33%	565,602	121,970	-	687,572	139,961
Electrical Equipment	2,884,553	61,887	-	2,946,440	20%	1,164,912	459,294	-	1,624,206	1,322,233
Furniture & Fixture	3,692,320	23,915	-	3,716,235	12.50%	1,000,177	463,844	-	1,464,021	2,252,214
Office Decoration	3,151,589	-	-	3,151,589	20%	643,907	567,776	-	1,211,683	1,939,906
Office Equipment	6,713,737	1,522,935	-	8,236,672	20%	5,957,128	282,508	-	6,239,636	1,997,037
Motor Vehicles	22,018,473	6,000,000	3,550,000	24,468,473	25%	14,086,995	4,168,121	3,466,657	14,788,459	9,680,014
Telephone & Telex	1,101,517	15,000	-	1,116,517	33.33%	927,858	82,906	-	1,010,763	105,754
Balance as on 31 December 2017	**40,325,568**	**7,687,891**	**3,550,000**	**44,463,459**		**24,346,579**	**6,146,419**	**3,466,657**	**27,026,341**	**17,437,118**
Balance as on 31 December 2016	**41,686,929**	**11,431,627**	**12,792,989**	**40,325,567**		**29,972,358**	**6,204,806**	**11,830,585**	**24,346,579**	**15,978,988**

Details of disposal/adjustments for 2017

Asset category	Cost	Accumulated depreciation	Book Value	Sale price/ adjustment	Profit/(loss) on disposal	Moode of disposal	Buyer
	Taka	Taka	Taka	Taka	Taka		
Free hold assets:							
Motor Vehicles	3,550,000	3,466,657	83,343	497,073	413,730	As per policy of the Company	Employees/Outsider
Total 2017	**3,550,000**	**3,466,657**	**83,343**	**497,073**	**413,730**		

Directors' Report

to the Shareholders of IDLC Asset Management Limited



Matiul Islam Nowshad CMgr, FCMI

Independent Director & 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, 2017 and the Auditor's Report thereon in compliance with the Companies Act, 1994, and the guidelines issued by the Bangladesh Securities and Exchange Commission.

IDLC Asset Management Limited (IDLC AML) is the newest addition to IDLC's capital market subsidiaries and started its journey in 2016. IDLC AML is committed to providing high quality and fundamentals driven investment management service to its customers, both institutional and individual, through managing various specific purpose funds.

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 institutions and individuals and manage the asset to generate superior risk adjusted return. At present, mutual funds and alternative investment options are the main investment vehicles available to the industry. The industry is run mainly in compliance of Bangladesh Securities & Exchange Commission (Mutual Fund) Rules, 2001.

After the market correction in 2010, equity market went through a prolonged downturn and volatility. Institutions with high capital market exposure but low understanding of risk underwent corrosion in investments in own portfolio. Rising negative equity from margin loan accounts crippled the institutions' capacity to go for fresh investments and recover performance. At the same time, individual investors with poor understanding about the fundamentals of investment watched their investment evaporate in market correction.

However, market stabilized in last couple of years. Notable improvements have been observed, strong regulatory oversight minimized malpractices, and institutions realized the need for professional approach to capital market investment. General investors also came to appreciate the value of fundamentals driven investments. The qualitative change in market environment and participants' mindset enforced 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 is now appeared 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. There are 33 open end mutual funds and 36 closed end mutual funds currently operating in the market. The size of total Asset under Management (AUM) was approximately BDT 139.9 bn as of December 2017. The industry is still focused on institutional clients. There has not yet 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 standards, and to bring about a complete customer care setup, always ready to go extra miles to serve the customers. We believe IDLC AML would be able to generate superior return on the asset under management by deploying its fundamental analysis driven strategy that has proven to be spectacularly successful in managing IDLC's own capital market investments.

Operational Milestones

We are very pleased to inform you that IDLC AML has continued the strong start in its business with encouraging performance in the year 2017. The company has been progressing in line with its long-term vision of being the country's no. 1 asset management company in terms of investor's trust and assets under management. Major milestones achieved in 2017 are as follows:

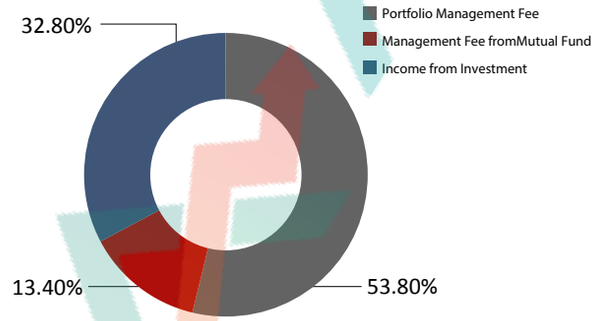
- Launch of first open end mutual fund: In May 2017, IDLCAML successfully launched its first open end mutual fund namely 'IDLC Balanced Fund' with an initial fund size of BDT 500.0mn. The AUM of 'IDLC Balanced Fund' increased to BDT 977.6mn by December, 2017.
- Zero Exit Load: IDLCAML has first introduced "no exit load" for the investors of IDLC Mutual Fund. Now the investors can buy and sell the units of IDLC Mutual Fund at weekly disclosed NAV / unit having no exit fee which eventually maximize their sale proceeds.
- Launch of Digital Platform for the investors: Another milestone that IDLCAML has achieved in 2017 is the launch of Digital Platform for the investors, the first of its kind in the industry. The Digital Platform will facilitate the investors to purchase and surrender their mutual fund units and see their investment status online from anywhere.

Overview of Financial Performance

IDLCAML, which became profitable from the very first year of its operation, has succeeded to grow its bottom-line by 2.8 times on the second year. The company has generated an operational revenue of BDT 101.9mn in 2017. Of the total operational revenue, 53.8% came from portfolio management fee, 32.8% came from investment income and the rest of 13.4% came from Management fee from mutual fund.

After accounting for operational expenses, the company managed to book a pretax profit of BDT 51.3mn. After deducting taxes payable to government exchequer, IDLC AML netted an after tax profit of BDT 39.1mn. In 2017, the company's ROE stood at 30.1% and ROA stood at 25.6%.

Operational Revenue Breakdown 2017



In BDT million

Particulars	2017	2016
Operational revenue	101.9	19.9
Profit before tax	51.2	15.3
Net profit after tax	39.1	10.4
Total Assets	186.5	119
Total shareholders' equity	149.5	110.4

Roadmap to 2018

2018 will be a year to further strengthen our foothold in asset management industry through enhancing our client base with more diverse investment product offerings and enriching our customers' experience with more convenient investment solutions. Our focus for this year would be:

- Launching of "IDLC Growth Fund". BSEC has already approved the prospectus of "IDLC Growth Fund" and public subscription of this mutual fund will commence within the first quarter of this year. IDLCAML is also planning to launch series of open end mutual funds to cater different types of investors' needs, subject to regulatory approval.
- Launching Systematic Investment Plan (SIP) to facilitate investors to make their investment plan more simple, convenient and disciplined
- Recruiting and continuing to develop highly skilled human resources to further strengthen the IDLC AML team
- Developing and deploying advanced technology to ensure smooth operations and to facilitate the realization of the vision of IDLC AML
- Devising a customer care system that delivers the highest level of service and satisfaction to all current and potential clients.
- Constructing an extensive sales, distribution and marketing channel to broaden the customer base

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 2017

The Company reported a profit after tax of BDT 39.1mn in the year 2017. Considering Company's investment opportunities and growth potentials and comparative cost benefit analysis of paying out dividend and overall better tax management, the board of IDLC Asset Management Limited decided not to declare any dividend to the shareholders of the Company for 2017.

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 30th meeting appointed A. Qasem & Co., Chartered Accountants, as the group auditors for the company and its subsidiaries as well for 2017. Accordingly, the auditors of the Company, A. Qasem & Co., Chartered Accountants, have completed their audit of the Company. They are eligible for re-appointment as Auditors of the Company for the year 2018 and they have also offered themselves for re-appointment. The Board recommends to appoint A. Qasem & Co., Chartered Accountants, to the shareholders at the AGM as the auditors of the Company for the year 2018 at an existing remuneration of BDT 100,000 (Taka one lakh only, excluding VAT).

Going concern

There is no significant doubt on IDLC Asset Management Limited's ability to continue as a going concern.

Appreciation

In conclusion, on behalf of the Board of Directors, I would like to thank our loyal clients and honorable shareholders for their continued faith and support. I would also like to take this opportunity to thank the Bangladesh Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges and Central Depository Bangladesh Limited who continued to remain our partners in growth.

For and on behalf of the Board of Directors,

Sd/-

Matiul Islam Nowshad, CMgr, FCMI
Chairman
IDLC Asset Management Limited

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A. QASEM & CO.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone: 880-2-8881824-6
Fax : 880-2-8881822
E-mail : aqasem@aqcbd.com

Auditors' Report to the Shareholders
of IDLC Asset Management Limited

Report on the Financial Statements

We have audited the accompanying financial statements of IDLC Asset Management Limited which comprises the Statement of Financial Position as at 31 December 2017, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act, 1994 and 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.

Auditors' 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 (BSA). 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 auditors' judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation of the financial statements 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 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, present fairly, in all material respects, the financial position of IDLC Asset Management Limited as at 31 December 2017, and its financial performaces and its cash flows for the year then ended in accordance with Bangladesh Financial Rrporting Standards and other applicable laws and regulations.

We also report that:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;

(iii) The Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and

(iv) The expenditure incurred was for the purposes of the Company's business.

Dated, Dhaka
12 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

A member firm of Ernst & Young Global Limited
EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited

EY Building a better working world

IDLC Asset Management Limited

Statement of Financial Position

As at 31 December 2017

Particulars	Notes	December 31	
		2017	2016
ASSETS			
Non Current Assets		**12,458,004**	**2,351,877**
Property, plant and equipment	4	8,052,476	1,445,866
Intangible assets	5	3,644,804	-
Deferred tax asset	6	760,724	906,011
Current Assets		**174,008,248**	**116,639,029**
Investment in marketable securities	7	96,320,769	44,030,956
Advance, deposits & prepayments		-	1,509,960
Accounts receivables	8	4,767,523	752,290
Advance income tax	9	8,159,886	469,822
Cash and cash equivalents	10	64,760,070	69,876,001
Total Assets		**186,466,252**	**118,990,906**
EQUITY AND LIABILITIES			
Equity		**149,514,661**	**110,427,563**
Share Capital	11	100,000,000	100,000,000
Retained Earnings		49,514,661	10,427,563
Non Current Liabilities		**3,631,925**	**2,698,488**
Payable for gratuity	12	3,631,925	2,698,488
Current Liabilities		**33,319,666**	**5,864,855**
Provision for audit fees		115,000	43,125
Provision for Expenses	13	15,404,666	21,730
Provision for Income tax	14	17,800,000	5,800,000
Total Equity and Liabilities		**186,466,252**	**118,990,906**

The annexed notes from 1 to 21 form an integral part of these Financial Statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

Dated, Dhaka
12 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

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IDLC Asset Management Limited

Statement of Profit or Loss and Other Comprehensive Income

As at and for the year ended 31 December 2017

Particulars	Notes	December 31	
		2017	2016
Operating Income (a)		**101,897,903**	**19,877,073**
Portfolio Management Fee		54,835,969	17,267,948
Management Fee from Mutual Fund	15	13,655,430	-
Income from Investment	16	33,406,504	2,609,125
Operating Expenses (b)		**53,696,641**	**9,830,033**
General & administrative expenses	17	51,843,222	9,777,751
Depreciation & amortization expenses	4 & 5	1,853,419	52,282
Operating Profit for the year/period (a - b)		**48,201,262**	**10,047,039**
Interest Income		3,003,000	5,274,512
Gain on disposal of Fixed Asset		28,123	-
Profit before provision for income tax		**51,232,385**	**15,321,551**
Provision for income tax		**(12,145,287)**	**(4,893,989)**
Current tax		(12,000,000)	(5,800,000)
Deferred tax (expense)/income	18	(145,287)	906,011
Net profit for the year/period		**39,087,099**	**10,427,563**
Other comprehensive income		-	-
Total Comprehensive Income		**39,087,099**	**10,427,563**

The annexed notes from 1 to 21 form an integral part of these Financial Statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
12 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

AMARSTOCK

IDLC Asset Management Limited

Statement of Cash Flows

For the year ended 31 December 2017

Particulars	Notes	December 31	
		2017	2016
A. Cash flow from operating activities			
Net profit during the year		39,087,099	10,427,563
Items not involving in movement of cash:			
Gain on disposal of Fixed Asset		(28,123)	-
Decrease/(Increase) in Deferred tax assets		145,287	(906,011)
Depreciation on property, plant and equipment		1,853,419	52,282
		41,057,682	**9,573,834**
Changes in working capital:			
Increase in Account receivables		(4,015,233)	(752,290)
Decrease/(Increase) in Advance, Prepayments & Deposits		1,509,960	(1,509,960)
Increase in Advance Income Tax		(7,690,064)	(469,822)
Decrease in Preliminary expenditure		-	380,000
Decrease in Pre operating expenses		-	65,675
Increase in account payables		15,454,811	21,730
Increase in Deferred Liabilities - Gratuity payable		933,437	2,698,488
Increase in Provision for income tax		12,000,000	5,800,000
Decrease in Inter-company payables		-	(402,550)
		18,192,911	5,831,271
Net cash flow/ (used in) from operating activities (A)		**59,250,593**	**15,405,105**
B. Cash flows from investing activities			
Purchase of Property, plant and equipment		(12,318,375)	(1,498,148)
Proceeds from sale of Property, plant and equipment		241,665	-
Purchase of Marketable Securities		(52,289,813)	(44,030,956)
Net cash used in investing activities (B)		**(64,366,523)**	**(45,529,104)**
C. Cash flows from financing activities			
Proceed from issuance of ordinary shares		-	100,000,000
Net cash flow from financing activities (C)		**-**	**100,000,000**
D. Net cash (deficit)/surplus for the year (A+B+C)		(5,115,931)	69,876,001
E. Cash and Cash Equivalents at the beginning of the year		69,876,001	-
F. Cash and Cash Equivalents at the end of the year		**64,760,070**	**69,876,001**

The annexed notes from 1 to 21 form an integral part of these Financial Statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
12 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

IDLC Asset Management Limited

Statement of Changes in Equity

As at and for the year ended 31 December 2017

(Amount in Taka)

Particulars	Share Capital	Retained Earnings	Total Equity
Balance as at 01 January 2017	100,000,000	10,427,563	110,427,563
Net Profit for the year	-	39,087,099	39,087,099
Balance as on 31 December 2017	**100,000,000**	**49,514,661**	**149,514,661**

(Amount in Taka)

Particulars	Share Capital	Retained Earnings	Total Equity
Balance as at 01 January 2016	100,000,000	-	100,000,000
Net Profit for the year	-	10,427,563	10,427,563
Balance as at 31 December 2016	**100,000,000**	**10,427,563**	**110,427,563**

The annexed notes from 1 to 21 form an integral part of these Financial Statements.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director	Company Secretary

Dated, Dhaka
12 February 2018

Sd/-
A. Qasem & Co.
Chartered Accountants

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IDLC Asset Management Limited

Notes to the Financial Statements

As at and for the year ended 31 December 2017

1 Company and its activities

1.1 Legal status and nature of the company

IDLC Asset Management Limited was incorporated in Bangladesh on 19 November 2015 vide registration # C-127068/2015 as a private company limited by shares, under Companies Act, 1994. The registered office of the Company is situated at South Avenue Tower (5th Floor), Unit # 502, Road # 3, 7 Gulshan Avenue, Gulshan 1, Dhaka. It is a subsidiary Company of IDLC Finance Limited that holds 99.99% ownership of the company.

1.2 Principal activities and nature of operation

IDLC Asset Management Limited provides high standard of professional services to its individual and institutional clients through mutual funds, portfolio management and other services. The company's principal activities include the following:

i. Asset management through mutual funds for retail and institutional clients;

ii. Portfolio management services for institutional clients;

iii. Alternative investment in private equity, venture capital and other related investment opportunities;

iv. Corporate advisory services, etc.

2. Basis of preparation and significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) covering Bangladesh Accounting Standards (BAS), the Companies Act, 1994 and other applicable laws and regulations of Bangladesh.

2.2 Other regulatory compliance

As required, IDLC Asset Management Limited also complies with the applicable provisions of the following major laws/ statutes:

-Securities and Exchange Rules, 1987

-Securities and Exchange Commission Act, 1993

-Securities and Exchange Commission (Mutual Fund) Rules, 2001 (Amended in 2013)

-Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015

-The Income Tax Ordinance, 1984;

-The Income Tax Rules, 1984;

-Negotiable Instruments Act, 1881;

Other applicable laws and regulations.

2.3 Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRS).

2.4 Components of financial statements

-Statement of Financial Position

-Statement of Profit or Loss and Other Comprehensive Income

-Statement of Changes in Equity

-Statement of Cash Flows

-Notes to the Financial Statements

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2.5 Functional and presentational currency

These financial statements are presented in Bangladeshi Taka (BDT) which is the functional currency of the company. The amounts in these financial statements have been rounded off to the nearest integer.

2.6 Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates is recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, the key areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

Note: 4	Depreciation on property, plant and equipment.
Note: 6	Deferred tax Assets
Note: 8	Accounts receivables
Note: 12	Payable for gratuity
Note: 14	Provision for income tax

2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason, the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

3 Significant accounting policies

3.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and after due compliance with the Bangladesh Financial Reporting Standards (BFRSs), the Companies Act, 1994 and other applicable laws and regulations.

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Property, plant and equipment are stated at cost, less accumulated depreciation in compliance with BAS-16: Property Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use.

3.2.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss and other comprehensive income account as incurred.

3.2.3 Depreciation

Depreciation on property, plant and equipment is charged using straight-line method over their estimated useful lives. Depreciation rates are as follows:

Nature of Assets	Rate of Depreciation
Curtain and carpets	33.33% p.a.
Electrical equipment	20.00% p.a.
Furniture and fixture	12.50% p.a.
Office decoration	20.00% p.a.
Office equipment	20.00% p.a.
IT equipment	20.00% p.a.
Telephone and telex	33.33% p.a.
Motors vehicles	25.00% p.a.

Depreciation on all items of property, plant and equipment is calculated and charged from the date of putting the assets in to use irrespective of the value and purchase/ acquisition date of the property, plant and equipment.

3.3 Intangible assets

3.3.1 Recognition and measurement

Intangible assets viz computer software those are acquired by the Company and which have finite useful lives, are measured at cost less accumulated amortization and impairment loss, if any.

3.3.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates.

3.3.3 Amortization

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives based on the management's best estimates.

3.4 Impairment

The carrying value of the Company's assets other than inventories, are reviewed at closing date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

3.5 Financial Instruments

3.5.1 Financial Assets

Financial assets of the company include cash and cash equivalents, accounts receivables and other receivables. The company initially recognizes receivable on the date they are originated. All others financial assets are recognized initially on the date at which the company becomes a party to the contractual provisions of the transaction. The company derecognizes a financial asset when, and only when the contractual rights or probabilities of receiving the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred.

3.5.1.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits when it has a short maturity of three months or less from the date of acquisition.

3.5.2 Financial Liabilities

The company initially recognises financial liabilities on the transaction date at which the company becomes a party to the contractual provisions of the liability. The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

These are recognised when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits.

3.5.2.1 Accounts Payable and Other Payables

Accounts payable and other payables are recognised when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the group of resources embodying economic benefits.

3.6 Investment in shares

Investments are stated at cost or market value whichever is lower. A security which is not listed at stock exchange as on the reporting date then the price is shown at cost.

3.7 Taxation

3.7.1 Current tax

Provision for income tax is made on the basis of company's computation based on the best estimate of taxable profit in accordance with Income Tax Ordinance, 1984.

3.7.2 Deferred tax

Deferred tax is calculated as per Bangladesh Accounting Standard (BAS) 12 "Income Taxes". Deferred tax is recognised on difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences.

3.8 Revenue recognition

3.8.1 Portfolio management fees

Portfolio management fees are recognized on the market value of the clients' portfolio on daily accrual basis and charged to clients' balance on quarterly basis.

3.8.2 Dividend income and profit or loss on sale of securities

Dividend is accounted for as income when right to receive is established whereas profit or loss arising from the sale of securities is accounted for only when the securities are sold/offloaded.

3.8.3 Mutual fund management fees

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay a management fee to the Asset Management Company –

a. 2.50 percent per annum of the weekly average NAV up to BDT 5.00 crore (Five crore Taka);

b. 2.00 percent per annum for additional amount of the weekly average NAV up to BDT 25.00 crore (Twenty Five crore Taka) over BDT 5.00 crore (Five crore Taka);

c. 1.50 percent per annum for additional amount of the weekly average NAV up to BDT 50.00 crore (Fifty crore Taka) over BDT 25.00 crore (Twenty Five crore Taka); and

d. 1.00 percent per annum for additional amount of the weekly average NAV over BDT 50.00 crore (Fifty crore Taka), accrued and payable quarterly at the end of the period.

3.8.4 Mutual fund formation fee

As per the Securities and Exchange Commission (Mutual Fund) Rules, 2001, the Fund shall pay Mutual Fund Formation fee to the Asset Management Company as mentioned in the published Prospectus of the Fund approved by Bangladesh Securities and Exchange Commission.

3.8.5 Mutual fund Pre-scheme formation fee

As per BSEC Directive vide ref no.: SEC/CMRRCD/2009 – 193/ 160 dated 28 May 2014, Asset Manager can accrue management fees from scheme of the Mutual Fund for the period starting from the registration date of the scheme to pre-trade period according to the Rule 65(2).

3.9 Provision

A provision is recognized in the accounts when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

3.10 Employee benefits

IDLC Asset Management Limited maintains defined benefit plan for its eligible permanent employees. Employee gratuity plan is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to employees as per condition of the fund. The eligibility is determined according to the terms and conditions set in the service rules of the company.

3.11 Related party disclosure

As per Bangladesh Accounting Standard (BAS) 24: "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 19.

3.12 Events after the balance sheet date

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are not adjusting event are disclosed in the notes when material.

3.13 Application of Bangladesh Accounting Standards (BASs):

The Financial Statements have been prepared in compliance with requirement of BFRS and BAS as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) and applicable in Bangladesh. IDLC Asset Management Limited applied following BAS and BFRS:

Name of the BAS	BAS No.	Status
Presentation of Financial Statements	1	Applied
Statements of Cash Flow	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Period	10	Applied
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Financial Instruments: Presentation	32	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	Not Applied

Name of the BFRS	BFRS No.	Status
Financial Instruments: Disclosures	7	Applied

	31.12.2017	31.12.2016
	Taka	Taka

4. Property, plant and equipment

Tangible Assets

A. Cost

Opening balance	1,498,148	-
Add: Addition during the year	8,435,554	1,498,148
	9,933,701	1,498,148
Less: Disposal/Adjustments during the year	(250,000)	-
	9,683,701	**1,498,148**
B. Accumulated depreciation		
Opening balance	52,282	-
Add: Charged during the year	1,615,401	52,282
	1,667,683	52,282
Less: Disposal/Adjustments during the year	(36,458)	-
	1,631,225	52,282
C. Written down value (A-B)	**8,052,476**	**1,445,866**

5. Intangible Assets

A. Cost		
Opening balance	-	-
Add: Addition during the year	3,882,822	-
	3,882,822	-
Less: Disposal/Adjustments during the year	-	-
	3,882,822	-
B. Accumulated amortization		
Opening balance	-	-
Add: Charged during the year	238,018	-
	238,018	-
Less: Disposal/Adjustments during the year	-	-
	238,018	-
C. Written down value (A-B)	**3,644,804**	**-**

A schedule of property, plant and equipment and intangible assets is given in Annexure-A.

6. Deferred tax asset

Deferred tax asset is arrived at as follows:

	Carrying Amount	Tax base	(Taxable)/deductible temporary difference
	Taka	Taka	
As on 31 December 2017			
Property, plant and equipment	11,697,280	10,238,854	(1,458,427)
Gratuity provision (net of payment)	(3,631,925)	-	3,631,925
Net deductible temporary difference			2,173,498
Applicable tax rate			35.00%
Deferred tax - Assets			**760,724**

	Carrying Amount	Tax base	(Taxable)/deductible temporary difference
	Taka	Taka	
As on 31 December 2016			
Property, plant and equipment	1,445,865	1,335,981	(109,884)
Gratuity provision (net of payment)	(2,698,488)	-	2,698,488
Net deductible temporary difference			2,588,604
Applicable tax rate			35.00%
Deferred tax - Assets			**906,011**

7. Investment in marketable securities

Investment in available-for-sale securities	(Note: 7.1)	96,080,769	39,030,956
Investment in Right Share subscription	(Note: 7.2)	240,000	-
Investment in Initial Public Offering	(Note: 7.3)	-	5,000,000
		96,320,769	**44,030,956**

7.1 Investment in available-for-sale securities

Sector-wise details of marketable securities holding position is given below:

Name of industry	Cost price as on 31.12.2017	Market price as on 31.12.2017	Cost price as on 31.12.2016	Market price as on 31.12.2016
Bank	39,918,404	46,074,400	8,436,149	8,697,100
Telecommunication	20,082,526	21,186,000	6,152,447	6,534,300
Pharmaceuticals & Chemicals	26,894,538	29,003,685	9,987,589	9,886,120
Fuel & Power	-	-	4,158,871	4,186,000
Textile	4,378,178	4,390,000	4,186,448	4,532,500
Information Technology	979,680	2,454,224	-	-
Tannery	-	-	100,630	511,200
Engineering	3,827,443	4,495,315	6,008,821	6,297,287
	96,080,769	**107,603,624**	**39,030,956**	**40,644,507**

All investment in marketable securities are valued on aggregate portfolio basis, at the lower of cost and market value, at the balance sheet date.

On balance sheet date, the aggregate portfolio value at cost price was BDT. 96,080,769 and at market price was BDT. 107,603,624, therefore if the reporting entity was recognized the unrealized gain on portfolio then it would recognize BDT. 11,522,855 in the statement of profit or loss and other comprehensive income. But as per FID circular No. 08 dated 3 August 2002 of Bangladesh Bank (The Central Bank), IDLC Finance Limited, the Parent Company of reporting entity, recognizes its aggregate portfolio on cost value and no unrealized gain is recognized. So, the reporting entity as a wholly owned subsidiary of the IDLC Finance Limited, follows the similar accounting policy for recognizing the investment in securities listed in both stock exchanges.

	31.12.2017	31.12.2016
	Taka	Taka
7.2 Investment in Rights Share subscription	**240,000**	**-**

IDLC Asset Management Limited subcribed for 12,000 rights shares at Taka 20 (Taka 10 premium) of IFAD AUTOS Limited as of 31 December 2017.

7.3 Investment in Initial Public Offering	**-**	**5,000,000**

IDLC Asset Management Limited applied for 500,000 ordinary shares at Taka 10 (face value) of Pacific Denims Limited as of 31 December 2016.

		31.12.2017	31.12.2016
		Taka	Taka

8. Accounts receivables

Interest Receivable (FDR)		617,261	752,290
Mutual Fund Management Fees Receivable		3,234,343	-
Receivable from IDLC Balanced Fund		598,683	-
Receivable from IDLC Growth Fund		133,410	-
Cash Dividend Receivable		183,826	-
		4,767,523	**752,290**

9. Advance income tax

Advance corporate income tax		7,027,771	-
Tax deducted at source		1,132,115	469,822
		8,159,886	**469,822**

10. Cash and cash equivalents

Cash at Bank	(Note: 10.1)	14,196,784	19,088,501
Fixed Deposit Receipt	(Note: 10.2)	50,563,286	50,787,500
		64,760,070	**69,876,001**

10.1 Cash at Bank

Name of the Bank	Branch	A/C No	Type		
BRAC Bank Limited	Bijoy Nagar	1532203891815001	CA	13,373,505	-
Standard Chartered Bank	Gulshan	02-1307951-01	STD	52,049	-
NRB Bank Limited	Principal	1011030069892	SND	771,229	-
NRB Bank Limited	Banani	1022010036414	CD	-	19,088,501
				14,196,784	**19,088,501**

10.2 Fixed Deposit Receipt

Institution	Branch	A/C No	Term Months		
IDLC Finance Limited	Gulshan	10552230472901	3	20,000,000	-
		10552230472902	3	10,000,000	-
	Dilkusha	10252230472905	3	20,563,286	-
		10252230472903	3	-	50,787,500
				50,563,286	**50,787,500**

11. Share capital

Authorized Capital

25,000,000 ordinary shares of Taka 10 each	**250,000,000**	**250,000,000**
Issued, subscribed & paid up capital	**100,000,000**	**100,000,000**

The issued, subscribed and paid-up capital of Taka 100,000,000 is divided into 10,000,000 ordinary shares of Taka 10 each. Details are as follows:

	31.12.2017	31.12.2016
	Taka	Taka
IDLC Finance Limited		
9,999,999 shares of Taka 10 each fully paid up	99,999,990	99,999,990
Mr. Syed Javed Noor		
1 share of Taka 10 fully paid up	10	-
Ms. Bilquis Jahan		
1 share of Taka 10 fully paid up	-	10
	100,000,000	**100,000,000**

12. Payable for gratuity

Opening Balance	2,698,488	1,609,097
Charge during the period	933,437	1,089,391
	3,631,925	**2,698,488**

13. Provision for Expenses

Salary and allowance	12,689,950	-
Office maintenance	68,035	-
Utilities	40,965	-
Professional fees	285,000	21,730
CS Infotech Limited	790,716	-
Foreign Training	1,500,000	-
Car maintenance and others	30,000	-
	15,404,666	**21,730**

14. Provision for Income tax

Opening balance	5,800,000	-
Add: Charged during the year	12,000,000	5,800,000
	17,800,000	**5,800,000**

	2017	2016
	Taka	Taka

15. Management Fee from Mutual Fund

Mutual Fund Formation fees	5,000,000	-
Mutual Fund Management fees	5,455,430	-
Mutual Fund Pre Scheme Formation fees	3,200,000	-
	13,655,430	

16. Income from Investment

Capital gain on investments	31,480,227	2,521,125
Dividend income from marketable securities	1,926,277	88,000
	33,406,504	**2,609,125**

17. General and administrative expenses

Salary and allowances	(Note: 17.1)	33,753,329	7,577,376
Statutory audit fees		115,000	129,375
Preliminary expenses		-	380,000
Renewal and registration		185,645	163,780
Motor vehicle expenses		605,471	72,445
Entertainment		216,262	32,219
Postage, stamp & telecommunication etc.		81,204	22,990
Printing & stationery		933,295	-
Advertisement and Promotional expenses		8,759,213	-

		2017	2016
		Taka	Taka
Director's remuneration		166,750	-
Books and periodicals		23,120	-
Donations and subscriptions		50,000	-
Consultancy fees		576,799	-
Training expenses		1,917,762	-
Bank charges		83,027	-
CDBL charges		197,174	-
Repair and maintenance		151,975	-
Office rent, maintenance & service, etc.	(Note:17.2)	4,027,196	1,399,566
		51,843,222	**9,777,751**

17.1 Salary and allowances

Salary and allowances	31,986,136	6,207,102
Provident Fund (Company's Contribution)	833,756	280,883
Gratuity	933,437	1,089,391
	33,753,329	**7,577,376**

Salaries and allowances include the compensation of the key Management Committee, including the Managing Director who exercise significant authority and play strategic role in the Company. During 2017, key management compensation was BDT. 10,648,073 (2016: BDT. 4,163,971).

17.2 Office rent, maintenance & service, etc.

Office rent	2,586,800	1,259,238
Office maintenance	1,087,309	58,994
Office utility	352,245	57,094
Telephone & telex	841	24,240
	4,027,196	**1,399,566**

18. Deferred tax (expense)/income

Closing balance of deferred tax asset	760,724	906,011
Opening balance of deferred tax asset	906,011	-
	(145,287)	**906,011**

19. Related party transaction

Name of the related party	Relationship	Nature of transaction	Closing balance as on 31.12.2017	Closing balance as on 31.12.2016
IDLC Finance Limited	Parent company	FDR	50,563,286	50,787,500

20. Number of employees

The number of employees for the whole year who received a total remuneration of Taka 36,000 or above were 16 which was 7 on 31 December 2016.

21. Date of authorisation

The Board of director has authorised these financial statements for issue on 12 February 2018.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director

Sd/-
Company Secretary

IDLC Asset Management Limited

Schedule of property, plant and equipment

As at 31 December 2017

Annexure-A

A. Tangible Assets

(Amount in Taka)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.17
	Balance as on 01.01.17	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.17		Balance as on 01.01.17	Charged during the year	Adjustment during the year	Balance as on 31.12.17	
Curtain & carpet	57,200	48,417	-	105,617	33.33%	3,177	23,100	-	26,277	79,340
Electrical equipment	25,000	321,275	-	346,275	20%	833	63,662	-	64,495	281,780
Furniture & fixture	666,220	173,393	-	839,613	12.50%	17,469	96,438	-	113,907	725,706
Office decoration	424,393	2,638,209	-	3,062,602	20%	21,130	612,520	-	633,650	2,428,951
Office equipment	302,435	253,850	-	556,285	20%	8,400	98,222	-	106,622	449,663
IT equipment	-	2,550,410	-	2,550,410	20%	-	310,701	-	310,701	2,239,709
Motor Vehicle	-	2,450,000	250,000	2,200,000	25%	-	403,125	36,458	366,667	1,833,333
Telephone & telex	22,900	-	-	22,900	33.33%	1,272	7,634	-	8,906	13,994
Total as on 31 December 2017	**1,498,148**	**8,435,554**	**250,000**	**9,683,701**		**52,282**	**1,615,401**	**36,458**	**1,631,225**	**8,052,476**
Total as on 31 December 2016	**-**	**1,498,148**	**-**	**1,498,148**		**-**	**52,282**	**-**	**52,282**	**1,445,865**

B. Intangible Assets

(Amount in Taka)

Particulars	Cost				Rate %	Depreciation				Written Down Value as on 31.12.17
	Balance as on 01.01.17	Addition during the year	Disposal/ adjustment during the year	Balance as on 31.12.17		Balance as on 01.01.17	Charged during the year	Adjustment during the year	Balance as on 31.12.17	
Business Software	-	1,705,103	-	1,705,103	20%	-	177,526	-	177,526	1,527,578
Office Operation Software	-	2,177,718	-	2,177,718	33.33%	-	60,492	-	60,492	2,117,226
Total as on 31 December 2017	**-**	**3,882,822**	**-**	**3,882,822**		**-**	**238,018**	**-**	**238,018**	**3,644,804**
Total as on 31 December 2016	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**

AMARSTOCK

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9.2	Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	188

INTEGRATED REPORTING CHECKLIST

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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 in which it operates.	2, 30, 46, 244	IDLC at a Glance, Business Model, Operating Context & Risk Management, 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	14	Our Philosophies – the Backbone of Our Enterprise
	• ownership and operating structure including size of the organization, location of its operations)	15, 383	Shareholding Composition, IDLC's Presence
	• principal activities and markets	30, 134, 137, 140, 142, 143, 145, 148, 152, 244	Business Model, Business Segment Reviews - Overviews, 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)	49	Market Forces and Competitive Landscape
	• position within the value chain	32	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	4, 18, 84-159	Core Highlights, National Footprint, 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)	46	Macroeconomic Aspects Shaping the Industry
	Eg:		
	• The legitimate needs and interests of key stakeholders	124	Social & Relationship Capital
	• Macro and micro economic conditions, such as economic stability, globalization, and industry trends	22, 25, 47, 48, 205, 135, 138, 141, 146, 150, 153	Message from the Chairman - Bangladesh economic review, CEO'a Reflections, Macroeconomic Aspects Shaping the Industry - Economic, Suppementary Details, Director's Report, Business Segment Review - Influential trends shaping the industry, Key business trends and our responses
	• Market forces, such as the relative strengths and weaknesses of competitors and customer demand	46, 49, 26	Macroeconomic Aspects Shaping the Industry, Market Forces and Competitive Landscape, CEO's Reflections - Growth in Domestic Credit & Deposits
	• The speed and effect of technological change	47, 155	Macroeconomic Aspects Shaping the Industry - Technological, Strategy & Resource Allocation - Risks & Opportunities
	• Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems	47	Macroeconomic Aspects Shaping the Industry - Social
	• Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	48	Macroeconomic Aspects Shaping the Industry - Environmental
	• The legislative and regulatory environment in which the organization operates	48	Macroeconomic Aspects Shaping the Industry - 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	46	Macroeconomic Aspects Shaping the Industry - 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.	154, 163	Strategy & Resource Allocation, Statement of Corporate Governance
	An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• The 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	34, 163	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.	182	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		
	• Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management	54, 163	Statement of Risk Management, Statement of Corporate Governance
	• 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	90-132, 154, 182	Capitals, Strategy & Resource Allocation, Statement of Corporate Governance-Ethics and Compliance
	• Whether the organization is implementing governance practices that exceed legal requirements / Key Policies	182	Statement of Corporate Governance-Ethics and Compliance
	• The responsibility those charged with governance take for promoting and enabling innovation	188	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.	111, 188	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.	123	Social & Relationship Capital
	An entity may disclose the following in their integrated reports in respect of stakeholder relationships:		
	• How the company has identified its stakeholders.	124	Social & Relationship Capital - Stakeholder identification & engagement
	• Stakeholder engagement methodology.	124	Social & Relationship Capital - Stakeholder identification & engagement
	• Identification of material matters of stateholders.	8, 124	Materiality Determination & Reporting at IDLC, Social & Relationship Capital - Stakeholder identification & engagement
	• How the Company has applied such matters.	124	Social & Relationship Capital - Stakeholder identification & engagement
	• How the stakeholders are engaged in assessing impacts, implications and outlook unrespects of Company's business model.	123, 154	Social & Relationship Capital and Strategy & Resource Allocation
	Capitals		
	An integrated report needs to provide insight about the resources and the relationships used and affected by the 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	32, 30, 90-132, 154	Value Creation Process, Business Model, Capitals, Strategy & Resource Allocation
	An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.	32, 30	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 provsion of services.	90	Financial Capital
	Manufacturing Capital -Manufactured physical objects that are available to the organization for use in the production of goods and provision of services.	121	Manufactured Capital

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	Intellectual Capital -Organizational Knowledge based intangibles.	117	Intellectual Capital
	Human Capital -People's competencises, capabilities and experience, and their motovations to innovate.	111	Human Capital
	Social & 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.	123	Social & 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.	130	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:		Value Creation Process, Business Model
	• Inputs	30	
	• Business activities	33	
	• Outputs	33	
	• Outcomes	31	
	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	32, 30	
	• A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization	30	
	• Narrative flow that is logical given the particular circumstances of the organization		
	• Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment	32, 30, 46	Business Model, Value Creation Process, Macroeconomic Aspects Shaping the Industry
	• 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).	30, 32, 85, 90-132, 154	Value Creation Process, Business Model, Performance Analysis with the Management Committee, Capitals, Strategy & 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.	30, 32, 156	Value Creation Process, Business Model, Strategy & Resource Allocation - What makes our business model highly adaptable to change
	Business activities		
	An integrated report describes key business activities. This can include:		
	• How the organization differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing)	32, 156, 157	Business Model - Value Proposition, Strategy & Resource Allocation - What makes our business model highly adaptable to change, Strategy formulation and our sources of competitive advantage
	• How the organization approaches the need to innovate	157, 158	Strategy & Resource Allocation - How we develop and utilize our intellectual and human capitals, The role of innovation…capitals
	• How the business model has been designed to adapt to change.	156	Strategy & Resource Allocation - What makes our business model highly adaptable to change
	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	85, 157, 159	Performance Analysis with the Management Committee, Strategy & Resource Allocation - Strategy formulation and our sources of competitive advantage, Our scope of long-term value creation
	Outputs		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	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.	29, 33, 159	Our Range of Products and Services, Business Model - Value Proposition (Our offerings),Strategy & Resource Allocation - Trade-offs 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)	31, 85, 90-132, 133-153	Value Creation Process - Outcomes, Performance Analysis with the Management Committee, 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).	158, 159	Strategy & Resource Allocation - Interdependencies, complexities and trade-offs, Measuring the efficacy of our objectives
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?	25, 85, 90-132	CEO's Reflections, Performance Analysis with the Management Committee, 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	90, 155, 157	Financial Capital, Strategy & Resource Allocation - Risks & 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	30, 90-132	Value Creation Process, Capitals
	• The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	123, 157	Social & Relationship Capital, Strategy & 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.	25, 85, 90, 135, 138, 141, 146, 150, 153	CEO's Reflections, Performance Analysis with the Management Committee, Financial Capital, Business Segment Reviews - Outlook
	KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	30, 158, 159	Value Creation Process - narrative, Strategy & Resource Allocation - Key interdependencies, complexities and tradeoffs between capitals, Trade-offs 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.	48, 206, 65, 69	Macroeconomic Aspects Shaping the Industry - Environmental, Legal, Supplementary Details,Directors' Report - Capital Markets Review, IDLC's Performance, Statement of Risk Management - Credit Risk Exposure Limit, Operational Risk Management
1.6	Risks, opportunities and internal controls		
	An integrated report should explain what are the specific risks and opportunities that affect the 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.	135, 138, 141, 146, 150, 153, 155, 54	Business Segment Review - Risks Facing the Business, Outlook, Strategy & Resource Allocation - Risks & 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.	135, 138, 141, 146, 150, 153, 155, 54	Business Segment Review - Risks Facing the Business, Outlook, Strategy & Resource Allocation - Risks & 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.	62	Statement of Risk Management - Risk Heat Map

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• The specific steps being taken to mitigate or manage key risks (e.g: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	55, 135, 138, 141, 146, 150, 153, 155	Statement of Risk Management - Integrated Risk Management Approach, Business Segment Review - Risks Facing the Business, Outlook, Strategy & Resource Allocation - Risks & Opportunities
	• Risk Management Report (Which includes details about risk, root course, potential impact, response to risk, risk rating)	54	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.	180, 201	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 & 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)	85, 154	Performance Analysis with the Management Committee, Strategy & Resource Allocation
	An integrated report needs to identify:		
	• The organization's short, medium and long term strategic objectives	154	Strategy & Resource Allocation - Goals
	• The strategies it has in place, or intends to implement, to achieve those strategic objectives	85, 89, 157	Performance Analysis with the Management Committee - The fundamentals of our business strategy, Strategy review going forward, Strategy & Resource Allocation - Resource allocation strategies to meet our objectives
	• How the entity has positioned in the wider market.	89, 156, 157	Performance Analysis with the Management Committee - Comparison with industry benchmarks, Strategy & Resource Allocation - Business Model adaptability and change requirements, Strategy formulation and our sources of competitive advantage
	• How the long term strategies relate to current business model.	85, 156, 157	Performance Analysis with the Management Committee - The fundamentals of our business strategy, Strategy & Resource Allocation - Business Model adaptability and change requirements, Responses to issues raised through stakeholder engagement
	• The resource allocation plans it has to implement its strategy	157	Strategy & Resource Allocation - Resource allocation strategies to meet our objectives
	• How it will measure achievements and target outcomes for the short, medium and long term.	159	Strategy & Resource Allocation - Measuring the efficacy of our objectives
	This can include describing:		
	• The linkage between the organization's Strategy & Resource Allocation plans, and the information covered by other Content Elements, including how its Strategy & Resource Allocation plans:	154	Strategy & Resource Allocation
	• 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	156	- 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	155	- 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:	157	- Strategy formulation and our sources of competitive advantage
	• the role of innovation		
	• 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		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• Key features and findings of stakeholder engagement that were used in formulating its Strategy & Resource Allocation plans.	155	- 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?	22, 25, 46-84, 85, 90-132, 135, 138, 141, 142, 143, 146, 150, 153, 154	Message from the Chairman, CEO's Reflections, Operating Context & Risk Management, Performance Analysis with the Management Committee, Capitals, Business Segment Reviews - Risks facing the business, Outlook, Strategy & Resource Allocation
	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	46, 135, 138, 141, 146, 150, 153	Operating Context & Risk Management, Business Segment Reviews - Risks facing the business, Outlook
	• 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.	156	Strategy & 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	46, 155	Macroeconomic Aspects Shaping the Industry, Strategy & Resource Allocation - Risks & opportunities
	• The availability, quality and affordability of capitals the organization uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organization's ability to create value over time.	30, 158	Value Creation Process - narrative, Strategy & Resource Allocation - Key interdependencies, complexities and tradeoffs between capitals
	An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the 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.	209	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.	10	Integrated Report - Its Scope and Boundaries
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 - 11	Materiality Determination & Reporting at IDLC, Navigating Through the Material Aspects, Integrated Report - Its Scope and Boundaries
	An integrated report describes its basis of preparation and presentation, including:		
	• A summary of the organization's materiality determination process	8 - 9	Materiality Determination & Reporting at IDLC, Navigating Through the Material Aspects
	• Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters	8 - 9	Materiality Determination & Reporting at IDLC, Navigating Through the Material Aspects
	• Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters.	11	Integrated Report - Its Scope and Boundaries - Responsibility over the Integrity of the Integrated Report
	• A description of the reporting boundary and how it has been determined	10	Integrated Report - Its Scope and Boundaries
	Eg:Include process used for identifying the reporting boundary, geographic scope, the entities represented in the report and the nature of the information provided for each entity		

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• A summary of the significant frameworks and methods used to quantify or evaluate material matters	9,109, 210	Navigating Through the Material Aspects, Integrated Report - Its Scope and Boundaries, Directors' Report to the shareholders of IDLC Finance Limited-Corporate and financial reporting framework
	(e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry based framework for evaluating risks).		
2	Responsibility for an integrated report		
	An integrated report should include a statement from those charged with governance that includes:	10, 173	Integrated Report - Its Scope and Boundaries, Statement of Corporate Governance - Directors' report on preparation of financial statements and corporate governance
	• An acknowledgement of their responsibility to ensure the integrity of the integrated report	11	
	• An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report	11	
	• Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework	11	
3	Other Qualitative Characteristics of an Integrated Report		
3.1	Conciseness		
	An integrated report should be concise.		
	An integrated report need to include sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information	9, 154	Navigating Through the Material Aspects, Strategy & Resource Allocation
	Eg:		
	Follows logical structure and includes internal cross-reference as appropriate to limit repetition.	9	Navigating Through the Material Aspects
	Express concepts clearly and in as few words.	9	Navigating Through the Material Aspects
	Favours plain language over the use of jargon or highly technical terminology.		
	Avoids highly generic disclosures.		
3.2	Reliability and completeness		
	An integrated report should include all material matters, both positive and negative, in a balanced way and without material error	154, 180	Strategy & 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.	9	Navigating Through the Material Aspects
	• Giving equal conseration to both increases and decreases in the capitals, both strengths and weaknesses of the organization, both positive and negative performance etc.	84	Management Discussion and Analysis
	When information includes estimates, this is clearly communicated and the nature of limitations of the estimation process are explained.	46	Macroeconomic Aspects Shaping the Industry
3.3	Consistency and comparability		
	The information in an integrated report should be presented:		
	• On a basis that is consistent over time	99-105, 173	Financial Capital - Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank, Statement of corporate governance - Directors' report on preparation and presentation of financial statements and corporate governance

Sl. No.	Particulars	Page Reference	Chapter/Section Reference
	• 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	9, 99-105	Navigating Through the Material Aspects, Integrated Report - Its Scope and Boundaries, Financial Capital - Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank
	• Presenting information in the form of ratios (e.g., research expenditure as a percentage of sales, or carbon intensity measures such as emissions per unit of output)	5, 90-105	Core Highlights, 2017; Financial Capital - Discussion of Key Financial Matters, Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank
	• 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.	99-105, 173	Financial Capital - Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank, Statement of Corporate Governance - Directors' report on preparation and presentation of financial statements and corporate governance
	• Reporting the same KPIs if they continue to be material across reporting period.		
3.4	Connectivity of information		
	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.	30	Value Creation Process
	Eg: Connectivity between		
	• Capitals	30, 158	Value Creation Process - narrative, Strategy & Resource Allocation - Key interdependencies, complexities & tradeoffs between capitals
	• Content elements	9	Navigating Through the Material Aspects
	• Past, Present & Future	22, 25, 85, 99-105, 205	Message from the Chairman, CEO's Reflections, Performance Analysis with the Management Committee, Financial Capital - Key Operating & Financial Highlights, Highlights as Required by Bangladesh Bank, Directors' Report to the Shareholders of IDLC Finance Limited,
	• Finance and other information	159	Strategy & 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	8, 32	Materiality Determination and Reporting at IDLC, Value Creation Process - narrative
3.6	Assurance on the Report		
	• The policy and practice relating to seeking assurance on the report	11, 204	External Assurances, Statement of Directors' Responsibility for Internal Control, Financial Reporting and Corporate Governance
	• the nature and scope of assurance provided for this particular report	11, 227, 304, 330, 351	External Assurances, Independent Auditor's Report To the Shareholders of IDLC Finance Limited, IDLC Securities Limited, IDLC Investments Limited, IDLC Asset Management Limited
	• any qualifications arising from the assurance, and the nature of the relationship between the organization and the assurance providers		None

Glossary

Terms

Terms	Meaning
Accrual Basis	Recognizing the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.
Amortization	Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life.
Cash Basis	Recognizing the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.
Cash Equivalents	Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.
Consolidated Financial Statements	Financial Statements of a Group presented as those of a single Company.
Depreciation	Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to net profit or loss for the period either directly or indirectly.
Executions	Advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Fair Value	Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	A lease that transfers substantially all the risk and rewards incident to ownership of the asset to the lessee. Title may or may not eventually be transferred.
Gross Dividend	The proportion of profit distributed to shareholders inclusive of tax withheld.
Gross Portfolio	Total rental receivable of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Intangible Asset	An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
Interest Cost	The sum of monies accrued and payable to the sources of borrowed working capital.
Interest in Suspense	Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.
Investment Property	Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.
Lease	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Non-controlling interest (Minority Interest)	Part of the net results of operations and of net assets of a subsidiary attributable to interests who are not owned, directly or indirectly through subsidiaries, by the parent.
Net Portfolio	Total rental receivable excluding interest of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Non-Performing Portfolio	Facilities granted to clients which are in default for more than the period recommended by Bangladesh Bank.
Paid up Capital	All amounts received by the Company or due and payable to the Company (a) in respect of the issue of shares (b) in respect of calls on shares.
Provision	Amounts set aside against possible losses on net receivable of facilities granted to clients, as a result of them becoming partly or wholly uncollectible.
Related Parties	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.
Related Party Transactions	A transfer of resources or obligations between related parties, regardless of whether a price is charged.

Terms	Meaning
Segmental Analysis	Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.
Shareholders' Funds (Equity)	Total of issued and fully paid ordinary share capital and reserves.
Subsidiary Company	Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another Company known as the parent.
Value Addition	Value of wealth created by providing leasing and other related services considering the cost of providing such services.

Ratios

Ratio	Method of computation	Indication
Cost to Income Ratio	Operating expenses excluding provision for bad and doubtful debts as a percentage of total operating income, net of interest cost.	Efficiency of cost management in generating income.
Debt to Equity (Gearing) Ratio	Total debts divided by equity.	The extent to which debt contributes to fund total assets, compared to the contribution from equity.
Dividend Cover	Profit attributable to ordinary shareholders divided by gross dividends of ordinary shares.	Number of times dividend is covered by current year's distributable profits.
Dividend Per Share (DPS)	Value of the dividend proposed and paid out to ordinary shareholders divided by the number of ordinary shares in issue.	Share of current year's dividend distributable to an ordinary share in issue.
Earnings Per Share (EPS)	Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.	Share of current year's earnings attributable to an ordinary share in issue.
Interest Cover	Earnings before interest and tax divided by interest charges.	Ability to cover or service interest charges of the debt holders.
Market Capitalization	No. of ordinary shares in issue multiplied by market value of a share.	Total market value of all ordinary shares in issue.
Net Asset Value per Ordinary Share	Ordinary shareholders' funds divided by the number of ordinary shares in issue.	Book value of ordinary shares.
Non-Performing Facilities Ratio	Total gross non-performing portfolio divided by total gross portfolio.	Percentage of total gross non-performing portfolio against the total gross portfolio.
Price Earning Ratio (PER Ratio)	Market price of a share divided by Earnings Per Share (EPS).	Number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.
Return on Assets (ROA)	Net profits expressed as a percentage of average total assets.	Overall effectiveness in generating profits with available assets; earning power of invested total capital.
Return on Equity (ROE)	Net profit, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' funds.	Earning power on shareholders' book value of investment (equity).

IDLC's Presence

IDLC Finance Limited

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AMAR STOCK

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IDLC Finance Limited
financing happiness

33rd 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 33rd Annual General Meeting of the Company to be held on March 29, 2018 (Thursday) and at any adjournment thereof.

Signed this day of March 2018		
Signature	Revenue Stamp of BDT 20	Signature
Name :		Name :
(Proxy)		(Member)
		Folio/BO ID No

NOTE :

a) This form of proxy, duly completed, must be deposited at least 72 hours before the meeting at the Company's registered office. Proxy is invalid if not signed and stamped as explained above.

b) Signature of the shareholders should agree with the specimen signature registered with the Company and Depository Register.

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IDLC Finance Limited
financing happiness

33rd Annual General Meeting

ATTENDANCE SLIP

I hereby record my attendance at the **33rd 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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AMAR STOCK

nymphea | www.nymphea-bd.com