CHANGING LANDSCAPE IN GROWING ECONOMY

Annual Report 2016



Union Capital Limited

Building a sustainable future

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AMAR STOCK

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GROUP PROFILE

Sketch UCL's operational sphere

UCL is a financial services group operating in Bangladesh. UCL Group has two principal subsidiaries: UniCap Securities Limited and UniCap Investments Limited. Both the subsidiaries are providing capital market services while UCL is a non-banking financial institution that provides a comprehensive financial services. UCL's ordinary shares are traded on both the Dhaka and Chittagong Stock Exchange since 2007.

UCL and its subsidiaries constitute one of the largest financial groups, which began its activities more than 18 years ago. UCL's predecessor, Peregrine Capital Limited was established in 1988 based in Hong kong. UCL is involved in a variety of financial and non-banking activities in Bangladesh. UCL operates through its 8 branch offices located in Dhaka, Chittagong, Sylhet, Gazipur, Narsingdi and Bogra along with its subsidiaries namely UniCap Securities Ltd. and UniCap Investments Ltd. UCL's policy is to provide its customers with comprehensive financial solutions, high-level professional services, and a wide variety of products adapted to each customer's needs. To implement its strategy, UCL operates through different business lines, with each business line providing financial services to a particular customer segment: Corporate Financial Services including leasing and term finance to SMEs and large enterprises of different sectors, Capital Market Services include issue management, share trading and portfolio management through its subsidiaries and Retail Customer Services include deposit schemes and personal lending. UCL is a publicly traded company listed on both the Dhaka and Chittagong Stock Exchange. UCL is a highly focused business with strong management and a clearly defined business plan creating value and delivering shareholder return from core operating business. UCL is a diversified company that creates value and delivers shareholder returns from core operating business. Our focus, core competency and competitive advantage is driven by our team's depth of knowledge, experience and hands-on expertise.

THE GROUP SERVICES

- Different deposit schemes
- Corporate and SME finance
- Investors portfolio management
- IPO and rights issue management
- Corporate advisory services
- Margin loan for investment in securities
- Share trading for retail and corporate investors

BUSINESS CLUSTERS

- Union Capital Limited (NBFI)
- UniCap Securities Limited (a member of DSE and CSE)
- UniCap Investments Limited (Full fledged merchant bank)

BUSINESS FOCUS

- Local Market
- Access to major areas of investment services
- Building strong investment portfolio
- Deliver legendary customer

EXPERIENCES

- Be an extraordinary place to work
- Operate with excellence
- Take only risks that we understand and can manage
- Enhance our brand image
- Increase shareholder value

BUSINESS LOCATION

- Registered office in Dhaka
- Major operating centres in Dhaka
- Branch network in Dhaka, Chittagong, Sylhet, Gazipur, Narsingdi and Bogra.

UCL's policy is to provide its customers with comprehensive financial solutions, high-level professional services, and a wide variety of products adapted to each customer's needs.

CORPORATE FRAMEWORK

Outlines Vision, Mission, Strategy and Guiding Principles

UCL Group's framework outlines our Vision, Mission and Strategy along with our Guiding Principles and expectations of leaders. It outlines in a simple way who we are, what we stand for and how we get things done. It's easy for employees to understand and incorporate in their day-to-day work. Most importantly, it applies to everyone at UCL Group.

VISION

To become a leading and sustainable financial institution providing integrated financial services that reflects its principles and values by aligning with our mission giving special focus on enhancing value for all stakeholders through excellence in performance and good governance.

MISSION

To be the best run, customer-focused and integrated financial institution with a unique and inclusive employee culture. We are committed to returning superior value to our Stakeholders through leadership in innovation, an absolute focus on customers and operational excellence.

STRATEGY

Based on our vision, we have chosen to give priority to our overall strategic objectives that create the foundation for strong growth and focuse on continuous value enhancement.

We follow our guiding principles to:

- Deliver legendary customer experience;
- Be an extraordinary place of work;
- Operate with excellence;
- Understand our business;
- Take only the risks we understand and can manage;
- Enhance our brand image;
- Increase shareholders' value.

Our leaders expect to:

- Make a positive impact;
- Build for the future;
- Inspire the 'will to win';
- Work effectively in teams;
- Live transparency;
- Show excellent judgement;
- Demonstrate unwavering integrity.

We have a clear vision and deliverable strategy underpinned by our values ...which provide the opportunity to generate excellent return.

AMMAR STOCK

OUR VISION

the overall aspiration of the business that sets out what we want to be



Our vision is to become a leading and sustainable financial institution providing integrated financial services that reflects its principles and values by aligning with our mission giving special focus on enhancing value through our continuing efforts to provide higher lavels of products quality and customer service with excellence in performance and good governance for our stakeholders.

OUR SHAREHOLDERS

Maximizing shareholders' wealth by achieving superior performance

OUR EMPLOYEES

Providing a safe and supportive working environment for our employees

OUR ENVIRONMENT

Protecting our environment and benefitting the community where we do business

OUR CUSTOMERS

Developing strong and mutual beneficial relationships by working closely with our customers

OUR COMMUNITY

Be good citizens supporting community initiatives in health, education, arts and socio-economic development

OUR MISSION

the overall purpose of the business that sets out how we are going to achieve our vision

Our mission is to be the best run, customer-focused and integrated financial institution with a unique and inclusive employee culture. We are committed to returning superior value to our stakeholders. We will achieve this through leadership in innovation, an absolute focus on customers and operational excellence.

We are committed to returning superior value to our stakeholders. We will achieve this through leadership in innovation, an absolute focus on customers and operational excellence, while costs need to be at least in line with our competitors.

SHAREHOLDERS

Increase corporate value and generate shareholder benefit through constant growth, profit generation and employee commitment to excellence

CUSTOMERS

Provide the most preferred products and services to customers by offering values that exceed customers expectation. We believe our customers' success determines our future

EMPLOYEES

Strive to have high-performing corporate structure and ensure the employees to work with winning spirit and excitement having vision and pride in their mind

COMMUNITY

Contribute to the community development maintaining high ethical standards, obey all laws, and respect local customs

ENVIRONMENT

Be an environmentally-responsible company working together with all stakeholders to reduce environmental impact by embedding the environment into our business and involving our employees, customers and the community



GOALS

General statements of what business intends to achieve



UCL's operations are governed not only by the Company's business concept, but also by the financial goals established with regard to growth, profitability and return. By achieving or exceeding these goals, UCL creates the necessary scope for its continued development, as well as generating increased value for its shareholders in the form of an annual dividend and by boosting the value of the Company.

Growth

Grow revenue faster than the market. Build on good performance in improving cash flow. Execute well and with predictability. The goal is to have an average annual investment growth rate of at least 30 percent that was established based on the company's growth over a period of three years and an assessment of its future prospects.

Profitability

The goal is to have an operating margin (EBIT) of 30 percent measured over a business cycle. The profitability goal was established based on historical margins and the company's growth ambitions.

Investments

The benchmark value states that as a provider of financial services, UCL should make significant investments in operating assets and human resource that will generate value by improving the operating performance and provide the best return.

Capital utilization

The goal is to have a return on capital employed of at least 10 percent. This level was set taking into account the relatively low level of capital tied up in non-operating assets.

Debt/equity ratio

In the long term, the debt/equity ratio, meaning the fund UCL borrows in relation to the carrying amount of shareholders' equity, is to be less than eight percent. Although the ratio may exceed this level in connection with aggressive investment activities, this should be viewed as merely temporary, since deposits, surplus of operating cash flow and earnings are expected to offset this effect.

Sustainability goals

In addition to its financial goals, UCL has a number of non-financial goals, including a reduction in paper consumption, increased energy efficiency, and a reduction in greenhouse gas emissions. We want to make a positive impact through partnership, initiatives and supporting the charitable efforts in our community.

Cash flow from operating activities

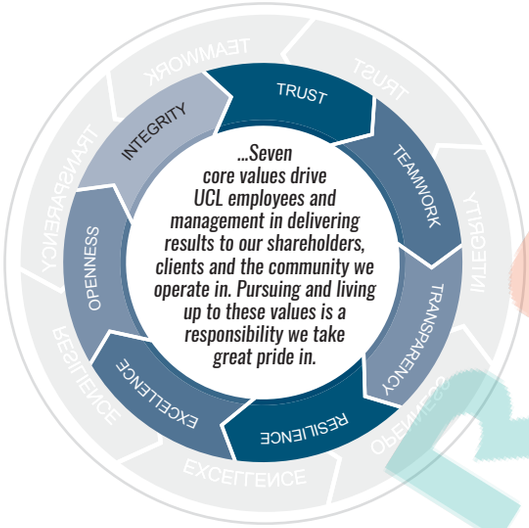
Cash flow from operating activities is amounting to 30 percent of operational revenue. This value is lower than the goal for the operating margin, since organic growth normally requires an increase in borrowings. In addition, taxes are paid in an amount corresponding to approximately 40 percent of earnings before tax.

...Very good is not good enough, excellence is our goal.

CORE VALUES

The basis of our success that sets out what we collectively believe in and guide our behaviours

Our values highlight what is important to us, what makes us distinctive and what it's like to work at UCL. They describe how we do things when we are at our best. We believe our strength is rooted in our seven core values. They determine the way in which we interpret and respond to business opportunities and challenges. They shape the culture and define the character of our company. They guide how we behave and make decisions.



INTEGRITY

We act with integrity. We act consistently based on a set of values, ethical standards and principles. We conduct all our activities with fairness, honesty and integrity.

TRUST

We work diligently to build a deeper level of trust with our clients and fund providers through appropriate investment ideas and value added services.

TEAMWORK

We create a caring, engaged and enabled work environment that recognizes both individual and team contributions in pursuit of high performance. We believe that a good team in an entrepreneurial environment results in achieving UCL's vision.

TRANSPARENCY

We are focused on the highest level of transparency providing timely and accurate information about company's performance and financial results to meet the stakeholders' expectation.

RESILIENCE

We welcome a challenge; we show strength of character, remain positive, even when things are tough; we see difficulty as an opportunity to demonstrate our ability.

EXCELLENCE

We aspire to achieve excellence in all that we do. We deliver what we promise and add value beyond expectations. We pursue continued growth and strive to achieve the highest levels of performance in all endeavors.

OPENNESS

We are open, honest and fair in what we say and do and accountable to all including the community for our actions and inactions.

...Our values and standards are the basis of our success. They always have been. They always will be. They shape the culture and define the character of our company. They guide how we behave and make decisions.

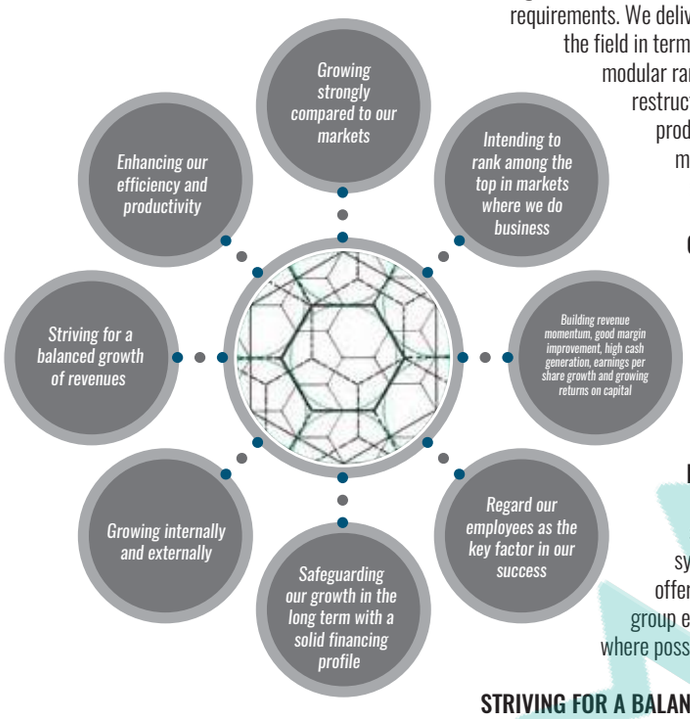
STRATEGIC OBJECTIVES

More precise and detailed statements of the goals

Our strategic objectives are a medium term step in the journey towards the vision what we are doing over the next few years. We will build on our core regulated business based on financial discipline to deliver sustainable growth and superior financial performance. Based on our vision, we have chosen to give priority to the following overall strategic objectives that create the foundation for strong growth and focus on continuous value enhancement.

INTENDING TO RANK AMONG THE TOP IN MARKETS WHERE WE DO BUSINESS

We offer leading services in the fields of financial markets. Our products facilitate solving both short term and long-term funding requirements. We deliver innovative solutions to cater customers' diverse needs for our services. Our services lead the field in terms of quality and sophistication. In the area of capital market operations, we offer a broad, modular range of products – with well-engineered components like corporate re-engineering, capital restructuring, exploring diverse funding sources, etc. the constant, ongoing development of our products in our selected markets, leasing, term finance, SME finance, real estate finance and issue management, underwriting, portfolio management, share trading and corporate advisory services through subsidiaries helps us to rank among the leading financial institutions.



GROWING STRONGLY COMPARED TO OUR MARKETS

Our strength in innovation, our market expertise, our focus on the constantly rising level of quality portfolio and our gearing towards SME markets shall allow us to achieve targeted revenue in the coming years. Assuming no further crashes in capital market, we anticipate considerable growth in revenue in coming years, even with a relatively small rise in macro economic indicators. Our growth course will be buoyed by the rising demand among the customers for our products and services.

ENHANCING OUR EFFICIENCY AND PRODUCTIVITY

In recent times, we have made our presence even more efficient and productive providing services more in the areas that give better return. We will continue to pursue this policy systematically. the interaction of our growth, efficiency and productivity orientation allows us to offer competitive price always expected by our customers. Our cost discipline throughout the group extends across all stages of operations more particularly in the areas of fund mobilization and where possible, we utilize multi-sourcing and secure our volumes in the long term.

STRIVING FOR A BALANCED GROWTH OF REVENUES

In our two pillars – the financing operations and the capital market operations – we have a stable footing that should protect us from the cyclical fluctuations of the financial markets. this is why we are aiming to generate major revenue directly from financing activities and adequate amount from capital market operations in the medium term. Today, the share of revenue from financing activities is still higher than capital market. We are pursuing three strategic directions in this regard: Firstly, we are investing specifically in the SME sector and large industries having good repayment track record and strong cash flow management; Secondly, we are actively increasing our endeavors in managing our investment portfolio with the objective of minimizing the NPL at a threshold level; thirdly, we are boosting our business with customer-specific solutions. More importance will be attached to the growth of SME financing in this regard.

... We deliver innovative solutions to cater customers' diverse needs for our services. Our services lead the field in terms of quality and sophistication. In the area of capital market operations, we offer a broad, modular range of products – with well-engineered components like corporate reengineering, fund re-structuring, exploring diverse funding sources, etc.

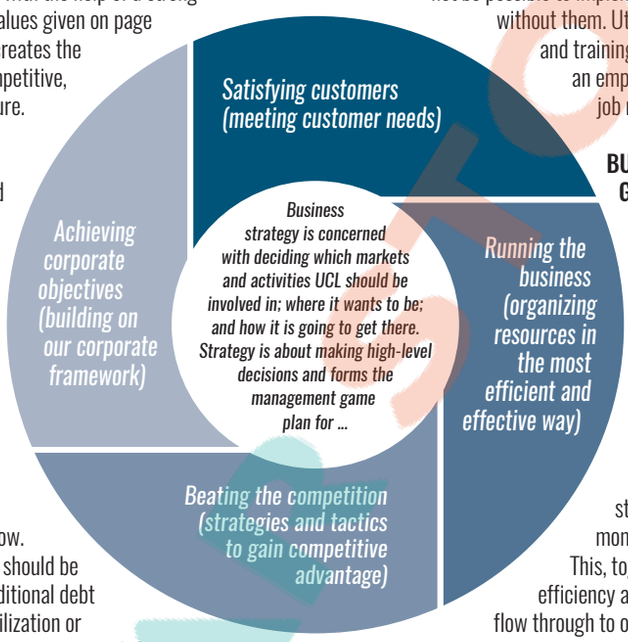
... As an integrated financial service provider, UCL Group operates in a dynamic market environment characterized by high pressure in terms of competition, innovation and costs. We counter this pressure foresightedly with our corporate strategy.

GROWING INTERNALLY AND EXTERNALLY

UCL has been growing organically and has also successfully integrated with its subsidiaries namely UniCap Securities Limited and UniCap Investments Limited. UCL operates as one family and pursues common goals with the help of a strong identity based on the values given on page 11 of this report, that creates the requirements for a competitive, high-performance culture. Our proven ability to achieve internal and external growth will aid our development in the future as well.

SAFEGUARDING OUR GROWTH IN THE LONG TERM WITH A SOLID FINANCING PROFILE

Our goal is to ensure that ongoing investment requirements are financed from the operating cash flow. Other investment projects should be financed from new and additional debt to achieve a constant stabilization or improvement in the UCL's costs of capital. Owing in particular to our current investment climate and the effects of the lingering liquidity problem on the financial markets as well, we are pursuing the target of maintaining the gearing ratio at a realistic level. If justified by special financing reasons or special market circumstances, we can rise above this level for an appropriate period.



REGARD OUR EMPLOYEES AS THE KEY FACTOR IN OUR SUCCESS

As an innovative company that plays a leading role in quality, the expertise of our employees is of enormous importance as it would not be possible to implement this strategy successfully without them. Utilizing comprehensive promotion and training activities, we strive to be seen as an employer of choice at all levels on the job market.

BUILDING REVENUE MOMENTUM, GOOD MARGIN IMPROVEMENT, HIGH CASH GENERATION, EARNINGS PER SHARE GROWTH AND GROWING RETURNS ON CAPITAL

We are well positioned in markets with attractive long-term growth prospects sustained by the continuing demand for financial services. We have a clear investment led growth strategy focused on building revenue momentum across all our businesses. This, together with improvements in cost efficiency and organizational effectiveness, will flow through to operating profitability and cash flow.

We are well positioned in markets with attractive long-term growth prospects sustained by the continuing demand for financial services. We have a clear investment led growth strategy focused on building revenue momentum across all our businesses.

BUSINESS PRINCIPLES

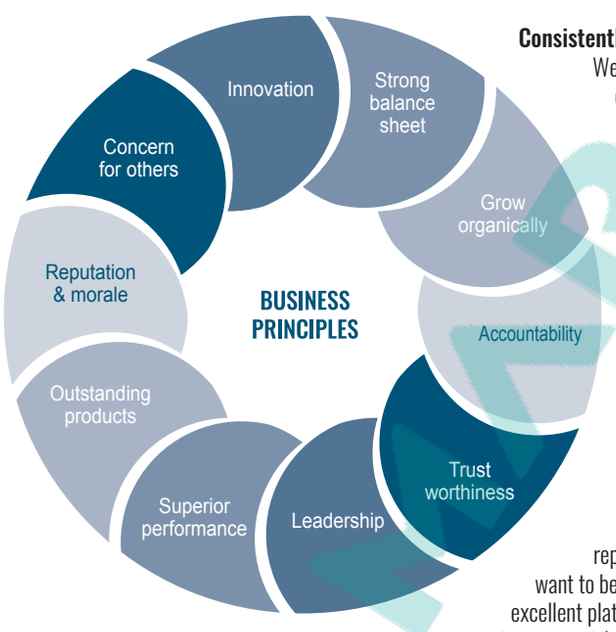
the roadmap on how UCL operates and why we make our decision

Certain principles are so fundamental to our success that we would like to follow in every business we operate. If we can adhere to these principles – and they are not in order of importance – we will reach our goal of becoming the best financial services provider in Bangladesh. We also hope those give us a roadmap on how and why we make our decisions. We would like to create a financial group that all can be proud of, and we are confident that, working together, we will build one of the best financial services companies in Bangladesh.

ASPIRE TO BE THE BEST

Grow organically providing superior services in every business we operate

To be a great Company must have the ability to deliver good returns and solid growth over time. To achieve these results, we must provide our customers with a broad, complete and quality products and services. We must also demonstrate our ability to grow organically (e.g., new products, gaining marketshare).



Consistently delivering the best products in a cost effective way

We must offer outstanding products and services and being helpful, courteous, quick and consistent follow up in the customer's best interest. We need to be keenly aware of the competitive landscape and quick to act. We must exceed customers' expectations and constantly make it easier for them to do business with us.

innovate in all actions we take

We need to build forward-looking ideas into every conversation, every analysis and every new product we look at for that we will take some calculated risks, knowing that some may fail.

Create strong brands that carry a commitment of quality and integrity

UCL Group is not only a promise to customers, but also a commitment we make to ourselves about who we are and just how good we want to be. This commitment goes well beyond creating a name. To be powerful and trusted, our brands must be brought to life by the people who represent them for which we need to deliver on the promise every day. We want to be one of the best financial services providers in Bangladesh. Because of our excellent platform, we believe this is within our reach. We cannot promise specific outcomes or riskfree results. What we can and will promise is to share the truth, and offer honest assessments of our businesses and our prospects; act with integrity and honor; do the right thing so that our shareholders, employees, customers and community can be proud.

EXECUTE MAGNIFICENTLY

Maintain strong financial discipline

Financial discipline is foundation of great companies, particularly financial companies. Financial discipline – including sound accounting standards, transparent public reporting and great management information systems – leads to high-quality earnings that are recurring and predictable in nature; yields high returns on capital; produces good margins; and provides reasonable risk relative to the capital deployed. Financial discipline must be matched with superior–risk management. If we properly manage risk, we should get a good return through the cycle, not just during the good times. It is a trade-off we will always be prepared to make.

... We cannot promise specific outcomes or risk-free results. What we can and will promise is to share the truth, and offer honest assessments of our businesses and our prospects; act with integrity and honor; do the right thing so that our shareholders, employees, customers and the community can be proud.

Create and maintain a strong financial condition

A strong balance sheet is critical to managing successful business. Having appropriate reserves, strong capital ratios and strong credit ratings allows us to withstand difficult events while giving us the flexibility to deploy our capital as we see fit – such as increasing our dividends, taking sectoral exposure, investing in subsidiaries, investing in our businesses, or simply doing nothing. We will deploy our capital wisely and in the shareholders' best interest. this is one of our most important goals.

To build a strong balance sheet, we must thoroughly understand all our assets and liabilities; make sure that we use sound, and appropriate accounting; and have strong controls in place.

Maintain the best systems and operations

Financially stong companies consistently build and develop the best infrastructure. The best systems and operations give them the ability to meet the needs of customers and exceed their expectations for service. Superior performance requires spending more and getting more from every amount we spend. We must relentlessly focus on integrating and upgrading technology, and on aggressively consolidating, streamlining and standardizing our operations, all of which help to push decision-making and authority to the field. We believe that efficient operations will be critical in the financial services business, and therefore we need to embrace and integrate them into everything we do. We need to continually strive to give our customers more, better and faster.

Eliminate bureaucracy

While appropriate rules and procedures are critical to the control and discipline of an entity, unnecessary rules translate into bureaucracy, which destroys initiative, neutralizes passion, stifles creativity, eliminates accountability, and makes it hard for people to do a good job and for managers to manage well.

Maintain good governance practices and internal controls

Good governance is vital for effective management. It ties together all our businesses we do with a common set of rules, expectations and oversight activities. these help safeguard our reputation, which we believe is one of our most important assets, and align the company's performance with the best interests of our shareholders.

Measure performance through a balanced scorecard

A mark of a winning company is its ability to outperform its competitors, regardless of economic conditions. A company may improve profitability in the short run by taking on additional risk and cutting back on investments but it may be the kind of growth one comes to regret. Our commitment is to build UCL Group that can thrive in any environment.

To reach that level of performance requires using a balanced scorecard that goes beyond earnings to address many questions, such as:

- Are we recruiting and developing talented people?
- Are we innovating better products?
- Are we relentlessly improving our core processes?
- Are we making good returns on capital?

As important as strategy is, we have got to execute to win. Execution involves every employee and every contact we have with customers. We must act quickly on problems; drive for results, not just activities; and ensure detailed follow-up so that we meet our commitments.

BUILD A GREAT AND WINNING CULTURE

Operate with the highest standards of integrity

Ethical behavior does not just happen rather it needs to be cultivated and repeatedly affirmed throughout the organization. Maintaining the highest standards of integrity involves being honest and doing the right thing for our customers, employees, shareholders and all other partners.

...Business principles are so fundamental to the success that we would like to follow in every business we operate. If we can adhere to those principles we will reach our goal of becoming one of the best financial services provider in Bangladesh.

Train and retain great people

We need to continually hire and train talents. they always drive for superior performance, building teamwork within and across our group business. they act quickly on tough issues, relentlessly strive to improve performance, demonstrate a passion to win and develop their colleagues.

Be open and honest with ourselves, our colleagues, our shareholders and our community.

We must build a culture based on truth, knowledge, constructive debate, a passion to win, and the courage to face and fix mistakes. Our responsibility is to create a company that promotes this kind of constructive exchange. We believe this is the hardest part of leadership – we must have the fortitude and courage to take action and do the right thing. Leadership is an honor and a privilege, and carries the responsibility to set the right example.

All our employees must be engaged in facing the challenges and solving problems. the key is to never stop learning, to share ideas and always acknowledge mistakes. Our commitment is to create a selfsustaining culture that strives for continual improvement, which will ensure the health of this company in the coming years.

Fair share of performance

We want employees to think and act like owners and partners. We want to offer them an appropriate share of financial performance.

A successful Company always provides people with competitive compensation, the opportunity to benefit as the company grows and a rewarding career path.

Foster an environment of respect and inclusiveness

We need to constantly remind ourselves that the most important thing we can do for employees is to build a healthy and vibrant company that treats people with respect and creates opportunity. We have to remember that we all support one another. Above all, it means doing what is right for the company and the customers.

We strive to create a more inclusive work environment that develops the best talent. Building a diverse and inclusive work environment requires effort and perseverance, which is why we will make inclusiveness and diversity an integral part of how we manage the Group.

Give back to our society

We believe that building a strong and vibrant company, will eventually benefit not only our shareholders, but everyone we touch. It is what enables us to give back to our community. In one sense, we view ourselves as a small business. But we are striving to be as supportive as we can. We are committed to adding value by focusing on issues that are universally important, including education and community development.

Our greatest source of pride, however, is our employees, who contribute a good amount of time and talent to worthwhile causes of the society. Our employees continue to volunteer their participation in community work.

Eventually, it all comes down to people. Creating a winning team and a self-sustaining culture takes hard work, and there is no substitute for it. Teams win because they are disciplined, they work well together, they execute consistently and they have a passion to win.

We follow our guiding principles to:

- Deliver legendary customer experiences;
- Be and extraordinary place of work;
- Operate with excellance;
- Understand our business;
- Take only risk we unerstand and can manage;
- Enhance our brand;
- Increase shareholders' value

...As important as strategy is, we have got to execute to win. Execution involves every employee and every contact we have with customers. We must act quickly on problems; drive for results, not just activities; and ensure detailed follow-up so that we meet our commitments.

ETHICAL PRINCIPLES

The qualities of virtue, truth and justice that guides our decision making

the Company is committed to conducting business on the basis of morality and to create added value to its shareholders and also to put unwavering efforts to ensure that all stakeholders are fairly treated. It is the duty and responsibility of all Directors, Executives and staffs presence to faithfully follow the Business Ethics and comply with the policies and practices stated in this Code of Conduct. the Company's ultimate goal is to achieve its business objectives for the benefit of all stakeholders.

ETHICAL RESPONSIBILITIES TO THE CUSTOMERS

- We always think from the customers' point of view.
- We treat our customers with care and courtesy, and accommodate customer complaints and suggestions with humility.
- We safeguard customer assets.
- We avoid unfair dealing with customers.
- We do not accept gifts or entertainment from customers.
- Illicit monetary dealing with customers is not tolerated for whatever reason.
- Management of customer assets is, in principle, done only with customer consent.
- Customer assets must not be used for the benefit of the Company, directors or employees.
- We handle customers' personal and financial information as required by law.

ETHICAL RESPONSIBILITIES TO THE SHAREHOLDERS

- We provide long-term, stable return to shareholders through sensible investment and prudent management.
- We prepare and retain financial records in accordance with BFRS and applicable rules, and provide company information to shareholders accurately and fairly.

ETHICAL RESPONSIBILITIES TO THE SOCIETY

- We comply with all applicable laws, rules, and regulations, and uphold the highest standard of business ethics and business principles.
- We compete fairly, relying on the merits of our products and services.
- We refrain from unreasonable business practices and create new standards for competition, to promote healthy growth of the industry.

ETHICAL RESPONSIBILITIES TO THE COMPANY

- We respect the dignity and rights of each other.
- We are a family committed to common values.
- Supervisors, subordinates, and co-workers all must work to build mutual trust and respect.
- Supervisors must not take advantage of their position to give unjust orders or demand gifts from subordinates. Any kind of harassment in the workplace is not tolerated.
- We safeguard corporate property.
- We safeguard company's tangible and intangible assets.
- Company's assets must not be used for personal gain, and all reasonable measures must be taken to keep business information secure.

ETHICAL RESPONSIBILITIES TO THE PROFESSION

- We maintain professional competence and keep abreast of cutting edge information and knowledge, continually developing professional and financial expertise.
- We fulfill our fiduciary duty to customers, and faithfully do our part as members of UCL Group.

...Behaving in an ethical manner can create positive business results. A business environment that promotes and upholds strong values is usually a happier and more productive workplace, and customers receive good service so they keep coming back.

PRODUCTS & SERVICES

The strength of diversity

Across our business group, we offer a complete range of financial services to help clients achieve their goals. We provide strategic advice, lend money, raise capital, help manage funds and extend supports, and hold leadership positions in all of our major business areas. As a full service financial institution, UCL Group offers tailored product and services to meet appropriate and diverse needs of our customers, which include:

FINANCING AND INVESTMENT PRODUCTS

- Lease Finance
- Term Finance
- SME Finance
- Project Finance
- Corporate Finance
- Syndication Finance
- Apartment Finance
- Bridge Finance
- Car Finance
- Student Finance
- Professionals Loan
- Venture Capital
- Real Estate Finance
- Unsecured Personal Loan
- New Entrepreneur Finance
- Women Entrepreneur Finance
- Construction & Renovation Finance

DEPOSIT PRODUCTS

- Fixed term Deposit
- Monthly Income Deposit
- Periodic Income Deposit
- Double Money Deposit
- Triple Money Deposit
- Cumulative Income Deposit
- Millionaire Plus (MPlus)
- Marriage Deposit
- Monthly Saving Scheme (MSS)
- Profit First Deposit
- Home Planning Deposit
- Education Deposit
- Women Entrepreneur Deposit
- Widow / Senior Citizen Deposit

CAPITAL MARKET SERVICES

- IPO Management
- Rights Issue Management
- Underwriting
- Portfolio Management
- Margin Loan
- Pre-IPO Placement
- Share trading
- Investment Management
- Corporate Restructuring
- Corporate Advisory Services
- Equity Investment
- Fund Raising

AMARSTOCK

Business Review

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Statement from the Chairman



I am extending my heartfelt and gracious welcome to all our esteemed shareholders to the 19th Annual General Meeting of Union Capital Limited ("UCL") on behalf of the Board of Directors. I feel greatly honored and privileged in taking this opportunity to report to our valued shareholders and present before you the Annual Report for the financial year ending on 31st December, 2016 along with the Auditors' report for the year.

Despite the decrease in the country's private sector credit growth (in contrast to recent years) coupled with an overall rise of non-performing loans in banking industry, UCL continued to make strong progress towards attaining sustainable business growth in 2016. Some of the highlights of UCL's financial performances are as follows:

- Net profit before tax for 2016 was BDT. 493.42 million, which is 1.83 percent higher than that of the previous year. The net profit after tax in 2016 was BDT. 258.42 million registering a growth of 10.36 percent over that of the previous year.
- The overall investment portfolio of the Company increased by 9.33 percent, which was made possible by the relentless efforts of the management. The Board and Management exercised highest level of diligence and scrutiny prior to approving any investment. Like before, I would like to assure in the strongest possible terms that investment growth has not come at the cost of compromising on our asset quality.
- Despite overall increase of bad loans in the banking industry, aggregate percentage of non-performing loans almost remained unchanged in comparison to the previous year.
- The Consolidated Earnings Per Share (EPS) stood at BDT. 1.44 in the FY 2016 registering 9.92 % growth over the last year's Earnings Per Share (EPS) of BDT. 1.31. Union Capital Limited is growing moderately keeping pace with the growth of NBFI sector in spite of stiff competition from local and foreign Banks.

The achievements for the year have been possible due to the hard work of all our employees led by UCL's Managing Director, Md. Mahmudul Alam. I would also like to acknowledge the valuable contributions of Mr. Wali Ul Islam in the significant improvement in the performance of our brokerage subsidiary, Unicap Securities Limited. I have always believed that our employees are at the heart of UCL's sustainable growth. My appreciation goes to all employees of the UCL Group who in their own way, are shaping the UCL's future.

I am proud to announce that UCL was conferred a number of awards and recognitions in home and abroad, namely:

1. Merit awards by South Asian Federation of Accountants (SAFA) in the Financial Services Sector category of SAFA countries for best Published Annual Reports 2015.
2. Third prize by Institute of Chartered Accountants of Bangladesh (ICAB) for best Published Annual Reports 2015.
3. Silver award by Institute of Chartered Secretaries of Bangladesh (ICSB) for corporate governance excellence in the year 2015.

Such recognition(s) stand as a testament of UCL's continued commitment to excellence in financial and corporate disclosure and good governance. UCL's corporate reporting practices have continued to evolve keeping pace with the ever-increasing expectations of investors for greater transparency.

I would like to express my sincerest appreciation to our respected Board Members for their continued stewardship and strategic guidance. I thank them for their commitment towards UCL and for giving their time generously over and beyond scheduled Board discussions. I would like to welcome Mr. Md. Fayekuzzaman, who joined the board of directors on 28th December, 2016 as an Independent Director. Mr. Fayekuzzaman's wealth of experience in the financial and capital market of Bangladesh, will significantly add value to the Board's role in taking UCL forward in the coming days.

I take this opportunity to thank our regulators, Bangladesh Bank, Bangladesh Securities and Exchange Commission and the Stock Exchanges for their continued guidance and support extended to us.

I conclude by reiterating my appreciation to all the shareholders of the Company who have taken the time and effort to attend the Annual General Meeting in person. The suggestions, advice and constructive criticism offered by our shareholders at the general meeting have always proved to be immensely helpful. I eagerly look forward to receiving your thoughtful inputs at this 19th Annual General Meeting which will contribute towards UCL's continued growth in the coming days.

sd/-

Chowdhury Tanzim Karim
Chairman

Letter from the Managing Director & CEO



It is indeed a great pleasure for me to present the Annual Report of UCL for the year 2016 before you all. Macro-economic perspective indicates that Bangladesh is making progress in various socio-economic indices. Bangladesh has made a remarkable progress in GDP growth, harnessing the inflation, foreign exchange reserve, industrial growth, per capita GDP growth and so on. On a broader outlook, the year 2016 was another challenging period for the Non-banking Financial Institutions (NBFI). The interest rate continued downward trend due to liquidity in the money market mainly due to easy flow of foreign loans to the Corporate Sector of Bangladesh. As a result, the Banks also started entering the market segment of NBFI sector. Due to lower cost of fund of the Banks, they offered lower interest rate to the Customers of NBFI sector. As a result , we had to face immense pressure from the customers for rate reduction which resulted stiff market competition and reduced margin for the sector.

Industry sector growth in FY2015-16 picked up11.09 percent from 9.67 percent in FY2014-15, mainly attributed by the increase in mining and quarrying sector, manufacturing sector, electricity, gas and water supply sector. The growth of mining and quarrying sector was recorded 12.84 percent in FY 2015-16, from 9.60 percent in FY 2014-15. The capital market ended 2016 with hope and aspiration, as the index recorded an almost 9 percent gain in the course of the year. A consistent rally, especially in the last two months of the year, enabled the key index of the premier bourse to stay above the 5,000 points level, yielding an 8.91 percent return for this year. Inspite of all odds we could maintain our growth by improving our fundamentals, focusing our main stream of business, strengthening our recovery efforts and acquisition of new business. UCL has business growth despite the challenges by concentrating its business efforts by acquiring new customers, improving services quality, concerted efforts of the management, support of the Board of Directors, regulators and other stakeholders.

The operational income of the company increased from BDT. 801.65 million to BDT. 996.04 million which is 24.24% higher than previous year. The net profit after tax increased to BDT. 258.42 million from BDT. 234.15 million of the previous year which shows an increase of 10.36 % over last year's net profit after tax . UCL is growing moderately keeping pace with the growth of NBFI industry. A glimpse of UCL's performance against the NBFI industry for the year 2016 is given below:

Particulars	NBFI industry growth	UCL's growth
Total assets growth	10.10%	13.75%
Total deposit growth	10.50%	11.29%
Loan, lease and advance growth	11.20%	9.33%
Asset quality (NPL ratio)	9.05%	8.48%

We have surpassed the industry parameters almost in all aspects of our business operations.

We value our customer satisfaction and continue our efforts to provide them the required services as per their need. We continued strengthening our operation system for better services delivery to the customers and maintain sustainable growth for the company. Since process development is a continuous process we shall continue the same to increase the productivity of the employees for increased profitability and maintain sustainable growth for the future.

Having the right people with the right skills and relentless efforts are critical to the successful implementation of our strategy. We always value the power of talented employee, train them for enhancement of their knowledge and improve the leadership quality to lead the company for maintaining sustainable growth and achievement of the goal of the company. We will continue our investment in technology and human capital to cope with the future challenges. We are maintaining a compliance culture to eliminate deviations in regards to regulations of Bangladesh bank, laws of the land and industry best practices to safeguard the interest of the Company and its shareholders. We are streamlining the work flow of the functional units in order to achieve planned growth and consolidation of business. In view of further strengthen our company and enhance its long term liquidity position, we have decided to issue subordinated bonds amounting to BDT 2,500 million for long term. To enhance profitability of the Company and higher returns on its assets we have given more emphasis on non-funded business and increase fee based income. To ensure steady inflow of funds we have been consistently putting emphasis for increasing deposit Portfolio. In recognition of quality of annual report, transparency, ethical practices, true compliance, good corporate governance, fair disclosures and a great team work, Union Capital limited received awards from ICSB, ICAB and SAFA in the year 2016.

We have a good team of professionals who have been involved in the delivery of quality and value added services to our customers. Our challenge now is to inspire our people and enhance quality manpower with a vision to become the leader of financial sector of the Country by catering the needs of our market and provide the best services to our Stakeholders. We are consistently building the right culture and developing our people's capabilities to deliver superior value to our clients, shareholders, employees and other Stakeholders of the society.

Considering the current political and economic scenario, we expect that business conditions will remain stable, but NBFIs will face increased competition in the coming years. We will continue our best effort to maintain our growth. More emphasis will be given to enhance the efficiency of branch offices to capitalize the business opportunity in the area and provide the best services to the client.

As always, I would like to thank our customers, the Ministry of Finance, Policy Makers, BB, BSEC, DSE, CSE, RJSC, other regulatory authorities, the shareholders, print & electronics media, the Board of Directors and at last but not the least all fellow colleagues of Union Capital Limited as well the Subsidiaries for their valuable support, advice and guidance extended in achieving the company's goal

sd/-

Mahmudul Alam
Managing Director & CEO

MANAGEMENT REVIEW & FINANCIAL ANALYSIS

Outlines UCL's operations and financial condition

The Managing Director & CEO and the Chief Financial Officer have signed a statement which can be found on page 85 outlining management's responsibility for financial information in the annual consolidated financial statements.

This report describes UCL's operations and financial condition for the year ended 31 December 2016. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2016. Unless otherwise indicated, all amounts are stated in Bangladesh Taka and have been derived from financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Circulars issued by Bangladesh Bank, the Securities and Exchange Rules 1987, the Companies Act 1994 and other applicable regulatory requirements.

Certain prior year data has been reclassified to conform to the current year's presentation, including restatements arising from transaction of certain businesses between subsidiaries.

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24 who we are provides an overview of UCL Financial Group.
24 our strategy and priorities outline our strategy and the context in which it is developed, as well as our priorities.
25 Caution regarding forward-looking statements advises readers about the limitations and inherent risks and uncertainties of forward looking statements.
25 factors that may affect future results outline certain industry and company- specific factors that investors should consider when assessing UCL's earnings prospects. accounting matters and disclosure and internal control review critical accounting estimates and changes in accounting policies in 2015 and for future periods. It also outlines our evaluation of disclosure controls and procedures and internal control over financial reporting.
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Who We Are

Established in 1998, Union Capital Limited Financial Group is a diversified financial service provider based in Dhaka. UCL has operations in both the principal segments of financial market: capital market and financing & investment activities. Together with its principal subsidiaries, UniCap Securities Limited and UniCap Investments Limited, UCL Group offers a wide range of complementary investment products like term/lease finance, SME finance, real estate finance, equity finance, etc. brokerage services, issue management, underwriting, portfolio management and corporate advisory services. UCL has 8 offices located in Dhaka, Chittagong, Sylhet, Gazipur, Bogra and Narshingdi. UCL is a publicly traded Company listed in both the Dhaka and Chittagong Stock Exchange. UCL's business planning process is rigorous and considers the prevailing economic conditions, customers' growing needs and the opportunities available across our lines of business. It includes clear and direct accountability for annual performance that is measured against internal and external benchmarks and progress towards our strategic priorities.

Our Strategy

Changes in the economic environment and their effects on our customers are ongoing. UCL focuses on helping its customers and giving them confidence that they are making the right financial choices. It also drives the employees to deliver their best in all endeavors. Recognizing that a company's first responsibility is to be well managed, we believe that the strength of our business model, balance sheet, risk management framework and leadership team will continue to generate sustainable growth. We remain steadfastly committed to our strategy, our customers, our shareholders, regulators, lenders and the society as a whole which we operate in.

Our Priorities in 2017

- Drive quality earnings growth across all of our businesses by focusing on industry leading customer experience and enhancing operating efficiency;
- Accelerate the growth of our businesses by helping our broad range of customers' needs, both corporate and SME segment, particularly the unexplored niche addressing environmental risk while making new business relationships;
- Build deeper customers' relationships to deliver growth in net income and strong ROE, while maintaining an appropriate

risk/return profile;

- Develop our businesses in selected markets to grow with our customers;
- Expand our capabilities and reach new customers, particularly environmentally sustainable projects;
- Sustain a culture that focuses on customers, high performance and our people;
- Become the employer of choice.

Caution regarding forward-looking statements

Our communications often include written or oral forward-looking statements. Statements of this type are included in this Annual Report, or in other communications are regarded as forward-looking statements. Forward-looking statements may involve, but not limited to, comments with respect to our objectives and priorities for 2017 and beyond.

Forward-looking Statement

Such forward looking statements may include, without limitation, statements relating to the following:

- our strategies, objectives, goals or business plans;
- our future economic performance or prospects;
- the probable effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this Annual Report not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward looking statements.

These factors include the followings but not limited to:

- general economic and market conditions of Bangladesh;
- strength of the regional and global economy;
- degree of competition in the business areas in which we operate;
- changes in laws or in supervisory regulations, guidelines including additional capital requirements, strict monitoring about interest rate and liquidity requirements and guidance;
- accuracy and completeness of the information we obtain with respect to our customers;
- changes to our credit ratings;
- general political environment;
- performance of our capital market;
- ability to maintain sufficient liquidity;
- ability to repay the liabilities as and when they fall due;
- market and interest rate fluctuations and interest rate levels;
- the ability of customers to meet their obligations to us;
- the effects of, and changes in fiscal, monetary and tax policies;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the effects of changes in accounting policies or practices;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand image;
- the ability to increase market share and control expenses;
- ability to adopt technological changes;
- compliance with legal and regulatory requirements and
- our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our actual performance.

For more information, please see the discussion below, which outlines in detail certain key factors that may affect our future results. When relying on forward-looking statements to make decisions with respect to UCL, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. UCL does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the Company or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the period ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Factors That May Affect Future Results

As noted in the preceding caution regarding forward-looking statements, all forward- looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The report on risk management starting on page 116 describes a number of risks, including credit, market, liquidity and funding, operational, legal and regulatory, business, strategic, reputation and environmental. Should our risk management framework prove ineffective, there could be a material adverse impact on our financial position. The followings outline some additional risks and uncertainties:

Company's business and earnings are affected by general business and political conditions

The performance of UCL is influenced by economic conditions prevailing in the country as well as global economy. Downturn in economies could result in a general reduction in business activity and a consequent fall in income of our Company. It could also cause a slow recovery of our investments. Political instability also affects our earnings.

The financial performance of the Company is affected by customers' credibility

Risks arising from changes in portfolio quality and the recoverability of loans/leases are inherent in a wide range of our business. Adverse change in portfolio quality of our customers or deterioration in economies of Bangladesh and even global economic conditions, or events arising from systematic risks could affect the recoverability and value of Company's investments. This would deteriorate the asset quality as well as reduce earnings and require an increase in the provision for doubtful losses resulting in lower profitability.

Changes in interest rates and other market factors may affect our business

Changes in interest rate levels, yield curves and spreads may affect our interest income. The performance of financial markets, monetary and fiscal policy may cause changes in the value of Company's investments and portfolios. UCL has implemented risk management systems to mitigate and control these risks and other market risks to which the Company is exposed. However, it is difficult to predict with accuracy the likely changes in economic and market conditions and to anticipate the effects that such changes could have on the company's financial performance and business operations.

Operational risks are inherent in Company's business

Our businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational losses can results from fraud, errors by employees, failure to document transaction properly, failure to comply with regulatory requirements and code of business conduct and inadequacy in design of policies, procedures including ineffective implementation of those policies and procedures. Although, UCL has implemented risk controls and loss mitigation actions and substantial resources are devoted to developing efficient procedures and to staff training. It is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by our company.

Each of the Company's business is subject to stringent regulations and regulatory overseeing

The Company is subject to laws, regulations and guidelines issued by Bangladesh Bank, Bangladesh Securities and Exchange Commission, the Companies Act 1994, the Financial Institution Act 1993, the Income Tax Ordinance 1984, other applicable laws and regulations. Our capital market activities are also monitored by Stock Exchanges. This supervision and regulation, if changed could materially affect Company's business, the products and services offered or the value of assets.

Future growth of Company's earnings and shareholders' value depend on strategic decisions

The Company devotes substantial management and planning resources to the development of strategic plans for organic growth. If these strategic plans do not meet with success, the Company's earnings could grow more slowly or decline.

The risk of litigation is inherent in Company's operation

In the ordinary course of the Company's business, legal actions, claims by and against the Company may arise. The outcome of such legal proceedings could materially affect the financial performance of the Company.

The Company is exposed to the risk of changes in tax legislation and its interpretation

The Company's activities are subject to tax at various rates. Actions by the Government to withdraw any tax benefit or impose additional taxes would affect the profitability of the Company. Revisions to tax legislation or its interpretation might also affect Company's results in future.

A description on specific risks that UCL may likely to face is given in the last part of this section.

Changes in Accounting Policies, Estimates and BAS/BFRS

We did not adopt any new significant accounting policies during the year 2016. The following standards, interpretations and amendments thereto will be relevant to UCL Group. The Group's initial view of the impact of these accounting changes is outlined below:

Pronouncement	Nature of change	Effective date	Impact
Amendment to IFRS 4: Insurance Contracts	IASB issued an amendment to IFRS 4 Insurance Contracts to address concerns about the different effective dates of IFRS 9 and the new insurance contracts Standard that will replace IFRS 4.	Financial periods beginning on or after 1 January 2021	The Group is assessing the impact of adopting the amended.
Amendments to IFRS 2: Share based Payment.	The amendment will provide change the classification and measurement of share based payment transactions.	Financial periods beginning on or after 1 January 2018	The Group is assessing the impact of adopting the amended
Amendments to IFRS 15: Revenue from Contracts with Customers.	The amendments add clarifications in identifying performance obligations; Principal versus agent considerations; and Licensing application guidance.	Financial periods beginning on or after 1 January 2018	The Group is assessing the impact of adopting the amended
Amendments to IAS 12: Recognition of Deferred Tax Assets for unrealized losses	The amendments clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.	Financial periods beginning on or after 1 January 2017	The Group is assessing the impact of adopting the amended
Amendments to IAS 7: Statement of Cash Flows	The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities.	Financial periods beginning on or after 1 January 2017	The Group is assessing the impact of adopting the amended
New IFRS 16 : Leases	The new Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance.	Financial periods beginning on or after 1 January 2019	The Group is assessing the impact of adopting the amended

Disclosure on Control Procedures and Internal Control over Financial Reporting

Disclosure on Control Procedures

Disclosure on control procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Managing Director & CEO and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure on control procedures was conducted as at 31 December 2016 by UCL Management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that as at 31 December 2016, our disclosure on control procedures are adequate, appropriate and effective both in terms of design, implementation and monitoring.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with BAS/BFRS and the requirements of Bangladesh Bank and Bangladesh Securities and Exchange Commission, the Company Act 1994 and other applicable laws and regulations.

Management is responsible for designing, establishing and maintaining adequate internal control systems over financial reporting for UCL Financial Group. UCL's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposal of the assets of UCL;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with BAS/BFRS and the requirements of Bangladesh Bank, Bangladesh Securities and Exchange Commission, Companies Act, as applicable, and that receipts and expenditures of UCL are being made only in accordance with authorization by management and Board of Directors of UCL; and
- provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposal of UCL's assets that could have a material effect on the financial position as described in the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all sorts of misstatements.

The Management, under the supervision of the CEO, the CFO and Head of ICC has evaluated the effectiveness of our internal control over financial reporting using the framework and criteria established in Internal Control. Based on this evaluation, management has concluded that internal control over financial reporting was appropriate and effective as at 31 December 2016.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The ongoing preparation of financial statements in accordance with the amendments in BASs/BFRSs did not change the Company's internal control over financial reporting.

Auditors services and fees

The external auditors of UCL, S. F. Ahmed & Co., Chartered Accountants were not engaged to perform any of the following services other than annual statutory audit of the company and the audit of its subsidiaries namely, UniCap Securities Limited and UniCap Investments Limited:

- 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;
- Internal audit services.
- Audit/certification services on compliance of corporate governance
- Any other service that the Audit Committee determines.

The auditors are paid an amount of Tk. 1,65,000 net of VAT for their audit of Union Capital Limited.

2016 Financial performance and financial condition review

Challenges faced in 2016

- Increased competition;
- Reduction in interest rates environment;
- Volatile capital market;
- Low demand for industrial credit;
- Lack of confidence of investors;
- Maintenance of asset quality;
- Take over of loan by other bank/FIs
- Higher corporate tax rate.

Major Financial indicators of 2016

Major performance indicators in 2016 were as under:

- Investment of the Group increased to Tk. 18,713.12 million from Tk. 17,264.85 million registering a moderate growth of 8.38 percent;
- Consolidated net profit for the year was Tk. 258.42 million as against Tk. 234.15 million of 2015 with a moderate growth of 10.36 percent;
- Customers deposits registered a moderate growth of 11.29 percent to Tk. 13,131.22 million from Tk. 11,798.93 million of 2015;
- Shareholders' equity increased to Tk. 2,532.83 million from Tk. 2,493.93 million of 2015 with noteworthy growth of 1.56 percent;
- Total operating income increased to Tk. 996.04 million from Tk. 801.65 million with a noteworthy growth of 24.25 percent compared to previous year. This was mainly due to moderate increase in loan/lease portfolio, regularization of stuck up accounts and vigorous monitoring of regular customers and improvement in capital markets;
- Consolidated profit before tax increased to Tk. 493.42 million from 484.56 million registering a moderate growth of 1.83 percent compared to prior year.
- Consolidated earnings per share increased to Tk. 1.44 as against Tk. 1.31 of 2015.

Operating performance Review

Summary of Profit and Loss Account

(Figures in million Taka)

For the year ended 31 December	2016	2015	% of increase/ (decrease)
Revenue from loans, advances and leases	1,933.12	2,057.08	(6.03)
Revenue from Capital Market activities	70.29	(100.80)	169.73
Fee based income	232.40	162.52	43.00
Other operating income	53.00	26.80	97.72
Total revenue	**2,288.81**	**2,145.60**	**6.67**

(Figures in million Taka)

For the year ended 31 December	2016	2015	% of increase/ (decrease)
Financial expenses	1,292.77	1,343.95	(3.81)
Management expenses	248.59	211.45	17.56
Provision for doubtful losses & investments	254.03	105.63	140.49
Total expenses	**1,795.39**	**1,661.03**	**8.09**
Profit before tax	493.42	484.56	1.83
Provision for taxation	235.00	250.42	(6.16)
Net profit after tax	**258.42**	**234.15**	**10.36**

Revenue from loans, advances and leases

The following table shows the income generated from loans, advances and leases:

(Figures in million Taka)

	2016		2015	
	Amount	%	Amount	%
Income from lease finance	182.69	9.45	306.59	14.90
Income from term finance	783.48	40.53	719.84	34.99
Income from SME finance	256.27	13.26	368.69	17.92
Income from margin loan	624.00	32.28	630.71	30.66
Income from others	86.68	4.48	31.25	1.52
Total	**1,933.12**	**100.00**	**2,057.08**	**100**

A substantial portion of Company's revenue is earned from financing activities like lease finance, term finance, SME finance and margin loan. Earnings from loans, advances and leases represent 84.46 percent of total revenue earned by the Company during 2016 (2015: 95.87 percent).

Operating Expenses

Figure in million Taka

For the year ended 31 December	2016	2015	% of increase/ (decrease)
Financial expenses	1,292.77	1,343.95	(3.81)
Management expenses	248.59	211.45	17.56
Provision for doubtful losses	254.03	105.63	140.49
Total expenses	**1,795.39**	**1,661.03**	**8.09**

Financial expenses

In 2016 financial expenses have decreased by 3.81 percent mainly due to fall of interest rate on customer deposits. UCL pays interest on funds mobilized from different sources like deposits from individuals and institutions, loan from banks/FIs, call loan and security deposits from customers. Interest rates vary depending on the nature and tenure of sources of funds. Interest expenses consist of 72.00 percent of total expenses (2015: 80.91 percent). In 2016 financial expenses was 56.48 percent of total revenue (2015: 62.64 percent). The ratio of financial expenses decreased in 2016 mainly due to fall of interest rate on customer deposits.

Management expenses

Management expenses include salaries and allowances, office rent, promotional expenses, office maintenance expenses, depreciation on fixed assets, legal and professional fee etc. Details of the expenses are given in the Notes to the Financial Statements of this Annual Report. Management expenses increased by 17.56 percent to Tk. 248.59 million in 2016 (2015: Tk. 211.45 million) mainly due to increase in salary and allowances for new head count, office rent for branches and office maintenance expenses. During 2016, management expense was 10.86 percent of total revenue as against 9.86 percent in 2015.

Provision for doubtful losses

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission. During the year total provision of Tk. 254.03 million has been provided compared to Tk. 105.63 million in 2015.

Financial Condition Review

(Figures in million Taka except percentage)

Assets and Investments	2016	2015	% of increase/ (decrease)
Loans, advances and leases	17,103.76	15,644.02	9.33
Investment in securities	1,609.36	1,620.83	(0.71)
Fixed assets	35.78	29.25	22.32
Cash & cash equivalent	2,009.07	1,206.98	66.45
Other assets	2,294.62	1,764.66	30.03
Total assets and investments	**23,052.59**	**20,265.74**	**13.75**

Shareholders' equity and liabilities	2016	2015	% of increase/ (decrease)
Shareholders' equity	2,532.83	2,493.93	1.56
Deposits	13,131.22	11,798.79	11.29
Borrowings from banks and NBFIs	3,419.36	1,650.56	107.16
Provisions and others liabilities	3,969.18	4,322.46	(8.17)
Total shareholders' equity & liabilities	**23,052.59**	**20,265.74**	**13.75**

Loans, advances and leases

Total outstanding balance of loans, advances and leases as at 31 December 2016 was Tk. 17,103.76 million which is 9.33 percent higher than that of Tk.15,644.02 million in 2015.

Outstanding balance of loans, advances and leases as on 31 December 2016 and 2015 was as under:

(Figures in million Taka except percentage

	2016		2015	
	Amount	%	Amount	%
Lease finance	1,962.72	11.48	2,392.84	15.30
Term finance	9,168.91	53.61	7,474.50	47.78
Margin loan	5,917.78	34.60	5,731.47	36.64
Other finance	54.35	0.32	45.21	0.29
Total	**17,103.76**	**100.00**	**15,644.02**	**100.00**

In 2016, our total loans, advances and leases increased by 9.33 percent compared to 2015 mainly due to increase in term loans. In 2016 we focused more on acquisition of new quality loan/leases both in SME and corporate segments maintaining the quality of present portfolio with a special drive on recovery of slow moving and stuck up lone/leases. Management has always been trying to concentrate on adding quality investments in its portfolio rather than achieving high target of business volume, keeping in mind the importance of the same for the financial institution.

Liquidity Statement

Maturity of assets and liabilities has been determined as per agreements with our customers and fund providers. Management always maintains long-term and short-term strategy to address the probable liquidity gap properly.

The Company meets its funding requirements through its prudent assets and liability management. Liability structuring is made in such a way so that it matches with the tenure of asset structure. Liquidity is monitored continuously to ensure the company's ability to support investment growth, deposit encashment, meet contractual obligations, maintain reserve requirements and sustain operations. Union Capital maintains its liquidity in the form of readily encashable deposits with banks/FIs, collection of rentals/installments and investment in listed securities.

On the other hand, in order to meet company's urgent requirement UCL can, on the basis of its net assets, borrow significant amount in the form of call money, which is another point of liquidity support as far as fund management is concerned. Based on the equity as of 31 December 2016, UCL can borrow from call money market to the tune of Tk. 726.56 million. A statement of liquidity profile is sent to Bangladesh Bank on monthly basis. Management, however, believes that the company's present position is adequate to meet its current and future liquidity requirements. Maturity analysis indicates that the company maintains reasonable maturity gap between assets & liabilities in case of one year maturity buckets as well as above one year maturity buckets. Given below is the maturity table of investment activities:

Maturity Pattern of Loans, advances and leases

Figure in million BDT

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Lease finance	50.00	254.29	419.91	1180.00	58.52	1,962.72
Term finance	80.21	406.15	1,752.77	6,082.49	847.29	9,168.91
Margin loan	112.16	358.51	1,607.85	3,358.88	480.38	5,917.78
Other finance	5.34	10.78	11.41	17.94	8.88	54.35
Total	**247.71**	**1029.73**	**3791.94**	**10639.31**	**1395.07**	**17,103.76**

Maturity table of borrowings and other liabilities are given below:

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Bank loan	36.72	235.46	489.64	2,015.28	25.30	2,802.40
Fund from Bangladesh Bank	26.00	72.00	270.00	248.65	-	616.65
Short term loan	0.30	-	-	-	-	0.30
Deposits & Other accounts	173.70	713.67	3,018.52	8,274.92	950.42	13,131.23
Total	**236.72**	**1021.13**	**3778.16**	**10,539.00**	**975.72**	**16,550.58**

Investment in shares

Union Capital Limited invested in diversified listed securities with highest investment in manufacturing companies representing 86.13 percent of total investment followed by Fuel & power companies (7.11 percent) and Bank companies (3.61 percent). UCL is exposed to market risk since it has a significant amount of investment in capital market and the fluctuation in the share price is a regular phenomenon of this market. We minimize this risk through diversified investment mostly in fundamentally strong securities. The market value of the securities at 31 December 2016 was Tk. 436.46 million (2015:Tk. 534.46 million). The following table shows the concentration of investment in major sectors of listed securities as at 31 December 2016 and 2015:

(Figures in million Taka except percentage

	2016		2015	
	Amount	%	Amount	%
Bank companies	16.52	3.61	1.21	0.22
Insurance companies	14.38	3.15	14.38	2.56
Fuel and power	32.50	7.11	3.08	0.55
Manufacturing companies and others	393.72	86.13	544.12	96.68
Total	457.12	100.00	562.79	100.00

Performance of Capital Market

We have performed better in 2016 than 2015 in our capital market activities though it was not as we expected at the beginning of the year. All areas of this segment was effected mostly due to sluggish market throughout the 3rd quarter of the year resulted from many factors including political instability, lack of investors' confidence, liquidity problem, lack of co-ordinations among the regulators etc.

In 2016, DSE Broad Index DSEX gained 8.91%. Over 2016, the DSEX gained 412.03 points, closed at 5,036.05. DSEX reached its highest at 5,036.05 on December 29, 2016. In comparison to other developed capital markets, our velocity ratio is lower, showing that the DSE has room to grow and has leveraged on the opportunities available as reflected by the improvements achieved in the last few years.

The DSE 30 Index (DS30) which comprises of the BLUE-Chip stocks clocked at its highest point at 1,810.91 on December 29, 2016 while the lowest level of DS30 was recorded at 1,599.23 on May 2, 2016 and the year end closing was 1,810.91

NBFI sector also followed the overall market as evidenced by its around 5.64 percent shared in total capitalization. In line with the overall market and NBFI sector, market price of Union Capital Limited started its journey on January 03, 2016 with the price of Tk. 14.30 in DSE and closed at Tk. 20.50 on 29 December 2016. The highest price was recorded at Tk. 20.50 on December 29, 2016 and the lowest was Tk. 10.50 on August 31, 2016.

Following table shows the capital market picture of DSE for the last four years:

	2013	2014	2015	2016	Change % (2015 Vs 2016)
Total Trading Days	238	238	244	241	(1.23)
Total Turnover value (BDT in Billion)	952.74	1188.52	1,031.40	1,191.57	15.53
Daily Average Turnover value (BDT million)	4,003.12	4,003.12	4,227.04	4,944.28	16.97
Market Capitalization (BDT in Billion)	2,648	2,648	3,159.76	3,412.44	8.00
Total Number of Listed Securities	529	546	559	560	0.08
Total Newly Listed Securities	**14**	**14**	**17**	**7**	**(58.82)**

Non-performing loans, advances & leases (NPL)

Loans, advances & leases are classified as non-performing when it is marked as substandard category or worse. Bangladesh Bank's guidelines are strictly followed for determining the classification of loans, advances and leases. Interest accrued against overdue rental/installments of classified loans, advances and leases are not taken into profit and loss account rather kept in interest suspense account.

Moreover, interest accrued against overdue rentals of loans, advances and leases falling under the category of 'Special Mention Account (SMA)' account are also transferred to interest suspense account instead of crediting the same to profit and loss account as per Bangladesh Bank's guidelines.

Non-performing loan/leases of Union Capital Limited as of 31 December 2016 and 2015 was as follows:

(Figures in million Taka except percentage)

	2016			2015		
	Outstanding	NPL	NPL %	Outstanding	NPL	NPL %
Corporate loan/lease	14,290.40	972.04	5.93	12,141.52	806.23	5.59
SME loan/lease	2,075.67	411.63	2.51	2,242.99	406.69	2.82
Other finance	33.11	-	-	45.21	-	-
Total	**16,399.17**	**1,383.67**	**8.44**	**14,429.72**	**1,212.92**	**8.41**

Rate of non-performing loans, advances and leases was 8.44 percent in 2016 as against 8.41 percent of 2015. Adequate provision has been made against the classified loan accounts as per Bangladesh Bank guidelines. UCL's recovery policy is in place and there has been a rigorous monitoring process to recover the classified loan/lease including litigation. The Management has been continuously following up the status of litigation and possible outcomes in liaison with external and internal lawyers on order to strengthen recovery.

Coverage/reserve against non-performing loans, advances and leases

The following table summarizes the allocation of the provision and interest suspense against loans, advances and leases of Union Capital Limited as of 31 December 2016 and 2015:

(Figure in million Taka)

	2016					2015				
	Provision for NPL	Interest suspense	Total	NPL	% of coverage	Provision for NPL	Interest suspense	Total	NPL	% of Coverage
Lease finance	129.79	85.68	215.47	550.51	39.14	91.18	80	171.18	425.09	40.27
Term finance	158.53	92.99	251.52	833.16	30.19	189.79	120.25	310.04	787.83	39.35
Real estate finance	-	-	-	-	-	-	-	-	-	-
Margin loan	-	-	-	-	-	-	-	-	-	-
Loan against deposit	-	-	-	-	-	-	-	-	-	-
Total	**288.32**	**178.67**	**466.99**	**1,383.67**	**33.75**	**280.97**	**200.25**	**481.22**	**1,212.92**	**39.67**

Union Capital has maintained total provision of Tk. 480.63 million against loans, advances and leases as of 31 December 2016 compared to Tk. 433.85 million of last year. Provision against classified loan has increased by 2.62 percent compared to 2015. Management's periodic evaluation of the adequacy of the provision is based on the companies past experience, known and inherent risk in the portfolio, adverse situations that may affect the clients' ability to repay and current economic conditions. Management has also taken the qualitative aspects while classifying an account.

We always adhere to the principle of classification as guided by Bangladesh Bank for making interest suspense and provisioning against loans, advances and leases. Interest amount is transferred to interest suspense account rather than showing as income in the profit & loss account when installments fall overdue for 3 months or more, in case of loan/lease with tenure of less or equal 5 years and 6 months or more, in case of loan/lease with maturity of more than 5 years. Base for provision is made after deducting interest suspense and value of eligible security (considered 50 percent of market value of the security in case of mortgage of land, building and 50 percent of face value or 50 percent of market value, whichever is lower, in case of shares and 100 percent against cash security) from outstanding amount of a particular loan, advance and lease. Rate of provision for loans, advances and leases classified as Sub-standard, Doubtful and Bad & Loss is 20 percent, 50 percent and 100 percent respectively.

Coverage ratio of loans, advances and leases decreased. As at 31 December 2016 coverage was 33.75 percent compared to 39.67 percent of 2015. We believe coverage is satisfactory as the company maintain adequate provision as per guidelines of Bangladesh Bank.

Management has taken adequate measures to reduce the rate of classified loans, advances and leases by regular monitoring, examining, appraising, evaluating the position/status of the classified clients/customers. Appropriate legal action has been taken where necessary against the classified loan accounts where prospect of recovery from the customer through negotiation and amicable settlement is uncertain. Moreover, formation of internal monitoring and recovery committee for effective monitoring and follow-up of problem accounts are the initiatives for improving recovery situation.

Credit Monitoring Function

A continuous monitoring of loan/leases is one of the most important tools for ensuring the quality of advances assets for any lending institution. UCL too has a well-established system of monthly monitoring of its loans, advances and leases accounts at various levels to prevent asset quality slippages and to take timely corrective steps to improve the quality of its overall portfolio. At UCL, a separate department, Special Asset Management (SAM) under the direct supervision of the Managing Director & CEO for monitoring function at the corporate level, has been functional. UCL has placed special focus on sharpening of the credit monitoring process for improving the asset quality, identifying the areas of concern and the branches requiring special attention. It has also worked out strategies to ensure implementation in a time-bound manner. The primary objectives of UCL's Special Asset Management Department at the corporate level are fixed as under:

- Identification of weakness/potential default/ incipient sickness in the account at an early stage;
- Initiation of suitable and timely corrective actions for preventing impairment in credit quality, whenever signals are noticed in any account, e.g. decline in credit rating, delay in

servicing of rentals/installments etc;

- Prevention of slippage in the asset classification through a vigorous follow up;
- Identification of suitable cases for restructuring / rescheduling;
- Taking necessary steps/regular follow up, for review of accounts and compliance of terms and conditions, thereby improving the quality of UCL's portfolio;
- Regular monitoring progress of classified accounts.

Shareholders' Equity and Capital

Capital Management

Objective

UCL is committed to a disciplined approach to capital management that balances the interests and requirements of shareholders, regulators, depositors and rating agencies. Our objective is to maintain a strong capital position in a cost-effective structure that:

- is appropriate subject to our target regulatory capital ratios and internal assessment of required capital;
- is consistent with our targeted credit ratings;
- underpins our business strategies;
- is in line with our growth potentials; and
- builds depositors' confidence and long-term shareholder value.

Capital Management Framework

The principal and key elements of UCL's capital management framework are outlined in our capital management policy which includes the results of the internal capital adequacy assessment process.

This process evaluates capital adequacy, and is used to establish capital targets and capital strategies that take into consideration the strategic direction of the Company. The internal capital adequacy assessment process and capital plan are developed in conjunction with UCL's annual business plan, promoting alignment between our business and risk strategies, regulatory capital requirements. Stress testing framework and scenario analysis are also used to assess the impact of various stress conditions on UCL's risk profile and capital requirements. The framework seeks to ensure that we are adequately capitalized given the risks we take, and supports the determination of limits, goals and performance measures that are used to manage balance sheet positions, risk levels and capital requirements. Assessments of actual and forecast capital adequacy are compared to the capital plan throughout the year.

UCL uses regulatory capital as the basis for strategic and transactional decision-making. This approach aims to protect our stakeholders from the risks inherent in our various businesses, while still allowing the flexibility to deploy resources to the high-return, strategic growth activities of our operational areas.

Governance

The Board of Directors and the Risk Management Committee provide ultimate oversight and approval of capital management, including our capital management policy and capital plan. We regularly review our capital position, capital adequacy and key capital management activities. The Risk Management Committee provides senior management oversight and also reviews and discusses capital policies, issues and action items that arise in the execution of our strategy.

2016 Regulatory Capital Review

Regulatory capital requirements for UCL are currently determined on the basis of guidelines of 'Capital Adequacy and Market Disciplines (CAMD), commonly known as Basel II accord issued by Bangladesh Bank. UCL's capital adequacy is determined based on risk weighted assets (RWA) in our portfolio. UCL's total consolidated RWA were Tk. 22,963.90 million at 31 December 2016, whereas Tk. 20,029.98 million in 2015. The table below provides a breakdown of our RWA by risk type.

Risk-Weighted Assets (Consolidated)

Figure in million Taka

As at 31 December	2016	2015
Credit risk	18,864.61	18,295.84
Market risk	2,756.26	1,068.92
Operational risk	1,343.03	665.23
Total RWA	**22,963.90**	**20,029.99**

Basel II Regulatory Capital (Consolidated)

Figure in million Taka

As at 31 December	2016	2015
Tier 1 Capital	2,065.86	1,891.90
Tier 2 Capital	686.82	779.71
Total regulatory capital	2,752.68	2,671.61

The above table details the components of regulatory capital. Tier 1 capital is primarily comprised of paid up share capital, and reserves and surplus. Our shareholders' equity and Tier 1 capital were Tk.2,065.86 million as at 31 December 2016 compared to that of last year with a steady growth of 9.19 percent.

Total capital includes Tier 1 and Tier 2 capital, net of certain deductions. Tier 2 capital is primarily comprised of subordinated debt and a portion of the general provision for credit losses. UCL does not have any subordinated debt. Total regulatory capital as of 31 December 2016 was Tk. 2,752.68 million.

Our objective is to maintain strong capital ratios that exceed regulatory requirements. The Equity Ratio, Tier 1 Capital Ratio and Total Capital Ratio are key measures of capital adequacy, and all remained adequate in 2016.

The Equity Ratio and the Basel II Tier 1 Capital Ratio, Tier 2 Capital Ratio, Total Capital Ratio and Capital to Assets multiple are the primary capital measurements. The ratios are as under:

As at 31 December	2016	2015
Tier 1 Capital Ratio	9.00	9.45
Tier 2 Capital Ratio	2.99	3.89
Total Capital Ratio	11.99	13.34
Capital to Assets multiple	1.20	1.33

The Equity Ratio reflects shareholders' equity divided by RWA.
The Tier 1 Capital Ratio reflects Tier 1 capital divided by RWA.
The Total Capital Ratio reflects total capital divided by RWA.
Total Capital Ratio of Union Capital Limited was 11.99 percent against the minimum capital adequacy ratio of 10 percent as per Bangladesh Bank guidelines. Therefore, the Company has surplus capital of 1.99 percent over the minimum rate of regulatory capital as per Basel II accord.

Borrowings from banks and financial institutions

Total outstanding loan from banks and other financial institutions as at 31 December 2016 was Tk. 3,419.36 million compared to

Tk. Tk. 2,815.30 million in 2015. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2016, a total loan of Tk. 1,620.00 million was taken from the banks and financial institutions and Tk. 886.06 million was repaid.

Union Capital has been enjoying credit facility from Bangladesh Bank for SME financing, women entrepreneur finance and received JICA fund under the refinancing scheme. During 2016 UCL received loan of Tk. 213.37 million from Bangladesh Bank under re-finance scheme.

Treasury Operation

In order to minimize the asset-liability mismatch, UCL always strives for mobilizing funds for longer term perspective. In the current money market scenario it is difficult to mobilize deposit for a period of more than 12 months. For that reason, we need to borrow a large portion of our fund from banking sources which is of course a costlier source of fund. During the year 2016, an amount of Tk. 10,118.02 million has been received as term deposits from various sources which was Tk. 9,112.59 million in 2015. As at 31 December 2016, total outstanding amount of term deposit was Tk.12,314.84 million compared to Tk. 10,712.75 million in 2015. Interest amounting to TK. 1,213.98 million was paid during the year 2016 as against Tk. 1,299.58 million in 2015. The Company offers different deposit products which is available on page 18.

Cash Flows analysis

Union capital prepares its cash flow statement in line with the format prescribed by Bangladesh Bank. We manage our cash flow preparing statement for different maturity period i.e. within 7 days, 2 weeks, 1-12 months, between 1-3 years, 3-5 years, 5-10 years, 10-15 years, 15-20 years as per the situation demands.

A considerable portion of our total assets representing 15.70 percent is liquid in nature and consists mainly of cash and balance with various banks and financial institutions and investment in listed securities. The highly liquid nature of our assets provides us with flexibility in financing and managing our anticipated operating needs. The company's asset and liability management policy is intended to manage Balance Sheet Risk, especially for managing of liquidity risk and interest rate risk. We manage the risk of re-pricing the interest earning assets and interest-bearing liabilities though in some cases it is difficult to re-price the loans, advances and leases. The Company is always maintaining the CRR and SLR as prescribed by Bangladesh Bank.

Cash flow from operating activities
Union Capital maintained a positive net cash flow from its operating activities during the year 2016. Positive net cash flows from operating activities signify that UCL Group generates sufficient cash flow from its operating activities to meet its operating expenses. Net cash inflows from operating activities was Tk. 438.92 million due to a significant amount of deposit collected from banks and financial institutions as well as recovery from NPL portfolios.

Cash flow from investing activities

Net cash used in investing activities were Tk. 11.89 million mainly due to purchase of listed securities. During the year, a total amount of Tk. 788.37 million (2015:Tk. 4,836.93 million) has been invested for purchase of listed securities while total sale of securities was Tk. 796.16 million (2015:Tk. 4,603.44 million). Moreover, UCL invested Tk. 19.84 million in acquisition of fixed assets for its branches as well as newly recruited employees.

Cash flow from financing activities

Net cash flow from financing activities shows a net cash inflow that means the money borrowed from banks and financial institutions was more than the money repaid to banks and financial institutions. During the year a total amount Tk. 2,253.37 million was borrowed as fresh loans from banks and financial institutions while an amount of Tk. 1,375.66 million was repaid to banks and financial institutions.

Specific Risk and its Management

Compliance risk

Regulatory risk

This is the risk whereby the procedures implemented by UCL to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are insufficient and ineffective.

Impact on business

Non-compliance with regulatory risk could result in significant financial loss, impairment of shareholders' funds and/ or outright closure of business occasioned by sanction/fine on UCL, or loss/ suspension of banking license by the regulatory bodies.

Mitigation measures

Proactive implementation of UCL's sound compliance programme that ensures compliance by all stakeholders with relevant laws and regulations. This includes continuous update of UCL's policy guidelines as well as training of employees to understand regulatory obligations and the consequence of non-compliance.

Reputational risk

This is the risk whereby UCL might be exposed to negative publicity due to the contravention of applicable statutory, regulatory and supervisory requirements and/ or providing a service that does not comply with fit and proper industry standards.

Impact on business

Non-compliance with reputational risk could result in loss of correspondent banking relationship, loss of investors' confidence, significant financial loss; occasioned by damage to UCL's image as a result of negative publicity and eventual loss of business.

Mitigation measures

UCL has put in place adequate measures to know our customers and implement processes for combating money laundering and terrorist financing. In this regard, UCL continuously reviews its Anti Money Laundering and Terrorist Financing policy, incorporating any new regulatory guidelines for Know Your Customer (KYC)/ Know Your Customer's Business (KYB).

Responsibility

The primary responsibility for complying with regulatory requirements lies with all employees conducting particular transactions, or activity to which regulation applies. However, the Board of Directors is ultimately accountable for compliance through the Chief Compliance Officer.

Credit risk

Credit risk

Default risk, performance risk, payment risk, diversion risk, managerial risk.

Impact on business

- Poor asset quality arising from high level of non-performing loan/leases and ultimately low yield on earning assets;

- Financial loss due to increased provisions and charges on impaired assets;
- Could lead to impairment of shareholders' funds.

Mitigation measures

- Strong credit analysis to identify the risk;
- Clear loan covenants and transaction dynamics;
- Effective credit control and monitoring processes;
- Prompt identification of early sign of deterioration;
- Adequacy and realizability of collateral;
- Adoption of risk-based pricing for earning assets;
- Risk management systems and processes have been strengthened to optimize portfolio quality and to ensure appropriate pricing of risk assets.

Portfolio Concentration risk

Impact on business

Breaches of portfolio limits and regulatory provisions could lead to sanctions and increased financial loss.

Mitigation measures

Adherence to portfolio limits as has been set by the Sectoral Investment Policy approved by the Board and regulatory requirements.

Responsibility

Business Units, Chief Risk Officer and Risk Management Committee.

Market and liquidity risk

Interest rate risk

Impact on business

Could result in significant financial loss, impairment of interest rate related instruments including fixed-rate instruments.

Mitigation measures

- Experienced Asset-liability Management Committee that meets regularly;
- Daily reporting to executive management;
- Strict adherence to UCL's internal policies such as the use of limits and management action triggers.

Investment risk

Impact on business

Could lead to diminution in the value of investments.

Mitigation measures

- Significant investments are approved by the Board and all other investments by the Board Executive Committee and the Credit Committee;
- Experienced executives in the respective business units;
- Supervision by the parent company's Directors nominated to act as Directors of the subsidiaries;
- Portfolio selection and diversification strategies.

Liquidity risk

Impact on business

Could lead to insolvency and eventual reputational risk.

Mitigation measures

- Efficient Asset and Liability Committee that oversees liquidity management;
- Diversified sources of funding;
- Contingent funding plan;
- Effective cash flow planning.

Responsibility

The primary responsibility for mitigating the above risks lies with the treasury department. However, the risk identification, measurement, monitoring, control and reporting lies with the ALCO and the Chief Risk Officer.

Operational risk

People risk

The risk of loss of financial, reputational or otherwise, arising from a failure to properly manage UCL's human capital. This could manifest in the form of staff fraud, high staff attrition, knowledge gaps and a demotivated and disgruntled workforce.

Impact on business

This would impact UCL by way of negative service experiences for our customers and the attendant loss in market share, financial loss and reputational damage and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- UCL has put in place comprehensive service rules to achieve a strong workplace;
- Effective background checks on new hires;
- Competitive remuneration package to attract and retain the best talent;
- Enforcement of strong supervisory control;
- Zero tolerance to staff integrity issues and fraud;
- A fully fledged HR Department to cater for the training and development needs of staff;
- A HR and Compensation Committee that deal with and resolve employee issues.
- Implementation of National Integrity Strategy as a part of uplifting the morale, ethics, integrity of the employees.

Operations risk

The risk for UCL to incur financial loss as a result of inadequacies or failures in operational processes, systems or staff. Operations risk additionally incorporates the risk arising from disruption of operations activities caused by external events. Examples are: failures in the customer intake and documentation process; failed mandatory reporting obligations; limit breach due to inadequate internal processes; inadequate reconciliation processes, failure of disaster recovery systems and manual intensive processes.

Impact on business

Impact on business ranges from negative customer impact and the attendant loss in market share, financial loss and reputational damage, and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- We have a operational guidelines that guide operational activities;
- There is a functional reporting structure for effective supervisory control on the operations of UCL;
- Automation of functional processes;
- Putting in place sound business continuity plan and disaster recovery programmes;
- Stepping up operational risk awareness training;

- Monitoring and managing key risk indicators (KRIs) in products/activities.

Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from our business activities and our operations. For example, the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit and reputation risk. Operational and legal risks may arise from environmental issues at our different offices or data processing centers. Failure to adequately manage environmental risk could adversely impact our results and/or significantly impact our reputation.

Impact on business

This could result in financial loss to the UCL in the form of non-repayment of loans by the borrowers due to discontinuation of business operations involving environmentally hazardous activities.

Mitigation measures

We have a robust risk assessment procedure at appraisal stage in case of any credit facility to any borrower involving any activities that is detrimental to the environment. We have adopted Environmental Risk Management (ERM) policy and implemented the same in the appraisal of all loan/lease, where applicable. We have also adopted green banking policy that we follow in all of our business activities.

System or technology risk

The risk of failing to develop, implement or operate UCL's technology platforms and solutions to meet stakeholders requirements.

Impact on business

This could manifest in the form of: system downtime resulting in irate customers and tarnished reputation; software failures; systems change process management failures; seizure of technical support; hardware failures; obsolete hardware; and no support from the system providers.

Mitigation measures

- UCL has a Disaster Recovery Plan;
- UCL execute Service Agreement with IT service providers;
- Regular IT supervision and control;
- Hardware management covering hardware purchase, use, replacement and disposal;
- Extensive software selection process is in place covering purchase or design, use, enhancement and replacement;
- Building resilience into UCL's network platform through the installation of a back-up link.

Regulatory and compliance risk

This could lead to financial and reputational losses to UCL as a result of failure to comply with the laws, regulations or codes applicable to the financial services industry.

Impact on business

The impact of this risk category on UCL ranges from financial loss arising from fines and penalties; loss of revenue due to temporary suspension or ban from certain market activities; possible loss in share price and negative investors perception and suspension of operations.

Mitigation measures

- UCL has compliance team to drive and implement UCL's compliance framework;
- Effective monitoring of compliance with laws and regulations, its code of conduct, and corporate governance practices;
- UCL has a process for ensuring new and changed legal and regulatory requirements;
- Ensuring that regulatory requirements are incorporated in the operation where appropriate;
- Prompt submission of regulatory reports;
- Sound corporate governance practices and the setting of the right tone from the top with respect to regulatory issues.

Responsibility

The primary responsibility for mitigating the above operational risks lies with the risk-taking units of UCL, which include all the business units and support functions.

Information security risk

Confidentiality, integrity and availability of UCL operations and information assets.

Impact on business

Information assets are critical to UCL's operation and the confidentiality, integrity and availability of these assets are crucial to the effective and efficient delivery of service by UCL to its customers.

Disruption or interruptions to these assets would have dire consequences on UCL operations.

Mitigation measures

- Documenting and standardizing the processes within UCL while building appropriate controls into these processes;
- Classifying all information assets with appropriate priorities and assigning ownership for those assets;
- Developing awareness programme and making information security the responsibility of all UCL staff.

Responsibility

The primary responsibility for security of UCL information assets and applicable legislations lies with all employees, while the Executive Management has the overall responsibility to ensure that all information assets within UCL are protected and thus adequately secure.

Legal risk

Impact on business

Increased costs, loss of revenue, abuse and/or loss of intellectual property, distraction, negative brand equity, strained relationships with customers, depositors, employees, service providers, investors, regulators and other stakeholders, and possible disruption of business activities.

Mitigation measures

Consistent application of professional standards, transparency and fairness while transacting to reduce areas of possible conflicts, availability of a dependable record retention system, engagement of external counsel with proven competence in the prosecution of UCL's claims against third parties and in the conduct of UCL's defense, and exploring alternative dispute resolution mechanisms, among others.

Asset security cover risk

Impact on business

Loss of revenues, weak legal position in recovery efforts, increase in litigations and lengthy process of recovering the loss.

Mitigation measures

Thorough and experienced credit proposal reviews, use of independent experts for asset valuations, conduct of due diligence on assets subject matter of the security arrangements, legally defensible documentation protective of UCL's security interest and effective and proactive monitoring of credits.

Responsibility

The Legal Services Department, Credit Appraisal Unit, Credit Risk Management, Risk Management Forum, Risk Analysis Unit and all Relationship Managers.

Regulations

UCL has been operating under the license from Bangladesh Bank. Our operations are subject to regulation, inspection, and supervision. This supervision and regulation is intended primarily to bring financial discipline in the functioning of NBFIs and for the protection of the depositors. We are required to provide reports to our regulators on our activities on certain intervals; some are regularly, some are weekly, monthly, quarterly, half-yearly, yearly and so on. Regulations applicable to UCL generally relate to lending and investment activities, maintenance of appropriate level of capital, maintenance of cash and liquidity reserve, appointment of Directors, Managing Director and auditors, loan to Directors and associates etc. Failure to comply with these regulations may be considered as an unsafe and unsound practice and may result in the imposition of penalties by Bangladesh Bank. The company is required to submit periodic reports/statements to Bangladesh Bank describing its activities and financial conditions. Our capital market operations are also monitored and supervised by BSEC and Stock Exchanges. The periodic reports are required to submit to Bangladesh Bank, BSEC and Stock Exchanges are given below:

Schedule of Bangladesh Bank Reporting

Reporting Type	Frequency
Statement of shareholding information	Quarterly
Statement of re-schedulement of lease/loan	Monthly
Statement of write off of lease/loan	Quarterly
CIB return	Monthly
Statement of business activities	Quarterly
Statement of industrial loan	Quarterly
Statement on money laundering	Quarterly
Statement of loans/leases of bank/FIs directors	Quarterly
Statement of top 10 defaulters	Quarterly
Statement of litigation cases	Half-yearly
Statement of large loan/lease	Quarterly
Risk management paper	Monthly
Report on national integrity strategy	Quarterly
Call money transactions	Daily
Report on product and services	Yearly
Report on green banking	Quarterly
NBDC return	Monthly
Schedule of fees/charges/commission	Half-yearly
Inter-bank transaction matrix	Monthly
Statement of corporate social responsibility	Half-yearly
Classification of leases & loans	Quarterly
Sector wise investment	Quarterly
Capital adequacy & market disciplines (BASEL II)	Quarterly
Stress testing	Quarterly
Minutes of board/committee meetings	5 working days
Statement of cash reserve requirement	Monthly
Statement of statutory liquidity reserve	Monthly
Statement of lending/deposit rate	Quarterly
Liquidity profile	Monthly
Branch wise information	Monthly
Audited financial statements & management report	Annually
Statement of SME loan/lease disbursement	Quarterly
Statement of SME loan/lease disbursement for women entrepreneur	Quarterly
Statement of SME loan/lease outstanding	Quarterly
Statement of SME loan/lease recovery/collection status	Quarterly
Statement of SME loan/lease cluster wise disbursement	Quarterly
Statement of SME loan/lease cluster wise outstanding	Quarterly
Statement of SME monitoring refinance scheme for women entrepreneur	Quarterly
Statement of SME target report	Yearly
Report on integrated supervision system	Monthly
Statement of asset & liability and profit & loss	Quarterly
Report on Large Loans	Monthly
Cash Transaction Report (CTR)	Monthly
Suspicious Transaction Report (STR)	Monthly
Statement of NBFI-II & NBFI-III	Quarterly

Reporting Type	Frequency
Reporting to BSEC	
Quarterly financial statements	Quarterly
Shareholding position	Monthly
Half-yearly report	Half-yearly
Daily trade report	Daily
Merchant bank activities	Monthly
Merchant bank activities	Quarterly
Dhaka & Chittagong Stock Exchange	
Quarterly financial statements	Quarterly
Half-yearly report	Half-yearly
Shareholding position	Monthly
Statement of free float shareholding	Monthly
Annual report	Annually

Recent legislations

During the year 2016, Bangladesh Bank has issued certain guidelines which inter alia include as under:

- Bangladesh Bank has issued a circular for all NBFIs to assess the actual scenario of different financial index of NBFIs and a reporting template named Diagnostic Review Report (DRR) has been issued to NBFIs for collecting the data from NBFIs.
- Bangladesh Bank has issued revised guidelines for Stress Testing Report quarterly.
- Bangladesh Bank has issued integrated Risk Management Guidelines for Financial Institution to involve FIs to adapt improved policies and procedures in line with international best practices for their risk management framework.
- Bangladesh Bank has issued guidelines for all NBFIs regarding Investment in Non-listed Special Purpose Funds registered with Bangladesh Securities and Exchange Commission.
- The "Guidelines on Commercial Paper for Financial Institutions" has been issued by the Bangladesh Bank to set some standards that will facilitate Financial Institutions to perform different roles regarding Commercial Papers in an organized way.
- Bangladesh Bank has issued a circular for all NBFIs regarding arrangement of Board of Directors Meeting, Audit committee Meetings through Video Conference in case of directors/chairman available outside country and this arrangement must be prior approved from Bangladesh bank.
- Bangladesh Bank has issued a circular regarding determination of Liquid Assets and inclusion of cash in hand, cash at Bangladesh Bank and other Banks/ Financial Institutions, Bangladesh Treasury Bills & Bonds, Assets approved by Bangladesh Bank circulated in Government Gazette.

Bangladesh Securities and Exchange Commission has also issued guidelines for listed companies, which inter alia include as under:

- BSEC has issued a directive in the interest of investors and securities markets and for the development of securities markets that a stock exchange shall submit its recommendation to the commission on any public issue within 90 days of receiving the application from the issuer concerned.
- BSEC has issued a directive that all the tax payer companies other than banks, insurances and financial institutions shall have to follow the uniform income year from January to December.
- BSEC has given an instruction that Merchant Bank can maintain provision for unrealized loss of their own portfolio and their clients' portfolio as on 31 December 2015 on the basis of 5 quarterly (20%) from December 2016 to December 2017. Cash dividend will not be permitted during financial year if this facility is taken by the company.
- BSEC has issued a directive that every person concerned to comply the guidelines pronounced by commission in respect of issue and operations of financial derivatives.
- BSEC imposes further condition to the issuer companies regarding IPO of shares that shares not allotted at the time according consent for IPO but allotted after listing through stock dividends in favor of sponsors, directors or shareholders having 5% or more shares shall be subject to a lock in period of 2 years from the date of issuance of the prospectus for IPO.
- BSEC has given an instruction that after liquidation of mutual fund scheme amount payable to unit holder will be refunded through a suitable means of payment i.e. EFTN.
- BSEC has determined the procedure of price sensitive information declaration that all the companies listed with stock exchanges will provide PSI to BSEC, concerned stock exchanges within 30 minutes of taking decision of PSI or same day of information coming into light duly sign by the Chairman or Managing Director & CEO or Company Secretary and this information will be provided through fax, messenger or courier service. That PSI will have to be published in two widely circulated daily newspaper-one is Bengali and the other is English immediately.

Competition

UCL faces intense competition in all the markets where it operates. Its principal competitors are the non-banking financial institutions. Because of involvement of banks in our core product i.e. leasing business, competitiveness in leasing has been intensified further. Some banks are also offering capital market related products like brokerage services, portfolio management etc.

COMMUNICATION WITH THE SHAREHOLDERS

The investor relation activities of the Company are designed to provide a balanced level of communication between the Company and its stakeholders. Established procedures are in place to ensure the timely release of price sensitive information. The

Company also publishes its quarterly, half-yearly and annual results well within the time periods prescribed by the regulators.

The Company promotes the use of Company's website in all Company announcements. The website also contains corporate information which is updated on a regular basis and includes a corporate governance information which contains details of the Company's adherence to the guidelines and the full terms of reference of the Board and its Committees. All the Directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have been concluded. The Nineteenth Annual General Meeting will be held on 15 June 2017. All shareholders of the Company are invited to attend the Company's Annual General Meeting. An invitation latter has been given to the shareholders available on page 251 of this Annual Report.

The Directors appreciate the importance of general shareholders of the Company and use the Company's Annual General Meeting as further opportunities to communicate with them. UCL provides copies of its annual report in order that these are made available to them well in advance for detail and constructive discussion. It is the company's policy to give the shareholders the opportunity at Annual General Meeting to ask questions about its activities and prospects. The Board also structures these meetings so that shareholders can vote separately on each matter, by proposing separate resolutions for each item to be considered.

In accordance with the provisions of the Companies Act, 1994 the notice of the Nineteenth Annual General Meeting was sent to shareholders more than 14 clear days before the meeting. Notice of AGM is also published in two widely circulated daily newspapers, one in English and the other in Bangla. Shareholders have the opportunity to vote separately on each proposal at the Annual General Meeting, either in person or by proxy. The proxy form is attached to the annual report to represent the original shareholder in the meeting and vote on his/her/their behalf in case of preoccupation or otherwise.

As in previous years, the Chairman of the Company will be available to answer questions from shareholders at the Annual General Meeting.

The Company maintains a corporate website www.unicap-bd.com containing a wide range of information of the Company.

Human Resources

Our human capital strategy focuses on attracting and retaining the key skills needed to achieve organizational objectives, improving individual capabilities, placing the right people in development programmes, increasing the focus on achieving organizational goals through performance management, identifying a pipeline of leaders needed by the organization now and in the future, improving change capability, fostering sound employee relations, and organizational transformation, improving employee engagement, promoting the wellbeing of our employees, and ensuring competitive rewards for employees.

In line with our objective of increasing ownership concept among employees, we introduced among others employee provident fund, gratuity, performance bonus, home loan facility, transport facility and so on. The total human resource strength of UCL Group as on 31 December 2016 was 181. Management considers that the relation amongst its employees is satisfactory. The list of senior executives of UCL is given below:

Name	Age	With UCL	Present Position
Mahmudul Alam	55	November-15	Managing Director & CEO
Tauhidul Ashraf FCS	38	August-13	EVP, Head of Marketing & Company Secretary
Abdul Bareque	63	November-13	Senior Vice President
A. N. M. Golam Shabbir	46	December-98	Senior Vice President
Fazle Karim Murad	43	June-00	Senior Vice President
Selim Khan Hindol	43	July-16	Vice President
Raihan Uddin Ahammad FCA	33	September-13	Vice President
Humayun Rashid	42	January-15	Assistant Vice President
Shah Muhammad Azizul Haque	35	May-15	Assistant Vice President
Muhammad Shohidur Rahman	39	March-16	Assistant Vice President
Mahbub Alam	39	October-16	Assistant Vice President
Muhammad Salah Uddin	37	August-16	Assistant Vice President
Khandaker Muhammad Forhad Abedin	38	August-16	Assistant Vice President
Afrida Ahsan	34	February-16	Assistant Vice President
Md. Rakibul Islam	54	August-10	Senior Manager
Md. Moinul Islam Bhuiyan	36	November-06	Senior Manager
Mohammad Balayet Hossain	35	May-10	Senior Manager
Md. Sayful Islam	40	January-14	Senior Manager
Asif Raihan Chowdhury	31	January-14	Senior Manager
Md. Shariful Alam	32	March-16	Senior Manager
Deenesh Kumar Raha	34	December-13	Senior Manager
Mohammed Zakir Hossain	38	November-02	Senior Manager
Md. Rafiqul Islam	38	July-13	Manager
Sk. Md. Rezwanul Haque	32	Aug-13	Manager
Mohammad Jahangir Alam Khan	39	March-11	Manager
Md. Abdul Bashed	40	March-11	Manager
S. M. Mehedi Hasan	29	February-10	Manager

Operational Hub

The head office of UCL is located at Noor Tower (5th Floor), 73 Sonargaon Road, Dhaka 1205. We provide financial services from our 8 offices located in Dhaka, Chittagong, Sylhet, Gazipur, Bogra and Narsingdi. We conduct our merchant banking operations and securities trading activities through our subsidiary companies.

Annual Report and other important documents available in website

This Annual Report, prepared and presented on the basis of disclosure requirements by the regulatory authorities is made available on our website at www.unicap-bd.com as soon as reasonably practicable after furnishing the same to Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Stock Exchanges where the shares of the Company are traded.

Market for UCL's ordinary shares

The ordinary shares of UCL are traded on the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. under the symbol of 'UNIONCAP'. The following table indicates the high and low prices for the shares of Union Capital, as reported by DSE during each quarter end of 2016:

Fig. in Taka

Quarter	High	Low
Q1_16	16.60	13.30
Q2_16	14.20	11.10
Q3_16	13.70	10.50
Q4_16	20.50	12.00

UCL's market share in industry

Across our business group, UCL offers a complete range of financial services to help our customers achieve their goals. We provide strategic advice, lend money, raise capital, help manage funds and extend supports and hold leadership position in all of our major business areas. UCL believes in product innovativeness. As a part of it, UCL always delivers tailor-made financial products to meet appropriate and diverse needs of our customers and innovates new financial products for existing and future customers. For our diversified and complete range of financial services, market share of UCL has been increasing day by day.

As per the latest reports of NBFI which were prepared on the basis of data of 30 September 2016, UCL's market share in the industry was 3.76 (8th position). We have prepared the analysis by compiling data of 25 Non-bank Financial Institutions working in Bangladesh out of 33 in total. As on 30 September 2015 market share of UCL, out of the same 25 Non-bank Financial Institutions, stands at 4.05 percent (9th position).

UCL/Industry	Market share (30-Sep-16)	Market share (30-Sep-15)	Market share (30-Sep-14)	Market share (31-Dec-13)	Market share (31-Dec-12)	Position (30-Sep-16)
UCL	3.76	4.05	4.79	3.69	3.29	8th
Others	96.23	95.95	95.21	96.31	96.71	
Total	100	100.00	100.00	100.00	100.00	

AWARDS & RECOGNITIONS

Union Capital limited has received many awards in last couple of years. Winning such exciting awards has always been very prestigious. It is a testament to the quality of our report, transparency, compliance, good governance practices in our operations and adequate, timely & fair disclosure to the stakeholders. We dedicate these triumphs to or customers, depositors, shareholders, regulators and other stakeholders.















SMART STOCK

AWARDS & RECOGNITIONS

Awards & Recognitions for the Annual Report 2015:

- SAFA award for Corporate Governance disclosures (Certificate of Merit)
- ICSB award for corporate governance excellence (Silver Award)
- ICAB award for best presented Annual Reports (third position)



AMARSTOCK

Union Capital Limited

FIVE YEAR FINANCIAL SUMMARY

(BDT in million except ratios and per share data)

OPERATING PERFORMANCE

	2016	2015	2014	2013	2012
Operating revenue	2,288.81	2,145.60	2,231.06	1,663.80	1,148.00
Operating profit	996.04	801.65	888.70	606.33	311.88
Profit before tax	493.42	484.56	448.48	208.59	108.69
Net profit after tax	258.42	234.15	199.98	141.76	56.72
Earnings per share (EPS)	1.44	1.31	1.65	1.29	0.54

STATEMENT OF FINANCIAL POSITION

Current assets	6,697.30	6,342.61	6,599.54	9,276.15	7,367.60
Total assets	23,052.09	20,265.73	18,174.32	13,905.59	10,495.34
Property, plant and equipment	35.78	29.25	24.22	18.24	22.71
Net current assets	538.19	149.34	298.39	812.56	409.74
Long term liabilities	12,405.34	10,463.26	9,307.48	3,751.19	1,668.58
Current liabilities	6,159.11	6,193.27	6,301.15	8,463.59	6,957.86
Total liabilities	20,519.76	17,771.81	16,367.15	11,894.92	8,626.44
Shareholders' fund	2,532.33	2,493.93	1,807.18	2,010.67	1,868.91
Capital employed	16,892.98	14,072.46	11,873.17	5,441.99	3,537.48

PROFITABILITY AND OTHER FINANCIAL RATIOS

Gross operating margin ratio (%)	51.52	39.54	46.41	42.44	27.17
Earning before interest, depreciation and tax	1,798.54	1,839.60	1,799.25	1,275.48	954.62
Price earnings ratio (Times)	14.20	10.33	12.82	26.82	51.48
Current ratio (Times)	1.09	1.02	1.05	1.10	1.06
Return on capital employed (%)	10.28	10.89	10.48	9.75	3.07
Debt/Equity (Times)	0.92	0.64	0.76	0.55	0.89
Financial expense coverage (Times)	1.77	1.60	1.66	1.54	1.01
Net profit margin (%)	11.29	10.91	8.96	8.52	4.94
Rate of dividend (%)	10.00	12.00	10.00	10.00	5.00
Operating expense to operating revenue (%)	11.29	10.91	8.96	8.52	10.28

BUSINESS RATIOS

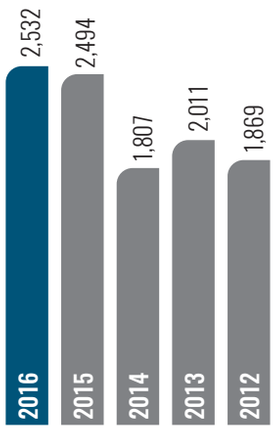
Statutory liquidity reserve ratio (%)	13.39	7.62	5.97	5.13	6.19
Cash reserve ratio (%)	2.55	2.52	2.79	2.67	2.63
Net interest income as a % of working funds	3.74	4.37	3.88	3.47	0.58
Cost/Income ratio (%)	24.96	26.38	21.61	23.31	37.84
Return on average assets (%)	0.95	0.97	1.25	1.01	0.56
Net asset value per share	17.80	18.75	14.95	18.29	17.85
Profit per employee	1.30	1.37	1.27	1.31	1.14
Capital adequacy ratio (%)	11.98	13.34	13.44	15.67	13.55
Operating profit as a percentage of working funds	5.82	5.12	6.03	5.65	2.97
Dividend cover ratio (Times)	1.44	1.40	1.65	1.29	1.08
Non-Performing Loans to Total Loans (%)	8.44	7.78	8.51	8.26	15.55

EQUITY STATISTICS

Authorized capital	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Paid up share capital	1,423.00	1,329.90	1,209.01	1,099.09	1,046.76
Number of shares	142.30	132.99	120.90	109.91	104.68
Shareholders' equity	2,532.33	2,493.93	1,807.18	2,010.67	1,868.91
Year end market price	20.5	14.50	21.20	34.60	27.80
Market capitalization	3,317.14	2,428.36	2,563.08	3,802.86	2,909.98
Market value addition	784.81	(65.57)	755.90	1,792.19	1,041.07

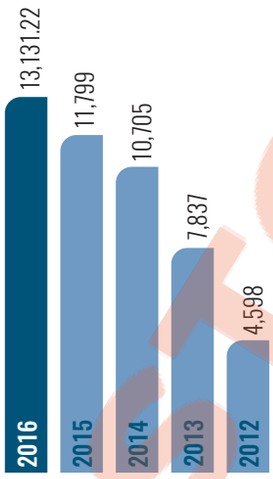
Graphical data of

Business Performance



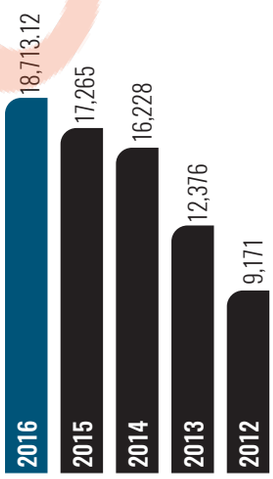
Shareholder fund

Shareholders' fund has increased by 1.54 percent due to increase in net profit after tax by 10.36 percent as well as repayment of cumulative redeemable preference share of Tk. 100 million in 2016.



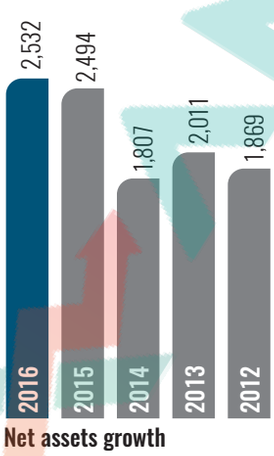
Deposits Growth

During the year 2016, deposit grew more than 11 percent to Tk. 13,131 million from Tk. 11,799 million of 2015 reflecting continued increase in investment and less dependency on bank borrowings.



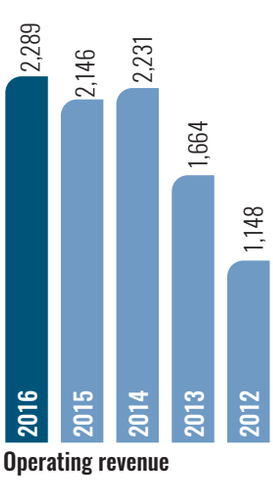
Investments

In 2016, investment registered a growth of more than 8 percent of Tk. 18,713 million as against Tk. 17,265 million of 2015. Despite continuous declining trend of lending rate and significant number of pre-settlement of loan/lease portfolio, we could maintain a moderate growth of investment by exploring new investment opprotunities.



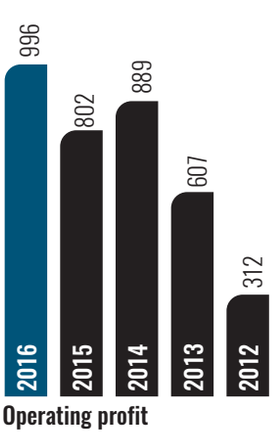
Net assets growth

Shareholders' fund has increased by 1.54 percent due to increase in net profit after tax by 10.36 percent as well as repayment of cumulative redeemable preference share of Tk. 100 million in 2016.



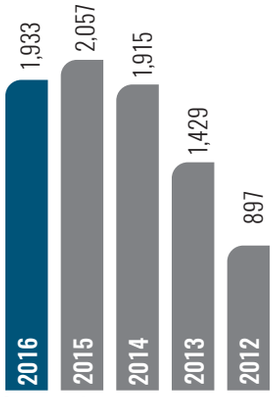
Operating revenue

In 2016, operating revenue grew 6.67 percent to Tk. 2,289 million from Tk. 2,146 million of 2015. This is a result of significant increase in solid loan portfolio and notable recovery from default customers.



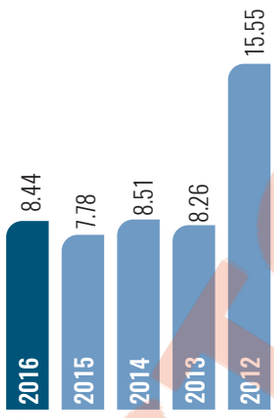
Operating profit

In 2016, operating income grew more than 24.25 percent to Tk. 996 million from Tk. 802 million of 2015. This singnificant growth in operating profit are the result of both continued growth of investment profolio and efficient fund management.



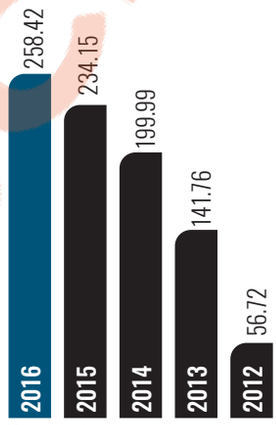
Interest income

In 2016, interest income decreased by 6.03 percent to Tk. 1,933 million from 2,057 million of 2015 due to reduce the interest rate of porfolio clients and slightly increase in non-performing loans.



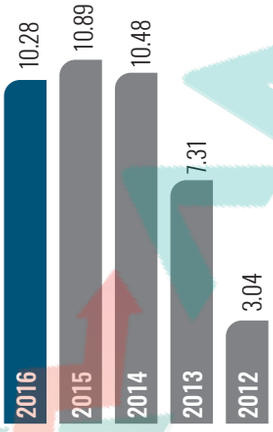
NPL

Despite slow recovery environment and low demand for credit, UCL could maintain the NPL rate at 8.44 percent slightly higher than 2015. The NPL rate of 2015 has been restated at 7.78 from 8.41 as a result of reclassification of loan of comparative year. Moreover, the down gradation of few loan/lease accounts on the basis of qualitative judgement has impected on such increase.



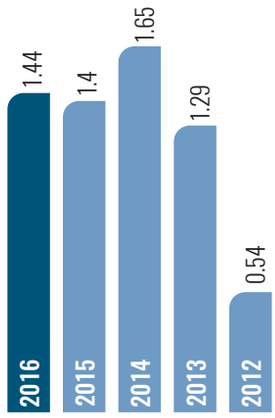
Net profit

In 2016, net profit grew by a signifanct rate of 10.36 percent to Tk. 258.42 million from Tk. 234.15 million of 2015. Our net profits are the result of both continued and solid growth of investment portfolio and our vigorous drive to bolster the bottom line figure through harvesting the classified loans.



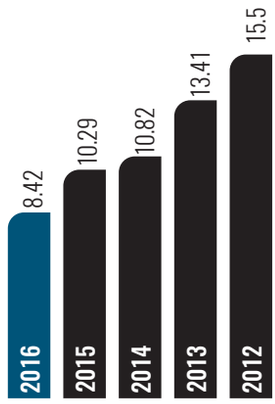
Return on shareholder fund

As a key measure of overall performance, our return on equity decreased by 5.56 percent due to maintain excess provision for increase strength of company on default loans.



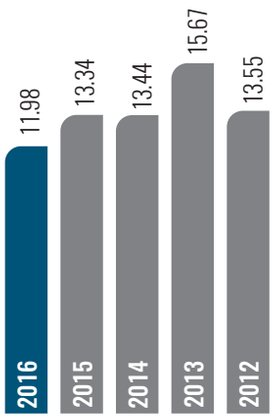
Earning per share

As one of the key measure of overall performance of UCL, our EPS has increased by more than 2.79 percent due to diversified earning streams and increased efficiency in different operational areas.



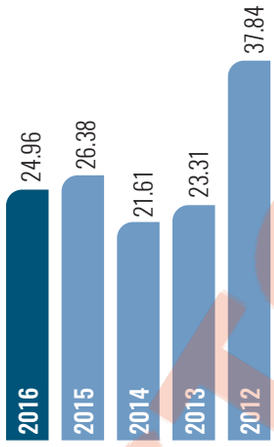
Cost of fund (B.R)

Cost of fund has decreaded by 1.87 percent mainly for efficient fund management and recovery of stuck up loans. Refinancing from Bangladesh Bank and borrowing low rate fund has also led to reduction of cost of fund



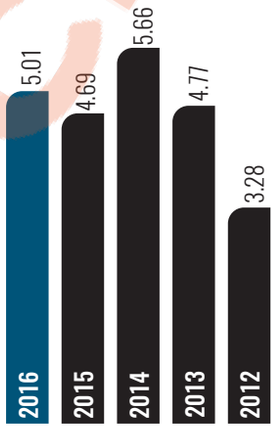
Capital adequacy ratio

Capital adequacy ratio has decreased to 11.98 percent in 2016 from 13.34 percent of 2015 due to repayment of preference share of Tk. 100 Million as well as we maintain regulatory requirement of 10 percent. This is the result of increase in risk weighted from increase of investment portfolio.



Cost/income ratio

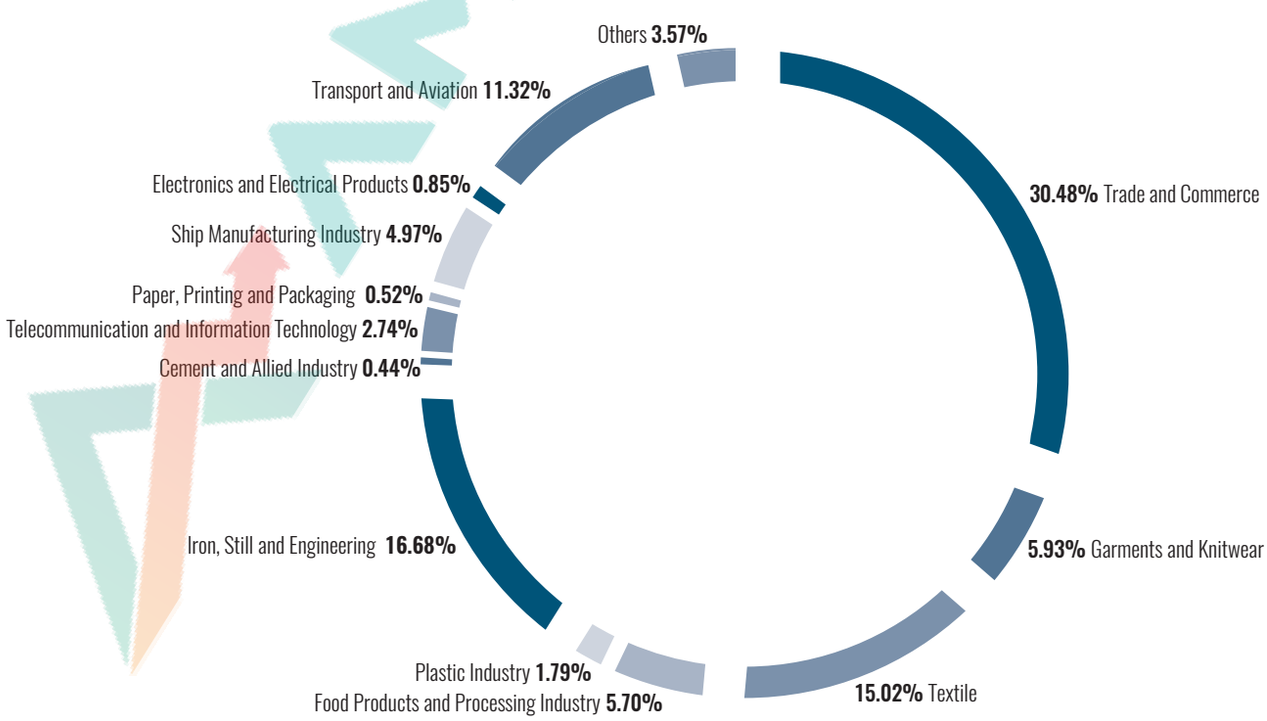
One of the key indicators of measuring efficiency, our cost /income ration has decreased to 24.97 percent in 2016 from 26.38 percent of 2015 that reflects management efficiency in managing UCL' s assets and liabilities.



Operating profit per employee

Operating profit per employee has increased by more than 6 percent compared to last year due to remarkable increase in new business acquisition during the year, regularisation and settlement of a quite good number of stuck up and slow moving loan accounts.

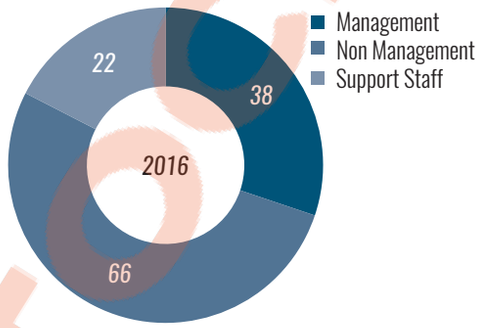
Portfolio Classification & Sector-wise exposure (in percentage)



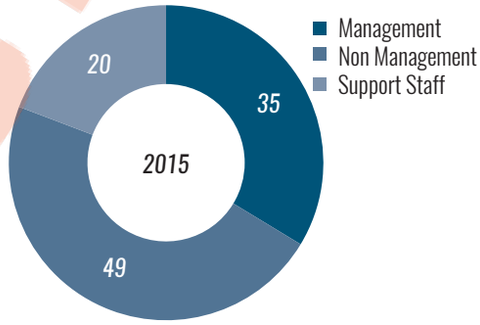
Business Review

2016 SOCIAL INDICATORS

Staffing level	2016	2015
Management Cadre	38	35
Non Management Cadre	66	49
Support Staff	22	20
Total Work force	**126**	**104**
Male	110	91
Female	16	13
Average age of employees		
Management Cadre	38.6	35.74
Non-management Cadre	32.14	30.04
Support Staff	33.4	32.92
Change in Staffing level		
Total employee at beginning	104	113
Recruitment during year	41	16
Departures (retirement/resignation)	19	25
Changes during the year	126	104
Training		
Average number of days in training per employee	0.4	0.63
% of employees who participated in at least one	100	100
No. of employees who participated in at least one training program during the year	80	104
No. of training programs participated by employees during the year	21	32

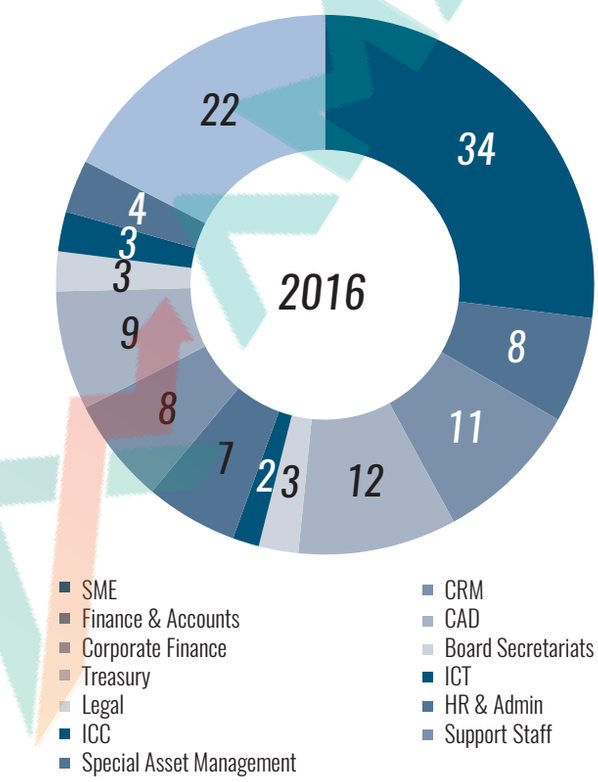


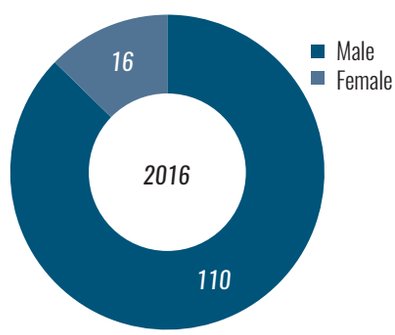
Total work force (in number)



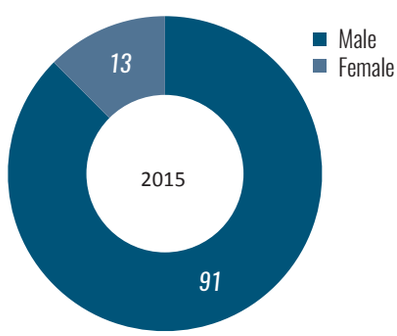
Total work force (in number)

Department wise employee (in number)





Gender wise employee (in number)



Gender wise employee (in number)

2017 KEY PRIORITIES

Outlines important actions for achieving strategic goals

At the beginning of year 2017, the Management of the Company deliberated and agreed on certain key priorities for UCL Group. These priorities will serve as the platform for driving the overall performance for the year 2017. They are:

Strengthening our Value Proposition

Strengthening our value proposition to our target customer segments including corporate, SME and retail customers with the objective of improving our share of businesses of financing operations and becoming an institution amongst the top performers in key areas.

Consolidating UCL and its Subsidiaries

Reinforcing our business in each of our operating segments in order to deepen our penetration, achieve positive contribution to the Group's profitability and deliver commensurate returns on working fund.

Driving for Low Cost term deposit

Augmenting our market share of low cost deposits by leveraging our superior reach and personalized to drive growth building a strong and dedicated team for deposit mobilization.

Aggressive Investment Growth

Improving our investment by creating quality investment portfolio with the customers having good repayment track record in key sectors of the economy as well as leveraging the opportunities linked to SME financing.

Commitment to Lean Growth

Focusing on achieving aggressive revenue growth with minimal cost growth by leveraging our existing operational platform to improve our cost-to-income ratio.

Process Improvement

Removal of process, organizational and policy bottlenecks affecting efficiency improvements within the Group.

Stemming from the progress made on these key areas of priority in the last part of the year 2015, it is our belief that the Company has delivered a solid and steady performance in 2016 and laid a strong foundation for achieving better performance in 2017 and beyond.



Driving quality earnings across all of our business by focusing on industry leading customer experience and enhancing operating efficiency we shall strive for achieving our strategic goals.

Governance and Risk Management

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Board of Directors Profile of UCL

Who governs the company

The Board is responsible for the strategic direction and ultimate control of the company according to its Memorandum & Articles of Association and Board Charter.



CHOWDHURY TANZIM KARIM

Chairman
(Nominated by EC Securities Ltd.)

First appointment to the Board: 25 April 2011
Born in: May 1985
Nationality: Bangladeshi
Committee Membership: Green Banking Committee
External Appointment
Chairman
UniCap Securities Limited;
UniCap Investments Limited.

Qualification & Experience:

Mr. Chowdhury is a full time practicing lawyer specialized in company, commercial, banking and securities law. He is the Head of Chamber at C. T. Karim & Partners, a Dhaka based law firm primarily engaged in dealing with civil matters. He has been providing legal services to a number of leading banks, financial institutions, merchant banks and asset management companies in Bangladesh. Mr. Karim was called to the Bar of England and Wales from the Honorable Society of Lincoln's Inn upon successful completion of Bar Vocational Course at Inns of Court, School of Law. He obtained his L.L.B degree from Cardiff University, UK and Diploma-in Law from University of London. Mr. Karim is enrolled as an Advocate of Supreme Court of Bangladesh and also a member of Dhaka Bar Association and Supreme Court Bar Association.



M. FAIZUR RAHMAN

Director

First appointment to the Board: 28 May 2002
Born in: May 1939
Nationality: Bangladeshi
Committee Membership:
Audit Committee
Executive Committee
External Appointment:
Chairman & Managing Director, Asian Surveyors Ltd.
Director, UniCap Securities Limited

Qualification & Experience:

Mr. Rahman comes of a nationally known & respectable family of Moulvibazar, Sylhet. He graduated from Dhaka University and then went to London for higher studies and training. In London, he was trained by the Commercial Union Assurance Co. Ltd. in 1962. He also studied in the Institute of Chartered Secretaries and Chartered Insurance Institution, London. He was one of the senior most executives of Insurance Company in the then East Pakistan. After the liberation of Bangladesh, he started his own business and formed Asian Surveyors Ltd., one of the largest and globally renowned firms of surveyors, valuers and loss adjusters. He was the Director of National Tea Company Ltd. and Infrastructure Investment Facilitation Centre for many years. Mr. Rahman is also associated with many social and welfare oriented organizations.



MR. WAQAR AHMAD CHOUDHURY

Director

First appointment to the Board: 21 October 2015
Born in: April 1966
Nationality: Bangladeshi
Committee Membership:
Executive Committee
External Appointment:
Director, Vanguard Asset Management Limited;
Director, WAC Equity Management Limited;
Director, Rancom Trading Private Limited

Qualification & Experience:

Mr. Waqar Ahmad Choudhury, is the Managing Director & CEO of Vanguard Asset Management Limited, an Asset Management Company licensed & regulated by Bangladesh Securities & Exchange Commission (BSEC) for managing Mutual Funds, providing Corporate Advisory services and Portfolio Management. He obtained Bachelor of Finance & Banking (Finance Concentration) from Adelphi University, Long Island, N.Y. USA in 1995. Then he started his career in the year 1996 as a Director of Nascom (Pvt.) Ltd. and Sponsor Shareholder of Green Delta Insurance Company Limited. He is a member of various associations and clubs including Metropolitan Chamber of Commerce & Industry (MCCI), American Alumni Association, Dhaka Club Limited, Gulshan Club Limited, Kurmitola Golf Club Limited, Uttara Club Limited, Gulshan Youth Club, Weekend Cricket Club Association and Old Laboratories Association.



NADEEM A. CHAUDHURY

Director
(Nominated by Enrilco Limited)

First appointment to the Board: 22 November 2001
Born in: May 1965
Nationality: Bangladeshi
Committee Membership:
Audit Committee
Green Banking Committee
Executive Committee
External Appointment:
Director, Enrilco Limited; Green Delta Securities Ltd.; Green Delta Capital Ltd.

Qualification & Experience:

Mr. Nadeem A. Chaudhury is representing Enrilco Limited in the Board of Union Capital Limited. Mr. Chaudhury holds a Bachelor of Professional Science degree in Construction Management and Civil Engineering from Pratt Institute, New York, USA. He is also an MBA. He has been involved in the Infrastructure Development business internationally for over 20 years. He is also a highly skilled contract negotiator with international concerns. Presently, he is the Chief Executive Officer of Bengal Development Corporation Ltd.

He was a Director of Green Delta Insurance Company Limited. He was also the Managing Director of Navana Pharmaceuticals Ltd, concern of Islam Group.



TAJRINA SIKDER

Director
(Nominated by Palmal Garments Hosiery Ltd.)

First appointment to the Board: 9 August 1998
Born in: January 1974
Nationality: Bangladeshi
Committee Membership:
Audit Committee
Green Banking Committee
External Appointment:
Director, Palmal Garments Hosiery Ltd.; Palmal Garments Washing Ltd.; Amazon Garments Ltd.; NKK Knitwear Ltd.; Max Speed Plastic Ltd.; Designer Line (Pvt.) Ltd.; Palmal Knitwear Factory Ltd.; Palmal Garments Ltd.; UniCap Investments Limited; UniCap Securities Limited.

Qualification & Experience:

Mrs. Tajrina Sikder obtained BBA degree from ABAC University of Thailand. Subsequently, she involved herself with Palmal Group as a Director. As a businesswoman, Mrs. Sikder is associated with business activities in the area of apparels, fashion, accessories and packaging. She has traveled various countries for business purpose. She is also involved with many social work and welfare organization.



CAPT. MINHAZUR REZA CHOWDHURY

Director
(Nominated by EC Securities Ltd.)

First appointment to the Board: 9 February 2014
Born in: December 1975
Nationality: Bangladeshi
Committee Membership: Nil
External Appointment:
General Manager, East Coast Shipping Lines Ltd.

Qualification & Experience:

Capt. Minhazur Reza Chowdhury obtained Master Mariner with over 15 years experience in safe operations and commanding of ocean going vessels particularly container, multipurpose general cargo/bulk carrier and tanker. Currently, working as General Manager for four years at EC Bulk Carriers Limited and East Coast Shipping Lines Limited.



SABITA REZWANA RAHMAN

Director

First appointment to the Board: 22 May 2006
Born in: July 1970
Nationality: Bangladeshi
Committee Membership:
Audit Committee
Executive Committee
External Appointment: Nil

Qualification & Experience:

Mrs. Sabita Rezwana Rahman, a professor in the Department of Microbiology of Dhaka University, did her PhD from United Kingdom and M.Sc. in Microbiology from Dhaka University. She got elected for the position of Joint Secretary of Dhaka University Teachers Association in 2012, Member of Dhaka University Teachers Association in 2013-16 and Senate Member of Dhaka University in 2013-16. She got international gold medal on Champions of the Champions in 2010 for outstanding research amongst young scientists and also gold medal awarded by Third World Academy of Sciences in Italy for outstanding research performance in 2009. She got international award on Commonwealth Scholarship for PhD degree in the United Kingdom by Commonwealth Scholarship Commission in London, Govt. Merit Scholarship in Microbiology and Dean's Award in BAS-Third World Academy of Sciences. She has 58 original scientific papers Peer Reviewed publication.



MEHERUNNESA HAQUE

Director

First appointment to the Board: 26 June 2004
Born in: December 1954
Nationality: Bangladeshi
Committee Membership: Nil
External Appointment:
Director, Palmal Garments Hosiery Ltd.; Palmal Garments Ltd.; Palmal Knitwear Factory Ltd.; Palmal Garments Washing Ltd.; Palmal Styles Ltd.; Palmal Packaging Ltd.; Palmal Dresses Ltd.; N.K.K. Knitwear Ltd.; N.K.K. Sweaters Ltd.; Pragati Fashionwear Ltd.; Pragati Metalex (Pvt) Ltd.; Al-Hamra Garments Ltd.; Amazan Garments Ltd.; The Dacca Dyeing Garments Ltd.; UniCap Investments Ltd; UniCap Securities Limited.

Qualification & Experience:

Mrs. Meherunnesa Haque was born in 1954. As a businesswoman she is involved with business activities since 1984. Mrs. Haque holds position of Director in good number of business entities in the area of garments and garments accessories and finance. She was a Directors of Prime Bank Ltd. Mrs. Haque has traveled various countries including U.S.A, UK, Canada, Germany, Singapore, and Thailand for business purposes. She enthusiastically takes part and contributes to various social activities.



KAZI RUSSEL MAHBUB

Director
(Nominated by Palmal Garments Hosiery Ltd.)

First appointment to the Board: 21 May 2012
Born in: October 1971
Nationality: Bangladeshi
Committee Membership: Nil
External Appointment:
Chairman, Floral Accessories Ltd.

Qualification & Experience:

Dr. Kazi Russel Mahbub graduated from Dhaka Dental College in 1996. After completion of his training in Dhaka, Dr. Mahbub went on to pursue further training in Australia, where he also obtained his Masters Degree from the prestigious University of Wollongogng, New South Wales (NSW) in 2002. Since then he has attended numerous scientific sessions and CME conferences in various countries. Dr. Mahbub setup his private practice in Gulshan called BIODENT Dental Clinic in 2003. He is one of the few private practitioners in Dhaka well known at home and abroad for skills and quality work. Skilled in Oral Surgical Procedures, Dr. Mahbub was one of the first few Bangladeshi Dentists to train and qualify for the placement of Dental implants from the BICON Institute of Boston, USA in 2009. Dr. Mahbub is also the founder and Chairman of Floral Accessories Limited, a reputed packaging industry setup in 2010. Dr. Mahbub is an avid golfer, and is a member of both The Army Golf Club and Kurmitola Golf Club. He is the son of Engr K A S Md. Abdur Rahim, retired Chairman of Dhaka Electric Supply Authority.



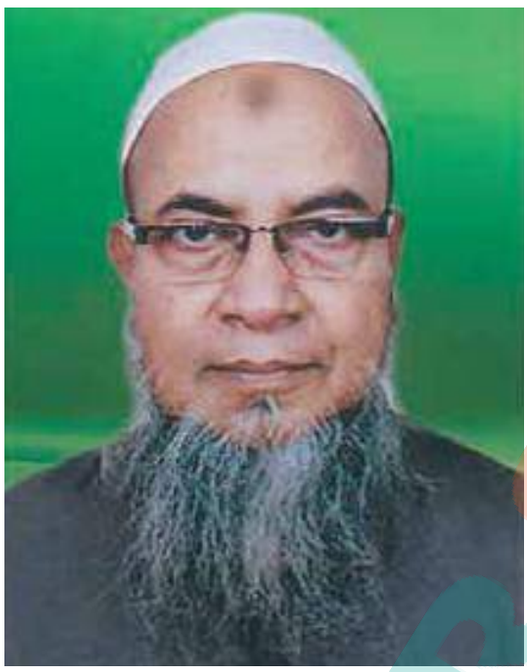
MR. MD. ABDUL KARIM

Independent Director

First appointment to the Board: 29 December 2014
Born in: September 1952
Nationality: Bangladeshi
Committee Membership:
Chairman, Executive Committee
External Appointment: Managing Director, PKSF &
Independent Director, Green Deltal Insurance Company Ltd.

Qualification & Experience:

Mr. Karim, a retired high official of the Government of Bangladesh, did his Master's of Science with honors in Chemistry. Later he obtained Master of Social Science degree in Development Administration from the University of Birmingham. He started his career in 1979 as a member of Bangladesh Civil Service (Administration) Cadre and finally became the principal secretary to the Govt. prior to that, he was Secretary to the Govt. in the Ministry of Home Affairs, Commerce, Fisheries & Live Stock, Communications (Bridges Division) and Finance (International Resources Division). Presently he is serving as the Managing Director of Palli Karma-Sahayak Foundation (PKSF) Besides, he is a guest speaker of various institutes/academies like Bangladesh Military Academy, Bangladesh Naval Academy, National Defence College, Bangladesh Public Administration Training Centre, North South University etc. He is a member of Various associations and clubs including University of Birmingham Allumni Association, University of Chittagong Allumni Association, Bangladesh Chemical Society, Rotary Club of Dhaka Buriganga, Dhaka Club, Kurmitola Golf Club etc.



MOHAMMAD NURUN NABI FCA

Independent Director

First appointment to the Board: 9 February 2014
Born in: April 1948
Nationality: Bangladeshi
Committee Membership:
Chairman, Audit Committee

External Appointment:
Chairman
Skeftech Pvt. Ltd.
Krishi Biplob Ltd.
Shikarpur Horticulture Ltd.
Debonair Ltd.
Orbitex Ltd.
AZWA Developments Ltd.

Director
UniCap Securities Limited. Independent Director, Green Delta Insurance Company Ltd. Director, ACNABIN Associates Ltd.; Dinajpur Super Meat Products Ltd.; Intercontinental Business Ltd.; Shine Embroidery Ltd.; WIN WIN Setabgonj Auto Bricks Industries Ltd.; WIN WIN International Ltd.; AMTRAS Ltd.; SAARC Business Associate of Home Based Workers (SABAH) Bangladesh; Health & Education for less Privileged People (HELP); WIN WIN Jalalabad Auto Bricks Industries Ltd.

Qualification & Experience:

He is a Bachelor of Science from Karachi University and a fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). He has more than forty years of experience in his exchequer in local and foreign organizations at different responsible capacity.



MD. FAYEKUZZAMAN

Independent Director

First appointment to the Board: 28 December 2016
Born in: October 1953
Nationality: Bangladeshi
Committee Membership: Nil
External Appointment:
Director, HF Asset Management Limited
Independent Director, National Tea Company Limited

Qualification & Experience:

Mr. Md. Fayekuzzaman did his Masters with First Class in Management and subsequently attended various post-graduation studies mainly in leadership, strategic management and finance in Bradford University, UK, Columbia University, USA and Cambridge University, UK. He has over 30 years of diversified experience in Government, Investment Banking, Commercial and Corporate Banking, Islamic Banking, Asset Management, Teaching, Research and Consultancy. He had worked in different national and sectorial committees as Chairman/Convener and had extensive and diversified experience to work on the Board of Directors of more than 20 national and multinational organizations. He got a lot of national and international recognitions during his tenure as CEO/Deputy CEO. He was the CEO of the Investment Corporation of Bangladesh during from July 2010 to December 2015. He worked in South Asia Development Fund which was created to have joint venture projects of SARC countries for regional development.

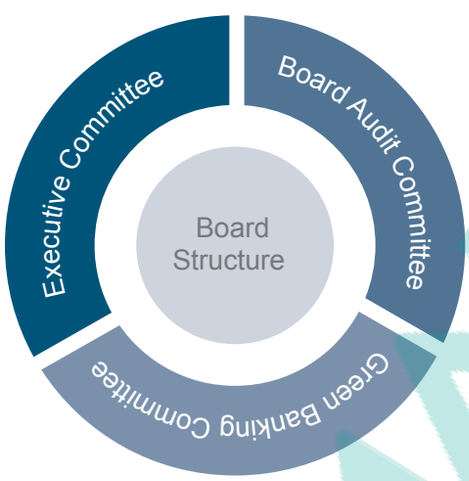
AMARSTOCK

BOARD STRUCTURE & ITS OPERATION

BOARD STRUCTURE OF UCL

Chaired by Chowdhury Tanzim Karim, the Board of Directors determines Company's objectives and supervises their implementation. The operating procedure of the Board is governed by the internal rules and regulations of the Board of Directors. The internal rules and regulations of Board of Directors also define the composition, duties and operating procedures of the Committees established by the Board, which have their own charter of functioning. The Board is assisted by three committees as under:

- Board Audit Committee;
- Executive Committee;
- Green Banking Committee



SIZE OF THE BOARD

The Board of UCL comprises of twelve members including three Independent Directors. As per DFIM Circular no. 9 dated 11 September,2002 of the Bangladesh Bank, the size of the Board of a Nonbanking Financial Institution shall be minimum of nine and maximum eleven excluding Independent Directors. As per BSEC's Notification, a listed company should have Independent Director of at least one-fifth of total Directors. As per Articles of Association of the Company the Managing Director is an Ex-officio Director.

COMPOSITION OF THE BOARD

The Board of UCL comprises of the following:

Non-executive Directors
Nine (out of whom five are Nominated Directors)

Independent Directors
Three

Executive Director
One (The Managing Director)

NON-EXECUTIVE DIRECTOR

There are nine Non-executive Directors in the Board. None of the Directors takes part in the day to day affairs of the Company. They attend only in the Board/Committee meetings to discuss the agenda reserved for the Board/Committees.

INDEPENDENT DIRECTOR ON THE BOARD

There are three Independent Directors on the Board. In order for a Director to qualify as an Independent Director, the Board affirmatively determines that the Director has no material relationship with UCL either as a partner, shareholder or officer of an organization that has a relationship with UCL that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the Independent Director does not hold any share or holds less than one percent shares of the total paid up capital of the Company, who is not connected with the Company's Promoters or Directors or Shareholders who holds one percent or more than one percent shares of the total paid up shares of the Company, on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associate companies, who is not a member, Director or Officer of any Stock Exchange and who is not a shareholder, director or officer of any stock exchange or an intermediary of the capital market. The

Independent Director is appointed for a period of three years which may be extended by one term only. A person cannot be appointed as Independent Director who has already been appointed as Independent Director of three listed company.

TENURE AND RETIREMENT

As per Companies Act, the office of Non-executive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an Ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years and may be extended by another three years.

DIRECTORS' COMPENSATION

Except the Managing Director & CEO, none of the Directors holds any position of profit and receives any remuneration other than the fees for attending the Board/Committee meetings. An amount of Tk. 8,000 is paid to each Director for attending each Board/Committee meeting.

MEMBERSHIP OF BOARD COMMITTEE

All the Board Committees are comprised entirely of Non-executive Directors. Membership of Directors in the Board Committees is given in their biographies on pages 49 to 55 of this Annual Report.

SUB-COMMITTEE

The Board has three sub-committees namely Board Audit Committee, Executive Committee and Green Banking Committee. The Board Audit Committee comprises of five non-executive Directors. The Executive Committee is also consisted of five nonexecutive Directors. The Green Banking Committee

The primary responsibility of the Board of Directors is to protect the shareholders' interest. The Board, elected by the shareholders, is the highest governing authority within the management structure.

consists of five non-executive Directors. All the Board Committees have a written Charter that describes the Committees' purposes, duties and responsibilities. The Committee Charters are available on page 58 to 59 of this Annual Report.

BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2016, the Board met eighteen times to discuss scheduled businesses.

DIRECTORS' RESPONSIBILITY

Each Director uses his or her best efforts to attend in all the meetings of the Board and the Board Committees to which such Director is appointed. The Directors are responsible for developing and upgrading UCL's Governance Principles, Code of Business Conduct and the Charter of each Committee on which such Director serves. For review, working papers relating to business to be transacted in the meeting are provided well in advance to the members of Board/Committees.

COMMUNICATION TO DIRECTOR

Interested parties may communicate with any Director by sending letter to the attention of the Directors in care of the Company Secretary Union Capital Limited, 73 Noor Tower, Sonargoan Road, Dhaka-1205.

AMAR STOCK

CHARTER OF THE BOARD AND ITS COMMITTEES

The Board of Directors is responsible for supervising the management of the business and affairs of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. In discharging this duty, the Board has the following overall responsibilities:

Strategic planning process

- Supervising the formulation of the strategic direction, plans and priorities of the Company and approving the strategic Plan.
- Reviewing and approving the organizational structure of the Company.
- Monitoring implementation and effectiveness of the approved strategic and operating plans.
- Reviewing and approving the corporate financial objectives and operating plans and actions of the Company.
- Approving major business decisions.

Identification and management of risks

- Ensuring that processes are in place to identify the principal risks of Company's business.
- Reviewing the systems that are implemented by management to manage those risks.
- Reviewing the processes that ensure compliance with applicable regulatory, corporate, securities and other legal requirements.

Succession planning and evaluation of management performance

- Supervising the succession planning processes of the Company, including the selection, appointment and development of the Chief Executive Officer and the senior management team;
- Evaluating and approving compensation of the Chief Executive Officer and the senior management team in a manner that is consistent with regulatory guidelines;
- Overseeing Company's control functions' having regard to their independence and effectiveness.

Oversight of communications and public disclosure

- Assessing the effectiveness of Company's communications, including measures for receiving feedback from stakeholders.
- Overseeing establishment of processes for accurate, timely and full public disclosure.
- Reviewing due diligence processes and controls in connection with certification of the Company's financial statements.

Internal controls

- Reviewing the effectiveness of Company's internal controls and management information systems.
- Reviewing and approving the Company's annual and quarterly financial statements and other public disclosure documents that require Board approval.
- Overseeing compliance with applicable audit, accounting and reporting requirements.
- Approving dividends, as well as capital expenditures and transactions which exceed threshold amounts set by the Board.

Culture of Integrity

- Establishing Company's values.
- To the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that the Chief Executive Officer and other senior officers create a culture of integrity throughout the organization.

Governance

- Developing a set of corporate governance principles and guidelines.
- Appointing from its members a Chairman of the Board.
- Establishing appropriate structures and procedures to allow the Board to function independently of management.
- Establishing Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities.
- Setting expectations and responsibilities of directors, including attendance at, preparation for, and participation in meetings.
- Review the composition of the Board with a view to the effectiveness and independence of the Board and its members.

CHARTER OF THE AUDIT COMMITTEE

The Audit Committee, within the delegated authority and in fulfilling the regulatory requirements has the following terms of reference (TOR):

A. Internal Control

- Review the implementation of key accounting policies and financial reporting;
- Evaluate the implementation of the internal control systems and the risk management process.

B. Internal Audit

- Review the adequacy of internal audit function;
- Consider the scope of work and review approve and the annual audit plan and ensure no unjustified restrictions or limitations are made;
- Review and approve the annual audit report;
- Review the activities, resources and organizational structure of Internal Audit;
- Contribute to the selection process for the appointment of the Head of Internal Audit; and
- Ensure that findings and recommendations communicated by Internal Audit and Management's proposed responses are received, discussed and appropriately acted on.

C. Compliance

- Review the effectiveness of the company's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non- compliance.

D. Relationship with the external auditor

- Review the scope of work and audit plan;
- Review Management Letters issued by external Auditors;
- Review the Report on the annual audit of the Company;
- Consider the independence of the external auditor and any

potential conflicts of interest;

- Review the "Terms of Engagement" of the external auditor;
- Discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- Discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- Ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on; and
- Review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of appointment of the external auditor.

E. Reporting to the Board

- Report on the conflict of interests;
- Suspected or presumed fraud or irregularity or material defect in the internal control system;
- Suspected infringement of laws, rules and regulations;
- Any other matters that requires immediate reporting.

F. Others

- Oversee the financial reporting process;
- Monitor choice of accounting policies and principles;
- Review the annual financial statements before submission to the Board for approval;
- Review the quarterly and half yearly financial statements;
- Review the statement of significant related party transactions submitted by the management.

CHARTER OF THE EXECUTIVE COMMITTEE

The Executive Committee, in fulfilling its purpose, will:

- Guide the Management in achieving the organization's vision/mission;
- Review implementation of the business policy;
- Approve credit proposals upto BDT 50 million for each customer;
- Review credit proposals prepared by the management and recommend to the Board where the amount exceeds BDT 50 million;
- Review the proposals relating to write off loan/leases and recommend to the Board for consideration.

CHARTER OF THE GREEN BANKING COMMITTEE

- Formulate a Green Banking policy;
- Guide and advise the green banking unit/cell to prepare an in-house green banking guide;
- Ensure regular training on in-house green banking activities for creating green banking awareness within the company;
- Ensure incorporation of environmental risk in core risks management;
- Ensure environmental due diligence applied as part of environment risk management before making investment decision;
- Ensure allocation of fund in the annual budget for green banking investment and proper utilization of climate risk fund; and
- Find avenues for innovation of new green banking products and green marketing.

AMARSTOCK

Directors' Report

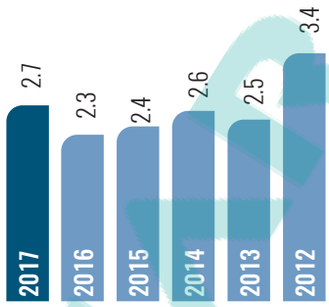
AMAR STOCK

Directors' Report

Dear Shareholders,

The Board of Directors of Union Capital Limited (UCL) takes the pleasure to present the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved these in its meeting held on 7 May 2017.

This Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification of 2012, the Listing Regulations of DSE & CSE, Financial Institutions Act, 1993, Bangladesh Bank guidelines and other applicable rules and regulations. Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider relevant and important to ensure compliance, transparency and good governance practices. We believe that this report will provide the insights of the Company's performance during the year under reporting.



Growth of world GDP
2012-2016 (in percentage)

GLOBAL ECONOMY 2016

Stagnant global trade, subdued investment, and heightened policy uncertainty marked another difficult year for the world economy. The overall weakness in economic activity, in particularly in investment, has been the primary restraint on trade growth, accounting for up to three-fourths of the slowdown. However, other factors are also weighing on trade and commerce. The waning pace of trade liberalization and the recent uptick in protectionism are holding back trade growth. The decline in the growth of global value chains has also played an important part in the observed slowdown. The global economy accelerated in the final quarter of 2016 due to a combination of improved conditions in emerging market countries and stronger growth in developed economies. It expanded 2.7 percent year-on-year in Q4, above the 2.5 percent rise in Q3 and the strongest print in the full year. Q4's strong reading brought total growth for 2016 to 2.6 percent, a notch above the 2.5 percent previously forecasted but well below 2015's 3.0 percent. Despite the deceleration in 2016, the global economy managed to navigate its way through troubled waters and performed at a still decent rate. Geopolitical risks remained high in 2016 as a result of the Brexit vote, a still-inflamed Middle East, and U.S. presidential elections, among others. Investors in stock markets around the world endured a volatile year in 2016.

USA

The United States is the world's largest national economy in nominal terms and second largest according to purchasing power parity (PPP), representing 22 percent of nominal global GDP and 17 percent of gross world product. Despite facing challenges at the domestic level along with a rapidly transforming global landscape, the U.S. economy is still the largest and most important in the world. The U.S. economy grew at an annual rate of 1.6 percent in 2016. It reflects how slow the recovery has been for USA since the Great Recession. Consumer optimism also reached a fifteen year high in December. A major problem infecting the economy is something called productivity. It's growing at a slower pace than it used to, and that holds down wages and overall growth. The U.S. economy has made significant progress since the recession, especially in the job market. The unemployment rate peaked at 10 percent in 2009. It's now 4.7 percent. Many measures of the job market have also significantly improved. Despite low growth, USA has in fact grown for seven straight years. The services sector is the main engine of the economy.

UNITED KINGDOM

UK economic growth held up better than expected immediate after the Brexit vote, particularly regarding consumer spending and services. For 2016 as a whole, growth looks likely to average around 2 percent. The main reason for the slowdown is the decline in business investment, driven in particular by uncertainty about the UK's future trading relationships with the EU in the longer term. The increase in GDP was mainly driven by the manufacturing and service sectors, particularly the consumer-focused industries such as retail sales and travel agency services. Loose monetary and fiscal policies, coupled with the depreciation of the pound sterling, supported the economy in the second half of 2016.

JAPAN

The economy ended 2016 on a strong footing. The weakening of the yen and a pickup in global trade are propelling exports, which, in December 2016, recorded their first positive reading in fifteen months. The real GDP growth rate for the July-September quarter of 2016 was 0.3 percent on a quarter-on-quarter basis and its annualized rate was 1.3 percent, representing an increase for three consecutive quarters. Private consumption maintained its improving trend. Exports have picked up, mainly led by automobile-related exports to advanced economies and IT-related exports to emerging economies in Asia. Industrial production has picked up, reflecting a moderate increase in demand at home and abroad. Transport equipment production has somewhat gained further momentum, with an increase in shipments to advanced economies. The unemployment rate has continued on a moderate declining trend, albeit with some fluctuations, and has been about 3 percent recently, which is around the structural unemployment rate.

China

China's economy grew by 6.7 percent in 2016, compared with 6.9 percent in earlier year. China is a key driver of the global economy and a growth slowdown is a major concern for the investors around the world. The world's second-largest economy faces nagging downward pressure due to slack global demand that has hurt its exports, as well as risks from painful reforms to cut industrial overcapacity and a growing pile of debt that some analysts fear could spark a financial crisis. Retail sales were up

by 10.2 percent in July compared with a year earlier - below forecasts and a fall from the 10.6 percent increase in June. Industrial output rose by 6 percent compared with the same period of the previous year. China is seeking to restructure its economy to make the spending power of its nearly 1,400 million people a key driver for growth, instead of massive government investment and cheap exports.

Russia

2016 was a year of mixed results for the Russian economy. The government tried hard to balance between addressing economic problems and reaching social development goals. Russia's macroeconomic indicators in 2016 leave one hopeful. Russian economy in 2016 grew by only 0.5 percent. The inflation was decreasing over the past years and reached to 5.8 percent, a record low in post Soviet history. The fall in foreign direct investment into the Russian economy that happened over the past three years is directly related to Western sanctions that left Russian banks and companies unable to request loans on global financial markets. Russia's GDP grows and the general uncertainty in the country's business climate decreases. Agriculture is one of the few sectors of the Russian economy that is developing rapidly and successfully. The level of consumption and overall living standard in the country remain low and continued to fall in 2016. Amidst external headwinds, the recession continues in Russia, although the pace of GDP decline has slowed down. However, supported by the government's policy response package, the pace of the recession has now declined substantially: real GDP shrank by just 0.9 percent year-on-year (y-o-y) in the first half of 2016 compared to -3.7 percent in 2015. The balance of payments remains stable. At 5.6 percent, unemployment is at near minimum levels. The fiscal deficit worsened in 2016.

Canada

The Canadian economy grew by 1.1 percent in 2016, down from the 1.3 percent forecast in its July Monetary Policy Report of Canadian Central Bank, largely due to weaker-than-expected U.S. activity in the first half of the year. Canada's monthly gross domestic product (GDP) continues its roller coaster ride of unpredictability. On a more positive note, the economy added a surprisingly high number of jobs in December and exports accelerated in November, allowing for the first trade surplus since January 2016. Similarly, the housing market defied expectations of a slowdown stemming from tighter mortgage rules. In December, housing sector starts grew at an impressive double-digit rate, while housing prices continued to rise, although at a more moderate pace.

EURO AREA

The Euro Zone achieved a 1.7 percent growth in the year 2016. The European economy has proven resilient to a number of challenges. It was a rollercoaster year for Euro area in terms of political developments. Rising populism, Brexit and terrorist attacks, on top of other political events, have been unable to dent the economy's momentum and economic sentiment in the bloc remains at a multi-year high. In the year 2016, it observed an unusual string of economic, political and security events that could have dented or even derailed the recovery: concerns about growth in emerging markets, exceptionally weak world trade, terrorist attacks in some Member States and neighboring countries, the UK's vote to leave the EU and the large policy uncertainty that has followed to mention just a few. The investment share of GDP is still two percentage points lower than in the early 2000s. Banks are struggling with low profitability which may limit their ability to finance investment once demand picks up more robustly. As savings largely exceed capital formation, the investment weakness is also reflected in the euro area's comparatively large current-account surplus of 3 percent of GDP. Unemployment stood at 9.6 percent in the euro area at the end of 2016. However, substantial slack remains in the labor-market as e.g. the average number of hours performed per worker remains low. Large uncertainties characterize the economic outlook globally and in the euro area. Dealing with the sources of low bank profitability, notably non-performing loans, remains high on the agenda of European economy.

ASIAN Economy

Growth of Asian economy for the whole year came in at 4.7 percent in 2016, a slight pick-up from 2015's 4.5 percent. 2016 was a tumultuous year for the Asian region as well as the world in terms of political events, and financial markets that experienced heightened volatility. Yet growth in the economy has remained on track, despite the backdrop of weak external demand, political events in Malaysia, Philippines and Thailand, as well as swings in financial markets. The result of weaker growth in Malaysia, Philippines and Thailand was compensated by a notable pick-up in activity in Singapore amid improving external demand and a better performance from the electronics industry. Vietnam's economy also accelerated as the agricultural sector continued to recover from the drought earlier in the year. East Asia as a whole is seen to expand by 5.8 percent in 2016. India's surprise demonetization of large banknotes will likely dampen growth this year, but South Asia remains the region's fastest-growing sub-region. It is now expected to grow in 2016 by 6.6 percent. The continued rise in commodity prices has not sufficed to offset fiscal drag in the oil-producing economies of Central Asia. The slump in oil prices and ongoing conflicts continue to weigh on middle east and central Asia's economy. Uncertainties arising from conflicts in Iraq, Libya, Syria, and Yemen are weakening confidence and lower oil prices are taking a toll on exports and economic activity in oil exporters.

Brazil

Brazil's problems keep piling up. Amid its historic recession, things are getting worse for many Brazilians since an impeachment trial began last May against former President Dilma Rousseff, who was forced to step down in late August 2016. About 12 million Brazilians are now out of work, up from 8.8 million a year ago. Brazil's industrial production declined so much in August, it wiped out the gains from the past five months. Brazil is mired in its longest recession since the 1930s and the IMF estimates meager growth next year. Latin America's largest economy shrank 3.8 percent last year and the IMF now forecasts it will fall another 3.3 percent this year. Brazil's job market is in tatters. Wages in Brazil declined 3 percent in August and the unemployment rate rose to 11.8 percent, up from 8.7 percent a year ago.

India

The country overtook China as the world's fastest growing major economy this year, but may fall behind again as the withdrawal of big rupee notes hurts business activity. Analysts estimate India's shock decision to scrap its 500 rupee and 1,000 rupee notes accounting for about 86 percent of cash in circulation will shave at least one percentage point (and possibly much more) off India's current GDP growth rate of 7.1 percent. Gross domestic product grew by 7.3 percent in the quarter ended September, a slight increase from the previous quarter and much stronger than China's 6.7 percent. In February 2016, India overtook China as

the fastest growing major economy in the world amid a failing global economy. In May, India's GDP grew 7.5 per cent year-on-year between January and March, faster than the previous quarter's 7.3 per cent. In June, India's GDP grew further to 7.6 per cent, retaining the fastest growing economy title. In the following months even as India's GDP dipped to 7.1 percent it still managed to stay ahead of China's 6.7 per cent growth.

France

In 2016, despite a strong first quarter (+0.7 percent) driven by exceptionally strong domestic demand excluding stock (+0.9 percent), GDP growth will peak at 1.4 percent on average over the year. The mid-year air pocket, which was marked by strikes, floods, terrorist attacks and the originally scheduled end of the investment tax reduction, partly explains the weak recovery in 2016. The creation of private sector jobs should be relatively dynamic (+149,000), due to support from the CICE competitiveness tax credit, the Responsibility Pact. In total, taking into account unwaged employees and the workforce in the public sector, 219,000 jobs were created in 2016. Meanwhile the public deficit has droped to 3.3 percent of GDP in 2016, after a level of 3.5 percent in 2015.

Germany

Germany is the largest national economy in Europe, the fourth-largest by nominal GDP in the world, and fifth by GDP (PPP). The country is a founding member of the European Union and the Eurozone. In 2016, Germany recorded the highest trade surplus in the world worth USD 31,000 million, making it the biggest capital exporter globally. Germany is the third largest exporter in the world with 1.21 trillion Euros (USD 1.27 trillion) in goods and services exported in 2016. Gross domestic product expanded about half a percent in the October-December period from the previous three months, when it grew 0.2 percent. GDP rose 1.9 percent in 2016, beating a 1.8 percent median estimate. Consumer spending rose 2 percent last year and public expenditure increased 4.2 percent. Investment was up 1.7 percent and construction gained 3.1 percent. Exports grew 2.5 percent, with imports 3.4 percent higher than in 2015. Household consumption benefited from a drop in the unemployment rate to the lowest level since the country's reunification more than a quarter of a century ago. At the same time, government spending was boosted by costs related to the provision of assistance and shelter for more than 1 million refugees that came to the country from war-torn nations including Syria and Iraq. Despite these increased outlays, the government posted a fiscal surplus of 0.6 percent of GDP last year, the third consecutive year that budget revenue exceeded spending.

Italy

Italy is the world's ninth biggest economy. Its economic structure relies mainly on services and manufacturing. The services sector accounts for almost three quarters of total GDP and employs around 65 percent of the country's total employed people. Within the service sector, the most important contributors are the wholesale, retail sales and transportation sectors. Italy is the fourth-largest economy in the European Union (EU), with a nominal 2016 estimated gross domestic product (GDP) of USD 1.85 trillion. The Italian economy is recovering gradually from a deep and protracted recession. Buoyed by exceptionally accommodative monetary policy, favorable commodity prices, supportive fiscal policy, and improved confidence on the back of the authorities' wide-ranging reform efforts, the economy grew by 0.8 percent in 2015 and continued to expand in the first quarter of 2016. Labor market conditions have been improving gradually, and non-performing loans (NPLs) appear to be stabilizing at around 18 percent of total loans.

Sub-Saharan Africa

The average growth for the Sub-Sahara Africa region is projected at a low 1.5 per cent, and it is the lowest in last 20 years. With lower commodity prices and a generally less supportive global economic environment, average growth in the region is foreseen to decelerate sharply to 1.5 percent this year, well below population growth, and in sharp contrast to the high growth rates of the past 15 years. Commodity exporters are under severe economic strains, including the region's three largest countries, Angola, Nigeria, and South Africa. The near-term prospects of oil exporters in particular have worsened, notwithstanding the modest uptick in oil prices, as the slowdown is becoming entrenched—activity among these countries is expected to contract by 1.25 per cent this year. Among other resource-intensive countries, growth in the Democratic Republic of Congo, Ghana, South Africa, Zambia, and Zimbabwe is decelerating sharply or stuck in low gear. There have been quite significant slowdown in some countries in sub-Saharan Africa, especially in resource-intensive countries, including Ghana, non-resource-intensive countries like Kenya and Senegal have been able to maintain growth.

Middle East and North Africa

Economic activities in the Middle East and North Africa (MENA) showed surprising resilience in 2016 despite mounting political and economic headwinds. The region's aggregate GDP expanded 2.7 percent in 2016, up from 2015's 2.6 percent growth. The region greatly benefited from Iran's reintegration into the global economy and its consequent surge in oil shipments. Positive note for 2016 was Iraq's economic rebound following 2015's dismal performance, when the Islamic State (ISIS) occupied large part of land in the country. Morocco was the major outlier as poor weather conditions hit the all-important agricultural sector. Economic dynamics in Jordan and Lebanon were limited by spillovers stemming from the ongoing war in Iraq and Syria. The low oil price environment since mid-2015 forced GCC countries to implement harsh austerity measures in order to rein in their soaring budget deficits. Lower subsidies and a sizeable reduction in government expenditures, particularly in infrastructures, took their toll on non-oil activities. As a result, growth in GCC countries fell from 3.8 percent in 2015 to 1.9 percent in 2016, the weakest performance since the global financial crisis in 2009.

GLOBAL ECONOMIC OUTLOOK IN 2017

The global economy has now entered its sixth year of stagnation and the growth outlook for 2017 shows a continuation of this trend. Global economic growth is forecasted to accelerate moderately to 2.7 percent in 2017 after a post-crisis low last year as obstacles to activity recede among emerging market and developing economy commodity exporters, while domestic demand remains solid among emerging and developing commodity importers. Growth in advanced economies is expected to edge up to 1.8 percent in 2017. Growth in emerging market and developing economies as a whole should pick up to 4.2 percent in the year 2017 from 3.4 percent in the year just ended amid modestly rising commodity prices. Amongest the advanced economies, growth in the United States is expected to pick up to 2.2 percent as manufacturing and investment growth gain traction after a weak 2016. Growth in the emerging world will also pick up as some key economies are slowly recovering from

last year's dismal performance.

The increase in uncertainty about economic growth in the United Kingdom is the major driver behind the immediate reaction in the financial markets. Brexit will inevitably increase the friction between the UK and its international trading partners. A disorderly Brexit scenario will result in an economic recession in the UK, with real GDP contracting by as much as 2.0 percent in 2017. In the event of a disorderly Brexit scenario, architectural services, advertising and legal services are expected to be hit the hardest in terms of revenue loss. Export-driven nations such as China, Japan and Mexico would be the worst hit by Trump's anti-trade policies and this situation could exacerbate domestic imbalances. Moreover, political uncertainty is rising in the European Union. Looking at individual countries, this month's global outlook for 2017 will show an upward revision to growth prospects for major economies such as Japan and the United Kingdom. In India, the growth forecast for the current (2016–17) and next fiscal year will be trimmed by one percentage point and 0.4 percentage point, respectively, primarily due to the temporary negative consumption shock induced by cash shortages and payment disruptions associated with the recent currency note withdrawal and exchange initiative. In Latin America, the growth downgrade reflects to an important extent more muted expectations of short-term recovery in Argentina and Brazil following weaker-than-expected growth outturns in the second half of 2016, tighter financial conditions and increased headwinds from U.S.-related uncertainty in Mexico, and continued deterioration in Venezuela. In the Middle East, growth in Saudi Arabia is expected to be weaker as oil production is cut back in line with the recent OPEC agreement, while civil strife continues to take a heavy toll on a number of other countries.

OVERVIEW OF BANGLADESH ECONOMY IN 2016

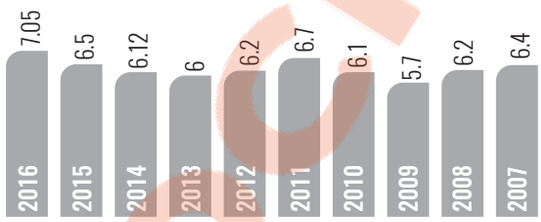
2016 will be remembered as a chaotic year for Bangladesh, rocked by major security incidents involving deadly terrorist attacks that negatively affected the country's image, both at home and abroad. Despite this, Bangladesh still proved its resilience to such shocking events and continued on with its economic growth trajectory, recording an impressive GDP growth rate of 7.1 percent in 2016. Bangladesh is currently the second-largest exporter of ready-made garments in the world after China.

The Bangladesh economy has emerged as one of the resilient developing economies in the world. The economy grew at an average rate of 6.20 percent over the last decade. The per capita national income reached to USD 1,465 in FY2015-16, up by USD 149, from USD 1,316 of previous year. Likewise, per capita GDP reached USD 1,385 in FY2015-16, from USD 1,236 a year earlier. Year-on-year inflation decreased to 5.92 percent in FY2015-16 compared to 6.41 percent in FY2014-15. The revenue mobilization performance was broadly stable in FY2015-16 with a significant rise in revenue receipts.

Economic Growth

GDP Growth Rate in Bangladesh averaged 5.72 percent from 1994 until 2016, reaching an all time high of 7.1 percent in 2016. Despite the global financial crisis and its aftermath, along with the adverse effect emerged from domestic front, Bangladesh has been able to achieve GDP growth at more than 6 percent on an average during the last decade due to development of microcredit, foreign remittance and garment industry. Although three fifths of Bangladeshis are employed in the agriculture sector, three quarters of exports revenues come from producing ready-made garments.

GDP Growth year wise (Bangladesh)
(in percentage)



Agriculture Sector

Agriculture sector growth in FY2015-16 slowed to 2.79 percent from 3.33 percent in FY2014-15, caused by the decline in crops and horticulture growth from 1.83 percent to 0.88 percent during the period. The food-grain production (rice) in FY 2015-16 was 34.71 million Metric Tons (MT), remained flat (34.71 million MT) of previous fiscal year. BBS estimates for Boro production is 18.93 million MT, 1.33 percent lower than previous year production. Boro production declined because of switching to more profitable crops such as wheat, maize, potato, lentils and summer vegetables. Besides, wheat production in FY 2015-16 is 1.355 million MT, marginally higher than the production of 1.348 million MT of previous fiscal year. Maize production in FY 2015-16 is 2.636 million M.T, 2.95 percent higher than the production of previous fiscal year. Within agriculture sector, animal farming increased slightly to 3.19 percent in FY 2015-16 from 3.08 percent in the previous fiscal year. Forest and related services grew by 5.12 percent slightly higher than 5.08 percent in FY2014-15. The fishing sector growth slightly decelerated to 6.11 percent in FY2015-16 compared to that of 6.38 percent in FY2014-15.

Industry sector

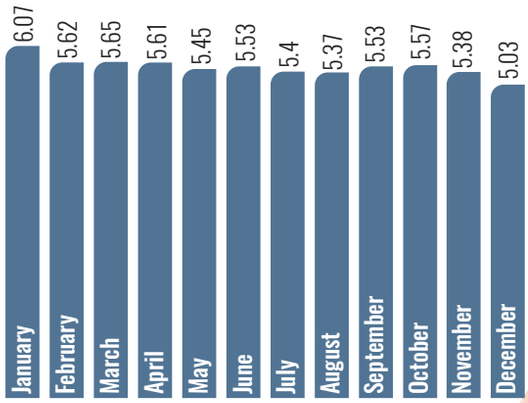
Industry sector growth in FY 2015-16 picked up 11.09 percent from 9.67 percent in FY 2014-15, mainly attributed by the increase in mining and quarrying sector, manufacturing sector and electricity, gas and water supply sector. The growth of mining and quarrying sector was recorded 12.84 percent in FY 2015-16, from 9.60 percent in FY 2014-15. Two sub-sectors of this sector-natural gas production and crude petroleum sub-sector grew by 11.77 percent and other mining and coal sub-sectors grew by 14.42 percent. Overall manufacturing sector (large and medium, and small scale) grew by 11.69 percent in FY2015-16, from 10.31 percent in FY2014-15. The growth rate of large and medium scale sub-sector and small scale sub-sector were12.26 percent and 9.06 percent respectively in FY 2015-16, up from 10.70 percent and 8.54 percent respectively a year earlier. Indices that recorded increase during the period are: wearing apparel (11.14 percent), textile (13.11 percent), food products (13.28 percent), pharmaceuticals and medicinal chemical (1.95 percent), non-metallic mineral products (44.93 percent), chemicals and chemical products (19.66 percent), basic metals (8.40 percent) and fabricated metal products except machinery (0.19 percent).

Inflation

Inflationary trends experienced a consistent decline throughout FY2016. The annual average inflation in June 2016 stood at 5.9 per cent, which was below the target of 6.1 per cent. Lower global commodity prices and stable exchange rate of the BDT against USD contributed to the falling inflation. According to the

BBS, the average general inflation rate in the last fiscal year was 5.92 percent, which was 6.41 percent in fiscal year 2014-15, 7.35 percent in fiscal year 2013-14, and 6.78 percent in fiscal year 2012-13. In the year 2016, the inflation rate came down to its lowest in a decade.

Inflation (point to point)
CPI inflation month wise (in percentage)



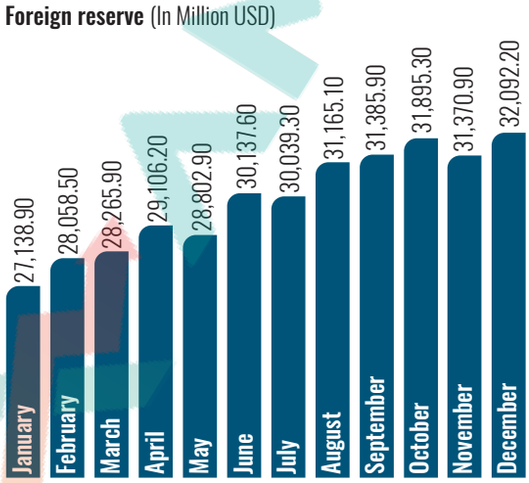
FDI

Foreign Direct Investment in Bangladesh increased by USD 2,003.53 Million in 2016. Foreign Direct Investment in Bangladesh averaged USD 1,001.57 Million from 2002 until 2016, reaching an all time high of USD 2,003.53 Million in 2016. Net inflow of Foreign Direct Investment (FDI) into Bangladesh appeared much smaller than what was estimated earlier. So, in FY 2016 the net inflow of FDI stood at USD 2,003 million which was derived by deducting disinvestment worth USD 499 million from the gross amount of USD 2,502 million.

Foreign Exchange Reserve

The best performing indicator has been the foreign currency reserve. As of 31 December 2016, it stood at USD 3,209 million, higher than at any other time in the history of Bangladesh. The reserve was at a little over USD 2,749 million on the same day in 2015.

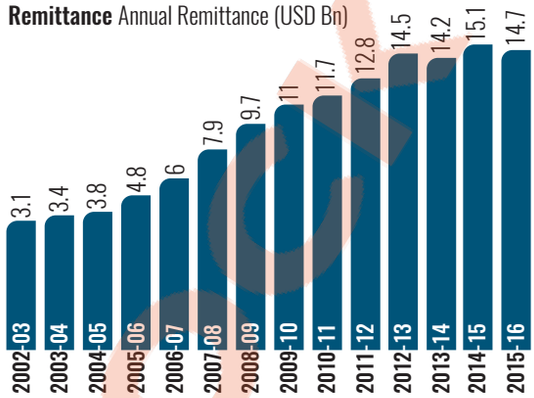
Foreign reserve (In Million USD)



Remittance

Remittance has become a major contributor to the Bangladeshi economy. The flow of remittance, on which Bangladesh's economic stability has continued amidst a global recession, has been declining. As of 31 December 2016, it stood at USD 959 million which is lower than previous year that was recorded USD 1,313 million.

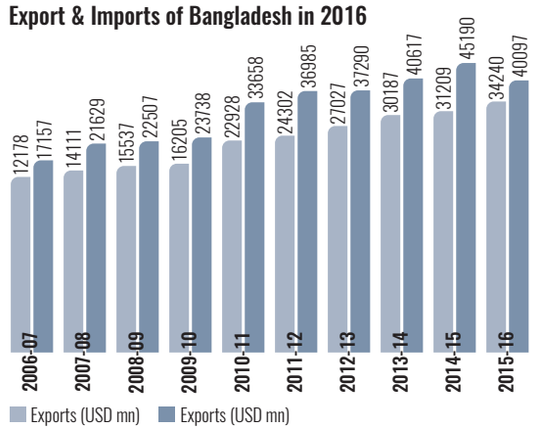
Remittance Annual Remittance (USD Bn)



Exports and Imports

Overall export earnings in 12 months (January-December, 2016) registered a modest 8.0 per cent growth over the previous year. Total export earnings stood at around USD 3,500 million in 2016 compared to USD 3,230 million in 2015. On the other hand, import registered around 6.9 per cent growth in 11 months (January-November) of 2016 over the same period of 2015. Import payments (C&F price) stood at USD 4,075 million in 11 months of 2016. Total value of merchandise trade may be estimated at USD 7,800 million in the last calendar year which was 7,440 million in 2015. Thus, the trend in external trade is moving upward and it is expected to do so in the near future provided that there is no serious disruption in external or internal situation. Export earnings in 2015-2016, the main items of cash exports during the year under review were readymade garments, leather and leather manufactures, jute manufactures, Fish, shrimps and prawns etc.

Export & Imports of Bangladesh in 2016



Bangladesh imports mostly petroleum and oil (11 percent of the total imports); textile (10 percent) and food items (9 percent). Others include: iron and steel (7 percent), edible oil (4 percent), chemicals (4 percent), yarn and plastic and rubber articles (4 percent).

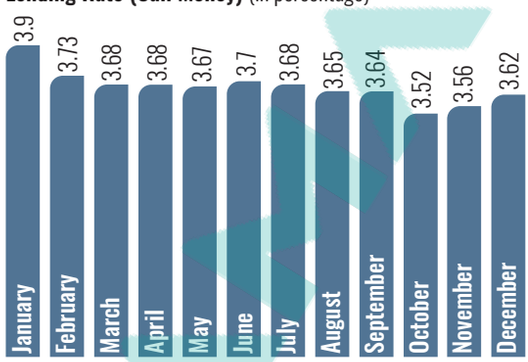
NBFI's PERFORMANCE IN 2016

Bangladesh's banking sector has been entrenched with uneven interest rate spreads, falling profitability, high non-performing loans (NPLs) and uneven competition in recent years. Non Bank Financial Institutions (NBFIs) have emerged as an important segment of financial system in Bangladesh. NBFIs offer diversified financial services mostly long-term in nature to cater the ever changing demands of customers. NBFIs showed strong performance in terms of growth in assets and deposits during FY16. NBFIs deploy funds for providing mainly term loan in different sectors of the economy with major concentration in

industrial sector. At the end of June 2016, NBFIs total investment in capital market stood at BDT 2,110 million. At the end of June 2016, total deposit of NBFIs increased to BDT 35,140 million. At the end of June 2016, aggregate liability and equity increased to BDT 57,200 million and BDT 10,080 million respectively. NBFIs play a significant role for the development of bond market through issuing Zero Coupon Bonds and Asset-backed Securitised Bonds. By taking NOC from the Department of Financial Institutions and Markets (DFIM), BDT 250 million "IDLC Infrastructure and SME Zero Coupon Bond" were issued by IDLC Finance Limited, BDT 300 million non-convertible zero coupon bonds by LankaBangla Finance Limited and BDT 100 million Fixed Rate Nonconvertible Subordinated Bond was issued by Reliance Finance Limited as of June 2016. The ratio of gross nonperforming loan /lease to total loan/lease is used to judge the asset quality of NBFIs. At the end of June 2016, the NPL ratio for NBFIs was 9.0 percent. In the total asset composition of all NBFIs, the concentration of loans, lease and advances was 74.2 percent. Earnings and profitability of an NBFI reflects its efficiency in managing resources and its long term sustainability. BBs prudential policy measures resulted in a stable weighted average interest rate in the call money market ranging from 3.67 percent to 5.71 percent with a minor fluctuations during FY16. During FY16 the monthly average volume of transaction in the call money market increased by BDT 4,358 million which was 3.74 percent higher than that of FY15.

Although the volume of transaction in the call money market was relatively low in the initial months but it steadily increased and weighted average interest rate showed a declining trend amid little fluctuations in FY16.

Lending Rate (Call Money) (in percentage)

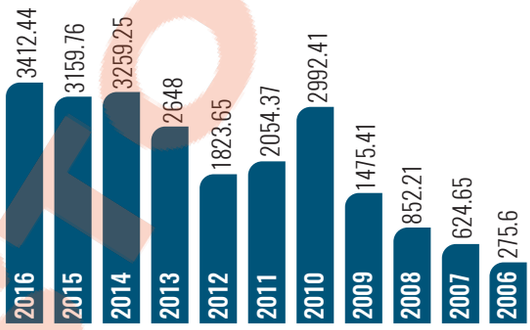


CAPITAL MARKET IN 2016

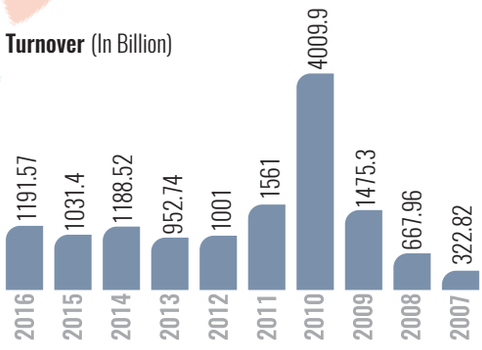
The capital market ended 2016 with hope and aspiration, as the index recorded an almost 9 percent gain in the course of the year. A consistent rally, especially in the last two months of the year, enabled the key index of the premier bourse to stay above the 5,000 points level, yielding an 8.91 percent return for this year. DSEX, the key index of the Dhaka Stock Exchange, closed the year with 5,036 points at 29 December 2016, the last trading of 2016, up from 4,624 points on the first trading day of the year. Active participation of local and foreign investors and the psychological confidence were the main drivers of the market. The market was consolidating round the year but the momentum picked up in the last three months and crossed the psychological barrier of 5,000 points. During the year, 9 new securities were listed on the DSE, which raised about Tk 4,947 million. With the inclusion of the new securities, the total number of listed securities on the DSE stood at 560. The foreign investors have higher exposure now than ever before. Due to the sharp rise in turnover in November and December, the daily average turnover at the bourse increased to Tk 4,944.20 million in the outgoing year compared with that of Tk 4,227 million in 2015. Although the secondary market finished higher, the primary market was comparatively dull during the year as the amount of fund raised by the issuer companies hit a six-year low in the year 2016. In 2016, eight companies raised Tk 6,593 million from the capital market against that of Tk 6,757.2 million in the previous year.

Capital Market

Market capitalization (In Billion)



Turnover (In Billion)



HIGHLIGHTS ON FINANCIAL PERFORMANCE

Key operating and financial data of last preceding 5 (five) years is shown under the heading of Operational Highlights and Financial Highlights in the page no 42 of this Annual Report.

OPERATIONAL PERFORMANCE OF UCL GROUP

In 2016 the financial sector including Union Capital passed another year of challenge. National economy faced a difficult time because of security instability and high NPL rate. Global economic recession had a spillover impact on the Bangladesh economy. The capital market remained stable throughout the year. UCL met the challenges through focused marketing plan, diversified products and services, initiative towards a fully automated and modern system, improving the assets quality by strengthening the recovery of non-performing assets, emphasis on human resources development programs to upgrade the skill and knowledge of our personnel.

FINANCING AND INVESTMENT OPERATION

Union Capital always tried to be innovative while making any investment decision with a focus to identify and select emerging sectors for financing and maintaining quality portfolio. As a reflection of its corporate vision, the company always prefers the segmented business proposition which includes corporate, institutional clients and SMEs. SME financing is making a significant contribution to the country's economy but still there is an enormous gap between the sectors need and admittance to

funds within reasonable cost. Keeping this in mind, UCL is offering tailored financial products for the growth of SME sectors. Overall investment was slow due to political uncertainly and lack of confidence of entrepreneur throughout the year. On the top of everything, highest priority was given and relentless effort was made to recover loans/lease at utmost level and in which the company performed well.

Diversified portfolio

Major financing activities of the company include Term Finance that represents 54.20 percent of total investment portfolio followed by lease finance (11.64 percent) and SME finance (11.15 percent).

Lease Finance

Lease financing is one of the major fund based activity of Union Capital Limited. The Company offers full payout financial lease for financing capital machinery, equipment and vehicles. UCL provides services to customers of different segments include growing companies, blue-chip companies and SMEs. Though as prudent business model the company has diversified its investment in other business segments in the year 2016. In 2016, total lease finance added was BDT 380.87 million. The investment under lease finance of the Company stood at BDT 1,948.22 million at the end of 2016.

Term Finance

Term finance continued to be a core product of UCL. It is both long term and short term in nature. Long-term finance is available for commercial, industrial, SME sectors for a period ranging from 12 to 60 months depending on the business nature and need. To provide liquidity comfort to corporate houses in emergency situation, the short-term finance is made under the different categories i.e. direct finance for working capital, work order finance, finance against term deposits etc. As pointed out by the Central Bank term finance by NBFIs are the alternate source of capital financing for the industrial growth in this Country. The Company's investment under term finance stood at BDT 8,405.48 million at the end of 2016.

Bridge / Equity Finance

Union Capital expanded its service range of bridge finance beyond the concept of investment banking. The Company provides bridge finance in anticipation of all types of immediate financing requirement ranging from term loan to IPO or equity investment.

SME Finance

UCL provides a wide range of SME products to the potential clients under Bangladesh Bank Re-finance scheme. SME based financial products include, Women entrepreneur loan, Supplier loan, Medical loan, Education loan, Business expansion loan, Secured loan etc.

House Building Finance

The Company offers House Building loan to corporate customer as well as Individuals at different tenure considering the age of the applicant. It is against purchase of Flat, Construction and Renovation of House Building.

Fund Arrangement/Syndication

Sometimes financial requirement of customer become so huge that cannot be arranged from internal sources and also due to regulatory restrictions. In such situation required funds are being raised through syndication arrangements with other financial institutions and banks.

CAPITAL MARKET OPERATION

In 2016, the Capital market of Bangladesh, was more stable than 2015. DSE broad index DSEX started at 4,624.019 point and closed at 5,036.050 point on December 29, 2016. DSEX increased by almost 8.91 percent throughout the year. DSEX's the lowest point was 4,171 and the highest point was 5,036 which indicates that there was fluctuation of almost 865 points. The daily average market turnover was BDT 4,949.61 million in 2016. The market price of share of Union Capital Limited was quite stable. The highest price was recorded at BDT 20.50 on December 29, 2016 and lowest one was BDT 10.50.

Union Capital Limited always works hard to cope up and manage the risk prudently as it holds decades of experience in capital market operations. UCL offers services in the area of merchant banking, portfolio management and stock brokerage through its subsidiaries namely UniCap Investments Limited and UniCap Securities Limited.

IPO Management

UCL Group performs public issue management along with financial engineering and designing of capital structuring services for customers desiring to raise fund from capital market for BMRE and repayment of debt. During the year 2016, the Company signed Rhymer Chemical Industries Ltd. of issue size BDT 320 million Initial Public Offering and Petrochem (Bangladesh) Ltd. of issue size BDT 110 million for Capital Raising.

Underwriting

It is one of the core activities of merchant banking operation. As one of the major underwriter, during the year 2016, the Unicap Investments Limited, one of the fully owned Subsidiaries underwrites Initial Public Offer of Bashundhara Paper Mills Ltd. for BDT 50 million as well as underwrites Right Offer of IFIC Bank Limited for BDT 300 million.

Private Placement

UCL Group arranges the private placement of the debt and equity securities for companies seeking a wide range of corporate finance alternatives. During the period under reporting, the company worked for a number of projects either in the capacity of an arranger or a subscriber of pre-IPO placement.

Corporate Financial and Advisory Services

UCL Group offers professional corporate financial services including customized, value added solutions for better corporate performance in terms of prolonged existence and steady growth. Project advisory services include systemic development of an idea into a plan, development of financial structure preparing feasibility report.

Portfolio Management

UCL Group provides portfolio management services with a margin loan facility to its clients. The transaction of portfolio accounts was made both at the discretion of the customer and the company.

Margin Loan

UCL Group provides margin loan facilities through its Subsidiaries namely UniCap Investments Limited and Unicap Securities Limited to its portfolio customer for purchase of shares and securities. The amount of portfolio loan outstanding as on December 2016 was BDT 5,685.35 million. The above amount represents the aggregate investor's portfolio loan extended to different portfolio customers for purchasing shares

listed in the stock exchanges against their deposit. Loans are fully secured by way of lien on share purchased under margin loan account. UCL always maintained its loan ratio in very just and reasonable way adjusting with the market situation without taking any excessive risk for both the company and its customers.

Stock Brokerage

UCL Group also offers stock brokerage services to local and foreign investors through its fully owned subsidiary, UniCap Securities Limited-which has corporate memberships at the Dhaka & Chittagong stock exchanges and full service depository participant of CDBL. The market stability, investor's confidence, participant of institutional investors & foreign investors and availability of liquidity resulted significant increase in the market turnover during 2016.

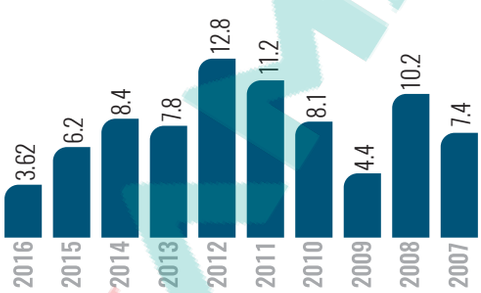
Investment in Share and Securities

UCL maintains its own portfolio for investment in listed companies shares and securities. These are fully diversified with different sector of securities. The investment risk is being minimized through diversification and investing mostly in fundamentally strong securities. In 2016 the company earned BDT 8.07 million in the form of capital gain and dividend.

MONEY MARKET OPERATION

The liquidity position of all banks (except SPBs as they are exempted from the compliance of SLR by Government rule) improved at the end of June 2016 and stood at BDT 262,226 million compared to BDT 71,661 million in June 2015 showing an easing of the money market. At the retail level deposit rates have decreased gradually in FY 2014-15 reflecting a liquidity surplus in the market however lending rates have behaved downward stickier with slight downward shift. Central Bank continued its reform activities this year with a core focus on ensuring financial stability of the Banks, Non-bank Financial Institutions (NBFIs) and Micro Finance Institution (MFIs) operating in the market.

Annual call money interest rate (In percentage)



Banking Arrangements

The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks. In 2016 the Company obtained BDT 1,833.37 million from banks against different form of borrowings to finance its operations and repaid BDT 1,460.18 million as per terms and conditions of contracts. UCL also obtained BDT 213.37 million from Bangladesh Bank under the SME Refinancing Schemes.

Deposit Mobilization

UCL mobilizes term deposits from corporate and individuals through its wide range of deposit schemes with different maturity options, monthly/quarterly/half-yearly/yearly income options, double/triple money options, monthly saving options etc.

The deposits base of the Company continued to register a steady growth and stood at BDT 13,131.22 million as on 31 December 2016 compared to BDT 11,798.79 million of the previous year, registering growth of 11.29 percent. The growth was made due to high standard products and services along with competitive interest rate offered to customers.

Call Money Transactions

As a financial Institution UCL actively participates in money market on a regular basis and has been dealing both borrowing and lending activities with different banks/financial institutions to manage its liquidity position in an effective way. UCL also maintains very high standard in money market operation and build up a strong reputation for itself.

OPERATIONAL HUB

UCL provides services through its eight offices geographically diversified in the areas namely Dhaka, Chittagong and Sylhet, Tongi, Bogra and Norsingdi.

OPERATING RESULTS (Consolidated)

During 2016, the Company generated revenue of BDT 2,348.81 million, which concluded profit from operation of BDT 996.04 million. Net profit has increased by 10.36 percent to BDT 258.42 million. An amount of BDT 234.99 million has been provided as provision for taxation in 2016. Earnings per share was BDT 1.44 as against BDT1.31 of last year. The weighted average number of ordinary shares outstanding during the year was 142.29 million (2015: 132.99 million). The financial results of the Company for the year 2016 with a comparison of 2015 are summarized below:

(BDT in million except per share data)

Particular	2016	2015
Operating revenue	996.04	801.65
Operating expenses	248.59	211.45
Profit before tax	493.42	484.56
Provision for tax	234.99	250.42
Profit after tax	258.42	234.18
Earnings Per Share (EPS)	1.44	1.31

SUBSIDIARY COMPANIES

UCL has two fully owned subsidiary companies, namely, UniCap Securities Limited – a corporate member of both Dhaka and Chittagong Stock Exchange; and UniCap Investments Limited – a full fledged merchant bank. UniCap Investments Limited was incorporated on 24 May 2011. During the year 2016, UCL did not receive any dividend from the Subsidiary Companies. Separate audited financial statements of the subsidiary companies are given on pages 226 to 249 of this Annual Report.

IPO OF THE COMPANY

UCL floated its ordinary shares through IPO in the year 2007 and raised BDT 75,000,000 at par. The net proceeds of IPO was used for Company's operational activities i.e. for investment in lease finance and term finance.

EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the year 2015 that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the following:

DECLARATION OF DIVIDEND

The Board of Directors in its 237th meeting held on 7 May 2017, recommended 10 percent stock dividend for the year ended on 31 December 2016 subject to approval of the shareholders at 19th Annual General Meeting scheduled to be held on 15 June 2017. Details of the dividend declared during the financial year are disclosed in Note 55 of the Notes to the Financial Statements on page 221 of this annual report.

APPROPRIATIONS OF PROFIT (Based on separate F/S)

Taking into account the profit available for distribution after complying with the regulatory requirements, the Board recommended 10 percent stock dividend for the year ended 31 December, 2016 for approval of the Shareholders in the Nineteenth Annual General Meeting. The Board proposed the following appropriations:

	BDT in million
Profit after tax	248.30
Retained Earnings brought forward	5.33
Total Profit available for appropriation	253.63
Proposed appropriation:	
Transfer to Statutory Reserve	49.66
Dividend on preference share	53.02
Proposed Dividend	142.30
Retained Earnings carried forward	8.47

ANNUAL GENERAL MEETING

The notice of the Nineteenth Annual General Meeting is given on page no. 252 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- Receive and adopt the Directors' Report,
- Auditors Report and Audited Financial Statements for the year 2016;
- Declaration of dividend for the year 2016;
- Re-appointment of the Directors;
- Appointment of the Auditors;

Special Business Nil

OBSERVANCE OF BAS, BFRS & APPLICABLE LAWS

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Institutions Act, 1993, and the Bangladesh Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A separate report on Directors' Responsibilities as to the preparation of financial statement is set out on page no. 84 in this Annual Report.

ACCOUNTING POLICIES AND MAINTENANCE OF BOOKS OF ACCOUNTS

The Directors consider that in preparing the Financial Statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) have been followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

FAIRNESS OF THE ACCOUNTS

As per Companies Act, 1994, it is the responsibility of the Directors to prepare financial statements for each year to be presented before the shareholders in the Annual General Meeting. The financial statements and other financial information included in this report fairly present in all material respects, the financial conditions, results of operations, cash flows and changes in equity of the Company as of, and for the year ended 31 December, 2016.

RISK MANAGEMENT

Risk is an exposure to a transaction that may result in a loss with some probability. In financial institutions, risk results from variations and fluctuations in assets, liabilities, incomes and outflows & inflows of cash etc. While the types and degree of risks an organization may be exposed to, depend upon a number of factors, it is assumed that generally FIs face Credit, Market, Liquidity, Operational, Compliance, Legal, Regulatory, Environment and Reputation risks as summarized below:

Credit risk

Credit risk is the risk of loss associated with an obligor's potential inability or unwillingness to fulfill their contractual obligations. Credit risk may arise from the risk of default of our customers.

Mitigation Measures

- Ensuring credit quality;
- Diversifying credit risks in transactions and portfolios;
- Using our credit risk rating and scoring systems;
- Pricing appropriately for the credit risk taken;
- Applying consistent credit risk exposure measurements;
- Mitigating credit risk through preventive controls;
- Ongoing credit risk monitoring and administration;
- Strong credit analysis to identify the risk;
- Clear loan/lease covenants;
- Effective credit control and monitoring processes;
- Prompt identification of early sign of deterioration;
- Adequacy and realizability of collateral.

Market risk

Market risk is defined as the potential loss in value of the firm due to changes in market prices and rates including interest rates, foreign exchange, commodity price and equity prices. Market risk has a direct impact on earnings and impacts the economic value of the company.

Mitigation measures

- A Risk Management Committee that meets on a regular interval;
- Daily reporting of valuation results to executive management;
- Strict adherence to UCL's internal policies such as the use of limits and management action triggers.

Liquidity risk

Liquidity risk is the risk that we may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet our commitments as they come due. The nature of financing services inherently exposes us to various types of liquidity risk. The most common sources of liquidity risk arise from mismatches in the timing and value of cash inflows

and outflows.

Mitigation measures

- Efficient Asset and Liability Committee that oversees liquidity management;
- Diversified sources of funding;
- Contingent funding plan;
- Effective cash flow planning.

Operational risk

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can result in direct or indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit or market risk.

Mitigation measures

- Effective background checks and thorough confirmation process on new hires;
- Competitive remuneration package and other hygiene factors to attract and retain the best talent;
- Enforcement of strong supervisory control;
- Zero tolerance to staff integrity issues and fraud;
- A fully fledged HR Department to cater for the training and development needs of staff;
- The introduction of a functional reporting structure to the departmental head for effective supervisory control of the operations of UCL;
- Automation of our processes;
- Putting in place sound business continuity planning and disaster recovery programmes;
- Stepping up operational risk awareness training and programmes;
- Monitor and manage key risk indicators in processes/products/activities.

Regulatory risk

This is the risk whereby the procedures implemented by UCL to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective.

Mitigation measures

Proactive implementation of UCL's sound compliance programme that ensures compliance by all stakeholders to relevant laws and regulations. This includes continuous updates of UCL's rule books as well as training of all concerned to understand regulatory obligations and the consequence of non-compliance.

Reputation risk

Reputation risk can arise from a number of events and primarily occurs in connection with credit risk, regulatory, legal and operational risks. Operational failures and non-compliance with laws and regulations can have a significant reputational impact on us.

Mitigation measures

- we operate with integrity at all times in order to sustain a strong and positive reputation;
- protecting our reputation is the responsibility of all our employees, including senior management and extends to all members of the Board.

Overview of other risks

In addition to the risks described in the Risk Management section, there are other risk factors, described below, which may adversely affect our businesses and financial results. The following discussion is not exhaustive as other factors could also adversely affect our results.

Government fiscal, monetary and other policies

Our businesses and earnings are affected by the fiscal, monetary or other policies that are adopted by the Government and Bangladesh Bank and various regulatory authorities. As well, such policies can adversely affect our clients which may increase the risk of default by such clients.

Level of competition

The competition for clients among financial services companies in the markets in which we operate is intense. Client loyalty and retention can be influenced by a number of factors, including services offered by our competitors, relative service levels, the prices and attributes of our products or services, our reputation and actions taken by our competitors. Banks are also offering similar services like leasing, capital market operations etc. Such competition could also reduce net interest income, fee revenue and adversely affect our earnings.

Ability to attract and to retain employees

Competition for qualified employees is intense within the financial services industry and from non-financial industries looking to recruit. Although our goal is to retain and attract qualified employees, there is no assurance that we will be able to do so.

Accuracy and completeness of information on clients and counterparties

When deciding to extend credit or enter into other transactions with clients, we may rely on information provided by or on behalf of clients including audited financial statements and other financial information. Our financial results could be adversely impacted if the financial statements and other financial information relating to clients on whom we rely are materially misleading.

Environmental and Social risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues which may suffer the society. It arises from our business activities and our operations. For example, the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit and reputation risk. Operational and legal risks may arise from environmental issues at our different offices. Failure to adequately manage those environmental risk could adversely impact our reputation.

Other factors

Other factors that may affect actual results include changes in government trade policy, changes in accounting standards, the timely and successful development of new products and services, technological changes and our reliance on third parties to provide components of our business infrastructure, the failure of third parties to comply with their obligations to us, fraud by internal or external parties, the possible impact on our business from national or global economies, disruptions to public infrastructure, including transportation, communication, gas and power, conflicts and political instability and our success in anticipating and managing the associated risks.

A detailed report on risk management is given on page 116 to 130 of this Annual Report.

CREDIT RATING

A credit rating is an assessment of the solvency or credit-worthiness of a company according to established credit review procedures. These ratings help investors analyze the risks associated with the company by providing detailed information of the ability of a company to meet their obligations. A rating is being continuously monitored. It enables investors to measure their investment risk. The company is rated by one of the leading independent rating agencies.

UCL has been rated by National Credit Ratings Ltd. and adjudged "AA" in the long term and ST -1 in the Short term. The validity of the rating will expire on 24 May 2018. AA rating in the long term signifies UCL's strong capacity for timely servicing of financial obligations offering adequate safety. Institutions rated under this scale carry low credit risk.

INTERNAL CONTROL

The Board acknowledges its responsibilities for UCL's system of internal control and for reviewing its adequacy and effectiveness. The system of internal control covers, inter alia, financial, operational, management information systems, organizational and compliance controls. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the reliability of financial reporting and financial statement preparation and presentation.

Further, because of changes in conditions, the effectiveness may vary over time. Our management, with the participation of the Chief Executive Officer, Chief Financial Officer and Chief of Internal Control & Compliance evaluated the effectiveness of our Internal Control. Detailed implementation of the system of internal control throughout the company has been delegated by the Board to the Executive Management and the department of ICC. These controls include financial controls that assist the Board in meeting its responsibilities for the integrity and accuracy of the company's accounting records. The Company's financial statements, prepared from these records, comply with the required laws and standards. A separate report on Internal Control is given on page 81 of this Annual Report.

INFORMATION TECHNOLOGY

The emergence of a global economy, transformation of industrial economies, transformation of the business enterprise, and the emergence of digital firm make information systems essential in business today. In many businesses, survival and the ability to achieve strategic business goals is difficult without extensive use of information technology. Keeping pace with the developed world, the financial sector of Bangladesh is becoming increasingly inclined towards digitization. Now a days, Information & Communication Technology (ICT) has become essential for financial institutions in ensuring smooth operation and providing efficient services. UCL has recognized this fact and adopted a comprehensive ICT Policy for its various aspects of operations. The Company's operation has grown significantly in terms of business volume, number of customers as well as diversified its client and product range. In line with this business growth, the challenges and risks of doing business have also grown manifold. Information Technology (IT) being one of the key facilitators of sound business growth and risk management, is very important to have a robust, scalable and flexible IT platform. UCL holds a fully automated IT structure to support its operation which also produces better MIS for decision making, improve risk management and most importantly, delight its customers at every opportunity. Recently UCL automated its loan appraisal process through a workflow driven system to ensure optimum control and paperless operation in line with Bangladesh Bank's green banking initiatives. Additionally, UCL installed a robust online Human Resource Management Software for efficient management of payroll, PF, gratuity, leave and other relevant information of the employees of the Company.

DIRECTORS' MEETING, ATTENDANCE & REMUNERATION

During the year ended 31 December 2016 a total eighteen meetings were held. All of the Directors serving on the Board attended more than 80.17 percent of the aggregate of the total number of meetings of the Board of Directors. The attendance in the Board meetings by each Director is given in Annexure-I on page 76 of this Annual Report. The Directors including the Independent Directors are not entitled to any remuneration other than fees for attending in the Board/Committee meetings. An amount of BDT 8,000 is paid to each director for attending each Board/Committee meeting. The details on remuneration paid to Directors in 2016 is presented on page 97 of this Annual Report.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY

The Directors confirm that to the best of each Director's knowledge and belief the financial statements, prepared in accordance with BFRS, give a true and fair view of the assets, liabilities, financial position and results of the Company, and the management report contained in the operational and financial review includes a fair review of the development and performance of the business and the position of the company, together with a description of principal risks and uncertainties that may face.

DIRECTORS' RESPONSIBILITIES OF PREPARATION OF FINANCIAL STATEMENTS

As per Companies Act 1994, the Directors are responsible for preparing the Annual Report and Company's financial statements in accordance with applicable laws and regulations. The Board confirms that the Financial Statements have been prepared according to BFRS and other applicable laws and regulations. A statement of the Directors' responsibility in relation to financial statements has been given on page 84 of this Annual Report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors in accordance with BSEC Notification dated 07 August 2012 confirm that:

- The financial statements prepared by the management of UCL present fairly its state of affairs, the result of its operations, cash flows and changes in equity; Proper books of accounts of the Company have been maintained; Appropriate accounting policies have been consistently applied except for the changes disclosed in the financial statements in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- Bangladesh Accounting Standards (BAS)/ 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;
- The system of internal control is sound in design and has been effectively implemented and monitored; and

• There are no significant doubts upon the Company's ability to continue as a going concern.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of last five years as required by BSEC is presented on page 105 to 110 of this Annual Report.

Regulatory COMPLIANCE

UCL is well known for its regulatory compliance and has always followed applicable regulations rigorously. UCL has a dedicated compliance team for ensuring regulatory compliance across all the businesses and operations. They are responsible for identification and assessment and compliance related matters from a regulatory compliance perspective and monitoring and reporting. We ensure that these are periodically reviewed in line with the changing scenario and taking into account modifications if any in the regulatory guidelines.

EVALUATION OF QUARTERLY REPORTS

In order to improve disclosure relating to the functioning of Board Audit Committee and to enhance the reliability and credibility of financial statements of listed companies the Bangladesh Securities and Exchange Commission (BSEC) requires the Audit Committee along with the Management of the Company to review the quarterly and half-yearly financial statements prior to placing the same before the Board for approval. The Audit Committee of UCL reviews the interim financial statements along with the Management before placing the same to the Board. The Charter of the Audit Committee clearly includes among others the function of reviewing the quarterly and half-yearly financial statements of the Company.

REPORT ON THE COMPLIANCE OF THE CONDITIONS OF BSEC'S NOTIFICATION OF 2012

As per BSEC Notification dated 07 August 2012, the Directors are required to report on the compliance on certain conditions in the Notification of August 2012. The Notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. The Directors confirm that we have complied with all the conditions stipulated in the Notification. A statement on the compliance with the conditions is given on page 105 of this Annual Report.

REPORT ON THE COMPLIANCE ON THE GUIDELINES OF BANGLADESH BANK

Bangladesh Bank has issued guidelines on certain issues for the NBFIs to be complied with. The Board of UCL confirms that we have complied with all the conditions of the guidelines. A statement on the compliance with the conditions is given on page 111 to 112 of this Annual Report.

CERTIFICATE FROM THE PRACTICING PROFESSIONAL ON THE COMPLIANCE OF CONDITIONS ON CORPORATE GOVERNANCE

As a measure of good corporate governance practice, and as required by BSEC, the Company has appointed Ahmed Zakir & Co., Chartered Accountants, 45. Shaheed Syed Nazrul Islam, Bijoynagar, Dhaka to conduct Audit on the compliance status of Union Capital Limited as to the conditions on the corporate governance as stipulated in BSEC Notification dated 7 August 2012. The professional firm is required to give a certificate after review on the practices by Union Capital Limited. Ahmed Zakir & Co., Chartered Accountants, 45 Shaheed Syed Nazrul Islam, Bijoynagar, Dhaka has given a compliance certificate for the year ended December 31, 2016 which is available on page 115 in the Annual Report. The Report confirms that the Company has complied with all the conditions stipulated in the BSEC Notification on Corporate Governance.

GOING CONCERN

Companies and other entities are experiencing the impact of difficult or uncertain economic conditions in varying degrees. The effects of such economic conditions may be significant in the area of financial reporting, in particular, the Directors' assessment of the Company's ability to continue as a going concern. Going concern is a fundamental principle underlying the preparation of the financial statements of a listed company. Bangladesh Accounting Standards require Directors to consider whether there are material uncertainties that would lead to significant doubt about a company's ability to continue for foreseeable period. BSEC requires the listed companies to make adequate disclosures in the financial report about the going concern of a listed company. The financial statements of the Group and UCL have been prepared on a going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position and risk profile. In addition the Directors have considered the future projections of profitability, cash flows, asset quality, the outcome of various stress tests and capital resources in making their assessment. After assessment, the Directors are satisfied that the Company has adequate resources to continue its operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements. A separate report on going concern has been set out on page 113 of this Annual Report.

SUBSTANTIAL SHAREHOLDINGS

BSEC's Notification dated 7 August 2012 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in UCL. The shareholding status of all sponsor shareholders as on 31 December 2016 is given in Annexure-II, page 76 of this Report.

THE PATTERN OF SHAREHOLDINGS

The Authorized Capital of Union Capital Ltd. is BDT 2,000,000,000 divided into 200,000,000 ordinary shares of BDT10 each. The paid-up Capital of the Company is BDT 1,422,996,030 divided into 142,299,603 ordinary shares of BDT10 each. The shareholding pattern of the Company as at December 31, 2016 is shown in Annexure-III, on page 77 of this report as per BSEC Notification of dated 7 August 2012. As per requirement of listing regulations, the distribution schedule of shareholdings of the Company as on 31 December 2016 is given under Annexure-IV on page 77 of this Annual Report.

DIRECTORS TO RETIRE AND RE-APPOINTMENT

As per Article 93 of the Articles of Association of the Company, the following Directors will retire in the Nineteenth Annual General Meeting and being eligible offered themselves for re-appointment:

• Chowdhury Tanzim Karim, Director

• Waqar A. Choudhury, Director

• Mrs. Meherunnesa Haque, Director

• Mr. Nadeem A. Chaudhury, Director

The Companies Act, 1994 requires that any Director appointed by the Board since last Annual General Meeting shall retire in the next Annual General Meeting. Accordingly, Ms. Sabita Rezwana Rahman, Director and Mr. Md. Fayekuzzaman, Independent

Director will retire in the Nineteen Annual General Meeting and eligible for re-appointment.

Full biographical details of the Company's Directors at the date of this report are given on pages 49 to 55 of this report.

Communication, public disclosure obligations and stakeholder relations

The Board recognizes that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavor to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimize the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

Our primary stakeholders include employees, shareholders, government, regulatory bodies, clients, depositors, suppliers, rating agencies, the media, and the community. The Board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all our stakeholders and building lasting relationships with them. As a requirement of our corporate structure, we comply with the disclosure obligations contained in the applicable listing rules of exchanges on which our shares are listed and with any public disclosure obligations as required by BFRS, BSEC and BB. We also recognize that from time to time we are required to adhere to public disclosure requirements by SAFA.

The Investor Relations division has day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial and ICC Department, ensures that we meet our public disclosure obligations.

The processes we have adopted to ensure that we comply with all public disclosure obligations are set out below:

- significant announcements are released directly to BSEC. Announcements are released almost simultaneously to stock exchanges, where our shares are listed thereby ensuring fair treatment of all stakeholders. Copies of these announcements are placed on our website www.unicap-bd.com as soon as possible following confirmation of release on the relevant authorities.
- we maintain a comprehensive investor relations website, which ensures that all stakeholders readily have access to historical and current information
- all shareholders are encouraged to attend the annual general meeting and to raise issues and participate in discussions on items included in the notice of the meeting. The meeting enables the Board to communicate with shareholders and for shareholders to ask questions in person. The chairmen of the Board, Directors and the Managing Director attend the meeting to respond to relevant questions. All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all shareholders. We propose a separate resolution on each substantially separate issue and do not bundle resolutions together inappropriately. All resolutions are determined on a voting. Shareholders are requested to approve our report and accounts and our business.

STAKEHOLDERS ENGAGEMENT

Stakeholders trust is of particular importance in the financial services industry. To cultivate trusting relationships with our broad spectrum of stakeholders, we are committed to engaging them in a variety of ways. We believe engagement is fundamental to creating value for all our stakeholders: it assists in identifying issues that are material and may otherwise have an impact (negative or positive) on their wellbeing. We also believe that engaging with our stakeholders promotes the principles of balance, comparability, reliability, accuracy and transparency of our reporting, both internally and externally. UCL has a wide range of stakeholders that include any person or organisation that may interact with, or have an interest in, UCL and include customers, employees, lenders, suppliers, shareholders, communities, governments, etc.

We aim to provide meaningful and transparent communications to meet the needs of all stakeholder groups and present information to them in the most appropriate format. These formats include annual report. Following the launch of our corporate website, we have continued to develop and update the contents and make those available to our stakeholders. We communicate with our stakeholders throughout the year and engagement is integrated into our business decision-making processes. This 360-degree dialogue is essential in providing all parties with a rounded view of all material issues and helps all to shape their actions and strategies to move forward on these matters.

CORPORATE SOCIAL RESPONSIBILITY

UCL's Corporate Social Responsibility efforts continue to grow along with our business, creating positive change in our communities and deepening those connections among our employees, customers, neighbors, and other partners. Being a responsible business is integral to our success and that of the customers, clients, shareholders and communities we serve around the country. Corporate social responsibility is embedded in our values and informs how we conduct business, develop products and services and deliver on our goals and commitments.

Our CSR report demonstrates how our business practices and operations impact our local communities. We're working with our stakeholders to strengthen Bangladesh's sustainable future by supporting economic growth, giving back to our communities and being responsible to our environment. UCL Group supports a number of charities in the community where our employees and customers live and work. A separate report on CSR activities is given in the page 144 of this report.

CORPORATE GOVERNANCE

The Board of Directors and the Management of the Company are committed to strong corporate governance and believe it is a vital component for the effective and efficient operation and future success of the Company. Good corporate governance demonstrates the Board's ability to independently direct and evaluate the performance of the Company's management, as well as that of the Board members themselves. This is achieved through a well-qualified Board, a strong relationship between the Board and senior management, and strong governance practices and procedures.

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory transparency. Commitment to UCL's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to, attain – as far as possible – a company that is well governed and well managed.

The main emphasis is on the Board of Directors in its role as the main decision-making body in UCL's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. The Corporate Governance section in this Annual Report provides detailed information relating to the UCL's Corporate Governance practices.

HUMAN RESOURCE

In today's businesses, the right approach and management of the company's employees can greatly affect the company's overall performance. Starting from right staffing to maintaining performing employees, HR management is key in developing not only the employees, but the whole organization itself. Developing not only management but also its employees is significant. To keep up with competition, employees are given with a number of reasons to stay with the company, and do their jobs exemplary well. Their continuous growth, the right compensation and benefits, and work-life balance are ensured that motivate employees to perform better, producing better results for the customers and ultimately, the company.

Union Capital persistently reviews the existing human resource policies and implements effective management policies and practices to enrich its employees. We believe that our human resources are our competitive advantage in terms of their sincerity, experience and professional expertise. Considering this, we uncompromisingly take appropriate policy to recruit the best-suited persons for the right places, provide them adequate training facilities and implement programs to develop and retain high quality human resources. UCL carefully look into the motivational aspects, health and safety of its employees. A separate report on HR is given in page No. 155 of this report.

BUSINESS CONDUCT POLICY

We have built a strong company that is well regarded around the country. Everyday, our actions, promises, ethics and attitudes reflect on UCL as a whole and each of the other employees with whom we work. At all times, we will strive to operate in a manner that protects employee safety and health.

We offer sustainable solutions to environmental problems in the fields of energy and waste management, and our businesses are heavily regulated and scrutinized. We are committed to fostering an ethos of environmental responsibility that goes beyond compliance, and our environmental policies rest on the core principles i.e. compliance, conservation, qualification and commitment.

We are an equal opportunity employer. We have and will continue to recruit, select, train, promote, compensate, transfer, discipline and take all other personnel actions without regard to race, color, religion, gender, age, marital status, or any other characteristic protected by applicable law.

As a publicly traded company, we disclose a great deal of information publicly and are responsible to ensure that this information is accurate and complete. It is essential that our books, records and accounts accurately, fairly and in reasonable detail reflect the transactions related to our business so that our financial statements are fairly presented in all material respects, and all other information we publicly disclose, and the reports we file with the Bangladesh Securities and Exchange Commission, do not contain any material misstatement or omission.

ENVIRONMENTAL & SOCIAL INITIATIVES

As financial service provider, our impact on the environment is relatively less and indirect. We're working to reduce our environmental impact by embedding the environment into our business – and by involving our employees, our customers, and ourcommunities. UCL has a commitment to long-term environmental sustainability. We are also committed to taking environmental & social issues into account when conducting its business activities. This includes operational measures to reduce our consumption of resources, as well as our contribution to climate protection. We also develop products and services that address our clients' financial needs, as well as environmental and social themes. It considers the clearance certificate from the regulators in time of providing financing facilities.

We're concentrating our efforts on issues where we can be most effective. Based on input from our customers, employees, and community we have selected 3 areas of focus for operations: responsible paper use, energy and emissions, engaging our employees and communities. Our environmental initiatives have been reported on page 149 of this Annual Report.

CODE OF CONDUCT AND BUSINESS ETHICS

UCL's code of conduct applies to everyone who is employed by our company. Each of us is accountable for upholding the highest ethical standards as we execute our responsibilities. Managers and leaders are also responsible for establishing and nurturing a culture in which employees feel fully empowered, supported and obligated to do the right thing.

The Code is based on our company's Core Values. The Code of Ethics provides the guidance we need to translate our values into action as we compete in the marketplace and engage with customers, clients, shareholders, and each other.

As we work together to achieve our goals, it is equally important that we commit to one another that we will always do business and grow the right way - with the honesty, integrity and fair dealing that our Code of Ethics and our Core Values require.

CONTRIBUTION TO NATIONAL ECONOMY

We recognize that Union Capital Limited has the corporate responsibilities to the development of the community and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our customers, shareholders, employees and the community where we do business.

As a financial service provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs. UCL contributes to the economy paying out fair share of taxes to Government. Union Capital deposits taxes regularly to the National Exchequer by way of collection of income taxes and VAT at sources from payments and also deposits of corporate income taxes. During the reporting period, the deposited amount was BDT 118.07 million.

We make an economic impact by creating employment and a well-trained workforce. Sustainable economic growth and a healthy environment are inter linked. In this backdrop, we take supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard. UCL invests in sustainable

economic development, and we are committed to contributing to the success of people and businesses in the community in which we operate. We support stimulate economic growth by investing in programs that enable economic development with a social purpose.

We also encourage our employees to participate in social and charitable programs. A detailed report on the contribution to national economy has been given on page 152 of the Annual Report.

AUDIT INFORMATION

The Directors who held office at the date of this Director's Report confirm that:

- So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

RELATED PARTY TRANSACTION

In the ordinary course of business a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases and takes deposits to/from related parties including its Directors and related companies. A statement on related party transactions along-with their basis has been disclosed on page 217 of this Annual Report.

APPOINTMENT OF AUDITORS

The Company's Auditors M/S. S. F. Ahmed & Co., Chartered Accountants, House-51, Road- 9, Block-F, Banani, Dhaka will retire in the Nineteenth Annual General Meeting. Being eligible under Section 212 of the Company's Act, 1993, the Auditors have expressed their willingness to continue their office for the financial year 2017. The Auditors have completed their second year of audit and hence eligible for re-appointment. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to re-appoint M/S. S. F. Ahmed & Co., Chartered Accountants as the external auditor of the Company for the year 2017 with an audit fee of BDT 200,000 net all taxes. The Broad in its meeting held on 7 May 2017 recommended the shareholders to re-appoint M/S. S. F. Ahmed & Co., Chartered Accountants at a remuneration of BDT 200,000 net all taxes for the year 2017 subject to approval of Bangladesh Bank.

FUTURE OUTLOOK

2017 is expected to be another challenging year for our economy and UCL group as well. The GDP growth forecast for FY2017 is revised somewhat higher still with the expectation that exports will grow with continued economic recovery in the US and the euro area, strong expansion in remittances will boost consumption demand, private and public investment will pick up as the business climate improves under a stabilizing political situation, and spending will increase under the annual development program. Export growth in FY-2017 is projected to improve to 7.0 percent as economic growth in the euro area and the US strengthens. Imports are projected to 9.0 percent, mainly for capital goods, industrial raw materials, and food grains. We are carefully monitoring economic conditions in Bangladesh where we are getting mixed signals from the various economic indicators. On an underlying basis, the business is still growing of course at a slower rate. While the business of capital market is uncertain and volatile in nature, at this stage we are hopping to make progress in 2017. In addition, we recognize a number of more challenges, which includes increased competition, and slow recovery due to adverse investment climate. Because of involvement of banks in leasing business, competitiveness in leasing has been intensified further. Some banks are also offering capital market related products like brokerage services, portfolio management etc. Moreover, banks are charging higher interest for NBFIs comparing to their other corporate clients. Another big challenge for NBFIs is payment of tax on interest suspense account. High corporate tax on NBFIs is another challenge for us. NBFIs are taxed at the rate of 40 percent (in case of listed companies) and at the rate of 42.5 percent (in case of non listed companies). While financial products and capital market expected to remain dominant in the long run, we expect to see continued growth in demand for our products and services in the short-run as well, which will require further strengthening our existing services, specially as our clients move into more comfortable operating environment. We have adequate capital and we are quite large in terms of providing a full range of financial services. Our presence in the market is growing steadily and we have improved our presence in all areas of operations. We have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry. We are confident that we have the right team and the strategy in place to achieve our goal. While there has certainly been a challenging few years for UCL, we feel good about where we are going.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the co-operation and support received from Bangladesh Bank, Bangladesh Securities and Exchange Commission and Stock Exchanges.

We would like to express our sincere gratitude to all the shareholders for their confidence in the Company. The Board also places on record its appreciation for continued support provided by the esteemed customers, bankers, financial institutions, regulators and depositors. The Directors also acknowledge the hard work, dedication and commitment of the employees. Their enthusiasm and unstinting efforts have enabled the Company to grow better than before. We hope similar support from all of you that will underpin our continuous growth.

On behalf of the Board of Directors,

sd/-
Chowdhury Tanzim Karim
Chairman

Annexure - I

Directors' Meeting & Attendance

Name of the Directors	Nominated by	Total Meetings	Meeting Attended	percent of Attendance	Change During 2016
Chowdhury Tanzim Karim	EC Securities Ltd.	18	18	100.00	Continuing
M. Faizur Rahman	Self	18	18	100.00	Retired and Re-elected on 28 April
Waqar A. Choudhury	Self	18	18	100.00	Retired and Re-elected on 28 April
Nadeem A. Chaudhury	Enrilco Limited	18	15	83.33	Continuing
Kazi Golam Rahman	Alternate Director of Kazi Golam Samiur Rahman	12	12	100.00	Resigned on 31 August
Sabita Rezwana Rahman	Self	6	6	100.00	Appointed on 31 August
Meherunnesa Haque	Self	18	15	83.33	Continuing
Capt. Minhazur Reza Chowdhury	EC Securities Ltd.	18	16	88.89	Continuing
Kazi Russel Mahbub	Palmal Garments Hosiery Ltd.	18	13	72.22	Continuing
Tajrina Sikder	Palmal Garments Hosiery Ltd.	18	3	16.67	Retired and Re-elected on 28 April
Ziaul Hasan Siddiqui	Independent Director	8	6	75.00	Resigned on 21 June
Mohammad NurunNabi	Independent Director	18	10	55.55	Continuing
Abdul Karim	Independent Director	18	15	83.33	Retired and Re-elected on 28 April
Md. Fayekuzzaman	Independent Director	0	0	0	Appointed on 28 December

Annexure - II

Substantial Shareholdings and of Sponsor Shareholders

Name of Sponsor Shareholders	Percent of Shareholding
Palmal Garments Hosiery Ltd.	9.73
EC Securities Ltd.	7.22
M. A. Salam	6.26
M. Faizur Rahman	4.61
Enrilco Limited	4.58
Khurshida Choudhury	2.77
Engr. M. A. Rashid	2.61
Nasir A. Choudhury	2.42
Kazi Golam Samiur Rahman	2.21
Sabita Rezwana Rahman	2.21
Waqar A. Choudhury	2.03
Meherunnesa Haque	2.02
Engr. M Abu Taher	1.29
Runa N. Alam	0.81
Tajrina Sikder	0.43
Rumana Sharif	0.21
Total	51.41

AMARSTOCK

Annexure - III

Pattern of Shareholdings

Sponsor Shareholders/Directors	No. of shares held	percentage
Palmal Garments Hosiery Ltd.	13,847,017	9.73
EC Securities Ltd.	10,273,599	7.22
Mr. M. A. Salam	8,912,804	6.26
Mr. M. Faizur Rahman	6,564,343	4.61
Enrilco Limited	6,516,008	4.58
Kazi Golam Samiur Rahman	3,136,609	2.21
Ms. Sabita Rezwana Rahman	3,136,608	2.21
Mrs. Khurshida Choudhury	3,941,633	2.77
Mr. Waqar A. Choudhury	2,889,000	2.03
Mrs. Meherunnesa Haque	2,881,082	2.02
Engr. M. Abu Taher	1,833,283	1.29
Ms. Runa N. Alam	1,152,276	0.81
Ms. Rumana Sharif	293,536	0.21
Senior Executives		
Managing Director & CEO	Nil	
Company Secretary	Nil	
Chief Financial Officer	Nil	
Head of Internal Audit	Nil	
Other top five Executives		
Abdul Bareque	Nil	
Fazle Karim Murad	Nil	
A. N. M. Golam Shabbir	Nil	
Selim Khan Hindol	Nil	
Raihan Uddin Ahammad	Nil	
Shareholders Holding 10 percent or more voting right		
Shareholders holding ten percent (10 percent) or more voting interest in the company	Nil	

Annexure - IV

Range of Shareholdings

The distribution schedule of shareholdings as on 31 December 2016 was as under:

Shareholding range	No. of shareholders	No. of shares	percent of total
Less than 500	2,177	356,409	0.25
501 to 5,000	4,059	7,568,638	5.32
5,001 to 10,000	624	4,399,231	3.09
10,001 to 20,000	337	4,782,188	3.36
20,001 to 30,000	129	3,227,887	2.27
30,001 to 40,000	64	2,261,374	1.59
40,001 to 50,000	57	2,618,385	1.84
50,001 to 100,000	91	6,487,235	4.56
100,001 to 1,000,000	98	29,891,626	21.01
Over 1,000,000	24	80,706,630	56.72
Total	7,660	142,299,603	100.00

AMARSTOCK

Audit Committee Report

Audit Committee Report

The Board Audit Committee was formed in compliance with Bangladesh Bank guidelines and Bangladesh Securities and Exchange Commission (BSEC) notification on Corporate Governance with a view to provide independent oversight of the Company's financial reporting, non-financial corporate disclosure, effectiveness of internal control system etc. as set out in the Committee Charter.

An audit committee is consisted of a selected number of members of a company's board of directors whose responsibilities include helping auditors remain independent of management. The Board Audit Committee was formed in compliance with Bangladesh Bank guidelines and Bangladesh Securities and Exchange Commission (BSEC) notification on Corporate Governance with a view to provide independent oversight of the Company's financial reporting, non-financial corporate disclosure, effectiveness of internal control system etc. as set out in the Committee Charter.

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee consists of five non-executive Directors of the Company with the exception of the Chairman of the Board appointed by the Board of Directors. In order to fulfill a quorum, at least three members of the committee must be present in the meeting. The appointment of an Independent Director is ratified by the shareholders in the AGM. An Independent Director is in the Chair of the Audit Committee.

In compliance with Section 3.2 (i) of the latest Corporate Governance Notification issued by the BSEC on 07 August 2012, the Board Audit Committee was reformed on 31 December 2012. The Committee comprises the following members as of the date of this report:

Mohammad Nurun Nabi FCA
(appointed on 31 December 2014)

Mr. M. Faizur Rahman
(appointed on 31 December 2012)

Mr. Nadeem A. Chaudhury
(appointed on 31 December 2012)

Mrs. Tajrina Sikder
(appointed on 31 December 2012)

Ms. Sabita Rezwana Rahman
(appointed on 29 September 2016)

Biographical details of the current members of the Committee are set out on page 49 to 55; Members' fees are included in the table of remuneration of the audit committee members on page 97 of the report.

The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Control and Compliance (ICC) and the representatives of the external auditors are invited to attend the Committee Meetings.

OBJECTIVE OF THE COMMITTEE

By effectively carrying out its functions and responsibilities, the audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls, and that the outside auditors, through their own review, objectively assess the company's financial reporting practices.The objective of the committee is to assist the Board in fulfilling its corporate governance responsibilities, particularly:

- the reliability and integrity of information for inclusion in Company's financial statements;
- compliance with legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
- the integrity of company's internal control framework;
- safeguarding the independence of the external and internal auditors;
- ensuring that the management has selected accounting policies that are in line with applicable accounting standards; and
- Review interim financial releases i.e., quarterly and half yearly unaudited financial statements and recommend the same to the Board of Directors for approval.

The engagement partner of the external audit firm is invited to attend each Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

CHAIRMAN OF THE AUDIT COMMITTEE

The committee is chaired by a non-executive Independent Director Mr. Mohammad Nurun Nabi FCA who is considered to be best qualified to serve in this role and has knowledge of finance. Mr. Mohammad Nurun Nabi FCA is a Bachelor of Science from Karachi University and a fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). He has more than 40 years of experience in his exchequer in local and foreign organizations at different responsible capacity. The biography of Mr. Nurun Nabi FCA is given on page 55 of this Annual Report.

AUDIT COMMITTEE CHARTER

Purpose

To assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the UCL's financial statements, (2) UCL's compliance with legal and regulatory requirements, (3) the External Auditor's qualifications and independence, (4) evaluate the operating effectiveness of internal control system and (5) the performance of UCL's internal audit function and independent auditors. The audit committee will also conduct the functions that regulatory rules require to be done.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Recommend to the Board regarding appointment, compensation and oversee the work of the external auditors appointed by UCL to conduct the annual audit. The Auditors will report to the audit committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non- audit services performed by the company's external audit firm.
- Retain independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees - all of whom are directed to cooperate with the committee's requests - or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next Committee meeting.

Internal Control

- review the implementation of key accounting policies and financial reporting;
- evaluate the implementation of the internal control systems and the risk management process.

Internal Audit

- review the adequacy of internal audit function;
- consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;
- review and approve the annual audit report;
- review the activities, resources and organizational structure of Internal audit;
- contribute to the selection process for the appointment of the Head of Internal audit; and
- ensure that findings and recommendations communicated by Internal audit and Management's proposed responses are received, discussed and appropriately acted on.

Compliance

Review the effectiveness of the company's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non- compliance.

Relationship with External Auditor

- discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on;
- review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of the external auditor.

ACTIVITIES OF THE COMMITTEE CARRIED OUT IN THE YEAR 2016:

The audit Committee carried out among others the following activities in the year 2016:

- reviewed both the consolidated and separate audited financial statements for the year ended 31 December 2015 along with the auditors' report thereon;
- reviewed the proposal of auditors for re-appointment and recommended the same to the Board;
- reviewed the inspection reports of Bangladesh Bank on head office of UCL and its branch offices and management responses thereon;
- reviewed the departmental activities of the company;
- reviewed and discussed on the management structure of the company and its subsidiaries along with the weaknesses of the company;
- reviewed the report on the non-performing / default clients;
- reviewed the report on business operations;
- reviewed the revised and annual budget of the company;
- reviewed the quarterly financial statement of the group;
- reviewed the overdue status of company's portfolio;
- reviewed the affairs of subsidiary companies.

The Committee concurs with and accepts the audit report on the financial statements and has recommended for approval thereof to the Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

sd/-
Mohammad Nurun Nabi FCA
Chairman, Audit Committee
07 May 2017

Report on Internal Control

Whilst the Board acknowledges that total elimination of risks is not possible, the system of internal controls that is in place is designed to manage risks in meeting the Group's business objectives. The system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

INTRODUCTION

A sound internal control system has always been one of the most important matters for any organization. The better the internal control system better the performance of the Company. The Board of Directors recognizes the importance of a sound internal control system with a view to ensuring good corporate governance practice thereby safeguard the shareholders' investments and the Company's assets.

The system of internal control that we have in place enables us to drive our business operations in a more efficient and effective manner ensures sound financial reporting and control procedures, as well as compliance with the relevant laws and regulations.

As a listed issuer, we have an obligation, to ensure that a statement on the state of the company's internal control is included in this annual report. The following statement on internal control has been prepared in accordance with the regulatory requirements not only to comply with the regulatory requirements but also to articulate the practical internal control effectiveness to the existing and potential stakeholders.

RESPONSIBILITY

The Board of Directors acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Guidance for Directors of Public Listed Companies, the Board is pleased to present the Statement on Internal Control of the Group.

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such system of internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Company's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. The system of internal control covers risk management and financial, organisational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

While the 'tone at the top' is set by the Board, it is the role of the management to implement the policies adopted by the Board. In fulfilling its responsibilities, management identify and evaluate the risks faced by the Company - for consideration by the Board - and design, implement and monitor an appropriate system of internal control.

DESCRIPTION ON THE INTERNAL CONTROL SYSTEM

Control Environment:

The control environment sets the tone of an organisation, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organises and develops its people; and the attention and direction provided by the Board of directors.

Identification and Evaluation of Risks and Control Objectives:

Naturally the Company faces a variety of risks from various sources that are assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change. Mechanisms are needed to identify and deal with the special risks associated with change.

Control Activities

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions have been taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Information and Communication Processes

Pertinent information must be identified, captured and communicated in a form and time frame that enables people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication must also occur in a broader sense, flowing down, across and up the organisation. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information

upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

Processes for Monitoring the Effectiveness of Internal Control System

Internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the Board.

KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the Group's system of internal controls include the following:

Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken.

This process is regularly reviewed through its Risk Management Committee (RMC) which ensures the proper management of risks and takes the appropriate measures to mitigate any identified weaknesses in the control environment.

The RMC provides oversight of the Group's overall risk management. In discharging its overall duties and responsibilities, the RMC is supported by the risk management function which monitors and evaluates the effectiveness of the risk management system and operations on an ongoing basis.

Amongest the other committees set up in the Group to manage specific areas of risk are the Assets & Liabilities Management Committee (ALCO), Management Credit Committee and Basel II Implementation Committee.

In line with regulatory requirements and industry best practices, the Group has instilled the principle that risk management is a core responsibility of the respective business and operating units. This is enriched in the risk management framework of the Group.

Internal Audit Function

The internal audit performs regular review of the Company's operational processes and system of internal controls. Internal audit adopts a risk-based approach in determining the auditable units and frequency of audits.

Audit plans are reviewed regularly.

The results of the audits conducted by internal auditor are reported to the Board Audit Committee. The follow-up actions and the review of the status of actions taken as per the auditors' recommendations are carried out by the management via various management committees.

The Audit Committee holds regular meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities. The minutes of the meetings of the Audit Committee are subsequently tabled to the respective Boards for notation. The copy of the minutes of the meetings of the Audit Committee is also sent to Bangladesh Bank regularly within the stipulated time.

Further details of the activities undertaken by the audit Committee of the Company are set out in the Audit Committee Report.

Group Compliance Framework

Compliance risk in UCL is defined as the risk of impairment to the Group's reputation and financial condition from failure to meet laws and regulations, internal policies and expectations of stakeholders.

The Group's state of compliance with laws, regulations and internal policies and procedures are reported to RMC. In addition the Group has in place a reporting process wherein any incident affecting the reputation of the Group is escalated to the senior management immediate after the occurrence of the incident. The escalation process ensures the adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance in collaboration with the business operating units continuously assesses and recommends improvements to control by carrying out root cause analysis on common incidences of non-compliance, negligence and fraud.

To mitigate compliance risk, briefings as well as various awareness and learning initiatives are conducted to ensure continuous compliance with existing controls and to embed a compliance culture within the Group.

Board Committees

Specific responsibilities have been delegated to the relevant Board Committees, all of which have written terms of references. These committees have the authority to examine and/or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required. The Board Committees are as follows:

- Audit Committee;
- Executive Committee; and
- Green Banking Committee

Management Committee (MC)

The Management Committee, comprising key management personnel of UCL and chaired by the Managing Director, manages the strategic direction and provides strategic guidance to the functional units. Being a forum where all strategic and operational matters are discussed, the MC meets regularly and special meetings are convened to discuss urgent issues.

Authority Limits

Delegation of authority including authorization limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

Internal Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group. These policies, procedures and processes are reviewed and updated to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, a review of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage operational risks.

There is clear procedure for investment appraisals including

equity investment and capital expenditure.

Budgeting Process

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the Boards. The budget and business plans as well as strategic initiatives are discussed by the senior management and the Board at an annual business planning and budgetary session.

A reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management and reported to the Board.

Performance Review

Regular and comprehensive information is shared by the Management for monitoring of their performance against the strategic business plan approved by the Board, covering all key financial and operational indicators as well as key strategic initiatives undertaken by the Group during the year.

The Management Committee and the Board receive and review the monthly accounts and financial information reports at their monthly or regular meetings.

Human Capital Management

The Group acknowledges that one of the key constituents of any internal control system is its people and that our system of internal controls is dependent on the responsibility, integrity and judgment that people apply to their work.

Hence, the Group has in place policies and procedures that govern recruitment and appointment, performance management, talent management, succession planning, compensation and reward, learning Statement on Internal Control and human capital development as well as policies and procedures that govern discipline, termination and dismissal.

Code of Ethics and Conduct

The Code of ethics and Conduct sets out the standards of good and ethical business practices, and aims to maintain confidence in the security and integrity of the business practices. It is a requirement that all employees of the Group understand and observe the Code.

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Directors' Responsibility
in respect of the Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with BFRS and applicable laws and regulations.

The Companies Act, 1994 requires the Directors to prepare financial statements for each financial year. The Directors have prepared these financial statements in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Bangladesh Securities and Exchange Rules 1987 and the Listing Regulations of the Stock Exchanges. The financial statements are, as required by laws, to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for the year under review.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimate that are reasonable and prudent;
- State that these financial statements comply with IFRSs as adopted by the ICAB; and
- Prepare the consolidated financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complies with the above requirement in preparing these financial statements.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Companies Act, 1994 requires the Directors to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. The Directors, having made appropriate inquiries, confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors have reviewed the budget and cash flow forecasts.

On the basis of this review, and in the light of the current financial position and existing borrowing facilities including cash flows, the Directors are satisfied that UCL is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

In compliance with the requirements of the BSEC's Notification dated 7 August 2012, the Directors are also required to disclose certain matters in their report. In compliance with these requirements, the Directors confirm that:

- The financial statements present fairly its state of affairs, result of its operations, cash flows and changes in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- BFRSs have been followed in preparing the financial statements and any departure has been adequately disclosed;
- The system of internal control is sound in design and effectively implemented and monitored;
- Statement on Company's ability to continue as a going concern has been disclosed;
- Significant deviations from last year in operating results have been highlighted along with the reasons thereon has been disclosed;
- Key operating and financial data of preceding five years have been summarized;
- The number of Board meetings held during the year and attendance by each Director has been disclosed;
- The pattern of shareholdings etc. has been disclosed;
- Industry outlook and possible future developments has been disclosed;
- Segment-wise performance has been disclosed;
- Risks and concerns have been disclosed;
- Continuity of any extra-ordinary gain or loss has been disclosed;
- Statement of all related party transactions has been disclosed.
- Significant variance, while occurred between quarterly financial performance and annual financial statements, has been disclosed;
- Remuneration to Directors including Independent Director has been disclosed;
- A brief resume, nature of Director's expertise in specific areas, other directorship and the membership of committees of the Board of other companies given on pages 49 to 55 of this Annual Report.

The Directors have reviewed the budget and cash flow forecasts. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that UCL is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

Responsibility of the CEO and CFO in respect of Financial Reporting

We, the following signatories, certify that we have reviewed the accompanying consolidated financial statements of Union Capital Limited and to the best of our knowledge and belief:

- the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
- the financial statements together present a true and fair view of the Company's affairs and are prepared in accordance with the Financial Institutions Act, 1993 and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

We further certify that, to the best of our knowledge and belief, there were no transactions entered into by the Company during the year, which are fraudulent, illegal, or violation of the Company's code of conduct.

sd/-
Mahmudul Alam
Managing Director and CEO
Dhaka, 7 May 2017

sd/-
Raihan Uddin Ahammad FCA
VP & Chief Financial Officer

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Report on Internal Control Over Financial Reporting

Sets out the responsibility of the management in establishing adequate internal Control over financial reporting

Management of UCL is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by or under the supervision of the Managing Director & CEO and the Chief Financial Officer and effected by the Board of Directors, the Management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as adopted by ICAB and other applicable rules and regulations. It includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions related to operations;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as adopted by ICAB and our receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated, under the supervision of and with the participation of the Managing Director & CEO, the Chief Financial Officer and the Head of Internal Control & Compliance, the effectiveness of our internal control over financial reporting as of 31 December 2016.

Based on that evaluation, management concluded that, as of December 31, 2016, internal control over financial reporting was effective. Also, based on the results of our evaluation, management concluded that there were no material weaknesses that have been identified in internal control over financial reporting as of 31 December 2016.

Our internal control over financial reporting as of 31 December 2016 has been audited by S. F. Ahmed & Co., Chartered Accountants, who also audited our Consolidated Financial Statements for the year ended 31 December 2016. The Auditor also assess the effectiveness of our internal control and determines the degree and extent of reliance on internal control system.

sd/-
Mahmudul Alam
Managing Director and CEO
Dhaka, 7 May 2017

sd/-
Raihan Uddin Ahammad FCA
VP & Chief Financial Officer

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Describes UCL's approach to good governance practices

How we govern ourselves as a Group is as important as anything else we do. Being an ethical company is about much more than simply adhering to the letter of the law. But it's an important step. We aim to achieve and maintain the highest standards of business integrity, ethics and professionalism across all of our activities.

The Board is accountable to the Company's shareholders for the good conduct of the Group's affairs. This report explains how the Group applies the Corporate Governance issued by the BSEC and Bangladesh Bank.

The Directors are committed to maintaining the highest standards of corporate governance, which they believe are fundamental in discharging their stewardship responsibilities.

The Board confirms that the Company has, throughout the period under review, complied with all provisions set out in corporate governance guidelines.

As part of its commitment to sustainable operations at every level, UCL Group operates within a clearly defined governance framework that defines all governance and compliance aspects of the Company.

The Board of Directors strongly believes in the importance of good Corporate Governance in maintaining Company's reputation and solid foundation. The Board will continue to ensure good Corporate Governance to provide the requisite leadership, policy, strategy and internal controls in order to continue to deliver and sustain company's value propositions. This benefits our stakeholders while at the same time ensuring continuing momentum towards reaching UCL's aspirations to be a leading financial institution.

UCL is committed to the principles of excellence in corporate governance and ethics. This commitment is evidenced by the following practices that are in place at UCL Group:

- A Board with all non-executive members being independent of Management;
- Clear separation of the role of the Chairman of the Board and the Managing Director & CEO;
- The Audit Committee, Executive Committee and Green Banking Committee comprises solely of Non-executive Directors;
- Inclusion of the independent Directors in the Board Audit Committee;
- An Independent Director is in the Chair of the Audit Committee;
- A code of ethics and business conduct;
- Maintaining the basic principles of Corporate Governance;
- Published Charter for the Board and all of its Committees;
- Certification from an independent professional on the compliance of the conditions of BSEC's Notification of 7 August 2012;
- A set of corporate values - integrity, trust, teamwork, openness, transparency, excellence and resilience - communicated to all employees;
- The members of the Board Audit Committee possesses knowledge on internal control, financial and administrative matters;
- The Audit Committee meets regularly with / without the presence of the Executive Management;
- An established system of internal control with appropriate check and balance;
- Ensure transparency in financial reporting and adequate disclosures.

For UCL, Corporate Governance is not a mere statement of compliance. We aim to achieve and maintain the highest standards of business integrity, ethics and professionalism across the Group.

We believe that good governance, in its broadest sense, is a competitive advantage. To maximize shareholders' value on a sustainable basis, principles of good governance must extend beyond the Board of Directors into every segment of business activities. Indeed, a foundation of ethics, integrity and good governance guides all of our activities across our diverse operations.

Thank you,

Chowdhury Tanzim Karim
Chairman

In today's marketplace of continually evolving regulatory and investor expectations, your Board has focused on corporate objectives and performance in the context of doing what is right and ethical. My fellow Directors have demonstrated a strong sense of integrity, corporate responsibility and a willingness to work hard on all issues.

CORPORATE GOVERNANCE

Corporate governance describes how rights and responsibilities are distributed among corporate bodies according to applicable laws, rules and internal processes. Corporate governance also defines the decision-making systems and structure through which owners directly or indirectly control a company.

CORPORATE GOVERNANCE

This statement outlines the key aspects of UCL's corporate governance framework. The Board has consistently placed great importance on good corporate governance practices, which it believes is vital to the Company's well-being. The Board has adopted a comprehensive framework of Corporate Governance Guidelines, designed to properly balance performance and conformance. This enables UCL to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and practices of the Company comply with the "Corporate Governance Principles and Recommendations", dated 07 August 2012, and as amended dated 21 July 2013 by the Bangladesh Securities and Exchange Commission as well as with the "Guideline on Corporate Governance" issued by Bangladesh Bank vide DFIM Circular no. 7 dated 25 September 2007.

Overview

- Our core values guide the Board's oversight, its relationship with management and its accountability to shareholders;
- Our governance responsibilities are integral to our performance and long-term sustainability;
- Our corporate governance standards reflect emerging best practices and meet or exceed legal and regulatory requirements; and
- Proper governance is important to our shareholders, our customers, our employees, our communities – to UCL.

Foundation for Corporate Governance

UCL sees good corporate governance, risk management and internal control as key elements in a successful business and to maintain confidence among customers, shareholders, authorities and other stakeholders.

UCL defines corporate governance as the relationship between shareholders, executive management, employees, the various companies within the Group and other stakeholders. In a broader sense, it also means:

- how the vision, purpose and strategy are designed and communicated
- how the values are followed
- how goals are set and followed up
- how risks are managed
- how a corporate culture that supports company's commitment to customers and builds shareholder value is created.

Good corporate governance benefits both our customers and our shareholders, and is essential to our long-term business success. For this reason, we devote considerable time and resources to make sure that:

- our policies reflect our values and business goals;
- we have an effective corporate governance structure; and
- we are operating in a way that is open, honest and transparent.

As part of our long-standing commitment to ethics and good corporate citizenship, our first step is always to comply with the laws and regulations that govern the way we market our products and services. We have a sound compliance practices that:

- are consistent with recommendations set forth by the BSEC;
- seek to prevent, detect and resolve potential violations of law or company policy; and
- undergo regular assessment to make sure we are being responsive to our evolving business and associated compliance risks.

Our compliance practices are just one part of our overall commitment to operate ethically, openly and transparently. But we believe it's the right place to start.

Corporate Governance Structure

Our corporate governance policies and procedures form the basis of a sound corporate governance framework and refer to other documents that regulate certain aspects of corporate governance in greater detail.

Articles of Association (AoA): Define the purpose of the business, the powers and duties of the Directors and the basic organizational framework.

Code of Conduct:Defines the UCL's ethical values and professional standards that the Board and all employees are required to follow, including an emphasis that employees must adhere to all relevant laws, regulations, and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking.

Organizational Guidelines and Regulations: Define the responsibilities and sphere of authority of the various bodies within the company, as well as the relevant reporting procedures.

Corporate Governance Guidelines: Summarize certain principles promoting the function of the Board and its committees and the effective governance of the company.

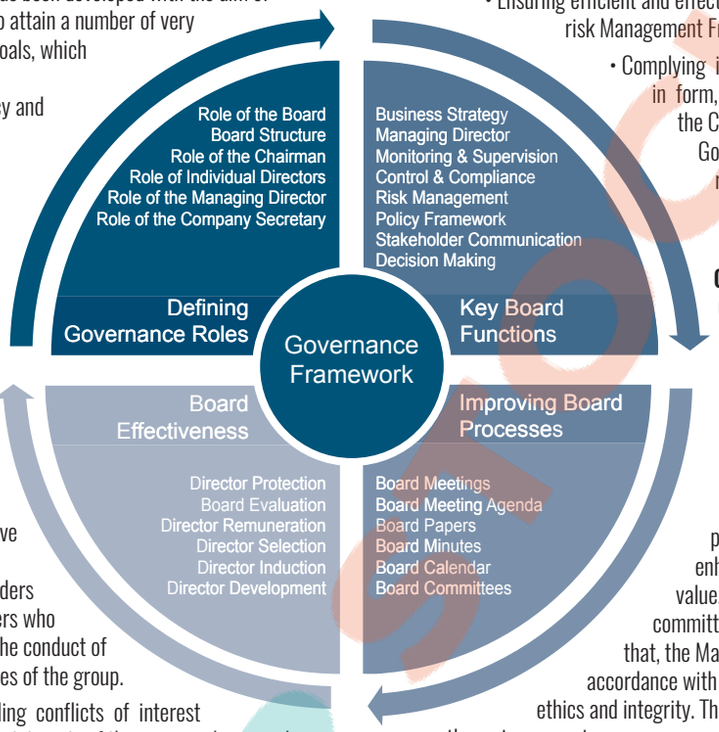
Board of Directors Charter: Outlines the organization and responsibilities of the Board.

Board Committee Charters: Define the organization and responsibilities of the Committees. As part of its commitment to sustainable operations at every level, UCL group operates within a governance framework that defines all governance and compliance aspects of the organization.

As part of our long-standing commitment to ethics and good corporate citizenship, our first step is always to comply with the laws and regulations that govern the way we market our products and services.

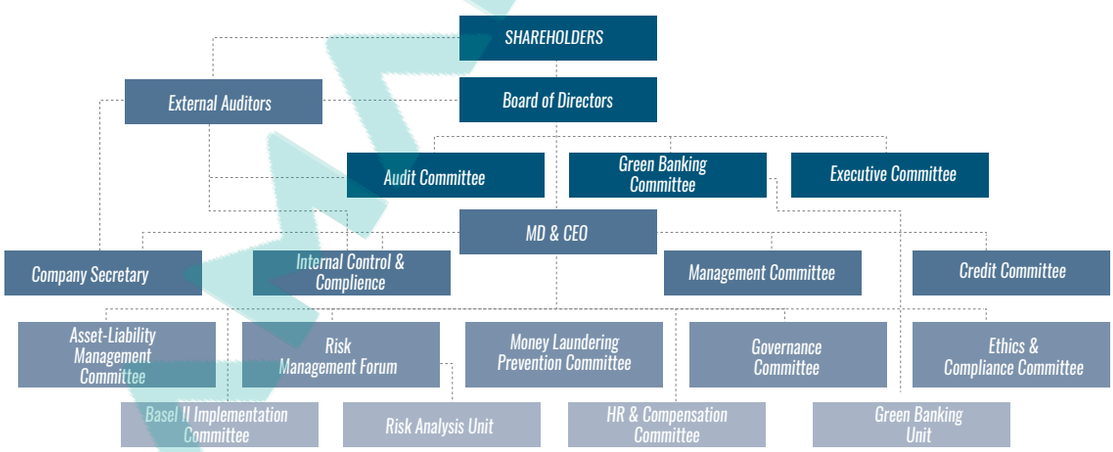
This governance framework entails far more than compliance with legislation, and has been developed with the aim of enabling UCL Group to attain a number of very clear objectives and goals, which include:

- Maximizing efficiency and profitability within acceptable risk parameters.
- Implementing group's strategy within defined compliance requirement.
- Adhering to correct and proper corporate behaviors.
- Balancing, within a framework of effective accountability, the interests of shareholders and other stakeholders who may be affected by the conduct of directors or executives of the group.
- Minimizing or avoiding conflicts of interest between the business interests of the group and personal interests of directors or executives.
- Disclosing matters that are material to the business of the group or the interests of stakeholders timely and accurately.
- Ensuring efficient and effective functioning of the risk Management Framework.
- Complying in substance, not just in form, with the provisions of the Code of Corporate Governance and regulations affecting the financial services industry.



Corporate Governance Statement

The Board of UCL governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholders' value. The Board is committed to, and ensures that, the Management performs in accordance with the highest level of ethics and integrity. This statement outlines the main corporate governance practices employed by the Board of UCL in applying the Corporate Governance guidelines.



Corporate governance is the framework of rules, relationships, systems and processes within which and by which the operations of the group is exercised and controlled. It influences the setting and achievement of objectives of the Company, the monitoring and assessment of risk and the optimization of performance. There is no single model of good corporate governance. For UCL, best practice corporate governance has been adapted to the changing circumstances and will continue to evolve as those circumstances change.

Corporate Governance Model

UCL's Governance Model conforms to the relevant regulatory requirements as well as best market practices. The Governance Model is in place to ensure it remains relevant and is able to meet future challenges.

Basic Principles Forming a Good Board

The Board is collectively responsible to the Company's shareholders for the long-term success of the Company and for its overall strategic direction, its values and its governance. It provides the leadership necessary for the Company to meet its business objectives whilst ensuring that a sound system of internal control and risk management is in place.

The Board is responsible for governing the business and affairs of the Company and for exercising all such powers pursuant to the articles of association of the Company. While carrying out their duties and responsibilities, the Board is committed to ensuring that the highest corporate governance standards are adhered to. The overall principal responsibilities of the Board are as follows:

- providing strategic leadership to the Company;

- reviewing, approving and monitoring the implementation of the strategic business plans and policies of the company;
- ensuring the Company and Group maintain an effective system of internal contorts and are able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for long-term business continuity.

Complying With Rules and Regulations

We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group and our management and assists investors in their investment decisions.

We fully adhere to the principles set out in the BSEC and Bangladesh Bank Corporate Governance guidelines.

POLICY ON APPOINTMENT OF DIRECTORS

The Directors are appointed as per the rules and regulations set forth in the Companies Act, 1994, the Financial Institutions Act, 1993 and Bangladesh Securities and Exchange Commission's (BSEC) guidelines on Corporate Governance.

To be a member of the Board of a listed company, a Director other than nominated and alternate Director must hold at least 2 percent of the outstanding shares of the company. The Independent Directors are exempted from such requirement.

As per the Companies Act, 1994, the office of non-executive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. As per the Central Bank's guideline, a Director may be appointed for a period of three years and the term may be extended by another term of three years. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years and may be extended by another three years.

Size of the Board

The Board of UCL comprises of nine members excluding the three Independent Directors and the Managing Director. As per FID Circular no. 9 dated 11 September, 2002 of the Bangladesh Bank, the size of the Board of a non-banking Financial Institution shall be minimum of nine and maximum eleven. As per BSEC's notification, a listed company should have Independent Director of at least one-fifth of the Directors. As per articles of association of the Company the Managing Director is an ex-officio Director.

Composition of the Board

The Directors determine the composition and size of the Board in accordance with Bangladesh Bank and BSEC's regulations. The regulators set upper and lower limits with the number of Directors not permitted to be less than five and more than twenty as per BSEC corporate governance guidelines while the minimum number is nine with a maximum limit of eleven as per Bangladesh Bank regulations. The Board has determined that there shall be eleven Directors excluding the Independent Directors and the Managing Director. The skills and experience of each Director and their period of office at the date of this report are set out on pages 49 to 55 of the annual report.

The Board of UCL comprises of the following:

Non-executive Directors

Nine out of whom five are nominated Directors

Independent Directors

Three

Executive Director

One (The Managing Director & CEO)

Chairman of the Company is a non-executive Director therefore independent of CEO

NON EXECUTIVE DIRECTOR

All the Directors except the CEO are the non-executive Directors in the Board. None of the Directors takes part in the day to day affairs of the Company. They attend only in the Board/Committee meetings to discuss the agenda reserved for the Board/Committees.

INDEPENDENT DIRECTOR AND BOARD'S CONSENT THEREOF

There are three Independent Directors in the Board representing one-fifth of the total Directors. As per the BSEC guideline on Corporate Governance at least one fifth of the total Directors should be Independent Directors. In order to qualify as an Independent Director, the Board affirmatively determines that the Director has no material relationship with UCL either as a partner, shareholder or officer of an organization that has a relationship with UCL that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the Independent Director does not hold any share or holds less than one percent shares of the total paid up capital of the Company, who is not connected with the Company's Promoters or Directors or Shareholders who holds one percent or more than one percent shares of the total paid up shares of the Company, on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associate companies, who is not a member, Director or officer of any Stock exchange and who is not a shareholder, Director or officer of any stock exchange or an intermediary of the capital market. The Independent Director is appointed for a period of three years which may be extended by one term only. A person cannot be appointed as Independent Director who have already been appointed as Independent Director of three listed companies.

DIVISION OF POWERS AND RESPONSIBILITIES

The management and control of UCL is divided among the shareholders (at the General Meeting), the Board of Directors and the Managing Director & CEO, pursuant to the provisions of the external framework, regulatory authorities, the Articles of Association and the internal instructions set forth by the Board of Directors.

THE CHAIRMAN

Responsible for leading the Board

There is a clear and effective division of accountability and responsibility between the roles of the Chairman and the Managing Director & CEO.

RESPONSIBILITY OF THE CHAIRMAN

The Chairman is responsible for leading the Board and ensuring it performs in an effective manner.

The Chairman presides over Board and General Meetings of the Company. He ensures that the Board is well informed and effective; that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board and the Company. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and in accordance with the requirement of the Companies act 1994, and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

The Chairman also has following responsibilities:

- to provide effective leadership in the determination of Company's strategy and in the achievement of the Company's objectives;
- to work with the Company Secretary to schedule Board and Committee meetings and ensure that Directors receive accurate, timely and clear information, in particular on the Company's and Group's performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sound advice in achieving the Company's objectives;
- to ensure that Board Committees are properly established and composed, with appropriate terms of reference;
- to ensure that all important agenda are appropriately discussed by the Board;
- to ensure the independence of the Board in discharging its duties;
- to ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines;
- to promote effective relationships and open communication between the Board and the Senior Management in relation to corporate governance and corporate performance;
- to ensure effective relationships are maintained with all major stakeholders.

SCHEME FOR ANNUAL APPRAISAL OF THE BOARD'S PERFORMANCE

Being the representative of the shareholders, the Board is responsible to the shareholders for the overall performance of the company along with the management. However, there is no such annual appraisal scheme for the performance of the non-executive members of the Board. The non-executive Directors of the Board will only get fees for attending Board and Committee Meetings as prescribed by the central bank.

POLICY ON TRAINING OF DIRECTORS

The Board of Directors of UCL is well-balanced having professional and industry knowledge to put forward the Company to the desired level of success. During the year under review no such training program has been organized for the Directors. We recognize the importance of the program of such training for the overall development of the Company to ensure best corporate governance practices.

REPORT ON COMPLIANCE WITH THE BEST PRACTICES ON CORPORATE GOVERNANCE

The Chairman of the Company on behalf of the Board of Directors issues a report on compliance with the best practices on Corporate Governance. The report is reviewed by the External Auditors. The certificate of the External Auditors is given on page 104 of this Annual report. The report of the Chairman is also given on page 87 of this report.

Membership and Qualification of the Directors

The Board currently consists of thirteen members which is within the regulatory limit. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be adequate enough to ensure an effective decision-making process.

DIRECTORS KNOWLEDGE AND EXPERIENCE

As a major financial services provider, the Board recognizes that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the company as a whole. Furthermore, being on the Board of a parent company, the Board Members are required to be responsive to the constantly changing financial landscape.

DIRECTORS KNOWLEDGE AND EXPERTISE IN FIANANCE AND ACCOUNTING

Our Directors bring on Board a wealth of knowledge and experience in business development, finance, legal, accounting, general management skills and the regulatory environment. A brief profile of each Member of the Board outlining their quantifications, experience and skills is presented on pages 49 to 55 of this annual report.

DIRECTORS INDEPENDENCE

All the Directors except the Managing Director are non-executive Directors and independent of the management. All Directors bring independent judgments to bear on their decisions.

The materiality thresholds used to assess Directors independence are set out in the BSEC notification on Corporate Governance dated 7 August 2012. The Managing Director & CEO is an ex-officio member of the Board having no voting rights. The Board believes that the interests of the shareholders are best served by:

- the current composition of the Board which is regarded as balanced with a complementary range of skills and experience detailed in the Directors' profile on pages 49 to 55 of this report; and
- the Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgments:

- a standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors may seek the advice of independent experts, subject to the approval of the Board;
- all Directors must act at all times in the interests of the Company; and
- Directors meet as required independently of executive management.

Adoption of these measures ensures that the interests of shareholders, as a whole, are pursued and not jeopardized by a lack of independence.

DIRECTORS' RETIREMENT AND REAPPOINTMENT

As per The Companies Act 1994, the office of non-executive

Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years and may be extended by another three years.

NUMBER OF MEETINGS OF THE BOARD AND THE PARTICIPATION OF EACH DIRECTOR

In 2016, the Board held 18 meetings in person. The Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent. The details of the attendance of the Directors is given on page no. 97 of this annual report.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Management Committee attend the meetings to ensure effective interaction with the Board. Minutes are kept of the proceedings and resolutions of the Board are sent to the Bangladesh Bank including the minutes of Board Committees.

Board Meetings Procedure

- The Board convene according to an agreed schedule to discuss business and other issues whenever considered necessary;
- The Chairman decides on the agenda based on proposals by the other members of the Board, the Managing Director & CEO, and the secretary to the Board;
- The Chairman convene a meeting to deal with a specific item, if requested by a member of the Board or the Managing Director & CEO;
- The Board deals with the reports of the Board committees, Credit committees and the Managing Director & CEO;
- Working papers are delivered to the members seven days before meetings.

Business of the Board Meetings

The Board's agenda is managed to ensure that shareholder value and governance all play an appropriate part in its deliberations and judgments.

The Board delegates to management the day-to-day operation of the business, in accordance with appropriate risk parameters. The Board monitors compliance with policy and achievement against objectives, by holding management accountable for its activities through regular updates.

During the year ended 31 December 2016, the Board considered a wide range of issues, including:

- receiving proposal on financing business;
- receiving regular reports on the financial position of the company and the various businesses;
- receiving reports on the outstanding issues arises from earlier board meetings;
- receiving reports on financing proposals approved by the management credit committee;
- approving the budget and long-term plan;
- approving interim and full-year results;
- discussing and approving corporate strategy; receiving reports from the Audit Committee and Executive Committee; and
- receiving reports on governance issues affecting the company;

Access to Information

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by executive Management on business performance and issues.

Responsibilities of the CEO

While the Chairman leads the Board, the CEO has executive responsibility for the day to day operations and performance of the company.

The Managing Director & CEO who has extensive financial experience and knowledge (including corporate finance and business development), drives the Group's overall strategic growth towards achieving UCL's strategic vision and direction. He leads the Management in the execution of strategic initiatives. The distinct and separate duties and responsibilities of the Managing Director and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The Managing Director's integral role is to implement the policies and decisions of the Board, oversee the entity's operations as well as coordinate the development and execution of the corporate strategies. In addition thereto, he is also responsible for the following tasks:to put in place initiatives that will shape the corporate direction and values of the company towards the achievement of a "customer-centric" corporate culture and underpinned by the company's values;

POLICY ON ANNUAL EVALUATION OF THE CEO BY THE BOARD

Since the CEO is responsible for daily operation of the Company, the annual performance of the CEO is measured through following key performance indicators:

- Meet the annual budgetary targets of the Company as approved by the Board;
- Maximize the shareholders' value through achieving desired Return on Asset (ROA), Return on Investments (ROI) and Return on Equity (ROE) as set by the Board;
- Enhance the Earnings Per Share (EPS) to a competitive level in the industry;
- Sustainable growth of investment and revenue for the Company as set by the Board;
- Gradual reduction of cost to income ratio of the Company;
- Gradual reduction of the non-performing asset (NPA);
- Improvement of the overall CAMELS Rating.

THE COMPANY SECRETARY

The Company Secretary serves the Board on matters relating to the affairs of the Board and ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. The Company Secretary assists the Chairman and Directors in the conduct of meetings and their governance obligations and responsibilities as Directors of the Company. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees, the Senior Management and the regulators.

Apart from performing the duties and responsibilities of a Secretary to the Board, the Company Secretary also undertakes the following roles:

- ensures that the Board is kept well informed/ updated on legal/regulatory requirements that affects the duties and responsibilities of Directors;
- ensures that the relevant companies within the Group comply with its statutory obligations under relevant laws and regulations;
- provides guidance to Directors and Senior Management on various corporate affairs matters;
- assists in managing shareholder relations and resolving their enquires;
- manages relationship with the office of RJSC;
- submits all statutory return to RJSC within stipulated time period; and
- acts as a custodian of the Group's statutory records.

AUDIT COMMITTEE

OBJECTIVE OF THE COMMITTEE

The objective of the committee is to assisting the Board in fulfilling its corporate governance responsibilities, particularly:

- the reliability and integrity of information for inclusion in Company's financial statements;
- compliance with legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
- the integrity of company's internal control framework; and
- safeguarding the independence of the external and internal auditors.
- ensuring that the management has selected accounting policies that are in line will applicable accounting standards.
- Review interim financial releases i.e., quarterly and half yearly unaudited financial statements and recommend the same to the Board of Directors for approval.

The engagement partner of the external audit firm is invited to attend each Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

APPOINTMENT AND COMPOSITION

The Audit Committee is a sub-committee of the Board of Directors. The committee assists the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company as well as ensures that the operating effectiveness of the internal control system is adequate. The committee is directly responsible to the Board of Directors.

The Audit Committee comprises of five non-executive Directors out of whom Mr. Mohammad Nurun Nabi FCA is an Independent Director.

CHAIRMAN OF THE AUDIT COMMITTEE

The committee is chaired by a non-executive Independent Director Mr. Mohammad Nurun Nabi FCA who is considered to be best qualified to serve in this role and has knowledge of finance. The biography of Mr. Mohammad Nurun Nabi FCA is given on page 55 of this annual report.

QUALIFICATION AD EXPERTISE OF THE MEMBERS OF THE COMMITTEE

The Committee is chaired by an Independent Director Mr. Mohammad Nurun Nabi FCA who is considered best qualified to serve in this role and has expert knowledge of finance and accounts. Mr. Mohammad Nurun Nabi FCA is a Bachelor of Science from Karachi University and a fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). He has more than forty years of experience in his exchequer in local and foreign organizations at different responsible capacity. Overall all the members of the Audit Committee are diversified and knowledgeable in different areas of business and administration. Biography of the audit committee members is given on page 49 to 55 of this annual report.

CHARTER OF THE AUDIT COMMITTEE

The audit Committee, within the delegated authority and in fulfilling the regulatory requirements will:

A. Internal Control

- review the implementation of key accounting policies and financial reporting;
- evaluate the implementation of the internal control systems and the risk management process.

B. Internal Audit

- review the adequacy of internal audit function;
- consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;
- review and approve the annual audit report;
- review the activities, resources and organizational structure of Internal audit;
- contribute to the selection process for the appointment of the Head of Internal audit; and
- ensure that findings and recommendations communicated by Internal audit and Management's proposed responses are received, discussed and appropriately acted on.

C. Compliance

Review the effectiveness of the company's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non- compliance.

D. Relationship with External Auditor

- discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on;
- review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of appointment of the external auditor.

AUDIT COMMITTEE INVOLVEMENT IN SELECTION OF APPROPRIATE ACCOUNTING POLICIES

As per the BSEC guideline on Corporate Governance, 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.

The Board delegates the responsibility to the Audit Committee to select the appropriate accounting policies that are in line with applicable accounting standards as applicable and adopted by the ICAB, Bangladesh Securities and Exchange rules 1987 and the Listing Regulations of the Stock exchanges. After selecting the appropriate accounting policies, the Audit Committee recommends the Board regarding adoption of the selected accounting policies. The Board thereafter approves the selected accounting policies for adoption to ensure the true and fair view of the state of the affairs of the company.

AUDIT COMMITTEE INVOLVEMENT IN REVIEW OF EXTERNAL AUDIT FUNCTION

The audit committee reviews the following audit functions of the external audit:

- review the scope of work and audit plan;
- review Management Letters issued by external auditors;
- review the report on the annual audit of UCL;
- consider the independence of the external auditor and any potential conflicts of interest;
- review the "Terms of engagement" of the external auditor;

AUDIT COMMITTEE INVOLVEMENT IN THE REVIEW OF ANNUAL AND INTERIM FINANCIAL RELEASES

As per the Corporate Governance guideline of the BSEC, the Audit Committee is required to review along with the management, the quarterly and half yearly and annual financial statements before submission to the board for approval. In compliance with the BSEC's guideline on Corporate Governance, the Audit Committee reviews the interim and annual financial releases whether audited and/or unaudited and places the same before the Board for approval.

AUDIT COMMITTEE INVOLVEMENT IN COMPLIANCE WITH LAWS AND REGULATIONS

UCL being a part of the financial industry in Bangladesh required complying with applicable laws and regulations. There are several regulatory authorities including the central bank who are the related parties of the company's operation and performance. The Audit Committee monitors and ensures the Board that the company complies with all the applicable laws, rules and regulations of various regulatory authorities.

ACCESS OF THE HEAD OF INTERNAL AUDIT TO THE COMMITTEE

Then head of internal control and compliance have direct access to the Audit Committee.

NUMBER OF MEETINGS AND ATTENDANCE BY MEMBERS OF AUDIT COMMITTEE

In 2016, the Audit Committee held 4 meetings in person. Details of audit committee meetings and attendance of audit committee members is given on page 97 of this annual report.

ACTIVITIES OF THE AUDIT COMMITTEE

The committee discussed the following business matters during the year under review:

- Reviewed the draft consolidated financial statements for the year ended 31 December 2015 along with auditor's report thereon and recommended it to the Board of Directors for consideration;
- Reviewed the internal control functions and recommended before the Board for enhancement of the activities streamlining operational risk;
- Reviewed with the senior management of the Company's policies and procedures to prevent illegal or unethical activities, key accounting policies and procedures, internal controls, significant areas of risk, legal or regulatory matters that may have an impact on the financial statements, and any other matters that may affect financial reporting;
- Reviewed the reports submitted by the Internal Control and Compliance Department and advised management for timely implementation and follow up;
- Recommended to the Board for appointment of auditors for the year 2016 and fixation of their remuneration;
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2015;
- Reviewed the quarterly, half yearly financial statements for the year 2016;
- Reviewed the inspection report of Bangladesh Bank for the year 2015 and management response thereon; and
- Reviewed quarterly operation report of the Company for the year 2016.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The guidelines on internal control & compliance given by Bangladesh Bank recommend internal control practices for NBFIs to assist them in assessing the application of the principles and compliance with the provisions with regard to internal control.

The systems of internal control of the company are designed and operated to support the identification, evaluation and management of risks affecting the company. These include controls in relation to the financial reporting process and the preparation of consolidated accounts, but extend across all areas of operations. They are subject to continuous review as circumstances change and new risks emerge.

Key features of the systems of internal control are:

- the risk management system described in the section of risk management report;
- written policies and procedures within our businesses, which are detailed in policy manuals;
- clearly defined lines of accountability and delegation of authority;
- minimization of operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses;
- business continuity planning, including preventive and contingency measures, back-up capabilities;
- key policies employed in managing operating risk involve segregation of duties, transaction authorization, monitoring, financial and managerial review and comprehensive reporting and analysis against approved standards and budgets; and
- a treasury operating framework which establishes policies and manages liquidity and financial risks. ALCO that monitor these activities and compliance with the policies. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the Management Committee;

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, reviews of key financial controls, internal audit reviews and quality assurance, testing of certain aspects of the internal financial control systems by the external auditors during the

course of their statutory examinations and reports to the audit Committee by the external auditors.

Internal and External Auditors

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

Internal Audit

Our Internal audit department comprises of a team of independent professionals headed by Mr. Abdul Bareque reports directly to the Audit Committee.

Internal audit performs an independent and objective assurance and consulting function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal audit is responsible for carrying out periodic audits. Its function also include independent assessment risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the audit Committee.

Internal audit coordinates its operations with the activities of the external auditor for maximum effect.

External Audit

Our statutory auditor is S. F. Ahmed & Co., Chartered Accountants. They are also the auditor of our subsidiary Companies UniCap Securities Ltd. and UniCap Investments Ltd.

DIRECTORS RESPONSIBILITY TO ESTABLISH APPROPRIATE SYSTEM OF INTERNAL CONTROL

The Board of Directors acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Guidance for Directors of Public Listed Companies, the Board is pleased to present the Statement on Internal Control of the Group.

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such system of internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Company's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses.

REVIEW THE ADEQUACY OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control covers risk management and financial, organizational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

MANAGEMENT AND MITIGATION OF THE RISKS

Disclosure on risk management is covered in details in the risk management section of this report from page 116 to 130. This risk management disclosure has been made in line with best practices and premised on the commitment of the Board of Directors to adhere to sound corporate governance standards within the UCL Group. The report is aimed to provide relevant information to all stakeholders in an orderly and timely manner and thereby continue to boost the confidence of the market in UCL and its subsidiaries. Year on year, we have continued to strive at improving on the quality and scope of our risk management practice and transparent disclosures.

ETHICS AND COMPLIANCE

We believe that a Code of Conduct and Business ethics provides a foundation for the stability and sustainable growth of UCL, and supports the Company's efforts in achieving its goals. UCL, therefore, encourages all Directors, Management team and all employees to conduct business and perform their duties in accordance with the Code of Conduct and ethical principles. UCL has its own code of conduct and ethical principles which is communicated to all the employees This annual report contains the ethical principles that we follow while discharging our duties.

As governance and regulatory requirements in the financial industry continues unabated, financial institutions are coming under intense pressure to implement good governance practices and manage compliance risk while pushing for improvements to the bottom-line. Compliance risk within the UCL Financial Group is defined as the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and the expectations of stakeholders.

The Group upholds the adoption and infusion of good corporate governance principles and best practices as a basic tenet of running and growing its business. The compliance principles remain an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

A. Integrity

The UCL Financial group along with its Directors and employees:

- act in good faith in order to win the trust of customers.
- value the maintenance of long-term relationships of trust with customers, local communities, and shareholders.
- fair in dealings and with competition.

B. Conflict of Interest

UCL does not condone any form of conflict of interest be it personal, financial or family interest that could in any way keep the individual from acting in the best interests of the company and which may compromise the interest of company, its shareholders and clients. To this end, all employees are required to refrain from any activity which may result in any conflict or potential conflict of interest. Any actual or potential conflict of interest must be reported to the Management as soon as it is recognized.

The Company has comprehensive procedures in place to deal with any situation where a Director has an actual or potential conflict of interest. Under these procedures members of the Board are required to:

- consider each conflict situation separately on its particular facts;
- consider the conflict situation in conjunction with the rest of their duties under the applicable rules and regulations; and
- keep appropriate records and Board minutes demonstrating any authorization granted by the Board for such conflict and the scope of any approvals given.

DISCLOSURE OF STATEMENT OF ETHICAL PRINCIPLES AND VALUES

The Code of ethics enhances the standard of corporate governance and promotes ethical conduct with a view to achieving the following objectives:

- to establish a uniform ethical standard emphasizing conduct free from conflicts of interest; and
- to uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines.

The code of ethics and business conduct deal with among others the following issues:

- Compliance with laws and regulations
- unacceptable payments giving or receiving gifts protection of UCL assets proper accounting dealing with auditors
- unauthorized public statements conflict of Interest
- use of inside information
- UCL employee share trading policy

COMMUNICATION OF ETHICS AND BUSINESS PRACTICE TO THE EMPLOYEES

UCL has in place a Code of ethics and Business Conduct applicable for all employees. The code of ethics and business conduct is communicated to every employee in the induction training after joining UCL. The Board and the Management confirms that the ethics and business principles are communicated to employees to ensure the best ethical practice within the company.

BOARDS COMMITMENT TO ESTABLISHING HIGH LEVEL OF ETHICS AND COMPLIANCE

The Board believes that a Code of Conduct and Business ethics provides a foundation for the stability and sustainable growth of UCL, and supports the Company's efforts in achieving its goals. Therefore, UCL's Board is committed to establish high level of ethics and compliance in the organization to ensure safe and ethical business practice in the financial industry.

COMPLIANCE WITH RULES, REGULATIONS AND LAWS

The financial industry of Bangladesh is very competitive and highly regulated by several regulatory authorities such as the central bank of Bangladesh, BSEC, RJSC, Stock Exchanges and the National Board of Revenue etc. UCL Financial Group is in complaint to all the rules and regulations as promulgated by the appropriate regulatory authorities from time to time. Detailed disclosure on Ethics and Compliance has been covered in page 101 to 103 of this report.

REMUNERATION COMMITTEE

As per the guideline of the central bank the Board can have the following committees:

- Audit Committee;
- Executive Committee; and
- Green Banking Comittee

Therefore UCL have no remuneration committee comprised of the Board Members. However, there is a HR and Compensation Committee for employees of the Company.

POLICY WITH REGARD TO REMUNERATION OF DIRECTORS

Except the Managing Director & CEO, none of the Director holds any position of profit and does not receive any remuneration other than the fees for attending the Board/Committee meetings. As per the central bank's guideline, maximum amount of Tk. 8,000 can be paid to each Director for attending each Board/Committee meeting.

POLICY WITH REGARD TO REMUNERATION OF THE CEO

The Board will appoint the CEO of the company. As per guidelines of the central bank, approval of the central bank to be obtained for the appointment of the CEO along with the remuneration and other benefits.

REMUNERATION POLICY OF THE CEO AND SENIOR MANAGEMENT

As per guidelines of the central bank, appointment of the CEO along with the remuneration package is subject to approval of the central bank.

The Board reserves the right to recruit and decide the remuneration benefit of the senior management employees. The CEO has been given with the authority to recruit and decide remuneration benefit of the mid and lower level management in line with the industry best practice.

COMPOSITION OF THE HR & COMPENSATION COMMITTEE AND MEETINGS HELD

The compensation committee comprises of 3 members headed by the CEO. Other members of the committee are Mr. Tauhidul Ashraf FCS, Executive Vice President, Company Secretary & Head of Marketing and Mr. A.N.M. Golam Shabbir, Senior Vice President and Head of Admin and HR. The committee sits once in every three months. In 2016, the committee held 2 meetings in person.

Charter of the Management Compensation Committee

- recommend the requirements of management personnel for different sections of the company;
- interview for selection;
- recruitment of management cadre;
- take disciplinary action against employees, if situation demands;
- evaluate the performance of employees annually;
- evaluate effectiveness of the HR Policy,
- assess the workload, strength and weakness of the officers and executives; and
- recommend the Board any change in the HR & Compensation policy for approval.

ACTIVITIES OF THE MANAGEMENT COMPENSATION COMMITTEE

The management compensation committee activities during the year under review as under:

- reviewed the existing pay scale to compare UCL's pay scale with industry benchmark;
- proposed and recommended the Board for revision of old pay scale;
- introduced a new pay scale in line with industry benchmark;
- significant changes made in the company's service rules for employees; and
- conducted induction training for the newly recruited employees of the company.

REMUNERATION OF THE DIRECTORS

Sl. no.	Name	Status with the Company	Status with the Committee	Meeting Attendance	Fee
1	Chowdhury Tanzim Karim	Chairman	Chairman	18/18	144,000
2	Mr. M. Faizur Rahman	Director	Member	18/18	144,000
3	Mr. Waqar A. Choudhury	Director	Member	18/18	144,000
4	Mr. Nadeem A. Chaudhury	Director	Member	15/18	120,000
5	Mrs. Tajrina Sikder	Director	Member	3/18	24,000
6	Ms. Sabita Rezwana Rahman	Director	Member	6/6	48,000
7	Mrs. Meherunnesa Haque	Director	Member	15/18	120,000
8	Capt. Minhazur Reza Chowdhury	Director	Member	16/18	128,000
9	Mr. Kazi Russel Mahbub	Director	Member	13/18	104,000
10	Mr. Mohammad Nurun Nabi	Independent Director	Member	10/18	80,000
11	Mr. Abdul Karim	Independent Director	Member	15/18	120,000
12	Mr. Md. Faykuzzaman	Independent Director	Member	0/0	0

REMUNERATION OF THE AUDIT COMMITTEE MEMBERS

Sl. no.	Name	Status with the Company	Status with the Committee	Meeting Attendance	Fee
1	Mr. Mohammad Nurun Nabi	Independent Director	Chairman	2/4	16,000
2	Mr. M. Faizur Rahman	Director	Member	4/4	32,000
3	Mr. Nadeem A. Chaudhury	Director	Member	4/4	32,000
4	Mrs. Tajrina Sikder	Director	Member	0/4	0
5	Ms. Sabita Rezwana Rahman	Director	Member	3/3	24,000

REMUNERATION OF THE EXECUTIVE COMMITTEE MEMBERS

Sl. no.	Name	Status with the Company	Status with the Committee	Meeting Attendance	Fee
1	Mr. Abdul Karim	Independent Director	Chairman	2/2	16,000
2	Mr. M. Faizur Rahman	Director	Member	2/2	16,000
3	Mr. Nadeem A. Chaudhury	Director	Member	1/2	8,000
4	Ms. Sabita Rezwana Rahman	Director	Member	1/1	8,000
5	Mr. Waqar A. Choudhury	Director	Member	2/2	16,000

REMUNERATION OF THE CEO

The total remuneration of the CEO was BDT 6,428,710 for the year under review that includes all benefits as approved by the central bank of Bangladesh.

REMUNERATION OF THE SENIOR MANAGEMENT

Employees in the rank of Assistant Vice President and above are considered as the senior management. In 2016, total senior management employees were 13 in number with a total remuneration of BDT 23,592,693.

HUMAN CAPITAL

The talented and highly motivated people who make up our workforce are key to our blueprint for building a sustainable and successful future. UCL strives to strengthen our reputation as a quality employer in the markets we do business.

Recruitment

A great part of success in the financial services industry depends more than anything else, on the know-how, experience, talent, and commitment of human capital. For UCL to continue to succeed, the company must be able to attract, develop and retain qualified people. UCL's employees should be able to benefit from its strong business principles, its fast-moving and entrepreneurial spirit, and the broad opportunity for individual and team success.

Competitive Compensation and Total Rewards

At the heart of an engaged workforce is a flexible, competitive and meaningful rewards program. Our program is based on an understanding of what employees' value. It recognizes that flexibility and choice are the best response to meet our employees' diverse needs. Our comprehensive approach rewards employees for their skills and contributions by offering employees competitive compensation, benefits and a positive work environment.

Growth Through Training and Development

We aim to create a learning culture and provide opportunities for our employees to fully apply their knowledge and skills in the service of the company. We will help our employees to continue their development in the interests of the company and its objectives.

Employees expect ongoing career and learning opportunities to be a part of their total rewards program and our commitment to continuous employee growth and development helps ensure we meet the current and future needs of both our people and our clients. Employees also have access to the training resources they need to learn and grow through our in house learning opportunities.

Careers and Developments

The people of UCL are part of a culture of integrity and leadership, which they have an active role in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. High-quality employees are trained and fostered, with the goal of developing tomorrow's leaders.

Leadership is certainly among the strongest elements fostered by UCL seeking to demonstrate leadership both in the industry and in the society where it operates. In order to sustain this element

of leadership, strong emphasis is placed on developing employees through in-house training programmes as well as by supporting and organizing educational opportunities outside UCL.

As a forward-looking enterprise, UCL strives to continually stimulate its employees to uphold the state of the art in their respective fields. In order to inspire trust and create added customer value, great emphasis is placed on maintaining employees' knowledge and skills through training, development and informative feedback. As in previous years, UCL placed great emphasis on training its managers and developing their leadership qualities. Moreover, the annual meeting with employees, play a central role in making sure that the strategy and objectives for each year are clearly communicated and executed. It is vitally important that those who drive company's success are fully informed of its vision, strategy, and focus for the year and know what kind of contribution is expected of them as individuals in order to achieve these.

Salaries and Benefits

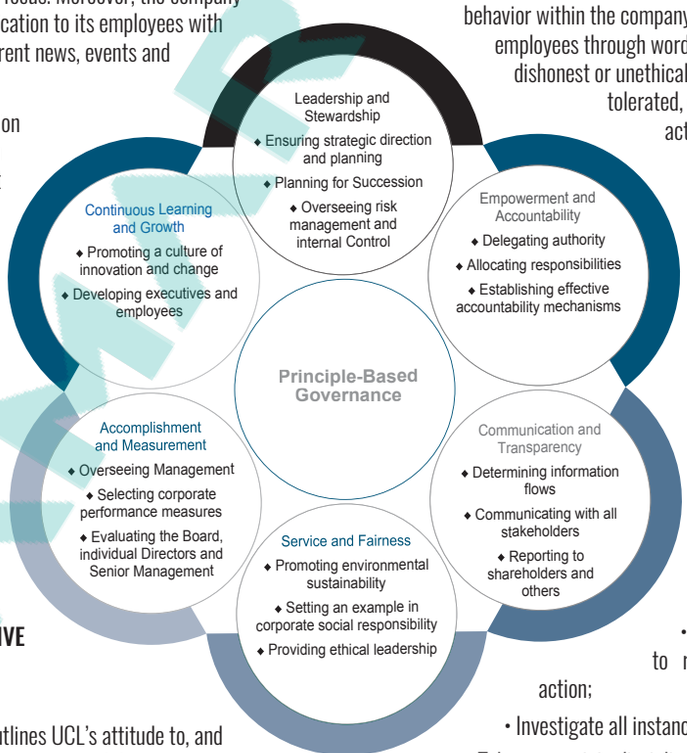
In addition to a monthly salary, bonuses are paid to those key employees and management who directly affect company's performance. Bonus payments are subject to the individual's performance as well as company's profits.

Communication

UCL places great emphasis on keeping employees informed about UCL's vision, strategy and focus. Moreover, the company provides regular communication to its employees with information regarding current news, events and achievements.

The open flow of information within UCL is important in order to maintain efficient operations.

Furthermore, the CEO and senior executives visits different offices of UCL which opens face-to-face dialogue between employees and senior management. Through these channels UCL supports a flat organizational structure and encourages collaboration throughout UCL.



ESTABLISHING AN EFFECTIVE ANTI FRAUD PROGRAM

Anti-fraud Program

Our anti-fraud program outlines UCL's attitude to, and position on, fraud and sets out responsibilities for its detection and prevention. It establishes guidelines for preventing, detecting and dealing with fraud. It gives a clear message to employees and stakeholders about conduct that will not be tolerated by UCL.

Fundamental Elements of an Effective Anti-fraud Program

- Creating and maintaining a culture of honesty;
- Evaluating the risk of fraud and implementing the processes, procedures and controls necessary to mitigate those risks; and
- Developing and appropriate oversight process.

Common example of Fraud and Fraudulent Behavior

- Rank personal gain over corporate interests;
- Misappropriation of assets, embezzlement and theft;
- Payment or receipt of bribes, kickbacks or other inappropriate payments;
- Participation in fraudulent transactions;
- Deceptive, misleading or false statements about corporate transactions;
- Forgery or alteration of accounting record or vouchers;
- Failing to keep confidential trade secrets of the Company;
- Non-disclosure of material information needed for an informed investment decision; and
- Other fraud behaviors causing loss to the Company interests.

UCL's Focus on Anti Fraud Program

UCL is committed to creating a culture of honesty and high ethics inside out of the company to clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong set of core values that provides the foundation for employees as to how UCL conducts its business. It also allows the company to develop an ethical framework that covers 1. Fraudulent financial reporting, 2. Misappropriation of assets, and 3.corruption as well as other issues.

Directors and officers set the "tone at the top" for ethical behavior within the company. Management shows its employees through words and actions that dishonest or unethical behavior will not be tolerated, even if the result of the action benefits the company. All employees are treated equally, regardless of their position.

Anti-fraud program aim to outline UCL's commitment to:

- Take appropriate measures to prevent and deter fraud;
- Introduce and maintain necessary procedures to detect fraud;
- Encourage employees to report any suspicions action;
- Investigate all instances of suspected fraud;
- Take appropriate disciplinary, civil or criminal proceedings;
- Report all suspected fraud to the appropriate authorities.

Employees Code of Conduct

All the employees of ULC have been given with the code of conduct during his induction to the company. The employees are instructed to follow the ethical principles to add value to the ethical practice of the company.

Prevention and Control of Fraud

All Head of the Departments of UCL advocates to the

subordinates of the respective department to develop a corporate culture of honesty and integrity. Besides it is the duty of each departmental head to assess the risk of fraud arising in the normal course of operations of his department and establishes controls and procedures designed to eliminate the likelihood of fraud. The senior management of UCL receives, investigates, reports and recommends a remedial course of action in respect to suspected or voiced concerns of fraud or fraudulent behavior.

UCL promotes a regular corporate culture of honesty and integrity through the following actions and activities:

- Top Management lead by example in complying with this Anti-Fraud Program;
- Regularly communicate the Company's message of honesty and integrity with employees of the Company through the Employees Code of Conduct and other written and verbal presentations of the principles underlying this Anti-Fraud Program;
- Conduct periodic meetings to ensure employees attend trainings regarding business ethics and the related laws and regulations;
- Notify all direct or indirect interest parties, including external parties (customers, suppliers, supervision authorities and shareholders) regarding this Anti-Fraud Program and the obligation of the employees to comply therewith;
- Notify employees and external parties of the opportunity and procedures for reporting wrong doings and dishonest behavior;
- In connection with the Company's risk management assessment process, UCL Management identify and assess the importance and possibility of fraud risk at entity level, in each business operational level and at all significant accounts levels. The assessment should include a report disclosing any irregularities in the Company's financial reports, incidents involving misappropriation of company assets, improper income or expenditures and a fraud risk assessment in respect of senior management of the Company;
- Periodic reports issued by the Head of each Department to the ICC Department. ICC Department then issue to the Audit Committee regarding the operations of this Anti-Fraud Program within each Department;
- Management establishes control procedures to reduce the potential occurrence of fraud through protective approval, authorization and audit checks, segregation of duties, periodic compliance reviews; and
- Management performs customary background checks (education, work experience and criminal records) for individuals being considered for employment or for promotion to positions of trust. Formal written documents for background checks shall be retained and filed in employee's record.

Creating Positive Work Environment

Importance of positive work environment is beyond explanation. In absence of a positive work environment, there are ample opportunities for employee morale, which can affect an employee's attitude about committing fraudulent activities against the company's interest. UCL recognizes the importance of a positive work environment. The Board delegated the authority to the top management of the company to ensuring a positive work environment with a view to minimizing the risk of probable fraud. The CEO conducts a regular monthly meeting with all the employees where the floor is open for all to speak out and report any irregularities directly to the CEO. The management also discuss on different issues regarding company's working environment in the meeting.

Oversight and Responsibilities of Establishing Anti Fraud Measures

The Internal Control and Compliance (ICC) Department is primarily responsible for preventing, monitoring and rectifying fraud and potentially fraudulent behavior. The Head of ICC is independent of the management with direct reporting to the Audit Committee. The Internal Audit Department gradually establishing and regularly monitoring procedures and controls designed to assess, prevent and remediate fraud and fraudulent behavior. If necessary, all the departmental heads will report regarding the implementation of this Anti-Fraud Policy to the ICC Department, which will then be reviewed and summary of findings will be reported to the Audit Committee depending the nature of the fraud.

Mitigating Fraud Risks

Once risk areas are identified by management, UCL Management evaluates the adequacy of existing internal control activities and determines if further controls or changes to existing controls are required to reduce or eliminate the risk. Although there may be high risk fraud indicators in certain instances, other compensating measures may exist to mitigate the weakness in controls. It may be possible to reduce or eliminate certain fraud risks by making changes to the entity's activities and processes.

Hot Line Reporting of Fraudulent Behavior and/or Suspicious Activities

The Internal Control and Compliance (ICC) Department is the focal point to report any type of fraudulent behavior or suspicious activity within the organization. The ICC Department maintains reliable communications channels (Direct telephone and e-mail) allowing for the anonymous reporting of actual or suspected instances of fraud or fraudulent behavior committed by any employees. Complaints and concerns relating to instances of actual or suspected instances of fraud or fraudulent behavior or questionable accounting, internal control or auditing matters shall be reportable through the established channels of communications and may be reported on an anonymous basis.

For the people external to the company has also been given with the opportunity to report any type of fraudulent/suspicious activities through the company's website. In this case the focal contact person is the Company Secretary. Email address of the Company Secretary along with direct telephone number has been published in the company's website.

Whistleblower System

Employees are usually the first to notice if Company's procedures are not followed. All our employees have an obligation to report any suspicion or knowledge of breaches of the Company's policies to the head of Internal Control & Compliance Department. The reports are then passed on to the Audit Committee and the Board of Directors. UCL values a free flow of information. To ensure that critical information is not withheld, all reports and questions received through the whistleblower system are treated confidentially.

UCL recognizes that the decision to report a concern about suspected fraud or fraudulent behavior could be a difficult. Employees are often the first to realize that there is something seriously wrong within the Company. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Company. They may also fear revenges, harassment or victimization. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion. UCL encourages and enables employees, staff and external parties to raise serious concerns within the Company rather than overlooking a problem or blowing the whistle to the authorities including the Central Bank.

UCL will protect employees and ensure that they are treated with respect, and we do not accept reprisals against such employees. Individuals are encouraged to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered and investigated at the discretion of UCL.

COMMUNICATION TO SHAREHOLDERS AND STAKEHOLDERS

The Company reports including quarterly, half-yearly and annual reports and accounts were sent to shareholders in a timely and accurate manner, and meet with shareholders in the AGM where they are encouraged to ask questions about the performance, strategy and future prospect of the Company. The Stakeholders have access to company information through the company's website and postal correspondence.UCL complied with the requirements for reporting and disclosure of information to the Shareholders and Stakeholders during the year under review. The Board reports included the nature and extent of its social, ethical, safety, health and environmental policies and practices. The outcome of every general meeting is announced to Shareholders and adopted by the Board of Directors.

Annual General Meeting

Under Companies Act, the AGM must be held within nine months from the end of the financial year. Notice of an AGM, including agenda items and proposals submitted by the Board must be published at least 14 days prior to the meeting.

Shares only qualify for voting at an AGM if they are entered into the depository register with voting rights on record date fixed no later than 14 days prior to theAGM.

Convocation of Shareholder Meetings

An AGM is convened by the Board with 14 days' clear notice for ordinary/extra-ordinary resolutions. Twenty one days notice is required for passing special resolution.

Request to Convene a Meeting by the shareholders

Shareholders holding shares not less than one-tenth of the issued share capital of the company have the right to call an extraordinary general meeting and request for a specific item be placed on the agenda and voted upon at the meeting. The Director shall, within 21 days from the date of deposit of the requisition for meeting by the shareholders, proceed duly to call a shareholders' meeting.

Statutory Quorums

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- transaction of ordinary business done in an AGM;
- increase of paid up capital; consolidation or subdivision of shares; cancellation of unissued shares;
- a consensus of at least two thirds of the votes represented is required for resolutions include:
- change provisions of the object clause;
- change the name of the company alter or add to its AoA;
- reduce share capital;
- make reserved capital;
- make director's liability unlimited; remove auditor before expiry of term; on court winding up;
- on voluntary winding up;

Notices of Shareholders Meeting

Notices to shareholders are made by publication in the daily newspapers. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules is published in two widely circulated newspapers in English and Bangla and sent to the stock exchanges and BSEC.

Timely and Balanced Disclosure

The Board has an established process to ensure accountability at a senior executive level for compliance with the continuous disclosure obligations of Bangladesh Bank, BSEC and listing rules. Executive management is required to communicate all matters of a material nature and which may require disclosure to regulators, to the Chairman, CEO or the Company Secretary.

The Rights of Shareholders

UCL promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. UCL communicants with the shareholders through AGM, EGM, the annual report and Company's website. All of the Company's announcements to the market may be accessed through the Company's website.

Shareholders are provided with the opportunity to question the Board concerning the operation of the Company at the Annual General Meeting. They are also afforded the opportunity to question the Company's auditors concerning matters related to the audit of the Company's financial statements at that meeting.

CONTRIBUTION TO ENVIRONMENT AND SOCIETY

A natural and clean environment, economical use of resources and respect for people's health and safety all these are getting increasing importance. In accordance with this, UCL is continuously working towards reducing consumption of energy, elimination of use of hazardous substances from its processes and minimizing waste generation. The emphasis is on minimizing paper transactions to the extent possible. One of the key targets for financing manufacturing companies is to reduce their carbon footprint.

The focus is on developing environmental portfolio. UCL is financing as demonstrated its responsibility as a socially responsible corporate.

The central bank has taken rigorous steps to encourage green banking in Bangladesh through the issuance of guidelines on green banking and Environmental Risk Management (ERM). It is encouraging banks and financial institutions in minimizing paper transactions and installing solar power system, opening up refinance line for solar energy, bio-gas and effluent treatment plant (ETP) at reduced interest rates. The central bank introduced refinancing scheme for financing solar energy, biogas and effluent treatment plant (ETP) at only 5 percent interest rate.

UCL is committed to doing better for our clients, our investors, our employees and our communities through a focused approach to corporate responsibility. UCL's goals are to demonstrate integrity in business practices and provide leadership in the workplace and the marketplace. UCL is committed to be a strong supporter of the communities in which we do business and to transparency in sustainability reporting practices.

THE DISCLOSURE COMMITTEE

The disclosure committee consists of the Chief Executive Officer, the CFO and Company Secretary and the Head of ICC. The function of the disclosure committee is to meet as and when required in order to assure compliance with the Disclosure and Transparency requirements and the Listing Rules, and to ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office and investor relations are clear so that the company is able to comply fully with its continuing obligations under the Disclosure requirements.

ETHICAL & COMPLIANCE STATEMENT

OVERVIEW

As governance and regulatory requirements in the financial industry continues unabated, financial institutions are coming under intense pressure to implement good governance practices and manage compliance risk while pushing for improvements to the bottom-line. Compliance risk within the UCL Financial Group is defined as the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and the expectations of stakeholders.

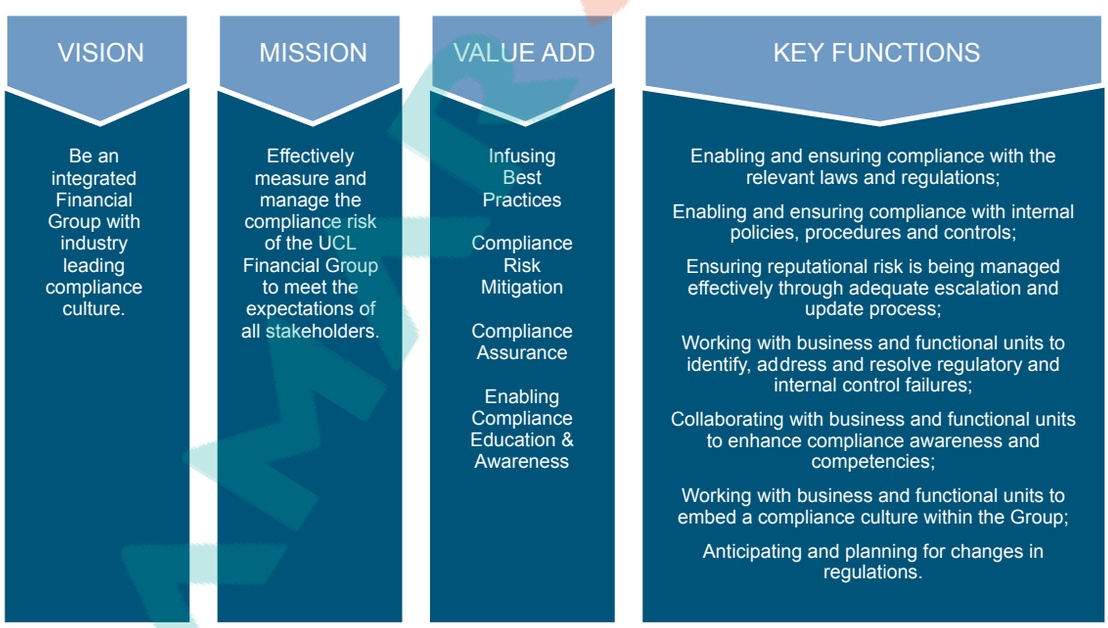
The Group upholds the adoption and infusion of good corporate governance principles and best practices as a basic tenet of running and growing its business. The compliance principles remain an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

COMPLIANCE RISK MANAGEMENT

The main aim of compliance risk management is to preserve the Group's reputation so that our competitive standing, reputation, brand and share value are not only maintained, but also enhanced. With a vision to be a financial group with industry leading compliance culture, the following are the Group's compliance objectives:

- to be the most compliant financial group;
- to enable business growth and compliance;
- to ensure zero-tolerance for regulatory breaches; and
- to minimise operational losses.

To achieve these objectives, the Group's underlying mission is to effectively measure and manage the compliance risk of the Group to meet the expectations of all stakeholders. Providing the foundation for this aspiration is the Group Compliance Framework, from which the building blocks of the compliance functions are shaped.



COMPLIANCE GOVERNANCE

At the apex of Compliance is the Board, which oversees and provides strategic direction for compliance in the Group. The Risk Management Committee ("RMC") is the management committee wherein the Group's state of compliance with laws, regulations, internal policies and procedures is reported.

The Compliance Division is responsible for developing and maintaining the Group Compliance Framework. This forms the foundation from which policies and procedures are designed to manage compliance risk.



SCOPE OF COMPLIANCE

The scope of compliance covers the areas of credit, operations, anti-money laundering and terrorist financing (AML/TF), treasury, insurance, financing operations and investment management, including subsidiaries. The Internal Control team was set-up to assist in managing internal control compliance and risk issues. The team also assists in the identification of issues at ground level that may affect compliance and the escalation of the same. This also creates expertise at operational level for compliance processes.

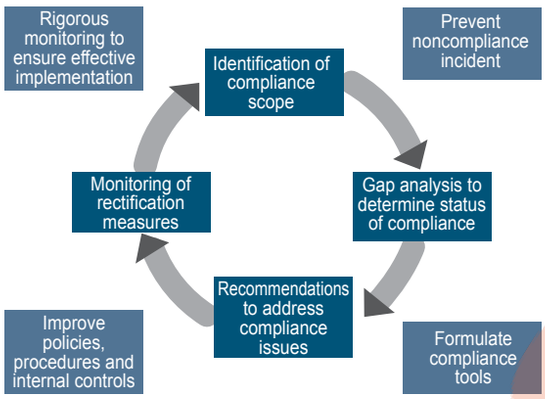
Division and Department Heads are continuously engaged to ensure they continue to inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.

COMPLIANCE LIFE CYCLE

Compliance activities are closely intertwined with compliance

developments on the global front, existing legal & regulatory requirements as well as the Group's policies and procedures. The following diagram illustrates the compliance lifestyle and general approach taken by the Group in managing compliance risk.

The approach is derived from various compliance sources such as new regulations, sound practices, reports from relevant stakeholders as well as internal reviews conducted by the Compliance Division itself.



COMPLIANCE SOURCES

- Laws and regulations
- Group's policies and procedures
- Sound industry practices
- Internal compliance review
- Internal audit reports
- Group risk assessment
- Regulators' reports or dialogues

COMPLIANCE CHALLENGES

Against the backdrop of increasing regulatory requirements and pervasive threat of financial crime and fraud, traditional approaches to oversight are no longer adequate. Compliance initiatives are thus anchored upon providing a value proposition to our stakeholders.

CHALLENGES

- Recalibrate functions to focus on compliance;
- Focus resources on value-adding initiatives;
- Re-validate best practices periodically;
- Use expertise to enhance knowledge and awareness in the Group;
- Continue to build good and valuable controls to avoid operational losses;
- Provide meaningful compliance assurance;
- Continuous surveillance on key risk areas;
- Strive to improve processes to enable compliance.

KEY INITIATIVES

The year 2016 saw the Group introducing innovative services and new business models to meet the ever growing demands of customers and pressure to grow business. The strategies adopted to provide a value proposition to our stakeholders are as below:

COMPLIANCE VALUE

- Enabling Compliance
- Infusing Best Pratices
- Compliance Assurance
- Education and Awareness
- Compliance Risk Mitigation

Infusing Best Practices

A comprehensive set of policies and procedures that institutionalize right from wrong is integral in promoting a sound compliance culture. It is imperative that the Group develop overarching compliance policies along with procedures on how to comply with specific regulations. Among the key Compliance Policies emplaced are:

- Compliance Framework
- AML & TF Programme
- Incident Reporting, Management and Escalation Process
- Core Values
- Code of Ethics and Conduct
- Whistleblower Policy
- Insider Trading Policy

Continuous revisions are made to the Compliance Policies to ensure the Group keeps abreast of regulations, industry best practices and the changes evolving within the Group.

Compliance Assurance

The Group's state of compliance is provided for, through surveillance programmes. The respective Boards and Senior Management are apprised of the state of compliance through the submission of the Compliance Report. The Compliance Report encompasses compliance with statutory or regulatory requirements, compliance with internal policies and procedures, operational losses incurred, AML/TF measures, as well as root cause and trend analyses.

In addition, any incident affecting the reputation of the Group is escalated to the respective authority. This escalation process ensures adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance Risk Mitigation

Compliance risk mitigation is a key process in the entire Incident Reporting and Management Process. Incidence reports are duly reviewed to detect trends or commonalities so that losses and incidences of non-compliance, negligence or fraud can be managed proactively and minimized accordingly. Where applicable, preventive or corrective actions to be taken by staff are disseminated.

The Compliance Division continues to play an active role in integrating sound compliance risk management into the overall risk management strategy. Particular attention is paid to new business models or new processes that are introduced for the first time, either to the Group or to industry, to ensure that good internal controls and processes are inbuilt to avoid operational losses.

Enabling Compliance

Apart from working with respective business and operating units to ensure compliance with relevant laws and regulations, enabling compliance is another key function of Compliance. This is done by carrying out root cause analyses as well as preventive and corrective action recommendations. The analyses and recommendations include process or procedural changes that not only support compliance objectives but also enhance productivity and efficiency.

The Compliance Division embarked on issuing regulatory alerts on an as-and-when basis to enable and assist business and operating units to respond to regulatory requirements in a speedy manner. Where issues are related to regulatory compliance reminders are issued to relevant business or operating units to ensure that the Group provides necessary data and accurate information to them.

Education and Awareness

Effective knowledge management is a key challenge in ensuring that staff of the Group are aware of the risk issues surrounding their activities and are able to manage them accordingly in the course of carrying out their duties. To this end, Compliance Division has a plan to organize fraud awareness programs with an aim to increase awareness amongst staff on the various modus operandi of frauds and scams. Senior representatives from Bangladesh Bank will be invited to speak at our program and expected that they will share interesting anecdotes and provided insightful perspectives on fraud.

With the ultimate aim of embedding a compliance culture throughout the Group, the Compliance Division works with Internal Audit and Risk Management Department to carry out overall briefings. These briefings involve sharing common findings and experiences as well as advising on how to improve compliance and contain operational risk within the branches.

Continuous improvements would be made through training to ensure compliance policies are understood and practised by all staff.

Mindful that regulatory requirements and sound practices continue to increase and grow in complexity, education and creation of awareness remain a primary focus for the Group.

VALUE OF COMPLIANCE

The five-pronged strategy as detailed in the previous pages ultimately aims to protect the UCL brand value by achieving compliance excellence. Fundamental to achieving compliance excellence is the process of "making compliance smart" that is attained as follows:

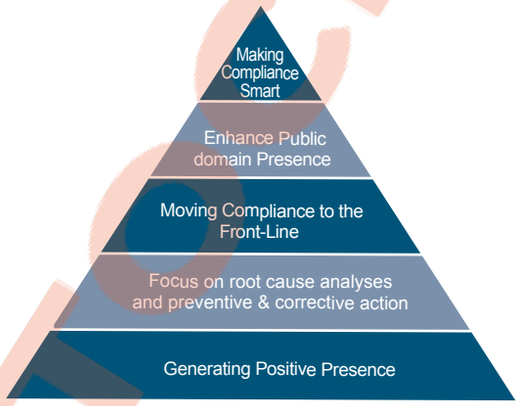
As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies and the consolidation of the financial sector, the Group has never been more exposed to such a myriad of risks, not to mention larger sets of rules and regulations. Thus, "making compliance smart" becomes a critical determining factor in our journey towards compliance excellence.

In this regard, the Board and senior management within each respective entity have extended their fullest support and cooperation in moving compliance to the front-line. They have done this by establishing the tone from the top, which is quite simply, to comply with all laws and regulations and employ ethical behavior. All staff are aware that the Board and Management takes an uncompromising stance if such trust is breached.

The Group's focus on root cause analysis and preventive & corrective action to generate a positive presence has yielded greater compliance understanding. Growing in tandem with the understanding is the cooperation between the business and operating units and the Compliance Division with regard to managing compliance risk. The Compliance department is increasingly becoming a point-of reference and advisor for key strategic initiatives that the Group embarks on.

The effective penetration of a proper compliance culture into all business and operating units has enhanced our public domain presence and facilitated early detection of compliance risk. This has resulted in quicker compliance risk mitigation actions being undertaken which in turn translate into a reduction of operational losses and a higher level of operational efficiency.

The Group recognizes that the strengthening of a compliance culture is the foundation for good compliance practices and it is imperative that this becomes an intrinsic trait of the Group. Not only it preserves the Group's integrity and reputation, it will also enhance our corporate image as a respectable organization and ultimately, increase brand and shareholder value.



ANTI-MONEY LAUNDERING AND TERRORIST FINANCING (AML/TF)

As one of the forerunners of the Government and Bangladesh Bank initiatives to prevent the financial system from being used for illicit and laundering activities, the Group has established the following processes and infrastructure:

- accountability of each level of employee for anti-money laundering detection and prevention;
- education and training in preventing and detecting money laundering; and
- extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions.

The AML/TF measures continue to focus on ensuring the effectiveness of reporting by all business and operating units to Compliance Division.

AML/TF self-compliance assessments continue to provide an avenue for the Compliance Division to gauge the understanding of business and operating units on AML/TF and act as tools to enhance future measures. In addition, various learning initiatives are offing to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

Professional Certificate on

COMPLIANCE WITH CONDITIONS ON CORPORATE GOVERNANCE

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89, Kakrail, Dhaka-1000, Bangladesh.

Since-1979
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Certificate on Compliance of Conditions of Corporate Governance

To the Shareholders of Union Capital Limited

We have examined the compliance with corporate Governance of Union Capital Limited for the year ended 31 December 2016 as stipulated in notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 under section 2CC of the Securities & Exchange Ordinance 1969.

The compliance with the said conditions of Corporate Governance Guidelines of Bangladesh Securities & Exchange Commission (BSEC) and reporting the status thereof is the responsibility of the management of the Company. Our responsibility is to provide a certificate about whether the Company is in compliance with the said conditions of Corporate Governance based on our examination. Our examination for the purpose of issuing this certificate was limited to the procedures including implementation thereof as adopted by the Company for ensuring the compliance of the conditions of Corporate Governance and correct reporting of the status of the compliance on the attached statement on the basis of evidence gathered and representation received. It is neither an audit nor an expression of opinion on the financial statements of the Company.

To the best of our information and according to the explanations given to us we certify that Union Capital Limited has complied with the Conditions of Corporate Governance stipulated in the above mentioned BSEC's notification dated 07 August 2012.

AKM Mohitul Haq FCA
Senior Partner
Ahmed Zaker & Co.
Chartered Accountants

Place: Dhaka,
Date: May 08, 2017

Report on Compliance of

BSEC'S NOTIFICATION ON CORPORATE GOVERNANCE

In order to enhance corporate governance in the interest of investors and the capital market, Bangladesh Securities and Exchange Commission (BSEC) has issued a Notification No. SEC/CMRRCD/2006-158/ 134/Admin/44 dated 07 August 2012 (as amended) containing certain conditions to be complied with by the listed companies. Given below is the compliance status on the BSEC's conditions by Union Capital Limited:

Condition No.	Title	Compliance Status (Put ✓in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.	**BOARD OF DIRECTORS**			
1.1	**Board size** The members of the Board shall not be less than 5 (five) & more than 20 (twenty)	✓		
1.2	**Independent Directors**			
	1.2 (i) At least one fifth (1/5) of the Board Members shall be Independent Directors	✓		
	1.2 (ii) Independent Directors who:			
	a. do not hold any share or hold less than one percent (1%) shares of the total paid-up shares of the company	✓		
	b. are not a sponsor and do not have family relationship with any sponsor/Director/Shareholder who holds 1% or more shares of total paid-up shares of the company, and his/her family members should not hold mentioned shares of the company	✓		
	c. do not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
	d. are not a member, Director or officer of any stock exchange	✓		
	e. are not a shareholder, Director or officer of any member of stock exchange or an intermediary of the capital market	✓		
	f. were not be a partner/executive during preceding 3 years of any statutory audit firm	✓		
	g. were not be an Independent Director in more than 3 listed companies	✓		
	h. have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a NBFI	✓		
	i. have not been convicted for a criminal offense involving moral turpitude	✓		
	1.2 (iii) Independent Directors shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting	✓		
	1.2 (iv) The post of Independent Directors can not remain vacant for more than 90 days	✓		
	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	✓		
	1.2 (vi) The tenure of office of an Independent Director shall be appointed for a period of 3 years and can be extended for 1 more term only	✓		

Condition No.	Title		Compliance Status (Put ✓in the appropriate column)		Remarks (if any)
			Complied	Not complied	
	1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance and can make meaningful contribution to business	✓		
	1.3 (ii)	He/she can be a business leader/corporate leader/bureaucrat/ university teacher with economics or business studies or law background/professionals like CA, CMA or CS, must have at least 12 years of corporate management /professional experiences	✓		
	1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval	✓		
	Attachment Bio-data/CV of Independent Director is attached		✓		
1.4	Chairman and CEO will be different individuals, The BOD should clearly define the role and responsibilities of the Chairman and CEO		✓		
1.5	**The Directors' Report to Shareholders shall include:**				
	1.5 (i)	Industry outlook and possible future development in the industry	✓		
	1.5 (ii)	Segment-wise or product-wise performance	✓		
	1.5 (iii)	Risk & Concerns	✓		
	1.5 (iv)	A discussion on cost of goods sold, gross profit margin and net profit margin	✓		
	1.5 (v)	Discussion on continuity of any Extra-ordinary gains or loss	✓		
	1.5 (vi)	Basis of related party transactions- a statement of all related party transactions should be disclosed in annual report	✓		
	1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments	✓		
	1.5 (viii)	An explantation if financial results deteriorate after the company goes for Initial Public Offering (IPO), Rights Offer, Direct Listing etc.		Not applicable	
	1.5 (ix)	If significant variance occurs between quarterly financial performance and annual financial statements the management shall explain about the variances on their annual report	✓		
	1.5 (x)	Remuneration to directors including independent directors	✓		
	1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	✓		
	1.5 (xii)	Proper books of account of the company have been maintained.	✓		
	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 judgement	✓		
	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	✓		

Condition No.	Title		Compliance Status (Put ✓in the appropriate column)		Remarks (if any)
			Complied	Not complied	
	1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	✓		
	1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern. If the company is not considered to be a going concern, the fact along with reason thereof should be disclosed.	✓		
	1.5 (xvii)	Significant deviations from the last years operating results of the issuer company shall be highlighted and the reasons thereof should be explained	✓		
	1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summerized	✓		
	1.5 (xix)	If the company has not declared dividend (Cash or Stock) for the year, the reasons should be given		Not applicable	
	1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed	✓		
	1.5 (xxi)	The pattern of the shareholding shall be reported to disclose the aggregate number of shares held by:	✓		
		a. Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
		b. Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details)	✓		
		c. Executives (top 5 salaried employees, other than Director, CEO, CFO, CS, Head of Internal Audit)	✓		
		d. Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	✓		
	1.5 (xxii)	Company shall disclose the following information in case of appointment /re-appointment of a director:			
		a. A brief resume of the Director	✓		
		b. Nature of his/her expertise in specific functional ares	✓		
		c. Directorship in other companies and membership at Board Committees	✓		
2	**CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)**				
2.1	The company shall appoint a CFO, a Head of Internal Audit and a Company Secretary. Board of Directors should clearly define their respective roles, responsibilities and duties.		✓		
2.2	The CFO and CS shall attend the Board meetings, they should not attend such part of Board meeting, which involves consideration of an agenda item relating to their personal matters		✓		
3	**AUDIT COMMITTEE**				
	3 (i)	Company shall have an Audit Committee as a sub-committee of the Board of Directors	✓		

Condition No.	Title		Compliance Status (Put ✓in the appropriate column)		Remarks (if any)
			Complied	Not complied	
	3 (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	✓		
	3 (iii)	The Committee shall be responsible to the Board of Directors. The duties of the Committee shall be clearly set forth in writing	✓		
3.1	**Constitution of the Audit Committee**				
	3.1 (i)	The Committee Shall be composed of at least 3 members of the Board	✓		
	3.1 (ii)	Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least one Independent Director	✓		
	3.1 (iii)	All members of the Committee should be 'financially literate' and at least one member shall have accounting or related financial management experiences	✓		
	3.1 (iv)	In any circumstances, where the Committee members become less than three, the Company will get 1 month time to fill up new Committee	✓		
	3.1 (v)	The Company secretary shall be the Secretary of the Committee	✓		
	3.1 (vi)	Quorum of the Audit Committee meeting shall not constitute without at least one independent director	✓		
3.2	**Chairman of the Audit Committee**				
	3.2 (i)	Board of Directors shall select one member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director	✓		
	3.2 (ii)	The Chairman of the Committee shall remain present in the AGM	✓		
3.3	Role of Audit Committee shall include:				
	3.3 (i)	Oversee the financial reporting process	✓		
	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 FS 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)	When money is raised through IPO/RPO/Rights Issue the company shall disclose to the Audit			Not applicable

Condition No.	Title		Compliance Status (Put ✓in the appropriate column)		Remarks (if any)
			Complied	Not complied	
		Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.			
3.4	**Reporting of the Audit Committee**				
	3.4.1 (i)	The committee shall report on its activities to the Board of Directors	✓		
	3.4.1 (ii)	a. Shall report to the Board of Directors on conflicts of interests	✓		
		b. Shall report to the Board of Directors on suspected or presumed fraud or irregularity or material defect in internal control system	✓		
		c. Shall report to the Board of Directors on suspected infringement of laws, including securities related laws, rules and regulations	✓		
		d. Shall report to the Board of Directors on any other matters	✓		
	3.4.2	If the Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Committee should report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 months from the date of first reporting to the Board of Directors, whichever is earlier			There was no such matters
3.5	A Report on the activities of the Audit committee, including any report made to the Board of Directors, should be disclosed in annual report under the signature of the Chairman of the Committee		✓		
4	**EXTERNAL/STATUTORY AUDITORS** The External auditors should not be engaged for the following services:				
	4 (i)	appraisal or valuation service or fairness opinion	✓		
	4 (ii)	financial information systems design and implementation	✓		
	4 (iii)	book keeping or other services related to accounting records or Financial Statements	✓		
	4 (iv)	broker-dealer services	✓		
	4 (v)	actuarial services	✓		
	4 (vi)	internal audit services	✓		
	4 (vii)	any other service that the Audit Committee determines	✓		

Condition No.	Title		Compliance Status (Put ✓in the appropriate column)		Remarks (if any)
			Complied	Not complied	
	4 (viii)	No partner or employees of the external audit firms shall possess any share of its client during the tenure of their audit assignment.	✓		
	4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7.	✓		
5	**SUBSIDIARY COMPANY**				
	5 (i)	Composition: Same as Holding Company	✓		
	5 (ii)	Independent Director: At least one Independent Director of holding company shall be in the Board of subsidiary company	✓		
	5 (iii)	Minutes of the Board meeting: The minutes of Board meeting of the subsidiary company shall be placed for review at the following Board meeting of holding company	✓		
	(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 (v)	The Audit Committee of the holding company shall review the financial statements particularly the investments made by the subsidiary company	✓		
6	**DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)**				
	6	Both the CEO and CFO shall certify to the Board that:			
	6 (i)	they have reviewed annual Financial Statements and that to the best of their knowledge and belief: a. those statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
		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 (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 company's code of conduct	✓		
7	**REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE**				
	(i)	The directors of the company shall state, in prescribed format, in the directors' report whether the company has complied with these conditions	✓		
	7 (ii)	The company shall obtain a certificate from Chartered Accountant / Cost & Management Accountant / Chartered Secretary) regarding compliance of conditions of CG Guidelines that will be a part the annual report	✓		

Compliance Report on

BANGLADESH BANK'S GUIDELINES ON CORPORATE GOVERNANCE

Bangladesh Bank issued a guideline on Corporate Governance vide DFIM Circular no. 7 dated 25 September 2007. The Board of Directors of Union Capital Limited has taken appropriate steps to comply with the guidelines and implementation of the same. Status report on compliance with those guidelines is given below:

	RESPONSIBILITIES AND AUTHORITIES OF BOARD OF DIRECTORS	Compliance status
A.	**Work-planning and strategic management**	
i.	The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make necessary amendment in the strategy on quarterly basis.	**Complied**
ii.	The Board shall have its analytical review to be incorporated in the annual report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the annual general meeting.	**Complied**
iii.	The Board will set the Key Performance indicators (KPI) for the Managing Director/CEO and other senior executives and will evaluate on half-yearly/yearly basis.	**Complied**
B.	**Formulation of sub-committee** Executive Committee may be formed in combination with Directors (excluding any alternate Director) and management of the Company only for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities	**Complied**
C.	**Financial Management**	
i.	Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	**Complied**
ii.	The 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 recovery of overdue loan/lease.	**Complied**
iii.	The Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget to the maximum extend.	**Complied**
iv.	The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures.	**Complied**
D.	**Loan/Lease/Investment**	
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**
F.	**Internal Control & Compliance** An Audit Committee approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank inspection team.	**Complied**

RESPONSIBILITIES AND AUTHORITIES OF BOARD OF DIRECTORS		Compliance status
G.	**Human Resources Management** The Board shall approve the policy on Human Resources Management and service rule. Chairman and Director of the Board shall not interfere on the administrative job in line with the approved service rule.	**Complied**
	Only the authority for the appointment and promotion of the managing Director/Deputy Managing Director/General Manager and other equivalent position shall lie with the Board in compliance with the policy and service rule. No Director shall be included in any executive Committee formed for the purpose of appointment and promotion of others.	**Complied**
H.	**Appointment of Managing Director and Increase of Salaries & Allowances** The Board shall appoint a competent managing director for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances	**Complied**
I.	**Benefit to Chairman** The Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	**Complied**
RESPONSIBILITIES AND DUTIES OF CHAIRMAN		
i.	The 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**
ii.	The minutes of the Board meetings shall be signed by the Chairman.	**Complied**
iii.	The Chairman shall sign-off the proposal for appointment of the managing director and increment of his salary & allowances.	**Complied**
RESPONSIBILITIES AND DUTIES OF MANAGING DIRECTR		
i.	The 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**
ii.	The Managing Director shall ensure compliance of financial institutions act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.	**Complied**
iii.	All recruitment/promotion/training, except recruitment/promotion/training of DMD & GM equivalent position, shall be vested upon the managing director. He shall act such in accordance with the approved HR Policy of the Company.	**Complied**
iv.	The Managing Director may re-schedule job responsibilities of employees.	**Complied**
v.	The Managing Director may take disciplinary actions against the employees except the DMD and GM or equivalent position.	**Complied**
vi.	The 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 Managing Director.	**Complied**

Report on Going Concern

Reflects company's continuance for the foreseeable future

A company is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations for at least the next 12 months from the end of the reporting period i.e. financial year end.

Going concern assumption is a fundamental principle in the preparation of financial statements and hence it is the responsibility of the Directors to assess company's ability to continue as going concern that involves making appropriate inquiries of certain financial and operating matters.

Overview

Bangladesh Accounting Standard (BAS) 1: Presentation of Financial Statements requires management to make an assessment of an entity's ability to continue as a going concern each time the financial report is approved for issuance. In other Financial Reporting Frameworks, there may be no explicit requirement for the management to make a specific assessment of an entity's ability to continue as a going concern. Nevertheless, since the going concern assumption is a fundamental principle in the preparation of financial statements, as per BAS 1, the preparation of the financial statements requires management to assess Company's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

Bangladesh Securities and Exchange Commission's Notification dated 7 August 2012 requires the Directors of all the listed companies to report on its ability to continue as a going concern. The Board of Directors of UCL makes annual assessment as to whether there exists any material uncertainty that may cast significant doubt about UCL's ability to continue as a going concern and to make adequate disclosures in the financial reporting if such uncertainties are identified.

The time period that the Directors have considered in assessing the appropriateness of the use of going concern basis in preparing the financial statements for the year ended 31 December 2016 is a period of twelve months from the date of approval of the issuance of these financial statements (the period of assessment).

A detailed analysis supporting a company's going concern status may not be required if the company has a history of profitable operations; there is little concern about it continuing to be profitable and it has ready access to required financial resources.

However, in a difficult or uncertain economic environment it may become harder to support the going concern assumption without performing such a detailed analysis.

Our assessment regarding UCL's ability to continue as a going concern involves making a judgment, about inherently uncertain future outcomes of events or conditions. In judgment, Management has considered following factors that appeared to be relevant:

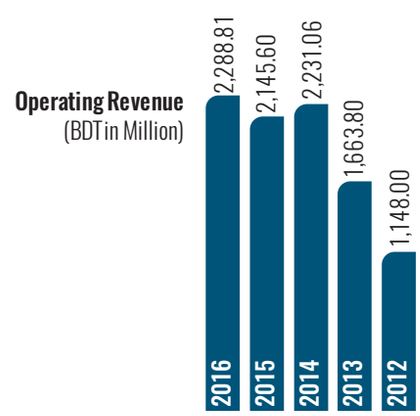
- The degree of uncertainty: Management confirms that during the period of assessment there was no such event or condition the outcome of which may increase any uncertainty about the continuance of UCL's business;
- Nature and size of business: UCL is engaged in financing and capital market operations. Considering the nature, size and extent of business, Management is of the opinion that there was no such external factors that might affect management assessment while making judgment as to the continuance of UCL's business;
- Consistency of assessment: UCL is well aware that the assessment that was made in the last going concern assessment may not remain valid for the current assessment.
- Subsequent events: Subsequent events that were readily available at the time of judgment have been taken into account while making assessment as to the continuance UCL as a going concern.

Moreover, in making this assessment, the Directors considered the Group's business, profitability forecasts, cash flows, terms and conditions of borrowing facilities, governance and risk management practices, funding and capital plans including stress scenarios, together with a range of factors such as the outlook for the Bangladesh economy taking account of the impact of fiscal realignment measures, monetary policy, regulatory compliance and in particular the Directors have focused on the matters set out below:

Financial Matters

Net Assets or net current assets positions

As at 31 December 2016, UCL has positive net current assets of Tk. 347.05 million as against Tk. 149.34 million of 2015 which signifies that the Company has sufficient liquid resources to meet its short-term obligations from its short-term assets.



Debts with excellent repayment records

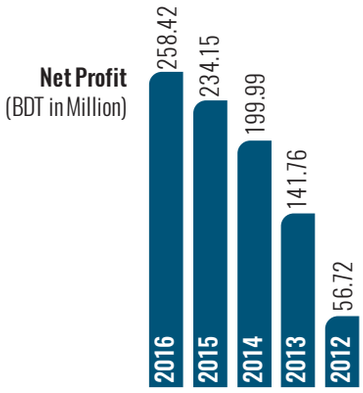
At the end of 2016, the total fixed term borrowings of the Company were Tk. 2,162.33 million compared to Tk. 1,428.40 million of prior year. During the year we availed new credit facilities of Tk. 1,620 million and repaid Tk. 886.06 million to the lenders on due date thereby enhancing lenders confidence in UCL.

Term borrowings grew by 51.38 percent in 2016 due to increase in investment portfolio which grew by more than 4.32 percent.

Dependency on short term borrowings

At the end of 2016, total short term borrowings of the Company were Tk. 1,129.81 million compared to Tk. 1,155.30 of prior year

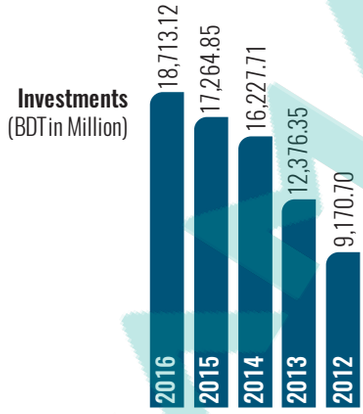
representing only 6.09 percent of total liabilities that indicates UCL has less dependency on short term borrowings. UCL utilizes short term borrowings to meet only short term contingency requirements in order to avoid maturity mismatch.



The management was able to manage the fund efficiently and thus the dependency on short term borrowings was at acceptable level.

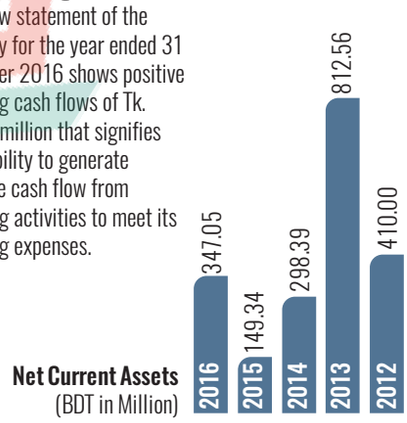
Consistent support by the lenders and depositors

UCL has been enjoying unparallel supports from banks, other lenders and depositors. We have a very good track record in repayment of our loan that gives a comfort to our lenders. We have also been enjoying a very good and competitive terms of borrowings from our lenders. Moreover, our depositors, both institutions and individuals, have showed their trust and confidence in UCL while placing deposits to us. In 2016 we have mobilized deposits of Tk. 10,118.02 million and encashed Tk. 8,515.93 million with a remarkable net growth of 14.95% compared to 2015.



Positive operating cash flows

Cash flow statement of the Company for the year ended 31 December 2016 shows positive operating cash flows of Tk. 422.22 million that signifies UCL's ability to generate adequate cash flow from operating activities to meet its operating expenses.

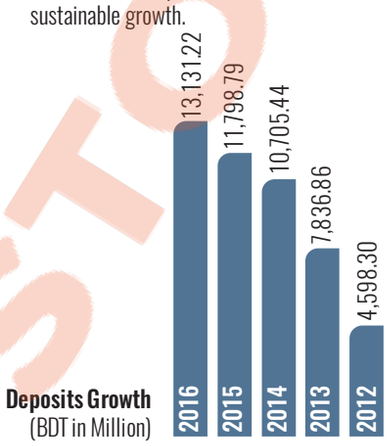


Positive key financial ratios

The financial ratios are the testimony of the financial health of a Company. UCL's positive financial ratios as evident from financial summary given on page 42 of this Annual Report show that ratios are improving gradually as well as such positive financial ratios indicate Company's sound financial health and growth prospects.

Consistent payment of dividends

The Company has been paying dividend consistently to its shareholders over many years. For the last five years the Company has paid an average dividend of Tk. 0.94 per share of Tk. 10 each that reflects company's commitment to its shareholders for sustainable growth.



Credibility in payment of obligations

The Company has an excellent track record in repayment of its loan liabilities. There was no such instance that UCL has requested its lenders for rescheduling or extension of term of loans.

Operating performance growth

UCL has a satisfactory growth in its operating performance. The Company's total investment has increased from Tk. 17,264.85 million to Tk. 18,713.12 million registering a steady growth of 8.39 percent over last year. Total consolidated operating revenue is Tk. 996.04 million and total profit after tax is 258.42 million. All those indicators reaffirm the Company's continuance in foreseeable periods.

Timely disclosure of financial results

As required by the regulations, UCL is committed to and has been publishing its financial results timely and making transparent disclosure to its shareholders. We have been publishing our financial statements on quarterly, half yearly and yearly basis in the national dailies as well as in the Company's website as a part of regulatory compliance which helps the investors, depositors, customers, shareholders and other stakeholders in making economic decision.

Operating matters

Expansion of business

UCL has been continually expanding its operations through diversification to cater the manifold needs of its customers as well as for enhancing its earnings stream. The market share of UCL, in terms of industry loans/leases, is 3.77 which is a evidence of its business expansion, customer satisfaction resulting in value addition to the stakeholders.

Corporate culture and employee satisfaction

UCL's aspiration is to be the employer of choice. A good working environment is of paramount importance to any company's continuance, sustainability and the wellbeing of its employees. At

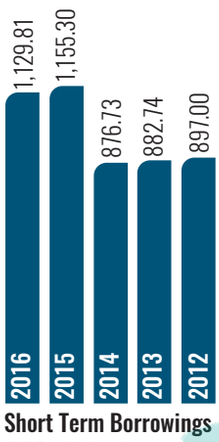
UCL we strive to create a flexible and challenging framework that always attracts qualified aspirant and encourages existing employees to continuously hone their skills and excel in their fields. There exists a very good corporate environment in the Company.

Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exist a good number of employee benefits like home loan benefit, car loan benefit, performance related bonus, gratuity, provident fund etc., which are considered to be instrumental for employee satisfaction.

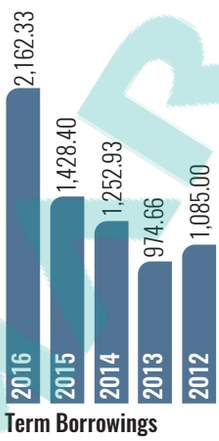
Other matters

Maintenance of adequate capital

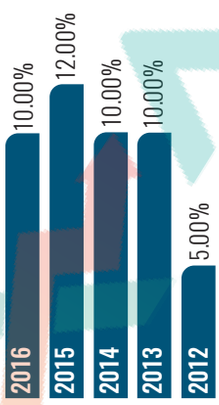
As at 31 December 2016, the Company's total consolidated equity stands at Tk. 2,532.83 million. While the minimum paid-up capital as required by Bangladesh Bank is Tk. 1,000.00 million, Company's paid-up as on 31 December 2016 was Tk. 1,423.00 million. UCL would like to enhance its equity gradually following prudent dividend policy and issuance of preference shares based on its profitability growth for long term sustainability of the company.



Short Term Borrowings
(BDT in Million)



Term Borrowings
(BDT in Million)



Rate of Dividend
(In Percentage)

CAMELS Rating

CAMELS rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of UCL. In that report, there was no adverse material observation of Bangladesh Bank on the activities of UCL instead the some of the parameters are improving gradually as evidenced by Bangladesh Bank's CAMELS rating.

Stress Test

As required by Bangladesh Bank, non-bank financial institutions have been performing a stress testing exercise as per the prescribed framework to proactively manage risks, particularly credit risks, interest rate risk, market risk, concentration risk etc. which focuses on sensitivity and scenario analysis. UCL has rigorously implemented the stress testing framework of Bangladesh Bank and as at 31 December 2016, the position of the Company has improved as a result of the initiative to enhance the collateral security as well as persuading the customers to get credit rating. The Directors believe this satisfactorily addresses the capital risk of the Company.

Credit Rating

UCL has improved its credit rating to AA+ from AA in the long run and ST-1 for short term rated by National Credit Rating Company Ltd. that reflects very strong capacity for timely serving of financial obligations and offering high level of financial safety. As such UCL is exposed to very lower risk. ST-1 reflects strong capacity for timely payment of financial commitments and carry lowest credit risk.

Changes in Government policy

Management anticipates no significant changes in the legislation or government policy, which may materially affect the business of the Company.

Regulatory compliance

UCL has established an independent compliance function in line with the best practices to ensure strict compliance with laws, rules, regulations issued by the regulators and policies, processes, procedures approved by the Board of Directors.

Product innovation and sustainability

UCL always strives for tailor made product innovation, customer satisfaction, value addition to the shareholders, carrying out environmental initiatives, conducting our work through conversation with our customers to address environmental issue which altogether ensure the sustainability.

Conclusion

The above matters may individually or collectively cast significant doubt about the going concern assumption for an entity. This listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists.

The Directors' assessment of whether the Company is a going concern entity involves making appropriate inquiries of all the above matters including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the above indications, which give reasonable assurance as to the Company's continuance as a going concern for the foreseeable future.

In this backdrop, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for the foreseeable future.

RISK MANAGEMENT

Describe how we manage our risks

UCL assumes risks as an integral part of the business activities that its business model entails. The Company's risk profile reflects several types of risk, the most important being credit risk; market risk; liquidity risk; operational risk and insurance risk. UCL intends to meet the highest and latest standards and recommendations for NBFI's risk management in order to support its business model. The Company, therefore, devotes considerable resources to developing and maintaining procedures and tools to fulfill this ambition.

UCL's risk management is based on guidelines, policies and instructions set forth by the Board of Directors. On the basis of the Board of Directors' general instructions, the Company has prepared specific instructions on risk management for the individual business units. These instructions are used as the basis for business and control procedures, among other things, at the units.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT PHILOSOPHY

The key elements of UCL's risk management philosophy are the following:

- UCL recognizes sound risk management to be the foundation of a long-lasting financial institution;
- UCL continues to adopt an integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions;
- UCL follows the conservative approach to measure the risk;
- risk officers are empowered to perform their duties professionally and independently without undue interference;
- risk management is governed by a set of policies that are clearly communicated;
- risk management is a shared responsibility. Therefore, UCL aims to build a shared perspective on risks that is grounded in consensus;
- there is a clear segregation of duties between operations and risk management functions; and
- risk-related issues are taken into consideration in all business decisions. UCL shall continue to strive to maintain a conservative balance between risk and revenue considerations.

RISK CULTURE

- The Board and Management consciously promote a responsible approach to risk and ensure that the long-term survival and reputation of UCL are not jeopardised while expanding UCL's market share.
- The responsibility of risk management in UCL is vested in the Board of Directors, which is implemented through the Executive Management.
- UCL pays attention to both quantifiable and unquantifiable risks.
- UCL management promotes awareness of risk and risk management across UCL.
- UCL avoids products, markets and businesses where it cannot objectively assess and manage the associated risks.

RISK APPETITE

UCL's risk appetite is set at a level that minimizes erosion of earnings or capital due to avoidable losses and trading books, or from frauds or operational inefficiencies. UCL's appetite for risk is governed by the following:

- high-quality risk assets measured by five Key Performance Indicators:
  - i. ratio of non-performing loans to total loans;
  - ii. ratio of loan loss expenses to interest revenue;
  - iii. ratio of loan loss provision to gross nonperforming loans;
  - iv. ratios of large loan to total exposure; and
  - v. percentage of concentration risk.
- Diversification targets are set for the credit

portfolio and limits are also set for aggregate large exposures.

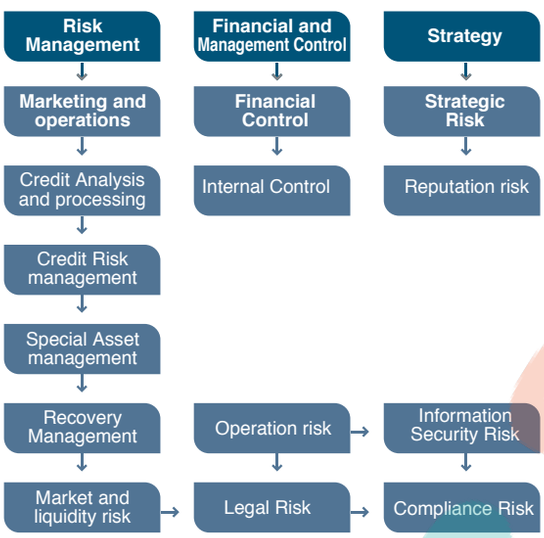
- Financial and prudential ratio targets are pegged at a level more conservative than regulatory requirements and better than the industry average.
- UCL aims at minimising the following independent indicators of excessive appetite for risk:
  - i. exception reporting by ICC officers, auditors, regulators and external rating agencies;
  - ii. adverse publicity in press;
  - iii. frequent litigations;
  - iv. payment of fines and other regulatory penalties;
  - v. above average level of staff and customer attrition;
  - vi. Internal and external frauds; and
  - vii. Suspicious transaction of the customers.

UCL will not compromise its reputation through unethical, illegal and unprofessional conduct. UCL also maintains zero appetite for association with disreputable individuals and entities.

The importance of risk management cannot be overstated. This is a fundamental part of doing business that must be addressed appropriately for the company to be successful. Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an organization to measure and prioritize them and take the appropriate actions to reduce losses.

RISK MANAGEMENT OVERSIGHT

UCL's Risk Management Department provides central oversight of risk management across UCL to ensure that the full spectrum of risks facing UCL and the Group are properly identified, measured, monitored and controlled to minimize adverse outcomes. The department is, however, complemented by other departments in the management of certain important risks as illustrated below.



The Risk Management Department coordinates the monitoring and reporting of all risks across UCL. The department is headed by a skilled and competent Executive.

The Internal Control & Compliance department is responsible for continuous independent verification of control measures to manage all risks across the Group.

Internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of internal controls and makes appropriate recommendations where weaknesses are identified with the view of strengthening the Group's risk management framework. Its functions are as under:

- Sets policies and defines limits for other units in UCL;
- Performs risk monitoring and reporting, and provides framework for management of risk;
- Coordinates activities with internal audit to provide a holistic view of risks; and
- Collaborates with information technology department to provide relevant automated credit information.

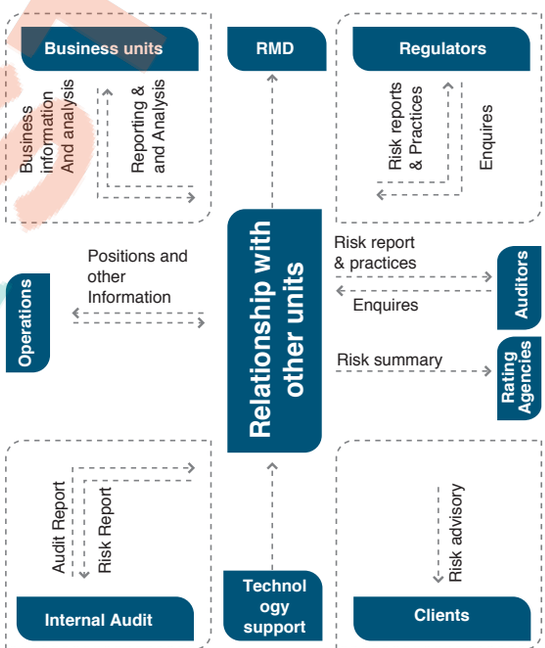
RISK MANAGEMENT PRINCIPLES

The following principles guide our management risk:

- Effective balancing of risk and reward by aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties;
- Shared responsibility in risk management as business segments are responsible for active management of their risks, with direction and oversight provided by risk management department and other business units;
- Business decisions are based on an understanding of risk as we perform rigorous assessment of risks in relationships, products, transactions and other business activities;
- Avoid activities those are not consistent with our Values, Code of Conduct or Policies, which contributes to the protection of our reputation;
- Proper focus on clients reduces our risks by knowing our clients and ensuring that all products and transactions are suitable for, and understood by our clients; and
- Use of clear communication line for risk reporting with maximum cooperation from the Chief Risk Officer and effective monitoring of every department helps manage risks throughout the organization.

RELATIONSHIP OF RISK MANAGEMENT WITH OTHER UNITS

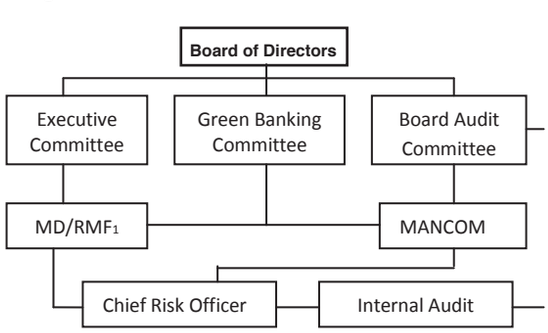
The relationships between the Risk Management Department (RMD) and other sections of the Group are highlighted below:



GOVERNANCE

Risk management governance framework

UCL's risk management governance framework is outlined in the diagram below:



1 Managing Director/Risk Management Forum

ROLES AND RESPONSIBILITIES

Board of Directors

- Approve risk strategy and policies.

- Ensure that executive management takes necessary steps to monitor and control risks.
- Ensure that management maintains an appropriate system of internal control and reviews its effectiveness.
- Ensure that risk strategy reflects the Group's tolerance for risk.
- Ensure the Group's overall credit risk exposure is maintained at prudent levels and consistent with the available capital.
- Review and approve changes/amendments to the risk management framework.
- Review and approve risk management procedures and control for new products and activities.
- Ensure that the Management as well as individuals responsible for credit risk management possesses the requisite expertise and knowledge to accomplish the risk management function.
- Ensure that the Group implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk.
- Ensure that detailed policies and procedures for risk exposure creation, management and recovery are in place.

Board committees

The above responsibilities of the Board of Directors are discharged primarily by its two Committees namely:

- Audit Committee
- Executive Committee and
- Green Banking Comittee

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for risk management and ensures through RMF.

Risk Management Forum (RMF)

For all categories of risk, the Risk Management Forum is responsible for formulating policies, monitoring, implementation and reviewing risk reports for presentation to the Board/Board committees as well as implementing Board decisions across UCL. The Forum comprises of Heads of Business, SME, Accounts, HR & ICT, ICC and Treasury and is headed by the Chief Risk Officer. To be more specific, the Forum is responsible for the following:

- Designing overall risk management strategy of UCL.
- Communicating views of the Board and management regarding risk management culture and risk appetite all over UCL.
- Developing policies and procedures for identifying, measuring and controlling risk;
- Reviewing market conditions, identifying external threats and providing recommendations on course of actions
- Allocating appropriate resources to evaluate and control risk;
- Implementation of risk strategy approved by the Board of Directors;
- Appointing credit officers and delegate approval authorities to individuals and committees.
- Reviewing risk reports on a regular and timely basis;
- Monitoring the prescribed threshold limits of risk appetite set by the regulators and UCL itself and report on compliance.
- Developing, testing, and observing the use of models to measure and monitor risk as well as MIS to support risk management function of UCL.
- Highlighting the key portfolios and deficiencies on timely manner and reporting these analyses to the Managing Director as well as the Board of Directors with specific recommendations and suggestions.
- Providing all reports required by the Board and its committees for the effective performance of risk management oversight functions.
- Holding monthly meetings of the Forum to discuss findings on Risk Management Paper (RMP) submitted by RAU and plan necessary precautionary measures to mitigate risks.

Risk Analysis Unit (RAU)

The Risk Analysis Unit acts as secretariat of the Risk Management Forum (RMF). The Unit is independent of rating transactions, or setting/working to achieve any target imposed by UCL. In more details the responsibilities of this Unit includes:

Identifying and analysing all sorts of risks appropriately, timely and quantifying those risks and their exposure to material loss.

- Maintaining and monitoring an effective risk management environment in the Group and collecting all relevant data of risk indicators from different models and MIS and assessing the quality, completeness, and correctness of those data.
- Reviewing proposals in respect of credit policies and standards and endorsing them to the Risk Management Forum for approval by the Board.
- Monitoring on an ongoing basis the Group's risk quality and performance by reviewing periodic credit portfolio reports and assessing portfolio performance.
- Defining credit approval framework and assigning credit approval limits in line with UCL policy.
- Reporting to RMF on compliance of UCL's credit policies with statutory requirements prescribed by the regulatory/supervisory authorities.
- Conducting periodic Stress Testing.
- Collecting data/information from different departments and preparing Risk Management Paper (RMP) on a monthly basis for submission to the Bangladesh Bank where the risks associated in conducting business are highlighted, analyzed, and recommendations put forward for discussion and approval by the RMF.
- Preparing the report on the "Product/Service Risk Management" for submission to the Bangladesh Bank as per instruction given in the guidelines on Product & Services of Financial Institutions in Bangladesh.

INTERNAL CONTROL

Overview

Internal control in UCL refers to the overall operating framework of practices, systems, organizational structures, management philosophy, code of conduct, policies, procedures and actions, which exists in the Group and is designed to ensure:

- that essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against losses;
- the reliability of financial reporting and compliance;
- compliance with applicable laws and regulations including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events will be prevented or detected and corrected.

UCL is committed to creating and maintaining a unique internal control environment that is capable of sustaining its current

leadership position in the financial services industry.

Strategy and policy

UCL operates in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the institution from achieving its strategic business objectives. To manage these risks effectively, UCL Group has put in place internal control measures that cover the company and its subsidiaries.

Effective IT control and revenue assurance

UCL has developed a framework for effective information technology (IT) controls. This essentially revolves around ensuring the integrity, security, efficiency and reliability, and compliance of UCL information systems and resources, including:

- management and administration of users /access control on UCL's various application software to ensure proper user access rights are attached to each job role and to ensure reliability of access control mechanisms on the applications;
- monitoring and reviewing UCL's processes, practices and procedures through a systematic and automated approach, crossing all departmental and functional boundaries, guaranteeing validity, completeness, accuracy and timeliness of financial data relating to UCL revenue. This includes interest income, interest expense, commissions, fees and management fees etc.;
- monitoring IT operations, databases, server hardware and server operating systems, network infrastructure and applications systems monitoring;
- reviewing all new systems end-to-end and coming up with technology-related risk and vulnerabilities in the product, processor system being developed and advising mitigating controls.

Fraud management objectives

- Prevention of fraud occurrence or losses. Where prevention is not possible they should be promptly detected and mitigated.
- Prevent repetition of operational lapses and system defects that facilitate occurrence of fraud.
- Minimize other operational losses associated with fraud.
- Automation of fraud preventive measures.

Fraud management strategies

- Building fraud prevention and detection controls in processes and systems.
- Strict compliance with internal policy, regulatory and statutory requirements.
- Implementation of anti-fraud operational, supervisory and independent controls.
- Proactive management of financial and non financial risks.
- Holding operators and supervisors personally responsible for fraud occurrence.
- Conducting root cause analysis of fraud occurrence.
- Automation of reconciliation activities.
- Risk-based departmental and independent control checklist for supervisors.
- Continuous awareness campaign on fraud learning points.
- Continuous control improvement measures.
- Improve anti-fraud operational control capacities among operations staff.
- Effective fraud escalation mechanism to all levels of management.
- Implementation of whistle-blowing policy.

Priorities for 2017

- Full implementation of the Bangladesh Bank Guidelines on ICC.
- Strengthening of internal controls consciousness in UCL through effective support and training to operators in their role as the first line of defense in risk management.
- Strengthening IT supervision and monitoring to ensure adequate control over UCL's software.

RISK MANAGEMENT REPORTING

In compliance with the issue of Bangladesh Bank DFIM Circular no. 1, dated 7 April 2013, UCL have started submitting its Risk Management Paper (RMP) every month from the month of April 2013 to the Department of Financial Institutions & Markets (DFIM) of Bangladesh Bank. According to the circular UCL have formed the Risk Analysis Unit (RAU) which is responsible for constructing the Risk Management Paper in every month and submission to the Risk Management Forum (RMF).

The Forum is comprised of the Departmental Heads of Business, Accounts, SME, HR & ICT, ICC, Treasury and headed by the Chief Risk Officer meets every month to discuss on the Risk Management Paper in hand and formulate policies to mitigate the risks affecting the organization. The meeting minutes are attached with the RMP of the month and submitted to DFIM of Bangladesh Bank. The Risk Management Paper emphasize on the following risks affecting UCL:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Information Security Risk
- Compliance Risk
- Legal Risk
- Reputational Risk
- Money Laundering Risk
- Environmental Risk

The report identifies, analyses, and measures how each of the above categories of risks affect UCL and quantifies the risk of material loss as a result. The Paper also goes on to provide recommendations on how UCL can draw precautionary measures and mitigate the risks facing the business.

The Risk Analysis Unit (RAU) responsible for formulating the report draws on operational information from all departments of UCL based on which risks affecting the organisation are identified, analysed and measured. The RAU uses various analytical tools and mathematical models to measure risks and incorporate them into the Risk Management Paper (RMP). The recommendations are drawn from discussions with the relevant departments and analysis of the market, economy and financial and operational strength of the company.

The Risk Management Forum (RMF) headed by the Chief Risk Officer of UCL meets by the 20th of every month with the Risk Management Paper of the past month in hand and discusses and develops policies on risk management for the times ahead. The Forum believes that it is imperative to address all the matters of risks that face the organization and the use of management

expertise and a proactive approach with regards to risk management as a defense mechanism to ensure that UCL's growing portfolio is strengthened from the core and compliment its values to create a sustainable future for all the stakeholders.

RISK MANAGEMENT DISCLOSURE

CREDIT RISK

Overview

Credit risk management verifies and manages the credit process from origination to collection. In designing credit policies, due consideration is given to our commitment to:

- create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations;
- identify credit risk in each investment, loan or other activity of UCL;
- utilise appropriate tools to measure credit risk;
- adopt a risk-based approach for determining appropriate pricing for lending products and services;
- set acceptable risk parameters;
- maintain acceptable levels of credit risk for existing individual credit exposures;
- maintain acceptable levels of overall credit risk for our portfolio;
- coordinate credit risk management and other risks inherent in UCL business activities; and
- set remedial and recovery actions.

Philosophy

The following principles guide credit risk management across UCL. UCL shall:

- manage its risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimized, as well as ensure portfolio flexibility and liquidity;
- ensure that exposures to any industry or customer are within the regulatory guidelines and internal policies;
- extend credit to only suitable and proven customers and never where there is any doubt as to their ethical standards and record;
- never extend credit where the source of repayment is unknown or speculative nor where the purpose of funds is undisclosed;
- never take a credit risk where ability of the customer to meet obligations is based on the events;
- ensure that the primary source of repayment for each credit is from an identifiable cash flow of customers' normal business operations or other financial arrangements; the realisation of security remains a fall-back option;
- adopt a pricing model to ensure that higher risks are compensated by higher returns;
- ensure that the quantum of exposure and quality and value of collateral required are determined based on the risk profile of the customers;
- avoid all conflict of interest situations and report all insider-related credits to appropriate bodies; and
- ensure that there are consequences for noncompliance with UCL credit policies.

Responsibilities and functions of key stakeholders in the credit process In line with company's philosophy to entrench sound corporate governance in its operations, the functions of the Credit Group are handled at different levels by the following departments, namely:

- Marketing Department;
- Operations Department;
- Credit Risk Management (CRM);
- Credit Administration Department (CAD);
- Legal Department;
- Internal Control and Compliance (ICC) Department
- Recovery & Monitoring Department; and
- Special Assets Management (SAM) Department

Marketing Department is responsible for procurement of business and acts as a relationship manager.

Operations Department is responsible for the appraisal of credit requests and processing to obtain requisite approvals in line with UCL's policy.

Credit Risk Management (CRM) Department is responsible for identifying and analysing the various risk factors of loan/lease and recommend their assessment to the Credit Committee / Executive Committee / Board of Directors. The department serves as the credit secretariat and manages other credit process initiatives for the Company.

CREDIT ADMINISTRATION DEPARTMENT (CAD) is mainly responsible for ensuring the documentation formalities before disbursement of any sanctioned loan/lease facility. After disbursement the files and documents are preserved by CAD which is the core responsibility as custodian.

Recovery and Monitoring Department (RMD) is responsible independently following up on customers with delinquent assets before the level of delinquency falls in the category of special assets that is till installments past due for less than 6 months.

Special Assets Management (SAM) is responsible for the recovery of loans that are past due for 6 months or more and accounts written off from on-balance sheet. SAM will continue to liaise with recovery agents, legal department and outsourcing legal services to ensure effective recovery of bad loans. ICC oversees the overall compliance issues before disbursement of any facility.

Internal ratings scale

In measuring credit risk of loan and advances to customers, UCL reflects the following components:

- Character and capacity of the client;
- Current exposures to the counterparty and its likely future development; and
- Credit history of the counterparty and likely recovery ratio in case of default obligations - value of collateral and other ways out.

Customers Risk Rating system

In order to manage our credit risk, the management has developed a risk rating grade system. The risk rating grades have nine risk buckets to provide a preset, objective basis for making credit decisions, with one additional bucket specifically included to categorise customers in default. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating bucket			Range of scores	Prob.of default	Grade
Extremely low risk	AAA	1	1.00 – 1.99	90–100%	1%	Investment
Very low risk	AA	2	2.00 – 2.99	80–89%	1%	
Low risk	A	3	3.00 – 3.99	70–79%	1.5%	
Low risk	BBB	4	4.00 – 4.99	60–69%	2%	
Acceptable – moderately high risk	BB	5	5.00 – 5.99	50–59%	4%	Non-investment
High risk	B	6	6.00 – 6.99	40–49%	6%	
Very high risk	CCC	7	7.00 – 7.99	30–39%	9%	
Extremely high risk	CC	8	8.00 – 8.99	10–29%	13%	
High likelihood of default	C	9	9.00 – 9.99	0–9%	15%	
Default risk	D	10				Default
SMA	D				5%	
Sub-standard	D				20%	
Doubtful	D				50%	
Bad loss	D				100%	

Collateral Risk Rating (CRR)

UCL shall not lend to non-investment grade customers without any form of collateral. Collaterals are rated from best to worst in order of liquidity, controllability and realizable value. The more liquid a collateral is, the lower the estimated portion of the exposure that may not be covered in the event of default. Therefore, for highly illiquid collaterals, a higher loss given default is assumed.

Risk limit control and mitigation policies

The industry and portfolio limits are set by the Board of Directors on the recommendation of the Management. Credit Risk Management monitors compliance with approved limits.

Portfolio limits

The process of setting the limits is as follows:

- UCL engages in a detailed portfolio plan. In drawing up the plan, UCL reviews the macroeconomic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. UCL target loan portfolio is then distributed across acceptable target market industries.
- Aggregate single/group exposure limit of not more than 30 percent of company's equity. It may go beyond the limit with the permission of Bangladesh Bank.
- Sector exposure limit of not more than 20% of UCL loan portfolio.

Geographic limits

- Presently, UCL does not have any exposure to counter parties domiciled outside Bangladesh.

Single party limits

- Limits are imposed on loans to individual borrowers. UCL as a matter of policy does not lend above its regulatory lending limit, which is 30 percent of its shareholders' funds. The internal guidance limit is, however, set at 25 percent to create a prudent buffer.

UCL also sets internal credit approval limits for various levels in the credit process and these are shown in the table below (amount in Taka):

Approval levels	Investment grade
Board of Directors	Over 50,000,000
Executive Committee	Upto 50,000,000
Credit Committee	Upto 5,000,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the UCL demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Classification and provisioning policy

Provision is made in accordance with the Prudential Guidelines issued by Bangladesh Bank for each account that is not performing in accordance with the terms of the related facility as follows:

Classification	Past due obligation	Provision (%)
Performing	2 months	1
SMA	>3-6 months	5
Sub-standard	>6-12 months	20
Doubtful	>12-18 months	50
Bad & Loss	>18 months	100

Write-off and recoveries

After full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off:

- continued contact with customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realization of collateral security leaves a balance of the debt; or
- it is apparent that no further recovery on the facility is possible;
- legal actions have been taken against customers for recovery.

All credit facility write-offs shall require endorsement at the Board level. Credit write-off approval shall be documented in writing.

Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognized as income on a cash basis only.

Portfolio ratios

Asset quality ratios

Non-performing accounts have been recognized, classified and provisions made as appropriate in line with the Bangladesh Bank Guidelines. Rate of nonperforming loans/lease for the period was 8.51 percent mainly due to the recognition and classification of weak and impaired assets in the portfolio.

Non-performing exposures are defined as exposures with past due obligations >3 months. Loans move from performing status to SMA, sub-standard, doubtful and bad & loss, depending on objective criteria based on the number of months past due as shown in the previous table.

Credit Risk Management outlook

The Group will continue to pursue a moderate and sustainable loan growth strategy by optimally exploiting the economic development goals of the government vis-a-vis achieving its own strategic imperatives. It is expected that there would be increased demand for credit, while loan selection criteria will remain rigorous with pricing reflecting the risks being taken on such exposures for asset creation to make business sense.

In spite of the growth projections in 2016, asset quality will not be compromised and this would be ensured through the constant review of UCL's risk acceptance criteria. Therefore, credits will only be extended to suitable and proven customers. UCL will also continue to focus on the growth sectors of the economy through strategic portfolio planning, supported by sound risk identification, measurement, control, monitoring and reporting. There will also be an aggressive focus on recovery of delinquent assets.

The credit process will be enhanced to address prevailing challenges, while credit models will be subjected to periodic validation for the purpose of obtaining necessary assurances. Portfolio stress tests will be adopted as appropriate, to consider implications of scenarios that may seem relatively unlikely but could pose serious risks to the company if they crystallize.

We will continue to strengthen SME lending, credit analysis and credit monitoring through both internal and external trainings.

MARKET RISK

Overview

Market risk is the risk that the value of investment portfolio will decrease due to changes in market risk factors such as share prices, interest rates, etc.

It represents the potential for a negative impact on the balance sheet and income statement resulting from adverse changes in the value of investments and interest rates as a result of movements in market variables.

During the financial year, UCL was exposed to market risk in its trading and investing activities mainly as a result of:

- interest rate movements in response to market forces or as directly indicated by monetary policy pronouncements;
- share price movements in response to market forces.

Philosophy

The market risk management process in the UCL Group allows disciplined risk taking within a framework of risk appetite that enables UCL to enhance shareholder value while maintaining competitive advantage through effective utilization of risk capital.

Our objective is to manage market risk exposures for optimal returns while maintaining a market profile consistent with our status in the financial services industry. Thus, UCL's market risk management policy ensures:

- management is responsible for the establishment of appropriate procedures and processes in implementing market risk policy and strategy;
- a group - wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with best practices. Risk measurements are progressively based on modern techniques such as sensitivity, stress testing and equity market risk analysis;
- risk officers are empowered to perform their duties professionally without undue interference;
- UCL does not undertake any risk that cannot be managed, or risks that are not fully understood; and
- where UCL takes on any risk, full consideration is given to pronouncement, guidelines or policies.

Structure and framework

UCL ensures that all the market risk exposures are consistent with its business strategy and within the defined risk tolerance. UCL therefore manages market risk within:

- an overall market risk exposure maintained at levels consistent with the available capital; and
- a reliable methodology for identifying, measuring, controlling, monitoring and reporting market risk.

Governance

The Board of Directors provides oversight for the market risk management function through its Management Committee.

Management oversight is provided by the Assets & Liabilities Management Committee (ALCO).

The Board of Directors is responsible for:

- approval of market risk management framework, policies, strategies, guidelines and philosophy;
- approval of market risk-related limits for UCL.

The ALCO, made up of relevant department heads, is responsible for:

- reviewing policies relating to market risk management;
- recommending market risk policies to the Board;
- providing management oversight for the implementation of policies relating to interest rates and share prices' risks;
- reviewing market risk strategy;
- developing policies, procedures and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks;
- recommending policies and guidelines for market risk measurement, management and reporting;
- ensuring that market risk management processes (including people, systems, operations, limits and controls) are in line with market risk framework;
- recommending policies for identifying, measuring, monitoring, controlling and reporting market risk; and
- recommending steps to protect UCL capital ratios from the

effects of changes in market risk factors.

UCL also provides oversight for its subsidiaries that engage in trading in quoted equities. UCL does not trade in commodity and therefore is not exposed to commodity risk.

Policy and strategy

UCL has put in place a market risk management framework that provides the Board and Management with guidance on market risk management processes.

Stress testing

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

The ALCO is responsible for reviewing stress exposures and where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates and share prices.

In recognition of the volatile market environment and the regulations that have had significant effect on market rates and prices, UCL augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Outlook

We anticipate that fighting inflation will be a great challenge in 2017, taking into account the removal of fuel subsidies as well as the monetary policy. Small investors are showing preference for risk-free investment avenues over the highly volatile and risky shares due to the incessant rising of interest rate and partly as a result of the uncertainty in the economic environment engendered by the political confrontation which negatively affected the capital market. We are positive that the gains from the ongoing reforms in our capital market will be visible and lead to the growth and development of the market.

Bangladesh financial system is now relatively stable and well positioned to stimulate growth and development of the economy. The year 2017 is expected to be better as we are witnessing some positive signs since the beginning of the year.

LIQUIDITY RISK

Overview

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to meet the obligations at excessive cost. This risk arises from mismatches in the timing of cash flows.

Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The objective of the Group's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

Philosophy

UCL Group maintains an optimal level of liquidity through the active management of both assets and liabilities while complying with regulatory requirements and optimizing returns.

The following principles guide liquidity risk management across UCL Group:

- a sound liquidity risk management framework that ensures maintenance of sufficient liquidity to withstand a range of stress events;
- a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a sound framework for projecting cash flows arising from assets and liabilities;
- a clear funding strategy that provides effective diversification in the sources and tenor of funding;
- ranking and prioritization of funding sources by stability;
- a comprehensive contingency funding plan that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations.

Governance

The Board is primarily responsible for approval of liquidity risk management framework, policies, strategies, guidelines and philosophy.

The Assets & Liabilities Management Committee (ALCO), made up of the Managing Director & CEO, the Chief Financial Officer and other relevant divisional heads, is responsible for the following:

- review policies relating to liquidity risk management;
- recommendation of liquidity risk policies to the MANCOM;
- review liquidity risk strategy and recommendation of the same for Board approval;
- provision of management oversight on the implementation of policies relating to liquidity risk;
- ensure proper matching the liquidity profile;
- monitor liquidity risk inherent in the maturities mismatch of the assets and liabilities;
- development of policies, procedures and systems for identifying, measuring, controlling and reporting liquidity risks;
- ensure compliance with statutory and regulatory requirements relating to liquidity risks;
- review and recommendations on liquidity risk related limits for approvals; and
- approval of stress scenarios and contingency funding plan assumption.

Implementation of UCL market and liquidity risk management policies, procedures and systems is delegated to the Head of Treasury who reports to the ALCO/Chief Risk Officer. UCL maintains a liquidity risk policy, which drives the level of liquidity risk exposures and determines business size and maturities.

Policies and procedures

The principal mechanism for implementing UCL's liquidity policy is the maintenance of the liquid assets over and above the defined regulatory minimum.

The liquidity ratio is interpreted in conjunction with cash flow projection and liability concentration ratios to measure UCL's exposure to liquidity risk. The cash flow technique used is the maturity ladder, which assesses all UCL's cash inflows against its outflows to identify the potential for net shortfalls or net funding requirements.

UCL use of concentration ratios helps preventing it from relying on a limited number of depositors or funding sources.

Capital management

UCL's capital management approach is driven by its strategy and

organizational requirements, taking into account the regulatory and business environment in which it operates. It is company policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, UCL maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

UCL's capital is divided into two Tiers: Tier 1 capital comprises core equity including ordinary shares, statutory reserves, general reserves and retained earnings. Under provisions are deducted in arriving at Tier 1 capital.

Tier 2 capital comprises general provisions, minority and other interests in Tier 2 capital and unrealized gains arising from the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties, if any.

Bangladesh Bank prescribed a minimum limit of 10 percent of total risk weighted assets as a measure of capital adequacy for NBFIs. Total risk weighted assets reflects only credit, market and operational risk.

UCL achieved a capital adequacy ratio of 12.86 percent at the end of the year 2016. Current position is closely monitored by the Assets and Liabilities Management Committee.

(Figure in million)

Dec 2016	Dec 2015	
12.86	13.34	Capital adequacy ratio(%)
Capital composition:		
Tier 1		
1,423.00	1,329.90	Paid-up capital
421.20	364.82	Statutory reserves
-	-	Non-controlling interest (insignificant)
221.70	197.18	Retained earnings
2,065.90	**1,891.90**	**Total**
Tier 2		
235.80	228.70	General provision
51.01	51.01	Asset revaluation reserves
400.00	500.00	All other preference shares
686.81	**779.71**	**Total**
Capital utilisation:		
22,963.90	20,029.99	Qualifying risk weighted assets

In June 2006, the Basel Committee on Banking Supervision published International convergence of Capital Measurement and Capital Standards, known as Basel II. Basel II is structured around three 'Pillars': minimum capital requirements, supervisory review process and market discipline. Thereafter there have been several press releases by the committee aimed at increasing capital requirements and improving measurement of capital. Though there has been a regulatory requirement for NBFIs to comply Basel II requirements, UCL has made substantial progress in its Basel II compliance project. The successful conclusion will allow UCL's capital measurement to reflect credit, market and operational risk exposures on the assets of UCL.

Outlook

We have strengthened the Group's funding and liquidity risk management framework to boost our ability to closely watch liquidity requirements, enhance timely responses to liquidity events (changes in the mix of business we operate and the market environment), make best use of funding sources and minimize borrowing costs.

UCL expects to continue building on the goodwill in the coming years by maintaining a strong liquidity position that ensures financial obligations are met as and when due at minimal cost. Penetration of all customer segments will continue as a means of providing a stable, low-cost deposit base for UCL from well-diversified funding sources.

OPERATIONAL RISK

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in UCL is composed of the following risk types: operations risk, legal risk, and regulatory compliance risk, and technological risk, financial and environmental risk. UCL recognizes the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

Objectives

UCL is committed to the management of operational risks. UCL's operational risk management framework aims to:

- reduce losses arising from operational risk - a key role of operational risk management in UCL is to reduce losses from operational failure;
- improve performance measurement - improved understanding of its operational risk profile shall enable appropriate allocation of risk which would allow improved performance measurement and evaluation of activities;
- ensure better control of operations - UCL expects that increased understanding of risk activities within various business units will lead to improvements in the control of operations and the emergence of a more proactive operational risk management culture;
- provide early warning signals of deterioration in UCL internal control system;
- raise awareness of operational risk in UCL from top to bottom through the implementation of an operational risk approach.
- improve the information system and take necessary action to mitigate the system failure and security;
- ensure employment practices and work place safety;
- ensure prevention of damaging physical assets.

Philosophy and principles

The following philosophy and principles govern the management of operational risk in UCL:

- The Board of Directors has the responsibility for setting the operational risk strategy for UCL and its implementation.

- Operational risk in UCL is coordinated through a centralized operational risk management function
- Ownership, management and accountability for operational risk is decentralized with business and functional units.
- UCL's operational risk management practices are in line with Basel II.
- UCL's operational risk management practices are subject to independent review by internal auditors.
- Operational risk management is governed by policies and procedures.
- Operational risk-related issues are taken into consideration in business decisions.
- Operational risk and loss events are reported to the appropriate levels once they are identified
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling operational risks are being implemented by UCL.

Methodologies

In order to meet its operational risk management objectives, each business function within UCL is required to identify, assess, measure and control its operational risk in line with the policy.

Key operational risks

Major operational risks are financial crimes (internal fraud, external fraud and money laundering). Each incident is analyzed and acted upon. Analysis revealed that the quality of people and their integrity is a critical panacea to mitigating these key operational risks. As a result, UCL has adopted a competency-based recruitment policy in which attitude; skills and knowledge are considered before engaging any employee. Other key countermeasures put in place include:

- enhanced employee training;
- enhanced Know Your Customer (KYC) drive;
- job segregation; and
- imposition of stiff disciplinary measures for fraudulent staff.

Strategy

Failure to manage operational risk effectively often results in significant financial losses, regulatory fines, reputational damage, brand erosion or even the loss of license, all of which directly impact shareholders' value. Accordingly, UCL's operational risk strategy aims to minimize the impact of operational risk on its shareholders' value. In more specific terms, our strategy is to:

- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimize the impact of unexpected events including related costs that support UCL's long term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of operational risk and thus minimize actual or potential losses. UCL recognizes that some losses, such as operational errors, are inevitable and are normal business costs; but will ensure these costs are kept within acceptable levels and potential losses are minimized.

Governance

While the overall responsibility for operational risk management in UCL resides with the Board, the Management is responsible for the day-to-day management of such risks.

To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- the overall governance owned by the Board through MANCOM.
- the approval of operational risk policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board and the MANCOM;

The Board and Management Committees

The Board of Directors and the Management Committee have overall oversight function for operational risk management. It shall be their responsibility to ensure effective management of operational risk and adherence to the approved operational risk policies.

Board of Directors

The Board of Directors:

- sets operational risk strategy and direction in line with UCL's corporate strategy;
- gives approval for operational risk management framework, policies and procedures; and
- ensures that senior management is performing its risk management responsibilities.

Management Committee (MANCOM)

UCL's MANCOM:

- ensures policies and procedures are developed for managing operational risk in products, activities, systems and processes;
- ensures that all level of staffs understand their responsibilities with respect to operational risk management;
- reviews risk profile and assesses potential impact on the activities of the company or business units;
- ensures that staffs are adequately trained and have access to the necessary resources; and
- ensures that UCL's operational policies and procedures promote the desired risk culture.

Risk Management Forum (RMF)

UCL's RMF:

- carries out the first-level review of operational risk policies and procedures;
- manages significant operational risks where they originate within the business/function;
- ensures compliance with operational risk policies and procedures;
- ensures implementation of the real-time incident reporting process;
- continually promotes risk awareness throughout the company so that complacency does not set in;
- assists the Management Committee in managing ongoing corporate governance issues.

Chief Risk Officer

- Leads the development and implementation of operational risk management.
- Develops operational risk management strategy, principles, framework and policy.
- Implements appropriate operational risk management

processes and methodologies

- Advises management and business units on risk management.
- Exercises supervisory responsibilities over operational risk management in addition to responsibility over market risk, credit risk and other key risk types.

Risk Management Function

The core responsibility of the Operational Risk Management function is the development and implementation of operational risk management across the Group.

This entails:

- Drafting operational risk management policies, standards, processes and procedures;
- Developing and driving implementation and maintenance of the operational risk management framework;
- Developing tools, techniques, methodologies, risk frameworks, analysis, reports, communication and training;
- Escalating high-priority issues to senior management and the Board; and
- Liaising with external parties, e.g., regulators and external auditors, etc. on company's operational risk management practices.

The Business Units and support functions

The Business Units and support functions are the first line of defense in our operational risk management process. They own, manage and are accountable for the operational risks and controls in their respective areas. They have the following responsibilities:

- Comply with Group operational risk-related policies, procedures, processes and tools in their areas.
- Assess risks and the effectiveness of controls in line with risk policies.
- Operate and monitor a suitable system of control.
- Manage and review risk as part of day-to-day business activity.
- Identify, review and assess the inherent operational risks in the context of the existing control environment.
- Create awareness of operational risk.
- Maintain the operational risk framework for the division/control and support unit, ensuring that the data and analyses are timely, relevant and complete for reporting.
- Ensure potential operational risks in new businesses, products and services, and processes within their business units are identified and mitigated.

Outlook

UCL is on a journey to embed sound operational risk management practices, culture and environment beyond complying with regulatory requirements, but as a value driver that enhances and contributes to stakeholders' value, long-term existence and survival of the institution. To this end, a number of initiatives are currently ongoing that will enhance the risk management culture and practices within the organisation and by extension, significantly reduce UCL's operational risk exposures and incidences. Some of these key initiatives are as follows:

- embed the culture of self assessment in all activities and across all levels in the group; and
- capacity building and increase employees' risk awareness level and competence in managing risks.

INFORMATION SECURITY RISK

Overview

UCL, as part of its risk management strategy, aims to continuously implement best practices that would in turn ensure strong risk governance. Business and security environments are constantly evolving and hence new threats and vulnerabilities are emerging. Addressing these threats and ensuring no business disruption occurs becomes a challenge that organizations have to live with. It is now widely established that the best way to address information security concerns is through a combination of continuous monitoring, well defined risk measurement metrics/indices and an effective awareness programme.

Philosophy

The key elements of UCL's information security management philosophy are the following:

The Board

The Board and Management have the overall responsibility to ensure that all information assets within UCL are protected and adequately secured. These responsibilities include preserving the confidentiality, integrity and availability of all the physical and electronic information to ensure all customer information receives adequate protection. In addition, it assures that UCL complies with all legal, regulatory, contractual and commercial requirements of information security.

Culture

UCL is committed to ensuring the confidentiality, integrity and availability of its customers' information through:

- identification of the value of information through appropriate risk assessments;
- understanding vulnerabilities and threats that the information assets may be exposed to; and
- appropriate management of information security risks for compliance with contractual and legal requirements.

Oversight

The Management Committee performs an oversight function spanning the entire information security base in UCL. Its function also includes ensuring that detailed policies, procedures and standards are created, updated regularly and effectively communicated to stakeholders.

GOVERNANCE

Board of Directors

The Board as well as the Management Committee and Chief Risk Officer are responsible for safeguarding UCL's information assets. Key responsibilities of the Board with respect to information security are:

- approving UCL overall information security framework and policy; and
- ensuring that UCL information security posture is maintained in line with its risk appetite and commensurate with the risks associated with information assets.

Management Committee (MANCOM)

Key responsibilities of the MANCOM with respect to information security are detailed below:

- Ensure UCL implements an effective methodology for managing information security.
- Ensure detailed policies, standards and procedures are created and effectively communicated within the organization.
- Assess the effectiveness of UCL's information security process.

- Provide the resources (human capital, financial, systems, etc.) required to implement security initiatives.
- Ensure risk assessments (procedural and technical) are performed and used to determine the level of protection accorded to information assets.

Chief Risk Officer

Key responsibilities of the Chief Risk Officer with respect to information security are detailed below:

- Promote the effectiveness of information security within the organization.
- Ensure security initiatives and activities are aligned with business objectives.
- Provide appropriate resources to control information-related risks.
- Escalate information security incidents to the MANCOM where necessary

Internal Audit

To support the monitoring process without losing independence, the Internal Audit function and IT department's key responsibilities are:

- harmonize approaches used to evaluate information risk from a security perspective;
- harmonize checklists used to evaluate security vulnerabilities and threats;
- Help shape the development of the monitoring process to ensure that all key issues are addressed;
- have access to the current situation of UCL as prepared by the IT Department; and
- audit the information security functions to ensure effectiveness.

Compliance

The Compliance function is to protect business growth and sustainability by ensuring compliance to regulation

Internal Control

- Helps shape the development of the monitoring process to ensure all key issues are addressed; and
- monitors the transactions to ensure accuracy, integrity and completeness.

Information Technology Department

IT department is accountable for the secure storage and use of major information assets. Key responsibilities are as follows:

- Ensure that information assets are properly labeled.
- Monitor the security condition of information assets.
- Review staff logical access rights to systems and application.
- Review the department/branch operating procedure.
- Ensure implementation of information security controls.
- Ensure all staffs receive information security awareness training before granting them access to information assets.

All UCL employees

All UCL employees are responsible for complying with the principles and policies of the information security policy where relevant to their jobs. They are responsible for maintaining the security of all information entrusted to them. Any employee failing to comply with the policies could be subject to disciplinary action, potentially including termination of employment

COMPLIANCE RISK

Overview

The establishment of an independent compliance function in UCL is in line with best practices. The compliance function operates from head office to ensure compliance with established rules and regulations. Highlights of the scope of coverage of the compliance function include:

- Regulatory compliance;
- Anti Money Laundering and terrorist financing compliance (including Know Your Customer (KYC), Know Your Customers' Business (KYB) principles); and
- Corporate governance compliance monitoring. The objectives of the compliance function, as a part of an effective risk management, include the followings:
- assist and support line management to ensure that business is conducted in accordance with Applicable statutory, regulatory and supervisory requirements.
- enable UCL to demonstrate that it is proper to undertake its business.
- maintain fairness in all UCL dealings.
- facilitate the management of compliance risks.
- prevent disciplinary action by regulators.

Philosophy

The Board approves the compliance framework and strategies and delegated to the management for compliance performance. UCL compliance risks are centrally managed by an independent compliance function. The Compliance Risk Management practices in UCL are subject to periodic reviews by the internal audit.

Strategy and priority

UCL remains committed to complying fully with applicable laws and regulations and to always act with care and due diligence. The risk of noncompliance with legal and regulatory requirements ranges from potential financial loss arising from regulatory sanctions, loss of business as well as damage to the Group's reputation. In ensuring compliance with laws and regulations, UCL has in place a compliance framework. The compliance function, under the leadership of the Chief Compliance Officer, ensures that statutory and regulatory requirements are adhered to and ensures that breaches are promptly reported.

While the primary responsibility for complying with regulatory requirements lies with all employees conducting particular transactions or activities to which regulation applies, the Management is accountable for compliance performance. The current regulatory regime places much pressure on financial institutions to know their customers and implement processes for combating money laundering, as well as putting in place measures aimed at understanding regulations as they affect the financial services industry and the implication for noncompliance.

In this regard, UCL has reviewed its guidelines relating to anti money laundering and terrorist

Financing, incorporating new guidelines for KYC/KYB.

Governance structure

The management of regulatory risk encompasses ensuring compliance with all the statutory and Regulatory requirements. In line with best practice, the compliance function is responsible for ensuring that UCL continuously manages its regulatory risk. Regulatory risk is the risk that occurs when financial institutions do not comply with the applicable laws and regulations or supervisory requirements. Responsibility for managing compliance with internal rules created by UCL itself lies with the Internal Control and Compliance functions. These are monitored

as part of their normal duty of ensuring that an effective system of internal controls is maintained in UCL. Certain internal rules are of such importance that the Management Committee (MANCOM) may require the involvement of the compliance function for effective implementation. The compliance function is also, to that extent, responsible for monitoring compliance with internal rules, as determined by MANCOM from time to time. The compliance function operates independently from the Internal Control. However, the department leverages on the Internal Control & Compliance infrastructure by administering compliance checklists on business units and branches through the independent control and normal audit procedures

Roles and responsibilities

Roles and responsibilities for compliance are assigned to various functions as follows:

Authority	Role
Board of Directors	Assumes overall accountability for compliance performance.
Managing Director & CEO	Provides demonstrable support to the Compliance officer with the development of a compliance culture.
MANCOM	Assume overall accountability for compliance within their Business Units.
MANCOM	Assume overall accountability for compliance within their Business Units.
RMF	Designing overall risk management strategy of the Company and responsible for communicating views of the board and senior management regarding the risk management culture and risk appetite all over the Company.
Subsidiaries and their management teams	Assume overall accountability for compliance within their companies and their respective management is responsible for day-to-day compliance with regulations applicable to their business
Department Heads and RMs	Responsible for day-to-day compliance with regulations applicable to area business
Branch Managers	Branch Managers assume overall responsibility for compliance in their branches and are responsible for conducting periodic compliance reviews.
All employees	Responsible for familiarizing themselves with the regulatory requirements applicable to their business and ensuring that all transactions and activities in which they are involved Are carried out in accordance with those regulations.
Internal Control	Assists the Compliance function in the conduct of independent monitoring
Internal Audit	Provides quality assurance for the Compliance function
Chief Compliance Officer	Responsible for the development, communication, leadership and implementation of the compliance strategy, policy, structure and process.
External Audit	Reviews the compliance risk management process

Responsibilities of the Chief Compliance Officer (CCO)

The CCO takes responsibility for compliance issues including its Business Unit. The CCO works closely with the Chief Risk Officer (CRO) in the performance of the following specific responsibilities:

- Assigns a sound compliance structure, process and advisory service in order to ensure line management's compliance with current laws, regulations and supervisory requirements.
- Reports non-compliance with laws, regulations and supervisory requirements to the Chief Executive Officer and the Board of Directors.
- Ensures, as far as possible, that no conflict of interest exists between the compliance function and other internal control functions.
- Establishes a compliance culture in UCL Group that contributes to the overall objective of prudent risk management.
- Establishes effective communication with line management in order to continuously monitor compliance with laws, regulations and supervisory requirements.
- Ensures that regulatory requirements are incorporated into operational procedures and manuals where appropriate.
- Makes recommendations whenever necessary to ensure that laws, regulations and regulatory requirements are being complied with.
- Establishes effective mechanisms for reporting and resolving non-compliance with laws, regulations or regulatory requirements
- Ensures required training of compliance staffs on technical knowledge of regulatory framework and associated risks.
- Compiles and maintains a comprehensive compliance manual for the Group.

Outlook

The regulatory environment has become even more dynamic in recent times. The policy on deposit collections comes with enormous challenges on the part of NBFIs. The challenge is in putting in place appropriate compliance risk management processes and procedures in knowing our customers and leveraging on our technology infrastructure to understand and

manage the risk of transactions. Current measures aimed at understanding regulations as they affect the industry and the implications for non-compliance are being continuously improved through process rejuvenation and revalidation, which is then communicated to all employees.

LEGAL RISK

Overview

Legal risk management is an integral part of UCL's Risk Management Framework. UCL recognises that all aspects of its business activities are fraught with legal risks, the growth of which may not only outstrip its business growth. To this end, there is a dedicated Legal Services Department with responsibility for the effective management of this portion of UCL's overall risk profile.

Approach

At UCL, our approach to legal risk management is to:

- identify where and how things can and/or might go wrong from the legal perspective;
- determine the extent of any negative impact in the event of its crystallization;
- identify and grade the risks and impact of the current controls;
- establish controls to reduce or eliminate the legal risks; and
- monitor the controls to ensure effectiveness. In doing this, we continue to ensure that our policies and operational guidelines do not only provide the structure for the effective management and control of identifiable legal risks, but also bring UCL and its employees to a true appreciation of the legal constraints impacting on UCL business activities.

Governance

The Legal Department oversees UCL's legal risk function and reports directly to the Managing Director and Chief Risk Officer. The department handles all the legal issues of UCL's claims against third parties and/or UCL's defense of claims against it. The unit monitors and manages UCL's litigation portfolio, including the evaluation, recommendation with external counsel interface. This department is also responsible for the documentation and perfection of the various securities used to secure credit facilities extended to UCL customers

Outlook

During the year, we have deepened the skills of our people in the areas of documentation, execution of court decisions and the capacity of our branch offices and give it the needed impetus for its growing roles. Across all our operations, we will strive to optimize our operational efficiencies through the effective use of technology for reliable data and performance evaluation. We will seek to streamline our legal structure for greater efficiency.

REPUTATIONAL RISK

Overview

It is a threat or danger to the good name or standing of a business or entity; Reputational risk can occur through a number of ways: directly as the result of the actions of the company itself; indirectly due to the actions of an employee or employees; or tangentially through other peripheral parties, such as joint venture partners or suppliers. In addition to having good governance practices and transparency, companies also need to be socially responsible and environmentally conscious to avoid reputational risk.

Reputational Risk factors

There are different factors affecting the reputation of the company which is given below:

- Penalty imposed by Bangladesh Bank;
- Penalty imposed by BSEC and other regulators;
- Negative media coverage Complainants;
- Cheque dishonor etc.

Governance

Protecting reputation is clearly a top issue for companies. Traditional risk management is challenged to address reputational risk in two fundamental ways. First, traditional risk management has historically been focused inward, on the workings of the organization, where the main risks involve producing a product in a reasonable fashion, such as using the right materials and producing the product with sufficient quality- all things that tend to happen either within an organization or within an organization's control.

Reputation, however, is shaped outside the organization. Being able to measure and monitor that risk is critical, which is another reason traditional approaches often won't work because the tools and analyses are so different. When organization has a reputational risk problem, it usually involves the media and what its customers, employees and other stakeholders are staying in the public domain. So this kind of risk is at an event level these days, not the company level. And traditional risk management doesn't focus on that nor does it offer the tools to address it.

Outlook

Our Risk Management Committee is responsible for:

- Ensure the compliances of regulators;
- Focus more on the role that plays in the strategy compliance;
- Treat the reputational risk as Strategic risk;
- More emphasis given on media coverage.

MONEY LAUNDERING RISK

Overview

Money Laundering is the process by which proceed from a illegal or criminal activity are disguised to conceal their illicit origins. It has a major impact on a country's economy as a whole. Both money laundering and terrorist financing can weaken individual financial institution, and they are also a threat to the overall financial sectors' reputation. Business of Financial Institutions regulated by the Money Laundering Rules & Regulations must assess the risk which could be used for money laundering including terrorist financing.

Philosophy

- Identify the money laundering risks that are relevant to the business;
- Carry out a detailed risk assessment of the business, focusing on customer behavior, delivery channels and so on;
- Design and put in place controls to manage and combat the impact of these risks;
- Monitor & control to improve the business efficiency;
- Keep records of what we did and why we did it.

Strategy

- Strengthening the legal framework;
- Structural improvement and capacity building in tracing out methods, techniques and channels of money laundering and terrorist financing;
- Enhancing compliance status to the controlling authorities;
- Stemming the illicit outflows and inflows of fund;

- More focus will be given on KYC/KYB;
- Improving transparency in financial reporting on AML/CFT issues;
- Arranging awareness program for the customers;
- Conducting employees training program;

Compliance

- Maintain complete and correct information with regard to the identity of the customers during the operation of the customers;
- Preserve previous records of transactions of any customer's account for at least 5(five) years from the date of closure;
- Provide information to Bangladesh Bank from time to time on its demand; and
- Report suspicious transaction or attempt of such transaction to Bangladesh Bank

ENVIRONMENT RISK

Overview

Environmental risk is an actual or potential threat or adverse effects on living species through effluents, emissions, wastes, resource depletion, pollutions, natural hazards etc. of an organization's activities. Now-a-days, environmental risk is a big factor for labour intensive industries. Presently compliance with environmental regulations is one of the big conditions of buyers. Environmental risk can have serious negative effect on an organization's financial well being and its ability to achieve its business objectives. Existing and forthcoming legislation and regulations as well as governance and accounting trends of environmental risk and liability can influence an organization's financial performance, reputation and brand, cash flow and shareholders' value.

Philosophy

The following philosophy governs the management of environmental risk in UCL:

- management has the responsibility for setting the environmental risk strategy for UCL and its implementation;
- awareness has developed among the field officers and operations to identify the risk;
- risk officers are empowered to perform their duties without undue interference;
- environmental risk-related issues are taken into consideration in business decisions;
- it is complied as a regulatory compliance; and
- this risk is focused on managing risks and not on avoiding risks.

Strategy

- integration of Environmental Risk Management in the credit policies and procedures;
- building awareness and providing constant training and capacity building of the staff relevant to Environmental Risk Management;
- examine the environmental issues and concerns associated with potential business activities proposed for financing;
- identify, evaluate and manage the environmental risks and the associated financial implications arising from these issues and concerns,
- enhance the credit risk appraisal process;
- identify high, moderate and low environment risk before sanctioning the finance facilities.

Governance

Board/Management ensures compliance of environmental risk at the time of sanctioning finance Facility. UCL introduced the environmental risk rating system to ascertain High, Moderate and Low risk. Select industrial manufacturing sector through identifying the environmental risk.

Outlook

The regulatory environment has become even more dynamic in recent times. To make comply with regulatory requirements and also minimize the risk we follow the principles:

- Integration of Environmental Risk Management in the credit policies and procedures
- Review the completed due-diligence checklist and the EnvRR;
- Building awareness and providing constant training and capacity building to environmental risk management to the relevant officers; and
- Adoption of a value adding approach to Environmental Risk Management with the potential borrower and aim to facilitate the borrower in addressing environmental issues that could lead to risks.

Senior Management

AMER STOCK

SENIOR MANAGEMENT

Who leads the company and drives our strategy



MAHMUDUL ALAM

Managing Director & CEO

With UCI Since 9 November 2015

Born in December 1961

Nationality Bangladeshi

Committee membership

Chairman

Management Committee, Credit Committee, ALM Committee, Money Laundering Prevention Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASELII Implementation Committee, HR & Compensation Committee and Disclosure Committee.

External Appointment
Director, UniCap Securities Limited

Qualification & Experience
Mr. Mahmudul Alam, a dynamic and versatile management executive, has more than 26 years of experiences in the financial sector. In his long career, he has successfully served the financial sector at home and abroad in different capacities. Prior to his joining in Union Capital Limited, Mr. Mahmudul Alam served as the Additional Managing Director of GSP Finance Company (Bangladesh) Limited. Starting his professional career with IDLC Finance Ltd., Mr. Alam worked in Mashreq Bank of UAE, Shahjalal Islami Bank Limited and AB Bank Limited in different capacities. Mr. Alam, an MBA of Institute of Business Administration (IBA), University of Dhaka, has brought with him more than a decade of senior management experience in the areas of banking, credit, financial management etc. An Ex-Cadet of Faujdarhat Cadet College, Chittagong, he attended a large number of trainings, workshops, seminars at home and abroad.



TAUHIDUL ASHRAF FCS

EVP, Head of Marketing & Company Secretary

With UCI Since 22 August 2013

Born in September 1978

Nationality Bangladeshi

Committee membership

Member

Management Committee, Credit Committee, ALM Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASELII Implementation Committee, HR & Compensation Committee and Disclosure Committee

External Appointment Nil

Qualification & Experience
Mr. Tauhidul Ashraf has 16 years of extensive experience in Bank, NBFIs, Insurance & Group of Companies in Senior positions. Mr. Ashraf is a qualified Chartered Secretary. Prior to his joining with Union Capital Limited, he served in H.R. Textile Mills Ltd., Northern General Insurance Co. Ltd., S. Alam Group of Industries, First Security Islami Bank Ltd., Prime Finance & Investments Ltd. and Aman Group under different capacities. He possesses versatile knowledge in the areas of Corporate Affairs, Administration, Share Management, Capital Market Operation, Corporate Finance etc. A Fellow Member of the Institute of Chartered Secretaries of Bangladesh, Mr. Ashraf was the Member Secretary of Dhaka Regional Chapter of ICSB for two consecutive sessions. He attended a number of training courses and seminars in home and abroad on Core Risk Management, Internal Audit & Control and Corporate Governance, the role of Company Secretary etc.



ABDUL BAREQUE

SVP & Chief Risk Officer

With UCL since 11 Nov 2013

Born in September 1953

Nationality Bangladeshi

Committee membership

Member

Credit Committee, Credit Risk Management Committee, Asset-Liability Management Committee, Money Laundering Prevention Committee, Risk Management Forum, Ethics & Compliance Committee

External Appointment Nil

Qualification & Experience
Mr. Bareque obtained MSS(Economics) degree under Dhaka University, Post Graduate Diploma in Bank Management (PGDBM) from BIBM and Banking Diploma (both part) from Institute of Bankers of Bangladesh. He has vast experience in banking arena. He served in Bangladesh Bank for about 33 years in different departments in different positions lastly as Deputy General Manager. Prior to joining here Mr. Bareque served in Japan Bangladesh Group as Executive Director and lastly in ICB Islamic Bank Limited as Special Project Adviser of ICCD. Mr. Bareque served as a Faculty Member of Bangladesh Bank training Academy for about 5 years. He conducted many sessions for the direct recruited officers of Bangladesh Bank and also for others Banks and NBFIs. He attended many sessions of different training Academies of different Banks and also in different NBFIs as Guest Speaker. When he was in Bangladesh Bank he looked after the supervision works of NBFIs for about 5 years. Mr. Bareque attended a number of trainings, workshops and seminars at home and abroad.

AMARSTOCK



ENGR. A.N.M. GOLAM SHABBIR FIEB
SVP & Head of ICT, HR & Admin

With UCL since 17 December 1998

Born in November 1970

Nationality Bangladeshi

Committee membership

Member

Management Committee, Corporate Governance Committee, Risk Management Committee, Ethics & Compliance Committee, HR & Compensation Committee, Risk Management Forum and Disclosure Committee

External Appointment Nil

Qualification & Experience
Mr. Shabbir obtained his B. Sc. Engineering Degree in Electrical & Electronics Engineering from Khulna University of Engineering and Technology. He has a wide experience of over 18 years with NBFI in various capacities and 03 years in different ICT vendors. Starting his career in Flora Limited, the then largest ICT vendor of the country, Mr. Shabbir also worked in UNICEF as LAN Consultant under employment of Flora Limited. Prior to joining at UCL Mr. Shabbir served as the Manager of Hardware & Network Division of Systematique Computing Limited (SYSCOM). Besides IT expertise, he is proficient in HRM and carrying full responsibilities of HR & Administration Department for over 11 years and presently holding the position of Head of HR & Administration Department along with ICT Department. He attended a number of seminars, workshops and trainings, relating to the ICT and HR & Administration issues, at home and abroad. Mr. Shabbir is a Fellow Member of Institute of Engineers Bangladesh.



FAZLE KARIM MURAD
SVP & Head of Corporate Finance

With UCL since 01 June 2000

Born In October 1973

Nationality Bangladeshi

Committee Membership

Member

Asset-Liability Management Committee, Management Committee (MANCOM), Credit Committee, Money Laundering Prevention Committee, BASELII Implementation Committee

External Appointment Nil

Qualification & Experience
Mr. Murad has completed M.Com (Marketing) from the University of Dhaka and MBA with major in Finance from American International University Bangladesh (AIUB). He started his career with a promotional project namely HORECA of British American Tobacco (BD) Ltd. in December 1998 as Project Leader and worked there for 6 months and then joined in a production house namely In-house Production in June 1999 and served there for 9 months. In June 2000 he joined UCL as a Junior Associate and since then he has been serving in different segment of lease and corporate finance department. He obtained various training, workshop & seminars at Home and abroad.



Raihan Uddin Ahammad FCA
VP & CFO (CC)

With UCL since 1 September 2013

Born in September 1983

Nationality Bangladeshi

Committee membership

Member

Management Committee, Ethics & Compliance Committee, Corporate Governance Committee, Risk Management Forum, Money Laundering Prevention Committee, and Disclosure Committee

External Appointment Nil

Qualification & Experience
Mr. Raihan Uddin Ahammad is a Fellow member of the Institute of Chartered Accountant of Bangladesh (ICAB). He obtained his business degree form the University of Dhaka. After completion of his post- graduation from the University of Dhaka, Mr. Ahammad joined Rahman Rahman Huq, Chartered Accountant (A member firm of the KPMG International). Prior to his current assignment as CFO (cc), he was acting as Head of ICC of Union Capital Limited. He served STS Group as Finance Manager more than 2 years prior to joining UCL. Mr. Raihan is also a faculty member of the ICAB conducts class for professional students at ICAB.

STOCK



SELIM KHAN HINDOL
VP & Head of Credit Risk Management (CC)

With UCL Since 31 July 2016

Born in December 1973

Nationality Bangladeshi

Committee Membership Credit Committee

External Appointment Nil

Qualification & Experience
Mr. Selim is an MBA (Finance) from Institute of Business Administration (IBA), University of Dhaka. He has 13 years of experience in line of Credit Risk Management with different Financial Institutions. Before joining UCL he served AB Bank Ltd. for more than 12 years. Mr. Selim completed B.Sc. Engg. (Civil) from Khulna University of Engineering and Technology (KUET). Mr. Selim also completed Master of Development Studies from University of Dhaka. He attended numbers of trainings, workshops, seminars on credit related issues throughout his career.



SHAHEEN MOHAMMAD QUMRUL HASAN
VP & Branch In charge, Chittagong Branch

With UCL since April 13, 2017

Born in Dhaka

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience:
An MBA from IBA, University of Dhaka (Major in finance) & subsequent 17 years professional banking experience in local and foreign Banks namely United Commercial Bank, Shahjalal Islami Bank Ltd and Habib Bank Ltd. has got well rounded experience with expertise in Credit Risk Management, Corporate Banking, Relationship Management and Branch Management. He has attended a number of training courses, seminars in home and abroad. Also has on the job training in Singapore, Dubai and Karachi.



TAREQ AHMED SALAH UDDIN KHAN
VP & Head of SME

With UCL Since May 2, 2017

Born in October 28, 1975

Nationality Bangladeshi

Committee Membership Credit committee and Risk Management Forum

External Appointment Nil

Qualification & Experience
M.Com in Management from Dhaka University. Obtained 1st class with merit position of 11th; in the year 1998.Worked in MIDAS and MIDAS Financing Limited (MFL) under different capacities including SME and corporate financ department. Last position in MFL was AGM & Head of SME. Worked in National Finance Ltd. (NFL) as Head of SME. Last position in NFL was SAVP & Head of SME from September 2016 to April 2017. Visited Srilanka to attend training on SME credit risk management. He has attended a number of training courses and seminars on SME credit risk management, project appraisal and entrepreneurship development at home and abroad.



HUMAYUN RASHID MBA
AVP & Head of Monitoring & Recovery

With UCL Since 01 January 2015

Born In March 1975

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience
Mr. Humayun Rashid has 15 years of extensive experience in Bank and NBFI. Mr. Rashid is an MBA in Marketing from Southeastern University, U.K. He joined Union Capital Limited January, 2015 as AVP at CRM Department. Prior to his joining, he served in Prime Finance & Investment Limited as Head of CAD, Prime Bank and Bank Asia under different capacities. He attended various training /workshops at Bangladesh Bank, BIBM and different training organization of Bangladesh.



SHAH MD. AZIZUL HAQUE
AVP, ICT

With UCl Since 04 May 2015

Born in October 1981

Nationality Bangladeshi

Committee Membership
Money Laundering Prevention Committee

External Appointment Nil

Qualification & Experience
Mr. Azizul Haque obtained his B.Sc. Engineering Degree in Computer Science & Engineering from Khulna University of Engineering and Technology. He completed his MBA in Management Information Systems from the University of Dhaka. He started his career at Data Edge limited, a reputed ICT vendor company, as a software programmer in December 2003 and worked there for 2 years. Prior to Join Union Capital Limited as Assistant Vice President, he worked in NCC Bank Limited for more than 9 years under various capacities in IT Division. He attended various seminars, workshops and trainings relating to the ICT at home and abroad.



MUHAMMAD SHOHIDUR RAHMAN
AVP & Incharge- Motijheel Branch

With UCL Since 10 March 2016

Born In March 1978

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience
Mr. Shohidur has 13 years of extensive experience in NBFIs. He completed his BBA and MBA (major in Finance) from the University of Dhaka. Prior to joining at UCL, Mr. Rahman worked at National Finance Limited for more than 3 years. He started his career with National Housing Finance & Investments Ltd. as Counselor in February 2004. He worked there for 2 years and thereafter joined International Leasing & Financial Services Ltd. in April 2006 and worked there for 6 years under different capacities. He attended various trainings/workshops at Bangladesh Bank, BIBM and different training organizations of Bangladesh.



AFRIDA AHSAN
AVP, Credit Risk Management

With UCL since 01 February 2016

Born in December 1982

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience
Ms. Afrida Ahsan has in her exchequer 10 years of extensive experience in the financial sector. She completed her BBA and MBA with major in Finance & Banking from the University of Dhaka. Prior to joining at UCL, Ms. Ahsan served in Bangladesh Industrial Finance Company Ltd. (BIFC) as the Head of CRM & Credit Administration Department. She started her career as a Management Trainee with Uttara Bank Ltd. in August, 2006 and worked there for 02 years. Afterwards, she joined at BIFC and worked there for about 8 years under different capacities. She attended various trainings/workshops at Bangladesh Bank Training Academy, BIBM and different training organization of Bangladesh.



MAHBUB ALAM
AVP & Head of Treasury

With UCL Since 02 October 2016

Born in Feb 1978

Nationality Bangladeshi

Committee Membership

Member
Asset-Liability Management Committee, Money Laundering Prevention Committee, Risk Management Forum

External Appointment Nil

Qualification & Experience
Mr. Alam joined Union Capital Limited in October 2016 as Assistant Vice President & Head of Treasury. Prior to join Union Capital Limited, he was the Deputy General Manager & Head of Treasury of GSP Finance Company (Bangladesh) Limited and worked there for more than 11 years under various capacities. He worked in Noorani Group & A.R. Group as Senior Accountant for more than 3 years. Mr. Alam has completed Master of Commerce (M.Com). He has completed Articleship from Anisur Rahman & Co. Chartered Accountants. He attended a number of training/workshops during his long 11 years' of service career.



KHANDAKER MUHAMMAD FORHAD ABEDIN
AVP & Head of Legal Department

With UCL Since 10th August, 2016

Born in May 17, 1979

Nationality Bangladesh

Committee Membership Nil

External Appointment Nil

Qualification & Experience:
Mr. Abedin has over 12 years of extensive experience in the legal profession. He has completed his LL.B (Hon's) and LL.M from the University of Chittagong. Prior to joining UCL, he worked at International Leasing and Financial Services Limited in the Legal Department for more than six years. Mr. Abedin started his career as a Staff Lawyer with a human rights organization named "Ain O Shalish Kendro" for more than one year.

Thereafter he joined at "Hasan & Associates" a renowned corporate law firm of the country as an Associates Lawyer for three years as an Associates Lawyer. In this law firm he worked for numerous Banks and NBFI's, national and multinational corporate entities of the country regarding loan and security documentation, all process of litigation to recover the loans, labour law issues, commercial issues etc. He attended different training/workshops at BIBM and different Training Organizations of Bangladesh



MUHAMMAD SALAH UDDIN
AVP & Head of Credit Administration (CC) Department

With UCL since August 10, 2016, **Born in** March, 1980, **Nationality** Bangladeshi, **Committee Membership** Nil

External Appointment Nil

Qualification & Experience
Mr. Salah Uddin joined Union Capital Limited in August 2016. He is currently working as Assistant Vice President & Head of Credit Administration Department (CC) with the responsibility of Loan Documentation, Disbursement and Asset operations.

Mr. Salah Uddin has in his exchequer over 10 years of wide-spread experience in different areas of NBFIs. Before joining UCL, he served for International Leasing And Financial Services Limited for nine years. During his long tenure with International leasing, he got the opportunity to work in Special Asset Management Department, Credit Administration & Monitoring Department at different capacities. He started his career in 2006 with Grameenphone Limited and later switched to International Leasing in 2007. He has obtained his BBA and MBA in Management Studies from the University of Dhaka. He attended a good number of trainings, workshop, seminar at BIBM, Bangladesh Bank, and different training institutes of Bangladesh.

MANAGEMENT COMMITTEES

The Authority of Management Team responsiable for execution of delegated responsibilities

MANAGEMENT COMMITTEE (MANCOM)

Members

Mahmudul Alam, Chairman
Tauhidul Ashraf FCS, Member
Abdul Bareque, Member
Engr. A. N. M. Golam Shabbir, Member
Fazle Karim Murad, Member
Raihan Uddin Ahammad FCA, Member

Major Responsibilities:

- Management Committee is responsible for managing and conducting company's business as designated by the Board of Directors, or under specific resolution of the Board of Directors.
- Review the recommendations of the committees other than Board Committees and takes initiative for implementation of the committee decisions.
- It has the authority to manage the company's business according to set policies and plans.

Works done in 2016

- Reviewed the comprehensive inspection report of Bangladesh Bank and took necessary steps to implement recommendations thereof;
- The Committee implemented automated attendence system in branches.
- The Committee reviewed the policies and guidelines related to CRM, CAD and proposed to the board for approval.

CREDIT COMMITTEE

Members

Mahmudul Alam, Chairman
Tauhidul Ashraf FCS, Member
Selim Khan Hindol, Member
Fazle Karim Murad, Member
Tareq Ahmed Salah Uddin Khan, Member

Major Responsibilities:

- Oversee the credit and lending strategies and objectives of the Company and approve the financial proposals within the limit delegated by the Board.
- The Committee is also responsible to review all financing proposals before placing the same to the Executive Committee/Board.

Works done in 2016

- Reviewed terms and conditions of the finance proposal placed before the Committee for approval.
- Approved more than 344 credit appraisals in 2016 amounting Tk. 6.60 billion.
- Reviewed interest rate subsequent to the disbursement as and when necessary.

RISK MANAGEMENT FORUM

Members

Abdul Bareque, Chief Risk Officer
Engr. A. N. M. Golam Shabbir, Member
Fazle Karim Murad, Member
Raihan Uddin Ahammad FCA, Member
Tareq Ahmed Salah Uddin Khan, Member
Humayun Rashid, Member
Mahbub Alam, Member
S. M. Mehedi Hasan, Member Secretary

Major Responsibilities

- Establish and maintain an effective risk management environment in the company.
- Developing policies and procedures for identifying, measuring and controlling risk.
- Reviewing market condition, identifying external threats and providing recommendation on course of actions.
- Holding monthly meetings of the forum to discuss findings on Risk Management Paper (RMP) submitted by Risk Analysis Unit (RAU) and plan necessary precaution measures to mitigate risks.

Works done in 2016

- Reviewed and analyzed necessary documents under each risk category.
- Identified and measured how each of the risk categories affects UCL and quantifies the risk of material loss as a result.
- Recommended how UCL can draw precautionary measures and mitigate the risk facing the business.

CREDIT RISK MANAGEMENT COMMITTEE

Members

Mahmudul Alam, Chairman
Tauhidul Ashraf FCS, Member
Abdul Bareque, Member
Fazle Karim Murad, Member
Tareq Ahmed Salah Uddin Khan, Member
Mahbub Alam, Member
S. M. Mehedi Hasan, Member Secretary

Major Responsibilities

- Responsible for the implementation of the credit risk policy/strategy approved by the Board.
- Monitor credit risk, enforce compliance with the risk parameters and prudential limits set by the Board.
- Taking decisions in terms of capital allocation and defining limits in line with the risk strategy.
- Ensure credit quality is maintained and that reviews are current at all times.

Works done in 2016

- Implementation of the credit risk policy.
- Taken decisions in terms of capital allocation and defining limits in line with the risk strategy.
- Contributed to the development of relationship management skills of staffs.

HR & REMUNERATION COMMITTEE

Members

Mahmudul Alam, Chairman
Tauhidul Ashraf FCS, Member
Engr. A. N. M. Golam Shabbir, Member

Major Responsibilities

- Recommended the requirements of Management personnel for different sections of the company.

- Interview for selection and recruitment of management cadre.
- Take disciplinary action against convicted officers, if necessary.
- Evaluate the performance of employees annually.
- Evaluate effectiveness of the HR Policy.
- Assess the workload, strength and weakness of the officers and executives.
- Review the Service Rules & Regulations and code of Conduct of the Company on regular basis and recommend necessary changes, if necessary.

Works done in 2016

- Reviewed the existing employee benefit schemes and compared with the industry benchmark.
- Evaluated the performance of the employee for the year 2016
- Introduced new KPI system for performance evaluation.

ASSET-LIABILITY MANAGEMENT COMMITTEE

Members

Mahmudul Alam, Chairman
Tauhidul Ashraf FCS, Member
Abdul Bareque, Member
Fazle Karim Murad, Member
Raihan Uddin Ahammad FCA, Member
Mahbub Alam, Member

Major Responsibilities

- Responsible for managing various financial risks of the company such as market, interestrate and liquidity.
- Reviews market and credit portfolio risks, aswell as interest rate risk inherent in the Company's balance sheet.
- Meets regularly to ensure that the level of interest rate exposures is within regulatory andinternal limits, to maximize the company's netinterest income, to ensure adequate liquidityand to maximize the return on the Company's capital.

Works done in 2016

- Reviewed interest rate on term deposit onmonthly basis and adjusted the rate inaccordance with market trend;
- Reviewed liquidity mismatch of asset-liabilities;
- Reviewed cost of fund and base rate onmonthly basis;
- Reviewed requirement of CRR and SLR and actual amount maintained against therequirement.
- Developed interest rate policy and placed before the Board for approval.

MONEY LAUNDERING PREVENTION COMMITTEE

Members

Abdul Bareque, CAMLCO
Fazle Karim Murad, Member
Raihan Uddin Ahammad FCA, Member
Shah Md. Azizul Haque, Member
Mahbub Alam, Member

Major Responsibilities

- Develop an effective anti money launderingsystem for prevention of the use of company's products and services from money laundering.
- Ensuring compliance with all the relevant rulesand regulations pertaining anti money laundering
- Conduct Central Compliance Unit (CCU) meetingat regular interval and discuss issues raised bythe BAMLCO and advise the Management to take necessary actions to mitigate the issues addressed by the BAMLCO.

Works done in 2016

- Arranged one (1) comprehensive training programs on AML/CFT in 2016 with a viewto creating awareness on AML/CFT risks.
- Conducted CCU Meetings at regular interval where important matters regarding AML/CFT have been addressed.
- Attended all the conferences held during the year on AML/CFT arranged by the central bank.
- Participated four (04) training program on AML/CFT in 2016 organized by BLFCA

CORPORATE GOVERNANCE COMMITTEE

Members

Mahmudul Alam, Chairman
Tauhidul Ashraf FCS, Member
Abdul Bareque, Member
Engr. A. N. M. Golam Shabbir, Member
Raihan Uddin Ahammad FCA, Member

Major Responsibilities

- Review and discuss the issues relating to good governance practices and ensure that the conditions and guidelines on corporate governance are complied with.
- Monitor emerging corporate governance trends and oversee and evaluate the Company's corporate governance policies and programsand recommend to the Board such changes asthe Committee believes desirable.

Works done in 2016

- Reviewed the charter of various Board Committees and placed management recommendations before Board for review.
- Reviews existing corporate governance structure and compliance with the BSEC and Central Bank's Corporate Governance guidelines.
- Reviewed the certificate issued by professional accountant on compliance withcorporate governance guideline.

ETHICS & COMPLIANCE COMMITTEE

Members

Engr. A. N. M. Golam Shabbir, Focal Point
Tauhidul Ashraf FCS, Member
Abdul Bareque, Member
Raihan Uddin Ahammad FCA, Member
Md. Salah Uddin Pallab, Member Secretary

Major Responsibilities

- Ensure whether the employees are complying with the ethical principles and code of business conduct.
- Review and evaluate compliance of laws, rulesand regulations.
- Identification of areas of improvement and planning of training for development of ethicalpractices.
- Analysis of existing laws, rules and regulations and identification of problems and making recommendation for solving those problems.
- Developing job evaluation guidelines and rewarding the performers with integrity, implementation of e-governance system.
- Review whether the Company's business is conducted ethically and in socially responsible manner.

Works done in 2016

- Conducted Ethical Committee meeting monthly basis.
- Reviewed on regular basis the complaint /suggestions received from customers at Head Office as well as in the Branch officesand suggested for improvement.

- Reviewed on regular basis complaint / suggestions from the employees at Head Office as well as in the Branch offices.
- Arranged various in-house training sessions with aim to creating awareness among the employees regarding ethical practice.
- Published diary in corporating 'Chorai Chorai Shuddhachar' for public awareness against corruption.

DISCLOSURE COMMITTEE

Members

Mahmudul Alam, Chairman
Tauhidul Ashraf FCS, Member
Engr. A. N. M. Golam Shabbir, Member
Abdul Bareque, Member
Raihan Uddin Ahammad FCA, Member

Major Responsibilities

- Assure compliance with the disclosure and transparency requirements and the listing rules.
- Ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office andinvestor relations are clear so that the companyis able to comply fully with its continuing obligations under the disclosure requirements.

Works done in 2016

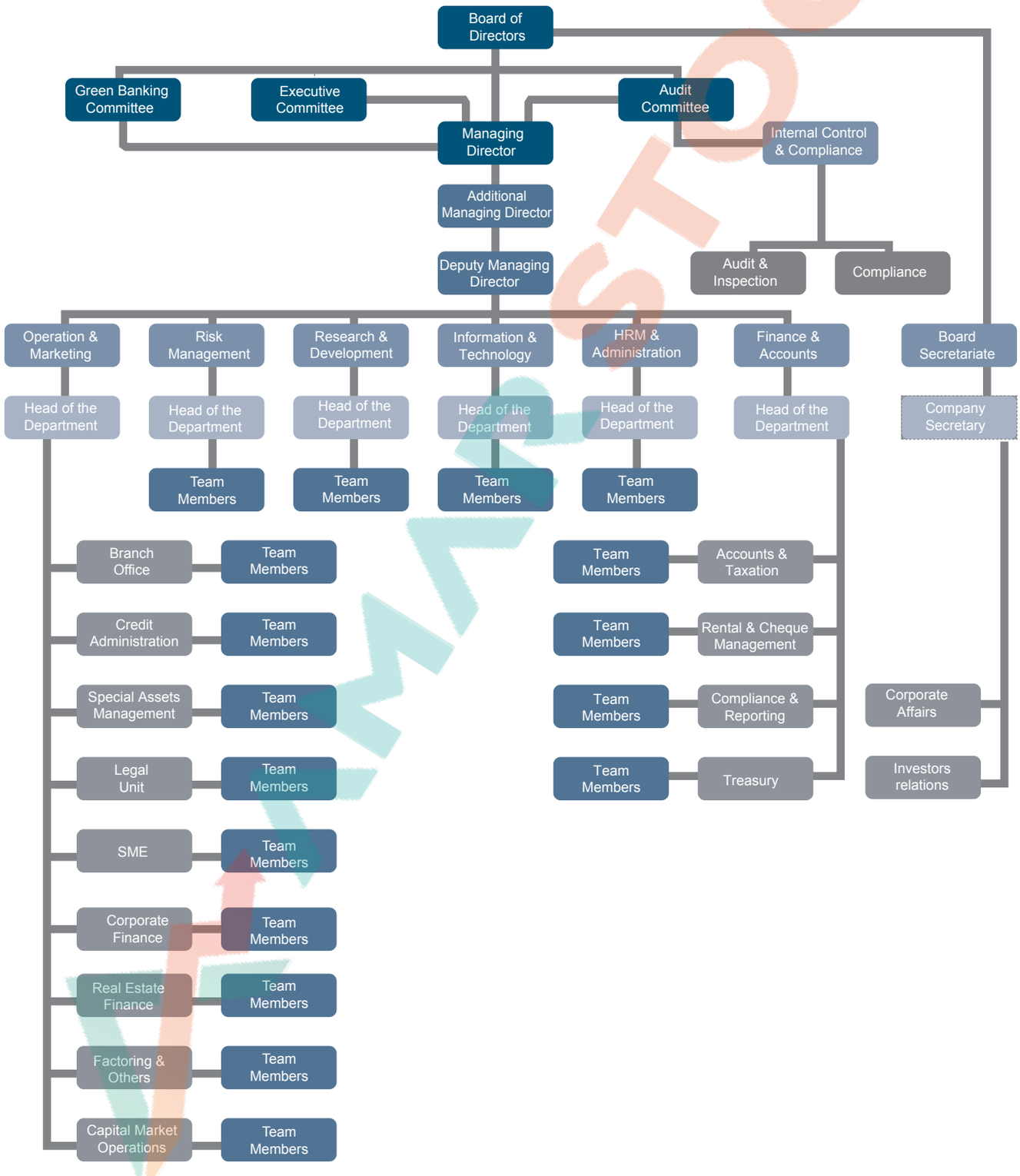
- Reviewed the contents of the Annual Report for the year ended 31 December 2015 to ensure appropriate disclosures has been made.
- Placed the financial statements for the year ended 31 December 2015 before the Audit Committee & Board for review.

AMAR STOCK

ORGANIZATION CHART

Illustrates the management structure of UCL

The Framework around which UCL is organized. It tells how the organization is put together and how it works.



Sustainability Development Report

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AMAR STOCK

FRAMEWORK FOR RESPONSIBLE BUSINESS

Outlines how UCL achieves vision managing its business in a responsible way

We believe that our success is directly linked to the sustainability of our communities and the environment. We also believe that actions speak louder than words, by establishing green initiatives within our organization we hope to do our part to create an even brighter future for our organization and the communities we serve. When we think about Green, we think about three R's: Reduce, Reuse and Recycle. This is the first step of living green.

Our Framework for Responsible Business defines the principles by which we manage the business, sets the context for corporate governance, and helps us take account of economic, environmental and social factors in our decisions. Our Framework is based on three business goals, which comprise a number of underlying values.

SUSTAINABLE GROWTH

We are constantly looking to expand and grow our business by transferring our skills to new markets. Growth needs to be sustainable if we are to bring long-term value both to our shareholders and to others. So we must:

- Contribute to the economic growth of our country through the way in which we manage and invest in our business.
- Act with honesty and integrity as we undertake and develop our business.
- Protect the future of our business by proactively managing existing and future non-financial and environmental risks.
- Value our employees through inclusion.
- Employ the right number of people with the right skills for the work we have to do.
- Treat our employees fairly.
- Act in accordance with all laws and regulations.
- Respect human rights.

PROFITS WITH RESPONSIBILITY

For our business to be sustainable, we must be profitable. However, increasing our profitability at any cost is neither sustainable nor acceptable. We therefore have to be responsible in the way in which we generate our profits. So we must:

- Improve our efficiency without compromising the reliability and integrity of our operations.
- Maintain a sound system of internal financial control.
- Be efficient in our use of natural resources.
- Keep our waste to a minimum and increase the economic value of any waste we produce.
- Help protect the environment for future generations, including making our contribution to minimizing climate change.
- Safeguard each other and those who work with us by operating an healthy workplace and protect the safety of the public through the integrity of our operations.
- Help our employees balanceing work with their other commitments.
- Respect our customers by conducting our business in a professional manner.
- Be open and constructive in the dialogue we have with our stakeholders.

INVESTING IN THE FUTURE

As a responsible business, our commercial success enables us to invest in the future in a way that benefits our shareholders, our employees, the environment and society. This investment is a reflection of our desire to be a long-term business. So we:

- Seek to deliver progressively increasing returns for our shareholders.
- Enable others to contribute to economic growth by providing high-quality dependable services.
- Improve, where we can, the environmental status of the land on which we operate.
- Contribute to the development of new initiatives aimed at improving the environment and the quality of life.
- Develop our employees so that they can add value to the

SUSTAINABLE GROWTH
Weare Responsible to do business with honesty and integrity for overall growth of our business and the community were we work.

PROFITS WITH RESPONSIBILITY
We do business with the responsibility that we must respect rules, keep truth as a value, maintain harmony and conduct ourselves with diligence and thrift.

INVESTING IN THE FUTURE
We are responsible to do business in such a way that benefits our shareholders, employess, environment and the community where we do business.

We have a duty to deliver value to our shareholders and they too are essential to our long- term commercial success. This allows us to invest in the future to further benefit our customers, shareholders, employees, the environment and society as a whole, ensuring we have a successful and sustainable future.

company, to themselves and to society.

- Recognize and reward our employees for the contribution they make.
- Encourage and support investment in the community through both the activities of our employees and our financial contributions, with an emphasis on developing partnerships.

Our Framework for Responsible Business developed in 2012 applies to all of our operations with a view of achieving our aims as detailed below :

- We, at UCL, will be the foremost financial institution, delivering unparalleled safety, reliability and efficiency, vital to the wellbeing of our customers and communities.
- We are committed to be an innovative leader in financial sector and in safeguarding our environment for future generations.
- Our Framework for Responsible Business outlines how we will achieve these aims by managing our business in a responsible way. It explains how we take account of environmental, economic and societal issues when we make our business decisions. Our Standards of Ethical Business Conduct, policies and public position statements support the framework.
- We intend to play a central role in tackling the challenges of energy security, climate change, and making energy affordable.
- We want UCL to be a company where people want to work and where they can develop their full potential. We will support our employees with the right training, knowledge and resources. We will trust them to use their skills and expertise to do their jobs well. We will always make sure the safety and wellbeing of our employees, contract partners and the public are at the centre of everything we do.
- We are in long-term business and these are long-term commitments. We have a duty to deliver value to our shareholders and they too are essential to our long-term commercial success. This allows us to invest in the future to further benefit our customers, shareholders, employees, the environment and society as a whole, ensuring we have a successful and sustainable future.
- We believe it is not acceptable to make a profit regardless of the effects this may have on the environment, society, our customers or our employees. Our reputation depends on our stakeholders being able to trust us and be confident in us. We will only retain our right to operate by working to the highest standards, by trusting our employees to do the right thing and by running our company responsibly and sustainably.
- We continually look to improve our performance and reputation as a responsible and sustainable company. To do this, we must make sure that we are open and honest with all our stakeholders.

We must act keeping the environment in mind meaning to be conscious of all the things we do on a daily basis. All of our actions affect others lives on the Earth, including other human beings. It's important to think before we act.

CORPORATE SOCIAL RESPONSIBILITY

Serving as a responsible corporate citizen

VISION

UCL is committed to doing better for our clients, our investors, our employees and our communities through a focused approach to corporate responsibility. Our goals are to demonstrate integrity in our business practices and provide leadership in the workplace and the marketplace. We are committed to be a strong supporter of the communities in which we do business and to transparency in sustainability reporting practices.

STRUCTURE

At UCL, our whole company, every employee, is responsible for behaving responsibly, as outlined in our Code of Conduct. It is our duty as a corporate citizen to add value to the society while earning a profit for our shareholders. UCL group takes responsibility for the effects of their actions, both social and economic.

REPORTING

UCL has adopted a multi-pronged approach to reporting our corporate responsibility practices, sometimes called non-financial or sustainability reporting. We undertake a range of reporting activities geared to various stakeholder groups, with our website being our primary reporting medium.

OUR APPROACH

The corporate responsibility priorities are relatively new, yet they reflect aspects of this company that have been around for many years. Our journey to build the priorities considered:

- The Guiding Principles that provide a foundation for UCL's corporate values;
- The Leadership Profile as a standard of behavior expected from our leaders;
- The multitude of stakeholder interactions keeping us connected to the needs and concerns of those we affect;
- An understanding of materiality to help us navigate and assess immediate and emerging social and environmental issues; and
- Finally, UCL's business strategy, which articulates the direction of UCL.

PRIORITIES

Taking all the above components, we crafted the following Corporate Responsibility priorities:

Be customer focused

- Treat customers fairly, and provide support in tough times;
- Be the financial institution of choice.

Build an extraordinary workplace

- Build a fair, diverse and inclusive workplace that reflects the communities we serve;
- Attract and retain talents and create opportunities for continued development.

Be an environmental leader

- Continuously improve our environmental footprint;
- Protect and enrich the natural environment;
- Manage the social and environmental risks of our lending and investment products.

Make an impact

- Contribute to the economic and social development of the community we serve;
- Be transparent about the way we conduct our business.

UCL AND ITS CUSTOMERS

Taking responsibility – to be customer-driven approach

We want to deliver legendary experiences that will inspire our customers to trust us with more of their business and recommend us to their friends and family. Every part of our business, and every employee, are measured on the contribution they make to our customers' experience with us. Our approach is to treat customers fairly, support them when they go through difficult times and consistently deliver on our goal to be a leading financial institution.

2017 Challenge

- Continuing economic uncertainty created financial difficulties for many customers.
- Maintaining our standard of customer service as we diversify our business.
- Balancing needs-based financing with targets for revenue growth.

Customer experience

We evaluate our performance based on our customer satisfaction. This helps us to set targets and drive improvement. We exchange our views with customers to evaluate our performance in a number of areas, such as:

- showing we value our customers;
- listening carefully to understand our customers' concerns and questions;
- providing prompt responses to requests; and
- showing genuine interest in helping our customers.

A safe and secure business experience

Our customers tell us that it makes a big difference in their lives when they can have confidence in our system, the safety of their deposits. We are committed to managing our business in a way that reinforces their confidence and protects their fund and information. We do this through compliance with external regulations, as well as through a range of internal policies, including those that cover:

- our Code of Conduct and Ethics;
- anti-money laundering and terrorist financing; and
- information security and fraud protection.

Our Code of Conduct and Ethics

The Code provides a framework for how we interact with one another, our shareholders, customers and community. The Code addresses issues such as how to handle potential conflicts of interest and ensure confidentiality of information. Employees understand clearly that any irregular business conduct, including bribery, corruption or insider trading, will not be tolerated. Any breach is considered a serious offence, and employees must report any possible violations they witness. As a responsible financial institution and corporate citizen, UCL, together with its subsidiaries, is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism – in every respect, without exception, and at all

times. While reaching our business goals is critical to our success, equally important is the way we achieve them.

Anti-money laundering and terrorist financing

UCL is strongly committed to prevent the use of our financial services for money laundering and terrorist financing purposes.

Our Anti-Money Laundering Compliance develops and maintains policies, guidelines, training and risk assessment tools and other controls to help our employees protect UCL and our clients and to ensure we are managing ever-evolving money laundering and terrorist financing risks. Our controls in this area incorporated know your Customers rules as required by Bangladesh Bank to ensure we properly identify our customers and protect against the illegal use of our products and services.

Information security and fraud protection

UCL has a dedicated team of security and fraud management professionals who oversee security standards to protect our systems and our customer information against unauthorized access and use. They continually assess our security programs to ensure our customers can place complete confidence in our facilities. UCL has a sound technology risk-management and information security program in place to help keep confidential and private information secure and protected. This program helps protect UCL's internal systems from unauthorized access.

Transparent product information

We want to help our customers understand the financial products and services they avail. Our employees are trained to take sufficient time to explain issues and answer questions. We make product information readily available in our different offices, as well as on our website.

Responsible marketing

UCL meets or exceeds the laws and regulations requiring us to disclose basic information about the financial products and services we offer. We ensure that our products and services meet genuine needs and that customers do not feel any undue pressure to avail unwanted products or services. Promoting our products and services responsibly is also a fundamental obligation. UCL has programs and processes in place, to ensure adherence to laws and regulations related to marketing communications, which include advertising, promotion and sponsorship.

Inclusive investment

As a financial services provider we have a role to play in supporting access to financial services to help our customers. We provide a variety of special products for senior citizen, students/youth and low income customers. We offer a number of deposit options:

- For seniors, we offer monthly deposit scheme which features special profit rate.
- For student/young people, we offer monthly and periodical deposit schemes that features special and flexible rate of profit.
- We offer personal deposit scheme for unemployed and housewives that features deposits of small amount.

Helping small businesses contribute to our economy

In our economy, small businesses are the lifeblood for sustainable economic development and that's why UCL consistently stands besides these vital enterprises. Our support for small business includes access to financing, specialized services and advice and education. Small business credit products are available at all UCL branches. To better assist small business customers who have complex credit needs, UCL seeks to understand the unique needs of each business, offers proactive and innovative solutions, Provide expert advice and helps customers obtain the right products and services.

UCL AND ITS EMPLOYEES

Taking responsibility – to build an extraordinary workplace

Approach

We want our employees to feel engaged in what they do, empowered to make a difference, excited by opportunities to develop and grow to their full potential, and recognized for their unique contributions. We aspire to be increasingly inclusive by identifying

and eliminating barriers or biases. We celebrate and welcome difference and work to constantly improve our employees' experience. the UCL culture has many elements: our drive to deliver exceptional customer service; our passion for the environment and for giving back to the communities we serve; and our determination to create a unique, diverse, respectful and safe workplace for our employees to grow and develop. It doesn't happen overnight, and there are many steps along the way to building the workplace we want to see across UCL.

2017 Challenges

- We face a continuing challenge in recruiting people with requisite skill and knowledge.
- Managers are looking for tools, training and increased cultural awareness to prepare them for the challenges of managing adverse workforce.

Employee Feedback

We track employee engagement through internal survey and are open to every employee. Entry and exit surveys are used to better understand how employees rate their experience of joining UCL or choosing to leave. Newly hired employees are asked to rate UCL on the hiring and recruiting process and if they felt supported during the first few months on the job. Questions that are in the list given below:

We strive to take active responsibility for our daily choices that UCL faces: How should we best structure and govern our Company? How should we best serve our clients in terms of ethics, privacy and services? How should we attract the best talents and motivate our employees? How should we contribute to our communities in which we operate our business? How can we minimize the impact of our business activities on the environment? and How can we grow our company in a sustainable way

• I feel comfortable bringing work-related concerns to my manager.	Yes	No
• My manager provides ongoing feedback that helps me to improve my performance.	Yes	No
• In the last 12 months, I have had opportunities to develop my skills and abilities.	Yes	No
• I am able to achieve the balance I need between my personal life and my work life at UCL.	Yes	No
• UCL is genuinely committed to the well-being of its employees.	Yes	No
• UCL treats employees fairly regardless of their age, family/ marital status, gender or religion.	Yes	No
• UCL takes a genuine interest in the well-being of community in which it does business.	Yes	No

Recruitment

Our recruitment activities are designed to make sure we're well positioned to meet our future business needs. Welcome to UCL is an orientation course for new employees. It introduces them to UCL culture through interviews with employees and executives about who we are, what we stand for and what makes UCL an extraordinary place to work. We believe in open access to all internal career opportunities. Although UCL has a strong commitment to developing leaders from within, due to rapid growth and the increasing complexity of our business, we have hired external executive candidates with the specific skills we need.

Retention

UCL has a unique culture of working environment that would be reflected from the following table:

Employee Turnover (%)	Voluntary 2016	2015	2014	Retirement 2016	2015	2014
Sr. Management	0.79	1.55	0	0	0.77	0
Mid. Management	5.56	2.32	3.87	0	0	0
Jr. Management	8.73	11.62	7.75	0	1.55	0
Support Staff	0.00	1.55	0.77	0	0	0
Total:	**15.08**	**17.04**	**12.39**	**0**	**2.32**	**0**

Transitions

As part of our commitment to be a best run company, we look for ways to streamline our operations and simplify our processes so that we can improve the value and service we provide our customers. Sometimes these changes result in the consolidation or reassignment of work. To minimize the impact of thesedecisions on our employees, our practices are to:

- keep employees informed;
- offer employees the opportunity to apply for other internal positions;
- make every effort to minimize the overall impact through natural attrition; and
- provide appropriate support, including employee training.

Compensation and Benefits

The objective of our compensation strategy is to attract, retain and motivate high-performing employees to produce long-term profitable growth. To achieve this, UCL's compensation includes base salary and performance incentives that are aligned with the company's strategy and business objectives and are competitive within our industry. We work to ensure a consistent approach to compensation across UCL that fosters a pay-for-performance culture. In 2016, we spent tk. 134.73 million in employee compensation and benefits. Compensation is designed to be fair and without discrimination and we ensure that it is competitive in the markets in which we compete.

Performance and Development

At the core of employee development at UCL is our Personal Performance & Development process. We encourage employees to take ownership of their careers and personal development and help managers prepare for personal development and career planning discussions. All managers and employees participate in year-end reviews.

Investment in training and development

(Figure in million Taka)

	2016	2015	2014	2013
UCL's investment in training	0.34	0.12	0.26	0.10
Average number of days of training	5.52	4.72	1.87	1.38
Average hours of training per executive	5.5	11.8	4.67	6.19
Figure in million taka except hou	0.26			
Average number of days of training	4.72	1.87		
Average hours of training per executive	11.80	4.67		

Leadership Development

Building talent at UCL for today and tomorrow is critical to our future growth and is a key accountability for UCL executives and leaders at all levels. Business leaders complete an





...UCL culture has many elements: our drive to deliver exceptional customer service: our determination to create a unique, diverse, respectful and safe workplace for our employees to grow and develop.

annual review to identify future leaders who are capable of taking on executive responsibilities. Our CEO, the Senior Executive team and other leaders participate in and help facilitate UCL's leadership development programs.

Communication and recognition

Open and direct communication is an evolving part of UCL's employee experience. We've learned, especially through organizational changes, that employees value getting the straight story from their managers and being able to talk openly about issues that concern them.

Recognition

To acknowledge and celebrate individual and team success we have a number of programs that include informal recognition and celebration events. We launched to celebrate Employee Appreciation Week to acknowledge the outstanding contributions UCL employees make every day through events and activities.

Employment equity policy

Our Employment Equity Policy states: UCL Group is committed to maintaining a workplace where the terms and conditions of employment are fair and non-discriminatory. It is the right of every employee to be treated with dignity and respect, within a work environment conducive to productivity, self-development and career advancement, regardless of race, colour, religion, age, sex, marital status etc.

Inclusive workplace

We are committed to fostering an inclusive, accessible environment where all employees and customers feel valued, respected and supported. this means building a workforce that reflects the many different human facets of the communities we live in and serve, including cultures, languages, genders, ages, abilities and disabilities. We strive to create an environment where every employee has the opportunity to reach his or her potential. While our key areas of focus continue to be important, over time employee feedback has identified four priorities that are common to all groups. These priorities shaped our thinking on diversity and inclusion in 2016. they are:

- Recruitment: focus on reaching the broadest possible talent pools. We do this by building awareness and relationships amongst all employees;
- Mentoring and networking: support all employees as they build knowledge, skills and capabilities that will help them succeed;
- Talent management: ensure diversity and inclusion that are integrated into all aspects of resource planning, performance and development and personal career management; and
- Training and development: embed diversity and inclusion principles into both formal and informal learning so that employees can understand and discuss key topics.

Whistleblower program

UCL has implemented a whistleblower program for employees. Employees can anonymously report any concerns regarding the integrity of UCL accounting, internal accounting controls or auditing matters, as well as any concerns relating to ethical or legal matters or any allegations of retaliation.

UCL AND ITS COMMUNITY

Taking responsibility – to make an impact approach

We strive to make a positive impact where we do business and where our customers and employees live and work. For us, that means contributing to the social and economic development of our communities in meaningful, long-lasting and innovative ways.

2017 Challenges

- Responding to local needs while maintaining a focus on our giving priorities.
- Multiple demands involving issues: in the area of education, for instance, UCL receives funding requests to support scholarships, contribution for helping distressed people, assistance for education of underprivileged and disabled children.

Our strategy:

- Create opportunities for young people so they can fulfill their potential;
- Work with communities in need, to build a more prosperous and inclusive future;
- Protect and enhance the environment; and
- Engage our employees, customers and partners to make a difference together in our communities Our Priorities

Our community giving priorities are:

- Education;
- Creating opportunities for young people;
- Responding to Disasters;
- Volunteerism; and
- Civic Contributions.

We invest in community programs that support and promote each of these areas. In addition, we look for opportunities to invest in initiatives that support diversity across our giving priorities (e.g., financial assistance for disabled and underprivileged children).

Education

Education is important to UCL. To make an impact in these areas, we work in partnership with community organizations to raise literacy levels with a focus on underserved community people.

Creating opportunities for young people

UCL strives to create opportunities for youth so they can develop educationally, socially and artistically in order to fulfill their potential. These are difficult economic times for many young people in our society, as well as the organizations that run or support youth services. We believe that makes it even more imperative for companies like UCL to play a role by creating opportunities for graduates through internships and employment.

Responding to disasters

In the wake of devastating natural disasters in the past, UCL provided corporate funding and our employees raised money to support recovery efforts as well as provided support and comfort for those forced out of their homes. We pulled together to make a difference life for:

- flood affected people;
- victim of natural disasters like SIDOR, AILA etc.
- those affected by cold waves/havoc.

Volunteerism. Philanthropy. Sound business practices and ethics. And a conservation-minded approach to protecting the environment. All are integral to UCL's culture of caring and form the foundation of our corporate social responsibility (CSR). Our commitment to a culture of caring means that by turning money into good works, we extend a helping hand to those who may be unable to care for themselves.

Volunteerism

UCL employees care and want to make a difference, so we look for programs in which our employees can also engage. We connect community organizations – which often consider human support as valuable an asset as financial support – with interested UCL employees. By volunteering, UCL employees are taking responsibility to help enrich the well-being of local communities. Volunteering also gives employees opportunities to build their skills, network and learn more about their communities.

Civic Contributions

UCL is a member of different associations that track and advocate on issues of interest to their membership, including the Dhaka Chamber of Commerce and Industry, Bangladesh Association of Publicly Listed Companies, the Institute of Bankers, Bangladesh.

UCL is also a member of Bangladesh Leasing and Finance Companies Association (BLFCA), an apex body of financial institutions that serves common interest of member companies.

UCL & Its Environment

Taking responsibility – to be an environmental leader

our approach

We equate a healthy environment with a healthy economy. The combined pressures of population growth and urbanization place growing demands on basic resources – such as energy, water, and land. These resources are becoming increasingly constrained, and costs are rising. Just like our customers, employees, and community we are concerned about reducing our environmental impacts. How to manage the growth of a business, while reducing demands on scarce resources, is at the heart of responsible development. Whether through our financing activities, our products and services, or how we operate our facilities, this is top of mind for UCL.

2017 Challenges

- Achieving targets on paper reduction
- Increasing environmental awareness and building employee engagement.
- Continuing to manage the environmental and social risks associated with financing activities.

Environmental Pillars

Our goal is to be an environmental sensitive. We have been building an environmental strategy that will be embedded within UCL's vision and mission. Our environmental strategy will reach across all aspects of our business and will be managed through:

- Reducing the environmental footprint of our business operations;
- Responsible financing;
- Engaging our environmental stakeholders in dialogue to promote understanding and solutions. While there are many environmental issues that need attention, we concentrate our efforts on issues where we can be most effective. In response to feedback from customers, employees and other environmental stakeholders, we selected two areas to focus on: energy and paper.

Reducing UCL's operational footprint

We're committed to continuous improvement to lower UCL's operational footprint through:

- reducing energy use across UCL's business operations and fleet;
- reducing non-paper waste and e-waste; and
- reducing paper usage;

Responsible financing

Our financing activities include loans, lease, project financing etc. Our goal is to make balanced, informed and transparent financing decisions. We work with our clients and stakeholders to proactively mitigate environmental and related social risks in our financing activities. UCL Group is an investment bank and a nominal percentage of total investment involves clients operating in environmentally and socially sensitive industries such as power generation, automotive and chemicals. UCL has developed the following policies that support responsible financing:

Protecting Biodiversity:

UCL does not lend money for transactions that would result in the degradation of protected critical natural habitats.

Illegal and restricted business:

We do not lend money for transactions that are directly related to the trade in or manufacturing of material for chemical or biological weapons or cluster bombs, tobacco etc.

Anti-Corruption

UCL applies anti-corruption and anti-fraud controls to activities that are known to be susceptible to criminal activity or have been designated as being at high risk for money laundering or terrorist financing.

Renewable Financing

UCL promotes energy diversity as a means of meeting the growing energy demand and supply gap. Financing of renewable projects is in the priority list of our investment.

We firmly believe that being a responsible business directly contributes to our financial success, creates value for our global stakeholders, serves as a primary business strategy and strengthens our position as a market leader. We are dedicated not only to meeting the needs of our clients and shareholders, but also serving as a responsible corporate citizen through support for the diverse communities and environments in which we live and work.

ENVIRONMENT INITIATIVE

Reducing our environmental footprint for better Bangladesh

UCL's approach to the environment is based on four pillars that embed the environment across our business:

- Reducing the environmental footprint of our business operations;
- Responsible financing that includes proactive engagement of environmental and related social risks;
- Developing green products and service options for our customers; and
- Engaging employees and communities to raise environmental awareness and make an impact.

Bangladesh Bank has taken rigorous steps to encourage green banking in Bangladesh through the issuance of Guidelines on Green Banking and Environmental Risk Management (ERM). It is encouraging banks and financial institutions in minimizing paper transactions and installing solar power system, opening up refinance line for solar energy, bio-gas and effluent treatment plant (ETP) at reduced interest rates. The central bank introduced refinancing line for financing solar energy, biogas and effluent treatment plant (ETP) at only 5 percent interest rate.

OUR POLICY

- Provide a safe and healthy workplace and ensure that personnel are properly trained and have appropriate safety and emergency equipment.
- Be an environmentally responsible neighbor in the communities where we operate, and act promptly and responsibly to correct incidents or conditions that endanger health, safety, or the environment.
- Conserve natural resources by reusing and recycling materials, purchasing recycled materials, and using recyclable packaging and other materials.
- Finance those customers producing products that are safe for their intended use, efficient in their use of energy, protective of the environment, and that can be reused, recycled or disposed of safely.
- Ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency, and giving preference to renewable over non-renewable energy sources when feasible.
- Participate in efforts to improve environmental protection and share appropriate pollution prevention technology, knowledge and methods.
- Meet or exceed all applicable government requirements and voluntary requirements to which UCL operates.
- Strive to continually improve UCL's Environmental management system and performance, and annually issue progress reports to the stakeholders.
- Conduct rigorous audits and self-assessments of UCL's compliance with this policy, measure progress of UCL's environmental affairs performance, and report periodically to the Board of Directors.

Every employee is expected to follow this policy and to report any environmental, health, or safety concern to the management. Managers are expected to take prompt action.

OUR PRACTICES

On a more practical level, UCL interacts with the environment in a number of ways:

- As investor - providing investment needed to achieve sustainable development.
- As innovator - developing products to encourage sustainable development - e.g. in energy efficiency.
- As powerful stakeholders - shareholders and lenders can exercise considerable influence over the management of UCL.
- As victim of environmental change - e.g. from climate change.

ACTIVITIES UNDERTAKEN

There is growing interest from UCL in environmentally responsible investment, and this has led to the development of some progressive environmental investment initiatives as under:

Sustainable operations: From minimizing paper transactions to energy conservation in our offices, we are working to reduce our operational footprints on the environment.

Sustainable lending: We take environmental protection into account when making lending decisions. In corporate financing this means incorporating environmental due diligence into the lending process, which may include site visits, verification of client's environmental papers.

Green products and services: We will explore developing new products and services that respond to customers demand for sustainable choices like paperless statements.

Community activities: We are planning to generously support environmental organizations and projects initially in Dhaka city.

New avenues and technologies are being pursued continuously for protection of the environment. Customers are encouraged to use environmental friendly machinery and equipments to minimize the impact on environment. Concessionary interest rate is offered to clients having certificates from department of environment, Government of Bangladesh.

CORPORATE CULTURE

Putting partnership in action

Corporate culture is considered to be a significant source of value in companies, as what distinguishes them among their interest groups. Employees are always at the base of this culture. At UCL, over 130 employees are one of the great leverages for creating a culture that enables us to build sustainable relations with clients, employees, shareholders and investors, communities and strategic partners.

Corporate culture has an immense impact on UCL's human resources, through knowledge acquisition, job development, training, communication and leading to job satisfaction. In this environment important is placed on effective management, a clear definition of responsibility, straightforward work processes with minimum bureaucracy. In this way UCL is able to serve its customer at its best helping them to achieve their goals.

BUSINESS PRINCIPLES

In order to ensure that our customers are getting the best possible service, we have organized the tenets of its culture into following business principles and these principles are undertaken by all UCL's operations.

Long-term relationships

UCL's main objective is to develop and maintain long-term relationships with its clients.

Their needs and interests are made a priority, since their success consequently fuels our success, thus establishing a common goal.

Teamwork

The best results are achieved only when the employees of UCL and its customers work together as a team. Effective cooperation and proper communication ensure quick and professional service and provides the basis for efficient teamwork.

Fun & flair

Business becomes a pleasure when an organization takes part in celebrating its clients' successes. Providing professional advice and achieving excellent results leads to shared enjoyment, underscoring company's commitment to its clients.

Trumping bureaucracy

Cutting bureaucracy enables employees to respond quick to its clients' needs. Short and straight lines of communication, a clear definition of responsibility and the delegation of power provide the customers with sharp, quick and effective service.

Efficient decisions

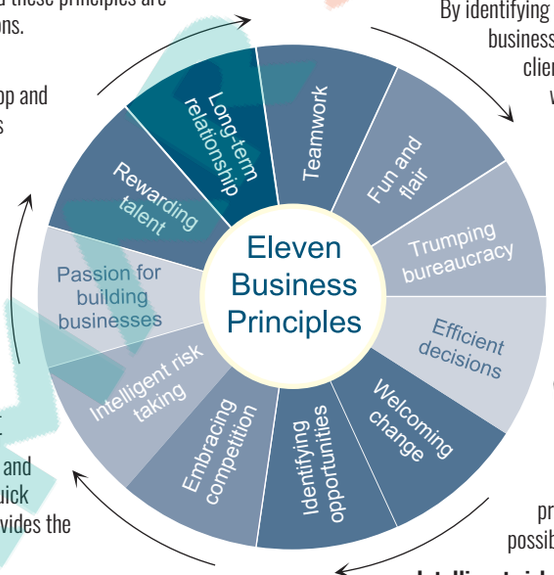
Effective service to the customers is based on effective and efficient decision-making. This is achieved through the devolution of power and open communication. This also makes for an exciting and highly motivating work environment that attracts talents and qualified candidates.

Welcoming change

The business environment is constantly undergoing changes, bringing the company up against new challenges. In order to assist clients in gaining a competitive advantage, we need to keep ourselves abreast of changing business practices and seeks to implement changes ahead of the competition.

Identifying opportunities

By identifying opportunities where others see business as usual, UCL is able to advise its clients effectively and provide them with exceptional choices. We are confident that our employees are able to perform this task by building customers confidence and encouraging their initiative.



Embracing competition

Both UCL and its customers face intense competition in a rapidly changing business environment. However, we view competition as a powerful motivator, as a spur to keep our business ahead of the times and providing its customers with the best possible service in the industry.

Intelligent risk taking

UCL uses its expertise to advise its clients on the risks they face and enable them to make informed decisions. Up to date information and qualified personnel ensure intelligent risk assessment and decision-making.

Passion for building businesses

UCL is determined to build its customers businesses for the benefit of the Company and its customers. The best possible business results can be achieved through a strong and committed team of UCL through personnel and customers working in unison, focusing on the task at hand.

Rewarding talent

To ensure that our clients receive superior services, we reward

UCL's corporate culture is based on simplicity, openness and caring. Maintaining the commitment, focus and motivation of UCL's employees requires their understanding of the Company's purpose and values.

those employees who perform most successfully. Our greatest resource is our employees and it places great emphasis on retaining good employees, that is, those who provide the greatest benefits to our customers.

POLICIES FOR EMPLOYEE BEHAVIOUR

Discipline

- We will always put laws and social conventions before profits.
- We will act as ethical individuals and dignified citizens.
- We will not conceal damaging information about our company or ourselves, and will quickly make such information available to concerned parties.
- We will take a firm stand against antisocial forces, and refuse to have dealings with them.

Integrity

- We will act in good faith in order to win the trust of our customers.
- We value the maintenance of long-term relationships of trust with our customers, local communities, and our shareholders.
- We will be fair in our dealings and with our competition.

Harmony

- We will act through the cooperation of all our employees, who are united in their efforts to assess what is best for society.
- We value our connections with local communities as we aim to become a good corporate citizen.
- We will seek to achieve harmony between the natural environment and our work.

Diligence

- We will approach our work with an attitude of fortitude and austerity.
- We will continuously apply our originality and ingenuity to develop our productivity.
- We will immediately put good ideas into action.

Technical Improvement

- We will seek to hone our creativity, believing that innovation is the source of our competitiveness.
- We will aim to attain the sound technological level as we continuously improve our technology.
- We will actively seek to acquire new knowledge and skills without the fear of making mistakes.





CONTRIBUTION TO NATIONAL ECONOMY

UCL is one of the major employer, taxpayer and financial services provider amongst the non-banking financial institutions in Bangladesh. Our role in the economy is extensive in terms of employment generation, tax payment, contribution to the underprivileged people, protection of environment and serving the society. Our everyday business activities touch the lives of millions of people and businesses.

We recognize that Union Capital Limited has the corporate responsibilities to the development of the community and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our customers, shareholders, employees, government and the community where we do businesses.

OUR PRIORITIES

- Providing strong returns to shareholders
- Paying fair share of taxes
- Supporting small businesses and community economic development
- Fostering innovation and entrepreneurship
- Empowering Small and Medium Entrepreneurs
- Empowering Women Entrepreneurs
- Financing to untapped people
- Purchasing goods and services responsibly
- Creating employment
- Protecting the environment
- Enhancing the market share
- Helping build nation

Companies both large and small can help shape the economies of a community and country in which they do business, simply through their day-to-day business decisions and actions. Our ongoing objective is to make sure that UCL businesses are taking on only risks they understand and that are manageable within an acceptable level. Our most direct contribution comes through maintaining a strong business with solid earnings and profits. This allows us to pay to our employees and lenders and depositors, contribute taxes and revenues to government and provide dividends to our shareholders.

Our contribution to national economy is thus:

Providing financial products and services:

As a financial services provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs which have become keys to economic growth of the country and without opening up of the financial sector to semi urban and rural areas, the projected growth of the economy will not be achievable. UCL has given strong focus in green financing in order to ensure its commitment to be a part of the sustainable development of the economy. Based on the financials as on 31 December 2016, UCL has a total credit exposure with around 4,077 customers of Tk. 17,103.76 million. Such credit facilities were extended mostly for capacity building of the borrowers, importation of capital machineries, business expansion and working capital. Through its subsidiary companies, UCL group also manages IPOs of different companies to raise capital from the capital market. This is how UCL contributes to the industrialization and capital market development of Bangladesh and thus helping employment generation. Also the Company has mobilized term deposits of Tk. 13,131.22 million from 1,138 numbers of depositors helping them build up savings for investment in national economy.

DIRECT ECONOMIC VALUE GENERATED IN 2016

(in millions Taka)

UCL's total revenue	Distributed value		Economic value retained
	Operating cost:	Tk. 1,659.69	
	Salaries and benefits:	Tk. 134.73	
Tk. 2,288.81	Taxes:	Tk. 234.10	Tk. 98.83
	Dividends:	Tk. 159.59	
	Community giving:	Tk. 0.97	

- Operating costs include interest expenses, provision and management expenses excluding salaries and benefits

Paying fair share of taxes to Government:

UCL contributes to the national economy by paying out fair share of taxes to Government exchequer in collection of revenues. The Company deducts withholding taxes, VAT and excise duty at source from payment of interest on term deposits, cash security, products and services, salary & allowances to employees and deposits the same to the government exchequer within prescribed time. Besides this the Company pays tax on its various earnings i.e. income tax on its income as well as VAT on its fee based income. During the year 2016 the Company collected, withheld and deposited tax, VAT and excise duty at source and paid advance tax to government exchequer in the following manner:

Taka in million

Particulars	Amount
Advance tax	271.20
Withholding taxes	115.00
Withholding VAT	3.62
VAT collected and paid	4.48
Excise duty collected and paid	4.07
Total	**398.37**

Creating employment:

We make an economic impact by creating employment and a well-trained human resources. UCL and its subsidiary companies employed as many as 199 employees as on 31 December 2016. We believe that the human resources act as the catalyst behind the development, success and future sustainability. The Human Resources of the Company is guided by a robust HR Policy, attractive work place, competitive pay band and rewarding career opportunities transforming human resources in to human capital. During the year 2016, UCL spent total Tk. 0.41 million for training and HR development (2015: Tk. 0.20 million) and paid a total amount of Tk. 134.73 million as salaries and allowances to its employees (2015: Tk. 112.97 million).

Maximizing shareholders' value:

We recognize our fiduciary duty to our shareholders and seek to establish constructive relationships. We are focused on maximizing long-term shareholders' value through building solid foundation of earning drives, strong financial performance and returns, disciplined and profitable investments. Over the past many years, UCL has been paying a satisfactory dividend to its shareholders placing it among the top ranking non-banking financial institutions in the country. For the last five years UCL paid dividend on an average 9.40 percent to its shareholders i.e. Tk. 0.94 per share of Tk. 10.00 each.

Taking environmental initiatives:

Sustainable development, economic growth and a healthy environment is inter-linked to the long-term performance of the Company. In this backdrop, we play a contributory role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard. In this regard, we have adopted Green Banking Policy and formed a Committee for its implementation in all of our operational activities. Moreover, we have been performing 'Environment Risk Management (ERM)' in all loan/lease proposals where ERM is to be performed particularly finance proposal to such businesses houses where environmental issue is very critical such as leather, textile, chemical, manufacturing sectors, etc.

Supporting Community:

We are always agree in building prosperity by supporting a broad range of causes through donation and sponsorship. We encourage our employees to participate in social and charitable programs. As a part of its social responsibility, the Company contributes to various funds in the form of cash, warm cloth distribution, gives support to flood affected people, underprivileged people and to the people who were affected by the natural calamities.



UCL invests in sustainable economic development, and we are committed to contributing to the success of people and businesses in the community in which we operate. We support to stimulate economic growth by investing in programs that enable economic development with a social purpose.

For instance, we support:

Society For Assistance to Hearing Impaired Children (SAHIC):

SAHIC is a Non-Governmental Voluntary organization serving the unfortunate victims of hearing impaired children in Bangladesh. They provide pre-school education facility to the hearing impaired children of low income group. Union Capital Limited extends its financial support for this education program on regular basis. Union Capital Limited, under its CSR activities, has become the "Foster-partnership" to sponsor the annual education expenses to the tune of Tk. 480,000/- (Taka four lac eighty thousand) only for the 20 (twenty) hearing impaired children of the "Rosi_Flower Integrated Pre-School for Hearing Impaired Children".



Pre-School Education Program:

Retired Police Officers' Welfare Association of Bangladesh has undertaken different social activities among which they set up a school and conduct education program for the poor, underprivileged children working at the Mess/Barrack of Rajarbagh Police Lines. Union Capital Limited widens its financial assistance for the purchase of class books, school bags, uniforms etc. for the students under this education program. In 2016 the Company has given BDT 310,000 for the purchase of school bags, books, uniforms etc. for the students.



Blanket distribution:

Because of the cold spell and dense fog, the normal life of poor people had been disrupted throughout the country in 2016. As a part of the Corporate Social Responsibility, UCL extended its hand to protect a little of them from the cold havoc by distributing 600 pcs blankets in Gaibandha district of Bangladesh.



Promoting growth of Small Business:

Small business is an important engine driving the economic growth of the country. Financing is essential for many small businesses to start, operate or grow, and UCL offers a host of credit solutions tailored to meet the needs of diverse businesses at various stages, particularly promising but unexplored

segments and women entrepreneurs. We also strive to provide the best possible products, financial services, advice and expertise to help this sector prosper to its fullest possibility.



Inclusive growth:

We believe we create best value for our shareholders by also bringing value to the community wherein we operate. Because our business is not isolated from society but embedded within it, the success of UCL is inextricably linked to the wellbeing of the wider community. So along with creating jobs and paying taxes, we seek to stimulate local enterprise, to support economic development, to collaborate with governments and others on shared challenges and to help tackle the possible effects of our investment activities - all essential underpinnings of our ongoing success aimed at increasing productivity and income of the poor in several low income occupations which will continue as important sources of employment. This way we, UCL group, grow with our shareholders, customers, lenders, employees, other stakeholders and the society as a whole around the globe.

REPORT ON HUMAN RESOURCE

The strength for sustainable future

We are accountable to our clients and it is essential that the employee we employ recognize the importance of this. Employee that are motivated, reliable, well trained and committed deliver superior service levels and we look for these characteristics during the recruitment process. Our employee engagement levels are the highest we have ever experienced.

Our Priorities

- Foster a culture of employee engagement
- Provide competitive compensation and total rewards
- Enable growth through training and development opportunities
- Respect diversity and promote inclusion

A Culture of employee Engagement

As our business and workforce grow and become more diverse, it's important that we continue fostering a strong sense of how we succeed together. We do this by making it easy for employees to understand the roles they play in fulfilling UCL's strategies, helping employees grow personally and professionally, and being committed to employee engagement. We recognize that well-informed employees are more likely to align their actions with company goals. Employees have many opportunities to learn and ask questions about company goals, strategies and progress through meetings with senior management, regular formal communications and our extensive intranet. We have a long history of listening and responding to our employees, and we regularly seek feedback and comments. We gather employee input on our progress in key areas including career development, performance enablement, employee engagement and workplace culture. By understanding employees' views, UCL can take action to address their needs and the company's priorities. this results in high levels of employee engagement and a strong commitment to clients.

Diversity and inclusion

UCL is a leader in valuing diversity. Our strength comes from a combination of what we have in common, like shared values and purpose, and what makes us different, like experiences and perspectives. By bringing together those similarities and differences, we are able to break new ground and better serve our clients and communities. We believe in creating an inclusive environment for our employees, where they can feel valued, respected and supported - a place where employees can develop their own unique abilities and realize their aspirations.

Competitive Compensation and total rewards

At the heart of an engaged workforce is a flexible, competitive and meaningful rewards program. Our program is based on an understanding of what employees value. It recognizes that flexibility and choice are the best response to meet our employees' diverse needs. Our comprehensive approach rewards employees for their skills and contributions by offering employees competitive compensation, benefits and a positivework environment.

Growth through training and development

We aim to create a learning culture and provide opportunities for our employees to fully apply their knowledge and skills in the service of the company. We will help our employees to continue their development in the interests of the company and its objectives. Employees expect ongoing career and learning opportunities to be a part of their total rewards program and our commitment to continuous employee growth and development helps ensure we meet the current and future needs of both our people and our clients. Employees also have access to the training resources they need to learn and grow through our in house learning opportunities.

Recruitment

A great part of success in the financial services industry depends, more than anything else, on the know-how, experience, talent, and commitment of human capital. For UCL to continue to succeed, the company must be able to attract, develop and retain qualified people. UCL's employees should be able to benefit from its strong business principles, its fast moving and entrepreneurial spirit, and the broad opportunity for individual and team success.

Careers and development

The people of UCL are part of a culture of integrity and leadership, which they have an active role in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. High quality employees are trained and fostered, with the goal of developing tomorrow's leaders. As a forward-looking enterprise, UCL strives to continuously Stimulate its employees to uphold the state of the art in their respective fields. In order to inspire trust and create added customer value, great emphasis is placed on maintaining employees' knowledge and skills through training, development and informative feedback. As in previous years, UCL placed great emphasis on training its managers and developing their leadership qualities. Moreover, the monthly meeting with employees, play a central role in making sure that the strategy and objectives for each year are clearly communicated and executed. It is vitally important that those who drive company's success are fully informed of its vision, strategy, and focus for the year and know what kind of contribution is expected of them as individuals in order to achieve these.

We aim to retain our employees through constantly nurturing them and develop their skills by acknowledging their strengths & weaknesses. We maintain an effective management through ongoing, two-way discussion between a manager and employee about performance, priorities and challenges. At UCL, employee self-evaluation process is a preliminary step for employee development. It is a vital activity that can be essential in assessing their need for development through training, counseling etc.

At UCL, rather than simply being the "recipient" of feedback from their reporting supervisors, the employee is given a voice, and can inform or shape their own career paths. this active participation helps them to be more engaged with both their performance and the assessment process overall. Even for managers who work closely with their employees, it's not always possible to see the full picture and understand all the factors that affect employee performance. Having the employee complete a self-assessment allows the manager to spot their employee's strengths and weaknesses from the employee's perspective, as well as training needs/desires. A development program that

includes employee self-appraisals, formalizes a two-way dialogue, avoiding top down assessment that often serve to discourage or disengage employees. It can also help to entrench this vital two-way dialogue in the organization's management culture. At UCL we greatly value employee point of view and do our best to shape up their career. Such a practice of employee development through self-evaluation process is shown below:

Job satisfaction and retention

A good workplace environment leads to greater job satisfaction, which works to everyone's benefit. General job satisfaction and commitment proved to be high compared to other companies. Morale at UCL is high and new employees feel they are well received. Furthermore, employees feel their opinions count at work and are encouraged to express new ideas for improvements. Moreover, information flow is effective and company's objectives and visions are considered clear.

Salaries and benefits

In addition to a monthly salary, bonuses are paid to those key employees and management who directly affect company's performance. Bonus payments are subject to the individual's performance as well as company's profits.

Communication

UCL places great emphasis on keeping employees informed about UCL's vision, strategy and focus. Moreover, the company provides regular communication to its employees with information regarding current news, events and achievements. The open flow of information at UCL is important in order to maintain efficient operations. Employee engagement is facilitated through corporate intranet. Furthermore, the CEO and senior executives visits different offices of UCL which opens face-to-face dialogue between employees and senior management. through these channels UCL supports a flat organizational structure and encourages collaboration throughout UCL.

Employee morals

At UCL, employees stand for excellence in everything they do.

- They help our customers become the best in class.
- They foster creativity and innovation.
- They strive to constantly improve our professional skills.

	Excellent	Good	Satis-factory	Poor	Very Poor
Ambitious (Hard working, aspiring)	☐	☐	☐	☐	☐
Broadminded (Open-minded, tolerant, accepting)	☐	☐	☐	☐	☐
Capable (Competent, effective)	☐	☐	☐	☐	☐
Cheerful (Light-hearted, joyful, happy)	☐	☐	☐	☐	☐
Courageous (brave, standing up for your beliefs)	☐	☐	☐	☐	☐
Dependable (Reliable, trustworthy, responsible)	☐	☐	☐	☐	☐
Forgiving (Willing to pardon others)	☐	☐	☐	☐	☐
Friendly (Pleasant, warm, outgoing, good-natured)	☐	☐	☐	☐	☐
Helpful (Working for the welfare of others)	☐	☐	☐	☐	☐
Honest (Sincere, truthful)	☐	☐	☐	☐	☐
Imaginative (Daring, creative, original)	☐	☐	☐	☐	☐
Independent (Self-reliant, self-sufficient)	☐	☐	☐	☐	☐
Intellectual (Intelligent, reflective, knowledgeable)	☐	☐	☐	☐	☐
Logical (Consistent, rational, realistic)	☐	☐	☐	☐	☐
Loving (Affectionate, tender)	☐	☐	☐	☐	☐
Obedient (Dutiful, respectful)	☐	☐	☐	☐	☐
Organized (Clean, Neat, tidy)	☐	☐	☐	☐	☐
Polite (Courteous, well-mannered, respectful)	☐	☐	☐	☐	☐
Self-confident (Self-assured, poised, self-aware)	☐	☐	☐	☐	☐
Self-controlled (Restrained, self-disciplined)	☐	☐	☐	☐	☐

At UCL, employees work with passion without obsession.

- They do jobs with enthusiasm.
- They are proud of what they achieve together.
- They balance our customers', our colleagues', our own, and our investors' needs.

At UCL, employees walk our talk.

- They treat each other and our partners with trust, fairness, and respect.
- They honor our commitments and stand up for our beliefs.
- They speak with one voice internally and externally.

At UCL, employees feel responsible for their actions.

- They take care in all they do and are aware of possible outcomes and consequences.
- They take decisions and make results known.
- They share information openly in the interest of UCL.

At UCL, employees cross borders.

- They respect others' opinions and discuss them openly.
- They support teamwork and the mutual exchange of knowledge and people regardless of cultures, genders, segments, and levels.

HUMAN RESOURCE STRATEGY

- Attract qualified personnel by creating a motivated workplace;
- Retain competent employees by creating a superior workplace;
- Provide new employees with appropriate training from the outset;
- Encourage employees to maintain professional skills and give

them the opportunity to develop and grow;

- Ensure maximum employees success - empower the individual, provide an opportunity to show initiative and command independent initiative;
- Maintain a spirit of ambition, efficient decision-making, flexibility and quick responses to changes;
- Create a strong management team;
- Sustain an environment that supports a balance between work and life;
- Ensure equal opportunities, with regard to employment, work facilities, assignments, training, job development and salaries;
- Align the interests of employees with the interests of the organization.

UCL continues to maintain a very satisfactory position in terms of people productivity. this is confirmed by the following indicators:

	2016	2015	2014	2013
Total Employee	126	104	113	89
Net income per employee (BDT in million)	1.97	1.97	1.86	1.56
Operating revenue per employee (BDT in million)	16.00	18.90	17.00	18.98
Assets per employee (BDT in million)	166.29	182.85	153.19	146.69

Staff Strength	2016	2015	2014	2013
Senior Management	14	11	10	10
Mid Level Management	24	24	21	22
Junior Level Management	66	49	62	44
Support Staff	22	20	20	13
Total	126	104	113	89

Age analysis of the employees as at 31 December 2016

Age Group Year	Senior Mgt.	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2016 Total	2015 Total
51-60	3	1	0	2	6	6
41-50	5	0	3	2	10	8
31-40	6	21	30	11	68	58
21-30	0	2	33	7	42	32
Total	14	24	66	22	126	104

Average age of the employees as at 31 December 2016 was 34.05 (2014: 28.54), (2015 : 32.51)

Service analysis of the employees as at 31 December 2016

Service Group Year	Senior Mgt.	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2016 Total	2015 Total
Above 10	2	2	0	2	6	5
7-10	0	1	1	2	4	3
5-7	1	5	1	3	10	12
2-5	5	9	32	8	54	38
Below 2	6	7	32	7	52	46
Total	14	24	66	22	126	104

Average service life of the employees as at 31 December 2016 was 3.02 years (2014: 2.34), (2015 : 5.55)

HUMAN RESOURCE ACCOUNTING

Quantitative information about the value of human resource

There are several areas in which non-monetary measurements may be evolved in accounting and human resource accounting is probably one of these. To make valuation of human resource objective and comparable there must be a universally acceptable method of valuation.

Human dimension is the key to organization's success. Several initiatives for development of human resources to meet new challenges in the competitive business environment have gained momentum. UCL acknowledges the value of its human assets who are committed to achieve excellence in all spheres. The Human resource profile given below in table shows that UCL has a mix of energetic youth and experienced seniors who harmonize the efforts to achieve the company's goals.

Age range (in years)	21-30	31-40	41-50	>50	Total
No. of Employees	37	73	10	6	126
Management Cadre	1	28	5	4	38
Non Management Cadre	29	34	3	0	66
Support Staff	7	11	2	2	22
Average age					32.51

Human resource, as it is a key to success, is considered as asset in many organizations and thus related expenditure is treated as investment. The cost of human resource comprises of both capital (asset) and revenue (expenses). This cost is classified into four main categories namely:

- Acquisition cost-incurred to acquire the right employee for the job.
- Development (training) cost - incurred to enrich employees' skills help them to increase productivity.
- Welfare cost - incurred to improve the quality of life i.e. to create a conducive working environment.
- Other cost - for instance employee's safety, ex-gratia, and incentives.

The acquisition cost includes the recruitment cost, selection cost and placement cost. Training cost comprises of:

- formal training cost • on job training cost
- special training cost • development programs

Welfare cost comprises of medical expenditure, general and special allowance and other welfare expenditure.

Accounting Standard for Human Resource

International Accounting Standards (IAS) 38 defined intangible asset as "an intangible asset is an identifiable non-monetary asset without physical substance held for use in production or supply of goods or services, for rental or others or administrative purposes".

IAS 38 requires that for an asset to be recognized as intangible asset it should be identifiable in a way that it is possible to distinguish it from goodwill. In addition, the enterprise should have sufficient control of the asset in order to meet the definition of intangible asset. Based on this definition, human resource is identifiable and possible to separate it from goodwill thus can be recognized as intangible asset. According to IAS 38, an asset is considered separable if a firm could sell, rent, distribute or exchange the specific future benefit attributed to the asset without disposing of future economic benefits that flow from other asset in the same revenue activity. Though it is not possible to sell, rent, exchange or distribute human asset, when an employee is relied his duty it does not require disposing of future economic benefit that flow from other asset thus has some qualities of intangible assets. Furthermore IAS 38 states that for an intangible asset to be recorded at cost the following criteria must be met:

It is probable that future economic benefit attributed to the asset will flow to the firm.

Investment in human resource can be measured reliably based on cost incurred for recruitment, selection training and development. Though the employees can leave the organization at his own will unlike other asset it is probable that future economic benefit will be derived from the employees during the duration of his employment.

All this definition in IAS 38 indicates that it is possible to treat investment in human resource as asset by capitalizing cost related to human asset and recording it in the balance sheet.

Significance of HR Accounting

All the companies that furnish information about human resource value included such report as a separate report from the main financial statement i.e. the income statement and the balance sheet. This means that human resource accounting is not still considered as part of financial statement but additional materials for use by users of annual report. Thus human resource accounting is in need of further development in order for human resource data to receive equal weight like other items in the balance sheet and income statement. In order for human resource accounting to have significance and to be part of financial statement the value of human resource as computed by various company should be incorporated in the balance sheet.

Human Resource accounting practice in Bangladesh

Bangladesh like many other countries has not given much consideration to issues related to human resource accounting. In Bangladesh this concept is struggling for acceptance and has not been introduced so far as a requirement. Neither the Companies Act nor the Regulators do require the listed companies to prepare HR Accounting to be attached in their annual report.

VALUE ADDED STATEMENT

A part of social responsibility accounting

Value added is a measure of the economic strength of a company and indicates how much additional value (wealth) has been created by the company during the reporting period through utilization of its capacity, capital, manpower and other resources and how it has been distributed among the contributors of the value i.e. the stakeholders (employees, lenders, shareholders, government etc.). Therefore, a value added statement (VAS) is regarded as a part of social responsibility accounting. It shows the wealth or value created and attributed to all stakeholders rather than just the shareholders. While the income statements reports on the income of shareholders, the value added statement reports on the income earned by a large group of stakeholders, all the providers of capital plus employees and the government.

Figures. in Million BDT

			2016				2015	
VALUE ADDED	**UCL**	**%**	**Group**	**%**	**UCL**	**%**	**Group**	**%**
Net interest income	733.10		640.35		740.69		713.13	
Fees earned including VAT	12.20		232.40		3.34		162.52	
Investment income	8.57		70.29		(100.88)		(100.80)	
Other income	47.23		53.00		23.27		26.80	
Management expenses	(44.12)		(101.51)		(41.33)		(87.40)	
Provision for doubtful losses	(225.24)		(254.03)		(137.04)		(105.63)	
TOTAL VALUE ADDED	**531.76**		**640.50**		**488.05**		**608.62**	
DISTRIBUTION OF VALUE ADDED								
In payment to Employees								
As salaries and allowances	83.68	15.74	134.73	21.04	70.94	14.54	112.97	18.56
In payment to Capital Providers								
Dividend to shareholders	142.30	26.76	142.30	22.22	159.59	32.70	159.59	26.22
In payment to Government								
Corporate tax	194.89	36.65	235.00	36.69	206.02	42.21	250.42	41.14
Expansion and business growth								
Retained income	106.00	19.93	116.12	18.13	45.31	9.28	74.56	12.25
Depreciation	4.89	0.92	12.35	1.93	6.19	1.27	11.08	1.82
TOTAL DISTRIBUTION	**531.76**	**100.00**	**640.50**	**100.00**	**488.05**	**100.00**	**608.62**	**100.00**

AMIR STOCK

MARKET VALUE ADDED

External performance indicator of value creation

While Economic Value Added (EVA) measures internal performance, Market Value Added (MVA) is a measure of external performance that indicates how the market has evaluated the Company's performance in terms of market value of share compared to book value of shares. MVA is the difference between the market value of equity of a company and the book value of equity invested in the company. Market Value Added is one of the market indicators of value creation. MVA, and particularly any change in MVA, constitutes a more relevant measure of value than just developments in share price. A positive MVA indicates that the company could add value to shareholders' wealth. The following statement indicates the MVA as at 31 December 2016 compared to the MVA of prior year:

Figures in million DBT

MARKET VALUE ADDED

	2016		2015	
VALUE ADDED	**UCL**	**Group**	**UCL**	**Group**
Market value of shares outstanding	3,317.14	3,317.14	2,428.36	2,428.36
Book value of the share outstanding	2,388.42	2,532.83	2,359.63	2,493.93
MARKET VALUE ADDED	**928.73**	**784.31**	**68.73**	**(65.57)**

AMARSTOCK

ECONOMIC VALUE ADDED

Measures the wealth generation potential

Econimic Value Added (EVA) is an overarching measure used to measure the wealth generation potential of the company. EVA is an internal management performance measure that compares net operating profit to total cost of capital. Economic value added is also referred to as economic profit. The AVA is defined as:

EVA = Net operating profit minus tax minus cost of capital

Economic value added is important because it is used as an indicator of how profitable company projects are and it therefore serves as a reflection of management performance.

The idea behind EVA is that businesses are only truly profitable when they create wealth for their shareholders, and the measure of this goes beyond calculating net income. Economic value added asserts that businesses should create returns at a rate above their cost of capital.

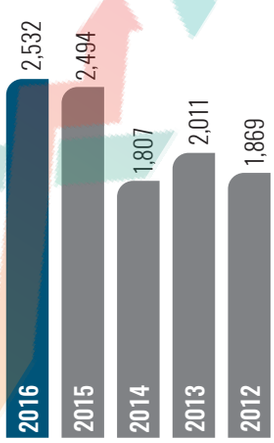
It succinctly summerises how much and from where a company created wealth. It includes the balance sheet in the calculation and encourages managers to think about assets as well as expenses in their decisions.

It forces that economy to shift away from managing its profits to managing its wealth by permitting the company to monitor and measure wealth generation. The following table indicates the EVA for the years 2016 and 2015:

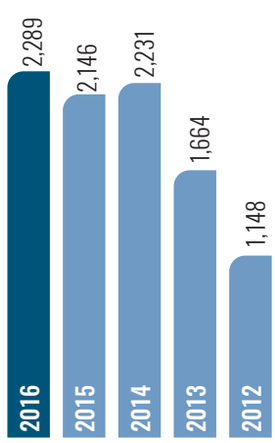
Figures in million BDT

ECONOMIC VALUE ADDED

	2016		2015	
VALUE ADDED	**UCL**	**Group**	**UCL**	**Group**
Economic Value Added (EVA)	**174.17**	**195.51**	**85.84**	**68.60**
Net operating profit	668.43	747.45	547.96	590.20
Provision for taxes	(194.89)	(235.00)	(206.02)	(250.42)
Net Operating Profit After Tax (NOPAT)	**473.53**	**512.45**	**341.94**	**339.78**
Shareholders' equity as on 31 December	2,388.42	2,532.83	2,359.63	2,493.93
Average shareholders' equity	2,374.02	2,513.38	2,030.88	2,150.55
Cost of equity (%)*	12.61%	12.61%	12.61%	12.61%
Cost of equity	**299.36**	**316.94**	**256.09**	**271.18**
Key ratios				
EVA/Operating revenue (%)	8.64	8.54	4.37	3.20
EVA/Average shareholders' equity (%)	7.34	7.78	4.23	3.19
Net profit after tax/Operating revenue (%)	**12.32**	**11.29**	**10.42**	**10.91**



Shareholder fund



Operating revenue

People and Leadership

The strength of UCL

We drive for results and improvements. We take ownership of our behavior and responsibility to perform both individually and in teams.




Asia



Celebrating new year 2017



Farewell program



Celebrating Woman's day



Induction Program for the newly joined employees



Celebration of acheiving ICAB Award



In-house Traning Program



Iftar Mahfil for the employees



Opening of new office of Motijheel Branch

Flash of few eventful MEMORIES



Picnic 2016



Signing Ceremony between UCL & BTI for purchase of office space



Picnic 2016-2



Receiving ICSB Award on Corporate Governance Excellence



Receiving SAFA Award

Financial Statements of the group and UCL

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AMAN STOCK

S. F. AHMED & CO
Chartered Accountants

Auditors' Report to the Shareholders of
Union Capital Limited

We have audited the accompanying consolidated financial statements of Union Capital Limited and its subsidiaries (the "Group") as well as the separate financial statements of Union Capital Limited (the company) which comprise the consolidated and separate balance sheets as at 31 December 2016, profit and loss accounts, statements of changes in equity, cash flow statements, statement of liquidity, for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

Management's responsibility for the financial statements and internal controls

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), Bangladesh Bank's circulars and guidelines as explained in the relevant notes and for such internal control as management determines is necessary to enable in the preparation of financial statements that are free from material misstatement, whether due to fraud or error, the Financial Institutions Act 1993, the Financial Institutions Regulations 1994, the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987, and the Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the company. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and the separate financial statements of the company. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the financial statements of the company, whether due to fraud and error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements of the Group and the financial statements of the company that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements of the Group and the separate financial statements of the company.

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

Opinion

In our opinion, read in conjuction with notes (14.1.c) to financial statements, the financial statements prepared in accordance with BFRSs and Bangladesh Bank's circular no. 11 dated 23 December 2009, give a true and fair view of the financial position of the company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended and comply with requirements of Companies Act 1994, the Financial Institutions Act 1993, the Bangladesh Securities and Exchange Rules 1987, the rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

Report on other legal and regulatory requirements

In accordance with the Companies Act 1994, the Financial Institutions Act 1993, the Financial Institutions Regulations 1994, Bangladesh Securities and Exchange Rules 1987 and the rules and regulations issued by Bangladesh Bank, we also report the following:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) internal control and risk management arrangements of the company appeared to be materially adequate;

(c) 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 purposes of our audit have been received from branches not visited by us;

S. F. AHMED & CO

(d) the consolidated balance sheet and profit and loss statement of the Group and those of the company together with annexed notes dealt with by the report are in agreement with the books of account and returns;

(e) the expenditure incurred was for the purpose of the Group and company's business;

(f) the consolidated financial position of the Group and those of the company as at 31 December 2016 and their profits for the year then ended have been properly reflected in the consolidated financial statements of the Group and those of the company, and thus financial statements have been prepared in accordance with BFRSs.

(g) adequate provisions have been made for lease, loan and advances which are, in our opinion, doubtful of recovery;

(h) the consolidated financial statements of the Group and those of the company's have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the company;

(i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements; and

(j) the information and explanations required by us have been received and found to be satisfactory;

(k) the company has complied with relevant law pertaining to capital and reserves and found satisfactory;

(l) the consolidated financial statements of the Group and those of the company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;

(m) the company has followed the instruction issued by the Bangladesh Bank in the matters of lease/advance classification, provision and suspension of interest; and

(n) We have reviewed over 80% of the risk weighted assets of the company during the course of our audit and have spent over 1200 person hours.

Dated, 7 May 2017

S. F. AHMED & CO
Chartered Accountants

AMARSTOCK

Consolidated Balance Sheet
As at 31 December

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	**As at 31 December**	**Notes**	**2016**	**2015**
	PROPERTY AND ASSETS			
BAS 1.54 (i), 7.7	**Cash**			
	In hand (including foreign currencies)		99,000	103,093
	Balance with Bangladesh Bank and its agent bank			
	(including foreign currencies)		184,577,238	156,930,308
		4.a	184,676,238	157,033,401
BAS 1.54 (i), 7.7	**Balance with other banks and financial institutions**			
	In Bangladesh		1,824,390,714	1,049,943,557
	Outside Bangladesh		-	-
		5.a	1,824,390,714	1,049,943,557
	Money at call and short notice		**-**	**-**
BAS 1.54 (d)	**Investments**			
	Government		-	-
	Others		1,609,360,083	1,620,829,816
		6.a	1,609,360,083	1,620,829,816
BAS 1.54 (d)	**Loans, advances and leases**			
	Loans, advances and leases		17,103,764,583	15,644,018,323
	Bills purchased and discounted		-	-
		7.a	17,103,764,583	15,644,018,323
BAS 1.54 (a)	**Fixed assets including land, building, furniture and fixtures**	8.a	35,777,302	29,253,671
BAS 1.55	**Other assets**	9.a	2,079,487,689	1,549,525,981
	Non-banking assets	10	215,129,173	215,129,173
	TOTAL ASSETS		**23,052,585,783**	**20,265,733,922**
	LIABILITIES AND CAPITAL			
	Liabilities			
BAS 1.54 (m)	Borrowings from other banks, financial institutions and agents	11.a	3,419,360,890	2,815,301,880
BAS 1.54 (m)	Deposits and other accounts			
	Term deposits	12.a	12,314,836,921	10,712,749,207
	Other deposits	13	816,384,622	1,086,037,720
			13,131,221,543	11,798,786,927
BAS 1.55	Other liabilities	14.a	3,969,176,023	3,157,718,242
	Total liabilities		**20,519,758,456**	**17,771,807,049**
	Shareholders' equity			
BAS 1.54 (r), 1.78 (e)	Paid up capital	15	1,422,996,034	1,329,902,836
BAS 1.55	Preference share capital	16	400,000,000	500,000,000
BAS 1.54 (r), 1.78 (e)	Statutory reserve	17	414,474,598	364,815,071
BAS 1.54 (r), 1.78 (e)	Revaluation reserve		102,024,360	102,024,360
BAS 1.54 (r), 1.78 (e)	Retained earnings	18.a	193,332,146	197,184,426
	Total equity attributable to equity holders of the Company		**2,532,827,137**	**2,493,926,693**
	Non-controlling interest		190	180
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**23,052,585,783**	**20,265,733,922**

AMAR STOCK

Figures in BDT

	As at 31 December	Notes	2016	2015
BAS 1.55	**OFF-BALANCE SHEET ITEMS**			
	Contingent liabilities			
	Letters of guarantee		-	-
	Irrevocable letters of credit		-	-
	Other contingent liabilities		-	-
			-	-
BAS 1.55	**Other commitments**			
	Undisbursed contracted loans, advances and leases	46	684,100,000	962,860,000
	TOTAL OFF BALANCE SHEET ITEMS		**684,100,000**	**962,860,000**
	Net assets value per share (2015: Restated)		**17.80**	**17.53**

These financial statments should be read in conjunction with annexed note for and on behalf of the Board of Directors of Union Capital Limited

sd/-	sd/-	sd/-	sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, 07 May 2017

S. F. Ahmed & Co.
Chartered Accountants

AMAR STOCK

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	For the year ended 31 December	Notes	2016	2015
BFRS 7.20 (b)	Interest income	20.a	1,933,122,663	2,057,078,081
BFRS 7.20 (b)	Interest paid on deposits and borrowings etc.	21.a	(1,292,772,010)	(1,343,948,222)
BAS 1.85	**Net interest income**		**640,350,653**	**713,129,859**
BFRS 7.20 (b)	Investment income	22.a	70,285,875	(100,802,483)
BFRS 7.20 (c)	Fees, commissions, exchange and brokerage	23.a	232,403,689	162,517,165
BAS 1.85	Other operating income	24.a	52,996,974	26,804,568
	Total operating income		**996,037,192**	**801,649,109**
BAS 1.104	Salaries and other employee benefits	25.a	128,303,818	109,812,338
BAS 1.97	Rent, taxes, insurance, electricity etc.	26.a	35,887,045	32,552,380
BAS 1.97	Legal expenses		781,023	2,372,138
BAS 1.97	Postage, stamp, telecommunication etc.	27.a	4,860,898	4,424,755
BAS 1.97	Stationery, printing, advertisements etc.	28.a	4,725,901	5,298,840
BAS 1.104	Managing Director's salary and fees	29	6,428,710	3,158,710
BAS 1.97	Directors' fees	30.a	1,873,610	1,631,500
BAS 1.97	Auditors' fees	31.a	381,750	316,250
BAS 1.97	Depreciation and repair of assets	32.a	15,272,116	13,677,283
BAS 1.97	Other expenses	33.a	50,075,586	38,209,253
BAS 1.85	**Total operating expenses**		**248,590,458**	**211,453,447**
BAS 1.85	**Profit before provision**		**747,446,734**	**590,195,662**
	Provision for loans, advances, leases and investments			
BAS 1.97	General provision	14.1.a	52,635,850	12,811,685
BAS 1.97	Specific provision	14.1.b	197,476,514	106,762,766
BAS 1.97	Provision for diminution in value of investments	14.2.a	3,918,538	(13,942,436)
	Total provision		254,030,902	105,632,015
	Total profit before tax		**493,415,832**	**484,563,647**
	Provision for taxation			
BAS 1.82 (d)	Current tax	14.4.a	234,122,963	251,996,473
BAS 1.82 (d)	Deferred tax	9.2	876,727	(1,580,403)
			234,999,690	250,416,070
BAS 1.82 (f)	**Net profit after tax**		**258,416,141**	**234,147,577**
	Appropriations			
	Statutory reserve		49,659,527	40,979,347
	Dividend on preference shares		53,020,545	47,397,261
	Retained surplus		**155,736,069**	**145,770,969**
BAS 1.83	**Attributable to**			
	Shareholders of the Company		205,395,586	186,750,285
	Non-controlling interest		10	31
	Weighted average no. of outstanding share		**142,299,603**	**142,299,603**
BAS 33.66	**Earnings per share (2015: Restated)**	**36.a**	**1.44**	**1.31**

These financial statments should be read in conjunction with annexed note for and on behalf of the Board of Directors of Union Capital Limited

sd/-	sd/-	sd/-	sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, 07 May 2017

sd/-
S. F. Ahmed & Co.
Chartered Accountants

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	**For the year ended 31 December**	**2016**	**2015**
	Cash flows from operating activities		
BAS 7.31	Interest receipts	1,902,173,605	1,917,648,911
BAS 7.31	Interest payments	(1,269,148,788)	(1,289,702,945)
BAS 7.14 (b)	Fee and commission receipts	232,403,689	162,517,165
BAS 7.14 (b)	Recoveries of loans previously written off	20,670,590	4,664,228
BAS 7.31	Dividend receipts	72,626,920	36,438,729
BAS 7.14 (d)	Cash payments to employees	(129,975,478)	(114,564,342)
BAS 7.14 (c)	Cash payments to suppliers and management expenses	(54,722,675)	(46,584,471)
BAS 7.35	Income taxes paid	(316,440,866)	(241,866,029)
BAS 7.14 (b)	Receipts from other operating activities	52,849,773	51,758,057
BAS 7.14 (c)	Payments for other operating activities	(53,111,969)	(42,529,141)
	Cash generated before changes in operating assets and liabilities	457,324,801	437,780,162
	Increase/decrease in operating assets and liabilities		
	Statutory deposits	-	-
	Purchase of trading securities (treasury bills)	-	-
	Loans, advances and leases to banks and financial institutions	-	-
BAS 7.20 (a)	Loans, advances and leases to customers	(1,459,746,260)	(901,820,996)
BAS 7.20 (a)	Other assets	(214,397,569)	(336,599,518)
BAS 7.20 (a)	Deposits from banks and other financial institutions	1,650,000,000	(130,000,000)
BAS 7.20 (a)	Deposits from customers	(317,565,384)	1,223,345,343
	Other liabilities account of customers	-	-
	Trading liabilities	-	-
BAS 7.20 (a)	Other liabilities	323,303,915	123,427,751
	Cash generated from operating assets and liabilities	**(18,405,298)**	**(21,647,420)**
	Net cash generated from/(used in) operating activities	**438,919,503**	**416,132,742**
	Cash flows from investing activities		
BAS 7.16 (d)	Proceeds from sale of securities	796,160,694	4,603,438,029
Bas 7.16 (c)	Payments for purchases of securities	(788,365,293)	(4,836,934,940)
BAS 7.16 (a)	Purchase of property, plant and equipment	(19,835,993)	(20,808,208)
BAS 7.16 (b)	Proceeds from sale of property, plant and equipment	147,213	2,870,545
	Net cash generated from/(used in) investing activities	**(11,893,378)**	**(251,434,574)**
	Cash flows from financing activities		
BAS 7.31	Dividend paid	(128,995,142)	-
BAS 7.17 (c)	Receipts of long term loan	2,253,373,250	1,357,468,545
BAS 7.17 (a)	Issuance of preference share	-	500,000,000
BAS 7.17 (a)	Repayment of preference share	(100,000,000)	-
BAS 7.17 (d)	Repayment of long term loan	(1,375,659,090)	(950,229,035)
	Non-controlling interest	-	-
BAS 7.17 (d)	**Net draw down/(payment) of short term loan**	**(273,655,150)**	**(602,773,268)**
	Net cash generated from/(used in) financing activities	**375,063,869**	**304,466,242**
	Net (decrease)/increase in cash and cash equivalents	802,089,994	469,164,410
	Effects of exchange rate changes on cash and cash equivalents	-	-
	Cash and cash equivalents at beginning of the year	1,206,976,958	737,812,548
	Cash and cash equivalents at end of the year	**2,009,066,952**	**1,206,976,958**
BAS 7.45	**Cash and cash equivalents at end of the year represents**		
	Cash in hand	99,000	103,093
	Balance with Bangladesh Bank and its agent bank	184,577,238	156,930,308
	Balance with other banks and financial institutions	1,824,390,714	1,049,943,557
		2,009,066,952	1,206,976,958
	Supplemental schedule for non-cash financing activities		
	Bonus share issued	93,093,198	120,900,250

These financial statments should be read in conjunction with annexed note for and on behalf of the Board of Directors of Union Capital Limited

sd/-	sd/-	sd/-	sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, 07 May 2017

sd/-
S. F. Ahmed & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2016

BAS 1.51 (c)

Figures in BDT

	Particulars	Paid-up capital	Preference share capital	Statutory reserve	Revaluation reserves	Retained earnings	Non-controlling interest	Total
BAS 1.106 (d)	Balance as at 1 January 2016	1,329,902,836	500,000,000	364,815,071	102,024,360	197,184,426	180	2,493,926,873
BAS 1.106 (d)(i)	Net profit for the year 2016	-	-	-	-	258,416,131	10	258,416,141
	Redemption of preference share	-	(100,000,000)	-	-	-	-	(100,000,000)
	Dividend on preference shares	-	-	-	-	(53,020,545)	-	(53,020,545)
	Transfer to statutory reserve	-	-	49,659,527	-	(49,659,527)	-	-
BAS 1.107	Issuance of bonus share (year 2015)	93,093,198	-	-	-	(93,093,198)	-	-
	Cash dividend (year 2015)	-	-	-	-	(66,495,142)	-	(66,495,142)
	Balance as at 31 December 2016	**1,422,996,034**	**400,000,000**	**414,474,598**	**102,024,360**	**193,332,146**	**190**	**2,532,827,327**
BAS 1.106 (d)	Balance as at 1 January 2015	1,209,002,586	-	323,835,724	102,024,360	172,313,739	149	1,807,176,557
BAS 1.106 (d)(i)	Net profit for the year 2015	-	-	-	-	234,147,546	31	234,147,577
	Issuance of preference share	-	500,000,000	-	-	-	-	500,000,000
	Dividend on preference shares	-	-	-	-	(47,397,261)	-	(47,397,261)
	Transfer to statutory reserve	-	-	40,979,347	-	(40,979,347)	-	-
BAS 1.107	Issuance of bonus share (year 2014)	120,900,250	-	-	-	(120,900,250)	-	-
	Balance as at 31 December 2015	**1,329,902,836**	**500,000,000**	**364,815,071**	**102,024,360**	**197,184,426**	**180**	**2,493,926,873**

For and on behalf of the Board of Directors of Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & Co
Chartered Accountants

AMARSTOCK

Union Capital Limited

BALANCE SHEET

as at 31 December

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	As at 31 December	Notes	2016	2015
BAS 1.38	PROPERTY AND ASSETS			
BAS 1.54 (i), 7.7	Cash			
	In hand (including foreign currencies)		64,000	64,000
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)		184,577,238	156,930,308
		4	**184,641,238**	**156,994,308**
BAS 1.54 (d)	Balance with other banks and financial institutions			
	In Bangladesh		1,569,558,538	941,844,321
	Outside Bangladesh		-	-
		5	**1,569,558,538**	**941,844,321**
	Money at call and short notice		-	-
BAS 1.54 (d)	Investments			
	Government		-	-
	Others		457,124,080	562,788,114
		6	**457,124,080**	**562,788,114**
BAS 1.54 (d)	Loans, advances and leases			
	Loans, advances and leases		16,399,172,568	15,594,470,650
	Bills purchased and discounted		-	-
		7	16,399,172,568	15,594,470,650
BAS 1.54 (a)	**Fixed assets including land, building, furniture and fixtures**	8	13,970,191	8,108,648
BAS 1.55	**Other assets**	9	2,113,265,431	1,536,827,743
	Non-banking assets	10	215,129,173	215,129,173
	TOTAL ASSETS		**20,952,861,219**	**19,016,162,957**
	LIABILITIES AND CAPITAL			
	Liabilities			
BAS 1.54 (m)	Borrowings from other banks, financial institutions and agents	11	2,817,095,514	2,443,900,345
BAS 1.54 (m)	**Deposits and other accounts**			
	Term deposits	12	12,314,836,921	10,712,749,207
	Other deposits	13	816,384,622	1,086,037,720
			13,131,221,543	11,798,786,927
BAS 1.55	Other liabilities	14	2,616,128,647	2,413,842,117
	Total liabilities		**18,564,445,704**	**16,656,529,389**
	Shareholders' equity			
BAS 1.54 (r), 1.78 (e)	Paid up capital	15	1,422,996,034	1,329,902,836
BAS 1.55	Preference share capital	16	400,000,000	500,000,000
BAS 1.54 (r), 1.78 (e)	Statutory reserve	17	414,474,598	364,815,071
BAS 1.54 (r), 1.78 (e)	Retained earnings	18	150,944,883	164,915,661
BAS 1.54 (r), 1.78 (e)	**Total shareholders' equity**		**2,388,415,515**	**2,359,633,568**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**20,952,861,219**	**19,016,162,957**

MARSTOCK

Figures in BDT

	As at 31 December	Notes	2016	2015
BAS 1.55	**OFF-BALANCE SHEET ITEMS**			
	Contingent liabilities			
	Letters of guarantee		-	-
	Irrevocable letters of credit		-	-
	Other contingent liabilities		-	-
			-	-
BAS 1.55	**Other commitments**			
	Undisbursed contracted loans, advances and leases	46	684,100,000	962,860,000
	TOTAL OFF BALANCE SHEET ITEMS		**684,100,000**	**962,860,000**
	Net assets value per share (2015: Restated)		**16.78**	**16.58**

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Dhaka, 07 May 2017

sd/-
S. F. Ahmed & Co.
Chartered Accountants

AMARSTOCK

Union Capital Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December

Figures in BDT

BAS 1.51 (c), 1.113 & 1.38	**For the year ended 31 December**	**Notes**	**2016**	**2015**
BFRS 7.20 (b)	Interest income	20	1,947,088,085	2,040,278,205
BFRS 7.20 (b)	Interest paid on deposits and borrowings etc.	21	(1,213,983,464)	(1,299,588,158)
BAS 1.85	**Net interest income**		**733,104,621**	**740,690,047**
BFRS 7.20 (b)	Investment income	22	8,566,993	(100,882,799)
BFRS 7.20 (c)	Fees, commissions, exchange and brokerage	23	12,203,197	3,338,683
BAS 1.85	Other operating income	24	47,234,991	23,271,515
	Total operating income		**801,109,802**	**666,417,446**
BAS 1.104	Salaries and other employee benefits	25	77,251,258	67,785,591
BAS 1.97	Rent, taxes, insurance, electricity etc.	26	16,304,297	15,116,581
BAS 1.97	Legal expenses		748,120	2,299,126
BAS 1.97	Postage, stamp, telecommunication etc.	27	2,136,956	2,166,262
BAS 1.97	Stationery, printing, advertisements etc.	28	3,977,968	4,413,172
BAS 1.104	Managing Director's salary and fees	29	6,428,710	3,158,710
BAS 1.97	Directors' fees	30	1,504,000	1,045,000
BAS 1.97	Auditors' fees	31	189,750	161,000
BAS 1.97	Depreciation and repair of assets	32	7,535,558	7,586,805
BAS 1.97	Other expenses	33	16,607,288	14,727,211
BAS 1.85	**Total operating expenses**		**132,683,905**	**118,459,458**
BAS 1.85	**Profit before provision**		**668,425,897**	**547,957,988**
	Provision for loans, advances, leases and investments			
BAS 1.97	General provision	14.1	35,428,934	6,559,395
BAS 1.97	Specific provision	14.1	197,476,514	106,762,766
BAS 1.97	Provision for diminution in value of investments	14.2	(7,668,861)	23,720,087
	Total provision		**225,236,587**	**137,042,248**
	Total profit before tax		**443,189,310**	**410,915,740**
	Provision for taxation			
BAS 1.82 (d)	Current tax	14.4	194,014,949	207,599,408
BAS 1.82 (d)	Deferred tax	9.2	876,727	(1,580,403)
			194,891,676	206,019,005
BAS 1.82 (f)	**Net profit after tax**		**248,297,634**	**204,896,735**
	Appropriations			
	Statutory reserve	17	49,659,527	40,979,347
	Dividend on preference shares		53,020,545	47,397,261
	Retained surplus		**145,617,562**	**116,520,127**
	Weighted average no. of outstanding share		**142,299,603**	**142,299,603**
BAS 33.66	**Earnings per share (2015: Restated)**	**36**	**1.37**	**1.11**

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Dhaka, 07 May 2017

sd/-
S. F. Ahmed & Co.
Chartered Accountants

AMARSTOCK

Union Capital Limited

CASH FLOW STATEMENT

For the year ended 31 December

Figures in BDT

	For the year ended 31 December	Notes	2016	2015
BAS 1.51 (c), 1.113 & 1.38	**Cash flows from operating activities**			
BAS 7.31	Interest receipts		1,691,670,619	1,900,849,035
BAS 7.31	Interest payments		(1,221,230,494)	(1,257,339,410)
BAS 7.14 (b)	Fee and commission receipts		12,203,197	9,144,958
BAS 7.14 (b)	Recoveries of loans previously written off		20,670,590	4,664,228
BAS 7.31	Dividend receipts		11,910,824	15,317,328
BAS 7.14 (d)	Cash payments to employees		(84,735,467)	(72,537,595)
BAS 7.14 (c)	Cash payments to suppliers and management expenses		(25,463,935)	(26,707,700)
BAS 7.35	Income taxes paid		(271,196,104)	(157,543,924)
BAS 7.14 (b)	Receipts from other operating activities	34	111,536,760	48,225,004
BAS 7.14 (c)	Payments for other operating activities	35	(16,607,288)	(14,727,211)
	Cash generated before changes in operating assets and liabilities		228,758,702	449,344,713
	Increase/decrease in operating assets and liabilities			
	Statutory deposits		-	-
	Purchase of trading securities (treasury bills)		-	-
	Loans, advances and leases to banks and financial institutions		-	-
BAS 7.20 (a)	Loans, advances and leases to customers		(804,701,918)	(633,772,627)
BAS 7.20 (a)	Other assets	39	(303,429,084)	250,724,235)
BAS 7.20 (a)	Deposits from banks and other financial institutions		1,650,000,000	(130,000,000)
BAS 7.20 (a)	Deposits from customers		(317,565,384)	1,223,345,343
	Other liabilities account of customers		-	-
	Trading liabilities		-	-
BAS 7.20 (a)	Other liabilities	40	(30,841,630)	(17,563,880)
	Cash generated from operating assets and liabilities		**193,461,984**	**191,284,601**
	Net cash generated from/(used in) operating activities		**422,220,686**	**640,629,314**
	Cash flows from investing activities			
BAS 7.16 (d)	Proceeds from sale of securities		756,598,735	1,769,351,075
Bas 7.16 (c)	Payments for purchases of securities		(656,091,033)	(2,046,375,949)
BAS 7.16 (a)	Purchase of property, plant and equipment		(11,714,483)	(2,731,468)
BAS 7.16 (b)	Proceeds from sale of property, plant and equipment		147,213	2,870,545
	Net cash used in investing activities		**88,940,433**	**(276,885,797)**
	Cash flows from financing activities			
BAS 7.31	Dividend paid		(128,995,142)	-
BAS 7.17 (c)	Receipts of long term loan		1,833,373,250	1,057,256,550
BAS 7.17 (a)	Issuance of preference share		-	500,000,000
BAS 7.17 (a)	Redemption of preference share		(100,000,000)	-
BAS 7.17 (d)	Repayment of long term loan		(1,186,522,931)	(809,166,539)
BAS 7.17 (d)	Net draw down/(payment) of short term loan		(273,655,150)	(602,773,268)
	Net cash generated from/(used in) financing activities		**144,200,028**	**145,316,743**
	Net (decrease)/increase in cash and cash equivalents		**655,361,147**	**509,060,260**
	Effects of exchange rate changes on cash and cash equivalents		-	-
	Cash and cash equivalents at beginning of the year		1,098,838,629	589,778,369
	Cash and cash equivalents at end of the year		**1,754,199,776**	**1,098,838,629**
BAS 7.45	**Cash and cash equivalents at end of the year represents**			
	Cash in hand		64,000	64,000
	Balance with Bangladesh Bank and its agent bank		184,577,238	156,930,308
	Balance with other banks and financial institutions		1,569,558,538	941,844,321
			1,754,199,776	1,098,838,629
	Supplemental schedule for non-cash financing activities			
	Bonus share issued		93,093,198	120,900,250

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Dhaka, 07 May 2017

sd/-
S. F. Ahmed & Co.
Chartered Accountants

Union Capital Limited

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2016

BAS 1.51 (c)

Figures in BDT

	Particulars	Paid-up capital	Preference share capital	Statutory reserve	Retained earnings	Total
BAS 1.106 (d)	Balance as at 1 January 2016	1,329,902,836	500,000,000	364,815,071	164,915,661	2,359,633,568
BAS 1.106 (d)(i)	Net profit for the year 2016	-	-	-	248,297,634	248,297,634
	Redemption of preference share	-	(100,000,000)	-	-	(100,000,000)
	Dividend on preference shares	-	-	-	(53,020,545)	(53,020,545)
	Transfer to statutory reserve	-	-	49,659,527	(49,659,527)	-
BAS 1.107	Issuance of bonus share (year 2015)	93,093,198	-	-	(93,093,198)	-
	Cash dividend (year 2015)	-	-	-	(66,495,142)	(66,495,142)
	Balance as at 31 December 2016	**1,422,996,034**	**400,000,000**	**414,474,598**	**150,944,883**	**2,388,415,515**
BAS 1.106 (d)	Balance as at 1 January 2015	1,209,002,586	-	323,835,724	169,295,784	1,702,134,094
BAS 1.106 (d)(i)	Net profit for the year 2015	-	-	-	204,896,735	204,896,735
	Issuance of preference share	-	500,000,000	-	-	500,000,000
	Dividend on preference shares	-	-	-	(47,397,261)	(47,397,261)
	Transfer to statutory reserve	-	-	40,979,347	(40,979,347)	-
BAS 1.107	Issuance of bonus share (year 2014)	120,900,250	-	-	(120,900,250)	-
	Balance as at 31 December 2015	**1,329,902,836**	**500,000,000**	**364,815,071**	**164,915,661**	**2,359,633,568**

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

sd/-
S. F. AHMED & Co
Chartered Accountants

Dhaka, Bangladesh
Dated, 21 March 2016

AMARSTOCK

Union Capital Limited

STATEMENT OF LIQUIDITY ANALYSIS (MATURITY OF ASSETS AND LIABILITIES)

as at 31 December 2016

BAS 1.65, BAS 1.51 (c)

Figures in BDT

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total
Assets						
Cash in hand	64,000	-	-	-	-	64,000
Balance with Bangladesh Bank and its agent bank(s)	-	-	184,577,238	-	-	184,577,238
Balance with banks and other financial institutions	224,558,538	490,000,000	855,000,000	-	-	1,569,558,538
Money at call and short notice	-	-	-	-	-	-
Investments	20,000,000	90,000,000	347,124,080	-	-	457,124,080
Loans, advances and leases	247,581,572	487,663,144	3,395,734,148	11,007,441,883	1,260,751,821	16,399,172,568
Fixed assets including premises, furniture and fixtures	-	-	-	-	13,970,191	13,970,191
Other assets	5,500,000	12,000,000	337,500,000	761,002,234	997,263,197	2,113,265,431
Non-banking assets	-	-	-		215,129,173	215,129,173
Total assets	**497,704,110**	**1,079,663,144**	**5,119,935,466**	**11,768,444,117**	**2,487,114,382**	**20,952,861,219**
Liabilities						
Borrowings from banks and financial institutions	62,724,265	307,455,153	759,636,349	1,661,981,110	25,298,637	2,817,095,514
Deposits	270,985,324	554,679,123	3,550,595,678	7,772,608,632	165,968,164	12,314,836,921
Other deposits	43,014,676	64,320,877	87,654,322	485,678,211	135,716,536	816,384,622
Provision and other liabilities	15,126,758	67,917,806	375,000,000	1,710,566,344	447,517,739	2,616,128,647
Total liabilities	**391,851,023**	**994,372,959**	**4,772,886,349**	**11,630,834,297**	**774,501,076**	**18,564,445,704**
Net liquidity gap	**105,853,087**	**85,290,185**	**347,049,117**	**137,609,820**	**1,712,613,306**	**2,388,415,515**

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

sd/-
S. F. AHMED & Co
Chartered Accountants

Dhaka, Bangladesh
Dated, 21 March 2016

BAS 1.10 (e)

NOTES TO THE FINANCIAL STATEMENTS

BAS 1.51 (c)

as at and for the year ended 31 December 2016

1. GENERAL INFORMATION

1. 1 Domicile, legal form and country of incorporation

BAS 1.138 (a)

Union Capital Limited (''the Company'') was set up for the purpose of purchasing investment banking business of Bangladesh Branch Office of Peregrine Capital Limited, Hong Kong, along with all of its specified assets and share capital of SES Company Limited, its related concern. This transaction was effected on 04 February 1998. From that date, the Company started to operate as "Union Capital Limited - proposed".

Union Capital Limited was registered as a public limited company under the Companies Act, 1994 with the Registrar of Joint Stock Companies of Bangladesh on 09 August 1998. On 12 August 1998, the Company obtained permission from Bangladesh Bank to operate as a non-banking financial institution under the Financial Institutions Act, 1993. The Company went for Initial Public Offering in May 2007 and listed its shares with both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in July 2007.

The registered office of the Company is located at Noor Tower (5th floor), 73 Sonargaon Road, Dhaka 1205. The operations of the Company is being carried out through its 7 (seven) offices located in Dhaka, Gazipur, Narsingdi, Chittagong and Sylhet.

BAS 1.138 (b)

1.2 Principal activities

The activities of the Company encompass a wide range of services, broadly classified as fund based and fee based activities . The Company also offers different deposit schemes as well.

Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting and factoring etc.

Fee based activities

Fee based activities include corporate financial services.

Deposit schemes

The Company offers various deposit schemes to mobilise the deposits from the valued customers. Deposit schemes include term deposit, monthly income deposit, double money deposit, triple money deposit, monthly saving scheme, millionaire plus, profit first deposit.

1.3 Information regarding subsidiary companies

As on 31 December 2016 Union Capital has two subsidiaries to include for preparation of consolidated financial statements as per Bangladesh Financial Reporting Standard (BFRS) 10: Consolidated Financial Statements. A brief description of the subsidiaries is given below:

1.3.1 UniCap Securities Limited

UniCap Securities Limited (formerly SES Company Limited) is a private limited company registered under the Companies Act, 1994. The Company was incorporated in Bangladesh on 09 October 1995. The Company has changed its name to UniCap Securities Limited on 21 October 2013 and the registered office of the Company is situated at Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 1, Dhaka 1212. It is a member of Dhaka and Chittagong Stock Exchange and a depository participant of Central Depository of Bangladesh Limited (CDBL). Principal activities of the Company is to carry out all kinds of investment business in shares and stock, brokerage and dealing of securities. It also extends margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Union Capital owns 99.99% of the voting shares of UniCap Securities Limited and has the control over it, it is a subsidiary of Union Capital Limited. The Board of UniCap Securities Limited consists of 12 (twelve) Directors and all the Directors are nominated by Union Capital Limited to represent in the Board of the Company.

1.3.2 UniCap Investments Limited

UniCap Investments Limited was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-93014/11 dated 24 May 2011 as a public limited company under the Companies Act, 1994. The address of the Company's registered office is A-A Bhaban (9th Floor), 23 Motijheel C/A, Dhaka-1000. Principal activities of the Company is to deliver a whole range of investment banking services including merchant banking activities such as issue management,

underwriting, portfolio management and corporate advisory. Union Capital holds 99.99% shares in the Company. Out of 9 (nine) Directors, 2 (two) Directors have been nominated from Union Capital Limited to represent in the Board of the Company.

BAS 1.112 (a)

2 BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis and therefore, do not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act 1993, the Companies Act 1994, the Bangladesh Securities and Exchange Rules 1987, the Listing Rules of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, Guidelines from Bangladesh Bank, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

In the year 2009, Bangladesh Bank issued DFIM circular no.11 dated 23 December 2009 suggesting uniform presentation and disclosure requirements within the industry. As a result, the company followed that circular with the presentation of the financial statements.

There are some areas where application of BAS and BFRS differs from those as suggested by Bangladesh Bank through different circulars. As Bangladesh Bank is the primary regulator, the Company is required to follow the guidelines of Bangladesh Bank. At the same time the Company is also required to follow the guidelines issued by Bangladesh Securities and Exchange Commission (BSEC). For mitigating presentation and disclosure conflict the financial statements have been prepared following Bangladesh Bank's circulars and present separate disclosure where deviations exist.

BAS 1.125

2.1 Reporting period

The financial statements of the Company consistently cover one calendar year from 1 January to 31 December.

BAS 1.125

2.2 Directors' responsibility statement

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

BAS 1.125

2.3 Accounting estimates

Preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements which are related to the useful life of depreciable assets and provisions for loans/leases. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

BAS 1.125

2.4 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with Bangladesh Accounting Standards requires Management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure requirements for contingent assets and liabilities during and as at the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.

In accordance with the guidelines as prescribed by BAS 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised in the following situations:

BAS 37.14

Provisions

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when: the Company 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. Provisions are normally made for restructuring costs and legal claims.

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 Company; or the Company has a present obligation as a result of past events but it is not recognised 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 asset

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 Company. Contingent assets are never recognised, rather they are disclosed in the financial statements when they arise.

BAS 1.16 **2.5 Statement of compliance**

The financial statements of the Company include the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and Notes to the Financial Statements. These financial statements are required to be prepared and presented within a framework of rules and guidelines - some mandatory and some recommendatory. The Companies Act, 1994 requires the production of the following as a part of the annual report:

a) Board of Directors' report b) Auditors' report
c) Balance sheet and
d) Profit and loss statement

In addition to the above, the Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires the preparation of a Cash Flow Statement and Statement of Changes in Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The Bangladesh Securities and Exchange Commission (BSEC) regulates financial reporting practices of listed companies. Listed companies are required to comply with BSEC's accounting and disclosure requirements. The Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires listed companies to follow Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

These financial statements have been prepared and presented in accordance with the approved accounting and reporting standards as applicable in Bangladesh. Approved accounting standards comprise International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh. As of 31 December 2016 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Union Capital Limited are as under:

BAS/BFRS	BAS/BFRS	Applicability
BAS 1	Presentation of Financial Statements	*
BAS 2	Inventories	N/A
BAS 7	Statement of Cash Flows	Applied
BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Applied
BAS 10	Events After the Reporting Period	Applied
BAS 11	Construction Contracts	N/A
BAS 12	Income Taxes	Applied
BAS 16	Property, Plant and Equipment	Applied
BAS 17	Leases	Applied
BAS 18	Revenue	Applied
BAS 19	Employee Benefits	Applied
BAS 20	Accounting of Government Grants and Disclosure of Government Assistance	N/A
BAS 21	The Effects of Changes in Foreign Exchange Rates	Applied
BAS 23	Borrowing Costs	Applied
BAS 24	Related Party Disclosures	Applied
BAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A
BAS 27	Separate Financial Statements	Applied
BAS 28	Investments in Associates and Joint Ventures	N/A
BAS 29	Financial Reporting in Hyperinflationary Economics	N/A
BAS 31	Interest in Joint Venture	N/A
BAS 32	Financial Instruments: Presentation	*
BAS 33	Earnings Per Share	Applied
BAS 34	Interim Financial Reporting	Applied

BAS 36	Impairment of Assets	Applied
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied
BAS 38	Intangible Assets	Applied
BAS 39	Financial Instruments: Recognition and Measurement	*
BAS 40	Investment Property	N/A
BAS 41	Agriculture	N/A
BFRS 1	First-time adoption of Bangladesh Financial Reporting Standards	N/A
BFRS 2	Share-based Payment	N/A
BFRS 3	Business Combinations	N/A
BFRS 4	Insurance Contracts	N/A
BFRS 5	Non-current Assets Held for Sale and Discontinued Operation	N/A
BFRS 6	Exploration for and Evaluation of Mineral Resources	N/A
BFRS 7	Financial Instruments: Disclosures	*
BFRS 8	Operating Segments	Applied
BFRS 10	Consolidated Financial Statements	Applied
BFRS 11	Joint Arrangements	N/A
BFRS 12	Disclosure of Interests in Other Entities	N/A
BFRS 13	Fair Value Measurement	N/A
BFRS 14	Regulatory Deferral Accounts	N/A

* As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note 3.28). N/A = Not Applicable

BAS 1.45 **2.6 Consistency**

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, Union Capital Limited applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS 8. We, however, have applied the same accounting and valuation principles in 2016 as in financial statements for 2015.

BFRS 8.20 **2.7 Operating Segments**

A segment is a distinguishable component of the Company that engaged in providing different types of products and services including revenues and expenses that relate to transactions with the Company's other components whose performances are regularly reviewed by the management. In this context the Company has identified three operating segments of the Group which comprise core financing business, UniCap Investments Limited full fledged merchant bank and UniCap Securities Limited brokerage. Operating results of the reportable segments are disclosed in note no. 36 in compliance with Bangladesh Financial Reporting Standard (BFRS) 8: Operating Segments.

BAS 27.12 **2.8 Basis of consolidation of operations of subsidiaries**

The financial statements of the Company and its subsidiaries have been consolidated in accordance with Bangladesh Financial Reporting Standard (BFRS) 10: Consolidated Financial Statements. The consolidation of the financial statements has been made after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the Company and its subsidiaries are shown in the consolidated profit and loss statement with the proportion of profit after taxation pertaining to minority 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 minority shareholders of the subsidiaries are shown separately in the consolidated balance sheet under the heading 'Non-controlling Interest'.

2.9 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the Directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

BAS 1.10(e) **3 SIGNIFICANT ACCOUNTING POLICIES**

BAS 17.31 **3.1 Lease operations**

As per Bangladesh Accounting Standard (BAS) 17: Leases, lease operations are divided into finance leases and operating leases. Unlike operating lease, a finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title may or may not eventually be transferred.

BAS 17.8

Union Capital Limited as a lessor

BAS 17.49

Under finance leases, Union Capital Limited recognises the leased assets in the balance sheet as investment in lease assets at an amount equal to the net investment in the lease. The lease payments are broken down into the finance charge and the redemption payment. The redemption payment reduces the amount of the outstanding liability (net investment); the finance charge is treated as interest income. Interest and similar income is recognised on the basis of a constant, periodic rate of return relating to the net investment outstanding.

BAS 17.50

In contrast, assets held under operating leases are recognised and valued using the same principles as property, plant and equipment. Union Capital Limited does not hold any property under operating lease.

BAS 17.8

Union Capital Limited as a lessee

BAS 17.33

Under finance lease, the asset is recognised as property, plant and equipment, and the obligation as a liability. Each asset is stated at the lower of the following two values: either the fair value of the lease asset at the inception of the lease or, the present value of the minimum lease payments which ever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.

Lease payments relating to finance leases are broken down into two components: the finance charge and the redemption payment. The redemption payment reduces the residual liability and the finance charges are shown as interest expenses.

BAS 1.119

3.2 Term finance and other finance

Such investments are stated at un-amortised amount. The recovery of principal amount is amortised and the carrying amount is adjusted with the principal recovery and stated at un-amortised principal amount.

Investments are classified as non-accrual when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Whenever a payment is three months past due, investments are classified as non accrual even if they are fully secured and collection efforts are reasonably expected to result in repayment within six months.

When loans/leases are identified as non-accrual, the amount of accrued interest is credited to interest suspense account. Interest received on non-accrual investments are credited to profit and loss statement on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.

BAS 24.12

3.3 Investments in subsidiary

A subsidiary is an entity in which the Company has control as per as shareholding (more than 50 percent) or voting right is concerned. As on the reporting date Union Capital has two subsidiary companies namely, UniCap Investments Limited and UniCap Securities Limited. Consolidated Financial Statements have been prepared for subsidiary investment as per Bangladesh Financial Reporting Standards 10: Consolidated Financial Statements. Interest of the minority is shown as minority interest as separate line item of the shareholders equity which includes share capital of minority portion as well as profit earned that goes to the non-controlling interest.

3.4 Investment in securities

Investment in securities is classified broadly in two categories and accounted for as under:

Investment in listed securities:

Investments in listed securities is carried at cost. Adequate provision has been made considering each individual investment (where cost is less than market price) as guided by Bangladesh Bank. Unrealised gain or losses are not recognised in the profit and loss statement.

Investment in unlisted securities:

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

3.5 Receivables

Accounts receivables

The main item included rentals/installments due from the clients but not received. No such receivables are accounted for if the loans are classified as bad and loss. Receivables carry interest for the periods for

which the delay continues in payments of the amounts due from the clients continues. Such interest is not recognised as income until it is received in cash. Receivables from clients are stated at their nominal value.

Other receivables
Other receivables includes mainly receivable from brokerage houses against sale of securities, accrued IDCP (interest during construction period) and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

BAS 7.6

3.6 Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, and balance with other banks and financial institutions.

BAS 1.65

3.7 Liquidity statement
The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases:

a) Balance with other banks and financial institutions, money at call and on short notice, etc. are on the basis of their maturity term.

b) Investments are on the basis of their respective maturity.

c) Leases, loans and advances are on the basis of their repayment schedule.

d) Fixed assets are on the basis of their useful lives.

e) Other assets are on the basis of their realisation/amortisation.

f) Borrowings from other banks, financial institutions and agents are as per their maturity/repayment terms.

g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.

h) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

3.8 Fixed assets including premises, furniture and fixtures

BAS 16.73

Freehold assets
The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less accumulated depreciation in compliance with the Bangladesh Accounting Standards (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 inclusive of inward freight, duties and non-refundable taxes, if any.

BAS 23.13

Pre-operating expenses and borrowing costs
In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing cost considering the requirement of BAS 23: Borrowing Costs.

BAS 16.12

Subsequent expenditure
The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable, that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the assets. All other costs are recognised to the profit and loss statement as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

BAS 16.67

Disposal of fixed assets including land, building, furniture and fixtures
On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the profit and loss statement, which is determined with reference to the net book value of the assets' and net sales proceeds.

BAS 16.73(b)

Depreciation on fixed assets including land, building, furniture and fixtures
Depreciation of an asset begins when the asset is available for use. Depreciation is provided for the period in use of the assets. Full month's depreciation has been charged on additions irrespective of date when the

related assets are put into use and no depreciation is charged for the month of disposal. Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Furniture and fixtures	20% per annum
Office decoration	33% per annum
Electrical equipment	20% per annum
Owned vehicles	20% per annum
Software	20% per annum
Mobile phone	20% per annum
Staff appliance	20% per annum

3.9 Intangible asset

BAS 38.8

Components
The main item included in intangible asset is software.

BAS 38.24

Basis of recognition
An intangible asset shall only be recognised 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 Balance Sheet at cost less accumulated amortisation.

BAS 38.72

Subsequent expenditure
Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

BAS 38.97

Amortization
Intangible asset is valued at amortised cost and written down within 5 to 10 years.

BAS 39.43

3.10 Bank loans
Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on an accrued basis to profit and loss statement under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

BAS 23.9

3.11 Borrowing costs
All borrowing costs are recognised in the profit or loss account in the period in which they are incurred.

BAS 39.43

3.12 Accrued expenses and other payables
Liabilities are recognised for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal value.

BAS 37.14

3.13 Provision for doubtful losses
The provision for doubtful losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred but are not yet identifiable.

The provision is increased by the provision for doubtful losses, which is charged to profit and loss statement, and decreased by the amount of write-offs, net of reversals.

The provision is determined based on management's identification and evaluation of problem accounts, estimated probable losses that exist on the remaining portfolio and on other factors including the composition and quality of the portfolio and changes in economic condition.

The provision is estimated based on two principles: 1. Bangladesh Accounting Standard (BAS) 37: Provisions, contingent liabilities and contingent assets, and 2. Bangladesh Bank guidelines. Methodology for measuring the appropriate level of the provision relies on several key elements, which include both quantitative and qualitative factors as set forth in the Bangladesh Bank guidelines. FID circular 08 dated 03 August, 2002 as amended subsequently by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

3.14 Income tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

BAS 12.46

a. Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

BAS 12.15

b. Deferred tax

As per Bangladesh Accounting Standard (BAS) 12: Income Taxes, deferred tax is recognised 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilised.

Deferred tax is calculated at the tax rates, which are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit and loss statement.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and liabilities on a net basis.

BAS 1.78 (d)

3.15 Employees benefit plans

The Company offers a number of benefit plans which amongst others include contributory provident fund and gratuity scheme.

a. Contributory provident fund

The Company operates a contributory provident fund for its permanent employees (which is a defined contributory fund as specified in BAS 19: Employee benefits, Para 10). The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by equal contribution from the Company and the employees. This fund is invested separately from the Company's assets.

b. Gratuity scheme

The Company operates an unfunded gratuity scheme (which is a defined benefit scheme as specified in BAS 19: Employee benefits). Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service up to ten years of service, one and half months basic pay for every completed year of service up to fifteen years of service and two months basic pay for more than fifteen years of service. Full provision for gratuity has been made in the accounts for the existing employees based on their years of service with the Company. Gratuity amount is subject to a maximum ceiling of 50 (fifty) basic only.

c. Employee home loan scheme

To secure long-term commitment of deserving employees the Company introduced home loan scheme. An employee who is in service for a continuous period of at least five years (in 3 years service with the Company) is entitled to avail home loan to purchase residential apartment, purchase land and construction of house thereon etc. Interest rate of the loan is 6 percent per annum.

d. Employee car scheme

The Company provides car loan facility to the employees as per loan scheme. The Company provides full time car facility to the employees from the position of Executive Vice President.

e. Employee personal loan scheme

The Company provides personal loan facility to the employee as per loan scheme.

3.16 Branch accounting

The Company has 7 (seven) branches with no overseas branch as on 31 December 2016. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

3.17 Write-off

Write-off describes a reduction in recognised value. It refers to recognition of the reduced or zero value of an asset. Generally, it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus canceled and removed ("written off") from the Company's balance sheet.

Recovery against debts written off/provided for is credited to revenue. Income is recognised where amounts are either recovered and /or adjusted against securities/properties of advances there against or are considered recoverable.

BAS 18.29

3.18 Interest suspense account

Accrued interest on lease finance, term finance, real estate finance, hire purchase agreement classified as Special Mentioned Account (SMA), Sub-Standard (SS), Doubtful (DF) and Bad & Loss (BL) are not recognised as income rather transferred to interest suspense account in compliance with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognised as income on cash basis.

BAS 18.35 (a)

3.19 Revenue recognition

Revenue is recognised in accordance with Bangladesh Accounting Standard (BAS) 18: Revenue unless otherwise mentioned or otherwise guided by the separate BAS/BFRS.

BAS 18.30 (a)

a. Lease income

The excess of gross lease rentals over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return is, however, differs in case of structured lease finance depending on the structure of the particular lease contract. Income is recognised when it is earned, i.e. income on due installments on unclassified leases irrespective of whether received or not. Income is not taken into profit and loss statement when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is recognised on cash basis.

BAS 18.30 (a)

b. Income from term finance

Interest income on term finance is recognised on accrual basis. Installment comprises both interest and principal. Interest part of the installments that become receivable is recognised as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance are classified as SMA and above and kept in interest suspense account. Interest on classified term finances is recognised as income on cash basis.

BAS 18.30 (a)

c. Income from real estate finance

Interest income from real estate finance is recognised on accrual basis. Interest portion of the installments that become receivable is recognised as income in the financial statements. Interest on such finance ceases to be taken into income when such finance is classified as SMA and above and kept in interest suspense account. Interest on classified finance is recognised as income on cash basis.

BAS 18.30 (a)

d. Income from secured term finance

Income from secured term finance is recognised on accrual basis.

BAS 18.30 (c)

e. Dividend income

Dividend on ordinary shares

Dividend income from ordinary shares is recognised when the shareholders' legal rights to receive payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting. Dividend declared but not received is recognised as deemed dividend.

Dividend on preference shares

Dividend from preference shares is recognised on cash basis.

BAS 18.20

f. Fee based income

Fee based income is recognised on accrual basis

g. Gain on sale of securities

Capital gain on disposal of securities listed in the stock exchanges is recorded on cash basis i.e. only when the securities are sold in the market. Unrealised capital gains are not accounted for in the profit and loss statement.

BAS 1.107

3.20 Event after the reporting period

Proposed dividend

The proposed dividend is not recognised as a liability in the balance sheet in accordance with Bangladesh Accounting Standard (BAS) 10: Events After the Balance Sheet Date. Dividend payable to the Company's shareholders are recognised as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

Bangladesh Accounting Standard (BAS) 1: Presentation of Financial Statements also requires the dividend proposed after the balance sheet date but before the financial statements are authorised for issue, be disclosed in the notes to the financial statements. Accordingly, the Company has disclosed the same in the notes to the financial statements.

All material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed in note 54.

BAS 36.9

3.21 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Any impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss statement.

BAS 24.17

3.22 Related party transactions

As per Bangladesh Accounting Standard (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. All transactions involving related parties arising in normal course of business are conducted at arm's length basis at normal commercial rates on the same terms and conditions as third party transactions using valuation models.

3.23 Statutory reserve

Financial Institutions Regulations 1994 requires Non-bank Financial Institutions to transfer 20 percent of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, the Company transferred 20 percent of its net profit to statutory reserve before declaration of dividend.

BAS 37.27

3.24 Guarantee, commitments and contingencies

Corporate guarantee represents irrevocable assurance that the Company will make payments in the event that a client cannot meet its obligation to third parties. The term of this guarantee is for one year and renewable at the expiry of the term.

In the normal course of operations, the Company provides indemnifications, which are often standard contractual terms to counter parties in transactions such as purchase agreements, service agreements, contract with employees and leasing transactions. This indemnification clause may require us to compensate the counter parties for cost incurred as a result of charges in laws and regulations or litigation claims that may be suffered by the counter party as a consequence of the transaction. The terms of these indemnifications clause vary based upon the contract.

BAS 1.98 (f)

3.25 Litigation

The Company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for non-performance in loans/leases repayment and against various levels of tax authority regarding some disputed tax issues. The Company, however, provides adequate provisions as per guidelines of Bangladesh Bank and BAS 37.

3.26 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with BAS 33: Earnings Per Share which has been shown on the face of Profit and Loss account, and the computation of EPS is stated in the notes to the financial statements.

BAS 33.10

a. Basic earnings per share

This represents earnings for the year attributable to ordinary shareholders, which is calculated after deducting dividend on preference shares from net profit after tax for the year.

BAS 33.31

b. Diluted earnings per share

Diluted earnings per share reflects the potential dilution that could occur if additional ordinary shares are assumed to be issued under securities or contracts that entitle their holders to obtain ordinary shares in future, to the extent such entitlement is not subject to unresolved contingencies.

Effect of dilution to weighted average number of ordinary shares is given for potential ordinary shares. At 31 December 2016, there was no scope for dilution and hence no diluted EPS is required to be calculated.

c. Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

BAS 27.28

3.27 Uniform accounting policies

The financial statements of Union Capital Limited, UniCap Securities Limited and UniCap Investments Limited have been prepared in accordance with the uniform principles of accounting.

BAS 1.19

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

Bangladesh Bank is the prime regulatory body for all Non-banking Financial Institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of BAS/BFRS. As such the Company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in notes 62 and 63 to these financial statements.

BAS 1.114 (d) (ii)

3.29 Financial risk management

The risk of the Company is defined as the possibility of losses, financial or otherwise. The risk management of the Company covers core risk areas of financing namely, credit risk, liquidity risk, market risk that includes interest rate risk and equity risk, operational risk and reputation risk arising from money

laundering incidences. The Company's objective of the risk management is that it takes well calculative business risks while safeguarding its capital, financial resources and profitability from various risks. In this context, the Company took steps to implement Bangladesh Bank's guidelines and some of the best practices as under:

3.29.1 Credit risk

It arises mainly from lending, trade finance, leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Company. The failure may result from unwillingness of the counter party or decline in his/her financial condition. Therefore, the Company's credit risk management activities have been designed to address all these issues.

The Company has segregated duties of the officers/executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the credit division. These are (a) Credit Risk Management Unit, (b) Credit Administration Unit and (c) Credit Monitoring and Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/strategy for lending operation, etc.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility etc. The assessment process starts at Corporate Division by the Relationship Manager/Officer and ends at Credit Risk Management Unit when it is approved/declined by the competent authority. Credit approval authority has been delegated to the Credit Committee. Proposal beyond the approval authority of the Credit Committee are approved/declined by the Executive Committee and/or the Board, as applicable.

In determining Single borrower/Large loan limit, the instructions of Bangladesh Bank are strictly followed. Loans are classified as per Bangladesh Bank's guidelines.

3.29.2 Liquidity risk

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Company is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Treasury Department under an approved policy guidelines. Treasury front office is supported by a very structured back office. The liquidity management is monitored by Asset Liability Committee (ALCO) on regular basis. A written contingency plan is in place to manage extreme situation.

3.29.3 Market risk

The exposure of market risk of the Company is restricted to interest rate risk and equity risk.

3.29.4 Interest rate risk

Interest rate risk may arise either from trading portfolio and non-trading portfolio. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and third funding cost. ALCO monitors the interest rate movement on regular basis.

3.29.5 Equity risk

Arise from movement in market value of equities. The risks are monitored by Merchant Banking Wing under a well designed policy framework. The market value of equities was higher than the cost prices.

3.29.6 Operational risk

Appropriate internal control measures are in place at Union Capital to address operational risks. The Company has also established an Internal Control & Compliance Department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and mange operational risk. The function of ICCD is to constant vigilance against leakage of Shareholders value by identifying, assessing, measuring, managing and transferring operational risk resulting from inadequate or failed internal control processes, people and system or from external events.

3.29.7 Information technology risk

The Company has appropriate policy, procedures in place to mitigate the risk of failing to develop, implement or operate UCL's technology platforms and solutions to meet stakeholders requirements. Also the Company has built resilience into its network platform through the installation of a back-up link, disaster recovery plan, executing service level agreement with the vendor.

3.29.8 Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from our business activities and our operations e.g. the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit and reputation risk. The Company has a robust risk assessment procedure at appraisal stage in case of any credit facility to any borrower involving any activities that is detrimental to the environment. The Company has also adopted Environmental Risk Management (ERM) policy and implemented the same in all of its business activities.

3.30 Basel II and its implementation

Basel II accords are the international standards for creating regulations about how much capital is needed to put aside to guard against the various types of financial and operational risks that the Financial Institutions face.

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Capital Adequacy and Market Discipline (CAMD) have been introduced by Bangladesh Bank from 01 January 2012 regarding Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR), and Disclosure requirement as stated in the guidelines to be followed by all financial institutions for the purpose of statutory compliance. In line with the requirement of the guidelines, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord. Calculation of CAR and MCR are detailed out in note no. 15.

Notes to the audited financial statements — Figures in BDT

		As at 31 December	**2016**	**2015**
BAS 1.77	**4.0**	**CASH**		
		In hand		
		Local currency	64,000	64,000
		Foreign currencies	-	-
			64,000	64,000
		Balance with Bangladesh Bank		
		Local currency	184,577,238	156,930,308
		Foreign currencies	-	-
			184,577,238	156,930,308
			184,641,238	**156,994,308**
BAS 1.77	**4.a**	**CASH (Consolidated)**		
		In hand		
		Union Capital Ltd.	64,000	64,000
		UniCap Securities Ltd.	25,000	25,000
		UniCap Investments Ltd.	10,000	14,093
			99,000	**103,093**
		Balance with Bangladesh Bank		
		Union Capital Ltd.	184,577,238	156,930,308
		UniCap Securities Ltd.	-	-
		UniCap Investments Ltd.	-	-
			184,577,238	**156,930,308**
			184,676,238	**157,033,401**

4.1 Cash reserve requirement (CRR) and statutory liquidity reserve (SLR)

Cash reserve requirement and statutory liquidity reserve have been calculated and maintained in accordance with FID circular no. 6 dated 6 November 2003.

Figures in BDT

	As at 31 December	2016	2015
4.1.1	**Cash reserve requirement (CRR)**		
	2.5% of total customer deposits		
	Required reserve	176,776,050	154,026,238
	Actual reserve held	180,258,635	155,296,346
	Surplus(deficit)	**3,482,585**	**1,270,108**
4.1.2	**Statutory liquidity reserve (SLR)**		
	5% of total liabilities		
	Required reserve	379,303,723	346,770,500
	Actual reserve held	1,015,902,388	528,460,064
	Surplus/(deficit)	**636,598,665**	**181,689,564**
4.1.3	**Held for cash reserve requirement (CRR)**		
	Balance with Bangladesh Bank and its agent bank(s)	184,577,238	156,930,308
4.1.4	**Held for statutory liquidity reserve (SLR)**		
	Cash in hand	64,000	64,000
	Balance with Bangladesh Bank and its agent bank(s) as per statement	184,577,238	156,930,308
	Balance with other banks and financial institutions (note-5)	1,569,558,538	941,844,321
		1,754,199,776	**1,098,838,629**

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty expenses both for head office and branch offices. Under this system the Company maintains imprest of BDT 64,000 (2015: BDT 64,000). As per Bangladesh Bank guidelines, the Company cannot make any cash transaction except petty cash.

4.1.6 Balance with Bangladesh Bank & its agent bank

Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the cash reserve requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2016 there is no shortage in CRR.

BAS 1.77

5.0 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

This represents balance with various banks and financial institutions in Bangladesh.

Fixed deposit account		
People's Leasing and Financial Services Ltd.	50,000,000	-
International Leasing and Financial Services Ltd.	100,000,000	-
Bangladesh Industrial Finance Company Limited	140,000,000	-
Modhumoti Bank Limited, Dhanmondi Branch	55,000,000	-
The Farmers Bank Ltd., Motijheel Branch	300,000,000	-
Reliance Finance Limited	-	50,000,000
Union Bank Limited- Rupnogor,		
Narayanganj Branch	-	126,137,657
Midland Bank Limited, Uttara Branch	-	100,000,000
FAS Finance and Investment Ltd.	-	50,000,000
EXIM Bank (BD) Limited, Motijheel Branch	-	50,000,000
Social Islami Bank Limited, Bashundhara Branch	700,000,000	200,000,000
	1,345,000,000	576,137,657
Current account		
Bank Alfalah Limited, Gulshan Branch	23,116	-
BASIC Bank Limited, Shantinagar Branch	1	1
BASIC Bank Limited, Bangshal Branch	1	483
BRAC Bank Limited, Gulshan Branch	70,539	71,839
Bank Asia Limited, Moghbazar Branch	82	2
Bank Asia Limited, Bashundhara Branch	399	139
Dhaka Bank Limited,Kakrail Branch	1,891,205	-

Figures in BDT

As at 31 December	2016	2015
Mutual Trust Bank Limited, Dilkusha Branch	393,513	395,163
Modhumoti Bank Limited, Dhanmondi Branch	3,785	-
Midland Bank Ltd, Gulshan Branch	2,965	-
National Credit and Commerce Bank Ltd.,		
Mirpur-10 Branch	258	-
NRB Bank Limited,Corporate Branch	933,814	-
Shahjalal Islami Bank Limited, Dhaka Main Branch	453	453
Shahjalal Islami Bank Limited,		
Elephant Road Branch	4,536,682	-
Southeast Bank Limited, Islamic Banking Branch	710,755	712,405
Southeast Bank Limited, Mirpur Branch	4,404	-
Southeast Bank Limited, Satmosjid Road Branch	4,425	-
State Bank of India, Dhaka Office	79,223	81,098
The Premier Bank Limited, Karwan Bazar Branch	32,647	34,292
United Commercial Bank Limited,		
New Eskaton Branch	5,448,516	4,326,821
Uttara Bank Limited, Local Office	18,558	19,708
	14,155,341	**5,642,404**
Short term deposit		
AB Bank Limited, Karwan Bazar Branch	13,622	16,281
HSBC, Dhaka Main Office	86,280	-
HSBC, Dhaka Main Office	516,102	70,593
Southeast Bank Limited, Islamic Banking Branch	2,529,758	2,049,889
Bank Asia Limited, Corporate Branch	173,103,013	336,138,429
Dhaka Bank Limited, Local Office	2,091,480	10,805,800
Dutch Bangla Bank Limited,		
Karwan Bazar Branch	25,810,582	525,616
Mutual Trust Bank Limited, Principal Branch	3,904,381	304,107
Jamuna Bank Limited, Sonargaon Road Branch	2,347,979	10,153,545
	210,403,197	**360,064,260**
	1,569,558,538	**941,844,321**

Fixed deposits are maintained with commercial banks and non-bank financial institutions for maintaining statutory liquidity reserve as required by Bangladesh Bank. Bangladesh Bank regulations require to maintain statutory liquidity reserve (SLR) @ 5% including the CRR of 2.5% on total liabilities, excluding deposits and borrowings from banks and financial institutions. Union Capital Limited maintains this reserve mostly in the form of fixed deposits.

Maturity wise grouping		
On demand	14,155,341	5,642,404
Up to 1 month	210,403,197	410,064,260
Over 1 month but not more than 3 months	490,000,000	326,137,657
Over 3 months but not more than 1 year	855,000,000	200,000,000
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	1,569,558,538	941,844,321

BAS 1.77 **5.a** **BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)**

Union Capital Ltd.	1,569,558,538	941,844,321
UniCap Securities Ltd.	199,026,208	57,357,260
UniCap Investments Ltd.	55,805,967	50,741,976
	1,824,390,714	**1,049,943,557**
Less: Inter-company transactions	-	-
	1,824,390,714	**1,049,943,557**

BAS 1.77 6.0 INVESTMENTS

The investment is made up as under:

Government securities	-	-
Other investments (note 6.1)	457,124,080	562,788,114
	457,124,080	562,788,114

This represents investment made by the Company in listed securities.

Notes to the audited financial statements

Figures in BDT

		As at 31 December	2016	2015
	6.1	Other investments		

Ordinary share	No. of Company	Market Value	Cost 2016	Cost 2015
Listed securities	15	436,463,685	457,124,080	562,788,114
Total	**15**	**436,463,685**	**457,124,080**	**562,788,114**

Listed securities:
Investments have been recorded at cost and adequate provision for diminution in value of investment as per Bangladesh Bank guidelines has been made. Market value of securities has been determined on the basis of the value of securities at the last trading date of the year (Last trading date for 2016 was 29 December).

Sector wise investment in listed securities at cost		
Banking companies	16,518,488	1,211,832
Insurance companies	14,381,778	14,381,778
Fuel & power	9,646,268	3,075,058
Manufacturing companies and others	416,577,546	544,119,446
	457,124,080	562,788,114

BAS 1.61

Maturity wise grouping		
Up to 1 month	20,000,000	30,000,000
Over 1 month but not more than 3 months	90,000,000	140,000,000
Over 3 months but not more than 1 year	347,124,080	392,788,114
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	457,124,080	562,788,114

BAS 1.77 **6.a INVESTMENTS (consolidated)**

Union Capital Ltd.	457,124,080	562,788,114
UniCap Securities Ltd.	748,105,089	659,688,252
UniCap Investments Ltd.	404,130,914	398,353,450
	1,609,360,083	1,620,829,816

BAS 1.77 **7.0 LOANS, ADVANCES AND LEASES**

This represents loans, advances and leases financed fully in Bangladesh.

Lease finance (note 7.1)	1,948,222,279	2,392,844,027
Advance against lease finance (note 7.2)	14,500,000	-
Term finance (note 7.3)	8,405,475,684	7,474,504,305
Home loan	2,492,285	3,076,934
Loan to subsidiaries (note 7.4)	5,976,628,723	5,695,684,061
Loan against deposits (note 7.5)	18,745,690	4,107,000
Staff loan (note 7.6)	33,107,907	24,254,323
Total	**16,399,172,568**	**15,594,470,650**

BAS 1.77 **7. 1 Lease finance**

Principal outstanding (note 7.1.1)	1,693,360,694	2,153,661,847
Accounts receivable	254,861,585	239,182,180
Total	**1,948,222,279**	**2,392,844,027**

7. 1.1 Principal outstanding

Gross rental receivables	2,165,158,407	2,830,734,825
BAS 17.47 (b) Unearned lease income	(471,797,713)	(677,072,978)
Net investment	**1,693,360,694**	**2,153,661,847**

7. 2 Advance against lease finance

This represents amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.

Figures in BDT

As at 31 December	2016	2015
Balance at 1 January	-	45,838,797
Add: Disbursed during the year	380,868,760	304,320,000
Less: Executed during the year	(366,368,760)	(350,158,797)
Balance at 31 December	**14,500,000**	**-**

BAS 1.77

7. 3 Term finance

Principal outstanding (note 7.3.1)	7,701,473,312	7,048,118,809
Accounts receivable	704,002,372	426,385,496
Total	**8,405,475,684**	**7,474,504,305**

Term finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

7. 3.1 Movement of term finance (Principal outstanding) is made up as under:

Balance at 1 January	7,048,118,809	6,179,957,783
Add : Disbursed during the year	6,218,020,000	3,052,669,533
Less: Recovery during the year	(5,564,665,497)	(2,184,508,507)
Balance at 31 December	**7,701,473,312**	**7,048,118,809**

7. 4 Loan to subsidiaries

As per instruction of Bangladesh Bank, an amount of Tk. 1,164,749,964 representing accrued interest upto 31 December 2015 on loans given to subsidiaries of the Company has been reclassified and included in loans, leases and advances. Earlier it was included in other assets.

7. 5 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per Company's policy, Union Capital Limited finances to depositors up to 95 percent of TDR value. Interest is charged on such loan @ 2 percent above the interest offered on TDR.

Movement of loan against term deposit is as under:

Balance at 1 January	4,107,000	105,786,000
Add : Disbursed during the year	63,580,000	6,030,000
Less: Recovery during the year	(48,941,310)	(107,709,000)
Balance at 31 December	18,745,690	4,107,000

BAS 1.77

7. 6 Staff loan

Staff loan includes loan provided to the eligible employees as per Company's approved policy

Employees home loan	17,451,758	11,848,824
Employees car loan	15,132,038	11,587,599
Personal loan	524,111	817,900
Balance at 31 December	**33,107,907**	**24,254,323**

BAS 1.61

7.7 Residual maturity grouping of loans, advances and leases

Repayable on demand	-	-
Upto 1 month	247,581,572	190,082,350
Over 1 month but not more than 3 months	487,663,144	432,664,700
Over 3 months but not more than 1 year	3,395,734,148	3,535,741,150
Over 1 year but not more than 5 years	11,007,441,883	9,096,520,117
Over 5 years	1,260,751,821	2,339,462,333
Total	**16,399,172,568**	**15,594,470,650**

BAS 1.77

7. 8 Loans, advances and leases on the basis of significant concentration

a) Directors and their concerns	5,988,301,831	5,738,184,470
b) Chief executive and other senior executives	33,107,907	24,254,323
c) Customer groups	10,377,762,830	9,832,031,857
	16,399,172,568	**15,594,470,650**

d) Details of large loans, advances and leases

As per Section 14 (1) (ga) of the Financial Institutions Act 1993 a financial institution can not sanction any loans, advances and leases exceeding 30 percent of its capital (capital plus reserve) without permission from Bangladesh Bank. During the year 2016 Union Capital Limited has no such loans, advances and leases extended to external customers except loans extended to its subsidiaries that has been reported quarterly to Bangladesh Bank as per requirement.

BAS 1.77

e) Sector wise loans, advances and leases

As per Bangladesh Bank circular, sector wise loans and advances are as follows:

Figures in BDT

As at 31 December	2016	2015
Sector		
Trade and Commerce	2,342,835,484	2,715,560,639
Industry		
Garments and Knitwear	401,703,903	592,930,103
Textile	1,837,709,161	1,241,628,144
Jute and Jute Products	114,448,421	125,086,429
Food Products and Processing Industry	538,280,672	433,898,196
Plastic Industry	46,492,325	118,581,604
Leather and Leather-Goods	2,747,016	3,898,418
Iron, Still and Engineering	952,711,900	709,912,970
Pharmaceuticals and Chemicals	527,237,724	982,864,183
Cement and Allied Industry	83,547,258	84,271,321
Telecommunication and Information Technology	60,072,879	59,580,437
Paper, Printing and Packaging	275,445,377	239,456,182
Glass, Glassware and Ceramic Industry	7,032,265	6,125,285
Ship Manufacturing Industry	342,965,731	363,856,691
Electronics and Electrical Products	163,837,625	94,474,259
Power, Gas, Water and Sanitary Service	843,634,008	574,103,241
Transport and Aviation	358,752,215	527,995,729
Agriculture	361,246,191	87,280,853
Housing	265,299,179	365,694,190
Others:		
Merchant Banking	5,092,322,086	3,759,904,690
Others	1,780,851,149	2,507,367,085
Grand total	**16,399,172,568**	**15,594,470,650**

BAS 1.77

7. 9 Geographical location wise loans, advances and leases

Dhaka Division	14,200,907,319	12,658,660,504
Chittagong Division	2,019,579,523	2,749,490,064
Rajshahi Division	147,123,297	157,177,367
Khulna Division	-	-
Barisal Division	318,027	488,473
Sylhet Division	31,244,402	28,654,242
Total	**16,399,172,568**	**15,594,470,650**

BAS 1.77

7. 10 Details of large loan/investments

Loan sanctioned to any individual or enterprise or any organisation of a group amounting to 15% or more of the Company's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Total capital of the Company as at 31 December 2016 was Taka 2,388.40 million against that of Taka 2,359.63 million as at 31 December 2015.

Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each	5	7
Amount of outstanding loans and advances [to the client as mentioned above]	8,207,816,000	6,668,408,115

Figures in BDT

As at 31 December	2016	2015
Amount of classified loans and advances [out of the amount as mentioned above]	-	-
Measures taken for recovery [for the amount as mentioned above]	-	-

BAS 1.112 (c) **7. 11 Particulars of loans, advances and leases**

SL Particulars

I. Financing considered good in respect of which the Company is fully secured	1,863,982,351	2,036,109,270
II. Financing considered good in respect of which the Company is partially secured	4,711,414,262	4,761,849,096
III. Financing considered good against which the Company holds no security other than the debtors' personal guarantee	3,095,198,474	2,385,871,976
IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	103,809,911	187,784,703
V. Financing adversely classified, provision not maintained there against	-	-
	9,774,404,998	**9,371,615,044**
VI. Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons	33,107,907	24,254,323
VII. Financing due from companies or firms in which the Directors of the Company have interest as Directors, Partners or Managing Agents or in case of private companies as Members	5,988,301,831	5,738,184,470
VIII. Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Company or any of them either separately or jointly with any other person	33,107,907	24,254,323
IX. Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors of the Company have interest as directors, partners or managing agents or in case of private companies as members	5,988,301,831	5,738,184,470
X. Due from banking companies and other financial institutions	-	-
XI. Classified loans, advances and leases on which interest has not been charged	428,905,799	221,214,440
a) Amount of written off loans, advances and leases	606,951,570	442,256,466
b) Amount realized against the debts previously written off	20,670,590	4,664,228
c) Provision kept against loans and advances classified as bad/loss	214,481,190	162,277,703
d) Amount of interest creditable to the interest suspense account	75,621,958	119,938,414
XII. Cumulative amount of the written off loans/leases: Opening balance	442,256,466	388,877,972
Add: Amount written off during the year	185,365,694	58,042,722
Less: Amount recovered during the year	20,670,590	4,664,228
Cumulative to date	606,951,570	442,256,466
The amount of written off loans for which law suit filed	636,163,739	450,798,045

Figures in BDT

		As at 31 December	2016	2015
BAS 1.77	7. 12	**Classification wise loans, advances and leases**		
		Standard	14,508,827,060	13,855,690,687
		Special mention account (SMA)	506,673,632	525,862,743
		Unclassified	15,015,500,692	14,381,553,430
		Sub-standard (SS)	553,028,986	232,388,791
		Doubtful (DF)	116,164,010	393,000,466
		Bad/loss (BL)	714,478,880	587,527,963
		Classified	**1,383,671,876**	**1,212,917,220**
		Total	**16,399,172,568**	**15,594,470,650**
		Rate of classified loans, leases and advances	**8.44%**	**7.78%**

BAS 37.84 (b) **7.13 Particulars of required provision for loans, advances and leases**

Required provision has been made for loans, leases and advances as per Bangladesh Bank guidelines. As per guidelines, provisions at the following rate have been made in the accounts depending on the classification status.

Particulars	Classification status	Provision (%)
Loans, advances and leases up to 5 years term		
Up to 2 months	Standard	1
3 to 5 months	SMA	5
6 to 11 months	SS	20
12 to 17 months	DF	50
18 months and above	BL	100
Loans, advances and leases exceeding 5 years term		
Up to 5 months	Standard	1
6 to 11 months	SMA	5
12 to 17 months	SS	20
18 to 23 months	DF	50
24 months and above	BL	100

However, as per DFIM Circular number -03 dated 29 April 2013, provision at the rate of 0.25 percent has been made against 'Small and Medium Enterprises (SME)' loan/lease falling under the classification status of standard.

Required provision according to classification status is mentioned below:

Particulars	Base for provision	Rate	Provision	Provision
Unclassified-General provision				
Standard (Excluding SME loan/leases)	13,098,716,308	1%	130,987,163	110,776,792
Standard (SME loan/leases)	1,410,110,752	0.25%	3,525,277	4,033,154
Special mention account	489,275,474	5%	24,463,774	24,968,221
	14,998,102,534		**158,976,214**	**139,778,167**
Classified - Specific provision				
Sub-standard	280,520,987	20%	56,104,197	21,212,284
Doubtful	35,465,200	50%	17,732,600	97,476,644
Bad/loss	214,481,190	100%	214,481,190	162,277,703
	530,467,377		**288,317,987**	**280,966,630**
Required provision for loans, advances and leases			**447,294,201**	**420,744,797**
Total provision maintained for loans, advances and leases			480,627,756	433,845,684
Excess provision for loans, advances and leases			**33,333,555**	**13,100,887**

BAS 1.77	7. 14	**Rate of net classified loans, advances and leases**		
		Gross classified loans, advances and leases	1,383,671,876	1,212,917,220
		Less: Interest suspense against classified loans, advances and leases	178,670,741	173,745,183
		Less: Provision against classified loans, advances and leases	288,317,987	280,966,630

Figures in BDT

As at 31 December	2016	2015
Net classified loans, advances and leases	916,683,147	758,205,407
Total loans, advances and leases	16,399,172,568	15,594,470,650
Rate of net classified loans, advances and leases	5.59%	4.86%

BAS 1.77 **7.a LOANS, ADVANCES AND LEASES (consolidated)**

Union Capital Ltd.	16,399,172,568	15,594,470,650
UniCap Securities Ltd.	992,490,310	722,893,717
UniCap Investments Ltd. (note 7.a 1)	5,688,730,428	5,039,213,017
	23,080,393,306	21,356,577,384
Less: Inter-company transactions	5,976,628,723	5,712,559,061
	17,103,764,583	15,644,018,323

7.a 1 This includes the margin loan transferred from Union Capital Limited to UniCap Investments Limited, one of its subsidiaries on 1 January 2014 as a result of separation of its merchant banking operations.

BAS 1.78 (a) **8.0 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES**

Furniture and fixtures	7,076,288	7,031,438
Office decoration	15,766,847	18,358,286
Electric equipment	27,021,510	26,532,142
Owned vehicles	12,535,992	3,162,133
Leased vehicles	3,760,000	3,760,000
Intangible assets (software)	1,122,881	943,881
Mobile phones	367,085	367,085
Staff appliances	41,329	41,329
Total cost	**67,691,932**	**60,196,294**
Less: Accumulated depreciation and amortization	53,721,741	52,087,646
Written down value at 31 December	**13,970,191**	**8,108,648**

Details are shown in Annexure - A

BAS 1.77 **8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)**

Union Capital Ltd.	13,970,191	8,108,648
UniCap Securities Ltd.	17,905,944	15,625,218
UniCap Investments Ltd.	3,901,167	5,519,805
	35,777,302	**29,253,671**

BAS 1.77 **9.0 OTHER ASSETS**

Investment in subsidiary (note 9.1)	347,498,771	347,498,771
Accrued interest	114,667,905	65,346,310
Others	13,274,318	9,332,511
Income generating other assets	**475,440,994**	**422,177,592**
Advance office rent	3,821,660	2,824,909
Advance to employees	785,805	639,029
Deposits with T & T, water etc.	37,500	37,500
Advance corporate tax	1,185,250,440	914,054,336
Receivable from brokerage house against sale of shares	87,269,018	157,501,815
Transfer price receivable	1,287,376	1,287,376
Deferred tax assets (note 9.2)	10,480,802	11,357,529
Others	348,891,836	26,947,657
Non income generating other assets	**1,637,824,437**	**1,114,650,151**
Total	**2,113,265,431**	**1,536,827,743**

Management considers all the other assets as good.

9.1 Investment in subsidiary

9.1.1 Investment in UniCap Securities limited

UniCap Securities Limited, a private limited company incorporated in Bangladesh, is a wholly owned subsidiary of Union Capital Limited, the entire issued shares of which were acquired by the Company at a

nominal value of Taka one (1) in 1998. During the year 2003, an amount of Taka 2,498,900 was invested in UniCap Securities Limited against 24,989 ordinary shares of Taka 100 each. Further, in 2005, 2009 and 2010, Taka 10,000,000, Taka 35,000,000 and Taka 50,000,000 respectively were also invested in UniCap Securities Limited against allotment of 100,000, 350,000 and 500,000 ordinary shares of Taka 100 each.

9.1.2 Investment in UniCap investments limited

UniCap Investments Limited, a public limited company incorporated in Bangladesh, is a wholly owned subsidiary of Union Capital Limited of which Union Capital Limited holds 99.99 percent share of the said company. An aggregate amount of Taka 249,999,870 was invested in UniCap Investments Limited which includes Taka 99,999,935, Taka 99,999,935 and Taka 50,000,000 for the year 2011, 2012 and 2013 respectively.

9.2 Deferred tax asset

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 and under the guidelines of Bangladesh Bank DFIM circular no.07 dated 31 July 2011.

Deferred tax asset is arrived at as follows:

		Carrying amount at balance sheet date	Tax base at balance sheet date	(Taxable)/ deductible temporary difference
Assets	Fixed assets net of depreciation	13,970,191	27,643,697	13,673,506
Liabilities	Employee gratuity fund	12,528,500	-	12,528,500
		26,498,691	27,643,697	26,202,006
Applicable tax rate				40.00%
Deferred tax assets as on December 31,2016				10,480,802
Deferred tax assets as on December 31,2015				11,357,529
Deferred tax expense/(income) during the year 2016				876,727

BAS 1.77 **9.a OTHER ASSETS (consolidated)**

Union Capital Limited	2,113,265,431	1,536,827,743
UniCap Securities Limited	449,229,464	441,572,133
UniCap Investments Limited	239,685,055	198,923,105
	2,802,179,950	**2,177,322,981**
Less: Inter-company transactions	722,692,260	627,797,000
	2,079,487,689	**1,549,525,981**

BAS 1.77 **10. NON-BANKING ASSETS**

Non-banking assets	215,129,173	215,129,173
Total	**215,129,173**	**215,129,173**

This represents assets owned under the 'Certificate of Ownership' given by the competent court under section 33(7) of Artha Rin Adalat Ain 2003.

BAS 1.77 **11.0 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS**

Borrowings from other banks
In Bangladesh

Secured long term loans Bank loan (note 11.1)	2,162,337,660	1,428,398,904
Un secured Bangladesh Bank (Small Enterprise refinancing scheme-JICA) (Note 11.2)	497,704,419	574,503,371
Bangladesh Bank (Women entrepreneur refinance scheme (Note 11.3)	87,384,524	89,239,286
Bangladesh Bank (Agriculture refinance scheme) (Note 11.4)	31,562,500	19,375,000
Short term borrowing and call loan (Note 11.5)	297,969	273,953,119
	616,949,412	957,070,776

Figures in BDT

As at 31 December	2016	2015
	2,779,287,072	2,385,469,680
Outside Bangladesh	-	-
Borrowings from banks	**2,779,287,072**	**2,385,469,680**
Borrowings from financial institutions		
The UAE-Bangladesh Investment Company Limited	37,808,442	58,430,665
Total	**2,817,095,514**	**2,443,900,345**

BAS 1.77

11.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

Balance at 1 January	1,428,398,904	1,252,927,545
Received during the year	1,620,000,000	760,000,000
Repayment during the year	(886,061,244)	(584,528,641)
Balance at 31 December	**2,162,337,660**	**1,428,398,904**

Loans are secured by way of first charge on all fixed and floating assets of the Company, ranking pari passu among all the lenders. The period of such loans ranges from three to five years.

11.1.1 Break up of bank loans

Dutch Bangla Bank Limited	674,288,025	141,148,385
Bank Asia Limited	144,512,531	60,000,000
Bank Alfalah Ltd	42,541,623	-
BASIC Bank Limited	35,105,757	50,000,000
Dhaka Bank Limited	-	50,000,000
Jamuna Bank Limited	90,062,817	50,000,000
Mutual Trust Bank Limited	211,110,381	158,171,667
Midland Bank Limited	100,000,000	-
Modhumoti Bank Limited	50,000,000	-
National Credit and Commerce Bank Ltd.	-	9,358,724
Premier Bank Limited	-	127,171,018
Shahjalal Islami Bank Limited	365,359,723	233,351,127
Southeast Bank Limited	273,309,994	3,450,367
Standard Bank Limited	-	52,183,329
United Commercial Bank Limited	142,713,477	177,286,088
Uttara Bank Limited	33,333,332	316,278,198
Total secured long term loans	**2,162,337,660**	**1,428,398,904**

BAS 1.77

11.2 Bangladesh Bank (Small Enterprise refinancing program-JICA)

Fund received from Japan International Cooperation Agency (JICA) through Bangladesh Bank. Details are as under:

Balance at 1 January	574,503,370	583,226,258
Received during the year	157,373,250	188,106,550
Repayment during the year	(234,172,201)	(196,829,438)
Balance at 31 December	**497,704,419**	**574,503,370**

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

BAS 1.77

11.3 Bangladesh Bank (Women entrepreneur refinance scheme)

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to women entrepreneur. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

Balance at 1 January	89,239,286	62,000,000
Received during the year	29,000,000	39,150,000
Repayment during the year	(30,854,762)	(11,910,714)
Balance at 31 December	**87,384,524**	**89,239,286**

Figures in BDT

As at 31 December	2016	2015

BAS 1.77 **11.4 Bangladesh Bank (Agriculture refinance scheme)**

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to agro entrepreneur. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

Balance at 1 January	19,375,000	-
Received during the year	27,000,000	20,000,000
Repayment during the year	(14,812,500)	(625,000)
Balance at 31 December	**31,562,500**	**19,375,000**

BAS 1.77 **11.5 Short term borrowing and call loan**

Short term borrowing (Note 11.5.1)	297,969	33,953,119
Call loan (Note 11.5.2)	-	240,000,000
Balance at 31 December	**297,969**	**273,953,119**

This represents bank overdraft and call loans availed from different banks to meet short-term fund requirements.

11.5.1 Short term loans

Mutual Trust Bank Limited	297,969	33,953,119
	297,969	**33,953,119**

11.5.2 Call loans

BASIC Bank Limited	-	80,000,000
Dutch Bangla Bank Limited	-	40,000,000
Janata Bank Limited	-	40,000,000
Mercantile Bank Limited	-	40,000,000
Mutual Trust Bank Limited	-	40,000,000
	-	**240,000,000**

As on the reporting date, total of Tk. 240,000,000 was received from different banks as call loan. According to FID circular no. 05 dated June 08, 2005, non-banking financial institution can avail call money facility maximum upto 15% of its net assets. Based on the circular mentioned above, the maximum limit of call money for the Company was Tk. 2,044.80 million (calculated based on the half yearly report of 2016 of the Company).

11.6 Security against borrowings from other banks and financial institutions

Secured	2,200,146,102	1,486,829,569
Unsecured	616,949,412	957,070,776
	2,817,095,514	**2,443,900,345**

BAS 1.61 **11.7 Maturity wise grouping**

Repayable on demand	-	240,000,000
Upto 1 month	62,724,265	84,152,782
Over 1 month but not more than 3 months	307,455,153	196,786,331
Over 3 months but not more than 1 year	759,636,349	634,368,856
Over 1 year but not more than 5 years	1,661,981,110	1,233,369,340
Over 5 years	25,298,637	55,223,036
Total	**2,817,095,514**	**2,443,900,345**

BAS 1.77 **11.a Borrowings from other banks, financial institutions and agents (consolidated)**

Union Capital Limited	2,817,095,514	2,443,900,345
UniCap Securities Limited	1,175,169,784	1,008,958,996
UniCap Investments Limited	3,767,404,689	3,910,251,635
	7,759,669,986	7,363,110,976
Less: Inter-company transactions	4,340,309,097	4,547,809,097
Balance as on 31 December	**3,419,360,889**	**2,815,301,879**

Figures in BDT

		As at 31 December	2016	2015
BAS 1.77	12.0	***Term Deposits***		
		This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 10 years.		
		Banks and financial institutions	6,420,000,000	4,770,000,000
		Other institutions	4,932,261,756	5,131,779,949
		Total institutional deposits	11,352,261,756	9,901,779,949
		Term deposit	800,176,665	566,692,530
		Income deposit	156,230,000	239,270,003
		Monthly savings scheme	6,168,500	5,006,725
		Total individual deposits	962,575,165	810,969,258
		Total	**12,314,836,921**	**10,712,749,207**
		Movements of deposits is made up as under		
		Balance at 1 January	10,712,749,207	9,695,588,734
		Received/renewed during the year	10,118,020,125	9,112,586,382
		Repayment during the year	(8,515,932,411)	(8,095,425,909)
		Balance at 31 December	**12,314,836,921**	**10,712,749,207**
BAS 1.61		**Maturity wise grouping**		
		Repayable on demand	-	-
		Repayable within 1 month	270,985,324	182,000,000
		Over 1 month but not more than 6 months	554,679,123	455,000,000
		Over 6 months but not more than 1 year	3,550,595,678	3,403,400,000
		Over 1 year but not more than 5 years	7,772,608,632	6,447,350,000
		Over 5 years but not more than 10 years	165,968,164	224,999,207
		Over 10 years	-	-
		Unclaimed deposits for 10 years or more	-	-
		Balance at 31 December	**12,314,836,921**	**10,712,749,207**
BAS 1.77	12.a	**Term deposits (consolidated)**		
		Union Capital Limited	12,314,836,921	10,712,749,207
		UniCap Securities Limited	-	-
		UniCap Investments Limited	-	-
			12,314,836,921	10,712,749,207
		Less: Inter-company transactions	-	-
		Balance as on 31 December	**12,314,836,921**	**10,712,749,207**
BAS 1.77	13.	**Other deposits**		
		The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/installments or repaid at the end of term. This is made up as under:		
		Balance at 1 January	1,086,037,720	1,009,852,850
		Received during the year	3,567,959,080	2,125,704,122
		Repayment during the year	(3,837,612,178)	(2,049,519,252)
		Balance at 31 December	**816,384,622**	**1,086,037,720**
		Breakup of other deposits on the basis of category of finance is as under		
		Lease advance	49,707,340	121,509,616
		Term finance advance	168,743,596	239,308,090
		Cash security	597,933,686	725,220,014
		Balance as on 31 December	**816,384,622**	**1,086,037,720**

Advance and security deposit reduce the exposure with the clients and thereby reduce the risks. No interest is payable on advances while cash security deposits are interest bearing.

Figures in BDT

		As at 31 December	2016	2015
BAS 1.77	**14.0**	**OTHER LIABILITIES**		
		Provision for loans, advances and leases (note 14.1)	480,627,756	433,845,684
		Provision for diminution in value of investments (note 14.2)	20,660,394	28,329,255
		Provision for other assets	4,311,000	4,311,000
		Interest suspense (note 14.3)	196,068,900	200,243,504
		Provision for tax (note 14.4)	1,375,613,230	1,181,598,281
		Financial expenses payable (note 14.5)	474,094,193	481,341,223
		Deferred liability-employee gratuity (note 14.6)	12,528,500	9,595,999
		Dividend on preference shares	37,917,806	47,397,261
		Excise duty	6,952,711	4,071,110
		Withholding tax payable	898,085	14,066,692
		VAT payable	620,752	298,573
		Accrued expenses and other payable (note 14.7)	5,835,320	8,743,535
		Total	**2,616,128,647**	**2,413,842,117**

BAS 1.77 **14.1 Provision for leases, advances and loans**

Management, on the basis of analysis of quality of loan/lease and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses. The provision is considered adequate to cover the possible future losses.

	General provision on unclassified loans, advances and leases	192,309,769	152,879,054
	Specific provision on classified loans, advances and leases	288,317,987	280,966,630
	Provision as on 31 December	480,627,756	433,845,684
	Movement in general provision on unclassified loans/leases:		
BAS 37.84 (a)	Provision as on 1 January	152,879,054	135,730,000
BAS 37.84 (a)	Add : Provision made/(released) during the year	27,193,744	45,105,065
	Less: Provision no longer required	(16,531,000)	(32,219,051)
BAS 37.84 (a)	Add : Transferred from/(to) specific provision	(6,660,963)	(2,296,355)
BAS 37.84 (a)	Add : Net charge to profit and loss account	35,428,934	6,559,395
BAS 37.84 (a)	**Provision as on 31 December**	**192,309,769**	**152,879,054**

BAS 1.77 **14.1.a General provision made during the year for loans, advances and leases (consolidated)**

Union Capital Limited	35,428,934	6,559,395
UniCap Securities Limited	17,206,916	(3,747,710)
UniCap Investments Limited	-	10,000,000
Balance as on 31 December	**52,635,850**	**12,811,685**

14.1.b Movement in specific provision on classified loans/leases:

BAS 37.84 (a)	Provision as on 1 January	280,966,630	248,518,913
	Less: Fully provided debts written off during the year	(185,365,694)	(58,042,722)
	Ad: Recoveries of amounts previously written off	20,670,590	4,664,228
	Less: Transferred from/(to) general provision	6,660,963	2,296,355
	Add: Specific provision made during the year for other accounts	70,518,183	91,501,334
	Less: Provision no longer required	(102,609,199)	(114,734,244)
BAS 37.84 (b)	Add: Net charge to profit and loss account	197,476,514	106,762,766
BAS 37.84 (a)	Provision as on 31 December	288,317,987	280,966,630
	Total	**480,627,756**	**433,845,684**

14.1.c Provision for loans, advances and leases (consolidated)

Union Capital Limited	480,627,756	433,845,684
UniCap Securities Limited	35,819,007	18,742,091
UniCap Investments Limited	175,000,000	175,000,000
Balance as on 31 December	**691,446,762**	**627,587,775**

14.2 Provision for diminution in value of investments

BAS 37.84 (a)	Provision as on 1 January	28,329,255	4,609,168
	Add: Provision made/(released) during the year (note 14.2.1)	(7,668,861)	23,720,087

Figures in BDT

		2016	2015
	As at 31 December		
BAS 37.84 (a)	**Provision as on 31 December**	**20,660,394**	**28,329,255**

As on 31 December 2016, the amount of diminution in the value of investment in shares was BDT 20,629,317 for which full provision has been made.

14.2.1 Allocation of provision made for diminution in value of investments

Listed securities	(7,668,861)	23,720,087
Unlisted securities	-	-
Total	**(7,668,861)**	**23,720,087**

BAS 1.77

14.2.a Provision made during the year for diminution in value of investments (consolidated)

Union Capital Limited	(7,668,861)	23,720,087
UniCap Securities Limited	11,940,946	(38,016,070)
UniCap Investments Limited	(353,547)	353,547
Balance as on 31 December	**3,918,538**	**(13,942,436)**

14.2.b Provision for diminution in value of investments (consolidated)

Union Capital Limited	20,660,394	28,329,255
UniCap Securities Limited	22,788,812	10,847,866
UniCap Investments Limited	-	353,547
Balance as on 31 December	**43,449,206**	**39,530,668**

BAS 37.84 (a)

14.3 Interest suspense

BAS 37.84 (a)	Balance as on 1 January	200,243,504	255,848,153
BAS 37.84 (b)	Add: Transferred during the year	75,621,958	119,938,414
	Less: Amount of interest suspense recovered	44,351,255	93,450,485
	Less: Adjusted during the year		37,804,158
	Less: Write off during the year	35,445,307	44,288,420
BAS 37.84 (a)	**Balance as on 31 December**	**196,068,900**	**200,243,504**

Bangladesh Bank's FID circular no. 3 of 2006 requires that interest on loans/leases classified as SMA and above will be credited to interest suspense account, instead of crediting the same to income account. In accordance with the above circular interest on various loan/lease facilities classified as SMA, SS, DF and BL, has been set-aside in this account.

14.3.1 Product wise interest suspense accounts

On lease finance	93,981,677	79,995,180
On term finance	102,087,223	120,248,324
	196,068,900	**200,243,504**

14.3.1 a Interest suspense (Consolidated)

Union Capital Limited	196,068,900	200,243,504
UniCap Securities Limited	8,500,000	8,500,000
UniCap Investments Limited	534,358,084	220,528,870
Balance as on 31 December	**738,926,984**	**429,272,374**

14.4 Provision for tax

Provision for tax comprises provision for current tax and provision for deferred tax as well.

Provision for current tax

The Company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted by Finance Act 2016.

BAS 37.84 (a)	Balance at 1 January	1,181,598,282	973,998,874
BAS 37.84 (b)	Add :Provision made during the year	194,014,949	207,599,408
	Less: Transferred to/(from) during the year	-	-
BAS 37.84 (a)	**Balance at 31 December**	**1,375,613,231**	**1,181,598,282**

Figures in BDT

As at 31 December	2016	2015

While estimating the current income tax for the year ended 31 December 2016, the Company has considered certain types of allowances made during the year as an admissible expense for income tax in current period.

Shortfall, if any between the current tax and tax ultimately payable by the Company shall be charged to the profit and loss at the time of final settlement.

BAS 1.77 **14.4.a Provision for current tax (consolidated)**

Union Capital Ltd.	194,014,949	207,599,408
UniCap Securities Limited	39,900,000	26,583,780
UniCap Investments Ltd.	208,014	17,813,285
Balance at 31 December	**234,122,963**	**251,996,473**

14.5 Financial expenses payable

This comprises interest accrued on term deposits, security deposits and bank borrowings.

Interest payable on term deposits	323,309,246	337,807,015
Interest payable on cash security	128,832,656	127,127,540
Interest payable on long term borrowings	21,952,291	16,379,279
Interest payable on short term borrowings	-	27,389
Balance at 31 December	**474,094,193**	**481,341,223**

BAS 1.77 **14.6 Deferred liability-employee gratuity**

Balance at 1 January	9,596,000	8,182,704
Add : Addition during the year	3,043,501	2,529,202
Less: Paid during the year	111,000	1,115,906
Balance at 31 December	**12,528,501**	**9,596,000**

BAS 1.77 **14.7 Accrued expenses and other payable**

Management expenses	1,638,227	5,993,244
Unclaim dividend by shareholder	1,487,483	-
Others payables	2,709,610	2,750,291
Balance at 31 December	**5,835,320**	**8,743,535**

BAS 1.77 **14.a OTHER LIABILITIES (consolidated)**

Union Capital Limited	2,616,128,647	2,413,842,117
UniCap Securities Limited	932,295,119	674,589,521
UniCap Investments Limited	2,357,265,372	1,514,334,797
	5,905,689,138	4,602,766,435
Less: Inter-company transactions	1,936,513,115	1,445,048,193
Balance at 31 December	**3,969,176,023**	**3,157,718,242**

BAS 1.79 **15 Share capital**

As at 31 December 2016, a total number of 142,299,603 (2015: 132,900,283) ordinary shares of BDT 10 each were issued, subscribed and fully paid up. Details are as follows:

BAS 1.79 (a)(i) **Authorized capital**

200,000,000 ordinary shares of BDT 10 each	2,000,000,000	2,000,000,000

BAS 1.79 (a)(ii)

Issued, subscribed and paid up capital:		
132,990,283 ordinary shares of BDT 10 each	1,329,902,836	1,209,002,586
9,309,320 bonus shares	93,093,198	120,900,250
Total 142,299,603	**1,422,996,034**	**1,329,902,836**

BAS 1.79 **Pattern of shareholdings**

Directors/ Executives	Represented by	No. of shares held	Percentage
Enrilco Limited	Mr. Nadeem A. Chaudhury	6,516,008	4.58
Palmal Garments Hosiery Ltd.	Mrs. Tajrina Sikder	13,847,017	9.73
Palmal Garments Hosiery Ltd.	Mr. Kazi Russel Mahbub	-	-
EC Securities Ltd.	Mr. Chowdhury Tanzim Karim	10,273,599	7.22

Directors/ Executives	Represented by	No. of shares held	Percentage
EC Securities Ltd.	Capt. Minhazur Reza Chowdhury		
Mr. M. Faizur Rahman	Self	6,564,343	4.61
Mr. Waqar A. Choudhury	Self	2,889,000	2.03
Mrs. Meherunnesa Haque	Self	2,881,082	2.02
Ms. Sabita Rezwana Rahman	Self	3,136,608	2.21
Mr. Mohammad Nurun Nabi FCA	Self	Nil	Nil
Mr. Md. Abdul Karim	Self	Nil	Nil
Mr. Md. Fayekuzzaman	Self	Nil	Nil
Mr. Mahmudul Alam	N/A	Nil	Nil

Composition of shareholdings

Composition of shareholdings as on 31 December 2016 was as under:

Group	No. of Shareholders		No. of Shares		Percentage	
	2016	2015	2016	2015	2016	2015
Sponsors (Institutions)	3	5	30,636,624	31,502,357	21.53	23.69
Sponsors (Individuals)	6	20	19,270,141	41,263,106	13.53	31.02
General Public (Institutions)	316	165	24,026,899	26,210,964	16.88	19.71
General Public (Individuals)	7,335	7,897	68,365,939	34,013,856	48.04	25.58
Total	**7,660**	**8,087**	**142,299,603**	**132,990,283**	**100.00**	**100.00**

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2016 was as under:

Shareholding range	No. of Shareholders		No. of Shares		Percentage	
	2016	2015	2016	2015	2016	2015
Less than 500 shares	2,177	2,450	356,409	381,772	0.25	0.29
500 to 5,000 shares	4,059	4,484	7,568,638	8,050,655	5.32	6.05
5,001 to 10,000 shares	624	568	4,399,231	4,094,908	3.09	3.08
10,001 to 20,000 shares	337	284	4,782,188	4,017,381	3.36	3.02
20,001 to 30,000 shares	129	92	3,227,887	2,250,098	2.27	1.69
30,001 to 40,000 shares	64	46	2,261,374	1,566,275	1.59	1.18
40,001 to 50,000 shares	57	32	2,618,385	1,447,409	1.84	1.09
50,001 to 100,000 shares	91	46	6,487,235	3,093,831	4.56	2.33
100,001 to 1,000,000 shares	98	57	29,891,626	16,698,032	21.01	12.56
Over 1,000,000 shares	24	28	80,706,630	91,389,922	56.72	68.72
Total	**7,660**	**8,087**	**142,299,603**	**132,990,283**	**100.00**	**100.00**

Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no 05 dated 4 July 2011 issued by Bangladesh Bank where a financial institution is required to maintain a minimum paid up capital of BDT 1,000 million. Moreover, as per DFIM circular no. 14 dated 28 December 2011, the financial institutions are required to follow the prudential guidelines on Capital Adequacy and Market Discipline (CAMD) from 01 January 2012 .Details are as under:

Figures in BDT

As at 31 December	2016	2015
Solo Basis		
Core capital (Tier-1)		
Paid up capital	1,422,996,034	1,329,902,836
Share premium	-	-
Statutory reserves	414,474,598	364,815,071
General reserves	-	-
Retained earnings	150,944,883	164,915,661
Sub-Total	1,988,415,515	1,859,633,568

Figures in BDT

As at 31 December	2016	2015
Supplementary capital (Tier-2)		
General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.)	192,309,769	152,879,054
Asset revaluation reserves up to 50%	-	-
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	400,000,000	500,000,000
Other (if any item approved by Bangladesh Bank)	-	-
Sub-Total	**592,309,769**	**652,879,054**
Total eligible capital (A)	**2,580,725,284**	**2,512,512,622**
Total risk weighted assets (RWA) (B)	20,065,489,859	18776214934
Required capital based on risk weighted assets (10% of B) (C)	2,006,548,986	1,877,621,493
Capital surplus (A-C)	**574,176,298**	**634,891,128**
Capital adequacy ratio (%) (A/B*100)	12.86%	13.38%

Consolidated Basis

Core capital (Tier-1)		
Paid up capital	1,422,996,034	1,329,902,836
Share premium	-	-
Statutory reserves	414,474,598	364,815,071
General reserves	-	-
Non-controlling interest	190	180
Retained earnings	193,332,146	197,184,426
Sub-Total	**2,030,802,968**	**1,891,902,513**
Supplementary capital (Tier-2)		
General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.)	235,807,674	228,697,985
Asset revaluation reserves up to 50%	51,012,180	51,012,180
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	400,000,000	500,000,000
Other (if any item approved by Bangladesh Bank) -	-	
Sub-Total	**686,819,854**	**779,710,165**
Total eligible capital (A)	**2,717,622,822**	**2,671,612,678**
Total risk weighted assets (RWA) (B)	22,963,897,069	20,029,983,776
Required capital based on risk weighted assets (10% of B) (C)	2,296,389,707	2,002,998,378
Capital surplus (A-C)	**421,233,115**	**668,614,300**
Capital adequacy ratio (%) (A/B*100)	11.83%	13.34%

16.0 Preference share capital

40 cumulative non-convertible preference share of Tk. 10,000,000 each (fully paid up)	400,000,000	500,000,000

16.1 Details of preference share capital

The Company issued 50 cumulative non-convertible redeemable preference share of BDT 10,000,000 each to the tune of BDT 500,000,000 in March 2015. Rate of dividend payable on the preference shares is 12.50 percent per annum. Particulars of the subscribers are as follows:

Name of subscriber	No. of shares	Amount subscribed	Outstanding	Outstanding
Bangladesh Fund	8	100,000,000	80,000,000	100,000,000
NRB Global Bank Ltd.	8	100,000,000	80,000,000	100,000,000
National Housing Finance Co. Ltd.	4	50,000,000	40,000,000	50,000,000
DBH Corporation Ltd.	4	50,000,000	40,000,000	50,000,000

Name of subscriber	No. of shares	Amount subscribed	Outstanding	Outstanding
Uttara Finance & Investment Co. Ltd.	4	50,000,000	40,000,000	50,000,000
Brac Bank Ltd.	4	50,000,000	40,000,000	50,000,000
Midland Bank Ltd.	4	50,000,000	40,000,000	50,000,000
NRB Bank Ltd.	4	50,000,000	40,000,000	50,000,000
Total	**40**	**500,000,000**	**400,000,000**	**500,000,000**

Figures in BDT

		As at 31 December	2016	2015
BAS 1.77	**17.0**	**STATUTORY RESERVE**		
		Balance as on 1 January	364,815,071	323,835,724
		Add: Transferred from profit during the year	49,659,527	40,979,347
		Balance as on 31 December	**414,474,598**	**364,815,071**
BAS 1.77	**18.0**	**Retained earnings**		
		Balance as on 1 January	164,915,661	169,295,784
		Less: Issuance of bonus shares (2015)	(93,093,198)	(120,900,250)
		Less: Cash dividend (2015)	(66,495,142)	-
		Add: Profit after tax for the year	248,297,634	204,896,735
		Less: Dividend on preference shares	(53,020,545)	(47,397,261)
		Less: Transferred to statutory reserve	(49,659,527)	(40,979,347)
			150,944,883	**164,915,661**
BAS 1.77	**18.a**	**RETAINED EARNINGS (consolidated)**		
		Balance as on 1 January	197,184,426	172,313,739
		Less: Issuance of bonus shares (2015)	(93,093,198)	(120,900,250)
		Less: Cash dividend paid (2015)	(66,495,142)	-
		Add: Profit after tax for the year	258,416,131	234,147,546
		Less: Dividend on preference shares	(53,020,545)	(47,397,261)
		Less: Transferred to statutory reserve	(49,659,527)	(40,979,347)
		Balance as on 31 December	**193,332,146**	**197,184,426**
BAS 1.97	**19.0**	**INCOME STATEMENT**		
		Income		
		Interest, discount and similar income (note 20)	1,947,088,084	2,040,278,205
		Dividend income (note 22)	13,723,324	7,573,366
		Fees, commission, exchange and brokerage (note 23)	12,203,197	3,338,683
		Gains less losses arising from investment in securities (note 22)	(5,156,331)	(108,456,165)
		Other operating income (note 24)	47,234,991	23,271,515
		Total income	**2,015,093,265**	**1,966,005,604**
		Expenses		
		Interest paid on deposits, borrowings etc. (Note 21)	1,213,983,464	1,299,588,158
		Administrative expenses (note 19.1)	108,541,059	96,145,442
		Depreciation and impairment on company assets	7,535,558	7,586,805
		Other operating expenses	16,607,288	14,727,211
		Provision for leases, loans, advances and investments	225,236,585	137,042,251
		Total expenses	1,571,903,954	1,555,089,867
BAS 1.97	**19.1**	**ADMINISTRATIVE EXPENSES**		
		Salary and allowances (note 25)	77,251,258	67,785,591
		Rent, taxes, insurance, electricity, etc (note 26	16,304,297	15,116,581
		Legal expenses	748,120	2,299,126
		Postage, stamp, telecommunication, etc (note 27)	2,136,956	2,166,262

Figures in BDT

		As at 31 December	2016	2015
		Stationery, printings, advertisements, etc (note 28)	3,977,968	4,413,172
		Managing Director's salary and allowances (note 29)	6,428,710	3,158,710
		Directors' fees (note 30)	1,504,000	1,045,000
		Auditors' fees (note 31)	189,750	161,000
			108,541,059	**96,145,442**
BAS 18.35 (b)	**20**	**INTEREST INCOME**		
		Income from lease finance	233,536,999	383,638,018
		Income from term finance	988,519,415	1,011,052,594
		Income from home finance	388,655	421,502
		Interest on loan to subsidiaries	637,966,948	613,911,153
		Interest on bank deposits	84,972,359	29,807,980
		Income form other finance	1,703,709	1,446,958
		Total	**1,947,088,085**	**2,040,278,205**
BAS 1.97	**20.a**	**INTEREST INCOME (consolidated)**		
		Union Capital Limited	1,947,088,085	2,040,278,205
		UniCap Securities Limited	127,548,647	99,808,606
		UniCap Investments Limited	496,452,879	530,902,422
			2,571,089,611	2,670,989,234
		Less: Inter-company transactions	637,966,948	613,911,153
			1,933,122,663	**2,057,078,081**
BAS 1.97	**21**	**INTEREST PAID ON DEPOSITS, BORROWINGS, etc.**		
		Interest on bank loan	119,703,272	116,296,212
		Interest on JICA fund	26,962,931	30,769,591
		Interest on Agriculture refinance fund	1,296,919	355,035
		Interest on women entrepreneur fund	4,352,492	3,640,750
		Interest on term deposits	966,296,072	1,018,686,826
		Interest on money at call & short notice	37,730,534	57,642,514
		Interest on cash security deposit	56,443,454	70,243,518
		Interest on obligation under capital leases	-	355,700
		Bank charges	1,197,790	1,598,012
		Total	**1,213,983,464**	**1,299,588,158**
BAS 1.97	**21.a**	**INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)**		
		Union Capital Limited	1,213,983,464	1,299,588,158
		UniCap Securities Limited	194,637,973	136,006,901
		UniCap Investments Limited	522,117,521	522,264,317
			1,930,738,958	1,957,859,375
		Less: Inter-company transactions	637,966,948	613,911,153
			1,292,772,010	**1,343,948,222**
BAS 18.35 (b)	**22**	**INVESTMENT INCOME**		
		Capital gain/(loss) on sale of securities (note 22.1)	(5,156,331)	(108,456,165)
		Dividend income	13,723,324	7,573,366
		Total	**8,566,993**	**(100,882,799)**
BAS 1.97	**22.1.**	**CAPITAL GAIN ON SALE OF SECURITIES**		
		Gain on sales of shares	23,958,188	14,004,082
		Loss on sales of shares	(29,114,519)	(122,460,247)
		Net gain/(loss) from sale of securities	(5,156,331)	(108,456,165)
BAS 1.97	**22.a**	**INVESTMENT INCOME (consolidated)**		
		Union Capital Limited	8,566,993	(100,882,799)
		UniCap Securities Limited	60,681,694	18,102,453
		UniCap Investments Limited	1,037,188	(18,022,137)
			70,285,875	(100,802,483)
		Less: Inter-company transactions	-	-
			70,285,875	**(100,802,483)**

Figures in BDT

		For the year ended 31 December	2016	2015
BAS 18.35 (b)	**23.0**	**FEES, COMMISSIONS, EXCHANGE AND BROKERAGE**		
		Processing and documentation fees	12,203,197	9,144,958
		Issue management fee	-	(400,000)
		Underwriting commission	-	(5,406,275)
		Total	**12,203,197**	**3,338,683**
BAS 1.97	**23.a**	**FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)**		
		Union Capital Limited	12,203,197	3,338,683
		UniCap Securities Limited	180,234,226	110,453,805
		UniCap Investments Limited	39,966,266	48,724,677
			232,403,689	**162,517,165**
BAS 18.35 (b)	**24**	**OTHER OPERATING INCOME**		
		Delinquent interest, IDCP etc.	9,998,698	8,602,193
		Renewals and proceeds	16,418,502	9,814,831
		Gain/(loss) on sale of fixed assets	147,201	190,263
		Others	20,670,590	4,664,228
		Total	**47,234,991**	**23,271,515**
BAS 1.97	**24.a**	**OTHER OPERATING INCOME (consolidated)**		
		Union Capital Limited	47,234,991	23,271,515
		UniCap Securities Limited	4,955,801	3,432,484
		UniCap Investments Limited	806,182	100,569
		Total	**52,996,974**	**26,804,568**
BAS 1.104	**25**	**SALARIES AND OTHER EMPLOYEE BENEFITS**		
		Salaries & allowances (a)	71,039,999	58,615,073
		Festival and incentive bonus	6,211,259	9,170,518
		Total	**77,251,258**	**67,785,591**

Salaries and allowances include contribution to approved Provident Fund and Gratuity Fund amounting to BDT 5,587,131 and BDT 5,345,941 for the year 2016 and 2015 respectively.

BAS 1.97	**25.a**	**SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)**		
		Union Capital Limited	77,251,258	67,785,591
		UniCap Securities Limited	42,755,357	34,063,313
		UniCap Investments Limited	8,297,203	7,963,434
		Total	**128,303,818**	**109,812,338**
BAS 1.97	26	RENT, TAXES, INSURANCE, ELECTRICITY etc.		
		Office rent, rates and taxes	13,627,498	12,922,569
		Insurance	219,969	113,709
		Power and electricity	2,456,830	2,080,303
		Total	**16,304,297**	**15,116,581**
BAS 1.97	**26.a**	**RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)**		
		Union Capital Limited	16,304,297	15,116,581
		UniCap Securities Limited	14,519,955	12,487,709
		UniCap Investments Limited	5,062,793	4,948,090
		Total	**35,887,045**	**32,552,380**
BAS 1.97	**27**	**POSTAGE, STAMP, TELECOMMUNICATION etc.**		
		Postage	189,075	122,347
		Telegram, telex, fax and e-mail	547,914	697,269
		Telephone - office	1,399,967	1,346,646
		Total	**2,136,956**	**2,166,262**

Figures in BDT

		For the year ended 31 December	2016	2015
BAS 1.97	27.a	**POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)**		
		Union Capital Limited	2,136,956	2,166,262
		UniCap Securities Limited	2,390,909	1,990,074
		UniCap Investments Limited	333,034	268,419
		Total	**4,860,898**	**4,424,755**
BAS 1.97	28.0	**STATIONERY, PRINTING, ADVERTISEMENTS etc.**		
		Printing and stationery	1,535,900	1,094,747
		Advertisement and publicity	2,442,068	3,318,425
		Total	**3,977,968**	**4,413,172**
BAS 1.97	28.a	**STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)**		
		Union Capital Limited	3,977,968	4,413,172
		UniCap Securities Limited	507,371	660,551
		UniCap Investments Limited	240,562	225,117
		Total	**4,725,901**	**5,298,840**
	29	**MANAGING DIRECTOR'S SALARY AND FEES**	**6,428,710**	**3,158,710**

In addition to remuneration, the Managing Director & CEO is also provided with Company's car and cell phone.

BAS 1.97 **30 DIRECTORS' FEES**

The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by Bangladesh Bank. As per Bangladesh Bank's DFIM circular no. 03 dated 24 February 2010 and subsequent DFIM circular no. 13 dated 30 November 2015, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 8,000 for attending each meeting subject to certain limit. Details are as under:

Total Board meetings (nos.)	18	16
Total Board Audit Committee meetings (nos.)	4	5
Total Board Executive Committee meetings (nos.)	2	7
Total fees paid	1,504,000	1,045,000
Total members of the Board (nos.)	12	12
Quorum for Board meeting (nos.)	5	5
Average number of Directors present in the Board meetings (nos.)	9.71	8.88
Quorum for Board Audit Committee Meeting (nos.)	2	2
Average no. of Directors present in the Audit Committee meetings (nos.)	3.50	3.60
Quorum for Board Executive Committee meeting (nos.)	2	2
Average no. of Directors present in the Executive Committee meetings (nos.)	4.50	4.43

BAS 1.97	30.a	**DIRECTORS' FEES (consolidated)**		
		Union Capital Limited	1,504,000	1,045,000
		UniCap Securities Limited	287,500	437,000
		UniCap Investments Limited	82,110	149,500
		Total	**1,873,610**	**1,631,500**
BAS 1.97	31	**AUDITORS' FEE**		
		Auditors' fee	165,000	140,000
		VAT on audit fee	24,750	21,000
		Total	**189,750**	**161,000**

Figures in BDT

		For the year ended 31 December	2016	2015
BAS 1.97	31.a	**AUDITORS' FEE (consolidated)**		
		Union Capital Limited	189,750	161,000
		UniCap Securities Limited	115,000	97,750
		UniCap Investments Limited	77,000	57,500
		Total	**381,750**	**316,250**
BAS 1.104	32	**DEPRECIATION AND REPAIR OF ASSETS**		
		Depreciation of fixed assets-freehold	4,575,523	4,876,137
		Depreciation of fixed assets-leasehold vehicle	148,665	1,168,669
		Amortization of intangible assets	164,367	142,156
		Repairs and maintenance of assets	320,385	256,194
		Office maintenance	2,326,618	1,143,649
		Total	**7,535,558**	**7,586,805**
BAS 1.97	32.a	**DEPRECIATION AND REPAIR OF ASSETS (consolidated)**		
		Union Capital Limited	7,535,558	7,586,805
		UniCap Securities Limited	5,845,190	3,782,141
		UniCap Investments Limited	1,891,368	2,308,337
		Total	**15,272,116**	**13,677,283**
BAS 1.97	33	**OTHER EXPENSES**		
		HR development	419,526	315,901
		Travelling and conveyance	5,081,487	4,038,461
		Motor vehicle expenses	1,174,325	953,258
		Subscription and fees	2,407,737	1,299,239
		Books, magazines, newspapers, etc	33,345	52,973
		AGM expenses (note 33.1)	1,908,721	1,863,682
		Entertainment and public relation & others	4,611,487	5,335,649
		Donation	970,660	868,048
		Total	**16,607,288**	**14,727,211**
BAS 1.97	33.1.	**AGM EXPENSES**		
		Rent for venue	80,500	69,000
		Printing of annual report and database	1,616,750	1,666,160
		Publication of notice	55,220	55,350
		Entertainment	134,111	46,345
		Others	22,140	26,827
		Total	**1,908,721**	**1,863,682**
BAS 1.97	33.a	**OTHER EXPENSES (consolidated)**		
		Union Capital Limited	16,607,288	14,727,211
		UniCap Securities Limited	32,600,566	22,488,665
		UniCap Investments Limited	867,732	993,377
			50,075,586	38,209,253
		Less: Inter-company transactions	-	-
		Total	**50,075,586**	**38,209,253**
BAS 1.97	34	**RECEIPTS FROM OTHER OPERATING ACTIVITIES**		
		Delinquent interest, IDCP etc.	9,998,698	8,602,193
		Renewals and proceeds	16,418,502	9,814,831
		Interest on deposits	84,972,359	29,807,980
		Others	147,201	190,263
		Total	**111,536,760**	**48,415,267**
BAS 1.97	35	**PAYMENTS FOR OTHER OPERATING ACTIVITIES**		
		HR development	419,526	315,901
		Travelling and conveyance	5,081,487	4,038,461
		Motor vehicle expenses	1,174,325	953,258

Figures in BDT

For the year ended 31 December	2016	2015
Subscription and fees	2,407,737	1,299,239
Books, magazines, newspapers, etc	33,345	52,973
AGM expenses	1,908,721	1,863,682
Entertainment and public relation & others	4,611,487	5,335,649
Donation	970,660	868,048
Total	**16,607,288**	**14,727,211**

BAS 33.70

36 EARNINGS PER SHARE

Earnings Per Share (EPS) is calculated in accordance with Bangladesh Accounting Standard 33: Earnings Per Share which has been shown on the face of Profit and Loss account.

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of BDT 195,277,089 (2015: BDT 157,499,474) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2016 was BDT142,299,603 (2015: BDT 132,990,283).

Profits attributable to ordinary shareholders		
Net profit for the year	195,277,089	157,499,474

BAS 33.70 (b)

Weighted average number of ordinary shares		
Ordinary shares at 1 January	132,990,283	120,900,259
Bonus shares issued	9,309,320	12,090,025
Weighted average number of ordinary shares at 31 December	142,299,603	132,990,283
Restated weighted average number of ordinary shares	142,299,603	142,299,603
Earnings per share	1.37	1.18
Earnings per share (restated)	1.37	1.11

Diluted earnings per share

The dilutive effect relates to the average number of potential ordinary share held under option of convertibility. There was no such dilutive potential ordinary share during the year 2016 and hence no diluted earnings per share is required to be calculated.

BAS 1.97

36.a EARNINGS PER SHARE (consolidated)

Profits attributable to ordinary shareholders

Net profit for the year (consolidated)	205,395,586	186,750,285

Weighted average number of ordinary shares

Ordinary shares at 1 January	132,990,283	120,900,259
Bonus shares issued	9,309,320	12,090,025
Weighted average number of ordinary shares at 31 December	142,299,603	132,990,283
Restated weighted average number of ordinary shares	142,299,603	142,299,603
Earnings per share- consolidated	**1.44**	**1.40**
Earnings per share- consolidated (restated)	**1.44**	**1.31**

BAS 1.97 **37 OPERATING SEGMENT REPORT (consolidated)**

Figures in BDT

For the year 2016

	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit				
External revenue				
Net Interest Income	733,104,621	(25,664,642)	(67,089,326)	640,350,653
Investment Income	8,566,993	1,037,189	60,681,694	70,285,876
Fees, commissions, exchange and brokerage	12,203,197	39,966,267	180,234,226	232,403,690
Other operating Income	47,234,991	806,182	4,955,801	52,996,974
Total segment revenue	**801,109,802**	**16,144,997**	**178,782,394**	**996,037,192**
Other operating expenses	127,474,965	15,248,243	93,198,888	235,922,096
Major non-cash expenses:				
Depreciation	5,208,940	1,627,837	5,831,585	12,668,362
Provision for future losses	225,236,587	(353,547)	29,147,862	254,030,902
	357,920,492	16,522,533	128,178,335	502,621,361
Reportable segment profit before tax	**443,189,310**	**(377,537)**	**50,604,058**	**493,415,832**

For the year 2015

	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit				
External revenue				
Net Interest Income	740,690,047	8,638,106	(36,198,294)	713,129,859
Investment Income	(100,882,799)	(18,022,137)	18,102,453	(100,802,483)
Fees, commissions, exchange and brokerage	3,338,683	48,724,677	110,453,805	162,517,165
Other operating Income	23,271,515	100,569	3,432,484	26,804,568
Inter-segment revenue	-	-	-	-
Total segment revenue	**666,417,446**	**39,441,215**	**95,790,447**	**801,649,109**
Other operating expenses	112,016,302	15,672,502	72,424,530	200,113,334
Major non-cash expenses:				
Depreciation	6,443,156	1,262,994	3,633,964	11,340,114
Provision for future losses	137,042,248	10,353,547	(41,763,780)	105,632,015
	255,501,706	27,289,042	34,294,714	317,085,462
Reportable segment profit before tax	**410,915,740**	**12,152,173**	**61,495,734**	**484,563,647**

Segment assets and liabilities

For the year 2016

	Core financing business	Investment Banking Business	Brokerage Business	Total
External Assets				
Total assets	20,952,861,219	6,392,263,531	2,406,782,016	29,751,906,766
Inter-segment assets	(6,699,320,983)	-	-	(6,699,320,983)
Total segment assets	**14,253,540,236**	**6,392,263,531**	**2,406,782,016**	**23,052,585,783**
External Liabilities				
Total liabilities	18,564,445,704	6,124,670,061	2,107,464,903	26,796,580,667
Inter-segment liabilities	-	(5,125,570,553)	(1,151,251,660)	(6,276,822,212)
Total segment liabilities	**18,564,445,704**	**999,099,508**	**956,213,243**	**20,519,758,455**

Figures in BDT

Segment assets and liabilities

For the year 2015

	Core financing business	Investment Banking Business	Brokerage Business	Total
External Assets				
Total assets	19,016,162,957	5,692,765,446	1,897,161,582	26,606,089,984
Inter-segment assets	(6,340,356,061)	-	-	(6,340,356,061)
Total segment assets	**12,675,806,896**	**5,692,765,446**	**1,897,161,582**	**20,265,733,923**
External Liabilities				
Total liabilities	16,656,529,389	5,424,586,432	1,683,548,517	23,764,664,338
Inter-segment liabilities	-	(4,766,370,098)	(1,226,487,191)	(5,992,857,289)
Total segment liabilities	**16,656,529,389**	**658,216,333**	**457,061,327**	**17,771,807,049**

Figures in BDT

For the year ended 31 December	**2016**	**2015**

38 AVERAGE EFFECTIVE TAX RATE

The average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: Income Taxes.

Tax expenses	194,891,676	206,019,005
Accounting profit before tax	443,189,310	410,915,740
Average effective tax rate	**43.97%**	**50.14%**

38.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: Income Taxes.

Tax expenses	234,999,690	250,416,070
Accounting profit before tax	493,415,832	484,563,647
Average effective tax rate	**47.63%**	**51.68%**

39 (INCREASE)/DECREASE IN OTHER ASSETS

Accrued interest	(49,321,595)	(12,227,485)
Advance office rent	(996,751)	2,253,756
Advance to employees	(146,776)	(113,400)
Receivable from brokerage houses against sale of shares	70,232,797	(141,183,415)
Others	(323,196,759)	(99,453,690)
	(303,429,084)	**(250,724,234)**

40 INCREASE/(DECREASE) IN OTHER LIABILITIES

Interest suspense	(4,174,604)	(99,893,069)
Financial expenses payable	(7,247,030)	42,248,748
Obligation under capital lease	-	(3,374,054)
Excise duty	2,881,601	866,063
Withholding tax payable	(13,168,607)	(832,778)
VAT payable	322,179	(298,988)
Accrued expenses and other payable	(9,455,169)	43,720,197
	(30,841,630)	**(17,563,880)**

41 MARKET CAPITALISATION AND SHARE PRICE

Market capitalization of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share. Total number of ordinary shares outstanding as at 31 December 2016 was 142,299,603 and the market value per share of last trading day (31 December 2016) was BDT 20.50 in DSE. Thus market capitalization based on DSE value was BDT 2,917.14 million (2015: BDT 1,928.36 million).

Figures in BDT

Market for Union Capital's ordinary shares

The Company's ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'UNIONCAP'. The following table indicates the high and low prices for shares of Union Capital, as reported by DSE.

	Quarters	DSE		CSE	
		High	Low	High	Low
High-low share price	First quarter	16.60	13.30	16.30	13.50
	Second quarter	14.20	11.10	14.10	11.00
	Third quarter	13.70	10.50	13.70	10.50
	Fourth quarter	20.50	12.00	20.40	12.00
No. of shareholders	There were 7,660 shareholders as per share register as on 31 December 2016.				

BAS 24.12, 24.17

42 RELATED PARTY TRANSACTIONS

Union Capital in normal course of business carried out a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases to related parties including its directors and related companies. These related party loans/leases were made at the competitive terms including interest rates and collateral requirements, as those offered to other customers of similar credentials. During 2016, there were no loans/leases to related parties that were charged off.

Union Capital also takes term deposits from its related parties. The rates on the term deposits offered to them are also similar to those offered to other depositors. Total exposure with the related parties as at 31 December 2016 was as under:

Name of the related party	Relationship	Nature of transaction	2016	2015
Chowdhury Tanzim Karim	The Chairman	Term deposit	(2,701,486)	(2,517,136)
Chowdhury Ania Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	(100,000)	(100,000)
Chowdhury Isabell Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	(100,000)	(100,000)
Tanzila Karim	Mother of Chowdhury Tanzim Karim, the Chairman	Term deposit	(9,413,619)	(8,472,116)
Marina Yasmin Chowdhury	Mother-in-law of Chowdhury Tanzim Karim, the Chairman	Term deposit	(17,668,484)	(28,446,451)
Nasiruddin Ahmad Choudhury	Father of Waqar A. Choudhury, Director	Term deposit	(10,000,000)	-
Sylvana Sikder	Spouse of Kazi Russel Mahbub, Director	Term deposit	(6,000,000)	-
Meherunnesa Haque	Director	Term deposit	(25,000,000)	(5,000,000)
EC Securities Limited	Shareholder of the Company	Term deposit	(10,951,000)	-
UniCap Investments Limited	Subsidiary Company	Term deposit	(824,458)	-
Kazi Golam Rahman	Father of Mrs. Sabita Rezwana Rahman, Director	Term deposit	-	(2,204,500)
Green Delta Insurance Company Ltd.	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Term deposit	(77,449,371)	(71,975,926)
Progressive Life Insurance Co. Ltd.	Father of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Term deposit	(107,422,300)	(86,703,205)
Vanguard AML BD Finance Mutual Fund One	Common Directors	Term deposit	(126,245,000)	(104,995,000)
Green Delta Insurance Company Ltd.	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Lease finance	11,673,108	29,375,409
UniCap Securities Limited	Subsidiary Company	Inter-company	884,306,637	937,694,046
UniCap Investments Limited	Subsidiary Company	Inter-company	5,092,322,086	4,757,990,015
Total			**5,594,426,113**	**5,414,545,136**

Figures in BDT

43 PARTICULARS OF THE DIRECTORS

Sl no.	Name of the Directors/ Shareholding company	Represented by	Designation	Address	% of shares as at 31 December 2016
1	EC Securities Ltd.	Chowdhury Tanzim Karim	Chairman	East Coast Center, SWG-8, Gulshan Avenue, Dhaka 1212	7.22
2	EC Securities Ltd.	Capt. Minhazur Reza Chowdhury	Director	East Coast Center, SWG-8, Gulshan Avenue, Dhaka 1212	
3	Palmal Garments Hosiery Ltd.	Tajrina Sikder	Director	House # 2/B, Road # 29, Gulshan – 1, Dhaka-1212	9.73
4	Palmal Garments Hosiery Ltd.	Kazi Russel Mahbub	Director	House # 2/B, Road # 29, Gulshan – 1, Dhaka-1212.	
5	Mrs. Sabita Rezwana Rahman	Self	Director	Royal Concord, Apt # 304, House # 54, Road # 84, Gulshan -2, Dhaka 1212	2.21
6	Waqar Ahmed Choudhury	Self	Director	House # 5, Road # 87, Gulshan-2, Dhaka-1212	2.03
7	Enrilco Limited	Nadeem A. Chaudhury	Director	Navana Ellsworth (8th floor), House # 01, Road # 23, Banani, Block-B, Dhaka-1213	4.58
8	M. Faizur Rahman	Self	Director	House no. 33, Road no. 12, Baridhara, Dhaka	4.61
9	Meherunnesa Haque	Self	Director	House no.73, Road no.7/A, Dhanmondi Residential Area, Dhaka 1205	2.02
10	Mohammad Nurun Nabi FCA	Self	Independent Director	Altashish Bhaban, 39/5/3 (279), Purbo Hajipara, Rampura, Dhaka 1219	-
11	Md. Abdul Karim	Self	Independent Director	House # 207/A, Road # 10, DOHS Mohakhali, Dhaka 1206	-
12	Md. Fayekuzzaman	Self	Independent Director	Flat # A3, House # 277, Road # 10, Block-A, Bashundhara R/A, Dhaka	-
13	Mahmudul Alam	Ex-officio	Managing Director & CEO	Flat-B2, House # 70, Road # 11/A, Dhanmondi R/A, Dhaka-1205	-

44 THE ENTITIES IN WHICH THE DIRECTORS HAVE INTEREST

Sl no.	Name of the Directors	Designation	
1	Chowdhury Tanzim Karim	Chairman	1. UniCap Investments Limited
			2. UniCap Securities Limited
2	M. Faizur Rahman	Director	1. Asian Surveyors Limited
			2. UniCap Securities Limited
3	Waqar A. Choudhury	Director	1. Vanguard Asset Manangement Limited
			2. WAC Equity Management Limited
			3. Rancom Trading Private Limited
4	Nadeem A. Chaudhury	Director	1. Enrilco Limited
			2. Green Delta Securities Ltd.
			3. Green Delta Capital Limited
5	Tajrina Sikder	Director	1. Palmal Garments Hosiery Ltd.
			2. Palmal Garments Washing Ltd.
			3. Amazon Garments Ltd.
			4. N.K.K. Knitwear Ltd.

			5. Max Speed Plastic Ltd.
			6. Designer Line (Pvt.) Ltd.
			7. Palmal Knitwear Factory Limited
			8. Palmal Garments Limited
			9. UniCap Investments Ltd.
			10. UniCap Securities Ltd.
6	Capt. Minhazur Reza Chowdhury	Director	Nil
7	Mrs. Sabita Rezwana Rahman	Director	Nil
8	Meherunnesa Haque	Director	1. Palmal Garments Washing Ltd.
			2. Palmal Knitwear Factory Ltd.
			3. Palmal Styles Ltd.
			4. Palmal Packaging Ltd.
			5. N.K.K. Knitwear Ltd.
			6. N.K.K. Sweaters Ltd.
			7. Pragati Fashion wear Ltd.
			8. Amazon Garments Ltd.
			9. Al-Hamra Garments Ltd.
			10. Palmal Garments Ltd.
			11. Palmal Garments Hosiery Ltd.
			12. Palmal Dresses Ltd.
			13. Pragati Metalex (Pvt) Ltd.
			14. The Dacca Dyeing Garments Ltd.
			15. UniCap Investments Ltd.
			16. UniCap Securities Ltd.
9	Kazi Russel Mahbub	Director	Floral Accessories Ltd.
10	Mohammad Nurun Nabi FCA	Independent Director	1. Skeftech Pvt. Ltd.
			2. Krishi Biplob Ltd.
			3. Shikarpur Horticulture Ltd.
			4. Debonair Ltd.
			5. Orbitex Ltd.
			6. AZWA Developments Ltd.
			7. ACNABIN Associates Ltd.
			8. Dinajpur Super Meat Products Ltd.
			9. Intercontinental Business Ltd.
			10. Shine Embroidery Ltd.
			11. WIN WIN Setabgonj Auto Bricks Ltd.
			12. WIN WIN International Ltd.
			13. AMTRAS Ltd.
			14. SABAH Bangladesh
			15. Health & Education for less Privileged People
			16. WIN WIN Jalalabad Auto Bricks Indus. Ltd.
11	Md. Abdul Karim	Independent Director	1. UniCap Securities Ltd.
			2. Green Delta Insurance Co. Ltd.
12	Md. Fayekuzzaman	Independent Director	1. National Tea Company Limited
			2. HF Asset Management Limited

45 DISCLOSURE ON THE BOARD AUDIT COMMITTEE

Composition of audit committee

The Audit committee consists of the following directors of the Board:

Name	Status with the Company	Status with the Committee	Educational Qualification
Mohammad Nurun Nabi FCA	Independent Director	Chairman	Bachelor of Science from Karachi University
M. Faizur Rahman	Director	Member	Graduate from University of Dhaka
Nadeem A. Chaudhury	Director	Member	Graduate in Civil Engineering
Tajrina Sikder	Director	Member	Graduate from ABAC University of Thailand
Sabita Rezwana Rahman	Director	Member	M.Sc. in Microbiology from Dhaka University

Audit committee meetings held during the year

Sl no.	Meeting no.	Meeting date
1	39th Audit Committee Meeting	30-Mar-16
2	40th Audit Committee Meeting	29-Oct-16
3	41th Audit Committee Meeting	26-Dec-16
4	42th Audit Committee Meeting	28-Dec-16

The committee discussed the following issues during the year

a) Reviewed the draft consolidated financial statements for the year ended 31 December 2015 along with auditors report thereon and recommended it to the Board of Directors for consideration.

b) Reviewed the internal control functions and recommended before the Board for enhancement of the activities streamlining operational risk.

c) Reviewed with the senior management of the Company's policies and procedures to prevent illegal or unethical activities, key accounting policies and procedures, internal controls, significant areas of risk, legal or regulatory matters that may have an impact on the financial statements, and any other matters that may affect financial reporting.

d) Reviewed the reports submitted by the Internal Control and Compliance Department and advised management for timely implementation and follow up.

e) Recommended to the Board for appointment of auditors for the year 2016 and fixation of their remuneration.

f) Reviewed the management letter of external auditors submitted for the year ended on 31 December 2015.

g) Reviewed the quarterly financial statements for the year 2016.

h) Reviewed the inspection report of Bangladesh Bank for the year 2015 and management response thereon.

i) Reviewed quarterly operation report of the Company for the year 2016.

46 UNDISBURSED CONTRACTED LOANS, ADVANCES AND LEASES

The Company makes various commitments in the normal course of business. No material losses are anticipated as a result of these transactions. These business commitments are quantified below:

		In million Taka
	2016	**2015**
Lease and term finance commitments outstanding at 31 December	684.10	962.86
Real estate finance commitments outstanding at 31 December	-	-
	684.10	962.86

47 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided as at 31 December 2016. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2016.

48 UNACKNOWLEDGED DEBT

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

49 NEW CONTRACTS/SANCTIONS AND DISBURSEMENTS

During the year the Company contracted and disbursed the following amount:

In million BDT

	2016		2015	
	Contracts/ Sanctions	Disbursements	Contracts/ Sanctions	Disbursements
Lease and term finance	6,383.71	6,662.47	3,389.88	3,363.02
Real estate finance	-	-	-	-
Car loan -	-	-	-	
	6,383.71	**6,662.47**	**3,389.88**	**3,363.02**

50 LEGAL PROCEEDINGS

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

51 BOARD MEETINGS AND NUMBER OF DIRECOTRS

During the year 2016, 18 (eighteen) Board meetings were held. As on 31 December 2016, there were 9 (nine) members in the Board, excluding three Independent Directors and the Managing Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

52 NUMBER OF EMPLOYEES

As of 31 December 2016 a total number of 199 employees including subsidiaries (2015: 171) were employed in Union Capital Limited. Each of the employees received salary more than Tk. 36,000 per annum during the year 2016.

53 REPORTING CURRENCY AND LEVEL OF PRECESION

The figures in the financial statements represent Bangladesh currency (Taka/BDT), which has been rounded off to the nearest integer.

54 IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

55 EVENTS AFTER THE REPORTING PERIOD

55.1 Dividend for the year 2016

The Board of the Directors in its 237 th meeting held on 07 May 2017 recommended 10% stock dividend for the year ended 31 December 2016 subject to the approval of the shareholders in the ensuing 19th Annual General Meeting (AGM).

55.2 Others

No other material event occurred after the reporting period, which could materially affect the amounts or disclosures in these financial statements.

56 FOREIGN CURRENCY EXPOSURE PROFILE

There were no foreign currency monetary assets or liabilities that would give rise to gains or losses in the profit and loss account.

57 COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2015 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2015 have been restated, reclassified and rearranged whenever considered necessary to ensure comparability with the current period.

58 FINANCIAL HIGHLIGHTS

Key financial highlights of the Company are annexed as Annexure-B.

59 GEOGRAPHICAL AREA OF OPERATIONS

Union Capital Limited is currently operating in Chittagong, Gazipur, Narshingdi and Sylhet along with its other branches at Sonargaon Road, Gulshan and Motijheel in Dhaka.

60 INTERIM FINANICAL STATEMENTS

Union Capital Limited publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission.

61 CHANGE IN AND DISAGREEMENT WITH AUDITORS

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

62 DEPARTURE FROM BANGLADESH ACCOUNTING STANDARD (BAS) 1

According to DFIM Circular no. 11 dated 23 December 2009 there is no scope to use the name or include Statement of Financial Position and Other Comprehensive Income while preparing the financial statements. As such the Company does not use the caption and also not prepare the same.

63 DEPARTURE FROM BAS 39

The requirement of DFIM circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39 - Financial Instruments: Recognition and Measurement. As per BAS 39, investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year end is to be taken to profit and loss account or revaluation reserve respectively. Union Capital Limited followed the guidelines of Bangladesh Bank's circular under which investment in both quoted and unquoted shares were recognized at cost and required provision has been made for the losses arising from diminution in value of investment.

64 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 07 May 2017.

sd/-	sd/-	sd/-	sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Annexure-A

Schedule of fixed assets as at 31 December 2016

Figures in BDT

BAS 16.73	BAS 16.73 (e)(i)					BAS 16.73 (e)(vii)				BAS 16.73 (d)
Particulars	**Cost**					**Depreciation**				
	As at 1 Jan 2016	**Addition during the year**	**Disposal/ adjustment during the year**	**As at 31 Dec 2016**	**Rate of depreciation**	**As at 1 Jan 2016 year**	**Charged during the during the year**	**Disposal/ adjustment**	**As at 31 Dec 2016**	**Written down Value**
Freehold assets										
Furniture and fixtures	7,031,438	225,100	180,250	7,076,288	20%	5,653,517	428,398	180,250	5,901,665	1,174,623
Office decoration	18,358,286	-	2,591,439	15,766,847	33%	17,415,045	498,852	2,591,433	15,322,464	444,383
Electrical equipment	26,532,142	972,150	482,782	27,021,510	20%	22,424,128	1,605,804	482,776	23,547,156	3,474,354
Owned vehicles	3,162,133	9,373,859	-	12,535,992	20%	1,947,409	2,042,469	-	3,989,878	8,546,114
Software	943,881	179,000	-	1,122,881	20%	627,819	164,367	-	792,186	330,695
Mobile Phone	367,085	-	-	367,085	20%	367,067	-	-	367,067	18
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3
	56,436,294	**10,750,109**	**3,254,471**	**63,931,932**		**48,476,311**	**4,739,890**	**3,254,459**	**49,961,742**	**13,970,190**
Leasehold assets										
Leased vehicles	3,760,000	-	-	3,760,000	20%	3,611,335	148,664	-	3,759,999	1
As at 31 December 2016	**60,196,294**	**10,750,109**	**3,254,471**	**67,691,932**		**52,087,646**	**4,888,554**	**3,254,459**	**53,721,741**	**13,970,191**
As at 31 December 2015	**64,622,212**	**754,415**	**5,180,333**	**60,196,294**		**48,400,738**	**6,186,959**	**2,500,051**	**52,087,646**	**8,108,648**

Annual Report 2016 Stock

CONSOLIDATED SCHEDULE OF FIXED ASSETS

as at 31 December 2016

Figures in BDT

BAS 16.73	BAS 16.73 (e)(i)					BAS 16.73 (e)(vii)				BAS 16.73 (d)
Particulars	**Cost**					**Depreciation**				
	As at 1 Jan 2016	**Addition during the year**	**Disposal/ adjustment during the year**	**As at 31 Dec 2016**	**Rate of depreciation**	**As at 1 Jan 2016**	**Charged during the year**	**Disposal/ adjustment during the year**	**As at 31 Dec 2016**	**Written down Value**
Freehold assets										
Furniture and fixtures	9,776,651	272,350	180,250	9,868,751	20%	6,525,063	969,336	180,250	7,314,149	2,554,602
Office decoration	27,590,928	21,315	2,591,439	25,020,804	33%	19,764,696	3,572,554	2,591,433	20,745,817	4,274,987
Electrical equipment	34,143,767	4,144,595	482,782	37,805,580	20%	24,105,031	3,437,713	482,776	27,059,968	10,745,612
Owned vehicles	8,362,133	14,098,859	-	22,460,992	20%	2,640,745	3,397,473	-	6,038,218	16,422,774
Software	3,658,894	334,500	-	3,993,394	20%	1,438,778	810,260	-	2,249,038	1,744,356
Mobile Phone	426,985	-	-	426,985	20%	380,041	11,976	-	392,017	34,968
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3
	84,000,687	**18,871,619**	**3,254,471**	**99,617,835**		**54,895,680**	**12,199,312**	**3,254,459**	**63,840,533**	**35,777,302**
Leasehold assets										
Leased vehicles	3,760,000	-	-	3,760,000	20%	3,611,335	148,664	-	3,759,999	1
As at 31 December 2016	**87,760,687**	**18,871,619**	**3,254,471**	**103,377,835**		**58,507,015**	**12,347,976**	**3,254,459**	**67,600,532**	**35,777,303**
As at 31 December 2015	**74,109,865**	**18,831,155**	**5,180,333**	**87,760,687**		**49,923,149**	**11,083,918**	**2,500,051**	**58,507,016**	**29,253,671**

HIGHLIGHTS ON THE OVERALL ACTIVITIES

(as per Bangladesh Bank guidelines)
As at 31 December 2016

Annexure-B

Figures in million BDT

Sl no.	Particulars	2016	2015
1.	Paid-up capital	1,423.00	1,329.90
2.	Total capital	2,580.73	2,512.51
3.	Capital surplus	574.18	634.89
4.	Total assets	20,952.86	19,016.16
5.	Total deposits	13,131.22	11,798.79
6.	Total loans, advances and leases	16,399.17	15,594.47
7.	Total contingent liabilities and commitments	684.10	962.86
8.	Credit deposit ratio	1.25	1.32
9.	Percentage of classified loans against total loans, advances and leases	8.44%	7.78%
10.	Profit after tax and provision	248.30	204.90
11.	Amount of classified loans during current year	1,383.67	1,212.92
12.	Provisions kept against classified loans	288.32	280.97
13.	Provision surplus against classified loan	33.33	13.10
14.	Cost of fund	8.42%	10.29%
15.	Interest earnings assets	17,718.60	16,517.85
16.	Non-interest earnings assets	3,234.26	2,498.31
17.	Return on investment (ROI)	10.46%	10.09%
18.	Return on assets (ROA)	1.19%	1.08%
19.	Income from investment	8.57	(100.88)
20.	Earnings per share (2015: restated)	1.37	1.11
21.	Net income per share (2015: restated)	1.37	1.11
22.	Price earnings ratio	14.94	12.24

AMAR STOCK

Financial Statements of Subsidiary Companies

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AMAR STOCK

S. F. AHMED & CO
Chartered Accountants

Auditors' Report to the Shareholders
For the year ended 31 December 2016

We have audited the accompanying financial statements of UniCap Securities Limited (the company), which comprise the statement of financial position (balance sheet) as at 31 December 2016, and the statement of profit or loss and other comprehensive income (profit and loss statement), statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements including 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 financial statements in accordance with Bangladesh Financial Reporting Standards, the Companies Act 1994, Bangladesh Securities and Exchange Commission Rules 1987 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain a reasonable assurance 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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, prepared in accordance with Bangladesh Financial Reporting Standards, give a true and fair view of the financial position of the company as at 31 December 2016 and of the financial performance and its cash flows for the year then ended and comply with the requirements of Companies Act 1994, Bangladesh Securities and Exchange Commission Rules 1987 and other applicable laws and regulations.

We also report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and

(c) the statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

(d) the expenditure incurred were for the purpose of the Company's business.

Dhaka, Bangladesh
Dated, 28 February 2017

S. F. AHMED & CO
Chartered Accountants

UniCap Securities Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (PROFIT AND LOSS STATEMENT)

For the year ended 31 December 2016

	Notes	2016 BDT	2015 BDT
Revenue			
Brokerage commission	24	180,234,226	110,453,805
Income from investment	25	60,681,694	18,102,453
Interest on margin loan	26	127,548,647	99,808,606
		368,464,566	228,364,864
Expenses			
Financial expenses	28	194,637,974	136,006,901
Laga, Howla and CDBL charge	29	21,607,646	14,756,685
		216,245,620	150,763,586
		152,218,946	77,601,278
Other operating income	27	4,955,801	3,432,485
Management expenses	30	(77,422,827)	(61,301,809)
		79,751,920	19,731,954
Provision for diminution in value of investment	31	(11,940,946)	38,016,070
Provision for doubtful debt	31	(17,206,916)	3,747,710
		(29,147,862)	41,763,780
Profit before tax		**50,604,058**	**61,495,734**
Income tax expense			
Current tax	23	39,900,000	26,583,780
Deferred tax expense/(income)		-	-
		39,900,000	26,583,780
Net profit for the year		**10,704,058**	**34,911,954**
Other comprehensive income		-	-
Total comprehensive income		**10,704,058**	**34,911,954**
Earnings Per Share (EPS)	**32**	**10.70**	**34.91**

These financial statements should be read in conjunction with annexed notes.

For and on behalf of board of directors of UniCap Securities Limited

sd/-	sd/-	sd/-
Chairman	**Director**	**Chief Executive Officer**

Dhaka, Bangladesh
Dated, 28 February 2017

S. F. AHMED & CO
Chartered Accountants

AMARSTOCK

UniCap Securities Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

		2016 BDT	2015 BDT
A.	**Cash flows from operating activities**		
	Profit before tax	50,604,058	61,495,734
	Adjustment for non-cash items to determine net cash flows from operating activities:		
	Depreciation and amortisation	5,831,585	3,633,964
	Employee-gratuity	1,519,586	2,369,041
	Provision for doubtful losses	29,147,862	(41,763,780)
		36,499,033	(35,760,775)
		87,103,091	25,734,959
	Changes in operating assets and liabilities		
	Margin loan to clients	(266,611,599)	(91,312,176)
	Other receivables	23,438,440	(25,401,133)
	Receivable from stock exchanges	58,303,600	(224,336,803)
	Other advances	(44,595,235)	(869,425)
	Staff loan	(2,984,996)	(8,971,093)
	Payable to clients	91,301,440	197,736,764
	Deferred liability - employee gratuity	(486,114)	(99,375)
	Payable to stock exchanges	5,633,737	(4,350,377)
	Short term loan	(135,000,000)	(30,000,000)
	IPO apply against negative equity	(130,000)	-
	Accruals and payables	90,819,076	80,846,233
		(180,311,652)	(128,326,496)
	Cash used in operating activities	(93,208,560)	(102,591,536)
	Income tax paid	(44,804,134)	(21,569,111)
	Net cash used in operating activities	(138,012,693)	(102,591,536)
B.	**Cash flows from investing activities**		
	Purchase of property, plant and equipment	(8,112,310)	(12,331,552)
	Disposal of property, plant and equipment	-	-
	Investment in securities	(88,416,837)	(82,193,315)
	Net cash used in investing activities	(96,529,147)	(94,524,867)
C.	**Cash flows from financing activities**		
	Receipt from long term loan	420,000,000	190,000,000
	Share money deposit	75,000,000	-
	Repayment of long term loan	(118,789,212)	(39,779,564)
	Net cash from financing activities	376,210,788	150,220,436
D.	**Net changes in cash and cash equivalents (A+B+C)**	**141,668,948**	**(46,895,967)**
E.	**Opening cash and cash equivalents**	**57,382,260**	**104,278,227**
F.	**Closing cash and cash equivalents**	**199,051,208**	**57,382,260**

For and on behalf of board of directors of UniCap Securities Limited

sd/-
Chairman

sd/-
Director

sd/-
Chief Executive Officer

Dhaka, Bangladesh
Dated, 28 February 2017

sd-
S. F. AHMED & CO
Chartered Accountants

UniCap Securities Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Particulars	Share capital	Share money deposit	Revaluation reserve	Retained earnings	Total
	BDT	BDT	BDT	BDT	BDT
Year 2016					
Balance at 01 January 2016	100,000,000	-	104,024,360	9,588,702	213,613,062
Receipt of share money deposit	-	75,000,000	-	-	75,000,000
Net profit for the year	-	-	-	10,704,058	10,704,058
Balance at 31 December 2016	**100,000,000**	**75,000,000**	**104,024,360**	**20,292,760**	**299,317,120**
Year 2015					
Balance at 01 January 2015	100,000,000	-	104,024,360	(25,323,252)	178,701,108
Net profit for the year	-	-	-	34,911,954	34,911,954
Balance at 31 December 2015	**100,000,000**	**-**	**104,024,360**	**9,588,702**	**213,613,062**

For and on behalf of board of directors of UniCap Securities Limited

sd/-
Chairman

sd/-
Director

sd/-
Chief Executive Officer

Dhaka, Bangladesh
Dated, 28 February 2017

sd/-
S. F. AHMED & CO
Chartered Accountants

AMARSTOCK

UniCap Securities Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Company and its activities

1.1 Legal status of the Company

UniCap Securities Limited (formerly, SES Company Limited) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-29454(742)/95 dated 9 October 1995 under the Companies Act, 1994 as a private limited company. The registered office of the Company is situated at Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 1, Dhaka 1212, Bangladesh.

1.2 Principal activities of the Company

Principal activities of the Company is to carry out business of investments in shares and other securities and brokerage and dealing of securities under the license from the Bangladesh Securities & Exchange Commission. The Company having membership with Dhaka and Chittagong Stock Exchanges (membership nos. 163 and 082 respectively) and also full service depository participant of Central Depository Bangladesh Limited (CDBL).

As a Stock Broker and Stock Dealer, the Comapny caters services to the institutional and individual investors for trading of securities under Bangladesh Securities and Exchange Commission (Stock-Dealer, Stock-Broker & Authorized Representative) Rules 2000 and to extend margin loan facilities to the investors under Margin Rules 1999.

2. Basis of preparation

2.1 Components of the financial statements

The financial statements comprises of the following:

a) Statement of financial position (balance sheet)
b) Statement of profit or loss and other comprehensive income (profit and loss statement)
c) Statement of changes in equity
d) Statement of cash flows
e) Notes to the financial statements

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Bangladesh Financial Reporting Standards (BFRS), which also cover Bangladesh Accounting Standards (BAS), the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments in stock exchanges which are measured at fair value.

2.4 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (BDT), which is the Company's functional currency. All financial information presented in BDT has been rounded to the nearest integer.

2.5 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The most significant areas where estimates and judgements have been made are on valuation of investments and taxation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

UniCap Securities Limited

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

As at 31 December 2016

	Notes	2016 BDT	2015 BDT
Assets			
Non-current assets			
Property, plant and equipment	4	16,908,563	14,419,361
Intangible asset	5	997,381	1,205,858
Investment in securities	6	610,291,918	533,816,027
Membership of stock exchanges	7	115,024,360	115,024,360
Staff loan	8	14,877,436	11,892,441
		758,099,658	**676,358,047**
Current assets			
Advances, deposits and prepayments	9	268,501,602	179,102,234
Margin loan to clients	10	941,793,869	692,259,185
Receivable from stock exchanges	11	177,264,671	235,568,272
Other receivables	12	3,463,188	26,901,628
Cash and cash equivalents	13	199,051,208	57,382,260
		1,590,074,537	1,191,213,579
Total assets		**2,348,174,195**	**1,867,571,626**
Equity and liabilities			
Equity			
Share capita	14	100,000,000	100,000,000
Share money deposit	15	75,000,000	-
Revaluation reserve	16	104,024,360	104,024,360
Retained earnings		20,292,760	9,588,702
Total equity		**299,317,120**	**213,613,062**
Non-current liabilities			
Long term loan	17	887,890,378	586,679,590
Deferred liability-employee gratuity	18	5,808,086	4,774,614
		893,698,464	591,454,204
Current liabilities			
Short-term loan	19	287,279,406	422,279,406
Accruals and payables	20	284,433,695	193,614,620
Payable to stock exchange	21	5,985,084	351,348
Payable to clients	22	359,479,657	268,178,217
Provision for current tax	23	217,980,769	178,080,769
		1,155,158,611	1,062,504,360
Total liabilities		**2,048,857,075**	**1,653,958,564**
Total shareholders' equity and liabilities		**2,348,174,195**	**1,867,571,626**

These financial statements should be read in conjunction with annexed notes.

For and on behalf of board of directors of UniCap Securities Limited

sd/-	sd/-	sd/-
Chairman	**Director**	**Chief Executive Officer**

Dhaka, Bangladesh
Dated, 28 February 2017

S. F. AHMED & CO
Chartered Accountants

AMARSTOCK

2.6 Going concern basis

The Company has adequate resources to continue in the operation for the forseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statement. The current credit facilities and adequate resources of the Company provide sufficient funds to meet the present requirements of its existing business and operations.

2.7 Reporting period

Financial statements of the Company consistently cover one calendar year from 1 January to 31 December.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the enterprise the revenue during the year and in accordance with the Bangladesh Accounting Standard (BAS) 18 "Revenue Recognition".

Brokerage commission is recognised as income when trades are executed.

Interest on margin loan is recognised on accrual basis. Such income is calculated on daily margin loan balance of the respective parties. Income is recognized on monthly basis.

Dividend income is recognised when right to receive payment is established.

Caital gain or loss on sale of securities is accounted for only when shares are sold in market and gain is realised or loss is incurred.

3.2 Earnings per share

The Company calculates its earnings per share (EPS) in accordance with BAS 33: Earnings Per Share, which has been shown on the face of profit and loss statement, and the computation of EPS is stated in note 32.

3.3 Property, plant and equipment

3.3.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

3.3.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is 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.

3.3.3 Depreciation

Depreciation is charged to property, plant and equipment on a straight line basis at rates varying from 20% to 33.33% in order to write them off over their useful economic life.

3.4 Intangible assets

3.4.1 Recognition and measurement

Computer software acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation.

3.4.2 Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

3.4.3 Amortisation of intangible assets

Intangible assets are amortised at the rate of 33% on straight line method.

3.5 Investment in stock exchanges for membership

Investments for membership are initially recognised at cost and are subsequently remeasured at fair value based on quoted bid prices. Surplus arising from changes in the fair value of investment for membership are transferred to revaluation reserve account.

3.6 Investment in listed securities

Investment in quoted shares and unquoted shares are initially recognised at cost plus transaction costs that are directly attributable to acquisition of shares. After initial recognition investment in quoted shares has been revalued at fair value at reporting date in accordance with BFRS 9 : Financial instruments.

Required provision has been made for impairment when the market value of investments fall below the cost in the manner as stated in note 6.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institution and short term liquid investments that are readily convertible to known amount of cash and that are subject to insignificant risk of change in value.

3.8 Laga, howla and CDBL charges

The charges of stock exchanges booked on daily basis as per trading after receiving the trading note and Central Depository Bangladesh Ltd. (CDBL) booked on monthly basis, after receiving the bill from CDBL.

3.9 Borrowing costs

Borrowing cost is charged to profit and loss account as per Bangladesh Accounting Standard 23: Borrowing Cost.

3.10 Bad debt

3.10.1 Provision for bad debts

The Company creates provision for doubtful debts on yearly basis considering collection during the year and value of shares held as security.

3.10.2 Recovery of bad debts

Any recovery is adjusted with the provision for bad debts in the period of recovery.

3.11 Related party disclosure

As per BAS - 24: Related Party Disclosure, parties are considered to be related if one has the ability to control or exercise significant influence over other in making financial and operating decisions. Related party disclosures are given in note 41.

3.12 Taxation

Provision for current tax is made in accordance with the provision of Income Tax Ordinance, 1984 and subsequent amendments made thereto from time to time.

3.13 Contributory provident fund

The Company operates a contributory provident fund scheme for its permanent employees. Provident fund is administered by a separate Board of Trustees and is funded by equal contribution both from the Company and the employees. The contributions are invested separately from the Company's assets.

3.14 Gratuity scheme

The Company operates a gratuity scheme to retain and motivate its employees for long term. Gratuity scheme is applicable for all its permanent employees who have completed their continuous service for at least five years. Provision for gratuity is made annually based on terms of gratuity scheme.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. Property, plant and equipment

Category of asset	Cost					Depreciation				
	At 01 Jan 2016	Additions	Disposal/ Adjustment	Total at 31 Dec 2016	Rate (%)	Up to 01 Jan 2016	Charge for the year	Adjustment on disposal	Total to 31 Dec 2016	Net book value at 31 Dec 2016
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Office decoration	7,441,895	21,315	-	7,463,210	33%	1,906,441	2,482,756	-	4,389,197	3,074,013
Furniture and fixtures	931,869	47,250	-	979,119	20%	421,549	178,269	-	599,818	379,301
Office equipment	5,224,749	3,172,445	-	8,397,194	20%	1,404,752	1,448,803	-	2,853,555	5,543,639
Mobile phone	59,900	-	-	59,900	20%	12,974	11,976	-	24,950	34,950
Motor vehicle	5,200,000	4,725,000	-	9,925,000	20%	693,336	1,355,004	-	2,048,340	7,876,660
Total at 31 Dec 2016	**18,858,413**	**7,966,010**	**-**	**26,824,423**		**4,439,052**	**5,476,808**	**-**	**9,915,860**	**16,908,563**
Total at 31 Dec 2015	**6,734,861**	**12,123,552**	**-**	**18,858,413**		**1,107,052**	**3,332,000**	**-**	**4,439,052**	**14,419,361**

5. Intangible asset

Category of asset	Cost					Amortisation				
	At 01 Jan 2016	Additions	Disposal/ Adjustment	Total at 31 Dec 2016	Rate (%)	Up to 01 Jan 2016	Charge for the year	Adjustment on disposal	Total to 31 Dec 2016	Net book value at 31 Dec 2016
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Computer software	1,778,500	146,300	-	1,924,800	33%	572,642	354,777	-	927,419	997,381
Total at 31 Dec 2016	**1,778,500**	**146,300**	**-**	**1,924,800**		**572,642**	**354,777**	**-**	**927,419**	**997,381**
Total at 31 Dec 2015	**1,570,500**	**208,000**	**-**	**1,778,500**		**270,678**	**301,964**	**-**	**572,642**	**1,205,858**

UniCap Securities Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016

		2016 BDT	2015 BDT
6.	**Investment in securities**		
	Investment in listed securities (at cost)	633,080,729	544,663,892
	Less: Provision for diminution in value of investments (note 6.1)	22,788,812	10,847,866
		610,291,918	533,816,027

6.1	**Provision for diminution in value of investments**		
	Opening balance	10,847,866	48,863,936
	Add: Provision/(adjustment) during the year	11,940,946	(38,016,070)
	Closing balance	22,788,812	10,847,866

This provision has been made against unrealised loss on investment in mutual funds and other listed securities which is detailed below. As per BSEC directive no. SEC/CMRRCD/2009-193/196 dated 28 December 2016 stock dealer can make the said provision for unrealised loss in five installments on quarterly basis within 31 December 2017. Provided that, no cash dividend shall be paid to the shareholders for this financial year, if the Company takes the said installment facility.

	Required provision against investment in mutual funds (note 6.1.1)		22,446,556
	Required provision against investment in other listed securities (note 6.1.2)		56,430,309
			78,876,866
	20% for first three months		15,775,373
	Provision maintained upto 31 December 2016		22,788,812

6.1.1 Mutual funds

As per BSEC directive no. SEC/CMRRCD/2009-193/172 dated on 30 June 2015 for (*) close-ended mutual funds, if fair value is less than 85% of net asset value (NAV) then the difference between cost price and 85% of NAV should be maintained as provision.

Number of units: (A)	Cost value per unit (B) BDT	Fair value per unit (C) BDT	of NAV per unit (D) BDT	Total cost BDT	Total fair value as at 31 December 2016 BDT	Total 85% of NAV as at 31 December 2016 BDT	Required provision (A*(B-D) BDT
25,860,088	9.64	7.1	8.77	249,291,248	183,606,625	226,844,692	22,446,556

(*) This circular only applies for close-ended mutual funds, not for stock brokers/stock dealers like, UniCap Securities Limited in the opinion of auditors.

6.1.2 Other listed securities

Sector-wise investment other than mutual fund are details below:

Sector	No. of company	Cost (A)	Fair value of securities as at 31 December 2016 (B)
Cement	2	89,477,213	85,545,943
Fuel and power	1	4,825,909	3,978,818
Pharmaceutical	1	66,631,867	48,084,957
Services and real estate	1	13,991,816	16,400,000
Textile	2	50,190,103	45,773,600
Miscellaneous	7	158,672,573	127,575,854
	14	383,789,481	327,359,172
Required provision (A - B)			56,430,309

		2016 BDT	2015 BDT
7.	**Membership of stock exchanges**		
	Dhaka Stock Exchange Limited	72,151,060	72,151,060
	Chittagong Stock Exchange Limited	42,873,300	42,873,300
		115,024,360	115,024,360

This represents investment in membership of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The company revalued its investment in membership on 31 August 2010 at BDT 362,000,000 for Dhaka Stock Exchange and BDT 156,500,000 for Chittagong Stock Exchange. As a result the aggregated investment amount was revalued to BDT 518,500,000.

As per Scheme of Demutualization of both DSE and CSE in accordance with the Exchange Demutualization Act 2013 (the "Scheme"), the company being an initial shareholder of DSE and CSE, is entitled to receive the following numbers of shares:

	No. of shares	Face value BDT	Total value BDT
Dhaka Stock Exchange Limited	7,215,106	10	72,151,060
Chittagong Stock Exchange Limited	4,287,330	10	42,873,300
	11,502,436	**10**	**115,024,360**

8. Loan to staff

Housing loan	13,961,187	10,822,298	
Car loan		640,581	829,788
Personal loan	275,669	240,356	
		14,877,436	**11,892,441**

This represents loan to staff made under the Company' s different loan scheme.

9. Advances, deposits and prepayments

Advance income tax	216,049,821	171,245,688
Advance deposit	6,870,883	3,525,469
Advance for office rent	10,740,695	2,711,475
Advance to DSE - floor space, etc	870,024	870,024
Advance for car purchase	300,000	300,000
Advance against expenses	33,373,850	210,500
Security deposit - CDBL	100,000	100,000
Security deposit - DSE	75,000	75,000
Security deposit - CSE	30,000	30,000
Insurance-vehicle	71,329	27,078
Security deposit - others	20,000	7,000
	268,501,602	**179,102,234**

10. Margin loan to clients

This represents amount given to clients as margin loan for investment in listed securities. As on 31 December 2016 receivable (number of receivable account is 2,235) amount is BDT 977,612,875 which is made up as under:

Receivable against margin loan	977,612,875	711,001,276
Less: Provision for doubtful losses (notes 10.1)	35,819,007	18,742,091
	941,793,869	**692,259,185**

10.1 Provision for doubtful losses

Opening balance	18,742,091	22,489,801
Add: Addition/(adjustment) during the year	17,076,916	(3,747,710)
Closing balance	**35,819,007**	**18,742,091**

11. Receivable from stock exchanges

This represents amount receivable from stock exchanges against sale of shares on behalf of clients, which is made up as under:

Dhaka Stock Exchange Limited	177,168,742	235,481,352
Chittagong Stock Exchange Limited	95,929	86,920
	177,264,671	**235,568,272**

12. Other receivable

Dividend receivable	3,463,188	26,881,868
Other receivable	-	19,760
	3,463,188	**26,901,628**

		2016 BDT	2015 BDT
13.	**Cash and cash equivalents**		
	Cash in hand 25,000	25,000	
	Bank balance (notes 13.1)	199,026,208	57,357,260
		199,051,208	**57,382,260**
13.1	**Bank balance**		
	Standard Chartered Bank (SND A/C No.02-6092357-02)	155,216,227	53,644,028
	Standard Chartered Bank (CD A/C No.01-6092357-02)	2,209,746	3,224,989
	Prime Bank Ltd (CD A/C No. 11059934)	239,838	239,838
	Dhaka Bank Ltd (FDR A/C No.0201313000002637)	234,364	234,364
	Rupali Bank Ltd (CD A/C No. 200021367)	9,545	9,545
	Shahjalal Islami Bank Ltd	12,950	3,596
	Farmers Bank Ltd (CD A/C No. 0111100005822)	6,234	580
	Standard Chartered Bank (CD A/C No.01-6092357-03)	2,500	320
	NRB Bank Ltd (A/C No. 1081030011623)	41,094,320	-
	Midland Bank Ltd (A/C No. 0011-1050001742)	485	-
		199,026,208	**57,357,260**
14.	**Share capital**		
	Authorised:		
	5,000,000 ordinary shares of BDT 100 each	500,000,000	500,000,000
	Issued, subscribed and paid up:		
	1,000,000 ordinary shares of BDT 100 each	100,000,000	100,000,000

The Company's shareholding position as at the balance sheet date was as follows:

Name of the shareholder	No. of shares	BDT	BDT
Union Capital Limited	999,999	99,999,900	99,999,900
Barrister Moniruzzaman Khan	1	100	100
	1,000,000	**100,000,000**	**100,000,000**

15.	**Share money deposit**	**75,000,000**	**-**

This represents the amount received against conversion of loan payable to Union Capital Limited.

16.	**Revaluation reserve**		
	Membership of stock exchanges:		
	Dhaka Stock Exchange Limited	66,151,060	66,151,060
	Chittagong Stock Exchange Limited	37,873,300	37,873,300
		104,024,360	**104,024,360**

In 2010, the Company revalued its investment in membership of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited on the basis of fair value as at 31 August 2010 valuing BDT 362,000,000 for Dhaka Stock Exchange Limited and BDT 156,500,000 for Chittagong Stock Exchange Limited. In 1998 the Company revalued its investment in one share of Dhaka Stock Exchange Limited on the basis of fair value as at 17 January 1998 valuing BDT 2,000,000.

As per Scheme of Demutualization of both DSE and CSE, the Company being an initial shareholder of DSE and CSE, is entitled to receive the following numbers of shares:

	No of Shares	Face value	Total value
Dhaka Stock Exchange Limited	7,215,106	10	72,151,060
Chittagong Stock Exchange Limited	4,287,330	10	42,873,300
	11,502,436	**10**	**115,024,360**

		2016 BDT	2015 BDT
17.	**Long term loan**		
	Opening balance	586,679,590	436,459,154
	Add: Addition during the year	420,000,000	190,000,000
		1,006,679,590	626,459,154
	Less: Repayment during the year	118,789,212	39,779,564
	Closing balance	**887,890,378**	**586,679,590**

This represents loan taken from various banks/FIs repayable in monthly/quarterly instalments.

18.	**Deferred liability-employee gratuity**		
	Opening balance	4,774,614	2,504,948
	Add: Addition during the year	1,519,586	2,369,041
		6,294,200	4,873,989
	Less: Paid during the year	486,114	99,375
	Closing balance	**5,808,086**	**4,774,614**
19.	**Short term loan**		
	Opening balance	422,279,406	452,279,406
	Add: Addition during the year	-	-
		422,279,406	452,279,406
	Less: Repayment during the year	135,000,000	30,000,000
	Closing balance	**287,279,406**	**422,279,406**
20.	**Accruals and payables**		
	Interest expenses	254,998,178	178,140,334
	Interest suspense-margin loan	8,500,000	8,500,000
	Obligation under capital lease	2,658,402	3,212,817
	Other payables 15,001,606	1,712,110	
	CDBL charges 1,204,836	765,940	
	Office rent	1,735,049	642,858
	Tax and VAT deducted at source	217,924	318,911
	BO A/C maintenance fee	-	222,500
	Audit fee	115,000	97,750
	Excise duty-payable	2,700	1,400
		284,433,695	**193,614,620**
21.	**Payable to stock exchanges**		
	Dhaka Stock Exchange Limited	1,903,168	351,348
	Chittagong Stock Exchange Limited	4,081,916	-
		5,985,084	**351,348**

This represents amount payable to stock exchanges against purchase of shares on behalf of the clients.

22.	**Payable to clients**	**359,479,657**	**268,178,217**

This represents amount payable to clients against sale of shares on behalf of those clients. This also includes amount deposited by clients for purchasing shares in those accounts (number of payable account is 2,655).

23.	**Current tax**		
	Opening balance	178,080,769	151,496,989
	Add: Provision made during the year	39,900,000	26,583,780
	Closing balance	**217,980,769**	**178,080,769**

24. Brokerage commission

This represents commission income realised on transactions of sale and buy of shares on behalf of clients which is made up as under:

Dhaka Stock Exchange Ltimited	177,598,646	107,409,751
Chittagong Stock Exchange Limited	2,635,580	3,044,054
	180,234,226	**110,453,805**

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		2016 BDT	2015 BDT
25.	**Income from investment**		
	Capital gains/(loss) on sale of securities	24,424,350	(11,758,140)
	Dividend income	36,257,343	29,860,593
		60,681,694	18,102,453
26.	**Interest on margin loan**	**127,548,647**	**99,808,606**

This represents interest income earned on margin loan extended for both individuals and corporate clients as per BSEC Margin Rules 1999 for purchase of listed securities. The interest rate on margin loan ranges from 15.00%-18.50%.

27.	**Other operating income**		
	Interest on bank deposit	1,896,643	1,170,919
	BO A/C maintenance fee	849,950	423,400
	Interest on staff loan	788,886	355,983
	BO A/C opening fee	494,717	223,200
	Miscellaneous income	925,605	1,258,983
		4,955,801	**3,432,485**

28. Financial expenses

This represents interest expense incurred for the loan received from various banks/financial institutions for the purpose of business operations of the Company as noted below:

Loan with Union Capital Ltd.	134,911,988	111,781,861
Term loan- The Farmers Bank Ltd.	8,341,750	10,523,537
Term loan- Hajj Finance Company Ltd.	15,683,051	9,676,471
Term loan- Shahjalal Islami Bank Ltd.	14,233,314	3,729,375
Lease finance- BD Finance Company Ltd.	444,825	295,657
Term Loan- Premier Leasing & Finance Ltd.	19,272,031	-
Term Loan- Midland Bank	1,751,015	-
	194,637,974	**136,006,901**

29.	**Laga, howla and CDBL charge**		
	Laga charge 14,712,108	10,144,951	
	CDBL charges 6,854,797	4,543,214	
	Howla charge 40,742	68,519	
		21,607,646	**14,756,684**

30.	**Management expenses**		
	Salaries and other employees benefits (note 30.1)	42,755,357	34,063,313
	Rent, taxes, insurance, electricity (note 30.2)	14,519,955	12,487,709
	Legal and professional expenses	8,625	51,290
	Postage, stamp, telecommunication (note 30.3)	2,390,909	1,990,074
	Stationery, printing, advertisements, etc (note 30.4)	507,371	660,551
	Directors' fees 287,500	437,000	
	Auditors' fee (note 30.5)	115,000	97,750
	Depreciation and repair of assets (note 30.6)	5,845,190	3,782,141
	Other expenses (note 30.7)	10,992,920	7,731,981
		77,422,827	**61,301,809**

30.1	**Salaries and other employee benefits**		
	Salaries and allowances	36,968,964	28,930,876
	Other benefits	5,786,393	5,132,437
		42,755,357	**34,063,313**

30.2	**Rent, taxes, insurance, electricity**		
	Office rent, rates and excise duty	13,378,772	11,380,151
	Insurance	265,167	152,199
	Power and electricity	876,015	955,359
		14,519,955	**12,487,709**

		2016 BDT	2015 BDT
30.3	**Postage, stamp and telecommunication**		
	Postage and stamp	17,023	34,884
	Telegram, telex, fax and e-mail	1,539,133	1,287,723
	Telephone and mobile	834,753	667,467
		2,390,909	**1,990,074**
30.4	**Stationery, printing, advertisements etc**		
	Printing and stationery	415,457	595,211
	Advertisement and publicity	91,914	65,340
		507,371	**660,551**
30.5	**Auditors' fee**		
	Auditors' fee	100,000	85,000
	VAT on audit fee	15,000	12,750
		115,000	**97,750**
30.6	**Depreciation and repair of assets**		
	Depreciation of fixed assets-freehold	5,476,808	3,332,000
	Amortisation of intangible assets	354,777	301,964
	Repairs and maintenance	13,605	148,177
		5,845,190	**3,782,141**
30.7	**Other expenses**		
	HR development	67,850	143,125
	Travelling and conveyance	1,843,103	1,342,164
	Motor vehicle expenses	690,302	322,813
	Service charge-Bloomberg	2,780,644	1,830,200
	Subscription, renewal and registration fees	1,166,435	906,771
	Books, magazines, newspapers, etc	36,781	35,514
	Entertainment, public relation etc	4,407,805	3,151,394
		10,992,920	**7,731,981**

31. Provision for future losses

Provision for diminution in value of investments (note 6.1)	11,940,946	(38,016,070)
Provision for doubtful debts	17,206,916	(3,747,710)
	29,147,862	**(41,763,780)**

32. Earnings per share

Net profit after tax	10,704,058	34,911,954
Number of ordinary shares outstanding	1,000,000	1,000,000
	10.70	**34.91**

No diluted earning per share has been calculated for the year as there was no dilution effect that may likely to arise for convertiblity option or else as described in BAS 33.

33. Average effective tax rate

Tax expenses 39,900,000	26,583,780	
Accounting profit before tax	50,604,058	61,495,734
Average effective tax rate	**78.85%**	**43.23%**

34. Contingent liability

As on the date of reporting there were no such events that warrants for reporting as contingent liability.

35. Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at 31 December 2016. There was no material capital expenditure that was authorised by the Board but not contracted for at 31 December 2016.

36. Unacknowledged debt

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

37. Geographical area of operation

UniCap Securities Limited is currently operating in Chittagong and Sylhet along with its other branches at Gulshan and Kawranbazar in Dhaka.

38. Changes and disagreement with auditors

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

39. Events after the reporting period

The Board of the Directors in its 96th Board meeting held on 28 February 2017 recommended no dividend for the year ended 31 December 2016.

40. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors of the Company on 28 February 2017.

41. Related party transactions

During the year, the Company carried out a number of transactions with a related party in the normal course of business. The name of the related party and nature of these transactions have been set out in accordance with the provisions of BAS 24: Related party disclosure.

Name of related party	Relationship	Nature of Transaction	Closing balance
Union Capital Limited	Shareholder	Loan	884,306,637

42. General

42.1

Previous year's figures have been rearranged, wherever considered necessary, to conform to current year's presentation without causing any impact on the operating results for the year and value of assets and liabilities at the end of that year as shown in the financial statements under reporting.

42.2 This figures appearing in this financial statements have been rounded off to the nearest BDT.

42.3

A total number of 50 employees excluding 10 sub staffs were employed at UniCap Securities Limited as of 31 December 2016. All the employees received salary of BDT 36,000 and above during the year ended 31 December 2016.

For and on behalf of board of directors of UniCap Securities Limited

sd/-	sd/-	sd/-
Chairman	**Director**	**Chief Executive Officer**

Dhaka, Bangladesh
Dated, 28 February 2017

AMARSTOCK

S. F. AHMED & CO
Chartered Accountants

Auditors' Report to the Shareholders of
UniCap Investments Limited

We have audited the accompanying financial statements of UniCap Investments Limited (the company), which comprise the statement of financial position (balance sheet) as at 31 December 2016, statement of profit or loss and other comprehensive income (profit and loss statement), 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 notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles, the Companies Act 1994, Bangladesh Securities and Exchange Commission Rules 1987 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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, read in conjuction with notes 7.1 and 27 to financial statements, the financial statements, prepared in accordance with generally accepted accounting principles, give a true and fair view of the state of the company's affairs as at 31 December 2016 and of the results of its operations and its cash flows for the year then ended and comply with the requirements of Companies Act 1994, Bangladesh Securities and Exchange Commission Rules 1987 and other applicable laws and regulations.

We also report that:
a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and

c) the statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

Dhaka, Bangladesh
Dated, 05 February 2017

S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

As at 31 December 2016

	Notes	2016 BDT	2015 BDT
Assets			
Non-current assets			
Property, plant and equipment	3	3,901,167	5,519,804
Investment in listed securities	4	404,130,914	397,999,903
Loan to employee		3,381,332	971,785
Total non-current assets		**411,413,412**	**404,491,492**
Current assets			
Cash and cash equivalents	5	55,815,967	50,756,068
Advances, deposits and prepayments	6	80,318,522	80,996,851
Margin loan	7	4,975,991,013	4,642,712,363
Other receivable	8	159,366,533	117,926,253
Total current assets		**5,271,492,034**	**4,892,391,536**
Total assets		**5,682,905,447**	**5,296,883,028**
Equity and liabilities			
Shareholders' equity			
Share capital	9	250,000,000	250,000,000
Retained earnings	10	17,593,469	18,179,022
Total shareholders' equity		**267,593,469**	**268,179,022**
Non-current liabilities			
Long term liabilities	11	3,767,404,689	3,910,251,635
Current liabilities			
Payable to portfolio investors	12	94,034,048	18,621,002
Accrued and other payables	13	1,459,880,896	1,006,047,039
Provision for taxation	14	93,992,344	93,784,330
Total current liabilities		**1,647,907,288**	**1,118,452,371**
Total liabilities		**5,415,311,977**	**5,028,704,006**
Total equity and liabilities		**5,682,905,446**	**5,296,883,028**

These financial statements should be read in conjunction with annexed notes.

for and on behalf of Board of Directors of UniCap Investments Limited

sd/-
Company Secretary (C.C.)

sd/-
Chief Executive Officer

sd/-
Chairman

Dhaka, Bangladesh
Dated, 05 February 2017

S. F. AHMED & CO
Chartered Accountants

AMARSTOCK

UniCap Investments Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (PROFIT AND LOSS STATEMENT)

For the year ended 31 December 2016

	Notes	2016 BDT	2015 BDT
Revenue			
Interest income	15	496,452,879	530,902,422
Interest expense	19	522,117,521	522,264,317
Net interest income		**(25,664,642)**	**8,638,105**
Investment income	16	1,037,188	(18,022,137)
Fees, commission, exchange and brokerage	17	39,966,266	48,724,677
Other operating income	18	806,182	100,569
Total operating income		**16,144,995**	**39,441,214**
Operating expenses			
Salaries and other employee benefits	20	8,297,203	7,963,434
Rent, taxes, insurance, electricity, etc	21	5,062,793	4,948,090
Legal and professional expenses		24,278	21,722
Postage, stamp, telecommunication, etc	22	333,034	268,419
Stationery, printing, advertisements, etc	23	240,562	225,117
Directors' remuneration		82,110	149,500
Auditors' fee		77,000	57,500
Depreciation expense		1,627,888	1,262,994
Repair and maintenance	24	263,480	1,045,343
Other expenses	25	867,732	993,377
Total operating expenses		16,876,080	16,935,496
Operating profit		**(731,086)**	**22,505,718**
Provision on margin loan and portfolio investment	26	(353,547)	10,353,547
Profit before corporate income tax		(377,539)	12,152,171
Income tax expense		208,014	17,813,285
Profit after tax		(585,553)	(5,661,114)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**(585,553)**	**(5,661,114)**
Earnings per share (EPS)		**(0.02)**	**(0.23)**

These financial statements should be read in conjunction with annexed notes.

for and on behalf of Board of Directors of UniCap Investments Limited

sd/-
Company Secretary (C.C.)

sd/-
Chief Executive Officer

sd/-
Chairman

Dhaka, Bangladesh
Dated, 05 February 2017

S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Particulars	Share capital BDT	Retained earnings BDT	Total BDT
Year 2015			
Balance at 01 January 2015	250,000,000	23,840,136	273,840,136
Net profit for the year	-	(5,661,114)	(5,661,114)
Balance at 31 December 2015	**250,000,000**	**18,179,022**	**268,179,022**
Year 2016			
Balance at 01 January 2016	250,000,000	18,179,022	268,179,022
Net profit/(loss) for the year	-	(585,553)	(585,553)
Balance at 31 December 2016	**250,000,000**	**17,593,469**	**267,593,469**

for and on behalf of Board of Directors of UniCap Investments Limited

sd/-
Company Secretary (C.C.)

sd/-
Chief Executive Officer

sd/-
Chairman

Dhaka, Bangladesh
Dated, 05 February 2017

S. F. AHMED & CO
Chartered Accountants

AMAR STOCK

UniCap Investments Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 BDT	2015 BDT
Cash flows from operating activities		
Interest income	496,452,879	247,730,244
Interest payment	(66,272,631)	(83,323,913)
Dividend receipts	1,037,188	18,142,676
Fees commission, exchange and brokerage	40,772,448	48,724,677
Receipt/(Payment) for expenses	(17,988,311)	2,801,781
Advance income tax paid	(438,621)	(62,752,994)
Net cash from operating activities	**453,562,953**	**171,322,470**
Cash flows from investing activities		
Payment for purchase of securities	(43,857,423)	(2,708,365,676)
Proceeds from sale of securities	77,629,662	2,453,225,095
Purchase of property, plant and equipment	(9,200)	(5,745,188)
Margin loan recovered/(disbursed)	(333,282,887)	118,682,136
Net cash used in investing activities	**(299,519,848)**	**(142,203,633)**
Cash flows from financing activities		
Term loan received	-	80,211,996
Investments	(6,136,261)	(1,047,787)
Term loan repaid	(142,846,946)	(101,282,932)
Net cash used in financing activities	**(148,983,207)**	**(22,118,723)**
Net changes in cash and cash equivalents	**5,059,898**	**7,000,114**
Opening cash and cash equivalents	50,756,069	43,755,954
Closing cash and cash equivalents	**55,815,967**	**50,756,069**

for and on behalf of Board of Directors of UniCap Investments Limited

sd/-	sd/-	sd/-
Company Secretary (C.C.)	**Chief Executive Officer**	**Chairman**

Dhaka, Bangladesh
Dated, 05 February 2017

S. F. AHMED & CO
Chartered Accountants

AMAR STOCK

UniCap Investments Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. The company and its activities

1.1 Reporting entity

UniCap Investments Limited (the Company), a subsidiary of Union Capital Limited, is a public company limited by shares which is incorporated in Bangladesh on 24 May 2011 vide certificate of incorporation no. C-93014/11 under the Companies Act 1994. The registered office of the Company is situated at A-A Bhaban, 23 Motijheel Commercial Area, Dhaka 1000.

1.2 Nature of business

UniCap Investments Limited delivers a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of UniCap Investments Limited include the Statement of Financial Position (Balance Sheet), Statement of Profit or Loss and Other Comprehensive Income (Profit and Loss Statement), Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements. These financial statements have been prepared under the historical cost convention on a going concern basis in accordance with Bangladesh Financial Reporting Standards (BFRS), which also cover Bangladesh Accounting Standards (BAS), the Companies Act 1994 and Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations 1996.

2.2 Property, plant and equipment

These are stated at cost less accumulated depreciation. Depreciation is charged on the items of property, plant and equipment using straight-line method in accordance with BAS 16. Full month's depreciation is charged on additions irrespective of the date of their acquisition and no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

Category of asset	Rate (%)
Furniture and fixtures	20
IT equipment	20
Office equipment	20
Office decoration	33

2.3 Provision for taxation

Provision for current income tax is made at the rate of 37.5% on the accounting profit of the Company without considering taxable allowances and disallowances.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank balances which are held and are available for use by the Company.

2.5 Currency

The amounts in the financial statements have been rounded off to the nearest BDT.

2.6 Cash flow statements

The net cash flow from operating activities is determined for the year under direct method as per BAS-7.

2.7 Events after reporting period

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period are reflected in the financial statements. Events after the reporting period that are not adjusting event are disclosed in the note when material.

No material event had occurred after the reporting period, which could substantially affect the values reported in these financial statements.

2.8 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is 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.

2.9 Investment in listed securities

Investment in quoted shares and unquoted shares are initially recognised at cost plus transaction costs that are directly attributable to acquisition of shares. After initial recognition investment in quoted shares has been revalued at cost at reporting date.

2.10 Related party disclosure

As per BAS - 24: Related Party Disclosure, parties are considered to be related if one has the ability to control or exercise significant influence over other in making financial and operating decisions. Related party disclosures are given in note no 36.

AMARSTOCK

Shareholders' Additional Information

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Company Milestones Page 257
Investor Relations Page 258
Redressal of Investors' complaint Page 259
Other Investors' friendly Information Page 260
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AMAR STOCK

LETTER OF INVITATION

FROM THE CHAIRMAN

I extend a warm invitation to you to attend in the 19th Annual General Meeting of Union Capital Limited to be held on 15 June 2017 at 11:00 a.m. at Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, Dhaka. Followings are included in this document:

- The Notice of the Annual General Meeting setting out the businesses to be transacted;
- Annexure-I to the Notice of the Annual General Meeting setting out explanatory notes regarding proxies and resolutions as well as important notes about the Annual General Meeting;
- A form of proxy.

The agenda as set out in the notice will be put to the shareholders for approval which will ensure an exact reflection of the views of the shareholders.

I would like to remind the shareholders of their right to raise questions at the Annual General Meeting. As it is not always possible to answer every question raised at the Annual General Meeting, and to ensure that all matters of particular interest to shareholders are covered, shareholders may use the attached question form to raise questions in advance. From these question forms the most relevant and important topics will be assessed and I will endeavour to address these at the Annual General Meeting.

This advance notice of relevant questions will, of course, not prevent any shareholder from raising questions at the appropriate time during the meeting.

The question form can be forwarded to the Company Secretary Union Capital Limited, Noor Tower, 73 Sonargoan Road, Dhaka-1205, to be received no later than 03:00 p.m. on Tuesday, 13 June 2017, or handed in at the time of registering attendance at the Annual General Meeting, should the first option not have been chosen.

Yours faithfully,

sd/-
Chowdhury Tanzim Karim
Chairman
Dhaka 01 Jun 2017

Head office
Union Capital Limited
Noor Tower, 73 Sonargoan Road, Dhakak-1205
Tel: +88 02 9662888
Fax: +88 02 8616878
www.unicap-bd.com

AMARSTOCK

NOTICE OF AGM

Union Capital Limited
(Incorporated in Bangladesh)
(Registration number: C-36021(321/98)
(Share code: UNIONCAP)

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Thursday, the 15 June 2017 at 11:00 a.m. at the Spectra Convention Centre, House-19, Road-7, Gulshan-1, Dhaka to deal with the following businesses in the manner required by the Companies Act, 1994:

ORDINARY BUSINESS

AGM 17-19-01: Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2016 together with the reports of the Auditors and Directors thereon;

AGM 17-19-02: Declaration of dividend for the year 2016;

AGM 17-19-03: Retirement & re-appointment of Directors;

AGM 17-19-04: Appointment of the Auditors of the Company for the year 2017 and fixation of their remuneration;

NOTES

1. 31 May 2017 is the 'Record Date' to determine the Shareholders' entitlement to the dividend and their eligibility to attend and vote at the meeting.

2. The Board of Directors recommended 10% Stock Dividend subject to the approval of the shareholders.

3. A member eligible to attend and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote or abstain from voting in his/her/its/their stead. The Proxy Form duly completed and stamped must be deposited at the Registered Office of the Company no later than 72 hours before the time set for holding the meeting.

4. Members are requested to notify change of their address, bank account details, contact number and 12 digits E-TIN number (if any), through their respective Depository Participants well in advance.

5. Annual Report, Attendance Slip and Proxy Form along with the notice will be sent to all the Members by Courier Service/Post. The Shareholders may also collect the Proxy Form from the Registered Office of the Company.

SPECIAL NOTE

As per BSEC's notification dated 24 october 2013, no food box/gift/gift coupon etc. will be given at the Annual General Meeting.

AMARSTOCK

EXPLANATORY NOTES TO THE NOTICE OF AGM

ITEM ONE

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

In terms of the Companies Act, 1994, the Directors are required to present to the Shareholders at the Annual General Meeting the annual financial statements, incorporating the Directors' Report and Auditors' Report, for the year ended 31 December 2016. The Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31 December 2016 are contained in this Annual Report.

ITEM TWO

DECLARATION OF DIVIDEND

The Board of Directors in its meeting held on 07 May 2017 recommended 10 percent Stock Dividend for the year 2016 subject to the approval of the shareholders in the Annual General Meeting. Bonus shares, if approved, will be transferred to the respective BO Account of the shareholders within 15 July 2017. The dividend will be paid to the shareholders whose name appeared in the Depository Register of shareholders at the close of business on 31 May 2016 being the record date.

ITEM THREE

RE-APPOINTMENT OF DIRECTORS

In terms of the Company's Articles of Association, one-third of the Directors are required to retire at each Annual General Meeting and may make themselves available for re-election. Accordingly, Chowdhury Tanzim Karim, Waqar A. Choudhury, Mrs. Meherunnesa Haque, and Mr. Nadeem A. Chaudhury, Directors will retire by rotation and being eligible offered themselves for re-appointment.

Moreover, as per Regulation 86 of the Companies Act, 1994 any Director appointed by the Board during the period since the last Annual General Meeting is required to retire and is eligible for election at the next Annual General Meeting. Accordingly, Ms. Sabita Rezwana Rahman, Director and Mr. Md. Fayekuzzaman, Independent Director who ware appointed by the Board during the year shall retire in the 19th Annual General Meeting and eligible for re-appointment. Biographical details of the Directors of the Company retiring at the AGM are set out on pages 49 to 55 of this annual report.

ITEM FOUR

APPOINTMENT OF EXTERNAL AUDITORS

The Shareholders in their 18th Annual General Meeting held on 28 April 2016, appointed M/S S. F. Ahmed & Co., Chartered Accountants, as the Statutory Auditors of the Company for the year 2016. As per terms of Companies Act, 1994, the Auditors will retire in the 19th Annual General Meeting. According to section 210(3) at any Annual General Meeting, a retiring auditor, by whatsoever authority appointed, shall be re-appointed, unless-

a) He is disqualified for re-appointment; or

b) He has given the Company notice in writing of his unwillingness to be re-appointed; or

c) A resolution has been passed at that meeting appointing somebody else instead of him or providing expressly that he shall not be re-appointed.

Provided that resolution for appointment of new Auditors in place of existing Auditors except for the purpose of regulatory compliance cannot be passed except on the ground of death, incapacity or dishonesty or disqualification of the retiring Auditors. M/S. S. F. Ahmed & Co., Chartered Accountants, House - 51, Road - 9, Block - F, Banani, Dhaka-1213 have expressed their willingness to become the statutory auditor of the company for the year 2017. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to re-appoint M/S. S. F. Ahmed & Co., Chartered Accounts as the external auditor of the Company for the year 2017 with an audit fee of BDT 2,00,000 plus VAT. The Broad in its meeting held on 07 May 2017 recommended the shareholders for approval to the appointment of M/S. S. F. Ahmed & Co., Chartered Accountants as auditor for the year 2017 at a remuneration of BDT 2,00,000 Plus VAT subject to approval of Bangladesh Bank.

FORM OF PROXY

Union Capital Limited
(Incorporated in Bangladesh)
(Registration number: C-36021(321/98)
(Share code: UNIONCAP)

For use of the shareholders of Union Capital Limited who on the Record Date of 31 May 2017 are entitled to exercise any voting rights in relation to the resolutions to be proposed at the Annual General Meeting to be held on 15 June 2017 at 11:00 am at the Spectra Convention Centre, House - 1 9, Road - 7, Gulshan-1 , Dhaka or at any adjournment thereof. Should a shareholder not wish to attend the Annual General Meeting in person, such shareholder may provide his/her/its/their nominee with his/her/its voting instruction and such nominee will complete all necessary documentations in order to attend and vote at the Annual General Meeting.

I/We .....

Of (address).....

being the holder(s) of ..... ordinary shares in the company, appoint .....

.....as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of passing ordinary resolutions to be proposed thereat or at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

		Number of votes (one vote per ordinary share)		
ORDINARY.BUSINESS				
Agendum		For	Against	Abstain
AGM 17-19-01 :	Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2016 together with the reports of the Auditors and Directors thereon;	☐	☐	☐
AGM 17-19-02 :	Declaration of dividend for the year 2016;	☐	☐	☐
AGM 17-19-03 :	Retirement & re-appointment of Directors;	☐	☐	☐
AGM 17-19-04 :	Appointment of the Auditors of the Company for the year 2017 and fixation of their remuneration;	☐	☐	☐

A proxy may not delegate his/her/its/their authority to any other person. This form of proxy will lapse and cease to be in force and effect immediately after the Annual General Meeting of the Company to be held on 15 June 2017 at 11:00 am at the Spectra Convention Centre, House - 19, Road - 7, Gulshan-1 , Dhaka or at any adjournment thereof, unless it is revoked earlier.

Signed at (place)..... on (date)..... June 2017

Signature.....

Attested by me .....

(where applicable)

Please read the notes given on next page.

AMARSTOCK

NOTES TO FORM OF PROXY

Summary of the rights of a shareholder to be represented by proxy as contained in Section 85 of the Companies Act, 1994 and notes to the form of proxy.

1 Each holder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, participate in, speak and vote or abstain from voting in place of that holder at the Annual General Meeting.

2 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy.

3 A holder's instructions to the proxy have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to vote in favour of the ordinary resolutions at the Annual General Meeting.

4 A holder or his/her/its/their proxy is not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her/its/their proxy is entitled.

5 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the Company Secretary. Examples of satisfactory identification include a valid National ID card, a valid driving licence or a valid passport.

6 Any alterations or corrections to this form of proxy must be initialled by the authorized signatory/ signatories.

7 The completion and lodging of this form of proxy will not preclude the original shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy will be suspended accordingly.

8 Form of Proxy have to be lodged with or posted to the Company Secretary, Union Capital Limited, Noor Tower, 73 Sonargoan Road, Dhaka-1205 before a proxy may exercise any voting rights of a holder at the Annual General Meeting. The Form of Proxy is requested to be received no later than 3:00 pm on 13 June 2017.

9 Holders attending the Annual General Meeting will be offered the opportunity of putting questions to the Directors and Management.

AMARSTOCK

FINANCIAL CALENDAR 2016

2015

Mar 04 Annual results and announcement of final dividend;
Mar 16 Publication of Notice of 17th AGM;
Mar 16 Publications and posting of 2014 Annual Reports;
Mar 31 17th Annual General Meeting;
Apr 16 Final dividend payment;
May 13 First-quarter Business Results;
July 29 Half-year Business Results;
Oct 27 Third-quarter Business Results; and
Dec 31 Financial year-end.

2016

Mar 21 Annual results and announcement of final dividend;
Apr 04 Publication of Notice of 18th AGM;
Apr 13 Publications and posting of 2015 Annual Reports;
Apr 28 18th Annual General Meeting;
May 17 Final dividend payment;
May 12 First-quarter Business Results;
July 28 Half-year Business Results;
Oct 30 Third-quarter Business Results; and
Dec 31 Financial year-end.

2017

May 07 Annual results and announcement of final dividend;
May 15 First-quarter Business Results.
May 31 Publication of Notice of 19th AGM;
June 01 Publications and posting of 2016 Annual Reports;
June 15 19th Annual General Meeting;
July 15 Final dividend payment;

ANNUAL GENERAL MEETING

UCL's Annual General Meeting will be held on Thursday, 15 June 2017, at 11:00 am; Venue: Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, Dhaka.

DISTRIBUTION POLICY

All reports are available in English and can be downloaded from Company website www.unicap-bd.com.

Despite UCL's initiatives on sustainability, we have not condensed our printed annual report. This report has been distributed to current shareholders. Shareholders, the public and prospective investors may request a printed copy of this version via email at investorsrelation@unicap-bd.com.

CONTENT OF THE REPORT

This Annual Report is targeted primarily at our current shareholders and potential investors. It has been prepared to assist all our stakeholders in making an informed assessment of the UCL's ongoing ability to create and sustain value. All necessary information may be available online at www.unicap-bd.com.

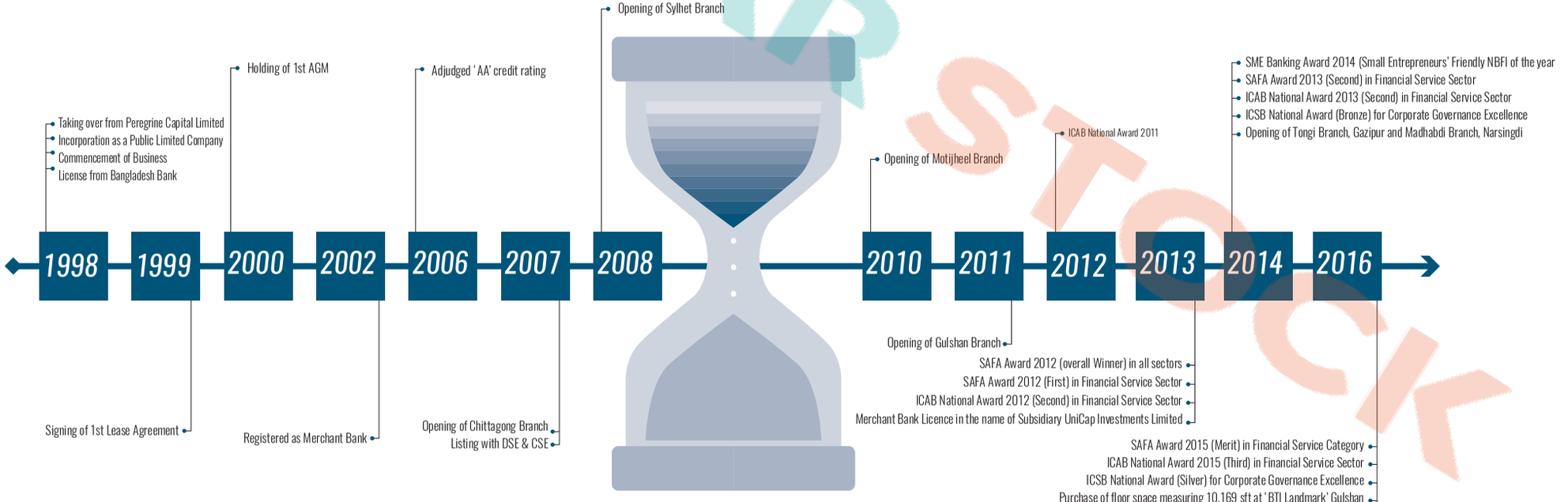
INVESTOR RELATIONS

Name: Tauhidul Ashraf FCS
Department of Corporate Affairs
Tel: +88 02 9662888
Email: investorsrelation@unicap-bd.com

UCL Group prides itself on supplying stakeholders with updated information on a regular basis. This information can be found at www.unicap-bd.com under Investor Relations.

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COMPANY MILESTONES



AMARSTOCK

INVESTOR RELATIONS

How do we inform our investors

INVESTOR RELATION AND CORPORATE COMMUNICATIONS

Transparent reporting on our operations and performance is the key to the credibility of our public reporting and investor relation's activities. We are therefore committed to keeping the market informed of relevant information, allowing both existing and potential shareholders to evaluate our business, our performance and our prospects. We believe this commitment to communicating with the public not only reinforce investors' understanding of UCL and its development, but also enhance shareholder value. Our Shareholder Communications Policy is available on our website and is regularly reviewed to ensure its effectiveness.

STAKEHOLDER ENGAGEMENT

At a broad level, the Company proactively engages with institutional and retail investors as well as media and other interested groups. Our stakeholders have easy access to our Online Annual Report and we revamped our website to better reach to our investors, customers and other stakeholders.

COMMUNICATION CHANNELS

We believe that the transparency encouraged by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholders value. We facilitate engagement through the following channels:

Financial Reporting

- Annual and Interim Reports;
- Online Annual Report;
- Press releases on business activities.

Shareholder Meetings and Hotlines

- Group and one-on-one meetings;
- Shareholder hotline and e-mail:

Tel: +8802 9662888, E-mail: mailbox@unicap-bd.com

INVESTOR PERCEPTION STUDIES

We consulted investors and analysts for feedback on our group strategy, executive management team, Annual Report and our corporate communications, investor relations and corporate governance issues by way of telephone and one to one discussion.

Introducing our first ever integrated online report

Our HTML-based online annual report offers our stakeholders an alternative format for accessing our annual report with downloadable data in an environmentally friendly manner that a growing number of people find more convenient. This initiative reflects another evolution in the transparency and accessibility of our reporting, which are key to the credibility of our investor relations activities. Advantages of our online report:

- Downloadable financial data tables and other information in spreadsheet format.
- Hyperlinks to key supporting figures, breakdown analyses and further explanations.
- Environmentally-friendly medium.

SOCIAL MEDIA COMMUNICATIONS

Company news, video clips, photos and events are published through social media sites like Facebook. Please like our official facebook page at http://facebook.com/union. capital. limited.

COMPANY WEBSITE

Our corporate website and external communications now complement our intergraded reporting format. Information includes:

- Profiles of Group's main businesses;
- Board and senior management biographical data;
- Corporate Governance;
- Risk Management and CSR;
- Board Committees' Terms of Reference;
- Financial information

Many shareholders are now benefitting from more accessible information and helping the environment too. If you haven't already tried it, visit our online Annual Report.

AMARSTOCK

REDRESSAL OF INVESTORS' COMPLAINT INVESTORS' REDRESSAL POLICY

The voice of the shareholders

INVESTORS' REDRESSAL POLICY

We at UCL believe that Investor service is an important imperative for sustained business growth and we want to ensure that our investors receive exemplary service across different areas of operations of the Group. Prompt and efficient service is essential to retaining existing relationships and investor satisfaction is critical to UCL. Investor complaints constitute an important voice of investor, and this policy details complaint handling through a structured grievance redressal framework. Complaint redressal is supported by a review mechanism, to minimize the recurrence of similar issues in future. UCL follows the following principles:

- Investors must be treated fairly at all times;
- Complaints raised by investors must be dealt with courtesy and in a timely manner;
- Investors are informed of avenues to raise their complaints within the organization;
- Complaints are treated efficiently and fairly;
- UCL employees work in good faith and without prejudice, towards the interests of the investors.

HOW DO WE REDRESS INVESTOR COMPLAINTS

- The Company has a designated investor grievances email id investorsrelation@unicap-bd.com on which an investor can make a complaint.
- An Investor can also lodge complaint in writing.
- The Company maintains investor grievance register in which full detail of every written complaint shall enter.
- Designated person shall login to look after the investor grievances on daily basis.
- The full detail of the written complaint must be passed to the concerned department and inform the compliance officer of the Company as soon as it is received.
- A letter or email must be written to all the investor who have submitted written complaints by the designated person or Compliance Officer acknowledging receipt of the complaint and informing them it will be dealt with.
- Audit & Compliance Department will obtain all information available on the complaint which is considered necessary for a proper investigation, look into all the necessary information and resolve these soon as possible.
- UCL must resolve investor complaint within seven days of the receipt of the same except the complicated cases.
- A serious complaint must be referred to the CEO and even to Directors of the Company if so warrants.
- The Compliance Officer of the Company shall review the investor complaint register on weekly basis to find out whether complaint has been resolved within time or not.

Investor complaints constitute an important voice of investor, and this policy details complaint management through a structured grievance redressal framework. Complaint redressal is supported by a review mechanism to minimize recurrence of similar issues in future.

OTHER INVESTORS' FRIENDLY INFORMATION

CAPITAL FORMATION HISTORY

The history of raising of share capital of UCL is given below:

Time line	Mode of raising capital	No. of Shares	Amount in Taka
09 August 1998	AS per MOA & AOA	5,050,000	50,500,000
26 June 2004	20% Bonus Share	1,010,000	10,100,000
27 July 2004	Rights Share	1,683,335	16,833,350
28 December 2004	Rights Share	5,526,235	55,262,350
17 February 2005	Rights Share	318,067	3,180,670
19 March 2005	Rights Share	118,066	1,180,660
28 May 2005	18% Bonus Share	2,388,523	23,885,230
28 May 2006	20% Bonus Share	3,218,846	32,188,460
24 July 2007	Initial Public Offer	7,500,000	75,000,000
23 July 2008	30% Bonus Share	8,043922	80,439,220
17 May 2009	20% Bonus Share	6,971,398	69,713,980
19 May 2010	30% Bonus Share	12,548,517	125,485,170
3 May 2011	75% Bonus Share	40,782,681	407,826,810
8 April 2012	10% Bonus Share	9,515,959	95,159,590
31 March 2013	5% Bonus Share	5,233,777	52,337,770
31 March 2014	10% Bonus Share	10,990,932	109,909,320
31 March 2015	10% Bonus Share	12,090,026	120,900,260
28 April 2016	7% Bonus Share	9,309,319	93,093,190
15 June 2017	10% Bonus Share	14,229,960	142,299,600
End of the year		**156,529,563**	**1,565,295,630**

Composition of Shareholdings

No. of Shareholders	No. of Shares	Percentage	
3	30,636,624	21.53	Sponsors (Institutions)
6	19,270,141	13.55	Sponsors (Individuals)
316	24,026,899	16.88	General Public (Institutions)
7,335	68,365,939	48.04	General Public (Individuals)
7,660	**142,299,603**	**100.00**	

Key share information

(As on 31 December)	2016	2015	2014
Total no. of shareholders	7,660	8,087	9,586
Share Price (Taka)	20.50	14.50	21.20
No. of outstanding shares	142,299,603	132,990,284	120,900,258
Market Capitalization (Taka in million)	2,917.14	1,928.36	2,563.08

SHAREHOLDERS

At the end of 2016, there were 7,660 shareholders in UCL as against 8,087 shareholders at the end of 2015. The Sponsor Shareholders hold 49,906,765 no shares of Tk.10 each which represent 35.08 percent of the total paid up shares of the Company.

STOCK LISTING

Bourse	Symbol	Date of Listing
DSE	UNIONCAP	24 July 2007
CSE	UNIONCAP	24 July 2007

LEGAL FORM

Public Limited Company incorporated in Bangladesh on 9 August 1998 under Companies Act, 1994 and listed with Dhaka and Chittagong Stock Exchange.

COMPANY REGISTRATION NUMBER
C-36021(321)/98 Dated 9 August 1998

BANGLADESH BANK LICENSE NUMBER
FID(L) / 19 Dated 12 August 1998

REGISTERED AND CORPORATE OFFICE
Noor Tower
73 Sonargaon Road, Dhaka 1205, Bangladesh
Tel: +880 (2) 966 2888, Fax: +880 (2) 5861 6878
Email: mailbox@unicap-bd.com

CORPORATE WEBSITE
www.unicap-bd.com

BRANCH NETWORK

Main Branch
Noor Tower
73 Sonargaon Road, Dhaka 1205, Bangladesh
Tel: +880 (2) 966 2888, Fax: +880 (2) 5861 6878

Chittagong Branch
Ayub Trade Centre
126918 Sk. Mujib Road, Agrabad C/A
Chittagong 41 00, Bangladesh
Tel: +880 (31) 251 3353 - 54, Fax: +880 (31) 251 3356

Sylhet Branch
Bengal Shopping Complex, Sobhanighat, Mehendibagh,
Bishaw Road, Sylhet 3100, Bangladesh
Tel: +880 (821)728438-39, Fax: +880 (821) 728437

Bogra Branch
Rabu Tower, 3rd floor
739A Borogola, Bogra Sadar, Bogra.
Mob: 01988899806, 01988899835

Motijheel Branch
Sharif Mansion
56-57 Motijheel C/A, Dhaka 1000, Bangladesh
Tel: +880 (2) 9515946-49, Fax: +880 (2) 9575961

Gulshan Branch
Richmond Concord
68 Gulshan Avenue, Dhaka 1212, Bangladesh
Tel: +880 (2)882 0366, Fax: +880 (2) 8825740

Tongi Branch
Mahadi Tarif Complex
75 Anarkoli Road, Tongi, Gazipur, Bangladesh
Tel: +88 0178767 1081, 01988899832

Madhabdi Branch
Abdul Quader Complex
54 Choto Madhabdi, Madhobdi 1604
Narsingdi, Bangladesh
Tel: +88 01988899833

LEGAL ADVISOR
A. Hossain & Associates
3/B Outer Circular Road
Moghbazer, Dhaka.

AUDITORS
M/S. S.F. Ahmed & Co.
Chartered Accountants
House - 51, Road - 9, Block - F
Banani, Dhaka-1213
Phone: +880 (2) 987 1018
Fax: +880 (2) 882 5135
E-mail: sfaco@citechco.net
Web: www.sfahmedco.org

STOCK BROKER/DEALER
UniCap Securities Limited
(Membership DSE-1 63; CSE-82)

TAX CONSULTANTS
K. M. Hasan & Co.
Chartered Accountants
Hometown Apartment
87 New Eskaton Road, Dhaka-1000

PRINCIPAL BANKERS
Bank Asia Limited
United Commercial Bank Limited
Mutual Trust Bank Limited
Jamuna Bank Limited

SUBSIDIARY COMPANY
UniCap Securities Limited
UniCap Investments Limited

INVESTORS INQUIRIES
Department of Corporate Affairs
Phone: +880 (2) 966 2888
Email: investorsrelation@unicap-bd.com

MEMBERSHIP
Bangladesh Leasing & Finance Companies Association (BLFCA)
Bangladesh Merchant Bankers Association (BMBA)
Dhaka Chamber of Commerce and Industry (DCCI)
Bangladesh Association of Publicly Listed Companies
Federation of Bangladesh Chamber of Commerce and Industry (FBCCI)
The Institute of Bankers, Bangladesh (IBB)

AMARSTOCK

DEFINITIONS

Interpret the hieroglyphics

Bangladesh Financial reporting standards
Bangladesh Financial Reporting Standards (BFRS) means those standards adopted by the ICAB. UCL's consolidated financial statements are prepared in accordance with BFRS/BAS.

Bank rate
The rate at which Bangladesh Bank discounts approved securities, treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.

Basel Capital Accord
The new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

Business risk
Business risk arises from the specific business activities of a company and the effects these could have on its earnings.

Book value per share
Book value of shareholders equity divided by the number of ordinary shares outstanding.

Capital adequacy ratio
The capital adequacy of UCL is measured in terms of the Bangladesh Bank requirements. the ratio is calculated by dividing the primary (tier 1) and secondary (tier 2) capital by the risk-weighted assets.

Camels rating
It is a measure for examining a financial institution or bank - the six things to examine are:
- Capital Adequacy
- Asset Quality
- Management Quality
- Earnings
- Liquidity
- Sensitivity

Cash reserve requirement (Crr)
CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFI is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.

Credit and Counterparty risk
Credit and counterparty risk is the potential loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honor another predetermined financial obligation.
Collateral
Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.

Contingent liabilities
A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date

Core (tier 1) Capital
Core capital consists of issued ordinary share capital and retained earnings and reserves, less regulatory deductions.

Default risk
The risk that a client may be unable to make payments of rentals/installments on time.

Defaulted advance
Any advance or group of advances that has triggered relevant definition of default criteria for that portfolio that is in line with Bangladesh Bank regulations relating to NBFIs.

Deferred taxation assets
Deferred taxation assets are the amounts of income taxation recoverable in future periods in respect of:
- deductible temporary differences arising due to differences between the taxation and accounting treatment of transactions; and
- the carrying forward of unused taxation losses.

Deferred taxation liabilities
Deferred taxation liabilities are the amounts of income taxation payable in future periods due to differences between the taxation and accounting treatment of transactions.

Definition of default
At a minimum, a default is deemed to have occurred where a loan is overdue for more than 180 days.

Diversification
Distribution of investments among various sectors and geographic region to minimize risk.

Earning assets
Those assets of a bank or financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.
Earnings per share basic earnings basis
Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue during the period.

Fully diluted basis
The relevant earnings figure is adjusted for the assumed adjustments to income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of ordinary shares and other dilutive instruments (i.e. potential ordinary shares) outstanding at the period end, assuming they had been in issue for the period.

Efficiency ratio (Cost-to-income ratio)
Total expenses as a percentage of income from normal operations (net interest income plus non-interest revenue).

Equity ratio/Capital ratio
Indicator showing the relation of equity to total assets.

Fair value
The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

Failing to properly manage regulatory risk
Failing to properly manage regulatory risk may result in regulatory sanctions being imposed, and could harm our reputation.

Fiscal year (fy)
Fy means the fiscal year commencing from 1 July ending on 30 June.

Free float shares
The ordinary shares of the company which are free for trading in the stock exchanges. Shares on which there is no restriction or lock-in condition for transfer or sale imposed by the regulatory authorities are considered as free float shares. Sponsors shares of a listed company are locked-in for 3 years from the date of publication of prospectus.

Going Concern
The ability of a concern to continue its operation for a foreseeable future.

Impairment of loans and advances
Impairment of loans and advances arises where there is objective evidence that the group will not be able to collect an amount due. the impairment is the difference between the carrying amount and the estimated recoverable amount.

Liquidity and funding risk
Liquidity and funding risk is the potential loss if Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments. portfolio.

Market Capitalization
The Company's closing share price multiplied by the number of shares in issue.

Market risk
Market risk is the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

Net asset value per share
Total equity attributable to equity holders of the company divided by the number of shares in issue, shares held by group entities.

Net interest income
The difference between interest earned on assets (such as loans and securities) and interest incurred on liabilities (such as deposits and subordinated indebtedness).

Net interest margin
Net interest margin as a percentage of average assets.

Non-performing assets
Consists of total sum of non-accrual loans/leases, experiencing 6 months or more delinquent. A loan/lease is considered non-performing when the total or a part thereof is past due for 6 months or more even if the finance is well secured and in the process of collection.

Non-accrual loans/leases
A loan/lease is automatically classified as a non-accrual when it is past due for 3 months or more and no matter the Management is confident about its collectibility of the entire amount at the time when a loan/lease is placed on non-accrual status. A loan/lease is generally returned to accrual status when the loan/lease is less than 3 months past due and the Company has reasonable assurance that the loan will be fully collectible and is in the process of collection.

Operational risk
Operational risk is the potential loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

Past due
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Proxy
A proxy is a written document authorizing the person named therein to attend and vote at a meeting for and in place of the Original Shareholder.

Provision for doubtful debts
The amount of expense charged to profit and loss account to absorb losses inherent in the investment portfolio. the provision is increased by the allowances for loans/leases which is charged against current year's operating results.

Record date
The date fixed by the Board at least 14 days before the date of Annual General Meeting to determine the eligibility of shareholders to attend and vote at the meeting and the right to current dividend.

Related parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Repo rate
The rate at which Bangladesh Bank lends money to banks.

Return on average assets
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing profit before tax by its total average assets.

Return on average equity
Return on equity measures a Company's profitability by revealing how much profit a company generates with the outstanding shareholders money. Calculated by dividing net profit after tax by average shareholders equity.

Return on average investment
A performance measure used to evaluate the efficiency of investment or to compare the efficiency of a number of different investments. to calculate ROI, profit before tax is divided by the cost of the average investment.

Reverse repo rate
The rate at which banks park surplus liquidity with Bangladesh bank.

Regulatory risk
Regulatory risk is the risk of not complying with regulatory requirements, regulatory changes or regulators' expectations.

Return on equity (roe)
Net income, less preferred share dividends and premium on redemptions, expressed as a percentage of average common shareholders' equity.

Risk management
The process of identifying the level of risk an entity wants, measuring the level of risk the entity has, taking actions that bring the actual level of risk to the desired level of risk and monitoring the actual level of risk so that it continues to be aligned with the desired level of risk.

Risk-weighted assets
Risk-weighted assets (RWA) are determined by applying risk weights to balance sheet assets and off-balance sheet financial instruments according to the relative credit risk of the counterparty. the risk weighting for each balance sheet asset and off-balance sheet financial instrument is regulated by Bangladesh Bank regulations in the respective countries of the other banking licences.

Segmental reporting operational segment
A distinguishable component of the group, based on the market on which each business area focuses, that is subject to risks and returns that are different from those of other operating segments.

Geographical segment
A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

statutory liquidity ratio (slr)
Bangladesh Bank requires a non-bank financial institution to maintain liquid reserve @ 5% with banks/financial institutions on its total liabilities excluding funds from banks/financial institutions. this includes 2.5% of CRR.

Small and medium enterprises
This asset class covers all exposures to small and medium enterprises (SME) that are classified as corporate and retail based on criteria prescribed by the Regulator.

Subsidiary Company
A Company is a subsidiary of another company, if the parent company holds more than 50% of the nominal shares and controls the composition of its Board of Directors.

Thin market
The stock market where there are very few bids to buy and few offers to sell any shares, so the price is distorted.

Tier ii Capital
It is the supplementary capital made up of general provision, 50 percent of revaluation reserve for fixed assets, 45 percent of revaluation reserve for securities, 10 percent of revaluation reserve for equity instrument and preference shares less regulatory deductions.

Unrealized Capital Gains
Capital gains that reflect the price appreciation of currently held unsold shares; such gains are not accounted for until realized.

Weighted average number of shares
The number of shares in issue increased by shares issued during the period, weighted on a time basis for the period during which they participated in the income of the group, less shares held by group entities, weighted on a time basis for the period during which the entities held these shares.

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