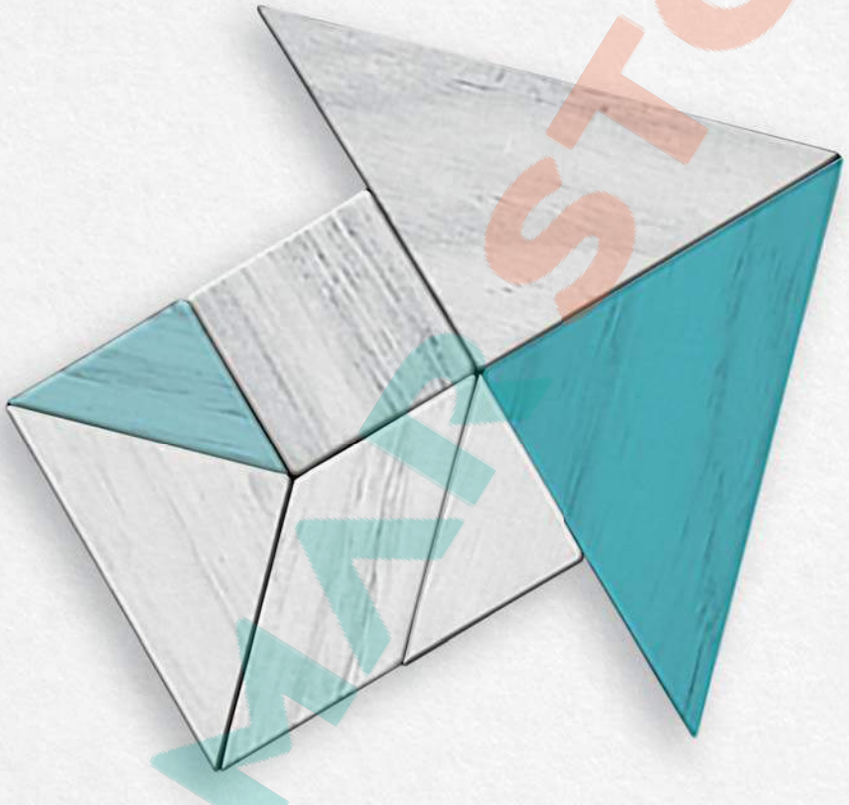
2017
ANNUAL REPORT



INTEGRATING
THE GROWTH TRAJECTORY

MAIN STOCK

Union Capital Limited
Building a sustianable 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 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 19 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 nonbanking 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 (a Full fledged Merchant Bank)

BUSINESS FOCUS

- Local Market
- Access to major areas of financial & 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.

STRATEGY

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

COMMITMENT

We are committed to returning superior value to our Stakeholders through leadership in innovation, an absolute focus on customers and operational excellence

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.

AMARSTOCK

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 reflect its principles and values by aligning with our mission giving special focus on enhancing value through our continuing efforts to provide higher levels 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

AMARSTOCK

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 values and generate shareholders benefits 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

AMARSTOCK

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.

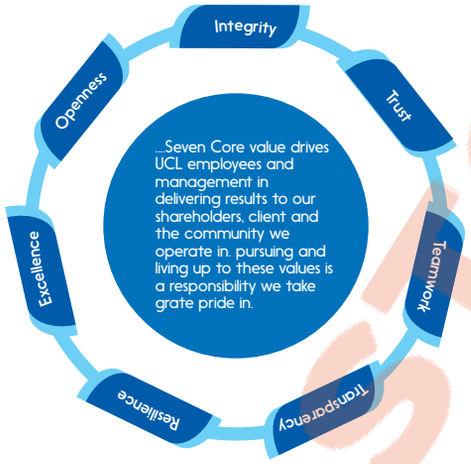


...Very good is not good enough, excellence is our goal.

CORE VALUES

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

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

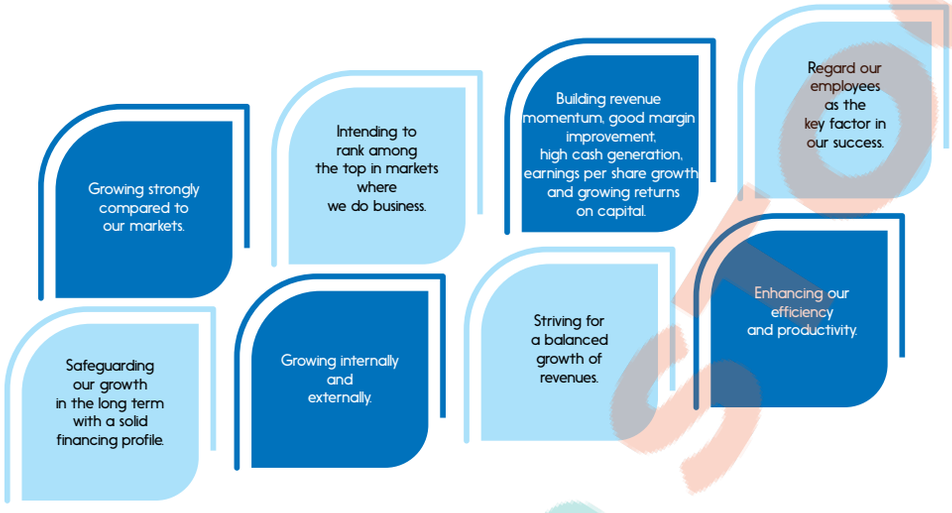
We are open, honest and fair in what we say and do and accountable to all including the community for our actions and inactions.

...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 macroeconomic 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

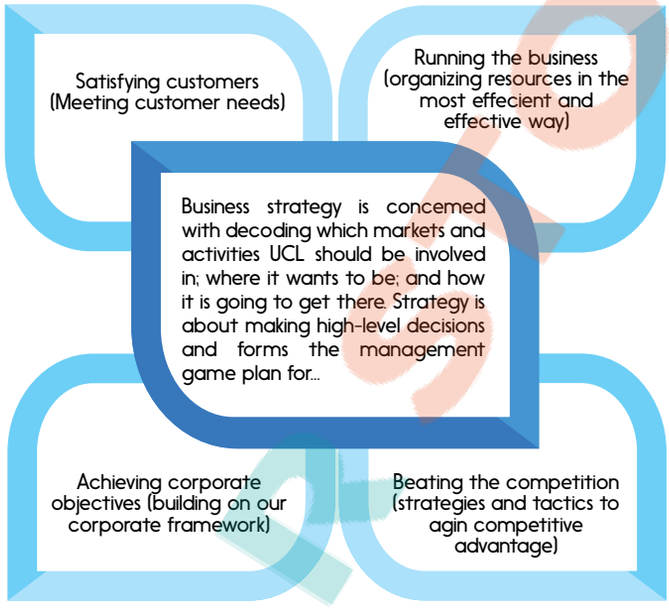
In our two pillars – the financing operations and the capital market operations – we have a stable footing that should protect us from the cyclical fluctuations of the financial markets. This is why we are aiming to generate major revenue directly from financing activities and adequate amount from capital 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

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.



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.

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.

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 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

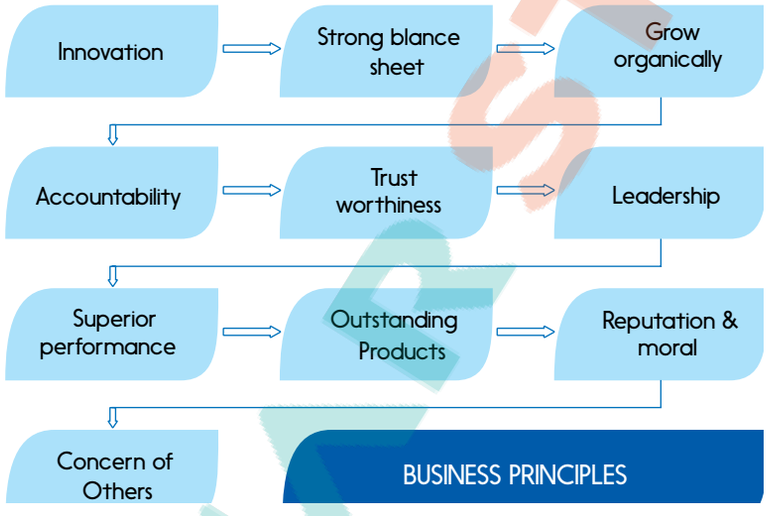
the roadmap on how UCL operates and why we make our decision

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 market share).



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 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 community can be proud.

... 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.

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.

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 strong 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.

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.

...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.

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 self sustaining 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 products 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

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

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

AMARSTOCK



Business Review

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Statement from the Chairman



The Management has significantly intensified its' efforts to recover the defaulted loan accounts, which resulted in a marked improvement in UCL's financial performance for the final quarter of 2017.

I extend a warm and gracious welcome to all our esteemed shareholders to the 20th 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, 2017 along with the Auditors' report for the year.

Owing to an alarming increase in non-performing loans, 2017 proved to be an immensely difficult year for the overall financial sector of Bangladesh, and in particular UCL. Due to default in a few large corporate client portfolios, UCL was required to build fresh provision of around BDT 320 million against such accounts, which had a significant adverse effect on our profitability in comparison with the previous year. Additionally, in line with prevailing rules and regulations, an approximate amount of BDT 100 million in connection to these classified loan accounts could not be taken into account while computing interest income, which further dented UCL's interest earnings for 2017.

The management has significantly intensified its' efforts to recover the defaulted loan accounts, which resulted in a marked improvement in UCL's financial performance for the final quarter of 2017. Additionally, the Board of Directors have laid down guidelines to the management for (i) focusing on SME and retail loan portfolio; (ii) putting greater emphasis on asset quality; and (iii) diversifying the risks of non-performing liabilities, through increasing the number of clients as opposed to extending large scale loans to single borrowers/groups; in a bid to mitigate the adverse impacts of non-performing loans in future.

Another reason for the decline of UCL's interest income in 2017 resulted from interest waiver of BDT 122.61 million on account of its' merchant banking subsidiary, Unicap Investments Limited. The decision to provide this incentive was taken by UCL in a bid to minimize the cash outflow from its' wholly owned subsidiary company, that has suffered immensely over the years due to the nearly decade long sluggish trend in the capital market. I am more than optimistic that such subsidization will yield sustainable and greater returns in future from the merchant banking operations as and when the collective investors' confidence in the secondary capital market is restored.

Despite the decrease in Company's profitability in 2017, I would still like to highlight some of UCL's achievements:

- Investment, fixed assets and deposits of the Company grew by 4.35 percent, 43.04 percent and 11.71 percent respectively.
- Conferred Third prize by Institute of Chartered Accountants of Bangladesh (ICAB) for best Published Annual Reports 2016.
- Conferred Bronze award by Institute of Chartered Secretaries of Bangladesh (ICSB) for Corporate Governance excellence in the year 2016.

The recognitions by ICAB and ICSB 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 also like to acknowledge the valuable contributions of Mr. Wali Ul Islam for the continued growth and success of our brokerage subsidiary, Unicap Securities Limited.

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 20th 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



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.

It is indeed a great pleasure for me to present the Annual Report of Union Capital Limited (UCL) for the year 2017 before you all. The upcoming Annual General Meeting is scheduled on 28 June 2018 where all the shareholders will jointly take certain core decisions that serve as the directions and guidance for our all activities.

In macro-economic perspective, Bangladesh is making progress in various socio-economic indices. Bangladesh has made a remarkable progress in GDP growth, harnessing the inflation, industrial growth, per capita GDP growth and so on. The political environment also remained stable. But in a broader outlook, the year 2017 was another challenging period for the Non-banking Financial Institutions (NBFI). The interest rate remained volatile throughout the year. 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 during the first three quarters of the year 2017. As a result, the Banks also started entering NBFI sector's market segment. Due to lower cost of fund of the Banks, they offered lower interest rate to the Customers of NBFI sector. Consequently, we had to face immense pressure from the customers for rate reduction which resulted reduced margin for the sector. But suddenly, this smoothly-run economy was hit by a liquidity crisis mainly due to current account deficit of the country. As a result, banks' lending rates have hit double digits again after more than a year, making things harder for businesses and consumers alike. Most of the NBFIs relies on considerable amount of fund flow from the banks. As a result of tight money market scenario, the banks unwillingness to extend fund to NBFI sector, the sector started facing liquidity crisis they never faced before. At the end of June 2017, assets of NBFIs increased to BDT 755.33 billion and total deposit of NBFIs increased to BDT 418.85 billion.

Total investment, fixed assets and deposits of the Union Capital Limited grew by 5.48 percent, 43.04 percent and 11.71 percent respectively. 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 2017 is given below:

Particulars	NBFI	UCL's
Total Investment	10.10%	5.48%
Fixed Assets	5.6%	43.04 %
Deposit Growth	9.5%	11.71 %

We have surpassed the industry parameters almost in all aspects of our business operations. I sincerely thank the Board of Directors, Members of Management Committee and all members of our staff for their contribution. Finally, none of this would have been possible without our investors, loyal customers, depositors and all other stakeholders who have reposed their confidence, unwaveringly in Union Capital Limited. We look forward to continue our journey towards mutual growth and prosperity.

Our vision for 2018 is to ensure that the branches play more independent role in promoting the SME lending and driving medium term business goals. We will focus on long term public deposits for reducing dependency on bank borrowing for sustainable business growth. We would remain cautious in lending and will rebalance our portfolio to higher yield segments as a measure to keep our desired margin.

We shall emphasis on branch wise business development so that we can diversify our business portfolio in different geographical area of the country and further diversify the business by catering the business need of the area. We envisage that all our branches will be advanced in state-of-the-art technology and client service. We value our customer satisfaction and continue our efforts to provide them the required services as per their need. Since process development is a continuous process we shall continue to increase the productivity of the employees for increased profitability and maintain 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 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 and ICAB in the year 2017.

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 enhance quality of manpower with a vision to become the leader in 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.

As always, I would like to thank our customers, the Ministry of Finance, Policy Makers, Bangladesh Bank, 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 88 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 2017. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2017. 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.

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, Narshingdi and Bogra. 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 2018

- 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 2018 and beyond.

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 its 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 128 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 compliance of 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 2017. 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
IFRS 9 Financial Instruments	This pronouncement may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.	Annual periods beginning on or after 1 January 2018.	The Group is assessing the impact of adopting the amended.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied).	Annual periods beginning on or after 1 January 2018	The Group is assessing the impact of adopting the amended.
IFRS 16 Leases	A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.	Annual periods beginning on or after 1 January 2019.	The Group is assessing the impact of adopting the amended.
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: Sharebased Payment.	The amendment will provide change the classification and measurement of sharebased payment transactions.	Financial periods beginning on or after 1 January 2018	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 internal control procedures was conducted as at 31 December 2017 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 2017, 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, the 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 2017.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2017 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 BDT 1,65,000 net of VAT for their audit of Union Capital Limited.

2017 Financial performance and financial condition review

Challenges faced in 2017

- Economic slowdown;
- Shortage of supply of energy
- Increased competition;
- Reduction in interest rates environment;
- Low demand for industrial credit;
- Lack of confidence of investors;
- Maintenance of asset quality;
- Higher corporate tax rate.

Major Financial indicators of 2017

Major performance indicators in 2017 were as under:

- Investment of the Group increased to BDT 19,526.84 million from BDT 18,713.12 million registering a moderate growth of 4.35 percent;
- Consolidated net profit for the year was BDT 154.81 million as against BDT 205.40 million of last year;
- Customers deposits registered a moderate growth of 11.71 percent to BDT 14,668.44 million from BDT 13,131.22 million of last year;
- Shareholders' equity increased to BDT 2,287.63 million from BDT 2,132.83 million of 2016 with noteworthy growth of 7.26 percent;
- Total operating income was BDT 804.83 million as against BDT 943.02 million of last year;
- The consolidated earnings per share was BDT 0.99 as against BDT 1.31 of last year.

Operating performance Review

Summary of Profit and Loss Account

(Figures in BDT million)

For the year ended 31 December	2017	2016	% of increase/ (decrease)
Revenue from loans, advances and leases	1,922.78	1,943.12	(1.05)
Revenue from Capital Market activities	95.33	70.29	35.64
Fee based income	417.24	248.82	67.69
Other operating income	21.27	26.58	(19.96)
Total revenue	**2,456.63**	**2,288.81**	**7.33**
Financial expenses	1,651.80	1,345.79	22.74
Management expenses	376.85	248.59	51.60
Provision for doubtful losses & investments	170.18	254.03	(33.01)
Total expenses	**2,198.83**	**1,848.41**	**18.96**
Profit before tax	**257.80**	**440.40**	**(41.46)**
Provision for taxation	102.99	235.00	(56.17)
Net profit after tax	**154.81**	**205.40**	**(24.63)**

Revenue from loans, advances and leases

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

(Figures in BDT million)

For the year ended 31 December	2017		2016	
	Amount	%	Amount	%
Income from lease finance	146.55	7.62	172.69	8.89
Income from term finance	788.38	41.00	783.48	40.32
Income from SME finance	217.54	11.31	256.27	13.19
Income from margin loan	557.16	28.98	559.03	28.77
Interest on bank deposits	211.24	10.99	84.97	4.37
Income from others	1.91	0.10	86.68	4.46
Total	**1,922.78**	**100.00**	**1,943.12**	**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 88.91 percent of total revenue earned by the Company during 2017 (2016: 91.17 percent).

Operating Expenses

(Figures in BDT million)

For the year ended 31 December	2017	2016	% of increase/ (decrease)
Financial expenses	1,651.80	1,345.79	22.74
Management expenses	376.85	248.59	51.60
Provision for doubtful losses	170.18	254.03	(33.01)
Total expenses	**2,198.83**	**1,848.41**	**18.96**

Financial expenses

In 2017 financial expenses have increased by 22.74 percent due to new investments. 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 75.12 percent of total expenses (2016: 72.81 percent). In 2017 financial expenses was 67.24 percent of total revenue (2016: 58.80 percent).

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 51.60 percent to BDT 376.85 million in 2017 (2016: BDT 248.59 million) mainly due to revision of salary structure as well as salary and allowances for new head count, office rent for branches and office maintenance expenses. During 2017, management expense was 15.34 percent of total revenue as against 10.86 percent in 2016.

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 BDT 170.18 million has been provided compared to BDT 254.03 million in 2016.

Financial Condition Review

(Figures in BDT million except percentage)

Assets and Investments	2017	2016	% of increase/ (decrease)
Loans, advances and leases	17,829.25	17,103.76	4.24
Investment in securities	1,697.59	1,609.36	5.48
Fixed assets	51.17	35.78	43.04
Cash & cash equivalent	4,056.34	2,009.07	101.90
Other assets	2,513.97	2,294.62	9.56
Total assets and investments	**26,148.32**	**23,052.59**	**13.43**

Shareholders' equity and liabilities	2017	2016	% of increase/ (decrease)
Shareholders' equity	2,287.63	2,132.83	7.26
Deposits	14,668.44	13,131.22	11.71
Borrowings from banks and NBFIs	5,345.57	3,819.36	39.96
Provisions and others liabilities	3,846.68	3,969.18	(3.09)
Total shareholders' equity & liabilities	**26,148.32**	**23,052.59**	**13.43**

Loans, advances and leases

Total outstanding balance of loans, advances and leases as at 31 December 2017 was BDT **17,829.25** million which is 4.24 percent higher than that of BDT **17,103.76** million in 2016.

Outstanding balance of loans, advances and leases as on 31 December 2017 and 2016 was as under:

(Figures in BDT million except percentage)

Particulars	2017		2016	
	Amount	%	Amount	%
Lease finance	1,983.24	11.12	1,962.72	11.48
Term finance	9,192.02	51.56	9,168.91	53.61
Margin loan	6,603.88	37.04	5,917.78	34.60
Other finance	50.10	0.28	54.345882	0.32
Total	**17,829.25**	**100.00**	**17,103.76**	**100.00**

In 2017, our total loans, advances and leases increased by 4.24 percent compared to 2016 mainly due to increase in term loans and margin loan. 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 our previous experiences in our financing activities.

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 otherwise 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 2017, UCL can borrow from call money market to the tune of BDT 720.53 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 and above one year maturity buckets. Given below is the maturity table of investment activities:

Loans, advances and leases

(Figure in BDT million)

Particulars	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Lease finance	65.63	171.93	443.39	1,205.41	96.89	1,983.24
Term finance	213.61	603.40	2,055.04	5,770.90	549.06	9,192.02
Margin loan	48.63	166.09	1,454.82	4,170.23	764.11	6,603.88
Other finance	0.90	1.82	11.20	33.74	2.45	50.10
Investment in shares	339.52	424.40	848.80	84.88	-	1,697.59
Fixed deposits with bank	654.43	1,100.19	1,952.74	-	-	3,707.36
Total	**1,322.71**	**2,467.82**	**6,766.00**	**11,265.16**	**1,412.51**	**23,234.20**

Maturity table of borrowings and other liabilities are given below:

Particulars	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Bank loan	295.19	226.20	1,805.67	2,382.58	-	4,709.63
Fund from Bangladesh Bank (Re-finance)	26.80	80.39	160.78	267.97	-	535.94
Short term loan	100.00	-	-	-	-	100.00
Deposits & Other accounts	590.00	1,765.00	3,940.00	8,308.75	64.68	14,668.44
Total	**1,011.98**	**2,071.59**	**5,906.45**	**10,959.30**	**64.68**	**20,014.01**

Investment in shares

Union Capital Limited invested in diversified listed securities with highest investment in manufacturing companies representing 50 percent of total investment followed by Bank companies (34.78 percent) and Fuel and power (15.22 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 2017 was BDT 476.75 million (2016: BDT 436.46 million). The following table shows the concentration of investment in major sectors of listed securities as at 31 December 2017 and 2016:

(Figures in BDT million except percentage)

Particulars	2017		2016	
	Amount	%	Amount	%
Bank companies	167.95	34.78	16.52	3.61
Insurance companies	-		14.38	3.15
Fuel and power	73.49	15.22	32.50	7.11
Manufacturing companies and others	241.48	50.00	393.72	86.13
Total	**482.92**	**100.00**	**457.12**	**100.00**

Performance of Capital Market

We have performed quite better in 2017 than 2016 in our capital market activities though it was not as we expected at the beginning of the year. In all areas of this segment was effected mostly due to sluggish market throughout the 3rd quarter of the year resulted from many factors including lack of investors' confidence, liquidity problem, lack of co-ordinations among the regulators etc.

In 2017, DSE Broad Index DSEX gained 22.83%. Over 2017, the DSEX gained 1,160.63 points, closed at 6,244.52. DSEX reached its highest at 6336.88 on 26 November 2017. 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 2,290.35 on 19 November 2017 while the lowest level of DS30 was recorded at 1,821.89 on 01 January 2017 and the year end closing was 2,283.23 NBFI sector also followed the overall market as evidenced by its around 6.65 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 01, 2017 with the price of BDT 21.10 in DSE and closed at BDT 20.10 on 28 December 2017. The highest price was recorded at BDT 31.80 on19 March 2017 and the lowest was BDT 16.70 on 13 November 2017.

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

Particulars	2014	2015	2016	2017	Change % (2016 Vs 2017)
Total Trading Days	238	244	241	248	2.90
Total Turnover value (BDT in Billion)	1188.52	1,031.40	1,191.57	2169.60	82.08
Daily Average Turnover value (BDT Million)	4,003.12	4,227.04	4,944.28	8,748.38	76.94
Market Capitalization (BDT in Billion)	2,648	3,159.76	3,412.44	4218.75	23.63
Total Number of Listed Securities	546	559	560	569	1.61
Total Newly Listed Securities	14	17	7	9	28.57

Non-performing loans, advances & leases (NPL)

Loans, advances & leases are classified as non-performing when it is marked as substandard category or worse even if there exists no reasonable doubts as to collectivity. 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 2017 and 2016 was as follows:

(Figures in BDT million except percentage)

Particulars	2017			2016		
	Outstanding	NPL	NPL %	Outstanding	NPL	NPL %
Loan/Lease finance	14,659.77	1,163.75	7.00	14,290.40	972.04	5.93
SME finance	1,940.43	289.00	1.74	2,075.67	411.63	2.51
Other finance	31.36	-	-	33.11	-	-
Total	**16,631.56**	**1,452.75**	**8.73**	**16,399.17**	**1,383.67**	**8.44**

Rate of non-performing loans, advances and leases was 8.73 percent in 2017 as against 8.44 percent of 2016. 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 2017 and 2016:

(Figure in BDT million)

Particulars	2017					2016				
	Provision for NPL	Interest suspense	Total	NPL	% of coverage	Provision for NPL	Interest suspense	Total	NPL	% of coverage
Lease finance	128.70	107.27	235.98	607.45	38.85	129.79	85.68	215.47	550.51	39.14
Term finance	145.49	80.20	225.69	845.30	26.70	158.53	92.99	251.52	833.16	30.19
Real estate finance	-	-	-	-	-	-	-	-	-	-
Margin loan	-	-	-	-	-	-	-	-	-	-
Loan against deposit	-	-	-	-	-	-	-	-	-	-
Total	**274.20**	**187.48**	**461.67**	**1,452.75**	**31.78**	**288.32**	**178.67**	**466.99**	**1,383.67**	**33.75**

Union Capital has maintained total provision of BDT 446.96 million against loans, advances and leases as of 31 December 2017 compared to BDT 480.63 million of last year. Provision against classified loan has decreased by 4.90 percent compared to 2016. 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 2017 coverage was 31.78 percent compared to 33.75 percent of 2016. We believe that 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, Monitoring & Recovery 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 Monitoring & Recovery 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 to evaluate business performance and 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.

2017 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 BDT 24,591.58 million at 31 December 2017, whereas BDT 22,963.90 million in 2016. The table below provides a breakdown of our RWA by risk type.

Risk-Weighted Assets (Consolidated)

Figure in BDT million

As at 31 December	2017	2016
Credit risk	20,257.79	18,864.61
Market risk	2,990.6	2,756.26
Operational risk	1,343.19	1,343.03
Total RWA	**24,591.58**	**22,963.90**

Basel II Regulatory Capital (Consolidated)

Figure in BDT million

As at 31 December	2017	2016
Tier 1 Capital	2,185.61	2,030.80
Tier 2 Capital	604.23	686.82
Total regulatory capital	**2,789.84**	**2,717.62**

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 BDT 2,185.61 million as at 31 December 2017 compared to that of last year with a steady growth of 7.62 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 2017 was BDT 2,789.84 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 2017.

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

As at 31 December	2017	2016
Tier 1 Capital Ratio	8.88	8.84
Tier 2 Capital Ratio	2.46	2.99
Total Capital Ratio	**11.34**	**11.83**

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 11.34 percent against the minimum capital adequacy ratio of 10 percent as per Bangladesh Bank guidelines. Therefore, the Company has surplus capital of 1.34 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 2017 was BDT 5,345.57 million compared to BDT 3,819.36 million in 2016. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2017, a total loan of BDT 2,030.59 million was taken from the banks and financial institutions and BDT 874.86 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 2017 UCL received loan of BDT 214.79 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 2017, an amount of BDT 8,944.70 million has been received as term deposits from various sources which was BDT 10,118.02 million in 2016. As at 31 December 2017, total outstanding amount of term deposit was BDT 13,904.85 million compared to BDT 12,314.84 million in 2016. Interest on deposits and borrowings amounting to BDT 1,374.73 million was paid during the year 2017 as against BDT1,213.98 million in 2016. 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 15.51 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 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 2017. 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 BDT 684.89 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 BDT 81.43 million mainly due to purchase of listed securities and fixed assets. During the year, a total amount of BDT 3,878.74 million (2016: BDT 788.37 million) has been invested for purchase of listed securities while total sale of securities was BDT 3,829.09 million (2016: BDT 796.16 million). Moreover, UCL invested BDT 31.91 million in acquisition of fixed assets.

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 BDT 2,753.71 million was borrowed as fresh loans from banks and financial institutions while an amount of BDT 1,409.6 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 Managing Director & CEO.

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 Credit Risk Management Department.

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 others 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 – 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. UCL never extend any credit facility to environmentally hazardous operations. 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 the attendant negative impact.

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 Administration Department, Credit Risk Management 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 (FICL)	Quarterly
Sector wise investment	Quarterly
Capital adequacy & market disciplines (BASEL II)	Quarterly
Stress testing Report	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
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
Cash Transaction Report (CTR)	Monthly
Suspicious Transaction Report (STR)	Monthly
Diagnostic Review Report (DRR)	Yearly
Statement of NBFI-II & NBFI-III	Quarterly

UNDER STORY

Reporting to BSEC

Reporting Type	Frequency
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

Reporting Type	Frequency
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 2017, Bangladesh Bank has issued certain guidelines which inter alia include as under:

- Bangladesh Bank has issued a circular for all NBFIs to account for cash in hand and cash at Bank, Bangladesh Treasury bill &Treasury bond, and the assets approved by Bangladesh Bank for calculating liquid assets.
- Bangladesh Bank has issued a circular for all NBFIs to consider equity instead of net assets for determination of call money limit.
- Bangladesh Bank has issued Code of Conduct for Banks & Non-Bank Financial Institutions in order to increase honesty, ethics, competency, responsibility and to ensure transparency in case of providing services in Bank & NBFI.
- Bangladesh Bank has issued a circular regarding determination of nominee for payment of deposited amount in case of deceased person.

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

- BSEC has issued an order for Merchant Banker engaged in transactions in the margin accounts to prepare a quarter wise plan in relation to individual negative equity accounts for a period beginning from 1 October 2017 and ending on date no later than 31 December 2018 ensuring the full compliance with the BSEC Rules-1996.
- 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. This time period has been extended up to 31 December 2018 and progress report will have to be submitted quarterly.

Competition

UCL faces intense competition in all the markets where it operates. Its principal competitors are the non-bank 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 Twentieth Annual General Meeting will be held on 28 June 2018. 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 278 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 twentieth 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 2017 was 149. Management considers that the relation amongst its employeesis satisfactory. The list of senior executives of UCL is given below:

Name	Age	With UCL	Present Position
Mahmudul Alam	56	November-15	Managing Director & CEO
Chowdhury Manzoor Liaquat	51	February-18	Deputy Managing Director
Tauhidul Ashraf FCS	39	August-13	EVP, Head of Marketing & CS
Abdul Bareque	64	November-13	Head of ICC & CRO
A. N. M. Golam Shabbir	47	December-98	Senior Vice President
Fazle Karim Murad	44	June-00	Senior Vice President
Selim Khan Hindol	44	July-16	Vice President
Shaheen Mohammad Qumrul Hasan	44	April-17	Vice President
Tareq Ahmed Salah Uddin Khan	42	May-17	Vice President
Md. Mahfuzur Rahman	31	October-17	Vice President
Humayun Rashid	43	January-15	Assistant Vice President
Shah Muhammad Azizul Haque	36	May-15	Assistant Vice President
Muhammad Shohidur Rahman	40	March-16	Assistant Vice President
Mahbub Alam	40	October-16	Assistant Vice President
Muhammad Salah Uddin	38	August-16	Assistant Vice President
Khandaker Muhammad Forhad Abedin	39	August-16	Assistant Vice President
Afrida Ahsan	35	February-16	Assistant Vice President
Md. Rakibul Islam	55	August-10	Senior Manager
Md. Moinul Islam Bhuiyan	37	November-06	Senior Manager
Mohammad Balayet Hossain	36	May-10	Senior Manager
Md. Sayful Islam	41	January-14	Senior Manager
Asif Raihan Chowdhury	32	January-14	Senior Manager
Md. Shariful Alam	33	March-16	Senior Manager
Deenesh Kumar Raha	35	December-13	Senior Manager
Mohammed Zakir Hossain	39	November-02	Senior Manager
Sk. Md. Rezwanul Haque	33	Aug-13	Manager
Mohammad Jahangir Alam Khan	40	March-11	Manager
Md. Abdul Bashed	41	March-11	Manager
S. M. Mehedi Hasan	30	February-10	Manager
A. B. M. Qamrul Hasan	39	May-17	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, Narsingdi and Bogra. 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 Limited, as reported by DSE during each quarter end of 2017:

Fig. in BDT

Quarter	High	Low
Q1_17	31.80	19.90
Q2_17	31.20	23.80
Q3_17	26. 60	20.04
Q4_17	22.30	16.70

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 Published by Bangladesh Leasing & Finance Companies Association (BLFCA) which were prepared on the basis of data of 31 December 2016, UCL's market share in the industry was 3.48 (9th position). We have prepared the analysis by compiling data of 28 Non-bank Financial Institutions working in Bangladesh out of 34 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 (31-Dec-16	Market share (30-Sep-16)	Market share (30-Sep-15)	Market share (30-Sep-14)	Market share (31-Dec-13)	Position (30-Dec-16)
UCL	3.48	3.76	4.05	4.79	3.69	9th
Others	96.52	96.23	95.95	95.21	96.31	
Total	100	100	100.00	100.00	100.00	

Union Capital Limited
FIVE YEAR FINANCIAL SUMMARY

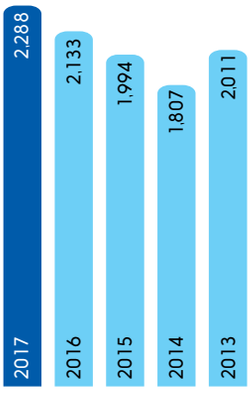
(BDT in million except ratios and per share data)

OPERATING PERFORMANCE

Particulars	2017	2016	2015	2014	2013
Operating Revenue	2,456.63	2,288.81	2,145.60	2,231.06	1,663.80
Operating Profit	804.83	943.02	754.25	888.7	606.33
Profit before tax	257.80	440.40	437.17	448.48	208.59
Net profit after tax	154.81	205.40	186.75	199.98	141.76
Earning per share (EPS)	0.99	1.44	1.40	1.65	1.29
STATEMENT OF FINANCIAL POSITION					
Current Assets	9,110.88	6,697.30	6,342.61	6,599.54	9,276.15
Total Assets	26,148.32	23,052.09	20,265.73	18,174.32	13,905.59
Property plant and equipment	51.17	35.78	29.25	24.22	18.24
Net current assets	858.83	538.19	149.34	298.39	812.56
Long term liabilities	13,232.05	12,405.34	10,463.26	9,307.48	3,751.19
Current liabilities	8,252.05	6,159.11	6,193.27	6,301.15	8,463.59
Total liabilities	23,860.69	20,919.76	17,771.81	16,367.15	11,894.92
Shareholders' fund	2,287.63	2,132.83	1,993.93	1,807.18	2,010.67
Capital employed	17,896.27	16,893.48	14,072.46	11,873.17	5,441.99
PROFITABILITY AND OTHER FINANCIAL RATIOS					
Gross operating margin ratio (%)	41.86	48.53	37.21	46.41	42.44
Earning before interest, depreciation and tax	1,926.59	1,798.54	1,839.60	1,799.25	1,275.48
Price earnings ratio (Times)	20.32	14.20	10.33	12.82	26.82
Current ratio (Times)	1.10	1.09	1.02	1.05	1.10
Return on capital employed (%)	7.00	9.95	10.89	10.48	9.75
Debt/Equity (Times)	1.39	1.09	0.80	0.76	0.55
Financial expense coverage (Times)	1.49	1.70	1.54	1.66	1.54
Net profit margin (%)	6.30	8.97	8.70	8.96	8.52
Rate of dividend (%)	5.00	10.00	12.00	10.00	10.00
Operating expense to operating revenue (%)	6.30	8.97	8.70	8.96	8.52
BUSINESS RATIOS					
Statutory liquidity reserve ratio (%)	29.17	13.39	7.62	5.97	5.13
Cash reserve ratio (%)	3.07	2.55	2.52	2.79	2.67
Net interest income as a % of working funds	1.52	3.49	4.06	3.88	3.47
Cost/Income ratio (%)	46.82	26.36	28.03	21.61	23.31
Return on average assets (%)	0.63	0.95	0.97	1.25	1.01
Net asset value per share	14.61	14.99	14.99	14.95	18.29
Profit per employee	0.62	1.03	1.09	1.27	1.31
Capital adequacy ratio (%)	11.34	11.83	13.34	13.44	15.67
Operating profit as a percentage of working funds	4.51	5.51	4.82	6.03	5.65
Dividend cover ratio (Times)	0.99	1.44	1.40	1.65	1.29
Non-Performing Loans to Total Loans (%)	8.73	8.44	7.78	8.51	8.26
EQUITY STATISTICS					
Authorized capital	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Paid up share capital	1,565.30	1,423.00	1,329.90	1,209.01	1,099.09
Number of shares	156.53	142.30	132.99	120.9	109.91
Shareholders' equity	2,287.63	2,132.83	1,993.93	1,807.18	2,010.67
Year and Market price	20.10	20.50	14.50	21.20	34.60
Market capitalization	3,146.24	2,917.14	1,928.36	2,563.08	3,802.86
Market value addition	858.61	784.31	(65.57)	755.90	1,792.19

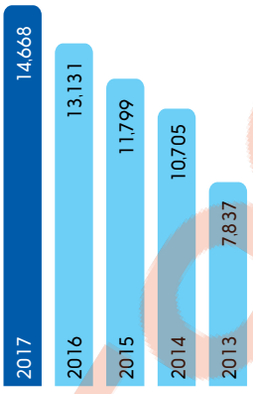
Graphical data of

BUSINESS PERFORMANCE



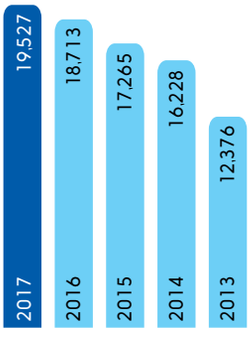
Shareholder's fund

Shareholders' fund has increased by 7.26 percent due to profit earned by BDT 154 million in current year



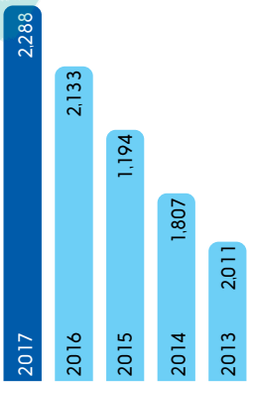
Deposits

During the year 2017, deposit grew more than 11.71 percent to BDT 14,668 million from BDT 13,131 million of 2016 reflecting continued less dependency on bank borrowings.



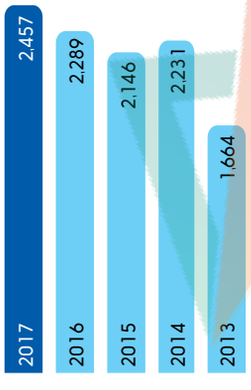
Investments

In 2017, investment registered a growth of more than 4.35 percent of BDT 19.527 million as against BDT 18,713 million of 2016. 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.



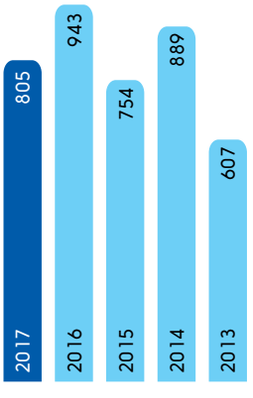
Net assets growth

Shareholders' fund has increased by 7.26 percent due to profit earned by BDT 154 million in current year



Operating revenue

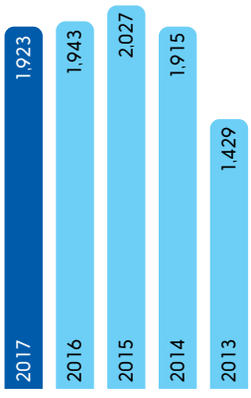
In 2017, operating revenue increased by 7.33 percent to BDT 2,457 million from BDT 2,289 million of 2016. This is the result of significant increment of solid loan portfolio and notable recovery from default customers.



Operating profit

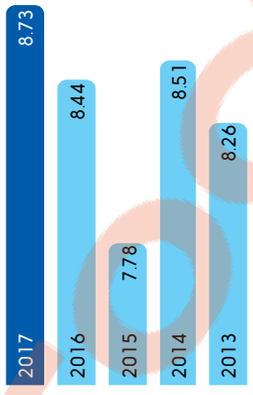
In 2017, operating income has been reduced by more than 14.65 percent to BDT 805 million from BDT 943 million of 2016. This singnificant decreased in operating profit is the result of the reduction of the interest rate and slightly increased in non-performing loan.

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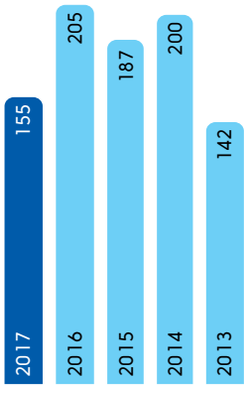
Interest income

In 2017, interest income decreased by 1.05 percent to BDT 1,923 million from BDT 1,943 million of 2016 due to reduction of the interest rate of porfolio clients and increment of non-performing loans.



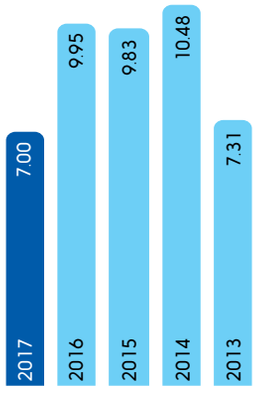
NPL

Despite slow recovery environment and low demand for credit, UCL could maintain the NPL rate at 8.73 percent slightly higher than 2016. Moreover, the down gradation of few loan/lease accounts on the basis of qualitative judgement has impacted on such increase.



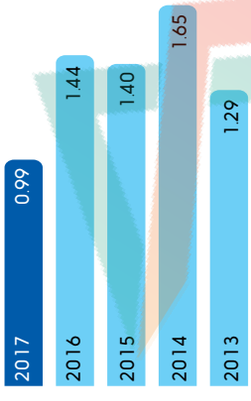
Net profit

In 2017, net profit reduced by a significant rate of 24.63 percent to BDT 154.81 million from BDT 205.40 million of 2016. Increment of operating expenses and non-performing loan are the main reasons for such reduction in profit.



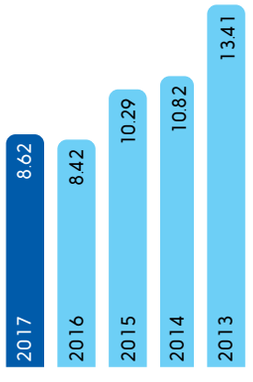
Return on shareholder fund

As a key measure of overall performance, our return on equity decreased by 29.64 percent due to maintain excess provision for increased strength of company on default loan, increased operating expenses and reduced interest rate of portfolio clients.



Earnings per share

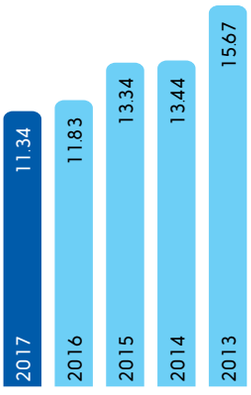
As one of the key measure of overall performance of UCL, our EPS has decreased by more than 31.48 percent due to maintain excess provision for increased strength of company on default loan, increased operating expenses and reduced interest rate on portfolio clients.



Cost of fund

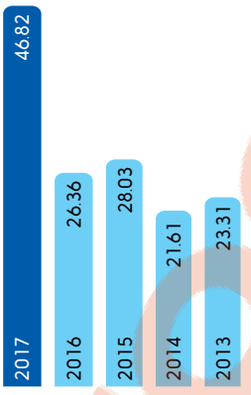
Cost of fund has increased by 2.38 percent mainly for upward movement of money market rate.

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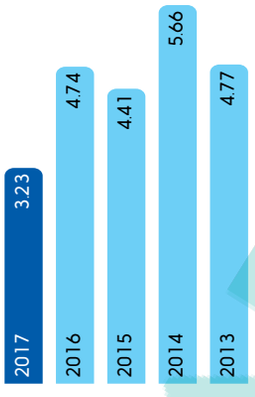
Capital adequacy ratio

Capital adequacy ratio has decreased to 11.34 percent in 2017 from 11.83 percent of 2016 as against regulatory requirement of 10 percent. This is the result of increment of risk weight of new increased portfolio.



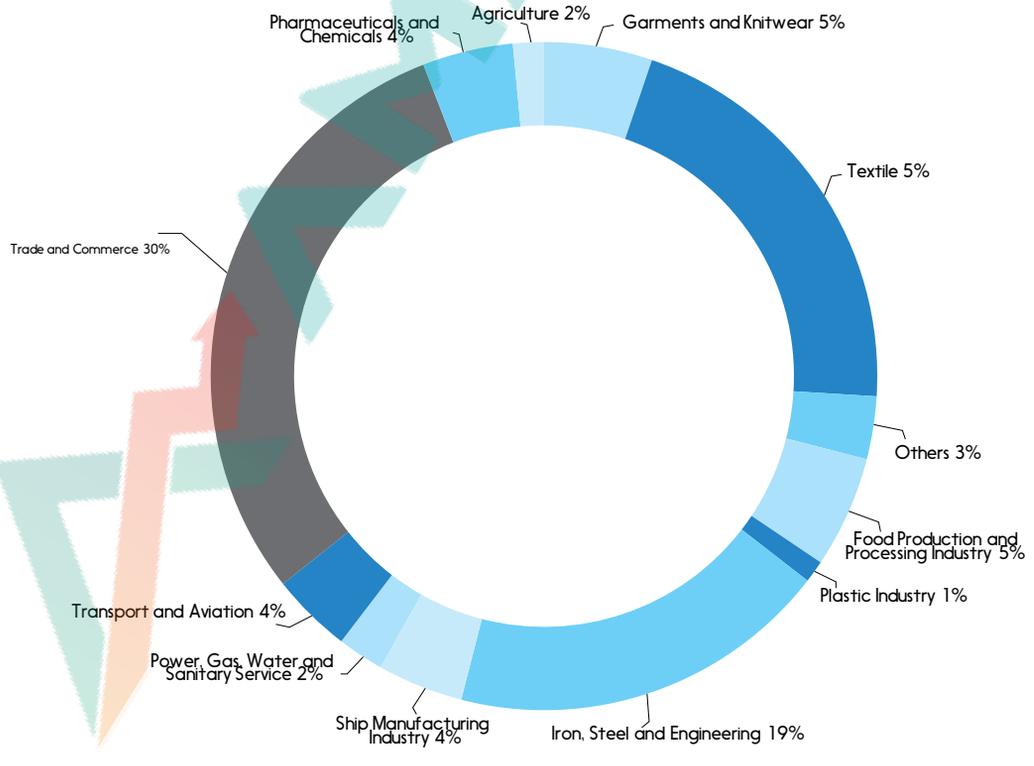
Cost/income ratio

One of the key indicators of measuring efficiency, our cost/income ratio has increased to 46.82 percent in 2017 from 26.36 percent of 2016 due to increment of operating expenses more than 52 percent.



Operating profit per employee

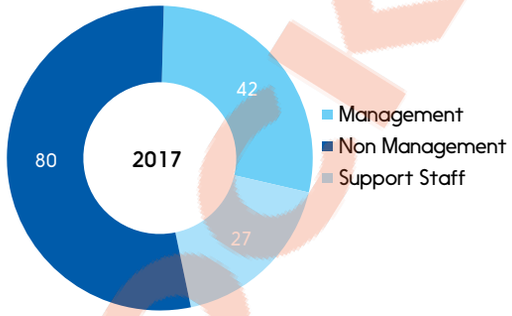
Operating profit per employee has decreased by more than 31 percent compared to last year due to operating income decreased by 14.65% and number of employee increased to 249 from 199.



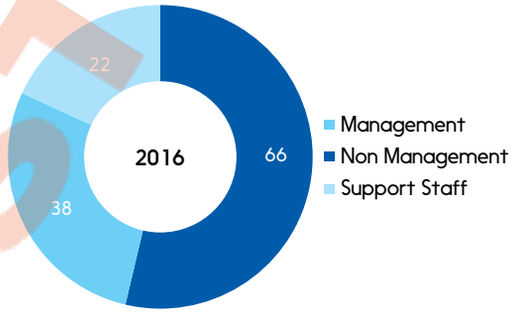
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2017 SOCIAL INDICATORS

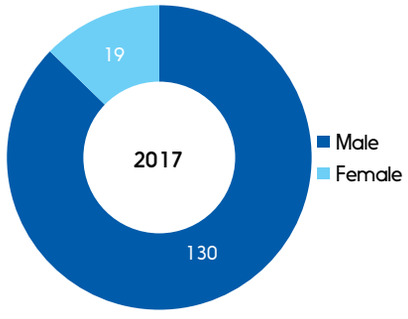
Staffing level	2017	2016
Management Cadre	42	38
Non Management Cadre	80	66
Support Staff	27	22
Total Work force	**149**	**126**
Male	130	110
Female	19	16
Average age of employees		
Management Cadre	30.3	38.6
Non-management Cadre	36.4	32.14
Support Staff	28.7	33.4
Change in Staffing level		
Total employee at beginning	126	104
Recruitment during year	56	41
Departures (retirement/resignation)	33	19
Changes during the year	149	126
Training		
Average number of days in training per employee	0.66	0.4
% of employees who participated in at least one	100	100
No. of employees who participated in at least one training program during the year	122	80
No. of training programs participated by employees during the year	64	21



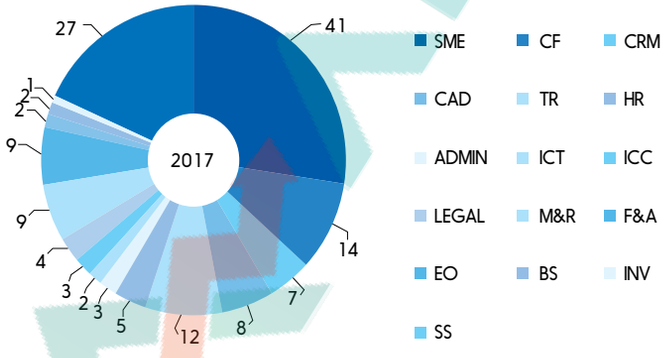
Total work force (in number)



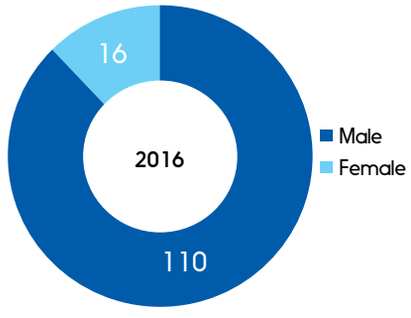
Total work force (in number)



Gender wise employee (in number)



Department wise employee (in number)



Gender wise employee (in number)

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 others stakeholders.















AWARDS & RECOGNITIONS

Awards & Recognitions for the Annual Report 2016:

- ICSB awards for corporate governance excellence (Bronze Award)
- ICAB award for best presented Annual Reports (Third Position)



MARSTOCK

2018 KEY PRIORITIES

Outlines important actions for achieving strategic goals

At the beginning of the year 2018, 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 2018. 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.

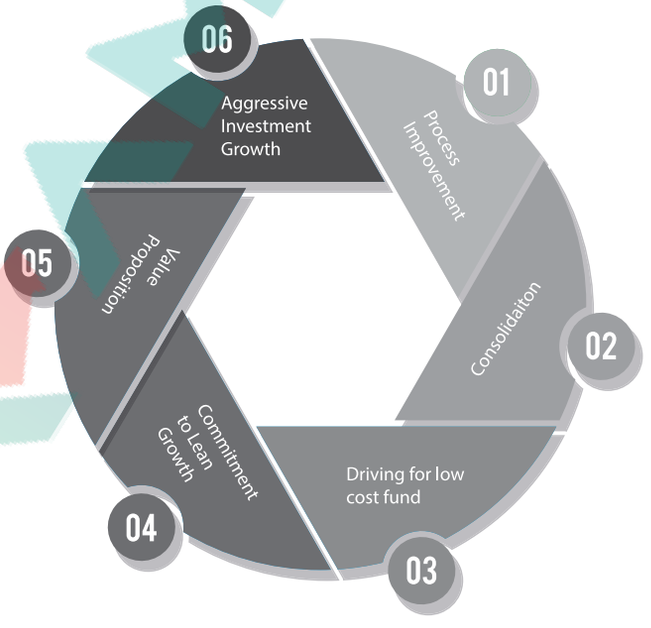
Commitment to Lean Growth

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 2016, it is our belief that the company has delivered a solid and steady performance in 2017 and laid a strong foundation for achieving better performance in 2018 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

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.)

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.

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
Chairman, UniCap Investments Limited



M. FAIZUR RAHMAN

Director

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.

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



WAQAR AHMAD CHOUDHURY

Director

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 did his 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.

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



NADEEM A. CHAUDHURY

Director
(Nominated by Enrilco Limited)

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 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.

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



TAJRINA SIKDER

Director
(Nominated by Palmal Garments Hosiery Ltd.)

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.

First appointment to the Board 9 August 1998
Born in January 1974
Nationality Bangladeshi
Committee Membership
Nil
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.



CAPT. MINHAZUR REZA CHOWDHURY

Director
(Nominated by EC Securities Ltd.)

Capt. Minhazur Reza Chowdhury obtained Master Mariner with over 16 years' experience in safe operations and commanding of ocean going vessels particularly container, multipurpose general cargo/ bulk carrier and tanker. Currently, working as the General Manager for five years at EC Bulk Carriers Limited and East Coast Shipping Lines Limited.

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



SABITA REZWANA RAHMAN

Director

Sabita Rezwana Rahman, is 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 had also involved in the political affiliation as a Convenor of Blue Panel in the Faculty of Biological Sciences of Dhaka University during 2010-12 and as a Joint Convenor of Blue Panel in the Faculty of Biological Sciences of Dhaka University during 2008-12. 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.

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



MEHERUNNESA HAQUE

Director

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 Director 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.

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.



KAZI RUSSEL MAHBUB

Director

(Nominated by Palmal Garments Hosiery Ltd.)

Dr. Kazi Russel Mahbub graduated from Dhaka Dental College in 1996. After finishing 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 his skills and high 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 also a long standing member of Dhaka Club. In his personal life, Dr. Mahbub is married and a loving father of one son and two daughters. He is the son of Engr K A S Md. Abdur Rahim, retired Chairman of Dhaka Electric Supply Authority.

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



MD. ABDUL KARIM

Independent Director

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 of Palli Karma-Sahayak Foundation (PKSF) that provides fund to various Microfinance Institutions (MFIs) for poverty alleviation program. 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. He has travelled in many countries of the world. Mr. Karim is President of Bangladesh Table Tennis Federation, Secretary General of South East Asian Co-operation (SEACO) Foundation and former President of Bangladesh Scouts.

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



MOHAMMAD NURUN NABI FCA

Independent Director

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.

First appointment to the Board 9 February 2014
Born in April 1948
Nationality Bangladeshi
Committee Membership
Member, Audit Committee
External Appointment
Chairman, Skeftech Pvt. Ltd.; Krishi Biplob Ltd.; Shikarpur Horticulture Ltd.; Debonair Ltd.; Orbitex Ltd.; AZWA Developments 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.



MD. FAYEKUZZAMAN

Independent Director

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 a former CEO of the Investment Corporation of Bangladesh (ICB) for the period from July 2010 to December 2015. He worked in South Asia Development Fund which was created to have joint venture projects of SAARC countries for regional development. He had promoted hundreds of companies through Equity & Entrepreneurship Fund (EEF), a flagship program of the Government of Bangladesh.

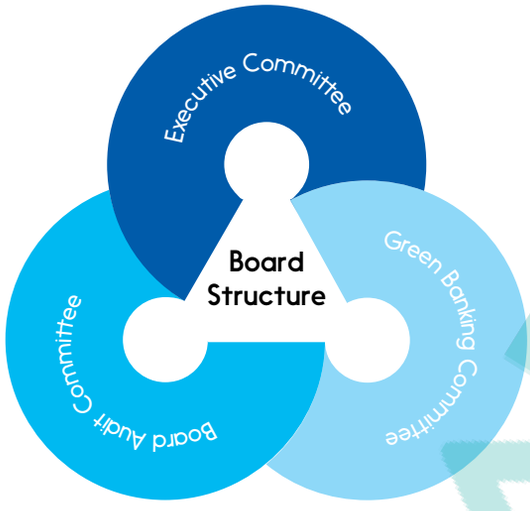
First appointment to the Board 28 December 2016
Born in October 1953
Nationality Bangladeshi
Committee Membership :Chairman, Board Audit Committee
External Appointment
Director, HF Asset Management Limited
Independent Director, National Tea Company Limited

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 Director

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 for 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.

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.

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 BDT 8,000 is paid to each Director for attending each Board/Committee meeting.

MEMBERSHIP OF THE 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 50 to 56 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 Non-executive Directors. The Green Banking Committee consists of five non-executive Directors. All the Board Committees have a written charter that describes the Committees' purpose, duties and responsibilities. The Committee Charters are available on page 59 to 60 of this Annual Report.

BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2017, the Board met sixteen times to discuss scheduled business.

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 Directors 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 of Union Capital Limited, Noor Tower, 73 Sonargaon Road, Dhaka – 1205.

AMARSTOCK

CHARTER OF 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.

Directors' Report

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 2017 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved the same in its meeting held on 25 April 2018.

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, Bangladesh Financial Reporting Standards 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.

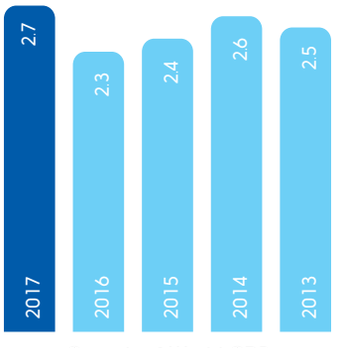
GLOBAL ECONOMY IN 2017

World economic growth strengthened in 2017 to 3.8 percent, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe and signs of recovery in several commodity exporters. Growth outturns in the first half of 2017 surprised on the upside in many Asian countries and European countries, supported by a cyclical upturn in manufacturing and investment and stronger trade growth. Growth in China and India during the last year was supported by resurgent net exports and strong private consumption, while investment growth slowed. The upsurge was more pronounced in emerging market and developing economies with trade growth rising from 2.2 percent in 2016 to 6.4 percent in 2017, reflecting improved investment growth rates. Among advanced economies, large exporters such as Germany, Japan, the United Kingdom and the United States contributed strongly to the recovery in exports, while the recovery in imports was broad based except in the United Kingdom. Global financing conditions remain benign, despite prospects of further normalization of monetary policy in major advanced economies, but are likely to tighten the going forward. Energy and metals prices recovered in 2017, while agricultural prices remained stable.

The United States is the world's largest economy and contributes around 24 percent of global trade. Investment growth picked up in 2017, households' wage growth expectations improved, and labor market slack continued to diminish, even as employment growth slowed. Growth picked up in 2017 to an estimated 2.3 percent, supported by strengthening private investment. Private consumption continued to grow at a robust pace despite modest real income gains and moderate wage growth as the personal savings rate fell further. Households' income expectations continued to recover following a prolonged period of weakness. The recovery reflected a diminished drag from capacity adjustments in the energy sector, rising profits, a weakening dollar, and robust external demand. Economic activity was little disrupted by major hurricane landfalls in September, and reconstruction efforts are likely to offset any negative effects over time. Legislated corporate and personal income tax cuts are expected to provide a lift to activity over the forecast horizon particularly to investment, by lowering the statutory corporate tax rate and by allowing full expensing of new equipment. The benefits of fiscal stimulus will likely be constrained because the economy is already operating at near full capacity and the pace of monetary policy normalization might slightly accelerate.

Growth gained substantial momentum in 2017, reaching an estimated 2.4 percent, 0.7 percentage point higher than previously expected with broad-based improvements across the member countries spurred by policy stimulus and strengthening global demand. Credit recovered further in 2017, as the balance sheet of the European Central Bank continued to expand, albeit at a slightly slower pace. Domestic demand, exports, and imports strengthened. Labor shortages have become increasingly prevalent, although wage growth remains subdued. In particular, private sector credit continued to respond to the simulative stance and both domestic demand & import growth were robust. The unemployment rate reached its lowest level since 2009, and labor shortages became increasingly prevalent in some countries. The aggregate fiscal stance of the Euro Area was somewhat expansionary in 2017. The cyclical upturn is expected to continue in 2018, albeit at a more restrained pace, as domestic demand loses some momentum following strong gains in 2017, and policy stimulus is gradually unwound.

For Japan growth picked up in 2017 to an estimated 1.7 percent. Domestic demand firmed, supported by a gradual recovery in consumer spending and investment, as well as the implementation of a fiscal stimulus package. Exports accelerated in response to strengthening global trade.



Growth of World GDP
(in percentage)

GDP growth in China inched up in 2017, with drivers of activity continuing to shift away from largely state-led investment. GDP has reached at 6.8 percent in 2017, reflecting continued fiscal support and the effects of reforms as well as a stronger-than expected recovery of exports and a slight positive contribution from net trade. Domestic rebalancing continued, with drivers of activity shifting away from state-led investment. China's trade flows recovered markedly in 2017, partly reflecting rising

commodity imports amid tightly enforced production cuts as well as strengthening foreign demand. Consumer price inflation increased steadily throughout the year but remained below target, while producer price inflation was stable, supporting a recovery of industrial profits. House price growth continued to slow, reflecting tighter regulations in larger cities. Despite further monetary and regulatory tightening in 2017, the total stock of non-financial sector debt, at about 260 percent of GDP, continued to expand on a year-on-year basis.

Growth in the Middle East and North African region have slowed markedly to 1.8 percent in 2017. OPEC oil production cuts and heightened geopolitical tensions led to deterioration in growth of oil exporters, more than offsetting improving growth in oil importers. Regional growth is forecasted to pick up over the medium term, as reforms across the region gain momentum and as fiscal adjustments ease amid a projected rise in oil prices. Improved competitiveness and external conditions are expected to further support growth in oil importers.

Regional growth of South Asia decelerated but remained strong in 2017, at an estimated 6.5 percent but below June forecasts, mainly due to temporary disruptions associated with the adjustment in India to the new Goods and Services Tax. Growth is expected to pick up to 6.9 percent in 2018 and stabilize around 7.2 percent, on average, in 2019-20, Credit growth has remained broadly robust and has supported investment in the region. Exports have picked up amid stronger global demand. Inflation rates are below historical averages. Progress in fiscal consolidation has been mixed. Elevated credit growth continued to support investment in some countries (e.g., Bangladesh, Pakistan). In addition, protracted balance sheet weaknesses-in particular, a corporate debt overhang and elevated non-performing loans in the banking sector-continued to weigh on already weak private investment. Robust private consumption was complemented by strong public investment growth. In Sri Lanka, activity expanded at an estimated 4.1 percent in 2017, below the June forecast as a result of disruptions from droughts and floods. Despite monetary policy tightening to ease inflationary pressures in the first half of 2017, credit growth remained strong, supporting private consumption and investment. Elsewhere in the region, activity in 2017 was underpinned by strong construction in Bhutan and the Maldives as large-scale infrastructure projects were implemented. In Nepal, floods in more than one-third of the country disrupted the strong post-earthquake recovery in the second half of 2017. Security concerns continued to weigh on activity in Afghanistan, with the number of civilian casualties and displaced people reaching record levels in 2017. Inflation has been well below its historical average in the region, except for a drought-related temporary rise in 2017 in Sri Lanka. Outside India, fiscal consolidation slowed in 2017 as a result of revenue shortfalls and increased government spending (e.g., Maldives, Pakistan). Current account deficits gradually widened across the region (e.g., India, Bangladesh, Pakistan). Balance sheet weakness for corporates (e.g., India) and financial sectors (e.g., Bangladesh, India) continued to weigh on private investment. In particular, non-performing loan ratios remained high, at around 10 percent, despite progress in some countries.

GLOBAL ECONOMIC OUTLOOK IN 2018

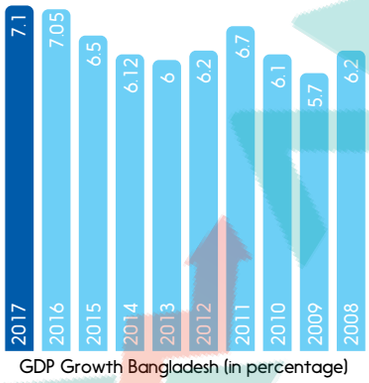
Global growth is expected to tick up to 3.9 percent in the year 2018 supported by strong momentum, favorable market sentiment, accommodative financial conditions and domestic & international repercussions of expansionary fiscal policy in the United States. The year 2018 will likely mark a turning point for the global economy because for the first time since 2008, the negative global output gap is expected to be closed. Global trade strengthened significantly in 2017 benefiting from a cyclical recovery in global manufacturing and investment growth. Over the medium term, global growth is projected to decline to about 3.7 percent. Once the cyclical upswing and US fiscal stimulus have run their course, prospects for advanced economies remain subdued given their slow potential growth. In emerging market and developing economies in contrast, growth will remain stable as the gradual recovery in commodity exporters and a projected increase in India's growth provide some offset to China's gradual slowdown and emerging Europe's return to its lower-trend growth rate. This momentum is expected to diminish in 2018-20, as the upturn in advanced economies moderates and growth in China continues to decelerate. In the United States, growth is expected to rise from 2.3 percent in 2017 to 2.9 percent in 2018 before moderating slightly to 2.7 percent in 2019. The upward revision reflects stronger-than-expected activity in 2017, firmer external demand and the expected macroeconomic impact of the December 2017 tax reform particularly lower corporate tax rates and the temporary allowance for full expensing of investment which is anticipated to stimulate short-term activity. The recovery in the euro area is projected to pick up slightly from 2.3 percent in 2017 to 2.4 percent this year before moderating to 2 percent in 2019. Medium-term growth in the euro area is projected at 1.4 percent, held back by low productivity amid weak reform efforts and unfavorable demographics. Emerging Market and Developing Economies Growth is expected to increase further from 4.8 percent in 2017 to 4.9 percent in 2018. Although the high growth rate reflects primarily continued strong economic performance in emerging Asia, the projected pickup in growth reflects improved prospects for commodity exporters after three years of very weak economic activity. In China, growth is projected to soften slightly from 6.9 percent in 2017 to 6.6 percent in 2018 and 6.4 percent in 2019. The economy is projected to continue rebalancing away from investment toward private consumption and from industry to services but nonfinancial debt is expected to continue rising as a share of GDP, and the accumulation of vulnerabilities clouds the medium-term outlook. Growth in emerging and developing Europe, now estimated at close to 6 percent in 2017, is projected to moderate to 4.3 percent in 2018 and 3.7 percent in 2019, supported by a favorable external environment with easy financial conditions and Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is also expected to pick up in 2018 and 2019 but remains subdued at about 3.5 percent. While stronger oil prices are helping a recovery in domestic demand in oil exporters including Saudi Arabia, the fiscal adjustment that is still needed is projected to weigh on growth prospects. Growth in South Africa is expected to strengthen from 1.3 percent in 2017 to 1.5 percent in 2018 and 1.7 percent in 2019. Growth rates for many of the euro area economies have been marked up, especially for Germany, Italy, and the Netherlands, reflecting the stronger momentum in domestic demand and higher external demand. Growth in Spain, which has been well above potential, has been marked down slightly for 2018, reflecting the effects of increased political uncertainty on confidence and demand. Business

confidence is likely to gradually firm up with the change in the political leadership but growth prospects remain weighed down by structural bottlenecks.

However, uncertainty remains elevated and could intensify again, potentially weighing on confidence and growth. Negotiation around the exit of the United Kingdom from the European Union, calls for greater regional autonomy or governance challenges for the Euro Area could impact investment decisions in Europe and beyond. In the United States, there remains substantial uncertainty about possible changes to trade, immigration & other policies and there are concerns that fiscal brinkmanship could contribute to market turmoil as it did in 2011. Similarly, geopolitical risks spiked during 2017 and remain above historical averages, mainly reflecting tensions on the Korean peninsula, border disputes and territorial claims in Asia and strains in the Middle East. A renewed and sustained rise in geopolitical tensions especially those involving systemically large economies could dampen confidence and lead to bouts of financial market volatility both in the affected countries and their major trading partners. If these tensions escalate into high-intensity interstate conflict, the result could be a significant loss of lives, assets, and productive capacity particularly in more vulnerable countries. In the Middle East, they could also result in rising migrant flows.

OVERVIEW OF BANGLADESH ECONOMY IN 2017

Bangladesh economy showed resilience even during the global financial crisis that began in 2008. The economy grew by 6.3 percent on an average for more than a decade. The growth rate was over 7 percent in the last two fiscal years. Bangladesh's Gross National Income (GNI) per capita now stands at $1,610 well above the $1,242-mark, a prerequisite for becoming a lower-middle income country from a least developed one. This was the highest growth achieved in South Asia for 2017 and one of the highest GDP growth rates amongst major economies in the world. In mid-2017, Bangladesh was ranked the third most peaceful country in South Asia, faring better than India, Pakistan and Nepal in the Global Peace Index (GPI) 2017 as published by the Institute for Economics and Peace (IEP).



GDP Growth Bangladesh (in percentage)

For Bangladesh, the year 2017 has been a mixed year of achievements and challenges. One of the major achievements of the economy has been a 7.28 percent economic growth in FY 2016-17 breaking the six percent cycle that continued for a decade. Like previous years, major boost of growth has come from the industrial sector followed by the services sector. Investment is a major impetus to Bangladesh's growth. The external sector has been a source of strength for the Bangladesh economy for several years but this has changed in recent periods. Export growth in FY 2016-17 was only 1.7 percent as opposed to the target of 8 percent. Macroeconomic management was broadly prudent with growth in FY 2017 remaining robust despite external and internal headwinds, reflecting the economy's greater resilience. Inflation was lower than expected. Fiscal deficit remained within budget target. Overall external balance recorded surplus, notwithstanding worsened current account balance caused by larger trade deficit and fall in remittances.

The robust growth of the economy has been possible due mainly to the remarkable contribution of agriculture, industry and service sectors. These three leading driving forces of the economy registered growth at 3.40 percent, 10.50 percent and 6.50 percent respectively. Almost all the sectors have had moderate contributions in the economy of Bangladesh in 2017.

Bangladesh has already been ranked the 99th most competitive economy in the world, up seven notches from last year's ranking, on the world economic forum's global competitiveness report 2017-2018. This is the highest ranking for Bangladesh since the index was introduced in its current format in 2004 and Bangladesh for the first time has been included among top 100 countries across the world.

The agriculture sector grew 2.90 percent, manufacturing grew 10.22 percent and the services sector grew 6.69 percent. Exports rose 7.15 percent year-on-year to $17.92 billion in the first half of the fiscal year, maintaining the growth momentum largely on the back of garments, jute, jute goods and furniture. Bangladesh also beat the export target for July-December by 0.23 percent. Bangladesh is an agriculture based country. About 47% of labor force involved in the agriculture sector and it comprises 16% of country's total GDP. In agriculture the growth is increased to 3.40% in the FY-17, in comparison to 2.79% in the FY-16. In addition, the growth increased in comparison to last couple of years, but growth rate fell significantly for the last couple of years.

Investment is a major movement to Bangladesh's growth. Target was set to increase investment to 32.7 percent of GDP in FY 2016-17, keeping in mind the need for a growing economy. In FY 2016-17, investment as a share of GDP went up to 30.5 percent, a marginal increase from 29 percent in FY 2015-16. However, the private sector's investment has been almost stagnant since FY 2015-16 balanced around 23 percent. Domestic savings-GDP ratio increased by only 0.3 percent in FY 2016-17 while national savings-GDP ratio declined by 1.2 percentage point to 20.6 percent in FY 2016-17 from 30.8 percent in FY 2015-16 in the backdrop of the large current account deficit. This has narrowed the gap between national savings and total investment as a share of GDP for the first time in recent years, which otherwise displayed a gap implying that resources are not fully utilized.

The current account balance went into negative territory in FY 2017 for the first time in 5 years, dragged down by negative trade balance and decline in remittance inflows. The current account balance continued to deteriorate throughout the first half of FY18, reaching a record deficit of USD 4.4bn in November 2017. The current account deficit is forecasted to recover to USD 4.34bn in June 2018, on back of stronger export growth and remittances on one hand and restrained import growth on the other, all riding on the depreciation of the BDT.

Remittance inflows have been subdued recently due to fiscal consolidation and growth slowdowns in the Middle East, which constitutes roughly half of remittances to South Asia. Inward remittance in the country increased slightly in the just concluded year as expatriate Bangladeshis sent 8.65 per cent more money in the year despite the fact that an additional 1 million Bangladeshi people got overseas jobs in 2017. Country's remittance inflow increased by $1.07 billion to $13.53 billion in the year of 2017 from $12.46 billion in the previous year.

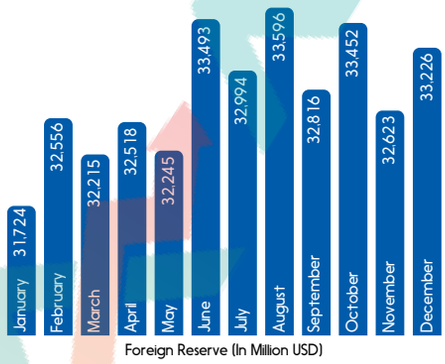


Last Seven Years Foreign Remittance (in USD Bn)

Bangladesh experienced major headwinds in external sector. Export growth rate plummeted to 1.7% from 8.9% a year earlier. Readymade garments (RMG) export, which accounts for about 80% of total export, grew by less than 1%. Despite higher volume exported, this slowdown is attributable to synchronized price fall caused by damp demand in all major destinations including EU, UK, US and Japan. Nevertheless, this was partly offset by robust non - RMG exports (8.5%). Imports rose strongly by 9% owing to higher import bill for food, petroleum, construction materials and non-RMG intermediate goods. Surge in capital machinery import in recent years is not consistent with stagnant private investment, hinting towards capital transfer.

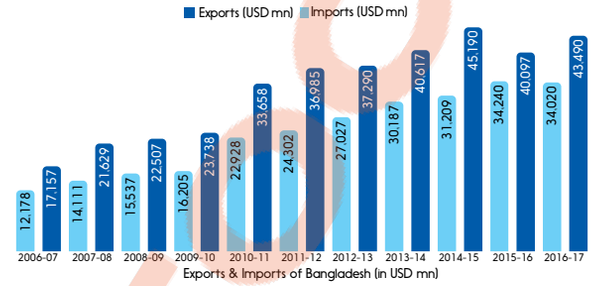
Foreign direct investment hit an all-time high of $2.45 billion in fiscal 2016-17 on the back of a surge in equity investment by mobile phone operators. The inflows are an increase of 22.54 percent from a year earlier. The telecom sector saw the highest inflows of $594 million, followed by textile and garment at $360.35 million and power at $334.26 million.

Bangladesh's foreign exchange reserves rose to $33.23 billion by the end of December 2017. Whereas in December 2016, the reserve was $32.09 billion, which indicating a positive movement of foreign exchange reserve in Bangladesh.



Foreign Reserve (In Million USD)

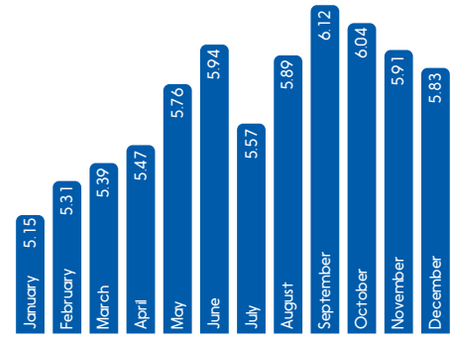
Exports rose 7.15 percent year-on-year to $17.92 billion in the first half of the fiscal year, maintaining the growth momentum largely on the back of garments, jute, jute goods and furniture. Bangladesh also beat the export target for July-December by 0.23 percent. Garments, which account for more than 80 percent of Bangladesh's total exports, logged in $14.77 billion in the first six months, up 7.75 percent from the same period a year ago. Knitwear exports went up 11.47 percent year-on-year to $7.60 billion in July-December while shipment of woven garments rose 4.08 percent to $7.18 billion. Home textiles brought in $407.73 million, growing 15.65 percent year-on-year. Exports of leather and leather goods, the second largest export earning sector after garments, fell 1.21 percent year-on-year to $620.27 million in the period.



Exports & Imports of Bangladesh (in USD mn)

The segment was dealt a blow by a decline in leather shipment which shed 27.84 percent. Within the same category, exports of leather footwear grew 8.52 percent and leather products 2.81 percent. Export of jute and jute goods, another top earner, jumped 21.48 percent to $574.06 million. Pharmaceuticals raked in $50.36 million in July-December, up 11.66 percent compared to that in the same period a year ago. Furniture shipment grew 27.20 percent to $23.99 million. Agricultural products fetched $310.36 million, up 19.84 percent during the July-December period of last fiscal year. Fruit exports surged 517.14 percent.

Annual average CPI inflation continued to decline and stood at 5.4 percent in June 2017, well below the 5.8 percent target ceiling for FY17. The declining trend in average CPI inflation is mainly driven by non-food inflation, while food inflation witnessed a sharp increase due to flash flood-related crop losses in the Northeastern part of Bangladesh.



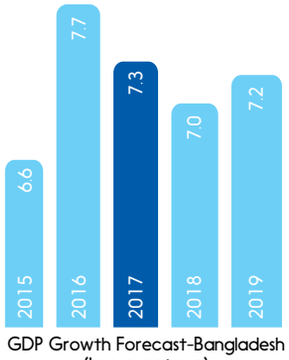
CPI Inflation-point to point (in percentage)

From a geo-political point, 2017 has been most challenging for Bangladesh as the Rohingyas from the Rakhine state of Myanmar started to flee to Bangladesh from August 2017 onwards following a fresh round of torture and killings by the Myanmar army. Rohingyas moved into Bangladesh in thousands every day, bringing their number in Bangladesh to one million in total if the previous influx of the seventies and the nineties are taken into account. Though they are supported by the international community, some fiscal burden will befall the government of Bangladesh which will have budgetary implications.

BANGLADESH ECONOMY OUTLOOK FOR 2018

The year 2018 will be a turning point for Bangladesh in many ways. By becoming eligible for graduation from LDC, Bangladesh has taken its status to a new height. This graduation will bring a lot of opportunities for Bangladesh and quite a few challenges as well. There will be benefits but there will be costs to pay also. Bangladesh will prepare to graduate from the least developed country status in 2018. It will also continue its efforts toward becoming a middle-income country. Additionally, it will continue to implement the Sustainable Development Goals (SDGs). It is expected that implementation of these goals will also help its smooth graduation from the LDC group. Despite the lingering impact of flooding and the ongoing accommodation of refugees, the economy should be supported by strong exports and remittance inflows this fiscal year. However, vulnerability to natural disasters and fragility in the financial sector will continue to represent downside risks.

Gross Domestic Product (GDP) has been estimated by the government to grow at a rate of 7.4% in FY'18, a slight increase from the previous year's target of 7.2%. Budget deficit is projected to be BDT 1,122.76 billion which is 5% of the GDP.



GDP Growth Forecast-Bangladesh
(In percentage)

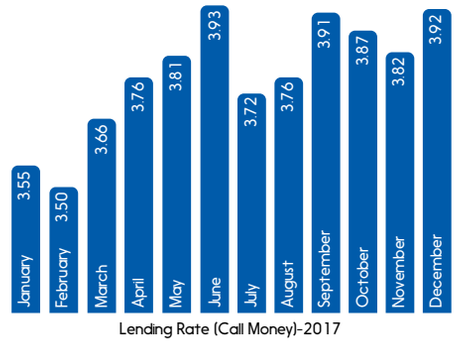
The World Bank has painted a brighter picture for Bangladesh's economy for the next two fiscal years, pinning hopes on strong domestic demand, exports, investment and remittance. The Global Economic Prospects, a flagship report of the World Bank Group, said activity in Bangladesh would grow at an average of 6.7 percent a year over fiscals 2018-2020, benefiting from strong domestic demand and strengthening exports. Bangladesh is among the top 17 out of 134 countries in the list of GEP forecasts that are projected to have a growth rate of 6.4 percent or more in 2017-18.

Main downside risks to the outlook for Bangladesh include fiscal slippages and a setback in implementation of reforms to improve corporate and financial sector balance sheets. Current account deficits gradually widened across the region, including in countries such as India, Bangladesh and Pakistan. Corporate debt overhangs and high levels of non-performing loans have been long-standing concerns in some countries including Bangladesh. Setbacks in efforts to resolve these domestic bottlenecks would continue to weigh on investment, and more broadly on medium-term growth prospects in the region. A surge in merchandise imports this fiscal year has left the balance of payments in a substantial deficit.

A glimmer of hope is in the horizon with both RMG and total exports picking up during July-December of FY 2017-18. In FY 2016-17 remittance earning growth experienced a negative growth of (-) 15.9 percent despite increase of manpower export. We can reasonably expect that the export of RMG will bounce back, as most of the export oriented factories have become compliant with regulations. Potential political troubles, negative security fallouts associated with the Rohingya refugees, revenue shortfall and financial sector weaknesses are major downside risks. Lingering conflicts in Gulf Cooperation Countries (GCC) and protracted uncertainty in EU countries are key external challenges. However, some uncertainty exists as the country approaches the next general elections. The foreign exchange reserves are set to decrease in the future as Bangladesh Bank intervenes in the currency exchange market to stem the slide of the BDT. The government's GDP growth target of 7.40% for the 2018 fiscal year is achievable if the stable political climate, investments in power and transport infrastructure and the high private sector credit growth rate exists. Based on the prospects and the potential risks in the context of global and domestic economic perspectives, in the Proposed Budget Framework for FY18, GDP growth rate set at 7.4 percent and inflation to 5.5 percent. From a macro perspective, domestic demand growth is expected to remain robust over the near and medium-term reflecting demographics, investments and improving infrastructure and cost of doing business. As Bangladesh continues its middle income transitions, continued focus on easing infrastructure bottlenecks, improving cost of doing business and skills, increasing investment will help creating more and better jobs in the years ahead.

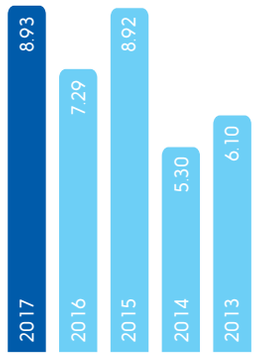
Financial sector scenario in 2017

Bangladesh's financial sector has been sailing through volatility resulting in uneven interest rate spreads, falling profitability, high non-performing loans (NPLs) and uneven competition in recent years. Overall interest rates received significant fall. The average volume of money transaction in the call money market decreased to BDT 1,152.75 billion in the year 2017 which was 4.67 percent lower than the year 2016. Liquidity situation in the banking system continued to expose excess liquidity situation in first three quarter of FY 17; at the same time, the banking industry remained well position to withstand any liquidity stress. But suddenly, this smoothly-run economy was hit by a serious liquidity crisis at the last quarter of 2017. As a result, banks' lending rates have hit double digits again after more than a year, making things harder for businesses and consumers alike. Domestic credit from the banking system grew by 11.2 percent, below the targeted growth of 16.4 percent for FY 17 and actual growth of 14.4 percent in FY 16. Private sector credit grew by 15.7 percent in FY 17, slightly below the targeted growth of 16.5 percent for FY17 and the FY16 actual growth of 16.8 percent. The weighted average interest rates on bank advances and deposits declined to 9.56 percent and 4.84 percent at the end of FY 17 from 10.39 percent and 5.54 percent respectively at the end of FY 16.



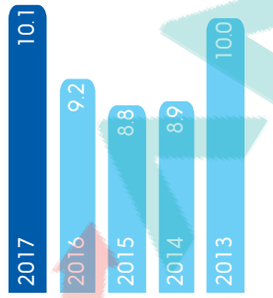
Lending Rate (Call Money)-2017

The banking sector exposed further weaknesses through major indicators such as rise of non-performing loans, lower capital adequacy and the overall lack of governance in the sector. On January 1, 2017 the sector's total default loans were Tk 62,172.32 crore; on December 31, 2017, it stood at Tk 74,303 crore. In terms of percentage, the sector's non-performing loans accounted for 9.31 percent of the total outstanding loans at the end of 2017. At the beginning it was 9.23 percent, according to central bank statistics. However, in the last quarter of 2017, default loans shrunk 7.48 percent. Especially low capital adequacy, poor asset quality and growing nonperforming loans, particularly in state owned commercial banks have severely undermined financial sector discipline.



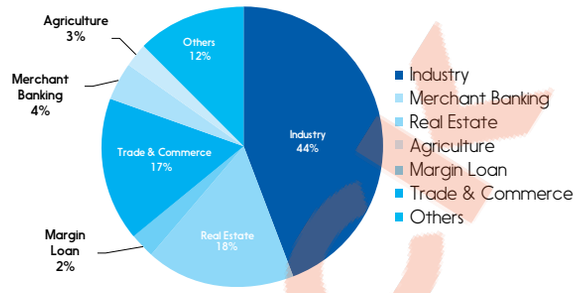
Classified loan of NBFI's
(in percentage)

Non-Bank Financial Institutions (NBFIs) are playing crucial role by providing additional financial services that cannot be usually provided by the banks. The NBFIs, with more multifaceted products and services have taken their place in the competitive financial market to satisfy the changing demands of the customers. NBFIs also play an important role in the capital market as well as in real estate sector of Bangladesh. Like the banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities. NBFIs showed strong performance in terms of growth in assets and deposits during FY 17.



Trends of NPL Ratios of
Banks (in percentage)

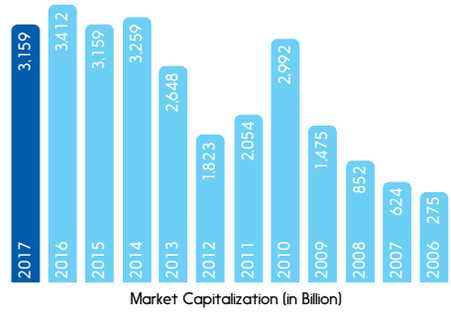
Non-Bank Financial Institutions (NBFIs) have emerged as an important segment of financial system in Bangladesh. The branch network of NBFIs increased to 246 as on 30 June 2017. At the end of June 2017, assets of NBFIs increased to BDT 755.33 billion. Sector wise composition of NBFIs' investment at the end of June 2017 was as follows: industry 44.21 percent, real estate 17.53 percent, margin loan 2.25 percent, trade and commerce 16.68 percent, merchant banking 4.17 percent, agriculture 2.67 percent and others 12.49 percent. At the end of June 2017, total deposit of NBFIs increased to BDT 418.85 billion from BDT 382.43 billion of FY 2016.



Sector wise Investment of NBFI's

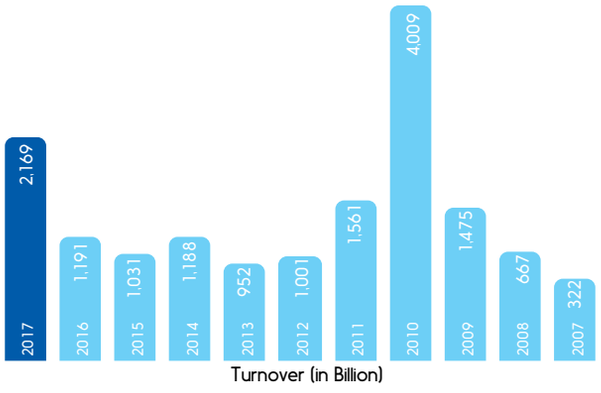
CAPITAL MARKET IN 2017

Stock markets in Bangladesh experienced an impressive year in 2017. It was phenomenal for the country's investors, as price index of Dhaka Stock Exchange (DSE) witnessed a sharp rise by 23.98 percent compared to last year, 2016. As on 28 December 2017, DSEX ended at 6,244 points and witnessed a 23.98 percent return from 5,036 points on December 29, 2016. The daily average turnover value stood at BDT. 874.83 crore, the highest since the stock market witnessed a crash in 2010. The market capitalization increased by 23.93 percent to BDT 422,894 crore, which was BDT 341,244 crore in the previous year. The financial sector, along with telecommunication and pharmaceuticals sectors played an important role in bringing back stability in the stock market in 2016. Banks (53%), NBFIs (41%), Telecommunications (61%) and Pharmaceuticals (24%) played a pivotal role and fueled the benchmark in such sharp rises. Attractive stock market valuation, low interest rates, excess liquidity, good corporate profitability, and an overall bullish trend in the market has directed quite a significant amount of fund flow to the market during the year 2017. The market PE of DSE was 15.65x in January, 2017 and stood at 17.28x in December, 2017. During the period, average market PE was around 16.5x. The average dividend yield of DSE was around 2.6%-2.9% during 2017.



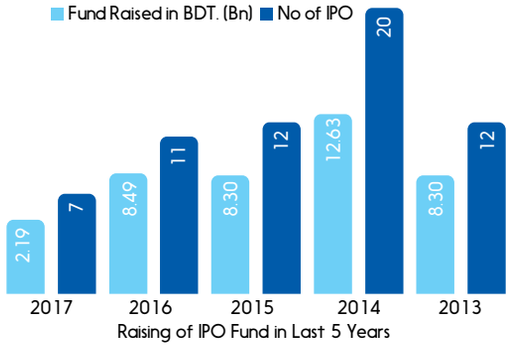
Market Capitalization (in Billion)

Dhaka Stock Exchange (DSE) is likely to get Shanghai and Shenzhen Exchanges as strategic partners along with USD 37mn technical support. This is expected to ensure the introduction of new products, advancement of technology and a professional approach towards management. This strategic partnership will create more brand value and attract more foreign investors in coming days. The market may remain sluggish during this transient period, but considering the strong fundamental outlook, and promising economic growth prospect, the market will remain vibrant in coming years. However, capital market will offer some attractive opportunities this year for bargain hunters and long-term investors.



Turnover (in Billion)

The foreign investors have higher exposure now than ever before. 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 2017.



Raising of IPO Fund in Last 5 Years

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 41 of this Annual Report.

OPERATIONAL PERFORMANCE OF UCL GROUP

In 2017 the financial sector including Union Capital passed another year of challenge. 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 as well as developing Woman's Enterprise. 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 51 percent of total investment portfolio followed by lease finance (11.92 percent) and SME finance (8.93 percent).

Lease Finance

Lease financing is one of the major fund based activities 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 2017. In 2017, total lease finance extended was BDT 437.5 million. The investment under lease finance of the Company stood at BDT 1,983.24 million at the end of 2017.

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 8,482.02 million at the end of 2017.

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

A Green Field Project or BMRE of existing industry requires a huge amount of fund which cannot be arranged from internal sources. In such case, within the regulatory restriction of having limit on credit exposure with a single client as well as to mitigate the credit risk, the required funds are

being raised through syndication arrangements with other financial institutions and banks.

CAPITAL MARKET OPERATION

In 2017, the Capital market of Bangladesh, was more stable than 2016. DSEX increased by almost 22.83 percent throughout the year. DSEX's the lowest point was 5,084 and the highest point was 6,337 which indicates that there was fluctuation of almost 1,253 points. The market price of share of Union Capital Limited was quite stable. The highest price was recorded at BDT 31.80 on March 19, 2017 and lowest one was BDT 16.70 on 13 November 2017. 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 who desires to raise fund from capital market for BMRE and repayment of debt. During the year 2017, the Company signed with Omera Petoleum Ltd. For issue size of BDT 1,627.30 million as capital raising and with Omera Gas One Ltd. for issue size of BDT 262.20 million for raising of their Capital.

Underwriting

It is one of the core activities of merchant banking operation. During the year 2017, the Unicap Investments Limited, one of the fully owned Subsidiaries underwrites Initial Public Offer of Lub-Rref (BD) Ltd. for BDT 30 million as well as underwrites Right Offer of Southeast Bank Ltd. for BDT 460.25 million.

Private Placement

Through its subsidiariy companies, 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 2017 was BDT 7,256.98 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 2017.

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 2017, the company booked loss of BDT 12.7 million in the form of capital loss from investment in listed securities.

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 2017 the Company obtained BDT 2,245.39 million from banks against different form of borrowings to finance its operations and repaid BDT 2,258.93 million as per terms and conditions of contracts. UCL also availed BDT 214.79 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 14,668.44 million as on 31 December 2017 compared to BDT 13,131.22 million of the previous year, registering growth of 11.71 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, Chattagram, Sylhet, Tongi, Bogura and Norsingdi.

OPERATING RESULTS (Consolidated)

During 2017, the Company generated revenue of BDT 2,456.63 million, which concluded profit from operation of BDT 804.83 million. Net profit has decreased by 24.63 percent to BDT 154.81 million. An amount of BDT 102.99 million has been provided as provision for taxation in 2017. Earnings per share was BDT 0.99 as against BDT 1.31 of last year. The weighted average number of ordinary shares outstanding during the year was 156.53 million (2016: 142.29 million). The financial results of the Company for the year 2017 with a comparison of 2016 are summarized below:

(BDT in million except per share data)

Particulazr	2017	2016
Operating Revenue	804.83	943.02
Operating Expenses	376.85	248.59
Profit before Tax	257.80	440.40
Provision for Tax	102.99	235.00
Profit after Tax	154.81	205.40
Earnings Per Share (EPS)	0.99	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 2017, UCL did not receive any dividend from the Subsidiary Companies. Separate audited financial statements of the subsidiary companies are given on pages 244 to 276 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 per. 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 2017 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 251st meeting held on 25 April 2018, recommended 5 percent stock dividend for the year ended on 31 December 2017 subject to approval of the shareholders at 20th Annual General Meeting scheduled to be held on 28 June 2018. Details of the dividend declared during the financial year are disclosed in Note 55.1 of the Notes to the Financial Statements on page 239 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 5 percent stock dividend for the year ended 31 December, 2017 for approval of the Shareholders in the 20th Annual General Meeting. The Board proposed the following appropriations:

In BDT million

Profit after Tax	109.02
Retained Earnings brought forward	8.65
Total Profit available for appropriation	117.67
Proposed appropriation:	
Transfer to Statutory Reserve	21.80
Dividend on preference share	--
Proposed Dividend	78.26
Retained Earnings carried forward	17.61

ANNUAL GENERAL MEETING

The notice of the 20th Annual General Meeting is given on page no. 279 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 2017;
- Declaration of dividend for the year 2017;
- 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. 87 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, 2017.

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 128 to 143 of this Annual Report.

CREDIT RATING

A credit rating is an assessment of the solvency or creditworthiness 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 84 to 86 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 2017 a total sixteen meetings were held. All of the Directors serving on the Board attended more than 72.92 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 78 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 2017 is presented on page 101 to 102 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 87 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 is presented on page 41 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 112 to117 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 page118 to 119 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, 2017 which is available on page 111 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 125 to 127 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 2017 is given in Annexure-II, page 78 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 BDT 10 each. The paid-up Capital of the Company is BDT 1,565,295,633 divided into 156,529,563 ordinary shares of BDT10 each. The shareholding pattern of the Company as at December 31, 2017 is shown in Annexure-III, on page 79 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 2017 is given under Annexure-IV on page 79 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 20th Annual General Meeting and being eligible offered themselves for reappointment:

a) Capt. Minhazur Reza Chowdhury, Director (Nominated by EC Securities Limited)

b) Kazi Russel Mahbub, Director (Nominated by Palmal Germents Hosiery Ltd.)

c) Mohammad Nurun Nabi FCA, Independent Director

d) Md. Fayekuzzaman, Independent 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, Md. Abdul Karim, Independent Director will retire in the 20th 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 50 to 56 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 nonfinancial 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 158 to 163 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. 170 to 172 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 our communities. 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 three areas of focus for operations: responsible paper use, energy and emissions, engaging our employees and communities. Our environmental initiatives have been reported on page 164 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 tax regularly to the National Exchequer by way of collection of income tax and VAT at sources from payments and also deposits corporate income taxes. During the reporting period, the deposited amount in the form of AIT & VAT was BDT 141.61 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 167 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 235.

APPOINTMENT OF AUDITORS

The Financial Institutions Act, 1993 and BSEC's order stipulated that an Auditor of a Financial Institution can not be appointed for more than three consecutive years. Moreover, section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. M/S. S. F. Ahmed & Co., Chartered Accountants have completed their third year as statutory auditors of the company and hence not eligible for re-appointment.

In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to appoint a suitable Auditors among the shortlisted Audit firms. The Broad in its meeting held on 25 April 2018 recommended the shareholders to appoint M/S. K. M. Hasan & Co., Chartered Accountants at a remuneration of BDT 200,000 plus VAT for the year 2018 subject to approval of Bangladesh Bank.

FUTURE OUTLOOK

2018 is expected to be another challenging year for our economy and UCL group as well. The GDP growth forecast for FY2018 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 2018 is aiming to earn $37.50 billion as economic growth in the euro area and the US strengthens. We also recognize a number of challenges, which includes increased competition, and slow recovery due to adverse investment climate, volatility in capital & money market. Because of involvement of banks in leasing business, competitiveness in leasing has been intensified further. 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 2017
Chowdhury Tanzim Karim	EC Securities Ltd.	16	16	100.00	Retired and Re-elected on 15 June
M. Faizur Rahman	Self	16	11	68.75	Continuing
Waqar A. Choudhury	Self	16	14	87.50	Retired and Re-elected on 15 June
Nadeem A. Chaudhury	Enrilco Limited	16	14	87.50	Retired and Re-elected on 15 June
Sabita Rezwana Rahman	Self	16	16	100.00	Retired and Re-elected on 15 June
Meherunnesa Haque	Self	16	12	75.00	Retired and Re-elected on 15 June
Capt. Minhazur Reza Chowdhury	EC Securities Ltd.	16	13	81.25	Continuing
Kazi Russel Mahbub	Palmal Garments Hosiery Ltd.	16	5	31.25	Continuing
Tajrina Sikder	Palmal Garments Hosiery Ltd.	16	2	12.50	Continuing
Mohammad Nurun Nabi FCA	Independent Director	16	11	68.75	Retired and Re-elected on 09 February
Abdul Karim	Independent Director	16	9	56.25	Retired and Re-elected on 29 December
Md. Fayekuzzaman	Independent Director	16	16	100.00	Retired and Re-elected on 15 June

Annexure-II

Substantial Shareholdings and Sponsor Shareholders

Name of Sponsor Shareholders	Percent of Shareholders
Palmal Garments Hosiery Ltd.	9.73
EC Securities Ltd.	7.22
Mr. Abdus Salam	3.19
Enrilco Limited	4.58
Khurshida Choudhury	2.77
Kazi Golam Samiur Rahman	2.21
Engr. M Abu Taher	1.25
Runa N. Alam	0.81
Rumana Sharif	0.21
Total	31.97

Pattern of Shareholdings

Annexure – III

Pattern of Shareholdings

Sponsor Shareholders/Directors	No. of shares held	percentage
Palmal Garments Hosiery Ltd.	15,231,718	9.73
EC Securities Ltd.	11,300,958	7.22
M. A. Salam	5,000,000	3.19
M. Faizur Rahman	7,220,777	4.61
Enrilco Limited	7,167,608	4.58
Kazi Golam Samiur Rahman	3,450,269	2.21
Sabita Rezwana Rahman	3,450,268	2.21
Khurshida Choudhury	4,335,796	2.77
Waqar A. Choudhury	3,177,900	2.03
Meherunnesa Haque	3,169,189	2.02
Engr. M. Abu Taher	1,961,610	1.25
Runa N. Alam	1,267,503	0.81
Rumana Sharif	322,889	0.21
Senior Executives		
Managing Director & CEO	Nil	
Company Secretary	Nil	
Chief Financial Officer	Nil	
Head of Internal Audit	Nil	
Other top five Executives		
Fazle Karim Murad	Nil	
A. N. M. Golam Shabbir	Nil	
Selim Khan Hindol	Nil	
Tareq Ahmed Salah Uddin Khan	Nil	
Shaheen Mohammad Qumrul Hasan	Nil	
Shareholders Holding 10% or more voting right		
Shareholders holding ten percent (10%) or more voting interest in the company	Nil	

Annexure - IV

Range of Shareholdings

The distribution schedule of shareholdings as on 31 December 2017 was as under:

Shareholding range	No. of shareholders	No. of shares	% of total
Less than 500	2,087	388,823	0.25
501 to 5,000	4,084	8,179,485	5.23
5,001 to 10,000	769	5,550,030	3.55
10,001 to 20,000	391	5,624,082	3.59
20,001 to 30,000	139	3,478,265	2.22
30,001 to 40,000	67	2,403,133	1.54
40,001 to 50,000	31	1,421,937	0.91
50,001 to 100,000	71	5,070,338	3.24
100,001 to 1,000,000	99	32,136,946	20.53
Over 1,000,000	26	92,276,524	58.95
Total	7,764	156,529,563	100.00

AMAR STOCK

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 providing independent oversight of the Company's financial reporting, non-financial corporate disclosure, effectiveness of internal control, compliance and sound monitoring system within the organization as set out in the Committee Charter.

Audit committee of UCL is consisted of a selected number of members of the Board of Directors whose responsibilities include among others helping auditors remain independent of management. The Audit Committee also assists the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the company.

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee consists of five Directors of the Company 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. As required, all members of Audit Committee are financially literate and are able to analyze and interpret financial statements to effectively discharge their duties and responsibilities as member of the Audit Committee.

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

Mr. Md. Fayekuzzaman	Chairman
Mr. M. Faizur Rahman	Member
Mr. Nadeem A. Chaudhury	Member
Mr. Mohammad Nurun Nabi FCA	Member
Ms. Sabita Rezwana Rahman	Member

Biographical details of the current members of the Committee are set out on page 50 to 56 The members' fees as fixed by the Board of Directors under the guidelines of Bangladesh Bank are shown in the table of remuneration of the audit committee members on page102 of the report.

Chief Financial Officer (CFO), Head of Internal Control and Compliance (ICC) and the representatives of the external auditors (if required) are invited to attend the committee meetings. As per the requirement of the committee, the Chief Executive Officer (CEO) or other employees may be invited in the meetings.

OBJECTIVE OF THE COMMITTEE

The Audit Committee performs in absolute coherence and ensures compliance with the regulators guidelines. 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
- Reviewing 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 present committee is chaired by an Independent Director Mr. Md. Fayekuzzaman who has required knowledge and extensive experience to serve in this role. He did his Masters in Management and subsequently attended various post-graduation studies mainly in accounting, 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 in the Board of Directors of more than 20 national and multinational organizations. The biography of Mr. Md. Fayekuzzaman is given on page 56 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) evaluating the operating effectiveness of internal control system, (5) the performance of UCL's internal audit function and independent auditors and (6) reviewing the functions as per the requirements of regulatory authorities.

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 auditors regarding financial reporting.
- Pre-approve all auditing and permitted non- audit services performed by the external audit firm.
- 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.

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;
- Recommend to the Board steps needed to improve the system of internal control.

Internal Audit

- Review the adequacy of internal audit functions;
- Consider the scope of work and review and approve the annual audit plan;
- Review the reports prepared as per audit plan and as per the requirement of higher authorities/ management/ committee;
- 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.

External Audit

- Discuss with the external auditor any audit problem 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.

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.

Meeting held during the year 2017 along with the attendance of the members:

Composition of Audit Committee		Number of Meetings		Attendance %
		Held	Attended	
Mr. Md. Fayekuzzaman	Chairman (appointed on 26.10.2017)	2	2	100%
Mr. M. Faizur Rahman	Member	5	2	40%
Mr. Nadeem A. Chaudhury,	Member	5	5	100%
Mr. Mohammad Nurun Nabi FCA,	Chairman, (01.01.2017-25.10.2017)	5	4	80%
	Member (from 26.10.2017)			
Ms. Sabita Rezwana Rahman	Member	5	5	100%
Ms. Tajrina Sikder	Member (01.01.2017-25.10.2017)	3	1	33.33%

Activities of the committee carried out in the year 2017:

The Audit Committee carried out among others the following activities:

- Reviewed and recommended to the Board both the consolidated and separate audited financial statements for the year ended 31 December 2017 along with the auditors' report thereon;
- Reviewed the proposal of auditors for appointment and recommended the same to the Board;
- Reviewed the comprehensive and core risk inspection reports of Bangladesh Bank and compliance reports 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 for improvement;
- Reviewed the report on the non-performing/ default clients;
- Reviewed the pending legal suits;
- Reviewed the report on business operations;
- Reviewed the annual/revised budget and budgetary control system 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;
- Reviewed and approved the Audit Plan for the year 2018;
- Reviewed the audit observations of the External Auditors and communicated the same with the Board;
- Reviewed the Quarterly Operations Report (QOR) and Departmental Control Function Checklist (DCFCL) on quarterly basis;
- Holding meetings with external and internal auditors;
- Reviewed disclosures required in the statement on Corporate Governance, Audit Committee report, standard of business conduct, statement of risk management and internal control for the financial year ended 2017 for inclusion in the Annual report 2017 and recommended the adoption by the Board.

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/-
Md. Fayekuzzaman
Chairman, Audit Committee

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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 safeguarding the shareholders' investments as well as 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 by ensuring 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 statement on internal control has been prepared to comply with the regulatory requirements as well as 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.

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, 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.

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 organization, 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 organizes and develops its people; and the attention and direction that are 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 which affects the 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 to ensure that management directives are properly carried out. They help to ensure that necessary actions have been taken to address risks which affects the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, 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 organization. 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. 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 system, a process that assesses the quality of the system's performance over time, is needed to be

monitored. 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 that 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 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.

Among other committees Asset Liability Management Committee (ALCO), Management Credit Committee and Basel II Implementation Committee are set up in the Group to manage specific areas of risk.

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 & procedures are reported to RMC. In addition the Group has placed 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 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 designed and documented to ensure accountability and responsibility.

Internal Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and 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 in business and operational environment. Furthermore, a review of the policies, processes and procedures are also carried out to ensure that appropriate controls are in place to manage operational risks.

There is a 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 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 the 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 50 to 56 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: 25 April 2018

Sd/-
Mohammad Balayet Hossain
Chief Financial Officer (CC)
Dhaka: 25 April 2018

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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 2017.

Based on that evaluation, the Management concluded that, as of December 31, 2017, 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 2017.

Our internal control over financial reporting as of 31 December 2017 has been audited by S. F. Ahmed & Co., Chartered Accountants, who also audited our Consolidated Financial Statements for the year ended 31 December 2017. The Auditor also assesses 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: 25 April 2018

Sd/-
Mohammad Balayet Hossain
Chief Financial Officer (CC)
Dhaka: 25 April 2018

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

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,

Sd/-
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 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 among 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 that 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.

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.

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.

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 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.

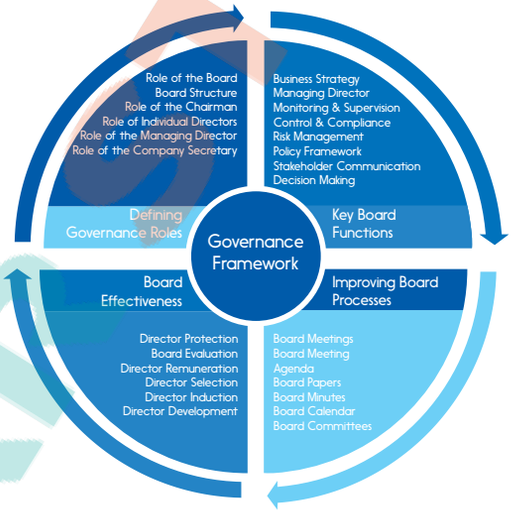
Corporate Governance Statement

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

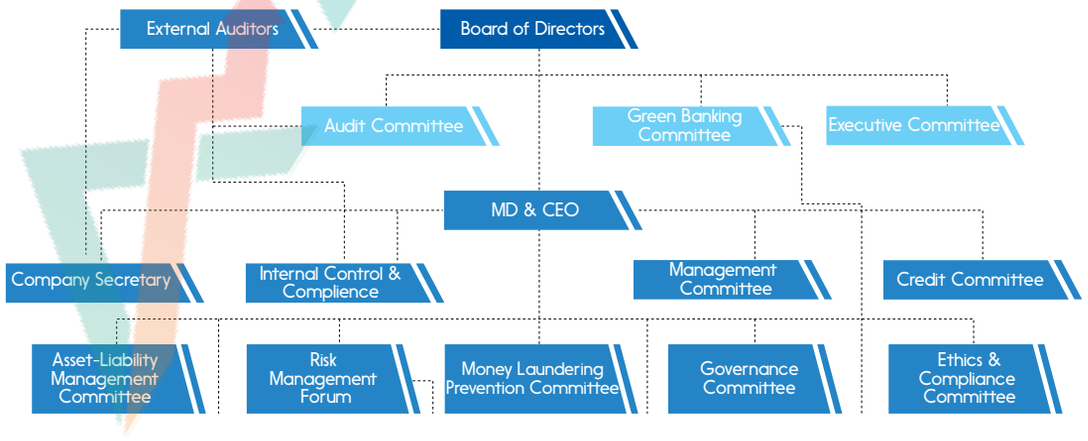
- Minimizing or avoiding conflicts of interest between the business interests of the group and personal interests of directors or executives.
- Disclosing matters that are material to the business of the group or the interests of stakeholders timely and accurately.
- Ensuring efficient and effective 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 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 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 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 nonexecutive 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 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 50 to 56 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 guidelines 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 has 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 companies strategy and in the achievement of the companies 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 Companies and groups performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sound advice in achieving the Companies 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 nonexecutive 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 111 of this Annual report. The report of the Chairman is also given on page 90 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 50 to 56 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 exofficio 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 50 to 56 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 2017, the Board held 16 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 detail of the attendance of the Directors is given on page no. 101 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 2017, 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 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 and Mr. Md. Fayekuzzaman are Independent Directors.

CHAIRMAN OF THE AUDIT COMMITTEE

The committee is chaired by a non-executive Independent Director Mr. Md. Fayekuzzaman, who is considered to be best qualified to serve in this role and has knowledge of finance. The biography ofMr. Md. Fayekuzzaman is given on page 56 of this annual report.

QUALIFICATION AND 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 50 to 56 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 to comply 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 2017, the Audit Committee held 5 meetings in person. Details of audit committee meetings and attendance of audit committee members is given on page 102 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 2016 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 2017 and fixation of their remuneration;
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2016;
- Reviewed the quarterly, half yearly financial statements for the year 2017;
- Reviewed the inspection report of Bangladesh Bank for the year 2016 and management response thereon; and
- Reviewed quarterly operation report of the Company for the year 2017.

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 128 to 143. 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 provide 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; and
- 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 107 to 110 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 Committee

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 BDT 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 2017, 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	Mr. Chowdhury Tanzim Karim	Chairman	Chairman	16/16	128,000
2	Mr. M. Faizur Rahman	Director	Member	16/11	88,000
3	Mr. Waqar A. Choudhury	Director	Member	16/14	112,000
4	Mr. Nadeem A. Chaudhury	Director	Member	16/14	112,000
5	Ms. Tajrina Sikder	Director	Member	16/2	16,000
6	Ms. Sabita Rezwana Rahman	Director	Member	16/16	128,000
7	Ms. Meherunnesa Haque	Director	Member	16/12	96,000
8	Capt. Minhazur Reza Chowdhury	Director	Member	16/13	104,000
9	Mr. Kazi Russel Mahbub	Director	Member	16/5	40,000
10	Mr. Mohammad Nurun Nabi FCA	Independent Director	Member	16/11	88,000
11	Mr. Abdul Karim	Independent Director	Member	16/9	72,000
12	Mr. Md. Faykuzzaman	Independent Director	Member	16/16	128,000

REMUNERATION OF THE AUDIT COMMITTEE MEMBERS

SL. No.	Name	Status with the Company	Status with the Committee	Meeting Attendance	Fee
1	Mr. Md. Faykuzzaman *	Independent Director	Chairman	2/2	16,000
2	Mr. Mohammad Nurun Nabi FCA	Independent Director	Member	5/4	32,000
3	Mr. M. Faizur Rahman	Director	Member	5/3	24,000
4	Mr. Nadeem A. Chaudhury	Director	Member	5/5	40,000
5	Mrs. Tajrina Sikder **	Director	Member	3/1	8,000
6	Ms. Sabita Rezwana Rahman	Director	Member	5/5	40,000

* After appointment of Mr. Md. Faykuzzaman, two meeting were held in 2017.
** Before retirement of Mrs. Tajrina Sikder, three meeting were held in 2017.

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	2/2	16,000
4	Ms. Sabita Rezwana Rahman	Director	Member	2/2	16,000
5	Mr. Waqar A. Choudhury	Director	Member	2/1	8,000

REMUNERATION OF THE CEO

The total remuneration of the CEO was BDT 7,590,000 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 2017, total senior management employees were 17 in number with a total remuneration of BDT 61,545,781.

HUMAN CAPITAL

The talented and highly motivated people 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 that 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 visit 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 create 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 discussion 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 THE 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 including 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 the AGM.

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 communicats 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 transparent 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 followings 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

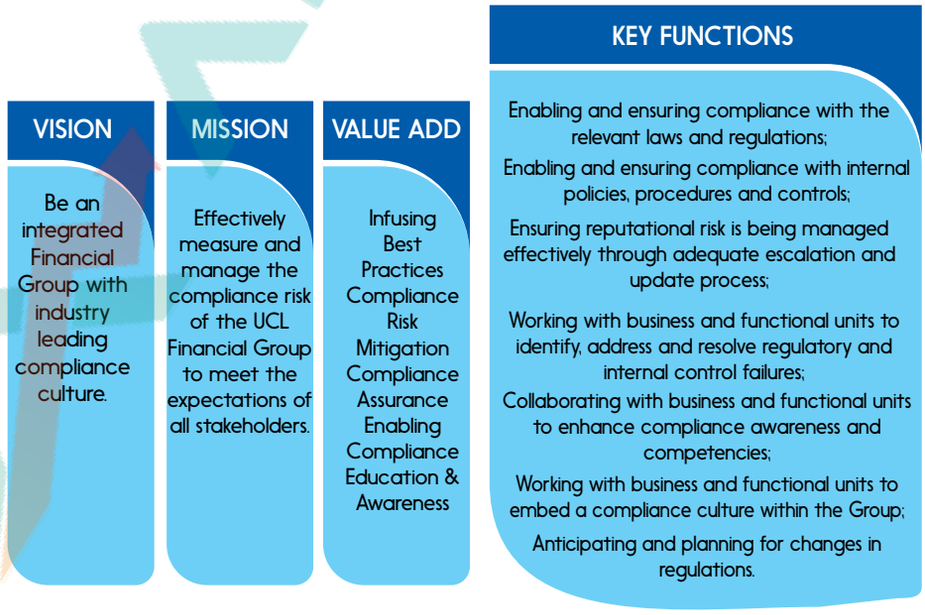
At the apex of Compliance is the Board, which oversees and provides strategic direction for compliance in the Group. The Risk Management Committee ("RMC") is the management Committee wherein the Group's state of compliance with laws, regulations, internal policies and procedures is reported. The Compliance 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.

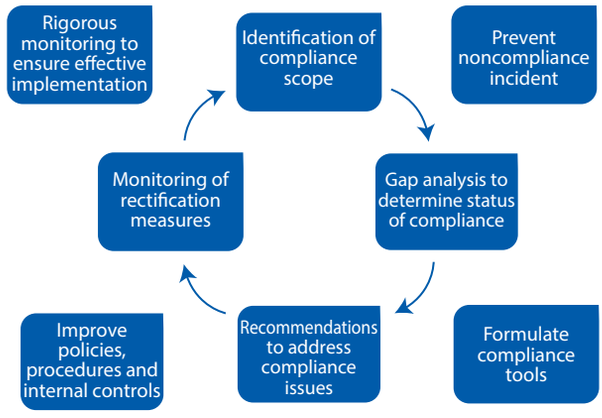
Division and Department Heads are continuously engaged to ensure that they continue to inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.



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, and 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 2017 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 Practices
- 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 develops 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 keeping 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.

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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 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 practiced 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.

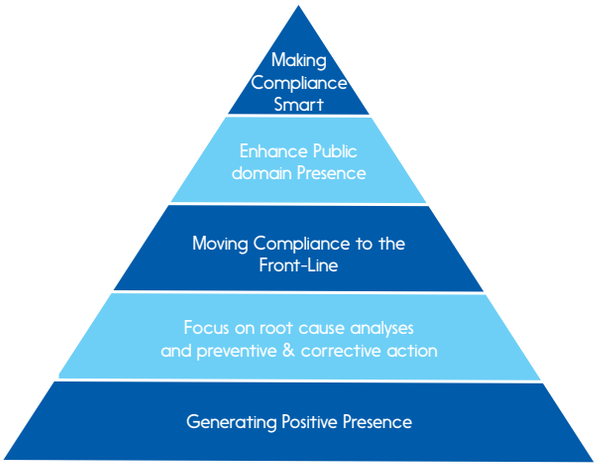
In this regard, the Board and senior Management within each respective entity have extended their highest support and cooperation in moving compliance to the front-line. They have done this by establishing the tone from the top, which is quite simply, to comply with all laws and regulations and employ ethical behavior. All staff is 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.

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Certificate on

COMPLIANCE WITH CONDITIONS ON CORPORATE GOVERNANCE

Ahmed Zaker & Co.
CHARTERED ACCOUNTANTS

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Phone: +88-02-8300501-8, Fax: +88-02-8300509

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 2017 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: April 11, 2018

GGi
INDEPENDENT MEMBER

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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 Remarks (if any) 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 Remarks (if any) 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 explanation 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 judgment.	√		
	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 Remarks (if any) 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 summarized	√		
	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 areas	√		
	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 Remarks (if any) 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			Not Applicable

ANWARSTOCK

Condition No.	Title	Compliance Status (Put √ in the Remarks (if any) 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 annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated 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 Remarks (if any) 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.	√		
	5 (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)** 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	√		

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**

MARKET STOCK

Disclosures on Capital Adequacy and

MARKET DISCIPLINE (CAMD) – PILLAR III

A) Scope of Application

Qualitative Disclosures:

a) These guidelines apply to Union Capital Limited.

b) Union Capital Limited (UCL) has two wholly owned subsidiaries: UniCap Securities Limited and UniCap Investments Limited which are fully consolidated.

c) Any restrictions or other major impediments, on transfer of funds or regulatory capital within the group.

Not Applicable

Quantitative Disclosures:

d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.

Not Applicable

B) Capital Structure

Qualitative Disclosures:

(a) Summary information on terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or Tier 2.

Tier 2 Capital includes:

i) General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) of Credit Risk.

ii) Revaluation reserves:

- 50% of Revaluation reserve for fixed assets
- 45% of Revaluation reserve for securities

iii) All other preference shares

Conditions for maintaining regulatory capital:

i) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.

ii) 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities are eligible for Tier 2 capital.

Quantitative Disclosures:

(b) The amount of Tier 1 capital, with separate disclosure of:

Particulars	Amount in BDT Crore
Paid up Capital	156.53
Statutory reserve	43.63
Retained earning	9.59

(c)	The total amount of Tier 2 capital	47.28
(d)	Other deductions from capital	-
(e)	**Total eligible capital**	**257.03**

C) Capital Adequacy

Qualitative Disclosures

(a) A summary discussion of UCL's approach to assessing the adequacy of its capital to support current and future activities.

Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)

UCL has applied Standard Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying capital charge for market risk and operational risk by reciprocal of the minimum capital adequacy ratio and adding the resulted figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Capital as numerator to derive Capital Adequacy Ratio.

Strategy to Achieve the Required Capital Adequacy:

- Rigorous monitoring of overdue loans to bring those under 90 days overdue
- Financing clients having good rating as per Company's policy
- Using benefit of credit risk mitigation by taking eligible collaterals against transactions
- Focusing more to increase the spread on loan and thus increasing retained earnings
- Raise fresh capital by issuing bonus share.

Quantitative Disclosures

Particulars	Amount in BDT Crore
Capital requirement for Credit Risk	188.92
Capital requirement for Market Risk	9.53
Capital requirement for Operational Risk	10.31
Total and Tier 1 capital ratio:	
CAR on Total capital basis (%)	12.31
CAR on Tier 1 capital basis (%)	10.07

D) Credit Risk

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk including:

- Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

- Description of approaches followed for specific and general allowances and statistical methods

General and specific provisions are maintained according to the relevant Bangladesh Bank Guidelines.

Discussion on FI's credit risk management policy:

Implementation of various strategies to minimize risk:

To encounter and mitigate credit risk, the following control measures are taken place at UCL:

- Vigorous monitoring and follow up by fully dedicated recovery and collection team
- Strong follow up of compliance of credit policies by appraiser and credit department
- Taking collateral, performing valuation and legal vetting on the proposed collateral by members of our own dedicated technical and legal department
- Seeking legal opinion from external lawyers for any legal issues if required
- Regular review of market situation and industry exposures
- Insurance coverage for funded assets

In addition to the best industry practices for assessing, identifying and measuring risks, UCL also considers Guideline for Managing Core Risks of Financial Institutions issued by Bangladesh Bank for management of risks.

Approved Credit Policy by the Board of Directors

The Board of Directors has approved the credit policy for the company where major policy guidelines, growth strategy, exposure limits and risk management strategies have been described/ stated. Credit policy is regularly updated to cope up with the changing global, environmental and domestic scenarios.

Separate Credit Risk Management (CRM) Department

An independent Credit Risk Management (CRM) Department is in place, at UCL, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. CRM has been segregated from Credit Administration Department in line with Central Bank's Guidelines. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

Monitoring and Recovery Team

A strong recovery team monitors the performance of the loans and advances, identifies early sign of delinquencies in portfolio and takes corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

Independent Internal Control & Compliance Department

Appropriate internal control measures are in place at UCL. An Internal Control & Compliance Department has been established to ensure compliance with all internal guidelines, Bangladesh Bank guidelines, operational procedures and adequacy of internal control and documentation procedures.

Credit Evaluation

To mitigate credit risk, UCL search for credit reports from Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by Credit Admin Department and Credit Risk Management Department to understand the liability condition and repayment behavior of the client. Depending on the reports, opinions are taken from the concerned related parties for better understanding about client's credit worthiness.

Credit Approval Process

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multilayer system.

Depending on the size of the loan, a multilayer approval system is designed. As smaller loan are very frequent and comparatively less risky, lower sanctioning authority is set to improve processing time and associated risk. Bigger loans require more scrutiny as the associated risk is higher hence sanctioning authority is higher as well.

Early Warning System

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It helps the company to grow its credit portfolio with ultimate objective of protecting the interest of the stakeholders.

Methods used to measure Credit Risk

As per the directives of Bangladesh Bank, 'The Standardize Approach' is applied by the company to measure its Credit Risk.

Quantitative Disclosures

(b) Total gross credit risk exposures broken down by major types of credit exposure.

Particulars	Amount in BDT Crore
Leasing	198.32
Term finance	826.00
Housing loans	22.20
Personal loan (staff)	3.14
Loan against deposit	0.50
Loan to subsidiary	613.00
Total	1,663.16

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

Area	Amount in BDT Crore
Dhaka Division	1,441.00
Chittagong Division	184.18
Rajshahi Division	28.40
Khulna Division	0.47
Rangpur Division	2.03
Barisal Division	0.01
Sylhet Division	7.07
Total	1,663.16

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

Sector	Amount in BDT Crore
Trade and Commerce	**187.96**
Industry	
Garments and Knitwear	46.03
Textile	178.82
Jute and Jute Products	2.83
Food Products and Processing Industry	49.07
Plastic Industry	3.23
Leather and Leather-Goods	0.11
Iron, Still and Engineering	76.29
Pharmaceuticals and Chemicals	58.62
Cement and Allied Industry	2.55
Telecommunication and Information Technology	31.51
Paper, Printing and Packaging	27.04
Glass, Glassware and Ceramic Industry	0.45
Ship Manufacturing Industry	37.12
Electronics and Electrical Products	38.17
Power, Gas, Water and Sanitary Service	72.34
Transport and Aviation	42.82
Agriculture	**81.32**
Housing	**22.20**
Others:	-
Merchant Banking	530.08
Others	174.63
Grand total	**1,663.16**

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Particulars	Amount in BDT Crore
Repayable on demand	29.88
Not more than 3 months	60.32
Over 3 months but not more than 1 year	371.83
Over 1 year but not more than 5 years	1,119.88
Over 5 years	81.25
Total	**1,663.16**

(f) By major industry or counter party type:

(i) Amount of impaired loans and if available, past due loans, provided separately

The amount of classified loans and advances of UCL are given below as per Bangladesh Bank guidelines.

Particulars	Amount in BDT Crore
Loans & advances up to 5 years	129.78
Loan & advances over 5 years	15.49
Totals	**145.27**

(ii) Specific and general provisions:

Specific and general provisions were made on the amount of classified and unclassified loans and advances of UCL.

Particulars	Amount in BDT Crore
Provision on classified loans and advances	27.42
Provision on unclassified loans and advances	17.28
Total	**44.70**

(iii) Charges for specific allowances and charge-offs during the year.

During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances of UCL.

Particulars	Amount in BDT Crore
Provision on unclassified loans and advances	(1.94)
Provision on classified loans and advances	15.95
Total	**14.01**

E) Equities: Banking book positions

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and conditions of regulatory authority.

Quantitative Disclosures

(b) Value disclosed in the balance sheet of investments, as well as the fair value of those investments, for quoted securities, a comparison to publicly quoted share values where share price is materially different from fair value.

Particulars	Amount in BDT Crore
Quoted shares (Market price)	47.67
Quoted shares (Cost Price)	48.29
Unquoted shares	-

Breakup of Total Investment

Particulars	Amount in BDT Crore
Government securities	-
Non marketable securities	-
Preference share	-
Investment in share (lock-in)	-
Marketable Securities	48.29
Commercial paper	-

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

Particulars	Amount in BDT Crore
Cumulative realized gain / (Loss)	(1.27)

(d)

Particulars	Amount in BDT Crore
Total unrealized gains (Losses)	(0.62)
Total latent revaluation gains (Losses)	-
Any amounts of the above included in Tier 2 Capital	-

(e) Capital requirements broken down by appropriate equity groupings, consistent with FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital.

Specific Risk-Market value of investment in equities is BDT 47.67 crore. Capital requirement is 10% of the said value which stands at BDT 4.77 crore.

General Risk-Market value of investment in equities is BDT 47.67 crore. Capital requirement is 10% of the said value which stands at BDT 4.77 crore.

F) Interest rate in the banking book

Qualitative Disclosures

(a) The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

UCL measures the interest rate risk by calculating maturity gap between Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL) i.e. a positive maturity gap affect company's profitability positively with the increment of interest rate and negative maturity gap affects company's profitability adversely with the increment of interest rate.

Quantitative Disclosures

(b) The increase (decline) in earning or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

G) Market Risk

Qualitative Disclosures

(a) Views of BOD on trading/investment activities

All the Market risk related policies/guidelines are duly approved by BOD. The BOD reviews the compliance on regular basis aiming to mitigate market risk.

Interest Rate Risk-Increase in Interest Rate: (BDT in Crore) Where applicable

Particulars	Maturity wise distribution of Assets-Liabilities				
	One month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 Year
A. Total Rate Sensitive Liabilities (A)	53.55	54.47	67.76	189.08	371.60
B. Total Rate Sensitive Assets (B)	74.28	77.01	80.76	210.12	391.10
C. Mismatch	20.74	22.53	13.00	21.04	19.50
D. Cumulative Mismatch	20.74	43.27	56.27	77.31	96.81
E. Mismatch (%)	38.72%	41.36%	19.19%	11.13%	5.25%

Magnitude of shock	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio (BDT in Crore)	0.00	0.00	0.00
Net Interest Income (BDT in Crore)	1.94	3.87	5.81
Revised Regulatory Capital (BDT in Crore)	281.68	283.61	285.55
Risk Weighted Assets (BDT in Crore)	2,459.17	2,459.17	2,459.17
Revised CAR (%)	11.45%	11.53%	11.61%

Method used to measure Market risk

Market risk is the probability of losing assets in balance sheet and off-balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardize (rule based) Approach. Capital charge for interest rate risk and foreign exchange risk is not applicable to our company as because we do not have such balance sheet items

Market Risk Management System

A system for managing Market Risk is in place where guideline has been given regarding long-term, short-term funding, liquidity contingency plan, local regulatory compliance etc. Treasury manages the Market risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following manner:

Interest Risk Management

Treasury Department and Finance & Accounts Department review the risk of changes in the income of the company as a result of movements in the market interest rates. In the normal course of business, UCL tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

Market analysis

Market analysis over interest rate movements are reviewed by the Treasury Department with the help of other concerned Departments of the company. The type and level of mismatch interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and earning value perspective.

GAP analysis

ALCO has established guidelines in line with central bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between rate sensitive assets and rate sensitive liabilities and takes decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

Continuous Monitoring

Company's treasury manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assured risks.

Equity Risk Management

Equity Risk is the risk of loss due to adverse change in the market place of equities held by the Company.

Equity Risk is managed by the following manner:

UCL minimizes the equity risks by portfolio diversification as per investment policy of the Company.

Quantitative Disclosures

(b) The capital requirements for Market Risk:

Particulars	Amount in BDT Crore
Interest rate risk	-
Equity position risk	9.53
Foreign Exchange Position and Commodity risk (If any)	-

H) Operational Risk:

Qualitative disclosure:

a) Views of Board on the system to reduce Operational Risk:

All the policies and guidelines of internal control and compliances are established as per advice of the Board. Audit Committee of the Board oversees the activities of internal Control and compliance as per good governance guideline issued by Securities and Exchange Commission.

Performance gap of executives and staff

UCL's recruitment policy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the requirements of the job (both now and in future), matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. Favorable job responsibilities are increasingly attracting greater participation from different level of employees in the UCL family. We aim to foster a sense of pride in working for UCL and to be the employer of choice. As such there exists no performance gap in UCL.

Potential external events

No such potential external event exists to raise operational risk of UCL at the time of reporting.

Policies and Procedure for mitigating operational risk

UCL has established a strong Internal Control and Compliance Department to address operational risk and to frame and implement policies to deter such risks. Internal Control and Compliance Department assesses operational risk across the company and ensures that appropriate framework exists to identify, assess and manage operational risk.

Approach to calculating capital charge for operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. UCL uses basic indicator approach for calculating capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

Quantitative Disclosures:

b) Capital requirement for operational risk:

Particulars	Amount in BDT Crore
Capital requirement for operational risk:	10.31

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 2017 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:

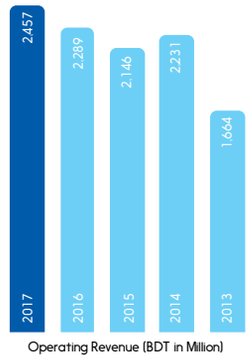
- The degree of uncertainty: Management confirms that during the period of assessment there was no such event or condition the outcome of which may increase any uncertainty about the continuance of UCL's business;
- Nature and size of business: UCL is engaged in financing and capital market operations. 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 2017, UCL has positive net current assets of BDT 858.83 million as against BDT 538.19 million of 2016 which signifies that the Company has sufficient liquid resources to meet its short-term obligations from its short-term assets.



Operating Revenue (BDT in Million)

Debts with excellent repayment records

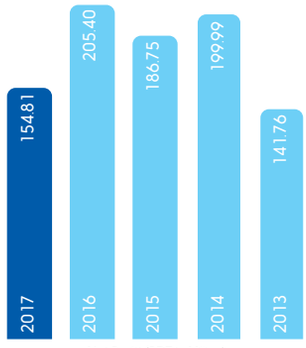
At the end of 2017, the total fixed term borrowings of the Company were BDT 3,318.07 million compared to BDT 2,162.33 million of prior year. During the year we availed new credit facilities of BDT 2,030.59 million and repaid BDT 874.86 million to the lenders on due date thereby enhancing lenders confidence in UCL.

Term borrowings grew by 53.45 percent in 2017 due to increase in investment portfolio which grew by more than 4.35 percent.

Dependency on short term borrowings

At the end of 2017, total short term borrowings of the Company were BDT 1,727.05 million compared to BDT 1,129.81 of prior year representing only 8.04 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.

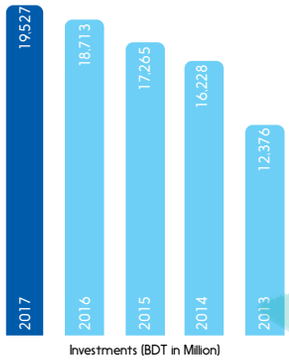


Net Profit (BDT in Million)

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

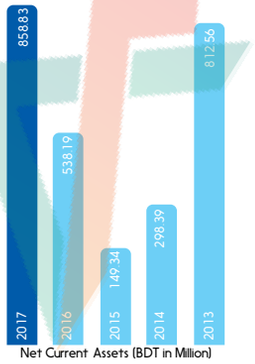
UCL has been enjoying unparallel supports from banks, other lenders and depositors. We have a very good track record in repayment of our loan that gives a comfort to our lenders. We have also been enjoying a very good and competitive terms of borrowings from our lenders. Moreover, our depositors, both institutions and individuals, have showed their trust and confidence in UCL while placing deposits to us. In 2017 we have mobilized deposits of BDT 8,944.70 million and encashed BDT 7,354.69 million with a remarkable net growth of 12.91% compared to 2016.



Investments (BDT in Million)

Positive operating cash flows

Cash flow statement of the Company for the year ended 31 December 2017 shows positive operating cash flows of BDT 684.89 million that signifies UCL's ability to generate adequate cash flow from operating activities to meet its operating expenses.



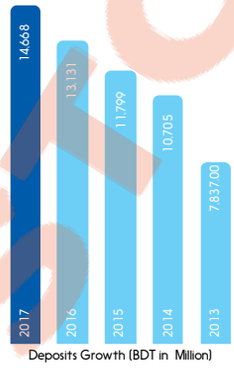
Net Current Assets (BDT in Million)

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 41 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 BDT 0.94 per share of BDT 10 each that reflects company's commitment to its shareholders for sustainable growth.



Deposits Growth (BDT in Million)

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 BDT 18,713.12 million to BDT 19,526.84 million registering a steady growth of 4.35 percent over last year. Total consolidated operating profit is BDT 804.83 million and total profit after tax is 154.81 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 3.48 which is a evidence of its business expansion, customer satisfaction resulting in value addition to the stakeholders.

Corporate culture and employee satisfaction

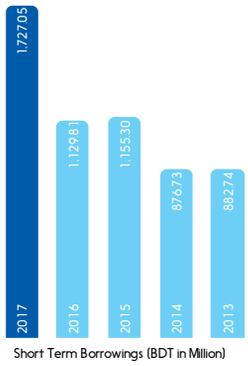
UCL's aspiration is to be the employer of choice. A good working environment is of paramount importance to any company's continuance, sustainability and the wellbeing of its employees. At UCL we strive to create a flexible and challenging framework that always attracts qualified aspirant and encourages 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.

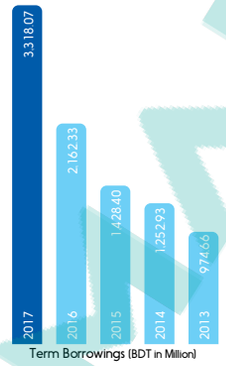
Other matters

Maintenance of adequate capital

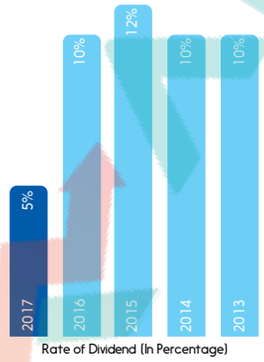
As at 31 December 2017, the Company's total consolidated equity stands at BDT 2,287.63 million. While the minimum paid-up capital as required by Bangladesh Bank is BDT 1,000.00 million, Company's paid-up as on 31 December 2017 was BDT 1,565.30 million. UCL would like to enhance its equity gradually following prudent dividend policy 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 2017, 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 keep up its credit rating 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, information security risk and compliance 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 jeopardized 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:

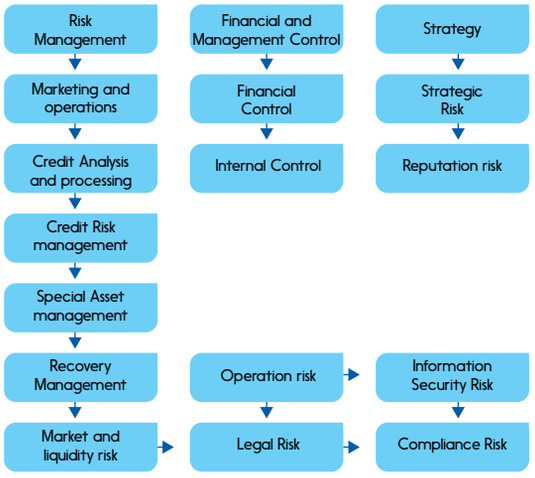
- High-quality risk assets measured by five Key Performance Indicators:
  i. ratio of non-performing loans to total loans;
  ii. ratio of loan loss expenses to interest revenue;
  iii. ratio of loan loss provision to gross non-performing loans;
  iv. ratios of large loan to total exposure; and
  v. Percentage 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 minimizing 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.

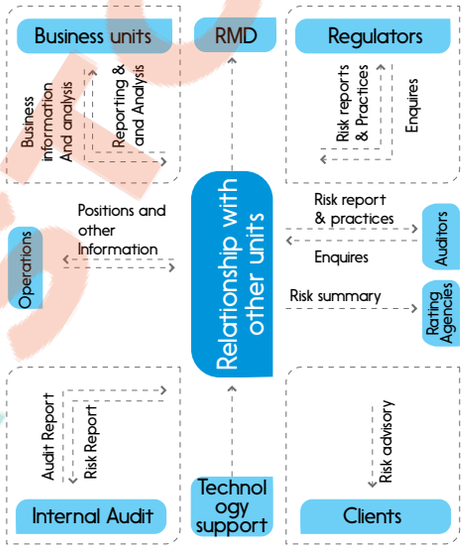
RISK MANAGEMENT PRINCIPLES

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

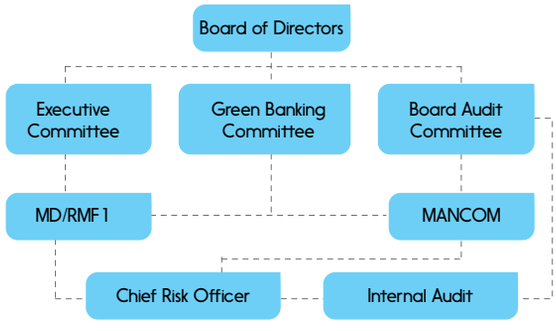
The relationships between the Risk Management Department (RMD) and other sections of the Group are highlighted below:



GOVERNANCE

Risk management governance framework

UCL's risk management governance framework is outlined in the diagram below:



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.

- 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 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 Management 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 three Committees namely:

- Audit Committee
- Executive Committee and
- Green Banking Committee

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, implementing 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;
- Implementing of risk strategy approved by the Board of Directors;
- 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.
- Developing and overseeing implementation of Stress Testing.
- 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 analyzing 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 of 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.
- 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 2018

- 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 organization are identified, analyzed 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;
- utilize 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 realization of security remains a fallback 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;
- Credit Risk Management (CRM);
- Credit Administration Department (CAD);
- Legal Department;
- Internal Control and Compliance (ICC) Department and
- Recovery & Monitoring Department (RMD)

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 analyzing 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 for the recovery of loans that are past due for 6 months or more and accounts written off from on-balance sheet. RMD will continue to liaise with recovery agents, legal department and outsourcing legal services to ensure effective recovery of bad loans.

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 BDT):

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

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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 8.73 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 2018, 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 2018, 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.

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 2017	Dec 2016	
12.31	12.86	Capital adequacy ratio(%)
Capital composition:		
Tier 1		
1,565.30	1,423.00	Paid-up capital
436.28	414.47	Statutory reserves
-	-	Non-controlling interest
		(insignificant)
183.93	193.33	Retained earnings
2,185.51	**2,030.80**	**Total**
Tier 2		
253.22	235.81	General provision
51.01	51.01	Asset revaluation reserves
300.00	400.00	All other preference shares
604.23	**686.82**	**Total**
Capital utilisation:		
24,591.58	22,963.90	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 Employee(KYE) 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 organization 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:

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.

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.
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

- 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 recognizes 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

ENVIRONMENTAL 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 labor 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.

AMARSTOCK



Senior Management

SENIOR MANAGEMENT

Who leads the company and drives our strategy



Mahmudul Alam

Managing Director & CEO

With UCL Since 9 November 2015

Born in December 1961

Nationality Bangladeshi

Committee Membership

Chairman

Management Committee (MANCOM), Credit Committee, Asset-Liability Management Committee, Corporate Governance Committee, BASEL-II Implementation Committee, HR & Remuneration Committee, Disclosure Committee and Credit Risk Management Committee.

External appointment

Director, UniCap Securities Limited

Qualification & Experience

Mr. Mahmudul Alam, a dynamic and versatile management executive, has more than 27 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 and financial management etc. An Ex-Cadet of Faujdarhat Cadet College, Chittagong, he attended a large number of trainings, workshops, seminars at home and abroad.



Chowdhury Manzoor Liaquat

Deputy Managing Director

With UCL Since 15 February 2018

Born in December 1966

Nationality Bangladeshi

Committee Membership

Member

Management Committee (MANCOM), Credit Committee, Asset-Liability Management Committee, Money Laundering Prevention Committee, Credit Risk Management Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASEL-II Implementation Committee, HR & Remuneration Committee, Recovery Committee and Disclosure Committee.

External Appointment Nil

Qualification & Experience

Mr. Chowdhury Manzoor Liaquat has more than 22 years of experiences in the financial sector. In his long career he has successfully served the financial sector at home in different capacities. Prior to his joining in Union Capital Limited, Mr. Chowdhury Manzoor Liaquat served as the Senior Executive Vice President & Head of MCB Dilkusha Branch of Bank Asia Limited.

Starting his professional career with AB Bank Ltd., Mr. Liaquat has worked in AB Bank Limited under different capacities for more than 21 years. Mr. Manzoor attended a large number of trainings, workshops, seminars at home and abroad.



Tauhidul Ashraf FCS

EVP, Head of Marketing & CS

With UCL Since **22 August 2013**

Born in September 1978

Nationality Bangladeshi

Committee Membership

Member

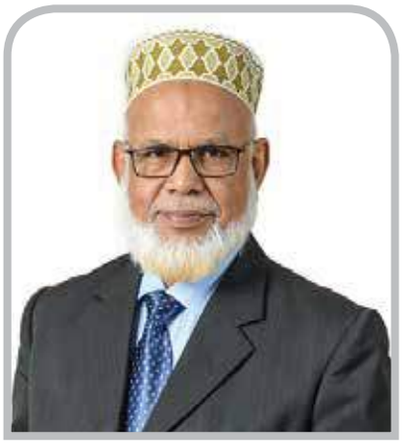
Management Committee (MANCOM), Credit Committee, Asset-Liability Management Committee, Corporate Governance Committee, Credit Risk Management Committee, BASEL-II Implementation Committee, and Disclosure Committee

External Appointment Nil

Qualification & Experience

Mr. Tauhidul Ashraf has 17 years of extensive experience in Bank, NBFIs, Insurance and Group of Companies in Senior positions. Mr. Ashraf is a qualified Chartered Secretary. Prior to his joining, 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, Portfolio Management, Capital Market Operation, Treasury Management and Corporate Finance. 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.

SHARESTOCK



Abdul Bareque

Head of ICC (CC) & Chief Risk Officer

With UCL Since 11 Nov 2013

Born in September 1953

Nationality Bangladeshi

Committee Membership

Member

Management Committee (MANCOM), Asset-Liability, Risk Management Committee, Procurment Committee, Credit Risk Management Committee, Corporate Governance Committee, Money Laundering Prevention Committee, Risk Management Forum and 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.



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 (MANCOM), Corporate Governance Committee, Risk Management Committee, Ethics & Compliance Committee, HR & Remuneration Committee, Procurment Committee, Money Laundering Prevention Committee, Disclosure Committee and Risk Management Forum

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 12 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

Management Committee (MANCOM), Asset-Liability Management Committee, Credit Risk Management Committee, Recovery Committee, Credit Committee, Money Laundering Prevention Committee, BASELII Implementation Committee

External Appointment Nil

Qualification & Experience

Mr. Murad has completed M.Com (Marketing) from University of Dhaka and MBA major in finance from American International University Bangladesh (AIUB). He started his career with a promotional project namely HORECA of British American Tobacco 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 worked there for 9 months. In June 2000 he joined UCL as Junior Associate and has been serviceing in the Company for last 17 years in different segment of lease and corporate finance department. He attended various training/ workshop/ seminars at Home and abroad.



Selim Khan Hindol

VP & Head of CRM (CC)

With UCL Since 31 July 2016

Born in December 1973

Nationality Bangladeshi

Committee Membership

Member

Management committe (MANCOM) and Credit Committee.

External Appointment Nil

Qualification & Experience

Mr. Selim is an MBA (Finance) of Institute of Business Administration (IBA), University of Dhaka. He has 14 years of experience in line of Credit Risk Management with different Financial Institutions. Before joining UCL he served AB Bank Ltd. for more than 14 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 professional career..



Shaheen Md. Qumrul Hasan

VP & In-charge, Chittagong Branch

With UCL Since April 13, 2017

Born in June 1974

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience:

An MBA from IBA, University of Dhaka (Major in finance) & subsequent 18 years professional banking experience in local and foreign Banks namely United Commercial Bank, Shahjalal Islami Bank Ltd and Habib Bank ltd. He has got well rounded experience with expertise in Credit Risk Management, Corporate Banking, Relationship Management, 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

Member

Management Committee (MANCOM), Asset-Liability Management Committee, Credit Risk Management Committee, Recovery Committee, and Credit Committee.

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 financing, study and research, entrepreneurship development training. His last position in MFL was AGM & Head of SME from November 1999 to August 2016. He worked in National Finance Ltd. (NFL) as SAVP & Head of SME from September 2016 to April 2017. He attended various training/ workshop/seminars 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

Member

Management committe (MANCOM) and Recovery Committee

External Appointment Nil

Qualification & Experience

Mr. Humayun Rashid has 16 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 on 1st 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

Member

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 Dhaka University. He started his career in Dataedge 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 & In-charge, 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 14 years of extensive experience in NBFIs. He completed his BBA and MBA (major in Finance) from Dhaka University. 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 in 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.



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 and 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 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 article ship from Anisur Rahman & Co. Chartered Accountant. He attended a number of training, workshop and seminar during his long 11 years of service life.



Afrida Ahsan

AVP, Credit Risk Management

With UCL Since 01 February 2016

Born in December 1982

Nationality Bangladeshi

Committee Membership

Member

Credit Committe and CRM Committee

External Appointment Nil

Qualification & Experience

Ms. Afrida Ahsan has 11 years of extensive experience in the field of financial institutions. She completed her BBA and MBA (major in Finance & Banking) from University of Dhaka. Prior to joining at UCL, Ms. Ahsan served in Bangladesh Industrial Finance Company Ltd. (BIFC) as Departmental Head of CRM & CAD. She started her career as Management Trainee at 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.



Khandaker Md. Forhad Abedin

AVP, Legal Department

With UCL Since 10th August, 2016

Born in May 17, 1979

Nationality Bangladesh

Committee Membership

Member

Management Committee (MANCOM) and Recovery Committe

External Appointment Nil

Qualification & Experience:

Mr. Abedin has over 13 year's 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 at UCL, he worked at International Leasing And Financial Services Limited in the Legal Department for more than 6 years. Mr. Abedin started his career as a Staff Lawyer with a human rights organization "Ain O Shalish Kendro", here he served for more than 1 year. Thereafter he joined at "Hasan & Associates" a renowned corporate law firm of the country as an Associates Lawyer. There he worked for 3 years for numerous Banks and NBFI's, different national and multinational corporate entities of the country regarding loan and security documentation, all process as 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

With UCL Since August 10, 2016

Born in March, 1980

Nationality Bangladeshi

Committee Membership

Member Management Committee (MANCOM) and Recovery Committe

External Appointment Nil

Qualification & Experience

Mr. Salah Uddin joined Union Capital Limited on August 10, 2016. He is currently working as Assistant Vice President & Head of Credit Administration Department with the responsibility of Loan Documentation, Disbursement and Asset operations.

Mr. Uddin has over 11 years of extensive experience in different areas of NBFIs. Before joining this company, he served International Leasing And Financial Services Limited for 09 years. During his long tenure with International leasing, he got the opportunity to work in Special Asset Management Department, Credit Administration & Monitoring Department with 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 has attended a good number of trainings, workshop, seminar at BIBM, Bangladesh Bank, and different training institutes of Bangladesh.



Fahim Ahasan Choudhury

AVP, Investment

With UCL since 01 March 2018

Born in December 11, 1986

Nationality Bangladeshi

Committee Membership Nil

Qualification & Experience

Mr. Fahim Ahasan Choudhury has joined UCL family in March 2018. He has over 8 years experience in capital market of Bangladesh. He has started his career with IDLC investments Limited in 2010 and served there for more than 5.5 years in different departments like Operations, Margin Loan & Risk Management, Discretionary Portfolio Management. He was the Product and Portfolio Manager of "Easy Invest" which was the first time Systematic Investment Plan (SIP) type product introduced by IDLC Investments in Bangladesh. Prior to join UCL, he was the Portfolio Manager in Universal Financial Solutions Limited (UFS) and responsible for managing 4 open ended mutual funds with an Asset Under Management (AUM) of BDT 220 crore. He has a decent amount of knowledge in Merchant Banking operations and Asset Management Company's operations. He attended several number of workshops and trainings arranged by different training organizations in Bangladesh. Mr. Fahim has completed his BBA and MBA from East West University, Bangladesh.



Mohammad Balayet Hossain

Senior Manager & CFO (CC)

With UCL Since 02 May 2010

Born in July 1982

Nationality Bangladeshi

Committee Membership

Member Management Committee (MANCOM), Asset-Liability Management Committee, Corporate Governance Committee, and Disclosure Committee

External Appointment Nil

Qualification & Experience

Mr. Mohammad Balayet Hossain obtained his Master degree from the National University in Accounting. After obtaining master degree, Mr. Balayet joined in Hoda Vasi Chowdhury & Co, Chartered Accountant (An Independent Correspondent Firm to PwC) in 2006 as article student. During his article ship period, he gathered experience on global best practiced auditing procedures, financial management process, special business review, Financial Statements preparation, drafting appeal ground on various taxation matters of national and multinational assigned clients. Mr. Balayet is also a member of the Dhaka Taxes Bar Association. In 2010 he joined Union Capital Limited as Assistant Manager in Finance & Accounts department. He has 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
Chowdhury Manzoor Liaquat
Tauhidul Ashraf FCS
Abdul Bareque
Engr. A. N. M. Golam Shabbir
Fazle Karim Murad
Mohammad Balayet Hossain
Humayun Rashid
Selim Khan Hindol
Khandaker Muhammad Forhad Abedin
Tareq Ahmed Salah Uddin Khan
Muhammad Salah Uddin

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 take 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 2017

- Reviewed the comprehensive inspection report of Bangladesh Bank and took necessary steps to implement recommendations.
- The Committee reviewed the Procurement policy and proposed the Board for approval.
- The Committee reviewed National ID verification service from Election Commission database.
- The Committee reviewed and approved to Introduce different deposit products.
- The Committee reviewed the amendment in the financial and accounting manual.
- The Committee approved the procurement of Anti-virus software for the company and advised the procurement committee to procure.
- The Committee approved procurement of new operating system license for the company and advised the procurement committee as well.
- The Committee reviewed and approved the proposal of different CSR activities of UCL like distribution of blanket for poor cold affected people, financial support for education of Mess boy, etc.
- The Committee reviewed the MTO policy and revised pay scale of the company for submission before the Board of Directors.
- The Committee appointed issue manager for issuance of Sub ordinated Bond of Union Capital Limited.
- The Committee enlisted number of service agents like recovery agents, panel lawyers and different vendors for rendaring different services to the company.

CREDIT COMMITTEE

Members

Mahmudul Alam, Chairman
Chowdhury Manzoor Liaquat
Tauhidul Ashraf FCS
Fazle Karim Murad
Selim Khan Hindol
Tareq Ahmed Salah Uddin Khan
Afrida Ahsan

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 financial proposals before placing the same to the Executive Committee/Board.

Works done in 2017

- Reviewed terms and conditions of the finance proposal placed before the Committee for approval.
- Approved more than 345 credit appraisals in 2017 amounting toi BDT 6.51 billion.
- Reviewed interest rate subsequent to the disbursement as and when necessary.

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO)

Members

Mahmudul Alam, Chairman
Chowdhury Manzoor Liaquat
Tauhidul Ashraf FCS
Abdul Bareque
Fazle Karim Murad
Mohammad Balayet Hossain
Mahbub Alam

Major Responsibilities

- Responsible for managing various financial risks of the company such as market, interest rate and liquidity.
- Reviews market and credit portfolio risks, as well as interest rate risk inherent in the Company's balance sheet.
- Ensure that the level of interest rate exposures is within regulatory and internal limits, to maximize the company's net interest income, to ensure adequate liquidity and to maximize the return on the Company's capital.

Works done in 2017

- Reviewed interest rate on term deposit on monthly basis and adjusted the rate in accordance with market trend;
- Reviewed liquidity mismatch of asset-liabilities;
- Reviewed cost of fund and base rate on monthly basis;
- Reviewed requirement of CRR and SLR and actual amount maintained against the requirement.
- Developed interest rate policy and placed before the Board for approval.

UCL SHARE STOCK

CREDIT RISK MANAGEMENT COMMITTEE

Members

Mahmudul Alam, Chairman
Chowdhury Manzoor Liaquat
Tauhidul Ashraf FCS
Abdul Bareque
Fazle Karim Murad
Selim Khan Hindol
Tareq Ahmed Salah Uddin Khan
Afrida Ahsan

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 2017

- 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
Chowdhury Manzoor Liaquat
Engr. A. N. M. Golam Shabbir

Major Responsibilities

- Recommended the requirements of Management personal 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 2017

- 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.
- Reviewed the new Salary Structure and proposed to the board for approval.

MONEY LAUNDERING PREVENTION COMMITTEE

Members

Abdul Bareque, CAMLCO, Chairman
Fazle Karim Murad
Mohammad Balayet Hossain
Shah Md. Azizul Haque
Mahbub Alam, DCAMLCO

Major Responsibilities

- Develop an effective anti money laundering system for prevention of the use of company's products and services from money laundering.
- Ensuring compliance with all the relevant rules and regulations pertaining anti money laundering.
- Conduct Central Compliance Unit (CCU) meeting at regular interval and discuss issues raised by the BAMLCO and advise the Management to take necessary actions to mitigate the issues addressed by the BAMLCO.

Works done in 2017

- 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 with
- Corporate Governance Guideline.

CORPORATE GOVERNANCE COMMITTEE

Members

Mahmudul Alam, Chairman
Chowdhury Manzoor Liaquat
Tauhidul Ashraf FCS
Abdul Bareque
Engr. A. N. M. Golam Shabbir
Mohammad Balayet Hossain

Major Responsibilities

- Review and discuss the issues relating to good governance practices and ensure that the conditions and guidelines on corporate governance are complied.
- Monitor emerging corporate governance trends and oversee and evaluate the Company's corporate governance policies and programs and recommend to the Board such changes as the Committee believes desirable.

Works done in 2017

- 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 with corporate governance guideline.

ETHICS & COMPLIANCE COMMITTEE

Members

Tauhidul Ashraf FCS, Chairman
Engr. A. N. M. Golam Shabbir
Abdul Bareque
Mohammad Balayet Hossain
Md. Salah Uddin Pallab

Major Responsibilities

- Ensure whether the employees are complying with the ethical principles and code of business conduct.
- Review and evaluate compliance of laws, rules and regulations.

- Identification of areas of improvement and planning of training for development of ethical practices.
- 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.
- Review whether the Company's business is conducted ethically and in socially responsible manner.

Works done in 2017

- 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 offices and suggested for improvement.
- Reviewed on regular basis complaint/ suggestions from the employees.
- Arranged various in-house training sessions by internal & external expertise with an aim to create awareness among the employees regarding ethical practice.
- Published diary and office envelope incorporating 'Chorai Chorai Shuddhachar' for public awarance against corruption.
- Published paper advertisement in the top circulated daily news paper incorporating 'Chorai Chorai Shuddhachar' for public awarance against corruption.
- Published integrity features on company social page Facebook every week.
- Published integrity features on social page Linkedin every week.

RECOVERY COMMITTEE

Members

Chowdhury Manzoor Liaquat, Chairman
Tauhidul Ashraf FCS
Fazle Karim Murad
Humayun Rashid
Khandaker Muhammad Forhad Abedin
Tareq Ahmed Salah Uddin Khan
Muhammad Salah Uddin

Major Responsibilities

- Maintaining the NPL as per the guideline of the Bangladesh Bank and policy set by the Board of Directors.
- Evaluating the recovery performance and report to the Managing Director & CEO for his necessary actions.
- Reviewing the status of the legal action taken against the default clients.
- Reviewing the status of the rescheduled and restructured accounts of loan/lease.
- suggesting appointment of third party recovery agent to recover lease assets from the classified borrowers.

Works done in 2017

- Evaluated the performance of Recovery Dept and reported to the Managing Director & CEO for his necessary actions.
- Reviewed the status of the legal action taken against the default clients.
- Reviewed the status and movement of the rescheduled and restructured accounts of loan/lease.
- Suggested appointment of third party recovery agent
- Reviewed the cases filed against the default clients under NI Act and Artha Rin Adalat Ain.

PROCUREMENT COMMITTEE

Members

Engr. A. N. M. Golam Shabbir, Chairman
Md. Rakibul Islam
Abdul Bareque
Mohammad Balayet Hossain
Shah Muhammad Azizul Haque

Major Responsibilities

- Maintain a Suppliers list.
- Receive requirement from different departments.
- Collection of quotations from vendors.
- Prepare a memo for procurement committee to select vendor.
- After approval of Procurement Committee/MANCOM, issue work order to selected vendor for supply.
- After receiving the goods supply to the concerned department and processing bill for payment.

Works done in 2017

- For procurement of Anti-virus Software, collected quotations from three different vendors and proposed to The MANCOM for approval.
- For procurement of 70 nos. new operating system license (Windows 10 Professional), collected quotations from different vendors and proposed to The MANCOM for approval.

DISCLOSURE COMMITTEE

Members

Mahmudul Alam, Chairman
Chowdhury Manzoor Liaquat
Tauhidul Ashraf FCS
Engr. A. N. M. Golam Shabbir
Abdul Bareque
Muhammad Salah Uddin
Mohammad Balayet Hossain
Deenesh Kumar Raha
Mohammad Salah Uddin Pallab
Sadia Shaherat Jahan

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 and investor relations are clear so that the company is able to comply fully with its continuing obligations under the disclosure requirements.

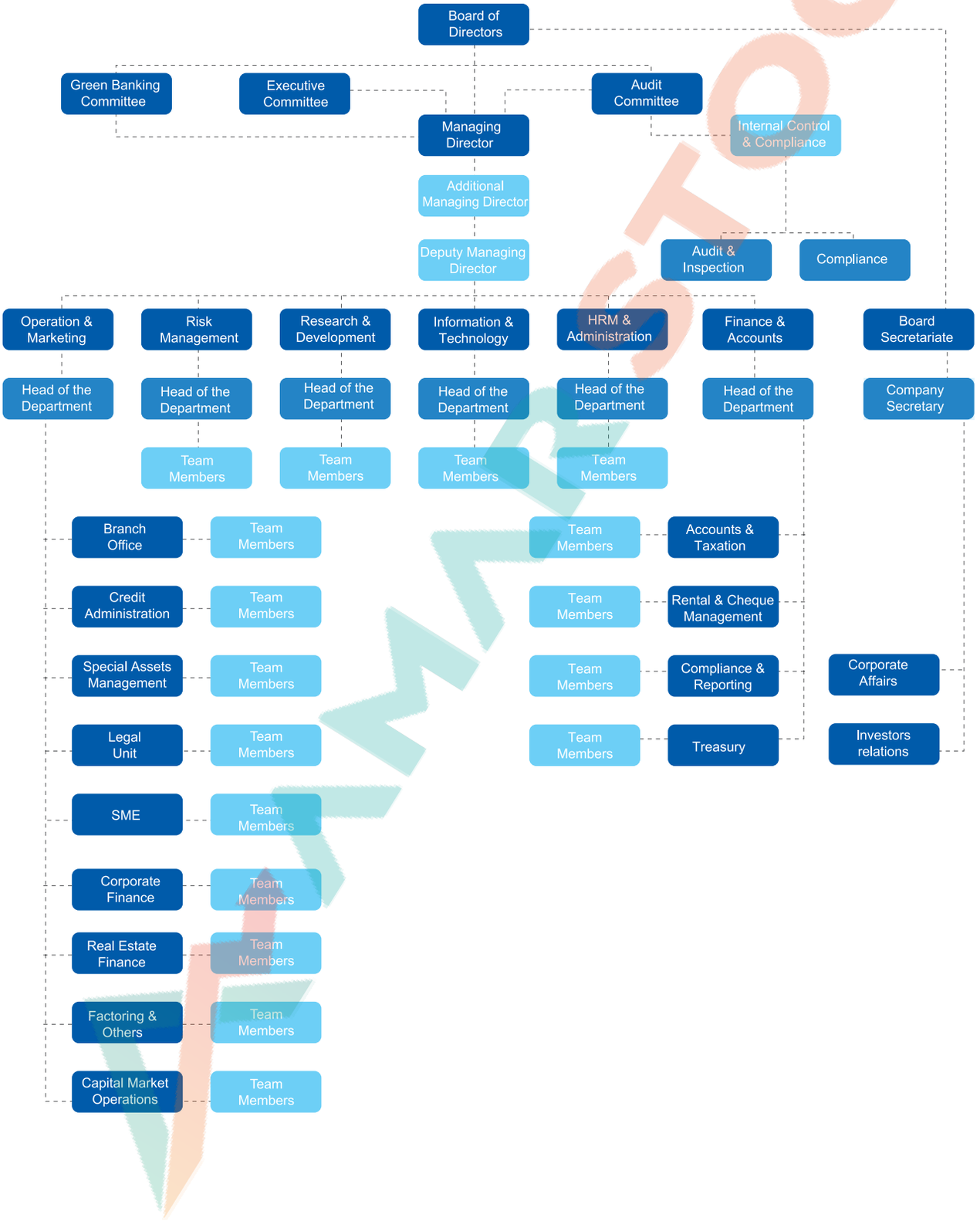
Works done in 2017

- Reviewed the contents of the Annual Report for the year ended 31 December 2016 to ensure appropriate disclosures has been made.
- Placed the financial statements for the year ended 31 December 2016 before the Audit Committee & Board for review.

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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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 minimize 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 balancing 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.



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.

- Develop our employees so that they can add value to the 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 report 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.

2018 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 manage 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 preventing 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 to 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.

2018 Challenges

- We face a continuing challenge in recruiting people

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?

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:

* 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			Retirement		
	2017	2016	2015	2017	2016	2015
Sr. Management	2.01	0.79	1.55	0	0	0.77
Mid. Management	3.36	5.56	2.32	0	0	0
Jr. Management	15.44	8.73	11.62	0	0	1.55
Support Staff	1.34	0.00	1.55	0	0	0
Total:	22.15	15.08	17.04	0	0	2.32

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 these decisions 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 2017, we spent BDT 200.17 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





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.

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 BDT)	2017	2016	2015	2014
UCL's investment in training	0.59	0.34	0.12	0.26
Average number of days of training	2.54	5.52	4.72	1.87
Average hours of training per executive	20.41	5.5	11.8	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 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 are going to launch this year to formally 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 nondiscriminatory. 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 inclusion in 2017. 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.

2018 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

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 the mind for UCL.

2018 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:

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.

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.

AMARSTOCK

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 145 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 importantance 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 lead 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

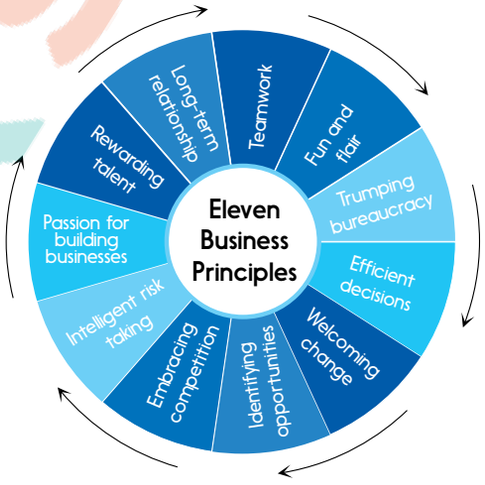
Effective service to the customers is based on effective and efficient decision-making. This is achieved through the devolution of power and open communication. This also makes for an exciting and highly motivating work environment that attracts talented and qualified candidates.

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 initiatives.



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.

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.

Rewarding talent

To ensure that our clients receive superior services, we reward those employees who perform most successfully. Our greatest resource is our employees and UCL places great emphasis on retaining good employees, that is, those who provide the greatest benefits to our customers.

POLICIES FOR EMPLOYEE BEHAVIOR

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.



Welcoming new DMD



Women's Day Celebration





Farewell Program

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 2017, UCL has a total credit exposure with around 3,605 customers of BDT 17,829.27 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 BDT 14,668.44 million from 1,866 numbers of depositors helping them build up savings for investment in national economy.

DIRECT ECONOMIC VALUE GENERATED IN 2017

UCL's total revenue	Distributed value		Economic value retained
	Operating cost:	BDT 1,997.47	
	Salaries and benefits:	BDT 200.17	
BDT 2,456.63	Taxes:	BDT 102.99	BDT 12.51
	Dividends:	BDT 142.30	
	Community giving:	BDT 1.19	

- 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 2017 the Company collected, withheld and deposited tax, VAT and excise duty at source and paid advance tax to government exchequer in the following manner:

Particulars	Amount
Advance tax	204.52
Withholding taxes	123.26
Withholding VAT	4.82
VAT collected and paid	3.69
Excise duty collected and paid	9.84
Total	**346.13**

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 2017. 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 2017, UCL spent total BDT 0.41 million for training and HR development (2016: BDT 0.20 million) and paid a total amount of BDT 134.73 million as salaries and allowances to its employees (2016: BDT 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. BDT 0.94 per share of BDT 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.

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.

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 BDT 480,000/- (BDT 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 2017 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 2017. 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.



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.

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.

AMARSTOCK

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 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.

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.

Career 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 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 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.

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:

Particulars	2017	2016	2015	2014
Total Employee	149	126	104	113
Net income per employee (BDT in million)	0.73	1.97	1.97	1.86
Operating revenue per employee (BDT in million)	12.49	16.00	18.90	17.00
Assets per employee (BDT in million)	158.27	166.29	182.85	153.19
Staff Strength	**2017**	**2016**	2015	2014
Senior Management	17	14	11	10
Mid Level Management	25	24	24	21
Junior Level Management	80	66	49	62
Support Staff	27	22	20	20
Total	149	126	104	113

Age analysis of the employees as at 31 December

Age Group Year	Senior Mgt	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2017 Total	2016 Total
51-60	2	1	0	2	5	6
41-50	6	2	8	3	19	10
31-40	9	20	33	11	73	68
21-30	0	2	39	11	52	42
Total	17	25	80	27	149	126

Average age of the employees as at 31 December 2017 was 33.3 (2016: 34.05), (2015 : 32.51), (2014: 28.54)

Service analysis of the employees as at 31 December

Service Group Year	Senior Mgt	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2017 Total	2016 Total
Above 10	2	2	0	3	7	6
7-10	0	4	0	3	7	4
5-7	0	3	0	1	4	10
2-5	6	11	28	11	56	54
Below 2	9	5	52	9	75	52
Total	17	25	80	27	149	126

Average service life of the employees as at 31 December 2017 was 3.04 years (2016 : 3.02), (2015 : 5.55), (2014: 2.34)

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	21-30	31-40	41-50	>50	Total
No. of Employees	52	73	19	5	149
Management Cadre	2	29	8	3	42
Non Management Cadre	39	33	8	0	80
Support Staff	11	11	3	2	27
Average age					33.3

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, exgratia, 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

VALUE ADDED STATEMENT

	2017				2016			
VALUE ADDED	UCL	%	Group	%	UCL	%	Group	%
Net interest income	411.25		270.98		690.08		597.33	
Fees earned including VAT	21.83		417.24		28.62		248.82	
Investment income	(2.79)		95.33		8.57		70.29	
Other income	15.99		21.27		20.82		26.58	
Management expenses	(60.52)		(159.68)		(44.12)		(101.51)	
Provision for doubtful losses	(125.62)		(170.18)		(225.24)		(254.03)	
TOTAL VALUE ADDED	**260.15**		**474.97**		**478.74**		**587.48**	
DISTRIBUTION OF VALUE ADDED								
In payment to Employees								
As salaries and allowances	120.24	46.22	200.17	42.14	83.68	17.48	134.73	22.93
In payment to Capital Providers								
Dividend to shareholders	78.26	30.08	78.26	16.48	142.30	29.72	142.30	24.22
In payment to Government								
Corporate tax	25.34	9.74	102.99	21.68	194.89	40.71	235.00	40.00
Expansion and business growth								
Retained income	30.75	11.82	76.54	16.11	52.98	11.07	63.10	10.74
Depreciation	5.55	2.13	17.00	3.58	4.89	1.02	12.35	2.10
TOTAL DISTRIBUTION	**260.15**	**100.00**	**474.97**	**100.00**	**478.74**	**100.00**	**587.48**	**100.00**

MARKET VALUE ADDED STATEMENT

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 2017 compared to the MVA of prior year:

MARKET VALUE ADDED

Figures in million BDT

	2017		2016	
VALUE ADDED	UCL	Group	UCL	Group
Market value of shares outstanding	3,146.24	3,146.24	2,917.14	2,917.14
Book value of the share outstanding	2,097.43	2,287.63	1,988.42	2,132.83
MARKET VALUE ADDED	**1,048.81**	**858.61**	**928.73**	**784.31**

ECONOMIC VALUE ADDED STATEMENT

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 EVA 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.

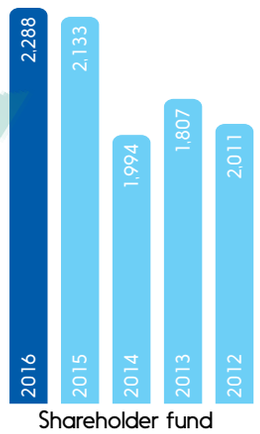
It succinctly summerises how much and from where a company created wealth. It includes the balance sheet in the calculation and encourages managers to think about assets as well as expenses in their decisions.

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 2017 and 2016:

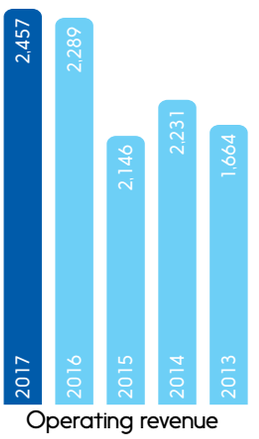
ECONOMIC VALUE ADDED

Figures in BDT million

	2017		2016	
	UCL	Group	UCL	Group
VALUE ADDED				
Economic Value Added (EVA)	**(41.77)**	**25.94**	**146.37**	**167.71**
Net operating profit	259.97	427.98	615.41	694.43
Provision for taxes	(25.34)	(102.99)	(194.89)	(235.00)
Net Operating Profit After Tax (NOPAT)	**234.64**	**324.99**	**420.51**	**459.43**
Shareholders' equity as on 31 December	2,097.43	2,287.63	1,988.42	2,132.83
Average shareholders' equity	2,042.92	2,210.23	2,174.02	2,313.38
Cost of equity (%)	13.53%	13.53%	12.61%	12.61%
Cost of equity	**276.41**	**299.04**	**274.14**	**291.72**
Key ratios				
EVA/Operating revenue (%)	(2.24)	1.06	7.26	7.33
EVA/Average shareholders' equity (%)	(2.04)	1.17	6.73	7.25
Net profit after tax/Operating revenue (%)	**5.86**	**6.30**	**9.69**	**8.97**



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.





Receiving ICAB Award



Receiving ICSB Award



Celebrating Birthday



Celebrating New Year 2018



Ifter Mahfil



Opening of Bogura Branch



Managers' Conference



Meeting with SME Clients



SME Fair



Signing Agreement with Progressive Life Insurance



In-House Training Program



Annual General Meeting



Monthly Meeting



Signing Agreement with the EC for NID verification



Celebrating Woman's Day



Picnic 2018

Eventful Memories 2017



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S. F. AHMED & CO
Chartered Accountants

Auditors' Report to the Shareholders

For the year ended 31 December 2017

Report on the consolidated financial statements

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 2017 and the profit and loss accounts, statements of changes in equity, cash flow statements and statement of liquidity analysis for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 separate financial statements of the company in accordance with Bangladesh Financial Reporting Standards (BFRS), 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.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements of the Group and 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 separate financial statements of the company are free from material misstatements, whenever due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and separate financial statements of the company. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the consolidated financial statements of the Group and 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 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 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 separate financial statements of the company.

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

Opinion

In our opinion, the consolidated financial statements of the Group and also separate financial statements of the company prepared in accordance with BFRS and Bangladesh Bank's circulars, give a true and fair view of the consolidated financial position of the Group and separate financial position of the company as at 31 December 2017 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended 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;

(d) the consolidated balance sheet and profit and loss account 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 statement of financial position (balance sheet) of the Group and those of the company as at 31 December 2017 and their profits for the period 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 BFRS;

(g) adequate provisions have been made to the extent in concurrence with Bangladesh Bank 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 extend applicable to the company;

(i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

(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 960 person hours.

Dhaka, Bangladesh
Dated, 25 April 2018

Sd/-
S. F. AHMED & CO
Chartered Accountants

AMARSTOCK

Consolidated Balance Sheet

As at 31 December 2017

Particulars	Notes	2017	2016
Property and assets		BDT	BDT
Cash	4.a	**181,336,846**	**184,676,238**
In hand (including foreign currencies)		101,889	99,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		181,234,957	184,577,238
Balance with other banks and financial institutions	5.a	**3,875,001,127**	**1,824,390,714**
In Bangladesh		3,875,001,127	1,824,390,714
Outside Bangladesh		-	-
Money at call and on short notice		-	-
Investments	6.a	**1,697,591,216**	**1,609,360,083**
Government		-	-
Others		1,697,591,216	1,609,360,083
Loans, advances and leases	7.a	**17,829,246,685**	**17,103,764,583**
Loans, advances and leases		17,829,246,685	17,103,764,583
Bills purchased and discounted		-	-
Fixed assets including land, building, furniture and fixtures	8.a	**51,174,242**	**35,777,302**
Other assets	9.a	**2,201,921,718**	**2,079,487,689**
Non-banking assets	10	**312,047,044**	**215,129,173**
Total assets		**26,148,318,877**	**23,052,585,783**
Liabilities and capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	11.a	**5,345,570,568**	**3,819,360,889**
Deposits and other accounts			
Term deposits	12.a	13,904,847,772	12,314,836,921
Other deposits	13	763,587,589	816,384,622
		14,668,435,361	**13,131,221,543**
Other liabilities	14.a	**3,846,679,893**	**3,969,176,023**
Total liabilities		**23,860,685,822**	**20,919,758,455**
Shareholders' equity			
Paid up capital	15	1,565,295,637	1,422,996,034
Statutory reserve	16	436,278,055	414,474,598
Revaluation reserve		102,024,360	102,024,360
Retained earnings	17.a	184,034,778	193,332,146
Total equity attributable to equity holders of the Company		**2,287,632,829**	**2,132,827,137**
Non-controlling interest		225	190
Total liabilities and shareholders equity		**26,148,318,877**	**23,052,585,783**

Consolidated Balance Sheet

As at 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Off-Balance Sheet Items			
Contingent liabilities			
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Other contingent liabilities		-	-
		-	-
Other commitments			
Undisbursed contracted loans, advances and leases	46	567,800,000	684,100,000
Total Off Balance Sheet Items		**567,800,000**	**684,100,000**
Net assets value per share		**14.61**	**13.63**

These financial statements should be read in conjunction with the annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Sd/-
S. F. AHMED & CO
Chartered Acountants

Dhaka, Bangladesh
Dated, 25 April 2018

AMARSTOCK

Consolidated Profit and Loss Account

For the year ended 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Interest income	19.a	1,922,780,172	1,943,121,361
Interest paid on deposits and borrowings, etc	20.a	(1,651,796,029)	(1,345,792,555)
Net interest income		**270,984,143**	**597,328,806**
Investment income	21.a	95,333,456	70,285,875
Fees, commissions, exchange and brokerage	22.a	417,240,991	248,822,191
Other operating income	23.a	21,274,876	26,579,774
Total operating income		**804,833,465**	**943,016,646**
Salaries and other employee benefits	24.a	192,582,142	128,303,818
Rent, taxes, insurance, electricity, etc	25.a	44,498,207	35,887,045
Legal expenses	26.a	2,376,164	781,023
Postage, stamp, telecommunication, etc	27.a	5,646,144	4,860,898
Stationery, printing, advertisements, etc	28.a	7,378,542	4,725,901
Managing Director's salary and fees	29	7,590,000	6,428,710
Directors' fees	30.a	2,032,250	1,873,610
Auditors' fees	31.a	662,195	381,750
Depreciation and repair of assets	32.a	21,976,995	15,272,116
Other expenses	33.a	92,110,633	50,075,586
Total operating expenses		**376,853,273**	**248,590,458**
Profit before provision		**427,980,192**	**694,426,189**
Provision for loans, advances, leases and investments			
General provision	14.1.a	23,623,714	52,635,850
Specific provision	14.1.b	159,456,554	197,476,514
Provision for diminution in value of investments	14.2.a	(12,899,946)	3,918,538
Total provision		**170,180,322**	**254,030,902**
Total profit before tax		**257,799,870**	**440,395,287**
Provision for taxation			
Current tax	14.4.a	104,683,901	234,122,963
Deferred tax	9.2	(1,689,757)	876,727
		102,994,145	**234,999,690**
Net profit after tax		**154,805,726**	**205,395,596**
Appropriations			
Statutory reserve		21,803,457	49,659,527
Retained surplus		**133,002,269**	**155,736,069**
Attributable to			
Shareholders of the Company		154,805,691	205,395,586
Non-controlling interest		35	10
Weighted average no. of outstanding shares		**156,529,563**	**156,529,563**
Earnings per share	36.a	**0.99**	**1.31**

These financial statements should be read in conjunction with the annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, Bangladesh
Dated, 25 April 2018

Sd/-
S. F. AHMED & CO
Chartered Accountants

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Paid-up capital	Statutory reserve	Revaluation reserves	Retained earnings	Non-controlling interest	Total
	BDT	BDT	BDT	BDT		BDT
Balance as at 1 January 2017	1,422,996,034	414,474,598	102,024,360	193,332,146	190	2,132,827,327
Net profit for the year 2017	-	-	-	154,805,691	35	154,805,726
Transfer to statutory reserve	-	21,803,457	-	(21,803,457)	-	-
Issuance of bonus shares (year 2016)	142,299,603	-	-	(142,299,603)	-	-
Balance as at 31 December 2017	**1,565,295,637**	**436,278,055**	**102,024,360**	**184,034,777**	**225**	**2,287,633,054**
Balance as at 1 January 2016	1,329,902,836	364,815,071	102,024,360	197,184,426	180	1,993,926,873
Net profit for the year 2016	-	-	-	205,395,586	10	205,395,596
Transfer to statutory reserve	-	49,659,527	-	(49,659,527)	-	-
Issuance of bonus shares (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**	**414,474,598**	**102,024,360**	**193,332,146**	**190**	**2,132,827,327**

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, Bangladesh
Dated, 25 April 2018

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Consolidated Cash Flow Statements

For the year ended 31 December 2017

Particulars	2017	2016
	BDT	BDT
Cash flows from operating activities		
Interest receipts	1,960,884,193	1,902,173,605
Interest payments	(1,804,829,728)	(1,331,648,788)
Fee and commission receipts	417,240,991	232,403,689
Recoveries of loans previously written off	16,042,138	20,670,590
Dividend receipts	55,783,785	72,626,920
Cash payments to employees	(193,210,765)	(129,975,478)
Cash payments to suppliers and management expenses	(58,633,264)	(54,722,675)
Income taxes paid	(291,982,354)	(316,440,866)
Receipts from other operating activities	21,328,178	52,849,773
Payments for other operating activities	(92,110,633)	(53,111,969)
Cash generated before changes in operating assets and liabilities	**30,512,540**	**394,824,801**
Increase/decrease in operating assets and liabilities		
Statutory deposits	-	-
Purchase of trading securities (treasury bills)	-	-
Loans, advances and leases to banks and financial institutions	-	-
Loans, advances and leases to customers	(725,482,101)	(1,459,746,260)
Other assets	74,320,213	(214,397,569)
Deposits from banks and other financial institutions	1,434,092,500	1,650,000,000
Deposits from customers	103,121,318	(317,565,384)
Other liabilities account of customers	-	-
Trading liabilities	-	-
Other liabilities	(231,670,971)	323,303,915
Cash generated from operating assets and liabilities	**654,380,959**	**(18,405,298)**
Net cash generated from/(used in) operating activities	**684,893,499**	**376,419,503**
Cash flows from investing activities		
Proceeds from sale of securities	3,829,089,713	796,160,694
Payments for purchases of securities	(3,878,740,950)	(788,365,293)
Purchase of property, plant and equipment	(31,909,199)	(19,835,993)
Proceeds from sale of property, plant and equipment	128,280	147,213
Net cash from/(used in) investing activities	**(81,432,156)**	**(11,893,378)**
Cash flows from financing activities		
Dividend paid	-	(66,495,142)
Receipts of long term loan	2,753,709,120	2,253,373,250
Repayment of preference shares	(100,000,000)	(100,000,000)
Repayment of long term loan	(1,309,601,473)	(1,375,659,090)
Non-controlling interest	-	-
Net draw down/(payment) of short term loan	99,702,031	(273,655,150)
Net cash generated from/(used in) financing activities	**1,443,809,678**	**437,563,868**
Net increase/(decrease) in cash and cash equivalents	**2,047,271,021**	**802,089,993**
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	2,009,066,952	1,206,976,958
Cash and cash equivalents at end of the period	**4,056,337,973**	**2,009,066,951**
Cash and cash equivalents at end of the period represents		
Cash in hand	101,889	99,000
Balance with Bangladesh Bank and its agent bank	181,234,957	184,577,238
Balance with other banks and financial institutions	3,875,001,127	1,824,390,714
	4,056,337,973	**2,009,066,952**

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, Bangladesh
Dated, 25 April 2018

Balance Sheet

As at 31 December 2017

Particulars	Notes	2017 BDT	2016 BDT
Property and assets			
Cash	4	**181,298,957**	**184,641,238**
In hand (including foreign currencies)		64,000	64,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		181,234,957	184,577,238
Balance with other banks and financial institutions	5	**3,707,363,745**	**1,569,558,538**
In Bangladesh		3,707,363,745	1,569,558,538
Outside Bangladesh		-	-
Money at call and on short notice		-	-
Investments	6	**482,924,596**	**457,124,080**
Government		-	-
Others		482,924,596	457,124,080
Loans, advances and leases	7	**16,631,564,261**	**16,399,172,568**
Loans, advances and leases		16,631,564,261	16,399,172,568
Bills purchased and discounted		-	-
Fixed assets including land, building, furniture and fixtures	8	**18,443,403**	**13,970,191**
Other assets	9	**2,247,889,905**	**2,113,265,431**
Non-banking assets	10	**312,047,044**	**215,129,173**
Total assets		**23,581,531,911**	**20,952,861,219**
Liabilities and capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	4,273,922,171	3,217,095,514
Deposits and other accounts			
Term deposits	12	13,904,847,772	12,314,836,921
Other deposits	13	763,587,589	816,384,622
		14,668,435,361	**13,131,221,543**
Other liabilities	14	2,541,741,579	2,616,128,647
Total liabilities		**21,484,099,111**	**18,964,445,704**
Shareholders' equity			
Paid up capital	15	1,565,295,637	1,422,996,034
Statutory reserve	16	436,278,055	414,474,598
Retained earnings	17	95,859,108	150,944,883
Total shareholders' equity		**2,097,432,800**	**1,988,415,515**
Total liabilities and shareholders' equity		**23,581,531,911**	**20,952,861,219**

Balance Sheet

As at 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Other contingent liabilities		-	-
		-	-
Other commitments			
Undisbursed contracted loans, advances and leases	46	567,800,000	684,100,000
Total Off Balance Sheet Items		**567,800,000**	**684,100,000**
Net assets value per share		**13.40**	**12.70**

These financial statements should be read in conjunction with the annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 25 April 2018

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Profit and Loss Account

For the year ended 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Interest income	19	1,826,312,122	1,957,086,783
Interest paid on deposits and borrowings, etc	20	(1,415,064,918)	(1,267,004,009)
Net interest income		**411,247,204**	**690,082,774**
Investment income	21	(2,785,309)	8,566,993
Fees, commissions, exchange and brokerage	22	21,833,631	28,621,699
Other operating income	23	15,988,836	20,817,791
Total operating income		**446,284,362**	**748,089,257**
Salaries and other employee benefits	24	112,651,541	77,251,258
Rent, taxes, insurance, electricity, etc	25	17,812,732	16,304,297
Legal expenses	26	2,314,720	748,120
Postage, stamp, telecommunication, etc	27	2,386,403	2,136,956
Stationery, printing, advertisements, etc	28	5,547,621	3,977,968
Managing Director's salary and fees	29	7,590,000	6,428,710
Directors' fees	30	1,344,000	1,504,000
Auditors' fees	31	304,750	189,750
Depreciation and repair of assets	32	10,377,032	7,535,558
Other expenses	33	25,981,666	16,607,288
Total operating expenses		**186,310,465**	**132,683,905**
Profit before provision		**259,973,897**	**615,405,352**
Provision for loans, advances, leases and investments			
General provision	14.1	(19,352,184)	35,428,934
Specific provision	14.1.b	159,456,554	197,476,514
Provision for diminution in value of investments	14.2.1	(14,484,491)	(7,668,861)
Total provision		**125,619,879**	**225,236,587**
Total profit before tax		**134,354,018**	**390,168,765**
Provision for taxation			
Current tax	14.4	27,026,491	194,014,949
Deferred tax	9.2	(1,689,757)	876,727
		25,336,734	**194,891,676**
Net profit after tax		**109,017,284**	**195,277,089**
Appropriations			
Statutory reserve		21,803,457	49,659,527
Dividend on preference shares		-	-
Retained surplus		**87,213,827**	**145,617,562**
Weighted average no. of outstanding shares		**156,529,563**	**156,529,563**
Earnings per share	36	**0.70**	**1.25**

These financial statements should be read in conjunction with annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 25 April 2018

Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Paid-up capital	Statutory reserve	Retained earnings	Total
	BDT	BDT	BDT	BDT
Balance as at 1 January 2017	1,422,996,034	414,474,598	150,944,883	1,988,415,515
Net profit for the year 2017	-	-	109,017,284	109,017,284
Transfer to statutory reserve	-	21,803,457	(21,803,457)	-
Issuance of bonus shares (year 2016)	142,299,603	-	(142,299,603)	-
Balance as at 31 December 2017	**1,565,295,637**	**436,278,055**	**95,859,108**	**2,097,432,800**
Balance as at 1 January 2016	1,329,902,836	364,815,071	164,915,661	1,859,633,568
Net profit for the year 2016	-	-	195,277,089	195,277,089
Transfer to statutory reserve	-	49,659,527	(49,659,527)	-
Issuance of bonus shares (year 2015)	93,093,198	-	(93,093,198)	-
Cash dividend	-	-	(66,495,142)	(66,495,142)
Balance as at 31 December 2016	**1,422,996,034**	**414,474,598**	**150,944,883**	**1,988,415,515**

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, Bangladesh
Dated, 25 April 2018

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Cash Flow Statements

For the year ended 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Cash flows from operating activities			
Interest receipts		1,775,860,124	1,786,788,877
Interest payments		(1,542,715,575)	(1,283,730,494)
Fee and commission receipts		21,833,631	28,621,699
Recoveries of loans previously written-off		16,042,138	20,670,590
Dividend receipts		7,586,000	11,910,824
Cash payments to employees		(113,935,560)	(84,735,467)
Cash payments to suppliers and management expenses		(33,890,326)	(25,463,935)
Income taxes paid		(204,517,184)	(271,196,104)
Receipts from other operating activities	34	-	-
Payments for other operating activities	35	(25,981,666)	(16,607,288)
Cash generated/(used in) before changes in operating assets and liabilities		**(99,718,418)**	**166,258,703**
Increase/decrease in operating assets and liabilities			
Statutory deposits		-	-
Purchase of trading securities (treasury bills)		-	-
Loans, advances and leases to banks and financial institutions		-	-
Loans, advances and leases to customers		(232,391,693)	(804,701,918)
Other assets	39	50,317,533	(303,429,084)
Deposits from banks and other financial institutions		1,434,092,500	1,650,000,000
Deposits from customers		103,121,318	(317,565,384)
Other liabilities account of customers		-	-
Trading liabilities		-	-
Other liabilities	40	(54,327,409)	(30,841,630)
Cash generated from/(used in) operating assets and liabilities		**1,300,812,249**	**193,461,984**
Net cash generated from/(used in) operating activities		**1,201,093,831**	**359,720,687**
Cash flows from investing activities			
Proceeds from sale of securities		1,262,501,265	756,598,735
Payments for purchases of securities		(1,301,015,784)	(656,091,033)
Purchase of property, plant and equipment		(10,071,324)	(11,714,483)
Proceeds from sale of property, plant and equipment		128,280	147,213
Investment in UniCap Investments Limited		(75,000,000)	-
Net cash used in investing activities		**(123,457,563)**	**88,940,433**
Cash flows from financing activities			
Dividend paid		-	(66,495,142)
Receipts of long term loan		2,245,388,620	1,833,373,250
Issuance of preference shares		-	-
Repayment of preference shares		(100,000,000)	(100,000,000)
Repayment of long term loan		(1,188,263,994)	(1,186,522,931)
Net draw down/(payment) of short term loan		99,702,031	(273,655,150)
Net cash generated from financing activities		**1,056,826,657**	**206,700,027**
Net increase in cash and cash equivalents		**2,134,462,926**	**655,361,147**
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the period		1,754,199,776	1,098,838,629
Cash and cash equivalents at end of the period		**3,888,662,702**	**1,754,199,776**
Cash and cash equivalents at end of the period represents			
Cash in hand		64,000	64,000
Balance with Bangladesh Bank and its agent bank		181,234,957	184,577,238
Balance with other banks and financial institutions		3,707,363,745	1,569,558,538
		3,888,662,702	**1,754,199,776**

These financial statements should be read in conjunction with the annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, Bangladesh
Dated, 25 April 2018

Statement of Liquidity Analysis (Maturity of Assets and Liabilities)

As at 31 December 2017

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total
	BDT	BDT	BDT	BDT	BDT	BDT
Assets						
Cash in hand	64,000	-	-	-	-	64,000
Balance with Bangladesh Bank and its agent bank(s)	-	-	181,234,957	-	-	181,234,957
Balance with other banks and financial institutions	654,431,245	1,100,189,560	1,952,742,940	-	-	3,707,363,745
Money at call and on short notice	-	-	-	-	-	-
Investments	40,000,000	85,000,000	357,924,596	-	-	482,924,596
Loans, advances and leases	298,765,433	603,234,567	3,718,291,081	11,198,765,433	812,507,747	16,631,564,261
Fixed assets including premises, furniture and fixtures	-	-	-	-	18,443,403	18,443,403
Other assets	11,500,000	33,500,000	74,000,000	1,711,277,702	417,612,203	2,247,889,905
Non-banking assets	-	-	-		312,047,044	312,047,044
Total assets	**1,004,760,678**	**1,821,924,127**	**6,284,193,574**	**12,910,043,135**	**1,560,610,397**	**23,581,531,911**
Liabilities						
Borrowings from banks and financial institutions	295,187,411	226,196,902	1,205,667,271	2,546,870,587	-	4,273,922,171
Deposits	569,697,960	1,417,368,291	3,695,854,956	8,160,611,641	61,314,923	13,904,847,772
Other deposits	20,302,040	47,631,709	244,145,044	448,141,675	3,367,122	763,587,589
Provision and other liabilities	25,000,000	110,000,000	395,000,000	1,680,000,000	331,741,579	2,541,741,579
Total liabilities	**910,187,411**	**1,801,196,902**	**5,540,667,271**	**12,835,623,903**	**396,423,624**	**21,484,099,111**
Net liquidity gap	**94,573,267**	**20,727,225**	**743,526,303**	**74,419,232**	**1,164,186,773**	**2,097,432,800**

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, Bangladesh
Dated, 25 April 2018

Notes to the Financial Statements

For the year ended 31 December 2017

1. General information

1.1 Domicile, legal form and country of incorporation

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 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 also registered as a full-fledged Merchant Banker with the Bangladesh Securities and Exchange Commission on 10 April 2002. The Company went for Initial Public Offering in May 2007 and listed it shares with both Dhaka Stock Exchange and Chittagong Stock Exchange 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 8 (eight) offices located in Dhaka, Gazipur, Narsingdi, Chittagong, Sylhet and Bogra.

1.2 Principal activities

The activities of the Company encompass a wide range of services, broadly classified as fund based and fee based activities and brokerage services. The Company also offers different deposit schemes.

Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, 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 at 31 December 2017 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 shares of UniCap Securities Limited and has the control over it, thus it is considered as 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 the Company.

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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 of Unicap Investments Limited. Out of 9 (nine) Directors, 2 (two) Directors have been nominated from Union Capital Limited to represent the Company.

2 Basis of preparation

The financial statements are prepared on the historical cost basis. 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 for the presentation of 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 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.

2.1 Reporting period

The financial statements of the company covered a period from 1 January 2017 to 31 December 2017.

2.2 Directors' responsibility statement

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

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 relate 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 the result in material adjustment to the carrying amounts of assets and liabilities in the next year.

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 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:

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 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.

2.5 Statement of compliance

The financial statements of Union Capital Limited 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 account

In addition to the above, the Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires the production 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 2017 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Union Capital Limited are as under:

Notes to the Financial Statements

For the year ended 31 December 2017

BAS/BFRS	BAS/BFRS	Applicability	Remarks
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 for 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 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

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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 2017 as in financial statements for 2016.

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 marchant bank and UniCap Securities Limited brokerage. Operating results of the reportable segments are disclosed in note no. 37 in compliance with Bangladesh Financial Reporting Standard (BFRS) 8: Operating Segments.

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 account 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.

3 Significant accounting policies

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.

Union Capital Limited as a lessor

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.

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.

Union Capital Limited as a lessee

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.

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 3 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 6 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 account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.

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 shown as Non-Controlling 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:

Investment 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.

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 include 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.

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.

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

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.

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.

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 account as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

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 account, which is determined with reference to the net book value of the assets' and net sales proceeds.

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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:

Particular	Rate
Furniture and fixtures	20%
Office decoration	33%
Electrical equipment	20%
Owned vehicles	20%
Software	20%
Mobile phone	20%
Staff appliance	20%

3.9 Intangible asset

Components

The main item included in intangible asset is software.

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.

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.

Amortisation

Intangible asset is valued at amortised cost and written down within 5 to 10 years.

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 account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

3.11 Borrowing costs

All borrowing costs are recognised in the profit or loss statement in the period in which they are incurred.

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.

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 account, 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.

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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.

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 account 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 the balance sheet date.

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 account.

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.

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 2017. 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.

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.

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.

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 account when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is recognised on cash basis.

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.

c. Income from real estate finance

Interest income from real estate finance is recognised on accrual basis. Interest portion of the installments that becomes 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.

d. Income from secured term finance

Income from secured term finance is recognised on accrual basis.

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.

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.

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 55.

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 account.

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.

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.

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.

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.

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 2017, 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.

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.

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.

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.

		2017 BDT	2016 BDT
4.	**Cash**		
	In hand		
	Local currency	64,000	64,000
	Foreign currencies	-	-
		64,000	64,000
	Balance with Bangladesh Bank		
	Local currency	181,234,957	184,577,238
	Foreign currencies	-	-
		181,234,957	184,577,238
		181,298,957	**184,641,238**
4.a	**Cash (consolidated)**		
	In hand		
	Union Capital Limited	64,000	64,000
	UniCap Securities Limited	25,000	25,000
	UniCap Investments Limited	12,889	10,000
		101,889	**99,000**
	Balance with Bangladesh Bank		
	Union Capital Limited	181,234,957	184,577,238
	UniCap Securities Limited	-	-
	UniCap Investments Limited	-	-
		181,234,957	184,577,238
		181,336,846	**184,676,238**

4.1 Cash reserve requirement (CRR) and statutory liquidity reserve (SLR)

Cash reserve requirement and statutory liquidity ratio have been calculated and maintained in accordance with FID circular no. 6 dated 6 November 2003.

4.1.1	**Cash reserve requirement (CRR)**		
	2.5% of total term deposits		
	Required reserve	172,869,232	176,776,050
	Actual reserve held	212,522,709	180,258,635
	Surplus/(deficit)	**39,653,477**	**3,482,585**
4.1.2	**Statutory liquidity requirement (SLR)**		
	5% of total liabilities		
	Required reserve	379,844,707	379,303,723
	Actual reserve held	2,216,095,057	1,015,902,388
	Surplus/(deficit)	**1,836,250,350**	**636,598,665**
4.1.3	**Held for cash reserve requirement (CRR)**		
	Balance with Bangladesh Bank and its agent bank(s)	181,234,957	184,577,238
4.1.4	**Held for statutory liquidity requirement (SLR)**		
	Cash in hand	64,000	64,000
	Balance with Bangladesh Bank and its agent bank(s)	181,234,957	184,577,238
	Balance with other banks and financial institutions (note 5)	3,707,363,745	1,569,558,538
		3,888,662,702	**1,754,199,776**

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty cash expenses both for head office and branch offices. Under this system the Company maintains imprest of BDT 64,000 (2016: BDT 64,000). As per Bangladesh Bank guidelines, NBFI cannot make any cash transaction except petty cash.

	2017	2016
	BDT	BDT

4.1.6 Balance with Bangladesh Bank and 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 2017 there is no shortage in CRR.

5. Balance with other banks and financial institutions

This represents balance with various banks and financial institutions in Bangladesh

Fixed deposit account		
Bangladesh Commerce Bank Limited.	50,000,000	-
Bangladesh Industrial Finance Company Limited	102,932,500	140,000,000
International Leasing and Financial Services Limited.	500,000,000	100,000,000
Jamuna Bank Limited	250,000,000	-
Modhumoti Bank Limited, Dhanmondi Branch	100,000,000	55,000,000
NRB Commercial Bank Limited	150,000,000	-
NRB Global Bank Limited	100,000,000	-
People's Leasing and Financial Services Limited.	-	50,000,000
Social Islami Bank Limited, Bashundhara Branch	700,000,000	700,000,000
The Farmers Bank Limited	-	300,000,000
Union Bank Limited	1,100,000,000	-
	3,052,932,500	1,345,000,000
Current account		
Bank Alfalah Limited, Gulshan Branch	11,151	23,116
Bank Asia Limited, Moghbazar Branch	731	82
Bank Asia Limited, Bashundhara Branch	-	399
BASIC Bank Limited, Shantinagar Branch	1	1
BASIC Bank Limited, Bangshal Branch	13,853	1
BASIC Bank Limited, Mirpur Branch	5,077	-
BRAC Bank Limited, Gulshan Branch	-	70,539
Dhaka Bank Limited, Kakrail Branch	1,877,135	1,891,205
Eastern Bank Limited, Head office	407,044	-
Midland Bank Limited, Gulshan Branch	1,023	2,965
Modhumoti Bank Limited, Dhanmondi Branch	289,065	3,785
Modhumoti Bank Limited, Dhanmondi Branch	6,337	-
Mutual Trust Bank Limited, Dilkusha Branch	-	393,513
National Credit and Commerce Bank Limited, Mirpur-10 Branch	-	258
National Credit and Commerce Bank Limited, Banani Branch	850	-
NRB Bank Limited,Corporate Branch	915,372	933,814
Shahjalal Islami Bank Limited, Gulshan Branch	453	453
Shahjalal Islami Bank Limited, Elephant Road Branch	4,017,886	4,536,682
Social Islami Bank Limited, Eskaton Branch	9,252	-
Southeast Bank Limited, Islamic Banking Branch	709,105	710,755
Southeast Bank Limited, Mirpur Branch	548	4,404
Southeast Bank Limited, Satmosjid Road Branch	3,275	4,425
State Bank of India, Dhaka Office	-	79,223
The Premier Bank Limited, Karwan Bazar Branch	-	32,647
United Commercial Bank Limited, New Eskaton Branch	3,521,789	-
United Commercial Bank Limited, New Eskaton Branch	-	5,448,516
Uttara Bank Limited, Local Office	17,408	18,558
	11,807,355	14,155,341

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	2017	2016
	BDT	BDT
Short term deposit		
AB Bank Limited, Karwan Bazar Branch	-	13,622
Bank Asia Limited, Corporate Branch	4,743,222	-
Bank Asia Limited, Corporate Branch	282,020,134	173,103,013
Dhaka Bank Limited, Local Office	393,604	2,091,480
Dutch Bangla Bank Limited, Karwan Bazar Branch	83,025	-
Dutch Bangla Bank Limited, Karwan Bazar Branch	233,011,507	25,810,582
HSBC, Dhaka Main Office	-	516,102
HSBC, Dhaka Main Office	-	86,280
Jamuna Bank Limited, Sonargaon Road Branch	7,028,087	2,347,979
Mutual Trust Bank Limited, Principal Branch	91,300	3,904,381
Southeast Bank Limited, Islamic Banking Branch	2,583,752	2,529,758
Southeast Bank Limited, R k Mission Road Branch	112,669,259	-
	642,623,890	210,403,197
	3,707,363,745	**1,569,558,538**

Fixed deposits are maintained with commercial banks and non-banking 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 and short-term deposits.

Maturity wise grouping

On demand	11,807,355	14,155,341
Up to 1 month	642,623,890	210,403,197
Above 1 month but not more than 3 months	1,100,189,560	490,000,000
Above 3 months but not more than 1 year	1,952,742,940	855,000,000
Above 1 year but not more than 5 years	-	-
Above 5 years	-	-
	3,707,363,745	**1,569,558,538**

5.a Balance with other banks and financial institutions (consolidated)

Union Capital Limited	3,707,363,745	1,569,558,538
UniCap Securities Limited	103,756,132	199,026,208
UniCap Investments Limited	63,881,250	55,805,967
	3,875,001,127	1,824,390,714
Less: Inter-company transactions	-	-
	3,875,001,127	**1,824,390,714**

	2017	2016
	BDT	BDT

6. Investments

The investment is made up as under:

Government securities	-	-
Other investments (note 6.1)	482,924,596	457,124,080
	482,924,596	**457,124,080**

This represents investment made by the Company in listed securities.

6.1 Other investments

	No. of Company	Market Value	Cost	
			2017	2016
Listed securities (shares)	18	476,748,693	482,924,596	457,124,080
	18	**476,748,693**	**482,924,596**	**457,124,080**

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 2017 was 28 December).

Sector wise investment in listed securities at cost

Banking companies	147,103,566	16,518,488
Non Banking Financial Institutions	66,339,784	-
Insurance companies	-	14,381,778
Investment companies	-	-
Fuel & power	78,244,754	9,646,268
Manufacturing companies and others	191,236,491	416,577,546
	482,924,596	**457,124,080**

Maturity wise grouping

Up to 1 month	40,000,000	20,000,000
Above 1 month but not more than 3 months	85,000,000	90,000,000
Above 3 months but not more than 1 year	357,924,596	347,124,080
Above 1 year but not more than 5 years	-	-
Above 5 years	-	-
	482,924,596	**457,124,080**

6.a Investments (consolidated)

Union Capital Limited	482,924,596	457,124,080
UniCap Securities Limited	794,860,417	748,105,089
UniCap Investments Limited	419,806,202	404,130,914
	1,697,591,216	**1,609,360,083**

7. Loans, advances and leases

This represents loans, advances and leases financed fully in Bangladesh.

Lease finance (note 7.1)	1,924,375,904	1,948,222,279
Advance against lease finance (note 7.2)	58,867,920	14,500,000
Term finance (note 7.3)	8,482,015,624	8,405,475,684
Home loan	-	2,492,285
Loan to subsidiaries	6,129,990,206	5,976,628,723
Loan against deposits (note 7.4)	4,956,997	18,745,690
Staff loan (note 7.5)	31,357,610	33,107,907
	16,631,564,261	**16,399,172,568**

7. 1 Lease finance

Principal outstanding (note 7.1.1)	1,638,736,886	1,693,360,694
Accounts receivable	285,639,018	254,861,585
	1,924,375,904	**1,948,222,279**

	2017 BDT	2016 BDT
7. 1.1 Principal outstanding		
Gross rental receivables	2,030,541,327	2,165,158,407
Unearned lease income	(391,804,441)	(471,797,713)
Net investment	**1,638,736,886**	**1,693,360,694**
7. 2 Advance against lease finance		
This represents amount paid for procurement of lease assets, which is yet to be executed. On execution of lease, advances will be transferred to lease finance.		
Balance at 1 January	14,500,000	-
Add: Disbursed during the period	437,500,000	380,868,760
Less: Executed during the period	(393,132,080)	(366,368,760)
Balance at 31 December	**58,867,920**	**14,500,000**
7. 3 Term finance		
Principal outstanding (note 7.3.1)	7,149,323,497	7,701,473,312
Accounts receivable	1,332,692,127	704,002,372
	8,482,015,624	**8,405,475,684**
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	7,701,473,312	7,048,118,809
Add: Disbursed during the period	5,521,036,550	6,218,020,000
Less: Recovered during the period	(6,073,186,365)	(5,564,665,497)
Balance at 31 December	**7,149,323,497**	**7,701,473,312**
7.4 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	18,745,690	4,107,000
Add: Disbursed during the year	12,750,000	63,580,000
Less: Recovered during the year	(26,538,693)	(48,941,310)
Balance at 31 December	**4,956,997**	**18,745,690**
7. 5 Staff loan		
Staff loan includes loan provided to the eligible employees as per Company's approved policy		
Employees home loan	14,216,385	17,451,758
Employees car loan	16,859,794	15,132,038
Personal loan	281,431	524,111
	31,357,610	**33,107,907**
7. 5.1 Movement of term finance (Principal outstanding) is made up as under:		
Balance at 1 January	33,107,907	24,254,323
Add: Disbursed during the year	7,088,000	12,453,925
Less: Recovery during the year	(8,838,297)	(3,600,341)
	31,357,610	**33,107,907**

	2017 BDT	2016 BDT
7.6 Residual maturity grouping of loans, advances and leases		
Repayable on demand	-	-
Upto 1 month	298,765,433	190,082,350
Above 1 month but not more than 3 months	603,234,567	432,664,700
Above 3 months but not more than 1 year	3,718,291,081	3,535,741,150
Above 1 year but not more than 5 years	11,198,765,433	9,096,520,117
Above 5 years	812,507,747	3,144,164,251
	16,631,564,261	**16,399,172,568**
7. 7 Loans, advances and leases on the basis of significant concentration		
a) Directors and their concerns	6,132,329,218	5,988,301,831
b) Chief executive and other senior executives	31,357,610	33,107,907
c) Customer groups	10,467,877,433	10,377,762,830
	16,631,564,261	**16,399,172,568**

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.

Sector wise loans, advances and leases

As per Bangladesh Bank circular, sector wise loans and advances are as follows:

Sector		
Trade and Commerce	1,879,592,388	2,342,835,484
Industry		
Garments and Knitwear	460,327,143	401,703,903
Textile	1,788,176,816	1,837,709,161
Jute and Jute Products	28,322,398	114,448,421
Food Products and Processing Industry	490,735,134	538,280,672
Plastic Industry	32,304,550	46,492,325
Leather and Leather-Goods	1,073,297	2,747,016
Iron, Still and Engineering	762,865,807	952,711,900
Pharmaceuticals and Chemicals	586,156,935	527,237,724
Cement and Allied Industry	25,494,007	83,547,258
Telecommunication and Information Technology	315,059,523	60,072,879
Paper, Printing and Packaging	270,425,900	275,445,377
Glass, Glassware and Ceramic Industry	4,491,927	7,032,265
Ship Manufacturing Industry	371,171,427	342,965,731
Electronics and Electrical Products	381,656,707	163,837,625
Power, Gas, Water and Sanitary Service	723,389,814	843,634,008
Transport and Aviation	428,161,062	358,752,215
Agriculture	813,162,373	361,246,191
Housing	221,954,256	265,299,179
Others:		
Merchant Banking	5,300,766,023	5,092,322,086
Others	1,746,276,774	1,780,851,149
Grand total	**16,631,564,261**	**16,399,172,568**
7. 8 Geographical location wise loans, advances and leases		
Dhaka Division	14,409,912,548	14,200,907,319
Chittagong Division	1,841,815,916	2,019,579,523
Rajshahi Division	283,990,195	147,123,297
Khulna Division	4,696,118	-
Rangpur Division	20,288,555	-
Barisal Division	125,331	318,027
Sylhet Division	70,735,598	31,244,402
	16,631,564,261	**16,399,172,568**

	2017 BDT	2016 BDT
7.9 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 2017 was BDT 2,097.43 million against that of BDT 1,988.42 million as at 31 December 2016.		
Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital for each	5	5
Amount of outstanding loans and advances [to the client as mentioned above]	8,882,895,000	8,207,816,000
Amount of classified loans and advances [out of the amount as mentioned above]	-	-
Measures taken for recovery [for the amount as mentioned above]	-	-
7.10 Particulars of loans, advances and leases		
Sl. Particulars		
I. Financing considered good in respect of which the Company is fully secured	1,872,468,669	1,863,982,351
II. Financing considered good in respect of which the Company is partially secured	4,581,909,977	4,711,414,262
III. Financing considered good against which the Company holds no security other than the debtors' personal guarantee	3,151,755,719	3,095,198,474
IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	121,331,849	103,809,911
V. Financing adversely classified, provision not maintained there against	-	-
VI. Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons	31,357,610	33,107,907
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	6,132,329,218	5,988,301,831
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	31,357,610	33,107,907
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	6,132,329,218	5,988,301,831
X. Due from banking companies and other financial institutions	-	-
XI. Classified loans, advances and leases on which interest has not been charged	518,388,618	428,905,799
a) Amount of written off loans, advances and leases	809,930,969	609,584,822
b) Amount realised against the debts previously written off	16,042,138	18,037,338
c) Provision kept against loans and advances classified as bad/loss	191,365,122	214,481,190
d) Amount of interest creditable to the interest suspense account	72,805,045	75,621,958
XII. Cumulative amount of the written off loans/leases:		
Opening balance	609,584,822	442,256,466
Add: Amount written off during the year	216,388,285	185,365,694
Less: Amount recovered during the year	16,042,138	18,037,338
Cumulative to date	809,930,969	609,584,822
The amount of written off loans for which law suit filed	852,552,024	636,163,739

	2017	2016
	BDT	BDT

7.11 Classification wise loans, advances and leases

Standard	14,379,607,768	14,508,827,060
Special mention account (SMA)	799,206,202	506,673,632
Unclassified	**15,178,813,970**	**15,015,500,692**
Sub-standard (SS)	446,678,071	553,028,986
Doubtful (DF)	120,479,833	116,164,010
Bad/loss (BL)	885,592,387	714,478,880
Classified	**1,452,750,291**	**1,383,671,876**
Total	**16,631,564,261**	**16,399,172,568**
Rate of classified loans, leases and advances	**8.73%**	**8.44%**

7.12 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)	13,003,581,995	1%	130,035,820	130,987,163
Standard (SME loan/leases)	1,376,025,773	0.25%	3,440,064	3,525,277
Special mention account	778,054,993	5%	38,902,750	24,463,774
	15,157,662,761		**172,378,634**	**158,976,214**
Classified - Specific provision				
Sub-standard	273,616,169	20%	54,723,234	56,104,197
Doubtful	56,214,685	50%	28,107,343	17,732,600
Bad/loss	191,365,122	100%	191,365,122	214,481,190
	521,195,976		**274,195,698**	**288,317,987**
Required provision for loans, advances and leases			**446,574,332**	**447,294,201**
Total provision maintained for loans, advances and leases			446,961,097	480,627,756
Excess provision for loans, advances and leases			**386,765**	**33,333,555**

7.13 Rate of net classified loans, advances and leases

Gross classified loans, advances and leases	1,452,750,291	1,383,671,876
Less: Interest suspense against classified loans, advances and leases	(187,761,283)	(178,670,741)
Less: Provision against classified loans, advances and leases	(274,195,698)	(288,317,987)
Net classified loans, advances and leases	990,793,310	916,683,147
Total loans, advances and leases	16,631,564,261	16,399,172,568
Rate of net classified loans, advances and leases	**5.96%**	**5.59%**

		2017 BDT	2016 BDT
7.a	**Loans, advances and leases (consolidated)**		
	Union Capital Limited	16,631,564,261	16,399,172,568
	UniCap Securities Limited	1,441,514,577	992,490,310
	UniCap Investments Limited (note 7.a 1)	5,886,158,053	5,688,730,428
		23,959,236,891	**23,080,393,306**
	Less: Inter-company transactions	(6,129,990,206)	(5,976,628,723)
		17,829,246,685	**17,103,764,583**

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.

8.	**Fixed assets including land, building, furniture and fixtures**		
	Furniture and fixtures	7,689,721	7,076,288
	Office decoration	20,173,149	15,766,847
	Electric equipment	29,430,017	27,021,510
	Owned vehicles	12,535,992	12,535,992
	Leased vehicles	3,760,000	3,760,000
	Intangible assets (software)	1,541,381	1,122,881
	Mobile phones	452,600	367,085
	Staff appliances	-	41,329
	Total cost	**75,582,860**	**67,691,932**
	Less: Accumulated depreciation and amortisation	(57,139,457)	(53,721,741)
	Written down value at 31 December	**18,443,403**	**13,970,191**

Details are shown in Annex A.

8.a	**Fixed assets including land, building, furniture and fixtures (consolidated)**		
	Union Capital Limited	18,443,403	13,970,191
	UniCap Securities Limited	27,679,425	17,905,944
	UniCap Investments Limited	5,051,414	3,901,167
		51,174,242	**35,777,302**
9.	**Other assets**		
	Investment in subsidiary (note 9.1)	422,498,771	347,498,771
	Accrued interest	147,537,682	114,667,905
	Others	16,402,858	13,274,318
	Income generating other assets	**586,439,311**	**475,440,994**
	Advance office rent	3,871,040	3,821,660
	Advance to employees	854,106	785,805
	Deposits with T & T, water, etc.	87,500	37,500
	Advance corporate tax	1,389,767,624	1,185,250,440
	Receivable from brokerage house against sale of shares	722,043	87,269,018
	Transfer price receivable	1,287,376	1,287,376
	Deferred tax assets (note 9.2)	12,170,560	10,480,802
	Others	252,690,345	348,891,836
	Non income generating other assets	**1,661,450,594**	**1,637,824,437**
		2,247,889,905	**2,113,265,431**

Management consider all the other assets are 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 BDT one (1) in 1998. During the year 2003, an amount of BDT 2,498,900 was invested in UniCap Securities Limited against 24,989 ordinary shares of BDT 100 each. Further, in 2005, 2009, 2010 and 2017, BDT 10,000,000, BDT 35,000,000 BDT 50,000,000 and BDT 75,000,000 respectively were also invested in UniCap Securities Limited against allotment of 100,000, 350,000, 500,000 and 750,000 ordinary shares of BDT 100 each.

	2017	2016
	BDT	BDT

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 BDT 249,999,870 was invested in UniCap Investments Limited which includes BDT 99,999,935, BDT 99,999,935 and BDT 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	18,443,403	30,044,846	11,601,443
Liabilities	Employee gratuity fund	18,824,955	-	18,824,955
		37,268,358	**30,044,846**	**30,426,398**
Applicable tax rate				40%
Deferred tax assets as at 31 December 2017				12,170,559
Deferred tax assets as at 31 December 2016				10,480,802
Deferred tax expense/(income) during the year ended 31 December 2017				**(1,689,757)**

9.a Other assets (consolidated)

Union Capital Limited	2,247,889,905	2,113,265,431
UniCap Securities Limited	378,805,603	449,229,464
UniCap Investments Limited	426,687,090	239,685,055
	3,053,382,598	2,802,179,950
Less: Inter-company transactions	(851,460,880)	(722,692,260)
	2,201,921,718	**2,079,487,689**

10. Non-banking assets

Non-banking assets	312,047,044	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.

11. Borrowings from other banks, financial institutions and agents

Borrowings from other banks

In Bangladesh

Secured long term loans

Bank loan (note 11.1)	3,318,074,495	2,162,338,268
Preference share capital (note 11.2)	300,000,000	400,000,000
	3,618,074,495	2,562,338,268
Unsecured		
Bangladesh Bank (Small enterprise refinancing scheme-JICA) (note 11.3)	422,558,823	497,704,419
Bangladesh Bank (Women entrepreneur refinance scheme (note 11.4)	83,570,834	87,384,524
Bangladesh Bank (Agriculture refinance scheme) (note 11.5)	29,812,500	31,562,500
Short term borrowing and call loan (note 11.6)	100,000,000	297,969
	635,942,157	616,949,412
	4,254,016,652	**3,179,287,680**
Outside Bangladesh	-	-
Borrowings from banks	**4,254,016,652**	**3,179,287,680**

	2017	2016
	BDT	BDT
Borrowings from financial institutions		
The UAE-Bangladesh Investment Company Limited	19,905,519	37,807,834
	4,273,922,171	**3,217,095,514**

11.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

Balance at 1 January	2,162,338,268	1,428,398,904
Add: Received during the period	2,030,593,680	1,620,000,000
Less: Repayment during the period	(874,857,453)	(886,060,636)
Balance at 31 December	**3,318,074,495**	**2,162,338,268**

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

Bank Asia Limited	86,641,760	144,512,531
Bank Alfalah Limited	26,620,662	42,541,623
BASIC Bank Limited	284,482,885	35,105,757
Dutch Bangla Bank Limited	417,798,702	674,288,025
Eastern Bank Limited	495,916,002	-
Jamuna Bank Limited	72,785,426	90,062,817
Midland Bank Limited	313,408,076	100,000,000
Modhumoti Bank Limited	269,777,011	50,000,000
Mutual Trust Bank Limited	391,502,398	211,110,989
National Credit & Commerce Bank Limited..	100,000,000	-
Shahjalal Islami Bank Limited	228,274,536	365,359,723
Social Islami Bank Limited	144,211,264	-
Southeast Bank Limited	382,960,647	273,309,994
United Commercial Bank Limited	103,695,126	142,713,477
Uttara Bank Limited	-	33,333,332
Total secured long term loans	**3,318,074,495**	**2,162,338,268**

11.2 Preference share capital

30 cumulative non-convertible preference share of BDT 10,000,000 each (fully paid up)	300,000,000	400,000,000

11.2.1 Details of preference share capital

The company issued 50 cumulative non-convertible redeemable preference shares 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 BDT	Outstanding BDT	Outstanding BDT
Bangladesh Fund	10	100,000,000	60,000,000	80,000,000
National Housing Finance Co. Limited	10	100,000,000	60,000,000	80,000,000
DBH Corporation Limited	5	50,000,000	30,000,000	40,000,000
Uttara Finance & Investment Co. Limited	5	50,000,000	30,000,000	40,000,000
Brac Bank Limited	5	50,000,000	30,000,000	40,000,000
Midland Bank Limited	5	50,000,000	30,000,000	40,000,000
NRB Bank Limited	5	50,000,000	30,000,000	40,000,000
NRB Global Bank Limited	5	50,000,000	30,000,000	40,000,000
Total	**50**	**500,000,000**	**300,000,000**	**400,000,000**

	2017 BDT	2016 BDT
11.3 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	497,704,419	574,503,370
Add: Received during the period	165,294,940	157,373,250
Less: Repayment during the period	(240,440,536)	(234,172,201)
Balance at 31 December	**422,558,823**	**497,704,419**
Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.		
11.4 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	87,384,524	89,239,286
Add: Received during the period	40,500,000	29,000,000
Less: Repayment during the period	(44,313,690)	(30,854,762)
Balance at 31 December	**83,570,834**	**87,384,524**
11.5 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	31,562,500	19,375,000
Add: Received during the period	9,000,000	27,000,000
Less: Repayment during the period	(10,750,000)	(14,812,500)
Balance at 31 December	**29,812,500**	**31,562,500**
11.6 Short term borrowing and call loan		
Short term borrowing (note 11.6.1)	100,000,000	297,969
Call loan (note 11.6.2)	-	-
	100,000,000	**297,969**
This represents bank overdraft and call loans availed from different banks to meet short-term fund requirements.		
11.6.1 Short term borrowings		
Mutual Trust Bank Limited	-	297,969
Uttara Bank Limited-Local Office	100,000,000	-
	100,000,000	**297,969**
11.6.2 Call loans		
Dutch Bangla Bank Limited	-	-
Mutual Trust Bank Limited	-	-
Sonali Bank Limited	-	-
Standard Bank Limited	-	-
	-	-
11.7 Security against borrowings from other banks and financial institutions		
Secured	3,637,980,014	2,600,146,102
Unsecured	635,942,157	616,949,412
	4,273,922,171	**3,217,095,514**

		2017 BDT	2016 BDT
11.8	**Maturity wise grouping**		
	Repayable on demand	-	-
	Upto 1 month	295,187,411	62,724,265
	Above 1 month but not more than 3 months	226,196,902	307,455,153
	Above 3 months but not more than 1 year	1,205,667,271	859,636,349
	Above 1 year but not more than 5 years	2,546,870,587	1,961,981,110
	Above 5 years	-	25,298,637
		4,273,922,171	**3,217,095,514**
11.a	**Borrowings from other banks, financial institutions and agents (consolidated)**		
	Union Capital Limited	4,273,922,171	3,217,095,514
	UniCap Securities Limited	1,508,893,004	1,175,169,784
	UniCap Investments Limited	3,765,039,490	3,767,404,689
		9,547,854,665	8,159,669,986
	Less: Inter-company transactions	(4,202,284,097)	(4,340,309,097)
		5,345,570,568	**3,819,360,889**
12.	**Term deposits**		
	This comprises interest bearing deposits from individuals and organisations for period ranging from 3 months to 10 years.		
	Banks and financial institutions	7,854,092,500	6,420,000,000
	Other institutions	5,009,763,127	4,932,261,756
	Total institutional deposits	**12,863,855,627**	**11,352,261,756**
	Term deposit	734,251,795	800,176,665
	Income deposit	299,960,000	156,230,000
	Monthly savings scheme	6,780,350	6,168,500
	Total individual deposits	**1,040,992,145**	**962,575,165**
		13,904,847,772	**12,314,836,921**
	Movement of deposits is made up as under:		
	Balance at 1 January	12,314,836,921	10,712,749,207
	Add: Received/renewed during the period	8,944,703,955	10,118,020,125
	Less: Repayment during the period	(7,354,693,104)	(8,515,932,411)
	Balance at 31 December	**13,904,847,772**	**12,314,836,921**
	Maturity wise grouping		
	Repayable on demand	-	-
	Repayable within 1 month	569,697,960	270,985,324
	Above 1 month but not more than 6 months	1,417,368,291	554,679,123
	Above 6 months but not more than 1 year	3,695,854,956	3,550,595,678
	Above 1 year but not more than 5 years	8,160,611,641	7,772,608,632
	Above 5 years but not more than 10 years	61,314,923	165,968,164
	Above 10 years	-	-
	Unclaimed deposits for 10 years or more	-	-
		13,904,847,772	**12,314,836,921**
12.a	**Term deposits (consolidated)**		
	Union Capital Limited	13,904,847,772	12,314,836,921
	UniCap Securities Limited	-	-
	UniCap Investments Limited	-	-
		13,904,847,772	12,314,836,921
	Less: Inter-company transactions	-	-
		13,904,847,772	**12,314,836,921**

	2017 BDT	2016 BDT

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 the term. This is made up as under:

Balance at 1 January	816,384,622	1,086,037,720
Add:Received during the period	2,191,745,101	3,567,959,080
Less: Repayment during the period	(2,244,542,134)	(3,837,612,178)
Balance at 31 December	**763,587,589**	**816,384,622**

Breakup of other deposits on the basis of category of finance is as under:

Lease advance	40,985,013	49,707,340
Term finance advance	375,709,137	168,743,596
Cash security	346,893,439	597,933,686
	763,587,589	**816,384,622**

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.

14. Other liabilities

Provision for loans, advances and leases (note 14.1)	446,961,097	480,627,756
Provision for diminution in value of investments (note 14.2)	6,175,903	20,660,394
Provision for other assets	5,376,000	4,311,000
Interest suspense (note 14.3)	208,627,854	196,068,900
Provision for tax (note 14.4)	1,402,639,722	1,375,613,231
Financial expenses payable (note 14.5)	396,443,536	474,094,193
Deferred liability-employee gratuity (note 14.6)	18,824,955	12,528,501
Dividend on preference shares	28,253,427	37,917,806
Exercise duty	9,635,599	6,952,711
Withholding tax payable	11,721,203	898,085
VAT payable	457,032	620,752
Accrued expenses and other payable (note 14.7)	6,625,252	5,835,320
	2,541,741,579	**2,616,128,647**

14.1 Provision for loans, advances and leases

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	172,765,399	192,309,769
Specific provision on classified loans, advances and leases	274,195,698	288,317,987
	446,961,097	**480,627,756**

Movement in general provision on unclassified loans/leases:

Provision as on 1 January	192,309,769	152,879,054
Add: Provision made/(released) during the period	33,238,031	27,193,744
Less: Provision no longer required	(27,506,709)	(16,531,000)
Add: Transferred from/(to) specific provision	(5,923,508)	(6,660,963)
Add: Net charge to profit and loss account	(19,352,184)	35,428,934
Provision as on 31 December	**172,765,399**	**192,309,769**

14.1.a General provision made during the period for loans, advances and leases (consolidated)

Union Capital Limited	(19,352,184)	35,428,934
UniCap Securities Limited	42,975,898	17,206,916
UniCap Investments Limited	-	-
	23,623,714	**52,635,850**

	2017 BDT	2016 BDT
14.1.b Movement in specific provision on classified loans / leases:		
Provision as on 1 January	288,317,987	280,966,630
Less: Fully provided debts written off during the period	(216,388,285)	(185,365,694)
Add: Recoveries of amounts previously written off	16,042,138	20,670,590
Less: Transferred from/(to) general provision	5,923,508	6,660,963
Add: Specific provision made during the period for other accounts	51,560,129	70,518,183
Less: Provision no longer required	(30,716,333)	(102,609,199)
Add: Net charge to profit and loss account	159,456,554	197,476,514
Provision as on 31 December	**274,195,698**	**288,317,987**
	446,961,097	**480,627,756**
14.1.c Provision for loans, advances and leases (consolidated)		
Union Capital Limited	446,961,097	480,627,756
UniCap Securities Limited	75,819,007	35,819,007
UniCap Investments Limited	175,000,000	175,000,000
	697,780,104	**691,446,763**
14.1.d Provision made during the year for loans, advance and leases		
General provision	(19,352,184)	35,428,934
Specific provision	159,456,554	197,476,514
Provision as on 31 December	**140,104,370**	**232,905,448**
14.1.e Provision made during the year for loans, advance and leases (consolidated)		
Union Capital Limited	140,104,370	232,905,448
UniCap Securities Limited	42,975,898	17,206,916
UniCap Investments Limited	-	-
Balance as on 31 December	**183,080,268**	**250,112,364**
14.2 Provision for diminution in value of investments		
Provision as on 1 January	20,660,394	28,329,255
Add: Provision made/(released) during the period (note 14.2.1)	(14,484,491)	(7,668,861)
Provision as on 31 December	**6,175,903**	**20,660,394**

As on 31 December 2017, the amount of diminution in the value of investment in shares was BDT 6,175,903 for which full provision has been made.

14.2.1 Allocation of provision made for diminution in value of investments		
Listed securities	(14,484,491)	(7,668,861)
Unlisted securities	-	-
	(14,484,491)	**(7,668,861)**
14.2.a Provision made for diminution in value of investments (consolidated)		
Union Capital Limited	(14,484,491)	(7,668,861)
UniCap Securities Limited	-	11,940,946
UniCap Investments Limited	1,584,545	(353,547)
	(12,899,946)	**3,918,538**
14.2.b Provision for diminution in value of investments (consolidated)		
Union Capital Limited	6,175,903	20,660,394
UniCap Securities Limited	22,788,812	22,788,812
UniCap Investments Limited	1,584,545	-
	30,549,260	**43,449,206**

	2017 BDT	2016 BDT
14.3 Interest suspense		
Balance as on 1 January	196,068,900	200,243,504
Add: Transferred during the year	72,805,045	75,621,958
Less: Amount of interest suspense recovered	(14,510,106)	(44,351,255)
Less: Write off during the year	(45,735,985)	(35,445,307)
Balance as at 31 December	**208,627,854**	**196,068,900**

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	114,271,207	93,981,677
On term finance	94,356,647	102,087,223
	208,627,854	**196,068,900**
14.3.1 a Interest suspense (consolidated)		
Union Capital Limited	208,627,854	196,068,900
UniCap Securities Limited	8,500,000	8,500,000
UniCap Investments Limited	-	534,358,084
	217,127,854	**738,926,984**

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 2017.

Balance at 1 January	1,375,613,231	1,181,598,282
Add: Provision made during the period	27,026,491	194,014,949
Less: Transferred to/(from) during the period	-	-
Balance at 31 December	**1,402,639,722**	**1,375,613,231**

While estimating the current income tax for the year ended 31 December 2017, 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.

14.4.a Provision made during the period for current tax (consolidated)		
Union Capital Limited	27,026,491	194,014,949
UniCap Securities Limited	73,561,110	39,900,000
UniCap Investments Limited	4,096,300	208,014
	104,683,901	**234,122,963**

14.5 Financial expenses payable

This comprises interest accrued on term deposits, security deposits and bank borrowings.

Interest payable on term deposits	293,634,241	323,309,246
Interest payable on cash security	59,148,393	128,832,656
Interest payable on long term borrowings	37,903,263	21,952,291
Interest payable on short term borrowings	5,757,639	-
	396,443,536	**474,094,193**

		2017 BDT	2016 BDT
14.6	**Deferred liability-employee gratuity**		
	Balance at 1 January	12,528,501	9,596,000
	Add: Addition during the year	6,387,174	3,043,501
	Less: Paid during the year	(90,720)	(111,000)
	Balance at 31 December	**18,824,955**	**12,528,501**
14.7	**Accrued expenses and other payable**		
	Management expenses	1,870,991	1,638,227
	Unclaimed dividend by shareholder	1,470,702	1,487,483
	Others payables	3,283,559	2,709,610
		6,625,252	**5,835,320**
14.a	**Other liabilities (consolidated)**		
	Union Capital Limited	2,541,741,579	2,616,128,647
	UniCap Securities Limited	914,128,636	932,295,119
	UniCap Investments Limited	2,747,477,897	2,357,265,372
		6,203,348,112	5,905,689,138
	Less: Inter-company transactions	(2,356,668,218)	(1,936,513,115)
		3,846,679,893	**3,969,176,023**

Notes to the financial statements

For the year ended 31 December 2017

15. Share capital

As at 31 December 2017, a total number of 156,529,563 (2016: 142,299,603) ordinary shares of BDT 10 each were issued, subscribed and fully paid up. Details are as follows:

Authorised capital		
200,000,000 ordinary shares of BDT 10 each	2,000,000,000	2,000,000,000
Issued, subscribed and paid up capital:		
142,299,603 ordinary shares of BDT 10 each	1,422,996,034	1,329,902,836
14,229,960 bonus shares	142,299,603	93,093,198
	1,565,295,637	1,422,996,034

Pattern of shareholdings

Director/Executive	Represented by	No. of shares held	Percentage(%)
Enrilco Limited	Mr. Nadeem A. Chaudhury	7,167,608	4.58
Palmal Garments Hosiery Limited.	Mrs. Tajrina Sikder	15,231,718	9.73
Palmal Garments Hosiery Limited.	Mr. Kazi Russel Mahbub	Nil	Nil
EC Securities Limited.	Mr. Chowdhury Tanzim Karim	11,300,958	7.22
EC Securities Limited.	Capt. Minhazur Reza Chowdhury	Nil	Nil
Mr. M. Faizur Rahman	Self	7,220,777	4.61
Mr. Waqar A. Choudhury	Self	3,177,900	2.03
Mrs. Meherunnesa Haque	Self	3,169,189	2.02
Ms. Sabita Rezwana Rahman	Self	3,450,268	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 2017 was as under:

Group	No. of Shareholders		No. of Shares		Percentage (%)	
	2017	2016	2017	2016	2017	2016
Sponsors (Institutions)	3	3	33,700,284	30,636,624	21.53	21.53
Sponsors (Individuals)	6	6	16,338,067	19,270,141	10.43	13.53
General Public (Institutions)	194	316	28,614,749	24,026,899	18.28	16.88
General Public (Individuals)	7,561	7,335	77,876,463	68,365,939	49.75	48.04
Total	**7,764**	**7,660**	**156,529,563**	**142,299,603**	**100.00**	**100.00**

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2017 was as under:

Shareholding range	No. of Shareholders		No. of Shares		Percentage (%)	
	2017	2016	2017	2016	2017	2016
Less than 500 shares	2,087	2,177	388,823	356,409	0.25	0.29
500 to 5,000 shares	4,084	4,059	8,179,485	7,568,638	5.23	6.05
5,001 to 10,000 shares	769	624	5,550,030	4,399,231	3.55	3.08
10,001 to 20,000 shares	391	337	5,624,082	4,782,188	3.59	3.02
20,001 to 30,000 shares	139	129	3,478,265	3,227,887	2.22	1.69
30,001 to 40,000 shares	67	64	2,403,133	2,261,374	1.54	1.18
40,001 to 50,000 shares	31	57	1,421,937	2,618,385	0.91	1.09
50,001 to 100,000 shares	71	91	5,070,338	6,487,235	3.24	2.33
100,001 to 1,000,000 shares	99	98	32,136,946	29,891,626	20.53	12.56
Over 1,000,000 shares	26	24	92,276,524	80,706,630	58.95	68.72
Total	**7,764**	**7,660**	**156,529,563**	**142,299,603**	**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:

AMR STOCK

	2017	2016
	BDT	BDT
Solo Basis		
Core capital (Tier-1)		
Paid up capital	1,565,295,637	1,422,996,034
Share premium	-	-
Statutory reserves	436,278,055	414,474,598
General reserves	-	-
Retained earnings	95,859,108	150,944,883
Sub-total	**2,097,432,800**	**1,988,415,515**
Supplementary capital (Tier-2)		
General provision (unclassified loans upto specified limit+SMA +off balance sheet exposures)	172,765,399	192,309,769
Asset revaluation reserves up to 50%	-	-
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	300,000,000	400,000,000
Others, if any (item approved by Bangladesh Bank)	-	-
Sub-Total	**472,765,399**	**592,309,769**
Total eligible capital (A)	**2,570,198,199**	**2,580,725,284**
Total risk weighted assets (RWA) (B)	20,876,232,129	20,065,489,859
Required capital based on risk weighted assets (10% of B) (C)	2,087,623,213	2,006,548,986
Capital surplus (A-C)	**482,574,986**	**574,176,298**
Capital adequacy ratio (%) (A/B*100)	12.31%	12.86%
Consolidated Basis		
Core capital (Tier-1)		
Paid up capital	1,565,295,637	1,422,996,034
Share premium	-	-
Statutory reserves	436,278,055	414,474,598
General reserves	-	-
Non-controlling interest	225	190
Retained earnings	183,934,777	193,332,146
Sub-Total	**2,185,508,694**	**2,030,802,968**
Supplementary capital (Tier-2)		
General provision (unclassified loans upto specified limit+SMA +off balance sheet exposures)	253,222,360	235,807,674
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	300,000,000	400,000,000
Others, if any (item approved by Bangladesh Bank)	-	-
Sub-Total	**604,234,540**	**686,819,854**
Total eligible capital (A)	**2,789,743,234**	**2,717,622,822**
Total risk weighted assets (RWA) (B)	24,591,578,835	22,963,897,069
Required capital based on risk weighted assets (10% of B) (C)	2,459,157,884	2,296,389,707
Capital surplus (A-C)	330,585,351	421,233,115
Capital adequacy ratio (%) (A/B*100)	**11.34%**	**11.83%**

16. Statutory reserve

Balance as on 1 January	414,474,598	364,815,071
Add: Transferred from profit during the period	21,803,457	49,659,527
Balance as at 31 December	**436,278,055**	**414,474,598**

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT
17. Retained earnings		
Balance as on 1 January	150,944,883	164,915,661
Less: Issuance of bonus shares (2016)	(142,299,603)	(93,093,198)
Less: Cash dividend (2015)	-	(66,495,142)
Add: Profit after tax for the period	109,017,284	195,277,089
Less: Transferred to statutory reserve	(21,803,457)	(49,659,527)
Balance as at 31 December	**95,859,108**	**150,944,883**
17.a Retained Earnings (Consolidated)		
Balance as on 1 January	193,332,146	197,184,426
Less: Issuance of bonus shares (2016)	(142,299,603)	(93,093,198)
Less: Cash dividend (2015)	-	(66,495,142)
Add: Profit after tax for the period	154,805,691	205,395,586
Less: Transferred to statutory reserve	(21,803,457)	(49,659,527)
Balance as at 31 December	**184,034,778**	**193,332,146**
18. Income statement		
Income		
Interest, discount and similar income (note 19)	1,826,312,122	1,957,086,783
Dividend income (note 21)	9,928,694	13,723,324
Fees, commission, exchange and brokerage (note 22)	21,833,631	28,621,699
Gains less losses arising from investment in securities (note 21)	(12,714,003)	(5,156,331)
Other operating income (note 23)	15,988,836	20,817,791
Total income	**1,861,349,280**	**2,015,093,266**
Expenses		
Interest paid on deposits, borrowings, etc. (note 20)	1,415,064,918	1,267,004,009
Administrative expenses (note 18.1)	149,951,767	108,541,059
Depreciation and impairment on company assets	10,377,032	7,535,558
Other operating expenses	25,981,666	16,607,288
Provision for leases, loans, advances and investments	125,619,879	225,236,585
Total expenses	**1,726,995,262**	**1,624,924,499**
18.1 Administrative expenses		
Salary and allowances (note 24)	112,651,541	77,251,258
Rent, taxes, insurance, electricity, etc (note 25)	17,812,732	16,304,297
Legal expenses (note 26)	2,314,720	748,120
Postage, stamp, telecommunication, etc (note 27)	2,386,403	2,136,956
Stationery, printings, advertisements, etc (note 28)	5,547,621	3,977,968
Managing Director's salary and allowances (note 29)	7,590,000	6,428,710
Directors' fees (note 30)	1,344,000	1,504,000
Auditors' fees (note 31)	304,750	189,750
	149,951,767	**108,541,059**

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Notes to the financial statements

For the year ended 31 December 2017

		2017 BDT	2016 BDT
19.	**Interest income**		
	Income from lease finance	183,749,134	233,536,999
	Income from term finance	968,527,048	998,518,113
	Income from home finance	192,990	388,655
	Interest on loan to subsidiaries	460,695,532	637,966,948
	Interest on bank deposits	211,239,500	84,972,359
	Income form other finance	1,907,918	1,703,709
		1,826,312,122	**1,957,086,783**
19.a	**Interest income (consolidated)**		
	Union Capital Limited	1,826,312,122	1,957,086,783
	UniCap Securities Limited	138,084,135	127,548,647
	UniCap Investments Limited	419,079,447	496,452,879
		2,383,475,704	2,581,088,309
	Less: Inter-company transactions	(460,695,532)	(637,966,948)
		1,922,780,172	**1,943,121,361**
20.	**Interest paid on deposits, borrowings, etc**		
	Interest on bank loan	270,553,544	119,703,272
	Interest on JICA fund	22,329,750	26,962,931
	Interest on Agriculture refinance fund	1,763,524	1,296,919
	Interest on women entrepreneur fund	4,613,477	4,352,492
	Interest on term deposits	1,000,807,250	966,296,072
	Interest on money at call and on short notice	32,807,750	37,730,534
	Interest on cash security deposit	38,761,573	56,443,454
	Interest on preference share	40,335,621	53,020,545
	Interest on obligation under capital leases	-	-
	Bank charges	3,092,429	1,197,790
		1,415,064,918	**1,267,004,009**
20.a	**Interest paid on deposits, borrowings, etc (consolidated)**		
	Union Capital Limited	1,415,064,918	1,267,004,009
	UniCap Securities Limited	263,036,086	194,637,973
	UniCap Investments Limited	434,390,557	522,117,521
		2,112,491,561	1,983,759,503
	Less: Inter-company transactions	(460,695,532)	(637,966,948)
		1,651,796,029	**1,345,792,555**
21.	**Investment income**		
	Capital gain/(loss) on sale of securities (note 21.1)	(12,714,003)	(5,156,331)
	Dividend income	9,928,694	13,723,324
		(2,785,309)	**8,566,993**
21.1.	**Capital gain on sale of securities**		
	Gain on sales of shares	59,730,110	23,958,188
	Loss on sales of shares	(72,444,113)	(29,114,519)
	Net gain/(loss) from sale of securities	**(12,714,003)**	**(5,156,331)**
21.a	**Investment income (consolidated)**		
	Union Capital Limited	(2,785,309)	8,566,993
	UniCap Securities Limited	67,926,781	60,681,694
	UniCap Investments Limited	30,191,984	1,037,188
		95,333,456	70,285,875
	Less: Inter-company transactions	-	-
		95,333,456	**70,285,875**

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For the year ended 31 December 2017

		2017 BDT	2016 BDT
22.	**Fees, commissions, exchange and brokerage**		
	Processing and documentation fees	9,458,999	12,203,197
	Renewals and proceeds	12,374,632	16,418,502
		21,833,631	**28,621,699**
22.a	**Fees, commissions, exchange and brokerage (consolidated)**		
	Union Capital Limited	21,833,631	28,621,699
	UniCap Securities Limited	359,191,085	180,234,226
	UniCap Investments Limited	36,216,275	39,966,266
		417,240,991	**248,822,191**
23.	**Other operating income**		
	Gain/(loss) on sale of fixed assets	(53,302)	147,201
	Recovery from Written off A/C	16,042,138	20,670,590
		15,988,836	**20,817,791**
23.a	**Other operating income (consolidated)**		
	Union Capital Limited	15,988,836	20,817,791
	UniCap Securities Limited	4,725,639	4,955,801
	UniCap Investments Limited	560,400	806,182
		21,274,876	26,579,774
	Less: Inter-company transactions	-	-
		21,274,876	**26,579,774**
24.	**Salaries and other employee benefits**		
	Salaries and allowances	104,320,408	71,039,999
	Festival bonus	8,331,133	6,211,259
		112,651,541	**77,251,258**
24.a	**Salaries and other employee benefits (consolidated)**		
	Union Capital Limited	112,651,541	77,251,258
	UniCap Securities Limited	66,984,860	42,755,357
	UniCap Investments Limited	12,945,741	8,297,203
		192,582,142	**128,303,818**
25.	**Rent, taxes, insurance, electricity, etc**		
	Office rent, rates and taxes	14,179,125	13,627,498
	Insurance	1,211,336	219,969
	Power and electricity	2,422,271	2,456,830
		17,812,732	**16,304,297**
25.a	**Rent, taxes, insurance, electricity, etc (consolidated)**		
	Union Capital Limited	17,812,732	16,304,297
	UniCap Securities Limited	21,908,188	14,519,955
	UniCap Investments Limited	4,777,287	5,062,793
		44,498,207	**35,887,045**
26.	**Legal expense**		
	Professional fees	2,182,441	748,120
	Court fees	132,279	-
		2,314,720	**748,120**
26.a	**Legal expense (consolidated)**		
	Union Capital Limited	2,314,720	748,120
	UniCap Securities Limited	-	8,625
	UniCap Investments Limited	61,444	24,278
		2,376,164	**781,023**

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		2017 BDT	2016 BDT
27.	**Postage, stamp, telecommunication, etc**		
	Postage	218,781	189,075
	Telegram, telex, fax and e-mail	604,697	547,914
	Telephone - office	1,562,925	1,399,967
		2,386,403	**2,136,956**
27.a	**Postage, stamp, telecommunication, etc (consolidated)**		
	Union Capital Limited	2,386,403	2,136,956
	UniCap Securities Limited	2,845,564	2,390,909
	UniCap Investments Limited	414,177	333,034
		5,646,144	**4,860,898**
28.	**Stationery, printing, advertisements etc**		
	Stationery	2,931,376	1,535,900
	Advertisement	1,720,978	1,549,834
	Publicity	895,267	892,234
		5,547,621	**3,977,968**
28.a	**Stationery, printing, advertisements etc (consolidated)**		
	Union Capital Limited	5,547,621	3,977,968
	UniCap Securities Limited	1,427,468	507,371
	UniCap Investments Limited	403,453	240,562
		7,378,542	**4,725,901**
29.	**Managing director's salary and fees**	**7,590,000**	**6,428,710**

In addition to remuneration, the Managing Director & CEO is also provided with Company's car and cell phone.

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 BDT 8,000 for attending each meeting subject to certain limit. Details are as under:

Total Board meetings (nos.)	16	18
Total Board Audit Committee meetings (nos.)	5	4
Total Board Executive Committee meetings (nos.)	2	2
Directors' fees	1,344,000	1,504,000
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.)	8.75	9.71
Quorum for Board Audit Committee Meeting (nos.)	2	2
Average no. of Directors present in the Audit Committee meetings (nos.)	3.80	3.50
Quorum for Board Executive Committee meeting (nos.)	2	2
Average no. of Directors present in the Executive Committee meetings (nos.)	4.50	4.50

30.a	**Directors' fees (consolidated)**		
	Union Capital Limited	1,344,000	1,504,000
	UniCap Securities Limited	524,850	287,500
	UniCap Investments Limited	163,400	82,110
		2,032,250	**1,873,610**

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		2017	2016
		BDT	BDT
31.	**Auditors' fee**		
	Auditors' fee	265,000	165,000
	VAT on audit fee	39,750	24,750
		304,750	**189,750**
31.a	**Auditors' fee (consolidated)**		
	Union Capital Limited	304,750	189,750
	UniCap Securities Limited	227,445	115,000
	UniCap Investments Limited	130,000	77,000
		662,195	**381,750**
32.	**Depreciation and repair of assets**		
	Depreciation of fixed assets-freehold	5,321,031	4,575,523
	Depreciation of fixed assets-leasehold vehicle	-	148,665
	Amortisation of intangible assets	230,538	164,367
	Repairs and maintenance of assets	275,672	320,385
	Office maintenance	4,549,791	2,326,618
		10,377,032	**7,535,558**
32.a	**Depreciation and repair of assets (consolidated)**		
	Union Capital Limited	10,377,032	7,535,558
	UniCap Securities Limited	9,318,481	5,845,190
	UniCap Investments Limited	2,281,482	1,891,368
		21,976,995	**15,272,116**
33.	**Other expenses**		
	HR development	652,827	419,526
	Travelling and conveyance	7,401,965	5,081,487
	Motor vehicle fuel expenses	879,179	784,713
	Motor vehicle spare part expenses	354,098	389,612
	Subscription and fees	5,626,813	2,407,737
	Books, magazines, newspapers, etc	35,645	33,345
	AGM expenses (note 33.1)	1,963,402	1,908,721
	Entertainment and public relation general	4,576,305	3,241,060
	Entertainment others	3,305,082	1,370,427
	Donation	1,186,350	970,660
		25,981,666	**16,607,288**
	33.1. AGM Expenses		
	Rent for venue	89,355	80,500
	Printing of annual report and database	1,389,787	1,616,750
	Publication of notice	34,600	55,220
	Entertainment	15,000	134,111
	Others	434,660	22,140
		1,963,402	**1,908,721**
33.a	**Other expenses (consolidated)**		
	Union Capital Limited	25,981,666	16,607,288
	UniCap Securities Limited	62,815,287	32,600,566
	UniCap Investments Limited	3,313,680	867,732
		92,110,633	50,075,586
	Less: Inter-company transactions	-	-
		92,110,633	**50,075,586**
34.	**Receipts from other operating activities**		
	Delinquent interest, IDCP, etc	-	-
		-	-

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		2017	2016
		BDT	BDT
35.	**Payments for other operating activities**		
	HR development	652,827	419,526
	Travelling and conveyance	7,401,965	5,081,487
	Motor vehicle expenses	1,233,277	1,174,325
	Subscription and fees	5,626,813	2,407,737
	Books, magazines, newspapers, etc.	35,645	33,345
	AGM expenses	1,963,402	1,908,721
	Entertainment and public relation and others	7,881,387	4,611,487
	Donation	1,186,350	970,660
		25,981,666	**16,607,288**

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.

36.1 Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders of BDT 109,017,284 (2016: BDT 195,277,089) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2017 was 156,529,563 (2016: 142,299,603).

Profits attributable to ordinary shareholders		
Net profit for the period	109,017,284	195,277,089
Weighted average number of ordinary shares		
Ordinary shares at 1 January	142,299,603	132,990,283
Bonus shares issued	14,229,960	9,309,320
Weighted average number of ordinary shares at reporting date	156,529,563	142,299,603
Restated weighted average number of ordinary shares	156,529,563	156,529,563
Earnings per share	**0.70**	**1.37**
Earnings per share (restated)	**0.70**	**1.25**

36.2 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 2017 and hence no diluted earnings per share is required to be calculated.

36.a Earnings per share (consolidated)

Profits attributable to ordinary shareholders		
Net profit for the period (consolidated)	154,805,691	205,395,586
Weighted average number of ordinary shares		
Ordinary shares at 1 January	142,299,603	132,990,283
Bonus shares issued	14,229,960	9,309,320
Weighted average number of ordinary shares at reporting date	156,529,563	142,299,603
Restated weighted average number of ordinary shares	156,529,563	156,529,563
Earnings per share- consolidated	**0.99**	**1.44**
Earnings per share- consolidated (restated)	**0.99**	**1.31**

Notes to the financial statements

For the year ended 31 December 2017

37. Operating segment report (consolidated)

For the year ended 31 December 2017

	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit				
External revenue				
Net Interest Income	411,247,204	(15,311,110)	(124,951,951)	270,984,143
Investment Income	(2,785,309)	30,191,984	67,926,781	95,333,456
Fees, commissions, exchange and brokerage	21,833,631	36,216,275	359,191,085	417,240,991
Other operating Income	15,988,836	560,400	4,725,639	21,274,876
Total segment revenue	**446,284,362**	**51,657,550**	**306,891,554**	**804,833,465**
Other operating expenses	180,483,224	22,362,981	156,733,661	359,579,866
Major non-cash expenses:				
Depreciation	5,827,241	2,127,684	9,318,482	17,273,407
Provision for future losses	125,619,879	1,584,545	42,975,898	170,180,322
	311,930,344	26,075,210	209,028,041	547,033,595
Reportable segment profit before tax	**134,354,018**	**25,582,340**	**97,863,513**	**257,799,870**

For the year ended 31 December 2016

	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit				
External revenue				
Net Interest Income	690,082,774	(25,664,642)	(67,089,326)	597,328,806
Investment Income	8,566,993	1,037,189	60,681,694	70,285,876
Fees, commissions, exchange and brokerage	28,621,699	39,966,267	180,234,226	248,822,192
Other operating Income	20,817,791	806,182	4,955,801	26,579,774
Inter-segment revenue	-	-	-	-
Total segment revenue	**748,089,257**	**16,144,996**	**178,782,394**	**943,016,647**
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	254,030,903
	357,920,492	16,522,534	128,178,335	502,621,361
Reportable segment profit before tax	**390,168,765**	**(377,538)**	**50,604,059**	**440,395,286**

Segment assets and liabilities

For the period ended 31 December 2017

	Core financing business	Investment Banking Business	Brokerage Business	Total
External Assets				
Total assets	23,581,531,911	6,801,596,897	2,746,641,155	33,129,769,963
Inter-segment assets	(6,981,451,086)	-	-	(6,981,451,086)
Total segment assets	**16,600,080,825**	**6,801,596,897**	**2,746,641,155**	**26,148,318,877**
External Liabilities				
Total liabilities	21,484,099,111	6,512,517,384	2,423,021,640	30,419,638,135
Inter-segment liabilities	-	(5,301,335,004)	(1,257,617,312)	(6,558,952,315)
Total segment liabilities	**21,484,099,111**	**1,211,182,380**	**1,165,404,328**	**23,860,685,822**

Segment assets and liabilities

For the period ended 31 December 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	18,964,445,704	6,124,670,061	2,107,464,902	27,196,580,667
Inter-segment liabilities	-	(5,125,570,553)	(1,151,251,660)	(6,276,822,212)
Total segment liabilities	**18,964,445,704**	**999,099,508**	**956,213,243**	**20,919,758,455**

	2017	2016
	BDT	BDT

38. Average effective tax rate

The average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: Income Taxes.

Tax expenses	25,336,734	194,891,676
Accounting profit before tax	134,354,018	390,168,765
Average effective tax rate	**18.86%**	**49.95%**

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	102,994,145	234,999,690
Accounting profit before tax	257,799,870	440,395,286
Average effective tax rate	**39.95%**	**53.36%**

39. (Increase)/decrease in other assets

Accrued interest	(32,869,777)	(49,321,595)
Advance office rent	(49,380)	(996,751)
Advance to employees	(68,301)	(146,776)
Receivable from brokerage houses against sale of shares	86,546,975	70,232,797
Others	(3,241,984)	(323,196,759)
	50,317,533	**(303,429,084)**

40. Increase/(decrease) in other liabilities

Interest suspense	12,558,954	(4,174,604)
Financial expenses payable	(77,650,657)	(7,247,030)
Obligation under capital lease	-	-
Excise duty	2,682,888	2,881,601
Withholding tax payable	10,823,118	(13,168,607)
VAT payable	(163,720)	322,179
Accrued expenses and other payable	(2,577,992)	(9,455,169)
	(54,327,409)	**(30,841,630)**

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For the year ended 31 December 2017

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 2017 was 156,529,564 and the market value per share of last trading day (28 December 2017) was BDT 20.10 in DSE. Thus market capitalization based on DSE value was BDT 3,146.24 million (2016: BDT 2,917.14 million).

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	31.80	19.90	32.10	20.00
	Second quarter	31.20	23.80	30.90	24.00
	Third quarter	26.60	20.04	26.50	20.50
	Fourth quarter	22.30	16.70	22.00	16.80
No. of shareholders	There were 7,764 shareholders as per share register as on 31 December 2017.				

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 the year ended 31 December 2017, 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 2017 was as under:

Name of the related party	Relationship	Nature of transaction	2017	2016
			BDT	BDT
Chowdhury Tanzim Karim	The Chairman	Term deposit	(2,970,916)	(2,701,486)
Chowdhury Ania Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	(165,606)	(100,000)
Chowdhury Isabell Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	(165,252)	(100,000)
Tanzila Karim	Mother of Chowdhury Tanzim Karim, the Chairman	Term deposit	(10,261,635)	(9,413,619)
Marina Yasmin Chowdhury	Mother-in-law of Chowdhury Tanzim Karim, the Chairman	Term deposit	(8,047,887)	(17,668,484)
Nasiruddin Ahmad Choudhury	Father of Waqar A. Choudhury, Director	Term deposit	(11,172,662)	(10,000,000)
Sylvana Sikder	Spouse of Kazi Russel Mahbub, Director	Term deposit	(16,490,263)	(6,000,000)
Meherunnesa Haque	Director	Term deposit	(25,726,736)	(25,000,000)
EC Securities Limited	Shareholder of the Company	Term deposit	-	(10,951,000)
UniCap Investments Limited	Subsidiary Company	Term deposit	(920,780)	(824,458)
Green Delta Insurance Company Limited	Father of Mrs. Sabita Rezwana Rahman, Director	Term deposit	(85,290,544)	(77,449,371)
Progressive Life Insurance Co. Limited	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Term deposit	(93,380,930)	(107,422,300)
Vanguard AML BD Finance Mutual Fund One	Father of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Term deposit	-	(126,245,000)
Vanguard AML Rupali Bank Balance Fund	Common Directors	Term deposit	(100,000,000)	-
Green Delta Insurance Company Limited	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Lease finance	2,339,012	11,673,108
UniCap Securities Limited	Subsidiary Company	Inter-company	829,224,183	884,306,637
UniCap Investments Limited	Subsidiary Company	Inter-company	5,300,766,023	5,092,322,086
Total			**5,777,736,007**	**5,594,426,113**

43. Particulars of the directors

Sl no.	Name of the Directors/ Shareholding company	Represented by	Designation	Address	% of shares as at 31 December 2017
1	EC Securities Limited	Chowdhury Tanzim Karim	Chairman	East Coast Center SWG-8, Gulshan Avenue, Dhaka -1212	7.22
2	EC Securities Limited	Capt. Minhazur Reza Chowdhury	Director	East Coast Center SWG-8, Gulshan Avenue, Dhaka-1212	
3	Palmal Garments Hosiery Limited	Tajrina Sikder	Director	House # 2/B, Road # 29, Gulshan – 1, Dhaka-1212	9.73
4	Palmal Garments Hosiery Limited	Kazi Russel Mahbub	Director	House # 2/B, Road # 29, Gulshan –1, Dhaka-1212	
5	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, Basundhara R/A, Dhaka	-
13	Mahmudul Alam	Ex-officio	Managing Director & CEO	Flat-B2, House # 70, Road # 11/A, Dhanmondi R/A, Dhaka-1205	-

44. Directors and the entities in which they have interest

Sl no.	Name of the Directors	Designation	Entities
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 Limited 3. Green Delta Capital Limited
5	Tajrina Sikder	Director	1. Palmal Garments Hosiery Limited 2. Palmal Garments Washing Limited 3. Amazon Garments Limited 4. N.K.K. Knitwear Limited 5. Max Speed Plastic Limited 6. Designer Line (Pvt.) Limited 7. Palmal Knitwear Factory Limited 8. Palmal Garments Limited 9. UniCap Investments Limited 10. UniCap Securities Limited
6	Capt. Minhazur Reza Chowdhury	Director	Nil
7	Sabita Rezwana Rahman	Director	Nil
8	Meherunnesa Haque	Director	1. Palmal Garments Washing Limited 2. Palmal Knitwear Factory Limited 3. Palmal Styles Limited 4. Palmal Packaging Limited 5. N.K.K. Knitwear Limited 6. N.K.K. Sweaters Limited 7. Pragati Fashion wear Limited 8. Amazon Garments Limited 9. Al-Hamra Garments Limited 10. Palmal Garments Limited 11. Palmal Garments Hosiery Limited 12. Palmal Dresses Limited 13. Pragati Metalex (Pvt) Limited 14. The Dacca Dyeing Garments Limited 15. UniCap Investments Limited 16. UniCap Securities Limited
9	Kazi Russel Mahbub	Director	Floral Accessories Limited
10	Mohammad Nurun Nabi, FCA	Independent Director	1. Skeftech Pvt. Limited 2. Krishi Biplob Limited 3. Shikarpur Horticulture Limited 4. Debonair Limited 5. Orbitex Limited 6. AZWA Developments Limited 7. ACNABIN Associates Limited 8. Dinajpur Super Meat Products Limited 9. Intercontinental Business Limited 10. Shine Embroidery Limited 11. WIN WIN Setabgonj Auto Bricks Limited 12. WIN WIN International Limited 13. AMTRAS Limited 14. SABAH Bangladesh 15. Health & Education for less Privileged People 16. WIN WIN Jalalabad Auto Bricks Industry Limited 17. UniCap Investments Ltd.
11	Md. Abdul Karim	Independent Director	1. UniCap Securities Limited 2. Green Delta Insurance Co. Limited
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
Md. Fayekuzzaman	Independent Director	Chairman	Masters from Bradford University of UK
Mohammad Nurun Nabi, FCA	Independent Director	Member	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
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	43th Audit Committee Meeting	04 May 2017
2	44th Audit Committee Meeting	14 June 2017
3	45th Audit Committee Meeting	26 July 2017
4	46th Audit Committee Meeting	26 October 2017
5	47th Audit Committee Meeting	03 December 2017

The committee discussed the following issues during the year

a) Reviewed the draft consolidated financial statements for the year ended 31 December 2016 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 2017 and fixation of their remuneration.
f) Reviewed the management letter of external auditors submitted for the year ended on 31 December 2016.
g) Reviewed the quarterly and half yearly financial statements for the year 2017.
h) Reviewed the inspection report of Bangladesh Bank for the year 2016 and management response thereon.
i) Reviewed quarterly operation report of the Company for the year 2017.

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 (BDT)

	2017	2016
Lease and term finance commitments outstanding at 31 December	567.80	684.10
Real estate finance commitments outstanding at 31 December	-	-
Total	567.80	684.10

47. Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided as at 31 December 2017. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2017.

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)

	2017		2016	
	Contracts/ Sanctions	Disbursements	Contracts/ Sanctions	Disbursements
Lease and term finance	5,862.07	5,978.37	6,383.71	6,662.47
	5,862.07	5,978.37	6,383.71	6,662.47

Notes to the financial statements

For the year ended 31 December 2017

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 2017, 16 (sixteen) Board meetings were held. As on 31 December 2017, 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 2017 a total number of 249 employees including subsidiaries (2016: 199) were employed in Union Capital Limited. Each of the employees received salary more than BDT 36,000 per annum during the year 2017.

53. Reporting currency and level of precesion

The figures in the financial statements represent Bangladesh currency (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 2017

The Board of the Directors in its 251st meeting held on 25 April 2018 recommended 5% stock dividend amounting to BDT 78,264,782 for the year ended 31 December 2017 subject to the approval of the shareholders in the ensuing 20th 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 2016 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 2016 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 **Annex B**.

59. Geographical area of operations

Union Capital Limited is currently operating in Chittagong, Gazipur, Narsingdi, Sylhet and Bogra 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.

Notes to the financial statements

For the year ended 31 December 2017

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. 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 recognised 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 authorised for issue by the Board of Directors of the Company on 25 April 2018.

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Managing Director & CEO**	**Company Secretary**

Dhaka, Bangladesh
Dated, 25 April 2018

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Annex A

Details of property, plant and equipment

as at 31 December 2017

Particulars	Cost				Rate of depreciation	Depreciation				Written down Value
	As at 1 January 2017	Addition during the year	Disposal/ adjustment during the year	As at 31 December 2017		As at 1 January 2017	Charged during the year	Disposal/ adjustment during the year	As at 31 December 2017	
	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Freehold assets										
Furniture and fixtures	7,076,288	1,460,248	846,815	7,689,721	20%	5,901,665	472,044	665,247	5,708,462	1,981,259
Office decoration	15,766,847	4,664,852	258,550	20,173,149	33%	15,322,464	975,732	258,548	16,039,648	4,133,501
Electrical equipment	27,021,510	3,577,252	1,168,745	29,430,017	20%	23,547,156	1,663,164	1,168,736	24,041,584	5,388,433
Owned vehicles	12,535,992	-	-	12,535,992	20%	3,989,878	2,198,695	-	6,188,573	6,347,419
Software	1,122,881	418,500	-	1,541,381	20%	792,186	230,538	-	1,022,724	518,657
Mobile Phone	367,085	85,515	-	452,600	20%	367,067	11,400	-	378,467	74,133
Staff appliance	41,329	-	41,329	-	20%	41,326	-	41,326	-	-
	63,931,932	**10,206,367**	**2,315,439**	**71,822,860**	-	**49,961,742**	**5,551,573**	**2,133,857**	**53,379,458**	**18,443,402**
Leasehold assets										
Leased vehicles	3,760,000	-	-	3,760,000	20%	3,759,999	-	-	3,759,999	1
As at 31 December 2017	**67,691,932**	**10,206,367**	**2,315,439**	**75,582,860**		**53,721,741**	**5,551,573**	**2,133,857**	**57,139,457**	**18,443,403**
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**

TAMARSTOCK

Details of consolidated, plant and equipment

as at 31 December 2017

Particulars	Cost				Rate of depreciation	Depreciation				Written down Value
	As at 1 January 2017	Addition during the year	Disposal/ adjustment during the year	As at 31 December 2017		As at 1 January 2017	Charged during the year	Disposal/ adjustment during the year	As at 31 December 2017	
	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Freehold assets										
Furniture and fixtures	9,868,751	2,325,841	846,815	11,347,777	20%	7,314,149	1,101,401	665,247	7,750,303	3,597,474
Office decoration	25,020,804	14,165,540	258,550	38,927,794	33%	20,745,817	5,849,778	258,548	26,337,047	12,590,747
Electrical equipment	37,805,580	7,939,739	1,168,745	44,576,574	20%	27,059,968	4,244,232	1,168,736	30,135,464	14,441,110
Owned vehicles	22,460,992	7,185,437	-	29,646,429	20%	6,038,218	4,858,967	-	10,897,185	18,749,244
Software	3,993,394	877,588	12,000	4,858,982	20%	2,249,038	919,985	8,600	3,160,423	1,698,559
Mobile Phone	426,985	85,515	-	512,500	20%	392,017	23,376	-	415,393	97,107
Staff appliance	41,329	-	41,329	-	20%	41,326	-	41,326	-	-
	99,617,835	**32,579,660**	**2,327,439**	**129,870,056**	-	**63,840,533**	**16,997,739**	**2,142,457**	**78,695,815**	**51,174,241**
Leasehold assets										
Leased vehicles	3,760,000	-	-	3,760,000	20%	3,759,999	-	-	3,759,999	1
As at 31 December 2017	**103,377,835**	**32,579,660**	**2,327,439**	**133,630,056**		**67,600,532**	**16,997,739**	**2,142,457**	**82,455,814**	**51,174,242**
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**	**35,777,302**

Annex B

Highlights of overall activities (as per Bangladesh Bank guidelines)

As at 31 December 2017

Figures in million (BDT)

Sl no.	Particulars	2017	2016
1.	Paid-up capital	1,565.30	1,423.00
2.	Total capital	2,570.20	2,580.73
3.	Capital surplus	482.57	574.18
4.	Total assets	23,581.53	20,952.86
5.	Total deposits	14,668.44	13,131.22
6.	Total loans, advances and leases	16,631.56	16,399.17
7.	Total contingent liabilities and commitments	567.80	684.10
8.	Credit deposit ratio	1.13	1.25
9.	Percentage of classified loans against total loans, advances and leases	8.73%	8.44%
10.	Profit after tax and provision	109.02	195.28
11.	Amount of classified loans during current year	1,452.75	1,383.67
12.	Provisions kept against classified loans	274.20	288.32
13.	Provision surplus against classified loan	0.39	33.33
14.	Cost of fund	8.62%	8.42%
15.	Interest earnings assets	20,255.78	17,718.60
16.	Non-interest earnings assets	3,325.75	3,234.26
17.	Return on investment (ROI)	5.34%	10.46%
18.	Return on assets (ROA)	0.46%	0.93%
19.	Income from investment	(2.79)	8.57
20.	Earnings per share	0.70	1.25
21.	Net income per share	0.70	1.25
22.	Price earnings ratio	28.86	14.94

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S. F. AHMED & CO
Chartered Accountants

UniCap Securities Limited

Auditors' Report to the Shareholders

For the year ended 31 December 2017

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 2017, and the 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 information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards, the Companies Act 1994, Bangladesh Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorised Representative) Rules 2000 and other applicable laws and regulations and for such internal control as measurement determines is necessary to ensure the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. 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' judgement, 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 give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and comply with the requirements of Companies Act 1994, Bangladesh Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorised Representative) Rules 2000 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.

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 05 April 2018

UniCap Securities Limited

Statement of Financial Position (Balance Sheet)

As at 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Assets			
Non-current assets			
Property, plant and equipment	4	27,041,000	16,908,563
Intangible asset	5	638,425	997,381
Membership fees	6	115,024,360	115,024,360
Staff loan	7	11,198,579	14,877,436
		153,902,364	147,807,739
Current assets			
Advances, deposits and prepayments	8	319,097,206	268,501,602
Investment in securities	9	657,047,246	610,291,918
Margin loan to clients	10	1,354,496,992	941,793,869
Receivable from stock exchanges	11	57,618,138	177,264,671
Other receivables	12	2,090,272	3,463,188
Cash and cash equivalents	13	103,781,132	199,051,208
		2,494,130,986	2,200,366,456
Total assets		**2,648,033,350**	**2,348,174,195**
Equity and liabilities			
Caputal and reserve			
Share capital	14	175,000,000	100,000,000
Share money deposit	15	-	75,000,000
Retained earnings		44,595,166	20,292,760
Revaluation reserve	16	104,024,360	104,024,360
Total capital and reserve		**323,619,526**	**299,317,120**
Non-current liabilities			
Long term loan	17	1,141,613,599	887,890,378
Deferred liability-employee gratuity	18	6,467,946	5,808,086
		1,148,081,545	893,698,464
Current liabilities			
Short-term loan	19	367,279,406	287,279,406
Payable to clients	20	155,749,637	359,479,657
Accruals and payables	21	351,451,097	275,933,695
Interest suspense- margin loan	22	8,500,000	8,500,000
Payable to stock exchange	23	1,810,260	5,985,084
Provision for corporate income tax	24	291,541,879	217,980,769
		1,176,332,279	1,155,158,611
Total liabilities		2,324,413,824	2,048,857,075
Total shareholders' equity and liabilities		**2,648,033,350**	**2,348,174,195**

These financial statements should be read in conjunction with the annexed notes

For and on behalf of Board of Directors of UniCap Securities Limited

Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Chief Executive Officer**

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 05 April 2018

UniCap Securities Limited

Statement of Profit or Loss and Other Comprehensive Income (Profit and Loss Statement)

For the year ended 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Revenue			
Brokerage commission	25	359,191,088	180,234,226
Income from investment	26	67,926,781	60,681,693
Interest on margin loan	27	138,084,135	127,548,647
		565,202,003	368,464,566
Expenses			
Financial expenses	28	(263,036,086)	(194,637,974)
Laga, howla and CDBL charge	29	(43,148,666)	(21,607,647)
		(306,184,752)	(216,245,621)
		259,017,251	152,218,945
Other operating income	30	4,725,639	4,955,801
Management expenses	31	(122,903,477)	(77,422,826)
		140,839,414	79,751,920
Provision for diminution in value of investment		-	(11,940,946)
Provision for doubtful debt		(42,975,898)	(17,206,916)
		(42,975,898)	(29,147,862)
Profit before tax		97,863,516	50,604,058
Income tax expense			
Current tax	24	73,561,110	39,900,000
Deferred tax expense/(income)		-	-
		73,561,110	39,900,000
Profit for the year		24,302,406	10,704,058
Other comprehensive income		-	-
Total comprehensive income		**24,302,406**	**10,704,058**
Earnings per Share (EPS)	32	**13.89**	**10.70**

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**

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 05 April 2018

AMARSTOCK

UniCap Securities Limited

Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Share capital	Share money deposit	Retained earnings	Revaluation reserve	Total
	BDT	BDT	BDT	BDT	BDT
Year 2017					
Balance at 01 January 2017	100,000,000	75,000,000	20,292,760	104,024,360	299,317,120
Share money deposit	75,000,000	(75,000,000)	-	-	-
Net profit for the year	-	-	24,302,406	-	24,302,406
Balance at 31 December 2017	**175,000,000**	**-**	**44,595,166**	**104,024,360**	**323,619,526**
Year 2016					
Balance at 01 January 2016	100,000,000	-	9,588,702	104,024,360	213,613,062
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**	**20,292,760**	**104,024,360**	**299,317,120**

For and on behalf of Board of Directors of UniCap Securities Limited

Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Chief Executive Officer**

Dhaka, Bangladesh

Dated, 05 April 2018

AMARSTOCK

UniCap Securities Limited

Statement of Cash Flows

For the year ended 31 December 2017

	2017	2016
	BDT	BDT
A. Cash flows from operating activities		
Profit before tax	97,863,516	50,604,058
Adjustment for non-cash items to determine net cash flows from operating activities:		
Depreciation and amortisation	9,318,481	5,831,585
Employee gratuity	2,784,782	1,519,586
Write- off negative equity	(2,975,898)	-
Provision for doubtful debt	42,975,898	29,147,862
	52,103,263	36,499,033
	149,966,779	87,103,091
Changes in working capital components:		
Other advances	19,119,545	(44,595,235)
Receivable from stock exchanges	119,646,536	58,303,600
Other receivables	1,372,916	23,438,440
Payable to clients	(203,730,020)	91,301,440
Deferred libiality-employee gratuity	(2,124,922)	(486,114)
Payable to stock exchanges	(4,174,824)	5,633,737
IPO apply against negative equity	-	(130,000)
Accruals and payables	75,517,400	90,819,076
Cash generated from operations	5,626,631	224,284,944
Income tax paid	(69,715,149)	(44,804,134)
Net cash flow from operating activities	**85,878,261**	**266,583,901**
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(19,091,963)	(8,112,310)
Investment in securities	(46,755,328)	(88,416,837)
Staff loan	3,678,857	(2,984,996)
Margin loan to clients	(452,703,123)	(266,611,599)
Net cash used in investing activities	**(514,871,558)**	**(366,125,742)**
C. Cash flows from financing activities		
Receipt of long term loan	508,320,500	420,000,000
Repayment of long term loan	(254,597,279)	(118,789,212)
Share money deposit	-	75,000,000
Short term loan	80,000,000	(135,000,000)
Net cash from financing activities	333,723,221	241,210,788
D. Net changes in cash and cash equivalents (A+B+C)	**(95,270,076)**	**141,668,947**
E. Opening cash and cash equivalents	**199,051,208**	**57,382,260**
F. Closing cash and cash equivalents	**103,781,132**	**199,051,207**

For and on behalf of Board of Directors of UniCap Securities Limited

Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Chief Executive Officer**

Dhaka, Bangladesh
Dated, 05 April 2018

Notes to the financial statements

For the year ended 31 December 2017

1. Company and its activities

1.1 Legal status of the Company

UniCap Securities Limited (formerly, SES Company Limited) was incorporated as a private limited company and registered with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-29454(742)/95 dated 09 October 1995 under the Companies Act, 1994. 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 are 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 is a member of 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 and Authorised 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 of the company comprise 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 (Stock Dealer, Stock Broker and Authirised Representative) Rules 2000 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.

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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 statements. 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

These financial statements of the company consistently cover one calender year from 01 January to 31 December 2017.

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 recognised on monthly basis.

Dividend income is recognised when right to receive payment is established.

Capital gain or loss on sale of securities is accounted for only when shares are sold in market and gain is realised and 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 31.

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 lives.

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 Investments in stock exchanges for membership

Investments in stock exchange 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 9.

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 statement 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 income 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 contributions 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 retention. 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.

UniCap Securities Limited

Notes to the financial statements

For the year ended 31 December 2017

4. Property, plant and equipment

Particulars	Cost				Rate of depreciation	Depreciation				Written down Value
	As at 1 January 2017	Addition during the year	Disposal/ adjustment during the year	As at 31 December 2017		As at 1 January 2017	Charged during the year	Disposal/ adjustment during the year	As at 31 December 2017	
	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT	BDT
Office decoration and renovation	7,463,210	9,500,688	-	16,963,898	33.33%	4,389,197	4,283,100	-	8,672,297	8,291,601
Furniture and fixtures	979,119	716,138	-	1,695,257	20%	599,818	251,667	-	851,485	843,772
Office equipment	8,397,194	4,355,137	-	12,752,331	20%	2,853,555	2,196,747	-	5,050,302	7,702,029
Cell phone	59,900	-	-	59,900	20%	24,950	11,976	-	36,926	22,974
Motor vehicle	9,925,000	4,520,000		14,445,000	20%	2,048,340	2,216,035	-	4,264,375	10,180,625
Total 2017	**26,824,423**	**19,091,962**	**-**	**45,916,385**		**9,915,860**	**8,959,525**	**-**	**18,875,385**	**27,041,000**
Total 2016	**18,858,413**	**7,966,010**	**-**	**26,824,423**		**4,439,052**	**5,476,808**	**-**	**9,915,860**	**16,908,563**

5. Intangible assets

Computer systems	1,924,800	-	-	1,924,800	20 %	927,419	358,956	-	1,286,375	638,425
Total 2017	**1,924,800**	**-**	**-**	**1,924,800**		**927,419**	**358,956**	**-**	**1,286,375**	**638,425**
Total 2016	**1,778,500**	**146,300**	**-**	**1,924,800**		**572,642**	**354,777**	**-**	**927,419**	**997,381**

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT

6. Membership fees

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 one share each of both the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The Company revalued its Investment in Membership on 31 August 2010 valuing Tk.362,000,000 for Dhaka Stock Exchange and Tk.156,500,000 for Chittagong Stock Exchange. As a result the aggregated investment amount was revalued to Tk.518,500,000.

As per the Scheme of Demutualization of both DSE and CSE in accordance with the Exchange Demutualization Act 2013 (the "Scheme"), the Company being the initial shareholders of DSE and CSE, is entitled to receive the following numbers of shares:

	No of shares	Face value	Total value
		BDT	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

7. Loan to Staff

House loan	10,548,523	13,961,187
Car loan	452,704	640,581
Personal loan	197,353	275,669
	11,198,579	14,877,436

This represents loan to staff made under the company's different loan schemes.

8. Advances, deposits and prepayments

Advance income tax (note 8.1)	285,764,970	216,049,821
Advance against to:		
Office rent	17,443,902	10,740,695
Share purchase	3,000,000	-
DSE - floorspace, etc	870,024	870,024
Office decoration	500,000	-
Expenses	322,050	33,373,850
Software development-Leadssoft	300,000	-
Car purchase	300,000	300,000
Insurance-vehicle	125,291	71,329
Security deposit:		
Loan (advance installment)	9,835,087	6,870,883
CDBL	100,000	100,000
DSE	75,000	75,000
CSE	30,000	30,000
Others	430,882	20,000
	319,097,206	268,501,602

8.1 Advance income tax

Opening balance	216,049,821	171,245,688
Add: Addition during the year	69,715,149	44,804,133
Closing balance	285,764,970	216,049,821

9. Investment in securities

Investment in securities (note 9.1)	679,836,057	633,080,729
Less: Provision for diminution in value of investments (note 9.2)	22,788,812	22,788,812
Closing balance	657,047,246	610,291,918

9.1 Investment in securities

	Cost value	Fair value	Required provision
Mutual funds (note 9.2.1)	246,755,350	261,089,686	-
Other listed securities (note 9.2.2)	430,580,708	395,925,764	(34,654,944)
Investment in non-listed securities (note 9.2.3)	2,500,000	-	-
	679,836,058	657,015,449	(34,654,944)

9.2 Provision for diminution in value of investments

Opening balance	22,788,812	10,847,866
Add: Provision/(adjustment) during the year	-	11,940,946
Closing balance	22,788,812	22,788,812
Provision against fall in valus of investment (note 9.1)		(34,654,944)
		(34,654,944)
Provision maintained upto 31 December 2017		22,788,812
Excess/ (shortfall)		(11,866,132)

As per BSEC directive no. SEC/CMRRCD/2009-193/203 dated 28 December 2017 stock dealer can make the said provision for unrealised loss in five installments on quarterly basis within 31 December 2018. Provided that no cash dividend shall be paid to the shareholders for this financial year if the company takes the said installment facility.

9.2.1 Mutual funds

As per BSEC directive no. SEC/CMRRCD/2009-193/172 dated on 30 June 2015 for (*) close-ended mutual funds, if the 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:	Cost value per unit	Fair value per unit	NAV per unit	Total cost (A)	Total fair value at 31 Dec (B)	Total 85% of NAV at 31 Dec (C)	Required provision (A - C)
	BDT	BDT	BDT	BDT	BDT	BDT	BDT
25,597,028	9.64	8.3	12.00	246,755,350	212,455,332	261,089,686	-

(*) This circular only applies for closed-end mutual fund, not for stock brokers/stock dealers like UniCap Securities Limited in the opinion of auditors.

9.2.2 Other listed securities

Sectors-wise investment in listed securities other than mutual funds is detailed below:

Sector	No. of companies	Cost (A)	Fair value at 31 Dec 2017 (B)
Pharmaceuticals	2	152,033,100	151,317,000
NBFI	2	75,015,675	65,201,625
Cement	1	39,935,000	29,743,000
Engineering	1	74,693,550	64,235,000
Fuel	1	25,724,000	21,820,000
ICT	1	133,224	333,743
Manufacturing	3	3,579,909	4,425,395
Telecommunication	1	59,466,250	58,850,000
	12	430,580,708	395,925,764
Required provision (A - B)			34,654,944

9.2.3 Investment in non-listed securities

Investment in unit fund	2,500,000	-

The investment represents subscription for 250,000 units of Zenith Annual Income Fund @ BDT 10 each.

10. Margin loan to clients

This represents amount given to clients as margin loan for investment in listed securities. As on 31 December 2017, receivable (number of receivable account is 2,235) amount is BDT 1,430,315,998 which is made up as under:

Receivable against margin loan	1,430,315,998	977,612,875
Less: Provision for doubtful losses (note 10.1)	75,819,007	35,819,007
	1,354,496,992	941,793,869

10.1 Provision for doubtful losses

Opening balance	35,819,007	18,742,091
Add: Addition during the year	40,000,000	17,076,916
Closing balance	75,819,007	35,819,007
Required provision	(193,306,852)	(187,489,787)
Provision upto this year	75,819,007	35,819,007
(Excess) / shortfall	(117,487,846)	(151,670,780)

As per BSEC directive no. SEC/CMRRCD/2009-193/203 dated 28 December 2017 stock dealer can make the said provision for unrealised loss in five installments on quarterly basis within 31 December 2018. Provided that no cash dividend shall be paid to the shareholders for this financial year if the company takes the said installment facility.

Notes to the financial statements

For the year ended 31 December 2017

	2017 BDT	2016 BDT
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	57,510,007	177,168,742
Chittagong Stock Exchange Limited	108,131	95,929
	57,618,138	177,264,671
12. Other receivables		
Dividend receivable	2,090,272	3,463,188
	2,090,272	3,463,188
13. Cash and cash equivalents		
Cash in hand	25,000	25,000
Bank balance (note 13.1)	103,756,132	199,026,208
	103,781,132	199,051,208
13.1 Bank balance		
Standard Chartered Bank (SND A/C No.02-6092357-02)	78,806,936	155,216,227
Standard Chartered Bank (CD A/C No.01-6092357-02)	1,537,659	2,209,746
Standard Chartered Bank (CD A/C No.01-6092357-03)	10,000	2,500
NRB Bank (SA A/C No. 1081030011623)	2,054,712	41,094,320
Prime Bank Limited (CD A/C No. 11059934)	239,838	239,838
Dhaka Bank Ltd (FDR A/C No.0201313000002637)	258,513	234,364
Farmers Bank Ltd (CD A/C No. 0111100005822)	48,837	6,234
Midland Bank Ltd (CD A/C No. 0011-1050000174)	43,221	485
Shahjalal Islami Bank Ltd (CD A/C No.400511100008700)	20,746,871	12,950
Rupali Bank Ltd (CD A/C No. 200021367)	9,545	9,545
	103,756,132	199,026,208
14. Share Capital		
Authorised:		
5,000,000 ordinary shares of BDT 100 each	500,000,000	500,000,000
Issued, subscribed and paid up:		
1,750,000 ordinary shares of BDT 100 each	175,000,000	100,000,000
The company's shareholding position as at the balance sheet date is as under:		

Name of shareholder	No. of share(s)		
Union Capital Limited	1,749,999	174,999,900	99,999,900
Barrister Moniruzzaman Khan	1	100	100
	1,750,000	175,000,000	100,000,000
15. Share money deposit			
Share money deposit		-	75,000,000

	2017	2016
	BDT	BDT

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 2 memberships 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 the Scheme of Demutualisation of both DSE and CSE the company being the initial shareholders of DSE and CSE, is entitled to receive the following numbers of shares:

	No. of shares	Face value	Total value
		BDT	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

17. Long term loan

Opening balance	887,890,378	586,679,590
Add: Addition during the year	508,320,500	420,000,000
	1,396,210,878	1,006,679,590
Less: Repayment during the year	254,597,279	118,789,212
Closing balance	1,141,613,599	887,890,378

This represents loan taken from various banks and financial institutions repayable in quarterly installments.

18. Deferred liability-employee gratuity

Opening balance	5,808,086	4,774,614
Add: Addition during the year	2,784,782	1,519,586
	8,592,868	6,294,200
Less: Paid during the year	2,124,922	486,114
Closing balance	6,467,946	5,808,086

19. Short term loan

Opening balance	287,279,406	422,279,406
Add: Addition during the year	100,000,000	-
	387,279,406	422,279,406
Less: Repayment during the year	20,000,000	135,000,000
Closing balance	367,279,406	287,279,406

19.1 Short term loan comprise the following:

Union Capital Limited	267,279,406	287,279,406
Hajj Finance Company Limited	100,000,000	-
Closing balance	367,279,406	287,279,406

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT
20. Payable to clients	155,749,637	359,479,657

This represents amount payable to clients against sale of shares on behalf of those clients including amount deposited by clients for purchase of shares in those accounts (number of payable account is 2655).

21. Accruals and payables

Interest expense	341,158,663	267,723,872
Office rent	1,864,596	1,735,049
Audit fee	237,445	115,000
CDBL charges	1,569,373	1,204,836
Tax and VAT deducted at source	1,290,410	217,924
Excise duty-payable	2,700	2,700
Obligation under capital lease	-	2,658,402
Other payables	5,327,911	2,275,912
	351,451,097	275,933,695

22. Interest suspense

Margin loan	8,500,000	8,500,000

23. Payable to stock exchanges

Dhaka Stock Exchange Limited	1,502,246	1,903,168
Chittagong Stock Exchange Limited	308,014	4,081,916
	1,810,260	5,985,084

This represents amount payable to stock exchanges against purchase of shares on behalf of the clients.

24. Provision for corporate income tax

Opening balance	217,980,769	178,080,769
Add: Provison for the year	73,561,110	39,900,000
Closing balance	291,541,879	217,980,769

25. 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 Limited	353,899,160	177,598,646
Chittagong Stock Exchange Limited	5,291,927	2,635,580
	359,191,088	180,234,226

26. Income from investment

Capital gains on sale of securities	31,872,931	24,424,350
Dividend income	36,053,849	36,257,343
	67,926,781	60,681,693

27. Interest on margin loan	138,084,135	127,548,647

This represents interest income earned on margin loan extended both individual and corporate clients as per BSEC Margin Rules 1999 for purchase of listed securities. The interest rate on margin loan ranges from 14.00%-15.50%.

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Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT
28. Financial expenses	**263,036,086**	**194,637,974**
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:		
Union Capital Ltd	176,591,874	134,911,988
Hajj Finance Company Ltd	19,699,703	15,683,051
Shahjalal Islami Bank Ltd	10,106,673	14,233,314
Premier Leasing & Finance Ltd	20,667,883	19,272,031
Midland Bank Ltd	9,528,941	1,751,015
Bangladesh Finance & Investment Company Ltd	355,699	444,825
The Farmers Bank Ltd	(280,738)	8,341,750
Phoenix Finance and Investments Ltd	26,366,050	-
	263,036,086	194,637,974
29. Laga, howla and CDBL charges		
Laga charge	30,554,956	14,712,108
Howla charge	214,160	40,742
CDBL charges	12,379,550	6,854,797
	43,148,666	21,607,647
30. Other operating income		
BO A/C opening fee	605,500	494,717
BO A/C maintenance fee	685,850	849,950
Miscellaneous income	827,873	925,605
Interest on staff loan	881,120	788,886
Interest on bank deposit	1,725,297	1,896,643
	4,725,639	4,955,801
31. Management expenses		
Salaries and other employees benefits (note 31.1)	66,984,860	42,755,357
Rent, taxes, insurance and electricity (note 31.2)	21,908,188	14,519,954
Lagal and professional expenses	-	8,625
Postage, stamp and telecommunication (note 31.3)	2,845,564	2,390,909
Stationery, printing, advertisements, etc (note 31.4)	1,195,795	507,371
Directors' fees	524,850	287,500
Auditors' fee (note 31.5)	227,445	115,000
Depreciation and repair of assets (note 31.6)	9,318,481	5,845,190
Other expenses (note 31.7)	19,898,294	10,992,920
	122,903,477	77,422,826
31.1 Salaries and other employees benefits		
Salaries and allowances	54,272,240	36,968,964
Other benefits	12,712,620	5,786,393
	66,984,860	42,755,357
31.2 Rent, taxes, insurance and electricity		
Office rent, rates and taxes	20,046,763	13,378,772
Insurance	360,352	265,167
Power and electricity	1,501,073	876,015
	21,908,188	14,519,954

Notes to the financial statements

For the year ended 31 December 2017

		2017	2016
		BDT	BDT
31.3	**Postage, stamp and telecommunication**		
	Postage and stamp	32,086	17,023
	Telegram, telex, fax and e-mail	1,689,512	1,539,133
	Telephone and mobile	1,123,966	834,753
		2,845,564	2,390,909
31.4	**Stationery, printing, advertisement, etc**		
	Printing and stationery	769,258	415,457
	Advertisement and publicity	426,537	91,914
		1,195,795	507,371
31.5	**Auditors' fee**		
	Fee	197,778	100,000
	VAT on fee	29,667	15,000
		227,445	115,000
31.6	**Depreciation and repair of assets**		
	Depreciation of fixed assets-freehold	8,959,525	5,476,808
	Amortisation of intangible assets	358,956	354,777
	Repairs and maintenance	-	13,605
		9,318,481	5,845,190
31.7	**Other expenses**		
	Travelling and conveyance	3,038,313	1,843,103
	Office maintenance	3,254,522	2,184,208
	Service charge-Bloomberg	2,452,229	2,780,644
	Entertainment	1,986,257	1,067,912
	Staff welfare	1,881,421	35,840
	Subscription, renewal and registration fees	1,237,111	1,166,435
	Public relation	3,382,760	371,308
	Motor vehicle expenses	944,772	690,302
	HR development	458,880	67,850
	Books, magazines, newspapers, etc	48,688	36,781
	Others	1,213,341	748,537
		19,898,294	10,992,920
32.	**Earnings per share**		
	Net profit after tax	24,302,406	10,704,058
	Number of ordinary shares outstanding	1,750,000	1,000,000
	Earnings per share	13.89	10.70

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	73,561,110	39,900,000
	Accounting profit before tax	97,863,516	50,604,058
	Average effective tax rate	75.17%	78.85%

34. Contingent liability

As on the date of reporting there is 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 2017. There was no material capital expenditure authorised by the Board but not contracted for at 31 December 2017.

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Notes to the financial statements

For the year ended 31 December 2017

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 balance sheet date

The Board of the Directors in its 100th Board meeting held on 5th April 2018 recommended no dividend for the year ended 31 December 2017.

40. Approval of the financial statements

These financial statements are authorised for issue by the Board of Directors of the Company in its meeting dated on 5th April 2018.

41. Related party transactions

During the period, 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 transactions	Closing balance
Union Capital Limited	Shareholder	Loan	829,224,183

42. General

42.1 A total number of 87 employees including 16 sub staffs were employed in UniCap Securities Limited as of 31 December 2017. All the employees received salary of BDT 36,000 and above per annum during the year ended 31 December 2017.

42.2 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjuction therewith.

42.3 Figures in these notes of financial statements have been rounded to the enarest BDT.

42.4 Previous year's figures have been re-arranged, wherever considered considered necessary, to confirm 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.

For and on behalf of Board of Directors of UniCap Securities Limited

Sd/-	Sd/-	Sd/-
Chairman	**Director**	**Chief Executive Officer**

Dhaka, Bangladesh
Dated, 05 April 2018

S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Auditors' Report to the Shareholders

For the year ended 31 December 2017

Report on the Financial Statements

We have audited the accompanying financial statements of UniCap Investments Limited (the company), which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards, the Companies Act1994, Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulation 1996 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of 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 give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and comply with the requirements of Companies Act1994, Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulation 1996 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 and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns.

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 12 April 2018

UniCap Investments Limited

Statement of Financial Position

As at 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Assets			
Non-current assets			
Property, plant and equipment	3	5,051,412	3,901,166
Investment in listed securities	4	418,221,657	404,130,914
Loan to employees		2,590,585	3,381,332
Total non-current assets		**425,863,654**	**411,413,412**
Current assets			
Advances, deposits and prepayments	5	98,009,042	80,318,522
Margin loan	6	4,993,818,500	4,975,991,013
Other receivables	7	328,678,048	159,366,533
Cash and cash equivalents	8	63,894,138	55,815,967
Total current assets		**5,484,399,729**	**5,271,492,035**
Total assets		**5,910,263,383**	**5,682,905,447**
Equity and liabilities			
Shareholders' equity			
Share capital	9	250,000,000	250,000,000
Retained earnings	10	39,079,510	17,593,470
Total shareholders' equity		**289,079,510**	**267,593,470**
Non-current liabilities			
Long term loan	11	3,675,039,489	3,767,404,689
Current liabilities			
Interest payable on short and long term loan	12	1,723,361,332	1,457,596,881
Payable to portfolio investors	13	121,064,231	94,034,048
Accrued expenses and other payables	14	3,630,177	2,284,015
Provision for taxation	15	98,088,644	93,992,344
Total current liabilities		**1,946,144,384**	**1,647,907,288**
Total liabilities		**5,621,183,873**	**5,415,311,977**
Total equity and liabilities		**5,910,263,383**	**5,682,905,447**

These financial statements should be read in conjunction with the annexed notes

For and on behalf of Board of Directors of UniCap Investments Limited

Sd/-	Sd/-	Sd/-
Chief Executive Officer (C.C.)	**Director**	**Chairman**

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 12 April 2018

UniCap Investments Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

Particulars	Notes	2017	2016
		BDT	BDT
Revenue			
Interest income	16	419,079,447	496,452,879
Interest expense	20	434,390,557	522,117,521
Net interest income		**(15,311,110)**	**(25,664,642)**
Investment income	17	30,191,984	1,037,188
Fees, commission, exchange and brokerage	18	36,216,275	39,966,266
Other operating income	19	560,349	806,183
Total operating income		**51,657,499**	**16,144,995**
Operating expenses			
Salaries and other employee benefits	21	12,945,741	8,297,203
Rent, taxes, insurance, electricity, etc	22	4,777,287	5,062,793
Postage, stamp, telecommunication, etc	23	414,177	333,034
Stationery, printing, advertisements, etc	24	403,401	240,562
Legal & Professional Fees		61,444	24,278
Directors' remuneration		163,400	82,110
Auditors' fee		130,000	77,000
Depreciation expense		2,127,685	1,627,888
Repair and maintenance	25	279,520	263,480
Other expenses	26	3,187,957	867,732
Total operating expenses		**24,490,613**	**16,876,080**
Operating profit/(loss)		**27,166,886**	**(731,085)**
Provision for diminution in value of investments	4	1,584,545	(353,547)
Profit before tax		**25,582,341**	**(377,538)**
Income tax expense	15	4,096,300	208,014
Profit after tax		**21,486,040**	**(585,552)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**21,486,040**	**(585,552)**
Earnings per share (EPS)		**0.86**	**(0.02)**

These financial statements should be read in conjunction with the annexed notes.

for and on behalf of Board of Directors of UniCap Investments Limited

Sd/-	Sd/-	Sd/-
Chief Executive Officer (C.C.)	**Director**	**Chairman**

Sd/-
S. F. AHMED & CO
Chartered Accountants

Dhaka, Bangladesh
Dated, 12 April 2018

UniCap Investments Limited

Statement of Changes in Equity

For the year ended 31 December 2017

Particulars	Share capital	Retained earnings	Total
	BDT	BDT	BDT
Year 2016			
Balance at 01 January 2016	250,000,000	18,179,022	268,179,022
Net profit/(loss) for the year	-	(585,552)	(585,552)
Balance at 31 December 2016	**250,000,000**	**17,593,470**	**267,593,470**
Year 2017			
Balance at 01 January 2017	250,000,000	17,593,470	267,593,470
Net profit/(loss) for the year	-	21,486,040	21,486,040
Balance at 31 December 2017	**250,000,000**	**39,079,510**	**289,079,510**

Sd/-
Chief Executive Officer (C.C.)

Sd/-
Director

Sd/-
Chairman

Dhaka, Bangladesh
Dated, 12 April 2018

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UniCap Investments Limited

Statement of Cash Flows

For the year ended 31 December 2017

Particulars	2017	2016
	BDT	BDT
Cash flows from operating activities		
Interest income	296,466,870	496,452,879
Interest Payment	(45,263,529)	(66,272,631)
Dividend receipts	10,771,019	1,037,188
Margin loan disbursed	(143,052,912)	(908,672,194)
Margin loan recovered	129,334,540	1,042,568,986
Fees commission, exchange and brokerage	36,216,275	39,966,266
Payment against administrative expenses	(22,362,928)	(15,248,192)
Advance income tax paid	(17,750,020)	(438,621)
Other receipts, net	2,787,772	-
Other payments, net	-	(1,939,561)
Net cash from operating activities	**247,147,088**	**587,454,119**
Cash flows from investing activities		
Payment against purchase of securities	(2,685,307,176)	(1,026,842,517)
Receipts from sale of securities	2,541,884,790	587,304,442
Purchase of property, plant and equipment	(3,281,331)	(9,200)
Net cash used in investing activities	**(146,703,717)**	**(439,547,275)**
Cash flows from financing activities		
Term loan repaid	(92,365,199)	(142,846,946)
Net cash from/(used in) financing activities	**(92,365,199)**	**(142,846,946)**
Net changes in cash and cash equivalents	**8,078,171**	**5,059,898**
Opening cash and cash equivalents	55,815,967	50,756,069
Closing cash and cash equivalents	**63,894,138**	**55,815,967**

Sd/-	Sd/-	Sd/-
Chief Executive Officer (C.C.)	**Director**	**Chairman**

Dhaka, Bangladesh
Dated, 12 April 2018

Notes to the financial statements

For the year ended 31 December 2017

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.

Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of UniCap Investments Limited include the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. 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
Motor vehicle	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.

Notes to the financial statements

For the year ended 31 December 2017

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 flows from operating activities is determined 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.

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.

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 35.

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Notes to the financial statements

For the year ended 31 December 2017

	2017 BDT	2016 BDT
3. Property, plant and equipment		
Cost		
Opening balance	6,936,681	6,927,481
Add: Addition during the year	3,281,331	9,200
Less: Disposal during the year	12,000	-
Closing balance (A)	10,206,012	6,936,681
Depreciation		
Opening balance	3,035,515	1,407,677
Add: Charge for the year	2,127,685	1,627,837
Less: Adjustment for disposal during the year	8,600	
Closing balance (B)	5,154,600	3,035,515
Written down value (A-B)	5,051,412	3,901,166

Details of property, plant and equipment are given in **Annex A**.

4. Investment in listed securities		
Investment in listed securities	419,806,202	404,130,914
Less: Provision for diminution in value of investments @ 20% of unrealised loss	1,584,545	-
	418,221,657	404,130,914

This amount represents investment in listed securities, market value of which is BDT 411,883,478 as on 31 December 2017 resulting an unrealised loss of BDT 7,922,724 on which at least 20% provision should be made as per BSEC circular no. SEC/CMRRCD/2009-193/203 dated 28 December 2017. Accordingly, provision for diminution in value of investments of an amount of BDT 1,584,545 has been made. However, no cash dividend is allowed to be paid during the year in terms of said directive as the company has availed this facility.

5. Advances, deposits and prepayments		
Advance income tax	97,396,958	79,646,938
Advance against purchase of shares	380,250	380,250
Advance for office rent	3,500	45,500
Security deposit - CDBL	200,000	200,000
Advance against expenses	28,000	45,500
Receivable against management fee	334	334
	98,009,042	80,318,522
6. Margin loan		
Opening balance	5,685,349,097	5,038,241,233
Add: Loan disbursed during the year	143,052,912	908,672,194
	5,828,402,009	5,946,913,428
Less: Recovery during the year	129,334,540	1,042,568,986
	5,699,067,469	4,904,344,442
Add: Interest and fee accrued during the year	485,586,981	922,025,000
	6,184,654,450	5,826,369,442
Less: Interest and fee recovered during the year	301,086,981	141,020,345
	5,883,567,468	5,685,349,097
Less: Accumulated provision for unrealised loss on margin loan (note 6.1)	889,748,968	709,358,084
	4,993,818,500	4,975,991,013
6.1 Provision for unrealised loss on margin loan		
Opening balance	709,358,084	709,358,084
Add: (Realised)/Unrealised during the year	180,390,884	-
Closing balance	889,748,968	709,358,084

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT

7. Other receivables

Receivable from Unicap Securities Limited against sale of shares

Own portfolio (note 7.1)	125,929,857	106,757,374
Clients' portfolio (note 7.2)	199,155,778	51,987,714
Others (note 7.3)	3,592,414	621,446
	328,678,048	159,366,533

7.1 Own portfolio

This represents amount receivable from UniCap Securities Limited against sale of shares on company's own portfolio before maturity.

7.2 Clients' portfolio

This represents amount receivable from UniCap Securities Limited against sale of shares on behalf of clients before maturity.

7.3 Others

This represents dividend from various investee and other receivables from UniCap Securities Limited.

8. Cash and cash equivalents

Cash in hand	12,889	10,000
Bank balances with:		
Dutch Bangla Bank Limited	73,884	231,871
Southeast Bank Limited	63,807,365	55,558,724
The Hongkong and Shanghai Banking Corporation Limited	-	15,372
	63,894,138	55,815,967

9. Share capital

Authorised capital:		
200,000,000 ordinary shares of BDT 10 each	2,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital:		
25,000,000 ordinary shares of BDT 10 each	250,000,000	250,000,000

The Company's shareholding position at the reporting date was as follows:

Name of the shareholder	2017		2016	
	No. of share	BDT	No. of share	BDT
Union Capital Limited	24,999,987	249,999,870	24,999,987	249,999,870
Kazi Golam Rahman	1	10	1	10
Amir Humayun Mahmud Chowdhury	1	10	1	10
Khurshida Chowdhury	1	10	1	10
Meherunnessa Haque	1	10	1	10
Nagina Choudhury	1	10	1	10
Rezwan Rahman	1	10	1	10
Chowdhury Tanzim Karim	1	10	1	10
Tajrina Sikder	1	10	1	10
Farhan Sharif Ala	1	10	1	10
S.M.A.M. Reza	1	10	1	10
Qumrun Nahar	1	10	1	10
M. Fayaz Taher	1	10	1	10
Monzur Alam	1	10	1	10
	25,000,000	250,000,000	25,000,000	250,000,000

10. Retained earnings

Opening balance	17,593,470	18,179,022
Add: Net profit/(loss) for the year	21,486,040	(585,552)
Closing balance	39,079,510	17,593,470

Notes to the financial statements

For the year ended 31 December 2017

	2017 BDT	2016 BDT
11. Long term loan		
Premier Leasing and Finance Limited	97,634,801	100,000,000
Union Capital Limited (note 11.1)	3,577,404,689	3,667,404,689
	3,675,039,490	3,767,404,689

11.1 This represents term loan with Union Capital Limited amounting to BDT 360,000,000 and BDT 3,217,404,689.

12 Interest payable on short and long term loan		
Opening balance	1,457,596,881	1,001,751,990
Add: Interest accrued during the year	420,306,514	504,886,557
	1,877,903,395	1,506,638,547
Less: Interest paid during the year	(31,929,486)	(49,041,666)
Less: Interest waived by UCL	(122,612,577)	-
Closing balance	1,723,361,332	1,457,596,881

This represents amount of interest payable to Union Capital Limited against the loan facility provided amounting to BDT 3,577,404,689.

13. Payable to portfolio investors	121,064,231	94,034,048

This represents amount payable to clients against sale of share before maturity, client available fund and dividend regarding investments in securities.

14. Accrued expenses and other payables		
Audit fee payable	80,500	77,000
Office rent payable	-	568,981
Withholding tax and VAT	1,036,522	821,213
Other payables	2,513,155	816,822
	3,630,177	2,284,015
15. Provision for taxation		
Opening balance	93,992,344	93,784,330
Add: Provision made during the year	4,096,300	208,014
Closing balance	98,088,644	93,992,344
16. Interest income		
Interest on margin loan (note 16.1)	293,186,723	494,146,821
Interest income (note 16.2)	122,612,577	-
Bank interest income	3,280,147	2,306,059
	419,079,447	496,452,879

16.1 Interest on margin loan

This represents interest charged on margin loan facilities provided to clients for purchase of listed securities.

16.2 Interest income

Interest income amounting to BDT 122,612,577 represents interest waived by Union Capital Limited, the parent company, against the loan provided to it. As this amount was charged as interest expense in prior years, thus it has been treated as income in this year as abnormal gain.

17. Investment income		
Gains/(losses) on sale of securities	19,420,965	(2,884)
Dividend income	10,771,019	1,040,072
	30,191,984	1,037,188

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT
18. Fees, commission, exchange and brokerage		
Brokerage settlement fee	27,062,785	15,638,691
Portfolio management fee (note 18.1)	7,981,099	23,677,575
Underwriting Commission	405,000	650,000
Issue Management Fee - Public Issue	767,391	-
	36,216,275	39,966,266

18.1 Portfolio management fee

The amount includes fees and charges received from portfolio account holders for managing portfolio accounts by the Company.

19. Other operating income		
CDBL charges from clients	370,900	262,339
Other income	189,450	543,844
	560,349	806,183
20. Interest expense		
Interest on loan	434,317,277	522,071,001
Bank charge	73,280	46,520
	434,390,557	522,117,521

This amount represent interest on loans taken from Union Capital Limited and Premier Leasing amounting BDT 3,667,404,689 and 100,000,000 respectively. The interest amount on loan from Union Capital Limited is BDT 421,056,514 with an interest rate of 11.00% and BDT 13,260,723 from Premier Leasing with an interest rate of 13.50%.

21. Salaries and other employee benefits		
Salaries and allowances	10,580,911	7,764,990
Contribution to gratuity fund	1,938,000	157,206
Contribution to provident fund	426,830	368,007
Medical and employees' welfare	-	7,000
	12,945,741	8,297,203
22. Rent, taxes, insurance, electricity, etc		
Office rent, rates and taxes	4,381,664	4,624,942
Power and electricity	359,272	437,851
Insurance Expenses	36,351	-
	4,777,287	5,062,793
23. Postage, stamp, telecommunication, etc		
Postage and stamp	12,666	876
Telegram, telex, fax and e-mail	186,525	150,341.00
Telephone and mobile	214,986	181,817
	414,177	333,034
24. Stationery, printing, advertisements, etc		
Printing and stationery	363,691	233,290
Books and periodicals	7,060	7,272
Advertisement and publicity	32,650	-
	403,401	240,562
25. Repair and maintenance		
Repair and maintenance expense	146,938	5,360
Office maintenance	124,636	258,120
Facilities maintenance	7,946	-
	279,520	263,480

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT
26. Other expenses		
HR development	69,700	10,450
Travelling and conveyance	107,450	11,480
Subscription and fees	1,903,295	150,000
Entertainment expense	468,386	237,782
Car allowance	420,000	420,000
Others	219,126	38,020
	3,187,957	867,732
27. Required provision for margin loan		
Negative equity	3,650,278,946	
Total reserve against margin loan	889,748,968	
Percentage of reserve against margin loan	**24.37%**	
28. Earnings per share (EPS)		
Net profit/(loss) after tax: Numerator (A)	21,486,040	(585,552)
Number of ordinary share outstanding: Denominator (B)	25,000,000	25,000,000
Earnings per share (Basic): (A/B)	0.86	(0.02)

Diluted earnings per share has not been calculated for the year as there was no potential ordinary share as described in BAS 33.

29. Contingent liability

As on the date of reporting there was no such event that warrants for reporting as contingent liability.

30. Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at 31 December 2017. There was no material capital expenditure that were authorised by the Board but not contracted for at 31 December 2017.

AMARSTOCK

Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	BDT	BDT

31. Unacknowledged debt

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

32. Geographical area of operation

UniCap Investments Limited is currently operating in Chittagong and Sylhet along with its other branches at Gulshan and Motijheel in Dhaka.

33. Events after the reporting date

No material event has occurred after the reporting period, which could substantially affect the values reported in the financial statements.

34. Approval of the financial statements

These financial statements were authorised for issue by the Board of Directors of the Company in 12 April 2018.

35. Related party transaction

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 transactions	31 December 2017	31 December 2016
			BDT	BDT
Union Capital Limited	Parent Company	Long term loan	3,577,404,689	3,667,404,689
		Interest payable	1,723,361,332	1,457,596,881
UniCap Securities Limited	Common Director	Securities transaction	204,021,403	64,711,040
		Others	1,383,137	621,446

36. General

36.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

36.2 Figures in these notes of financial statements have been rounded off to the nearest BDT.

Sd/-	Sd/-	Sd/-
Chief Executive Officer (C.C)	**Director**	**Chairman**

Dhaka, Bangladesh
Dated, 12 April 2018

Annex A

UniCap Investments Limited

Details of property, plant and equipment

As at 31 December 2017

Particulars	Cost					Depreciation				
	As at 1 January 2017	Addition during the year	Disposal/ adjustment during the year	As at 31 December 2017	Rate of depreciation	As at 1 January 2017	Charged during the year	Disposal/ adjustment during the year	As at 31 December 2017	Written down Value
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Furniture and fixtures	1,813,345	149,456	-	1,962,801	20%	713,110	377,690	-	1,090,800	872,001
IT equipment	1,461,714	459,088	12,000	1,908,802	20%	628,990	330,491	8,600	950,881	957,921
Motor vehicle	-	2,665,437	-	2,665,437	20%	-	444,237	-	444,237	2,221,199
Office equipment	1,870,875	7,350	-	1,878,225	20%	659,258	384,321	-	1,043,579	834,646
Office decoration	1,790,747	-	-	1,790,747	33%	1,034,156	590,946	-	1,625,103	165,644
Total at 31 December 2017	**6,936,681**	**3,281,331**	**12,000**	**10,206,012**		**3,035,515**	**2,127,685**	**8,600**	**5,154,600**	**5,051,412**
Total at 31 December 2016	**6,927,481**	**9,200**	**-**	**6,936,681**		**1,407,677**	**1,627,837**	**-**	**3,035,515**	**3,901,166**

WARSTOCK

Shareholder's Additional Information

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MARKSTOCK

LETTER OF INVITATION

FROM THE CHAIRMAN

I extend a warm invitation to you to attend in the 20th Annual General Meeting of Union Capital Limited to be held on 28 June 2018 at 11:00 a.m. at Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, Dhaka. The 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 regarding 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 endeavor to address these in 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 06:00 p.m. on Tuesday, 26 June 2018, 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

13 June 2018

Head Office
Union Capital Limited
Noor Tower, 73 Sonargoan Road, Dhaka-1205
Tel: +88 02 9662888
Fax: +88 02 8616878
www.unicap-bd.com

NOTICE OF AGM

Union Capital Limited
(Incorporated in Bangladesh)
(Registration number: C-36021(321/98)
(Share code: UNIONCAP)

Notice is hereby given that the Twentieth Annual General Meeting of the Company will be held on Thursday, the 28 June 2018 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 18-20-01	:	Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2017 together with the reports of the Auditors and Directors thereon;
AGM 18-20-02	:	Declaration of dividend for the year 2017;
AGM 18-20-03	:	Retirement & re-appointment of Directors;
AGM 18-20-04	:	Appointment of the Auditors of the Company for the year 2018 and fixation of their remuneration.

NOTES

1. 28 May 2018 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 5% Stock Dividend subject to the approval of the shareholders and concerned regulatory authority.
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 the 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

Agendum 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 2017. The Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31 December 2017 are contained in this Annual Report.

Agendum Two

Declaration of Dividend

The Board of Directors in its meeting held on 25 April 2018 recommended 5 percent Dividend for the year 2017 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 and Cash dividend will credited to the respective shareholders specified bank account within July 2018. The dividend will be paid to the shareholders whose name appeared in the Depository Register of shareholders at the close of business on 28 May 2018 being the record date.

Agendum 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, the following Directors shall retire by rotation and being eligible offered themselves for re-appointment in the next Annual General Meeting:

a) Capt. Mr. Minhazur Reza Chowdhury, Director (Nominated by EC Securities Limited)

b) Mr. Kazi Russel Mahbub, Director (Nominated by Palmal Garments Hosiery Ltd.)

c) Mr. Mohammad Nurun Nabi FCA, Independent Director

d) Mr. Md. Fayekuzzaman, Independent Director

Moreover, as per Article 91 of the Articles of Association of the Company Mr. Abdul Karim, Independent Director will retire in the next Annual General Meeting;

Since the Retiring Directors are eligible for re-appointment, they have offered themselves for re-appointment, and hence the Board recommended to the shareholders for approval of their re-appointment in the 20th Annual General Meeting. Biographical details of the Directors of the Company retiring at the AGM are set out on pages 50 to 56 of this annual report.

Agendum Four

Appointment of External Auditors

The Financial Institutions Act, 1993 and BSEC's order dated 27 July 2011 stipulated that an Auditor of a Financial Institution cannot be appointed for more than three consecutive years. Moreover, section 210 (10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. M/S S. F. Ahmed & Co., Chartered Accountants have completed their third year as statutory Auditor of the company and hence not eligible for re-appointment.

In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to Board to appoint M/S. K. M. Hasan & Co., Chartered Accountants as the external auditor of the Company for the year 2018 with an audit fee of BDT 200,000 plus VAT. The Board in its meeting held on 25 April 2018 recommended to the shareholders for approval to the appointment of M/S. K. M. Hasan & Co., Chartered Accountants as auditor for the year 2018 at a remuneration of BDT 200,000 plus VAT subject to approval of Bangladesh Bank.

SHARE-TOCK

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 28 May 2018 are entitled to exercise any voting rights in relation to the resolutions to be proposed at the Annual General Meeting to be held on 28 June 2018 at 11:00 am at the Spectra Convention Centre, House -19, 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 there at 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:

ORDINARY BUSINESS		Number of votes (one vote per ordinary share)		
Agendum		For	Against	Abstain
AGM 18-20-01	: Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2017 together with the reports of the Auditors and Directors thereon;	☐	☐	☐
AGM 18-20-02	: Declaration of dividend for the year 2017;	☐	☐	☐
AGM 18-20-03	: Retirement & re-appointment of Directors;	☐	☐	☐
AGM 18-20-04	: Appointment of the Auditors of the Company for the year 2018 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 28 June 2018 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 2018_____

Attested by me_____

(where applicable)

Please read the notes given on next page.

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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 license or a valid passport.
6. Any alterations or corrections to this form of proxy must be initiated 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 6:00 p.m. on 26 June 2018.
9. Holders attending the Annual General Meeting will be offered the opportunity of putting questions to the Directors and Management.

AMARSTOCK

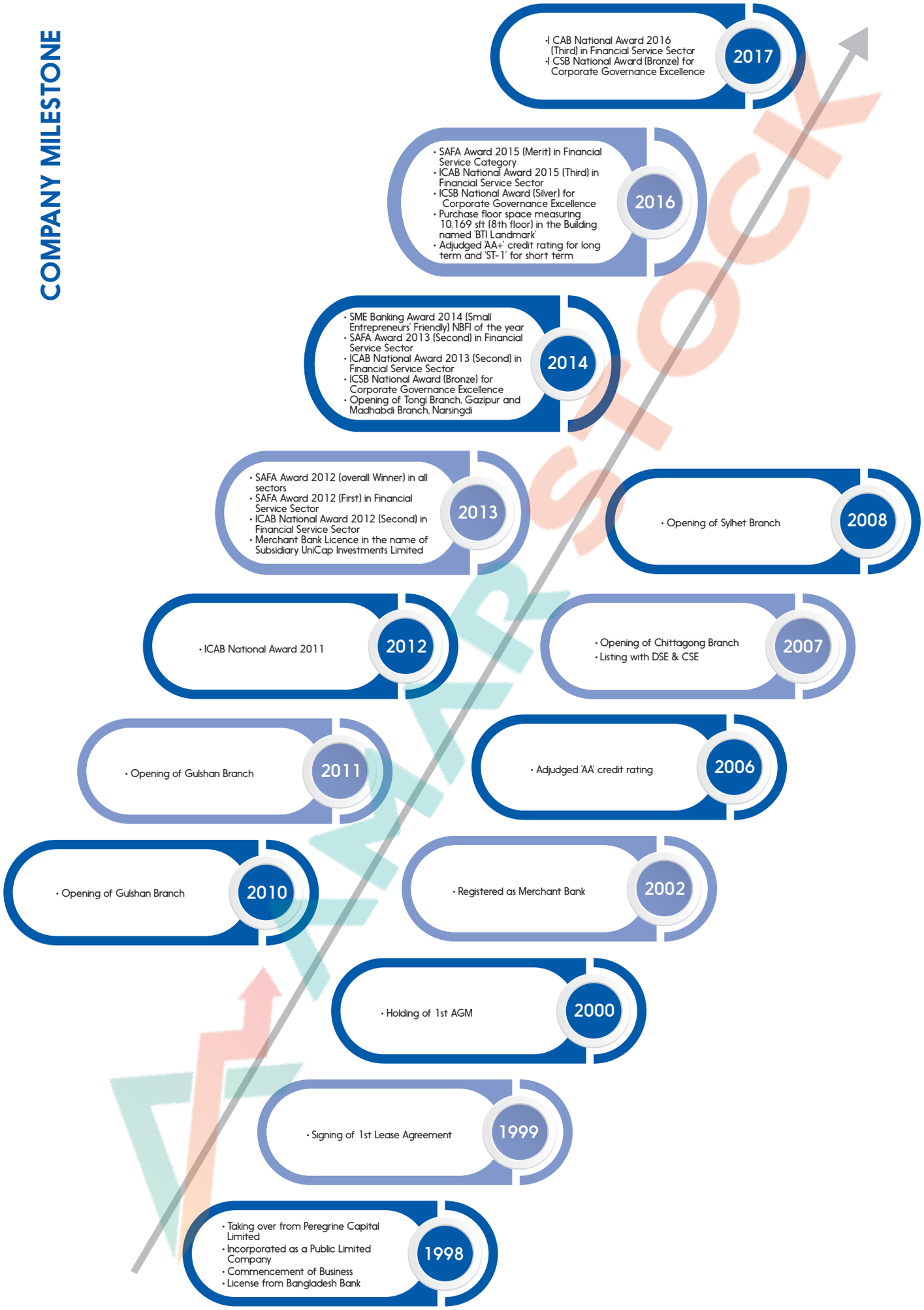
FINANCIAL CALENDAR 2018

2017	
May 07	Annual results and announcement of final dividend;
June 01	Publication of Notice of 19th AGM;
June 01	Publications and posting of 2016 Annual Report;
June 15	19th Annual General Meeting;
July 09	Final dividend payment;
May 07	First-quarter Business Results;
July 30	Half-year Business Results;
Oct 30	Third-quarter Business Results;
Dec 31	Financial year-end.

2018	
April 25	Annual results and announcement of final dividend
May 13	First-quarter Business Results;
June 13	Publication of Notice of 20th AGM;
June 13	Publications and posting of 2017 Annual Report;
June 28	20th Annual General Meeting;
July 10	Final dividend payment; --- Tentative
July 30	Half-year Business Results; --- Tentative
Oct 30	Third-quarter Business Results; --- Tentative
Dec 31	Financial year-end.

AMANA STOCK

COMPANY MILESTONE



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 keep 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, 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.

Hotline and e-mail:

Tel: +8802 9662888

E-mail: mailbox@unicap-bd.com

Fax: +880 (2) 5861 6878

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 telephonie 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 are :

- 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

www.unicap-bd.com

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.

REDRESSAL OF INVESTORS' COMPLAINT

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 for 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, thus minimizus 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.

AMAR STOCK

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
28 June 2018	5% Bonus Share	7,826,478	78,264,780
End of the year		**164,356,041**	**1,643,560,410**

Composition of Shareholdings

No. of Shareholders	Category	No. of Shares	Percentage
3	Sponsors (Institutions)	33,700,284	21.53%
6	Sponsors (Institutions)	16,338,067	10.44%
194	General Public (Institutions)	28,614,749	18.28%
7,561	General Public (Institutions)	77,876,463	49.75%
7,764		**156,529,563**	**100.00%**

Key share information

(As on 31 December)	2017	2016	2015
Total no. of shareholders	7,764	7,660	8,087
Share Price (Taka)	20.10	20.50	14.50
No. of outstanding shares	156,529,563	142,299,603	132,990,284
Market Capitalization (Taka in million)	3,146.24	2,917.14	1,928.36

SHAREHOLDERS

At the end of 2017, there were 7,764 shareholders in UCL as against 7,660 shareholders at the end of 2016. The Sponsor Shareholders hold 50,038,351 no shares of Tk.10 each which represent 31.97 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

Head Office

Noor Tower
73 Sonargaon Road, Dhaka 1205, Bangladesh
Tel: +880 (2) 966 2888, Fax: +880 (2) 5861 6878

Chittagong Branch

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Sylhet Branch

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Tel: +880 (821)728438-39, Fax: +880 (821) 728437

Bogra Branch

Ruba Tower, 3rd Floor
739A Borogola, Bogra Sadar, Bogra.
Mob: 01988899806, 01988899835

Motijheel Branch

Sharif Mansion
56-57 Motijheel C/A, Dhaka 1000, Bangladesh
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Gulshan Branch

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68 Gulshan Avenue, Dhaka 1212, Bangladesh
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Tongi Branch

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Madhabdi Branch

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STOCK BROKER/DEALER

UniCap Securities Limited
(Membership DSE - 163; 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
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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 (BAPLC)
Federation of Bangladesh Chamber of Commerce and Industry (FBCCI)
The Institute of Bankers, Bangladesh (IBB)

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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 (tier1) 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 manage properlys regulatory risk that 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. It is 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 licenses.

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.

DISCLAIMER

Ucl Group Has Acted In Good Faith And Has Made Every Reasonable Effort To Ensure The Accuracy And Completeness Of The Information Contained In This Document, Including All Information That May Be Defined As Forward-Looking Statements. Forward-Looking Statements Are Not Statements Of Fact, But Statements By The Managements Of Ucl Group Based On Its Currents Estimates, Projections, Expectations, Beliefs And Assumptions Regarding The Group's Future Performance. No Assurance Can Be Given That Forward-Looking Statements Will Prove To Be Correct And Undue Reliance Should Not Be Placed On Such Statements. The Risks And Uncertainties Inherent In The Forward-Looking Statements Are Contained In This Document.

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