



Annual Report 2018



LEAP OF GLORY



LEAP OF GLORY

Towards the zenith of vision, crossing milestones with passion
Setting goals on innovation and leading along collaboration
In making of a success story, we roared towards a leap of glory

LETTER OF TRANSMITTAL

To
All Shareholders,
Bangladesh Bank,
Registrar of Joint Stock Companies and Firms,
Bangladesh Securities and Exchange Commission,
Dhaka Stock Exchange Limited, and
Chittagong Stock Exchange Limited

Annual Report for the year ended 31 December 2018.

Dear Sirs:

Please find enclosed, a copy of the Annual Report along with the Audited Financial Statements including Balance Sheet as at 31 December 2018 and Income Statements, Cash Flow Statement and Statement of Changes in Equity for the year ended 31 December 2018 along with the notes thereon of IPDC Finance Limited for your kind perusal and record.

Thank you.

Yours Sincerely,



Samiul Hashim
Company Secretary

NOTICE OF THE 37TH ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting (AGM) of the shareholders of IPDC Finance Limited will be held at **Emmanuelle's Banquet Hall**, House # 04, Road # 134, Gulshan-1, Dhaka-1212 on Sunday, 31 March 2019 at 10:00 a.m. to transact the following proceedings:

AGENDA

01. To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2018;
02. To declare dividend for the year ended December 31, 2018;
03. To elect/re-elected Directors;
04. To appoint the Auditors and to fix their remuneration;
05. To appoint the Corporate Governance Auditors and to fix their remuneration;
06. To confirm the appointment of Mr. A. Gaffar Khan as Nominee Director of GoB & Mr. Tushar Bhowmik of BRAC;
07. To transact any others business (if any) with the permission of the chair.

By order of the Board



Samiul Hashim
Company Secretary
Dated: 06 March 2019

Notes:

1. 04 March 2019 shall be considered as the Record Date for entitlement of the Dividend for the year ended December 31, 2018
2. Admission into the venue of the AGM will be allowed on submission of the attendance slip.
3. Only the shareholders or their appointment proxies will be allowed to attend the meeting.
4. A shareholder, intending to appoint a Proxy, must deposit the duly stamped Proxy Form at the company's registered office no later than 48 hours before the day of the AGM.
5. Except the shareholders or valid proxies, no one will be authorized to complete registration process.

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UNDERSTANDING IPDC



WHO WE ARE

We strive to be the most passionate financial brand in the country that goes beyond the pursuit of financial inclusion of its customers and enable them to live unbound. With an unprecedented journey of 37 years, IPDC created meaningful stories in different walks of its treasured clientele's life.

After a long and hard-fought war in 1971, Bangladesh liberated herself to stand out as a valiant nation in the heart of the earth. Considering freedom to be not a destination but a journey, when the post war dire straits struck the country, much assistance was needed to realize the visions of the nation. And to cater to the necessity of those visions, Industrial Promotion and Development Company of Bangladesh Limited (IPDC of Bangladesh Limited) was formed. Since its inception, IPDC Finance has played a pivotal role in developing the country's industrial landscape. We are now the fastest growing financial institution of the country. Our priority for the future, however, is to go beyond the numbers to create a positive impact in the society and touch the lives of many more people by providing affordable home loan, going beyond megacities, supporting women entrepreneurs and SMEs and bringing convenience at home.



WHAT WE DO

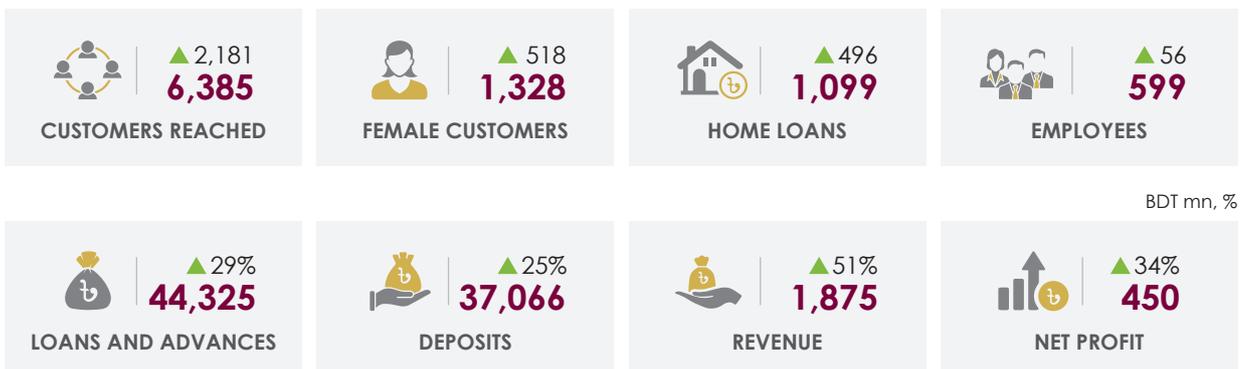
IPDC places special focus on youth, women and underserved areas with a mission to enable customers and communities to rise unbound and to live to their fullest potential. We expect to realize this ambition by extending innovative financial solutions in a friendly, timely, transparent and cost-effective manner.

Product and services are offered by IPDC through its growing branch network across the country. Our product ranges from retail, corporate, SME, women entrepreneurship, factoring, etc. Securitization of receivables, preference share investments, leasing, venture capital investment and 360-degree digitally automated supply chain financing under Project Orjon is also on course.

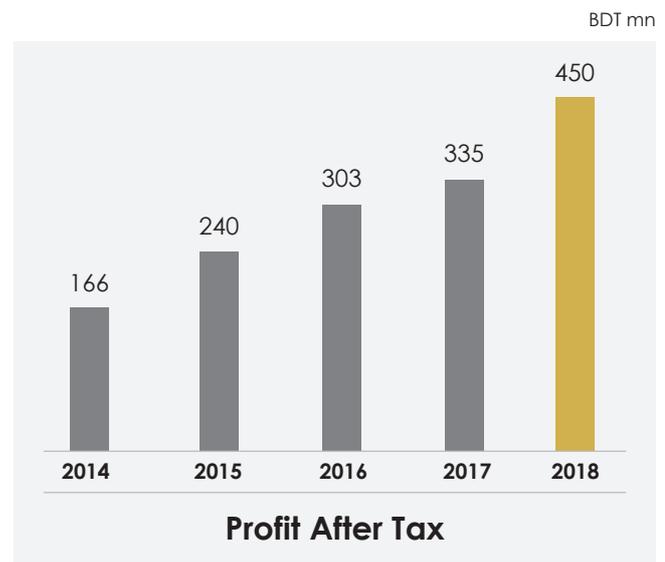
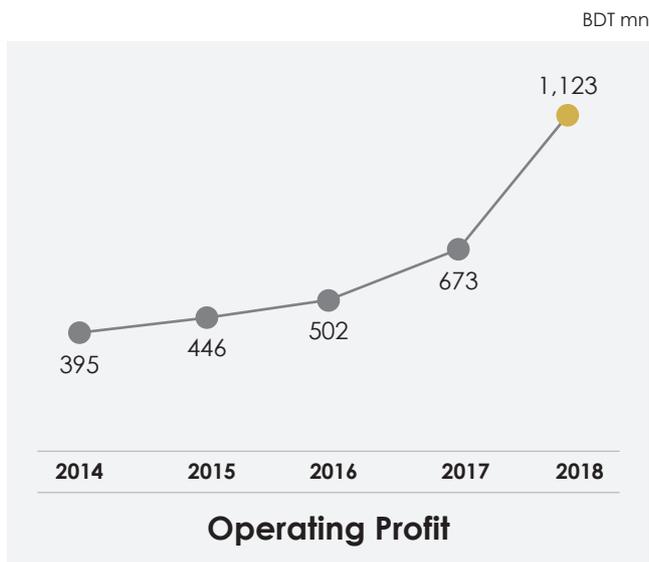
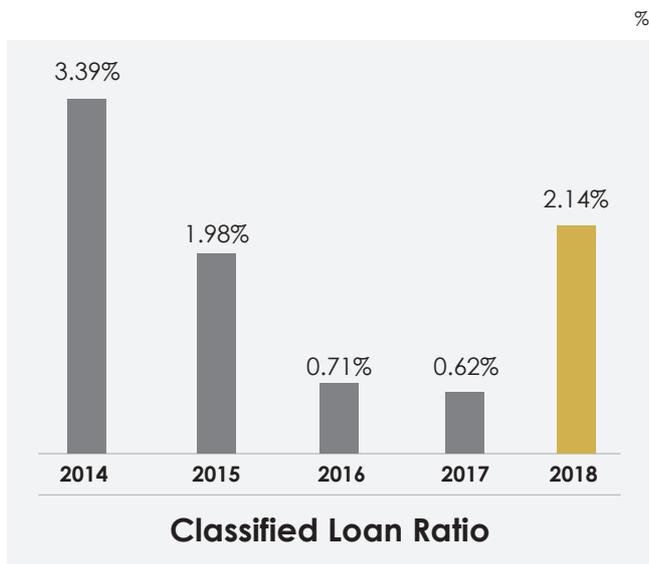
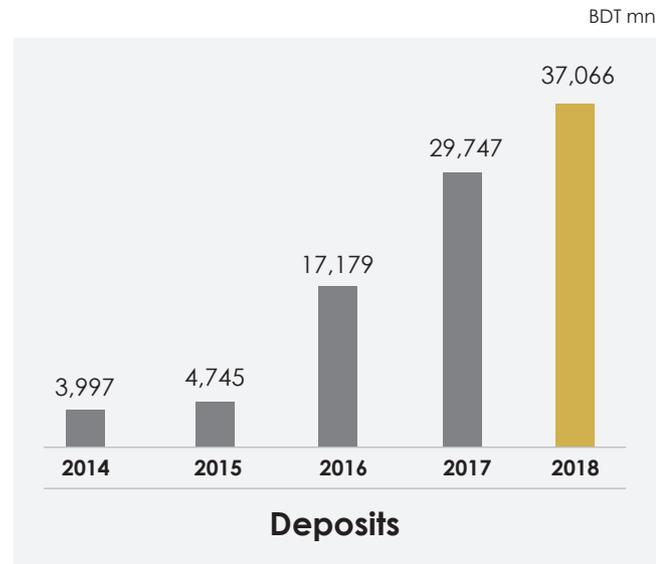
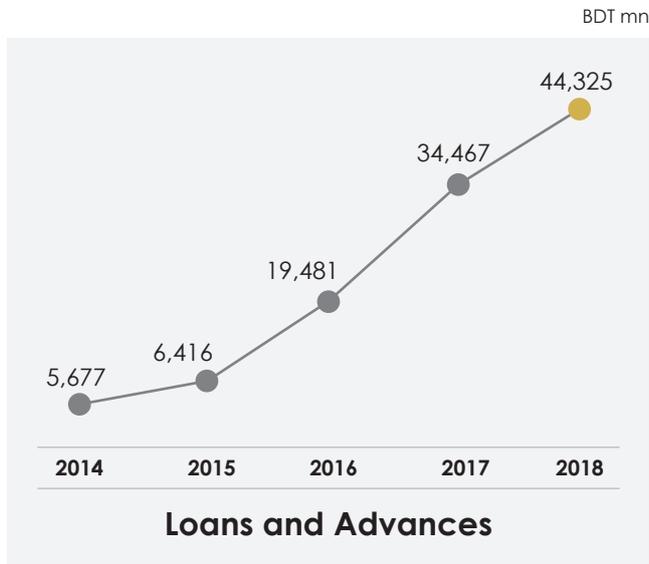


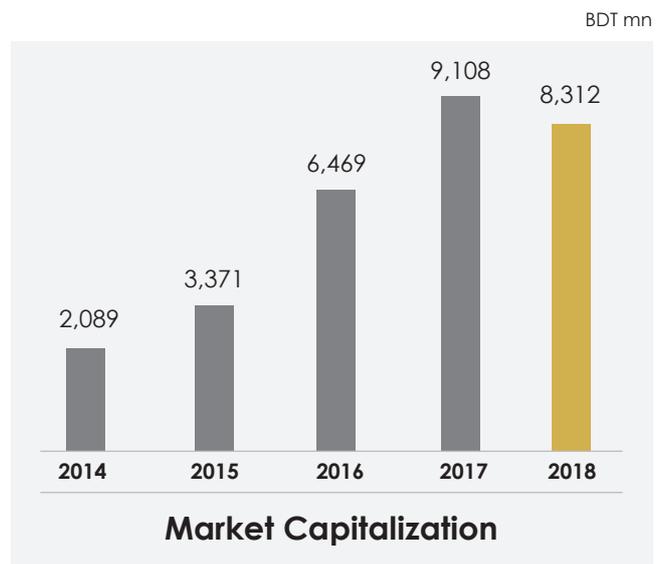
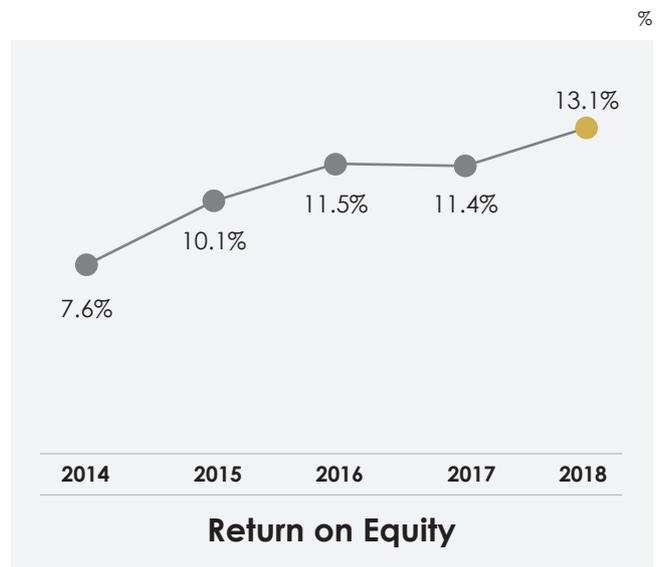
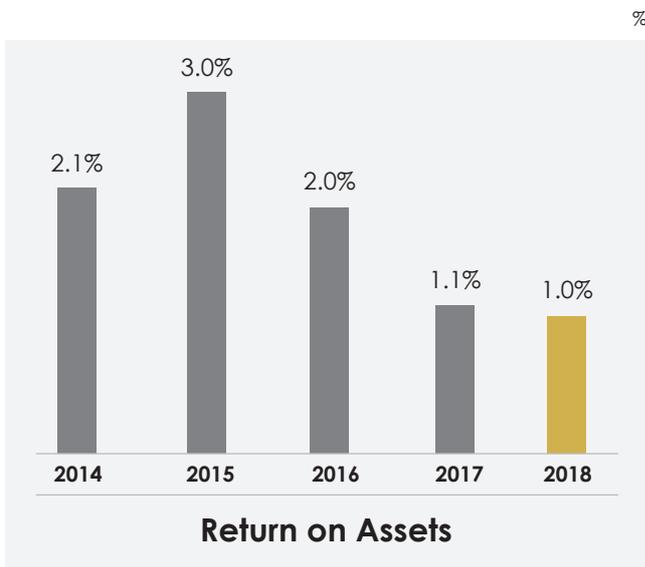
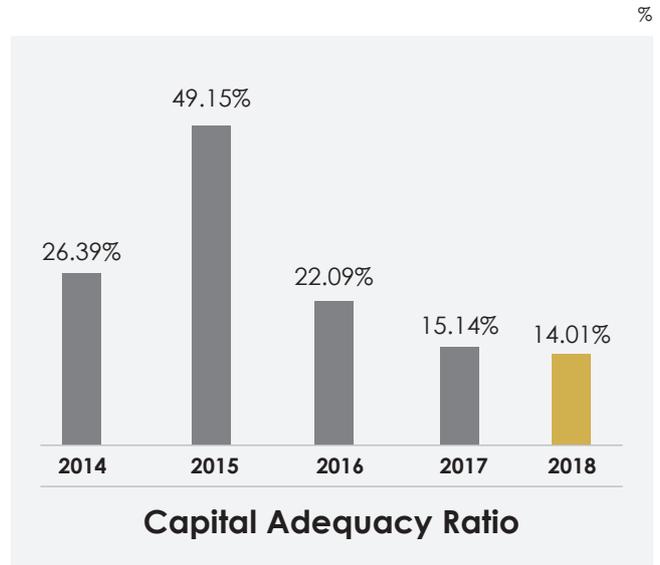
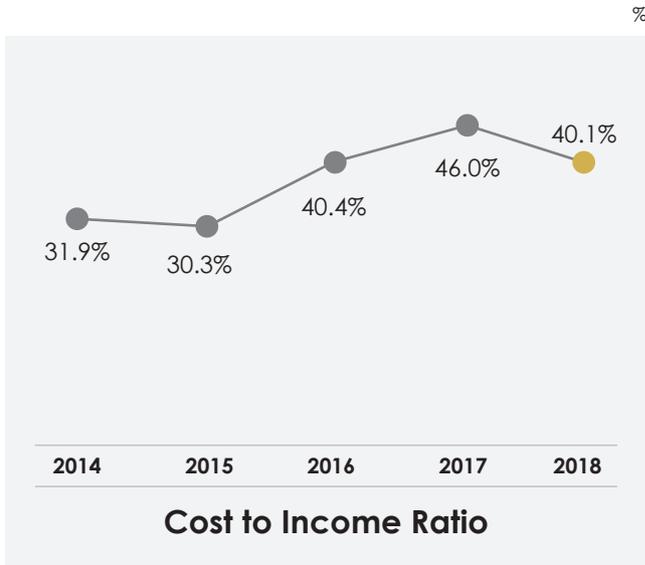
WHERE WE OPERATE

We have 12 branches including Head Office Branch situated in Gulshan, Motijheel, Dhanmondi, Uttara, Chattogram, Bogura, Gazipur, Narayanganj, Sylhet, Mymensingh, Jashore and Cumilla.



PERFORMANCE HIGHLIGHTS





STATEMENT FROM CHAIRMAN

CUSTOMER REMAINS AT THE HEART OF EVERYTHING THAT WE DO AND IT IS DEEPLY ROOTED IN OUR VALUES

DR. MUHAMMAD MUSA
Chairman



Dear Shareholders,

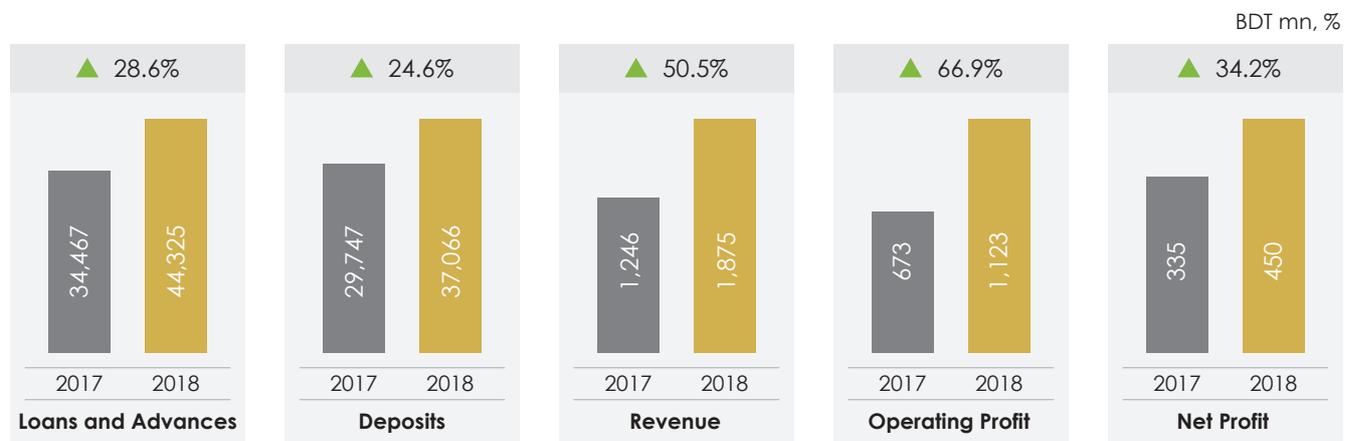
I welcome you to the 37th Annual General Meeting. This is an opportune time for me to present to you the performance of your company through the pages of our Annual Report for the year 2018.

Performance Review

The company yet again delivered a strong performance in 2018 against the backdrop of a challenging year which adversely affected the overall performance of the industry. Beyond delivering impressive numbers, we continued our strategic transformational journey towards achieving the long-term vision of the company. This has been only possible due to the strong mandate given to us by our valued shareholders.

Our Loans, Lease and Advances witnessed a growth of 28.6% and stood at BDT 44,325 million as of 31 December

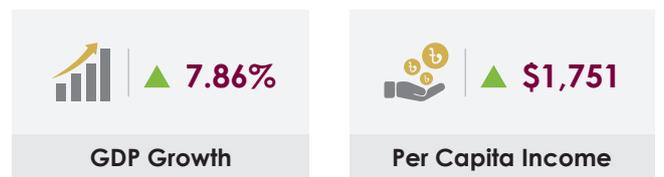
2018. Our Classified Loan Ratio stood at 2.14% as of December 2018 against the industry average of 11.2% in September 2018, which shows our continued commitment to maintaining the asset quality even though we grow our business faster. Deposits grew by 24.6% and stood at BDT 37,066 million as of December 2018. Our Capital Adequacy Ratio stood firmly at 14.01%, whereas the minimum regulatory requirement is 10.0%. On liquidity front, we stayed fortified through-out the year to withstand any market volatilities. Profit After Tax was BDT 450 million, a growth of 34.2% with Earning per Share (EPS) increasing to BDT 2.06 in 2018 from BDT 1.54 in 2017. Driven by the strong business fundamentals our market capitalization closed the year at BDT 8,312 million with the CAGR of 41.2% from 2014, which indicates our commitment and ability to create sustainable value for our shareholders.



Macroeconomic Review

Defying many odds, in 2018 Bangladesh has become eligible for the graduation from the least developed country (LDC) to developing country as per the statement by UN Committee for Development Policy (CDP). GDP grew at 7.86% in FY18, the highest ever for the country, which is mainly driven by strong domestic demand and continued investment in large-scale public projects and a recovery pick up in private investment and contained inflation. Despite buoyant export growth, Balance of Payment remained under pressure due to surge in import in the second half of the year. However, foreign exchange reserve remained healthy at USD 33 billion mainly due to steady flow of inward remittances. The economy is projected to grow at an even faster pace as new economic reforms and Government's mega infrastructure projects come into light.

Bangladesh also continues to make outstanding progress and outperformed its neighboring countries in many aspects of social development as reflected in reduced poverty rate, higher life expectancy, improved literacy rate, better gender parity, more access to clean water and sanitation and so on.



Industry Review

The financial sector passed a stressful time during 2018 as banks and financial institutions were facing challenges to grow their balance sheet and maintain spread. In addition, non-performing loans in the financial sector was increasing at a rapid pace, which adversely impacted the overall profitability of the industry. However, we are hopeful that investment climate would improve, and the industry would rebound strongly in 2019.

Board, Governance and Ethics

Good governance and sound ethical practices are deeply rooted in our culture. We maintain zero tolerance on integrity issues. We have a very strong, experienced and diverse Board with a good balance of skills and competence. The Board provides the vision, strategic leadership and sets challenging targets for the management which collectively acts as a strong impetus for the executive team to continually push the boundaries to achieve the growth aspirations.

We pledge to stay vigilant about the regulatory changes, remain transparent and provide adequate disclosures to our customers, shareholders, regulators and other stakeholders. In our journey at IPDC, we try to build partnership with our stakeholders and promote constructive dialogues with them to make sure that our strategies and decisions are consistent with their expectations.

We continued to strengthen our risk management framework, audit procedures and embed sound control system in the business, process and operation. We always set a very high compliance standard to maintain our reputation as a well-governed financial institution in Bangladesh.

People

Our young and vibrant workforce is the key to driving innovation, collaborative spirit and entrepreneurialism across the company. We invest significantly to attract, retain, train and develop people so that they remain motivated, competent and relevant to the current and future need of the company as well as can maximize self-development opportunities. We promote diversity, equity, good work life balance, fun at work place and run various engagement activities and keep adequate health and safety provisions for our employees.



2.14%
2017: 0.62%

Classified Loan Ratio



14.01%
2017: 15.14%

Capital Adequacy Ratio



13.1%
2017: 11.4%

Return on Equity



AA1
2017: AA1

Credit Rating

BDT bn



Technology

Technological innovation is reshaping the industry and we want to stay at the forefront of it to take advantage of any market opportunities. By 2019 we will complete the implementation of digital platform for supply chain finance backed by block chain technology, which is going to revolutionize the industry. In addition, we are going to implement a new core banking system to support the growth trajectory of the company.

Strategy

We promise to stay agile to embrace the changes in the macro-economic environment and aim to respond to the challenges and opportunity it creates. Beyond the economic aspects, our strategy revolves around financial inclusion and empowerment of the people of the country. We aim to help fulfil the dreams of many people of owning a decent house by extending low-cost finance to middle and low-income families across the country, creating new

entrepreneurs and promoting women entrepreneurs and SMEs. Customer remains at the heart of everything that we do, which is deeply rooted in our values. Aligned with our strategic intent, we have been purposefully investing in brand, system, people, process, technology and distribution to build our capabilities to secure the sustainable growth of the company.

Corporate Social Responsibility

We pledge to stand beside the good causes of the society. In this context, we continued to sponsor the Uchchash School for the underprivileged children and extended financial support to Narail Express Foundation to promote sports from the grass root level, provide sewing machines to the marginalized women to make them financially self-dependent, distributed medicine and blankets to the poor people and so on.



8% Stock
7% Cash

Dividend



BDT 2.06

Earning Per Share

Proposed Dividend

The required amount from Profit after Tax has been set aside for Statutory Reserve. Given the proven high growth potential of the company and the minimum regulatory capital requirement, the Board thinks it is prudent to conserve capital, yet deliver higher returns to our shareholders in form cash and stock. Therefore, the Board recommends 7% cash dividend and 8% stock dividend for the year ended 31 December 2018 for the approval of the shareholders.

Looking Forward

The improvement in per capita income, growth in the middle-class population, better gender parity and influx of youth population into the employment market along with the other positive changes in the demographic and socioeconomic areas are expected to drive the future economy of Bangladesh.

Encouraging economic and social indicators, coupled with the strong organic growth of the company in a difficult market environment, gives us reason to be optimistic about the future. We are hopeful that the investment climate would improve in 2019, which would fuel up the business growth of the company. Our transformation journey is not complete yet; but we are on the right course towards achieving our vision that we always believe in.

Concluding Remarks

2018 marked itself as another successful year for IPDC with solid balance sheet and profitability growth, while classified loan ratio remaining in check and liquidity position staying intact. The all-round success we achieved so far is because we are a purpose-driven organization and this purpose is firmly anchored on doing good for the society. The decisions we made to grow rapidly few years back, which seemingly was a very challenging task, started paying-off and we believe that our best days are yet to come.

Acknowledgements

We are thankful and grateful to our shareholders for their continued faith in us. We would like to thank our customers who are the very reason why we exist. We would like to thank the management and employees of the organization for their hard work, loyalty and commitment which has been a cornerstone for our continued success. We are grateful to the Bangladesh Bank for their guidance and support. Finally, we would like to thank Bangladesh Security and Exchange Commission, Chittagong Stock Exchange, Dhaka Stock Exchange, National Board of Revenue and other regulators and valued business partners for their ongoing support.

Thank you.
With my best wishes

Dr. Muhammad Musa
Chairman

**STRONG ORGANIC GROWTH OF THE COMPANY IN A DIFFICULT MARKET ENVIRONMENT
GIVES US REASON TO BE OPTIMISTIC ABOUT THE FUTURE.**



STATEMENT FROM MD & CEO

IT IS THE SHEER PERSEVERANCE THAT HAS LET US
REMAIN RELEVANT TO OUR STAKEHOLDERS AND
EMERGE AS A PASSIONATE FINANCIAL INSTITUTION
OF THE COUNTRY

MOMINUL ISLAM

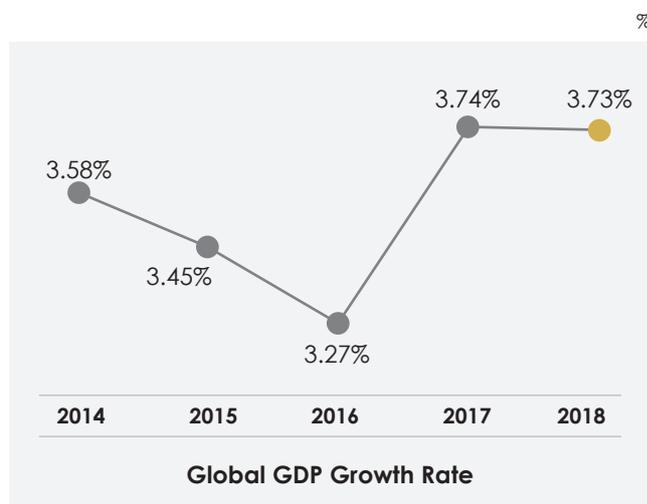
Managing Director and
Chief Executive Officer



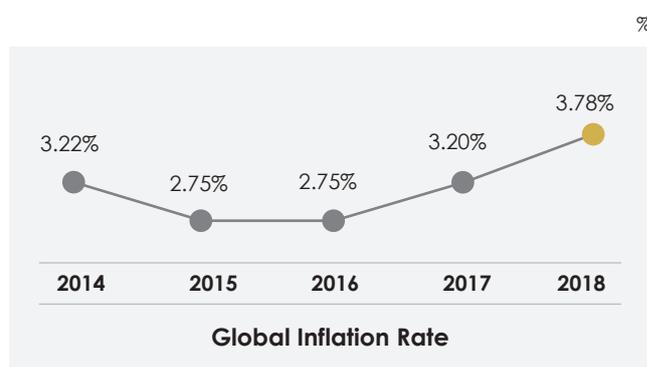
Despite challenging market environment, IPDC once again delivered strong operating performance in the year 2018. The company witnessed solid growth in both Balance Sheet and Profitability, while maintaining one of the lowest classified loan ratios in the industry and staying fortified against market volatilities. In addition to delivering impressive numbers, we are investing in our infrastructure to build our capabilities and secure long term growth of the company.

Economy and Industry Review

Global Economy



Despite some economies, mainly within Asia and Europe, not performing as well as expected, the global economy still achieved a satisfactory GDP growth rate of 3.73% in 2018. GDP growth rate remained flat in 2018 compared to the previous year. During the period from 2014 to 2016 global GDP growth rate started to decline but picked up significantly in 2017. The global GDP growth rate is projected to grow at 3.5% in 2019 and 3.6% in 2020, as per the latest forecast by IMF, which is below the growth rate of 2018. The projected fall in the growth rate can be largely attributed to the adverse impact associated with the increase in trade tariffs in the United States and China, weak financial market sentiment, uncertainties regarding trade policies along with concerns about the future economic outlook of China.

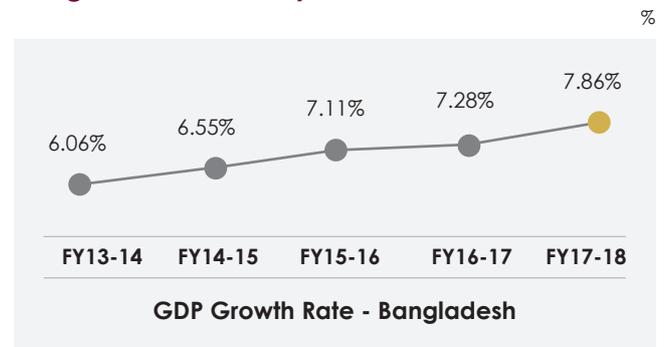


Global inflation rate continues to see an upward trend with inflation rate increasing to 3.78% in 2018 from 3.20% in the previous year. While the inflation rate is easing up in emerging economies, the rate remains low in advanced economies, except for United States which saw a marginal increase. As a result, global inflation is expected to remain in check. Although global oil price is likely to fall, inflation is projected to increase marginally to 3.83% in 2019 due to lag effect of oil price movement. As per the latest forecast by IMF, inflation will come down to 3.60% by 2020.

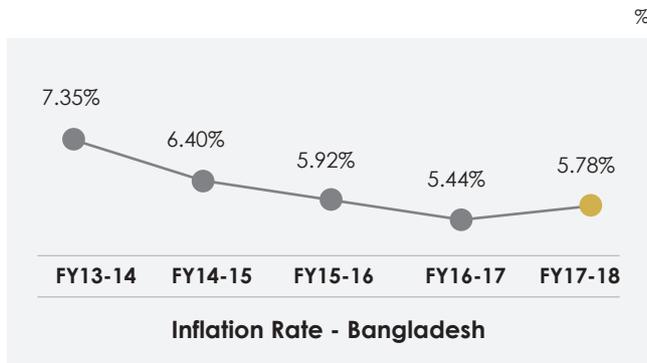
Regional Economy

Asia has witnessed remarkable economic growth in recent times with many countries being well-poised to graduate from their current state to middle income or advanced economies. Expansion in cross-border trade, strong aggregate demand, growing foreign direct investment (FDI) and significant investments in physical and human capital along with comprehensive macroeconomic policies have led to overall success of the region. The growth in the Asian region accounts for 60% of the total global growth. However, there are challenges facing the Asian economies which includes possibility of weakened competitiveness due to increased wage rates, higher tariffs, aging labor force in some countries such as Japan, Korea and Thailand amongst other countries. Regional growth in Asia continues to improve noticeably reflecting improved consumer and investor sentiment. Economies of Bangladesh, India and Sri Lanka are expected to outpace other neighboring countries of South Asia.

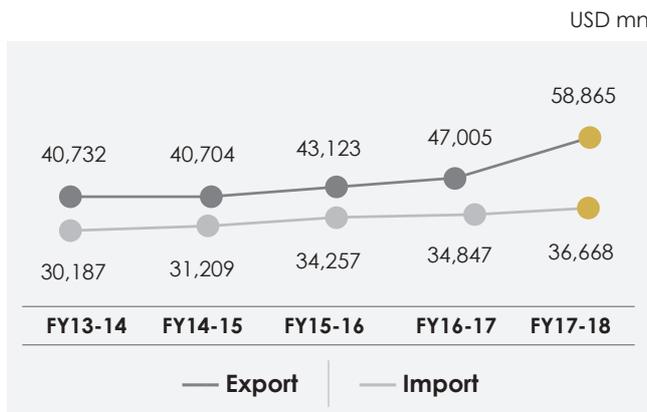
Bangladesh Economy



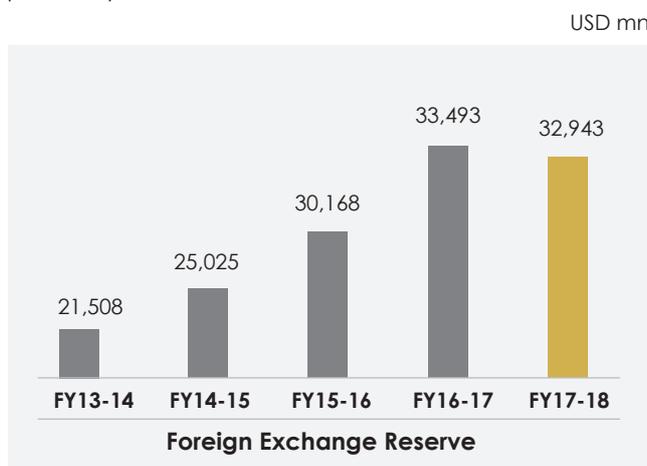
Bangladesh achieved a GDP growth rate of 7.86% in FY2017-18 with growth in the previous two financial years standing at 7.28% and 7.11% in FY2016-17 and FY 2015-16 respectively. The GDP at current market price ended with BDT 2,250,479 crore in FY2017-18 against BDT 1,975,817 crore in FY2016-17. The sustainable economic growth of above 7.0% was possible due to the increased demand for goods and services in the domestic market and strong pickup in private consumption as well as private and public investments. Investment rate as a percentage of GDP stood at 31.23% with private sector accounting for 23.26% and public sector accounted for the remaining 7.97%. With the increased GDP, the annual per capita GDP increased to USD 1,675 in FY2017-18 from USD 1,544 in the previous financial year, which is an increase by 8.5%.



In recent times inflation rate has been seeing a downward trend with inflation coming down from 7.35% in FY 2013-14 to 5.44% in FY 2016-17. However, the inflation rate has increased to 5.78% in FY 2017-18 due to rising food inflation which increased to 7.13% from 6.02% in FY2016-17 whereas non-food inflation decreased to 3.74% in FY2017-18 from 4.57% in the previous financial year.

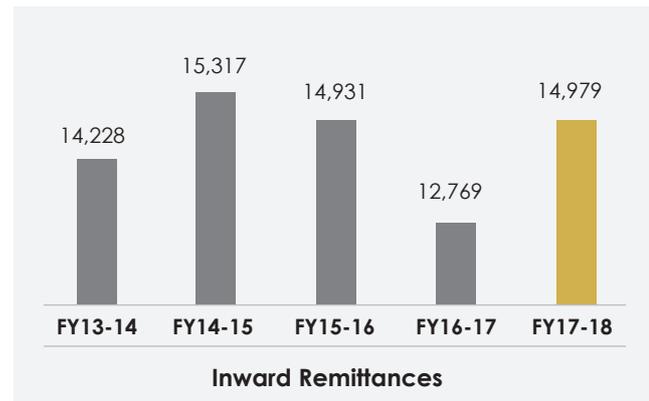


Export increased to USD 36,668 million from USD 34,847 million in the previous fiscal year. Import has outpaced export largely due to increase in import of industrial raw materials, machinery, food and increasing oil price which outweighed the rebound in export. This has led to an increase in current account deficit which stood at USD 9,780 million in FY 2017-18 against USD 1,331 million in the previous year.



Forex exchange reserve has seen a decline by 1.6% to USD 32,943 million in FY2017-18 from USD 33,493 million in the previous year mainly due to the rising import payment. Interventions to smoothen exchange rate have further eroded foreign exchange reserves. However, the reserve stays healthy to keep the foreign investors interested.

USD mn

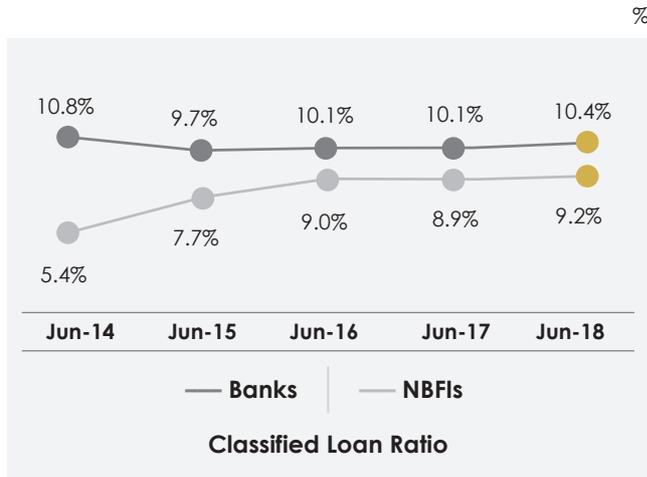


Inward remittances picked up during FY 2017-18 and amounted to USD 14,979 million against USD 12,769 in the previous financial year, coming mainly from The United States and some Middle East countries. The remittance growth is expected to sustain as economies of major remittance originating countries are likely to continue their growth momentum.

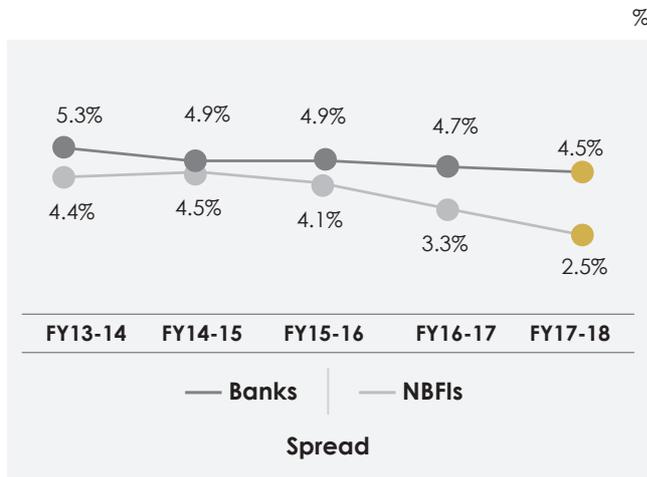
The resilience of Bangladesh economy against both local and global macroeconomic pressures has been proven over the last decades and the economy is evolving to emerge as a major economic power in the world in next twelve to fifteen years. Going forward, the improved global outlook coupled with country's stable macroeconomic climate, rising private and public investment, strong domestic demand and policy reforms are likely to drive the future growth of the economy.

Financial Sector

The Financial Sector passed through a stressful time during the year 2018 due to tight liquidity situation that started in the beginning of the year, followed by the initiative to lower the interest rate on loans and deposits. As a result, Spread of Banks and NBFIS remained under pressure. Additionally, non-performing loans in the financial sector is increasing at an alarming rate, leading to a large provisioning requirement, which adversely impacted the overall profitability of the industry. Most of the Banks and NBFIS have recorded negative or modest profit and balance sheet growth in the first three quarter, on Year over Year (YoY) basis. Public confidence in financial sector has been further shaken up with few financial institutions failing to meet their liability obligations. However, with timely intervention by Bangladesh Bank, there were no major fall back in the financial sector which reaffirmed the public confidence in this sector.



Classified loans in the financial sector continues to increase with classified loan ratio of Banks and NBFIs standing at 10.4% and 9.2% respectively at the end of June 2018, against 10.1% and 8.9% respectively in June 2017. The overall increase in classified loan was mainly driven by the increase in classified loan in state-owned commercial banks (SCBs).



Spread of the banking sector fell to 4.5% in FY17-18 from 4.7% in FY16-17, similarly the spread of NBFIs fell from 3.3% in FY16-17 to 2.5% in FY17-18.

Against the backdrop, the Central Bank relaxed its regulation on Asset Deposit (AD) ratio to boost lending capacity and stabilize the liquidity position. However, as the year 2018 approached to an end, both the investment community and financial sector remained very cautious. Hopefully, the investment climate would improve in 2019, which would fuel up the lending growth. On funding side, deposit mobilization could be a challenge with more industry players coming into the market and Government increasing its borrowing through banking system as well as national savings certificates. In addition to this, sustained pressure on reducing Interest Rate could further narrow-down the spread. In such a situation, unless Banks and NBFIs manage spread and find ways to arrest the classified loan trend, managing bottom line could be a major hurdle.

**SUPERLATIVE CUSTOMER SERVICE AND CUSTOMER BENEFIT
DRIVES OUR FINANCIAL PERFORMANCE AND OUTCOME**



Comparative Analysis – NBFi Sector

BDT bn, %

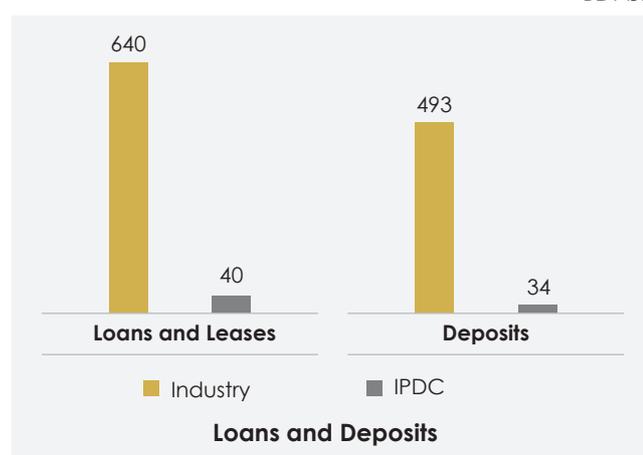
Particulars	Industry Sep'17	Industry Sep'18	IPDC Sep'17	IPDC Sep'18	IPDC's Share	Industry Growth	IPDC Growth
Loans and Leases	594	640	32	40	6.2%	7.9%	25.0%
Deposits	448	493	27	34	6.8%	10.0%	22.8%
Classified Loan Ratio	9.40%	11.20%	0.48%	0.74%	-	1.80%	0.26%
Return on Asset (ROA)	0.5%	0.6%	1.0%	0.9%	-	0.1%	-0.1%
Return on Equity (ROE)	3.6%	4.4%	10.2%	11.7%	-	0.8%	1.6%
Capital Adequacy Ratio (CAR)	13.30%	12.40%	15.78%	13.86%	-	-0.90%	-1.92%

BDT bn

Loans and Lease of the NBFi sector increased by 7.9% in September 2018 on year over year (YoY) basis and stood at BDT 640 billion against BDT 594 billion in September 2017. In contrast the loans and lease of IPDC grew by 25.0% to BDT 40 billion in September 2018 against BDT 32 billion in September 2017. IPDC's share of the loan and lease represents 6.2% of the total loans and advance of the industry. Despite the liquidity crunch which existed during the first half of the year 2018, IPDC has been able to increase its deposit from BDT 27 billion in September 2017 to BDT 34 billion in September 2018, a YoY growth of 22.8% compared to the industry's deposit growth of 10.0% during the same period. IPDC's share of deposit represents 6.8% of the total deposit in the industry.

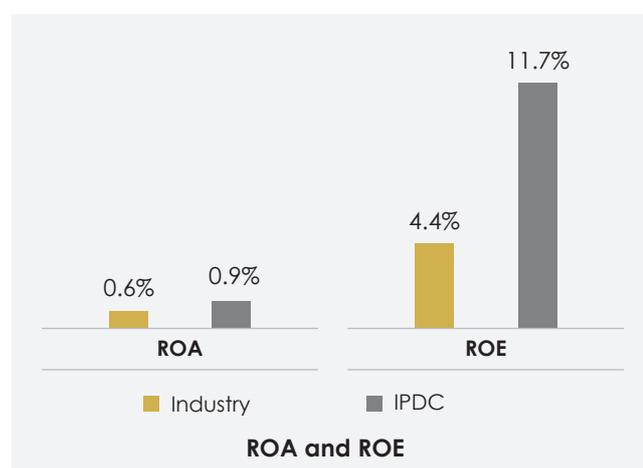
The classified loan ratio in the NBFi sector increased to 11.20% in September 2018 from 9.40% in September 2017, whereas IPDC's classified loan increased to 0.74% in September 2018 from 0.48% in September 2017.

The annualized ROA and ROE in the industry increased to 0.6% and 4.4% respectively in September 2018 from 0.5% and 3.6% in September 2017. IPDC's ROA fell marginally to 0.9% in September 2018 against 1.0% in September 2017. However, IPDC's ROE increased to 11.7% in September 2018 against 10.2% in September 2017. IPDC continues to maintain ROA and ROE above the industry average due to its continued focus on spread management and focus on maintaining a low level of classified loan ratio. The Capital Adequacy Ratio of IPDC stood at 13.86% in September 2018 against the minimum requirement of 10.0% and exceed the industry average of 12.40% in the same period.



*Data as of September 2018

%



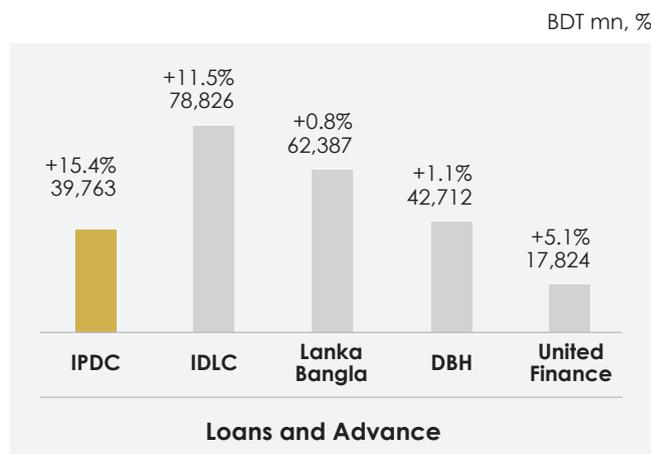
*Data as of September 2018, annualized as necessary

Comparative Analysis – Peers

BDT mn, %

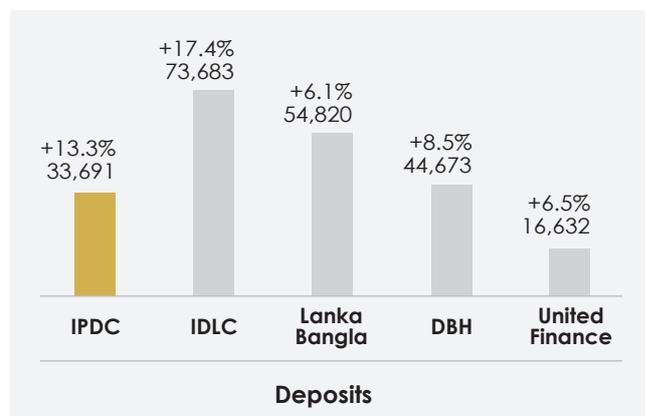
Particulars	IPDC	IDLC	LankaBangla	DBH	United Finance
Loans and Advances	39,763	78,826	62,387	42,712	17,824
Growth (YTD)	15.4%	11.5%	0.8%	1.1%	5.1%
Deposit	33,691	73,683	54,820	44,673	16,632
Growth (YTD)	13.3%	17.4%	6.1%	8.5%	6.5%
Revenue	1,251	3,485	2,171	1,401	801
Growth (YoY)	41.1%	-5.8%	-3.6%	0.3%	12.2%
Operating Profit	713	2,121	932	1,030	404
Growth (YoY)	52.5%	-6.3%	-15.0%	-1.8%	20.3%
Net Profit	286	1,214	319	810	210
Growth (YoY)	30.5%	-6.0%	-58.1%	1.0%	17.2%
Net Cash Inflow	192	7,462	-423	2,457	-302

* Data: Year to date September 2018.



Loans and advance of IPDC stood at BDT 39,763 million during the period ended 30th September 2018 which is behind IDLC and LankaBangla by BDT 39,063 million and BDT 22,625 million respectively and marginally behind that of DBH by BDT 2,949 million.

BDT mn, %

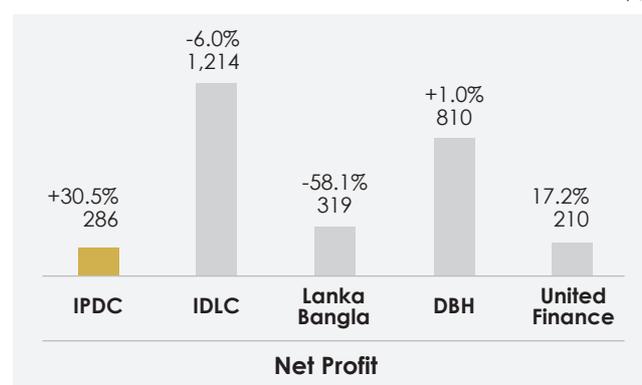


On the deposit front IPDC's deposit balance stood at BDT 33,691 million against BDT 73,683 million (IDLC), BDT 54,820 million (LankaBangla) and BDT 44,673 million (DBH).

IPDC's revenue for the period from January 2018 to September 2018 stood at BDT 1,251 million and was behind the operating profit of IDLC, LankaBangla and DBH by BDT 2,235 million, BDT 920 million and BDT 150 million respectively.

Similarly, operating profit for the same period was BDT 713 million, whereas operating profit of IDLC was BDT 2,121 million, LankaBangla was BDT 932 million and DBH was BDT 1,030 million.

BDT mn, %



Overall the profit after tax of IPDC reach BDT 286 million, falling behind LankaBangla's net profit of BDT 319 million, IDLC's profit of BDT 1,214 million and DBH's profit of BDT 810 million.

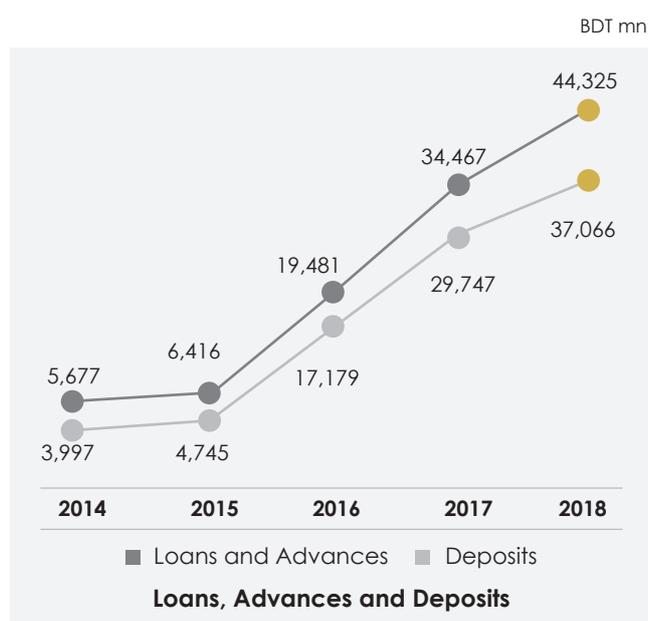
During the period from January 2018 to September 2018, IPDC generated BDT 192 million cash inflow whereas IDLC generated BDT 7,462 million cash inflow and DBH generated BDT 2,457 million. However, LankaBangla and United Finance had a net cash outflow of BDT 423 million and BDT 302 million respectively.

We remain confident that within the next few years our loan portfolio and profit will grow significantly and the performance gap between our peers will be greatly reduced.

Performance Review

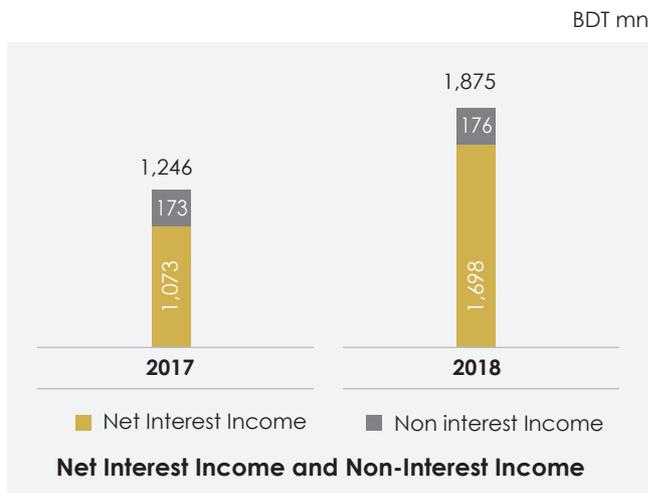
BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth
Loans and Advances	5,677	6,416	19,481	34,467	44,325	28.6%
Deposits	3,997	4,745	17,179	29,747	37,066	24.6%
Classified Loan Ratio	3.39%	1.98%	0.71%	0.62%	2.14%	1.52%
Net Interest Income	416	431	638	1,073	1,698	58.3%
Non-Interest Income	164	208	203	173	176	1.9%
Operating Revenue	580	640	841	1,246	1,875	50.5%
Operating Profit	395	446	502	673	1,123	66.9%
Profit After Tax	166	240	303	335	450	34.2%
Cost to Income Ratio	31.9%	30.3%	40.4%	46.0%	40.1%	-5.9%
ROA	2.1%	3.0%	2.0%	1.1%	1.0%	-0.1%
ROE	7.6%	10.1%	11.5%	11.4%	13.1%	1.7%
Spread	3.74%	4.52%	3.77%	3.19%	3.55%	0.36%
Net Operating Cashflow per Share	-0.1	0.6	5.2	1.9	-3.8	-304.8%
Net Increase in Cash	120	324	714	1,421	479	-66.3%
Current Ratio	1.3	1.2	1.0	1.0	1.0	4.0%
Capital Adequacy Ratio (CAR)	26.39%	49.15%	22.09%	15.14%	14.01%	-1.1%
Market Price per Share	18.2	26.7	42.7	50.1	38.1	-24.0%

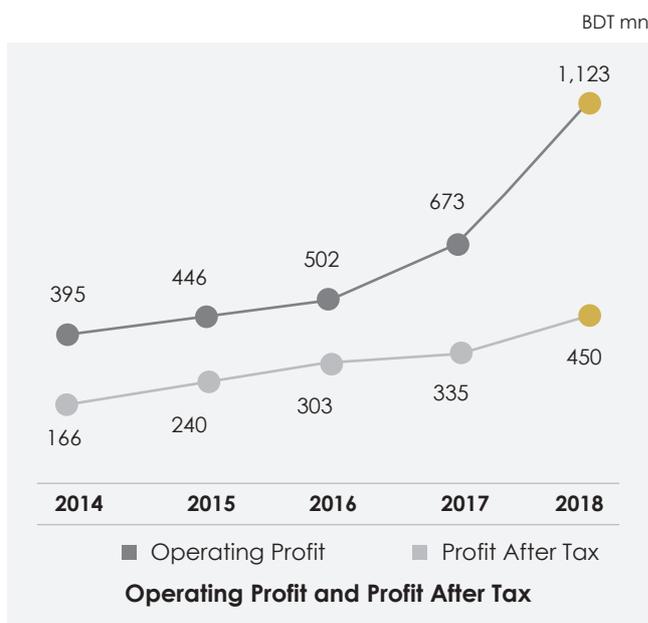


The continued success of IPDC is once again evident by its financial results for the year 2018. Despite the tough condition faced by the whole financial sector during the year 2018, the company achieved strong Balance Sheet and Profitability growth. Loans and Advances has grown to BDT 44,325 million, up by 28.6% from 2017 whereas deposits have grown by 24.6% to BDT 37,066 in 2018 from BDT 29,747 million in 2017. In 2018, IPDC's loans and advances grew by 7.8 times and deposits grew by 9.3 times from the base year of 2014. The significant growth achieved by IPDC shows its commitment to becoming one of the most vibrant and leading financial institutions in Bangladesh.

Our classified loan ratio stood at 2.14% at the end of year 2018, which is one of the lowest in the industry. We remain committed to bringing it further down by taking appropriate measures.

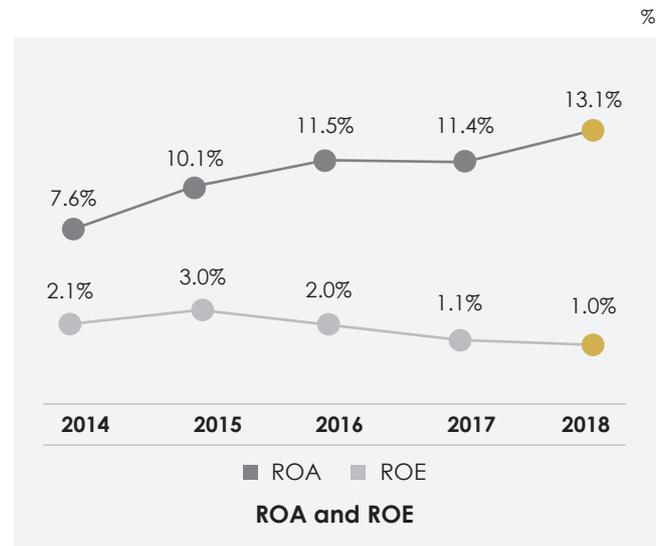


Net Interest Income increased by 58.3% in 2018 to BDT 1,698 million from BDT 1,073 million in 2017. From the base year of 2014, net interest income grew by 4.1 times. Non-Interest Income increased marginally by 1.9% in 2018 and stood at BDT 176 million against BDT 173 million in the previous year. From the base year of 2014, non-interest income increased by 1.1 times. Operating Revenue increasing by 50.5% in 2018 to BDT 1,875 from BDT 1,246 million.



Operating Profit recorded a growth of 66.9% bringing the figure to BDT 1,123 in 2018 against BDT 673 in the previous year. Overall, Profit After Tax increased to BDT 450 million in 2018 from BDT 335 million, up by 34.2%, on year-on-year basis. Net interest income increased by 4.1 times compared to the base year 2014, similarly operating profit and profit after tax increased by 2.8 times and 2.7 times respectively from the base year of 2014. Increase in profit over the past years was largely driven by balance sheet growth.

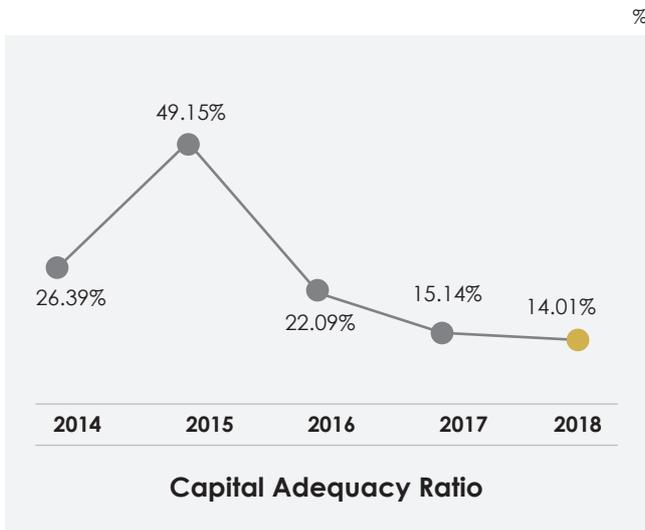
Cost to income ratio stood at 40.1% in 2018 which is lower than the previous years figure of 46.0%. The decrease in the cost to income ratio was due to the management's continuous focus on efficient cost management during the year and increase in revenue due to better spread management. As a result of the spread management, spread increased to 3.55% in 2018 from 3.19% in the previous year.



Return on Asset stood at 1.0% in 2018 against 1.1% in the previous year and 2.1% in 2014. The downward trend in ROA is due to the assets of IPDC increasing significantly over the years as result of its planned business expansion. The total assets of IPDC grew to BDT 50,511 million in 2018 from BDT 7,744 million in 2014 which is a growth of 6.5 times. ROE continues to show an upward trend and ended with 13.1% in 2018 from 11.4% in the previous year and 7.6% in 2014.

The net operating cashflow per share (NOCFPS) of IPDC stood at negative BDT 3.8 per share from a positive balance of BDT 1.9 per share. A negative net cash from operating activities does not necessarily reflect a weak liquidity position. The main reason for the decrease in NOCFPS is due to a greater portion of business being financed through financing activities such as zero-coupon bond and subordinated bond rather than short term funds, which is reported under cash flow from financing activity. We, as always, stick to the core fundamentals of managing liquidity through matched maturity profiling of assets and liability. As a result, our ability to pay-off liability obligations remain solid.

The current ratio of IPDC has consistently remained at above 1.0 since 2014. At the end of 2018 the current ratio increased marginally by 4.0%



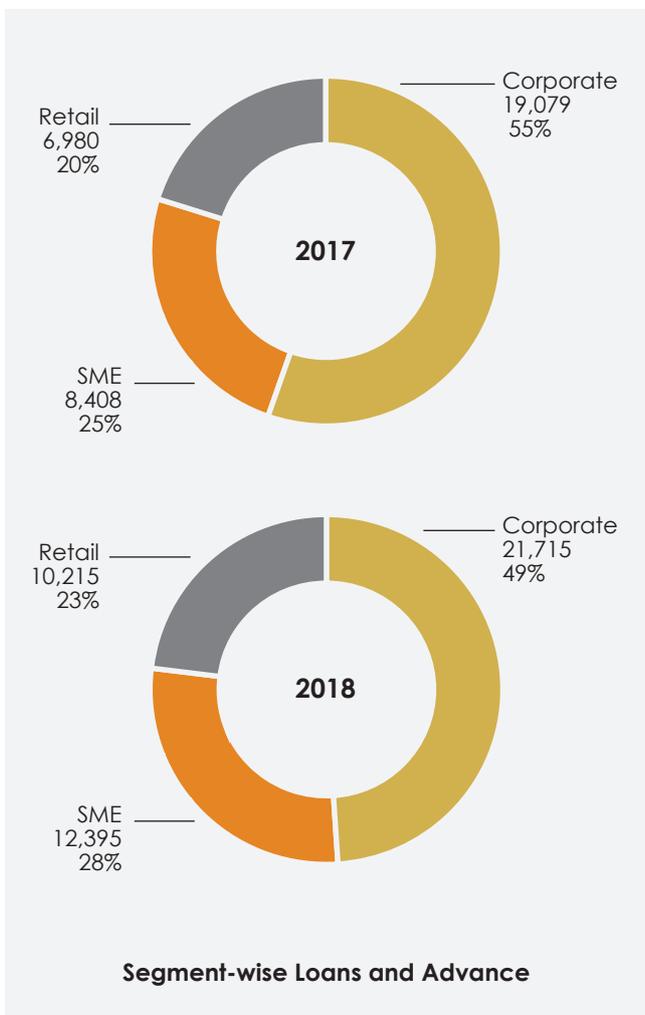
Capital Adequacy Ratio (CAR) fell from 15.14% in 2017 and stood at 14.01% in 2018, against a minimum requirement of 10.00% as set by Central Bank of Bangladesh.

Our Corporate Portfolio has increased to BDT 21,715 million in 2018, up by 13.8%, from BDT 19,079 million in 2017. SME and Retail Portfolio has grown to BDT 12,395 million and BDT 10,215 million in 2018, an increase by 47.4% and 46.3% respectively.

BDT mn, %



BDT mn, %



Corporate Deposits has increased to BDT 5,251 million in 2018, up by 6.4%, from BDT 4,935 million in 2017. Retail deposits has growth significantly by 31.3% and stood at BDT 17,646 million in 2018 against BDT 13,436 million in 2017. The increase in retail deposits is due to IPDC increased focused on smaller ticket sized retail deposits in order to reduce reliance on bank borrowings and reduce cost of deposits. SME deposits amounted to BDT 649 million in 2018 against BDT 267 million in the previous year and representing a growth of 143.3%.



Enabling women to acquire financial and non-financial assets through financial inclusion remains as one of our key strategic agenda. In this context, we have introduced a customized product called Joyee which is focused on offering financials products to women at preferential interest rates. We also launched targeted deposit campaign on occasions such as Mother's Day which encouraged savings from mothers through preferential rates.

In SME, supply chain finance remains one of our core focus areas. Work is on progress to develop a single digital platform for the entire ecosystem that will eventually run on blockchain technology. As an initial step towards the journey we have sponsored and organized country's first ever Supply Chain Excellence Awards in July 2018 which recognized the innovations and best practices in supply chain management across the industries that operate in Bangladesh.

From funding side, we continued to solidify our liquidity strength through issuing Bond, sourcing other long-term fund and mobilizing deposits from diverse customer groups.

To keep pace with the growth, we are strengthening our capacity by recruiting and training people in both business and support functions. In 2018 the company expanded its IT infrastructure, reallocated Chattogram branch and expanded its Head Office. We are in the process of implementing the 2nd phase of Sales, Customer Relationship Management and Loan Origination System (CRM-LOS) not only to bring operational efficiency but also to serve our customers better. In our pursuit to emerge as the most passionate brand in financial industry, we maintained strong visible presence in social, print and electronic media through various campaigns, sponsorships, promotions and other events through-out the year.

IPDC nurtures a very open and vibrant working environment where people remain engaged and connected and work together towards achieving the common goal. For the long-term success of the company, we have taken a holistic and integrated approach of doing business. Therefore, we have embedded good governance, effective internal control system, strict compliance and ethical culture into our business, process, systems and culture. We maintain zero tolerance on integrity and ethical issues. We make sure that our business complies with regulatory requirements and is aligned with the long-term interest and risk appetite of the shareholders. While growing our loan book we remain firmly focused on maintaining asset quality as well as strengthening balance sheet through diversification and optimizing the liquidity profile of the company.

Inflation Adjusted Financials

BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth YoY	Growth Times*
Revenue	580	640	841	1,246	1,875	50.5%	3.2
Revenue (Inflation Adjusted)	540	601	794	1,181	1,772	50.0%	3.3
Operating Profit	395	446	502	673	1,123	66.9%	2.8
Operating Profit ((Inflation Adjusted)	368	419	474	638	1,062	66.4%	2.9
Net Profit	166	240	303	335	450	34.2%	2.7
Net Profit (Inflation Adjusted)	154	226	286	318	425	33.7%	2.8
Loans and Advance	5,677	6,416	19,481	34,467	44,325	28.6%	7.8
Loans and Advance (Inflation Adjusted)	5,288	6,030	18,392	32,689	41,903	28.2%	7.9
Deposits	3,997	4,745	17,179	29,747	37,066	24.6%	9.3
Deposits (Inflation Adjusted)	3,724	4,459	16,219	28,212	35,041	24.2%	9.4
Total Assets	7,744	8,202	22,577	39,289	50,511	28.6%	6.5
Total Assets (Adjusted)	7,214	7,709	21,315	37,262	47,751	28.2%	6.6
Inflation Rate (12 Month Average %)	7.35%	6.4%	5.92%	5.44%	5.78%	-	-

* Growth in times from base year of 2014

Inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. The financial data mentioned above has been adjusted for inflation using the available inflation rate data as issued by Bangladesh Bureau of Statistics. The financial data for 2014 to 2018 has been adjusted to remove the impact of inflation.

Revenue in 2018 amounted to BDT 1,875 million and grew by 50.5% from BDT 1,246 million in 2017 and grew by 3.2 times from the base year 2014. However, if the financial figures are adjusted for inflation, the revenue shows as increase of 50.0% in 2018 on year over year basis and growth of 3.3 times from the base year of 2014.

Similarly, operating profit before inflation adjustment showed a growth of 66.9% on year over year basis and 66.4% growth after adjustment for inflation. Growth from the base year of 2014 came to 2.8 times before adjustment and 2.9 times after adjustment.

Year over year growth in net profit in 2018 was 34.2% before considering impact of inflation against 33.7% after adjustment for inflation. Growth from the base year 2014 was 2.7 times before adjustment and 2.8 times after adjustment.

On the balance sheet front, loans and advances grew by 28.6% in 2018, after adjusting for inflation the loans and advance growth comes to 28.2%. From the base year of 2014, loans grew by 7.9 times after adjusting for inflation and pre-adjustment growth of 7.8 times.

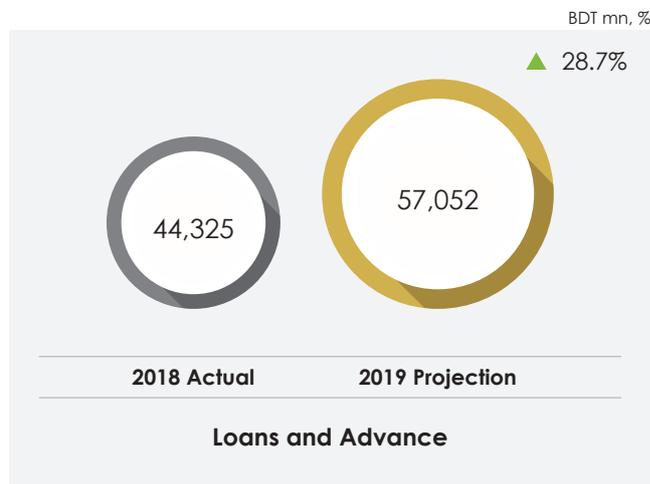
Deposits growth in 2018 was 24.6% before adjusting for inflation and 24.2% after adjusting for inflation. Deposits before adjustment grew by 9.3 times from base year 2014 and 9.4 times after adjustment for inflation.

Total asset stood at BDT 50,511 million and grew by 28.6% in year over year basis against 28.2% post adjustment for inflation. Total assets grew by 6.5 times from the base year 2014 and 6.6 times after inflation adjustment.

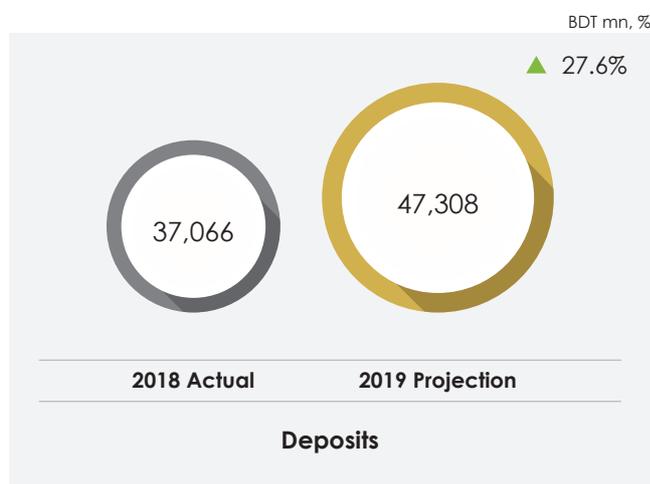
Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) of IPDC stood at 14.01% in 2018 against 15.14% in 2017, which is above the minimum regulatory requirement of 10.00%. However, in order to meet our growth aspiration additional capital will be required. The additional capital will be financed through issuance of right share (subject to regulatory approval) and Subordinated Bond amounting BDT 1,000 million which has already been approved by Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC).

Plan and Projection



In 2018, the loans and advances of IPDC stood at BDT 44,325 million, by the end of 2019 we expect our loan portfolio to reach BDT 57,052 million which is a growth of 28.7%.



To support our loan portfolio growth, we expect to increase our deposit portfolio by 27.6% to BDT 47,308 million in 2019 from BDT 37,066 million at the end of 2018.

Despite the classified loan ending at a level higher than the last few years, we are more committed than ever to ensuring quality of our loan portfolio by further reducing our classified loan level by the end of 2019.

Budgeted revenue growth for the year 2019 is expected to exceed the previous years budgeted revenue by 34.1%. Efficient spread and cost management will remain a key area of focus for us during 2019. This in turns will allow us to achieve sustainable bottom line profit growth. Budgeted profit after tax for 2019 is expected to increase by 46.4% from the 2018 budgeted figure. We are hopeful that we will not only meet but also exceed our targets for the year 2019 given that there are no major adverse volatilities in the economy, money market, financial sector etc. During the year 2019 we intent to solidify our balance sheet and

enhance our capital adequacy ratio through the issue of subordinated bond. IPDC has obtained approval for the issue of subordinated bonds amounting to BDT 1,000 million. We have already issued subordinated bond amounting to BDT 200 million at the end of 2018. Furthermore, IPDC plans to raise more capital in the future through the issuance of Tier-I and Tier-II capital (subject to regulatory approvals). By the year 2020 we expect our total human resource to exceed 1,500 and our distribution coverage to increase through opening new branches and bringing the total number of branches to around fifteen subjected to obtaining necessary approval from Bangladesh Bank.

Customer-centricity at IPDC

Customer is the very reason why we exist, and we understand this by our heart and soul. In this connection, we try to instill the essence of customer centricity in every employee through continuous reinforcement and training. In every year I myself conduct a two-day workshop for the leadership team on Creating Extraordinary Customer Experience.

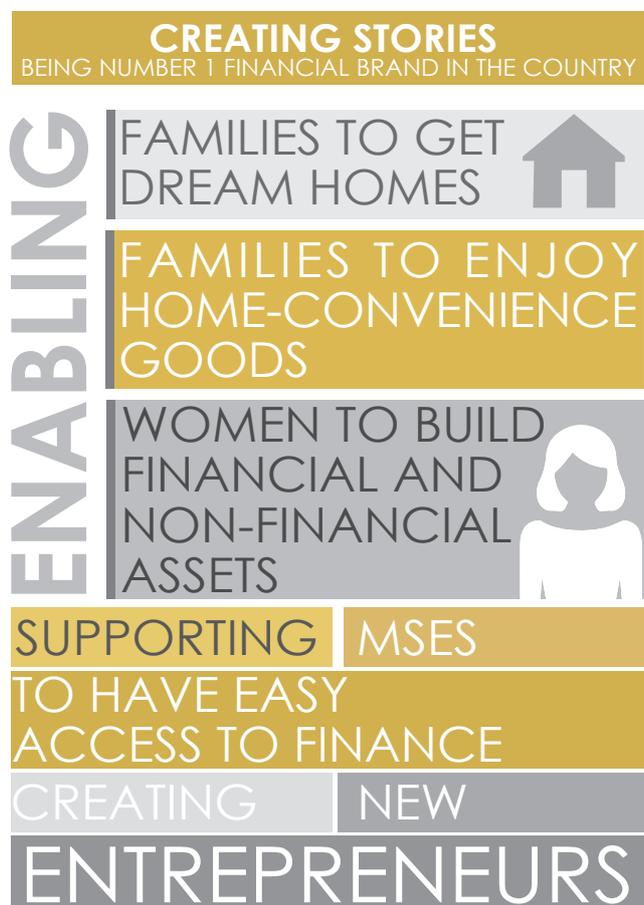
A customer complained that her FDR was renewed at the prevailing rates instead of preferential rates which she was offered earlier, and the CEO wrote her a letter and followed it up with a call. She was so surprised and delighted that she posted the story about IPDC on her Facebook account"- this is how we strive to delight our customers every day and try to make our every customer the Brand Ambassador of the company.

We try to do things uniquely and believe we can always find means to delight our customers. Besides, it is common for our staff to see off our customers and guests right to the door. These small things add up to create an image about us and we are very particular about actions and gestures that make our customers feel at home.

Superlative customer service and customer benefit drives our financial performance and outcome. For us, customer joy through our products and services comes above anything else because we believe if we get our fundamentals right everything else will follow the suit. If one speaks to our customers, one finds that they regard us highly and have deep respect for our team. Our reputation hinges on creating an extraordinary experience for our customers and we will do everything possible for driving superlative customer service – today and well into tomorrow.

Our Strategic Objectives

At our Company, we like to do things differently and this represents our differentiation in a crowded marketplace. Inspired by our vision and mission, we sketched a clear five-year strategic roadmap towards 2020 and our targets are:



Affordable Home Loan

Housing has come up to be a major problem in a rapidly growing city like Dhaka as development of housing and related infrastructure is facing difficulty in coping with the population growth. Thus, the gap between housing demand and supply becomes wider. As a result, most of the market participants are targeting middle and upper middleclass customers in top two cities in Bangladesh, thus creating an opportunity for providing Affordable Housing Loan beyond the megacities. Providing low-cost housing solutions to people to overcome the housing shortage is also a key development agenda of the Government. Under the current market price of housing, over 78% of the lower middle-income group and 70% of the middle-income group families cannot afford housing in the city. Therefore, we strongly believe there is unmet demand for housing finance for the low- and middle-income group beyond the megacities and this market can drive our growth for the years to come.

Women Entrepreneurship Development

The growth in women literacy rate has increased significantly in recent times and stood at 70.09% in 2017 against 46.74% in 2011 and coupled with the higher gender parity, this segment of the population is emerging as another big market where there are only a few

competitors serving this segment, thus providing us with an opportunity to grow in this market.

Creating New Entrepreneurs

One of our key brand promises is creating new entrepreneurs across the country. We observe that there is a surge in interest for new entrepreneurship among new generation. However, these young entrepreneurs do not have enough access to finance for the lack of business history and skills or knowledge required for commercializing their ideas. Therefore, IPDC can work as a catalyst for new entrepreneurship by collaborating with appropriate market players who can then be catered later with appropriate financing like supply chain finance and venture capital.

Consumer White Goods Finance

Our future workforce is expected to be dominated by young generation, who will be the big customers for consumer durables. However, current consumer finance penetration in Bangladesh remains very low at 4.5%. Therefore, there is significant market potential for the consumer convenience goods. We aim to cater to this segment by providing financing solution through digital platform.

Supply Chain Finance - Orjon

We envision to go beyond the megacities, breaking the geographical barrier and accommodating a large number of MSEs under our facility with better process efficiency. Hence, for the very first time in Bangladesh, a comprehensive supply chain financing solution which will enable collaboration among corporations, micro and small enterprises (MSEs) and financial organizations within one single chain. At this point in time, undoubtedly, collaboration is the biggest innovation.

This Digital Supply Chain Finance platform called Orjon will enable easy financing through Factoring Finance, Work Order Finance, and Distributor Finance. The platform will enable us to bind all the stakeholders-corporates, suppliers, distributors, and IPDC in one platform, ensuring real-time processing, transparency, data security, and consensus among all the parties. Process efficiency is inevitable in every sphere and with this, real-time processing can be achieved across cities for unlimited MSE's. The technology partner for developing the blockchain based platform is IBM, who has recently completed first phase of similar project for two leading bank and financial institutions of India.

IT Infrastructure and Projects

We have made plans to significantly improve and expand our IT infrastructure through expansion of our data center and disaster recover site. Our exercise for replacing our ageing Core Banking Systems (CBS) is under process and is expected to be completed in 2019.

As mentioned earlier, the development of our Digital Platform for Supply Chain Finance platform (Orjon) is underway and during 2018 we successfully launched a pilot project for our Consumer White Goods Finance platform. Subsequent enhancements are being developed and we are expecting the system to be fully implemented within 2019. After successful completion of the 1st phase of CRM-LOS (Customer Relationship Management and Loan Origination System), 2nd Phase of development for the CRM-LOS is under process. This will further enhance our service quality.

Distribution Network

With a more developed perspective on future market trends, we are expanding geographically and diversifying the possibilities. We intend to achieve this through a network of rural and semi-urban branches supported by organizational reinforcement. As such, we plan to open few more branches (subject to Bangladesh Bank's approval) and continue to leverage our distribution channel through tie ups with strategic partners.

Going forward, we will continue to reposition our Company in relation to the market forces that are increasingly reshaping our industry. We are remolding the enterprise to transform the company into an integrated non-banking financial service provider that remains competent and responsive to the ever-changing environment. Therefore, we are purposefully making significant investments to create an organization that will be competitive and effective in the future.

Focused On Creating a Positive Impact

Since its inception, IPDC has played a pivotal role in reshaping private sector industrial landscape of this country. We have established many landmark projects through financing, advising and bridging the relationship between local entrepreneurs and international technical-know-how partners. Now, IPDC has reoriented its focus on building up a positive momentum through financing in housing sector and supporting young and women entrepreneurs to drive the next phase of the growth.

The re-articulated strategy of IPDC reflects our belief that the long-term profitability of our Company depends on the stability and well-being of our nation and that our pursuit of profit in a competitive market will lead, to socially beneficial outcomes. Undeniably, we want to become the No. 1 financial institution in the Country both in terms of profit and balance sheet size; but at the same time, we want to make sure that every action and product of IPDC creates a positive impact on the socio-economic environment of the country.

Corporate Social Responsibility

IPDC is focusing not only on outstanding business performance but also maintaining strong social commitment in the communities it operates. For instance, we recognized nationwide unheard women change-makers across the country through an event titled as 'Unsung Women Nation Builders Award 2018', initiative taken by IPDC in association with The Daily Star. We donated blankets for the cold-hit people and continued to sponsor the Ucchash School for the under-privileged children, supplied sewing machines to marginalized women and continued to maintain the public washroom built in Moghbazar. We also worked with students to prepare them for disasters such as fire and earthquake. We sponsored an event where children aged between 6-12 years were encouraged and educated on tree plantation and sustainable development.

Accolades in 2018

During the year 2018, IPDC was honored with the following awards:

- Superbrand title for being one of the most popular NBFi brand in Bangladesh
- Best Retail Finance Brand in Bangladesh Award from International Finance Magazine
- Third Best ICAB Presented Annual Report 2018 and second runner up for SAFA Best Presented Annual Report

Stakeholder Engagement

The sustainability of our company depends on the sustainability of our stakeholder relationships. Sustainable business can only be achieved by interacting and understanding the impact that our business has on the stakeholders. Thus, IPDC always considers the impact a business decision has on its stakeholder and takes necessary steps to mitigate any negative impact which it may have on them. Further details of our stakeholder engagement can be found in the subsequent section.

Credit Rating

IPDC has obtained a credit rating of "AA1" (Long Term) and ST-1 (Short Term) based on the audited financial statements for the year 2017. The credit rating was performed by Credit Rating Agency of Bangladesh Ltd. (CRAB) on 19 July 2018. Credit rating of AA1 indicates that IPDC has a very strong capacity to meet its financial commitments and is subjected to very low credit risk. ST-1 indicates that IPDC has the highest level of capacity to meet its repayment obligations in a timely manner and is in an excellent position to in terms of liquidity, internal fund generation and access to alternative sources of fund. We are hopeful that in the near future we will be able to attain the highest credit rating of "AAA".

Accounting Policies and Estimation

The financial statements are prepared in conformity with International Financial Reporting Standards (IFRSs) which 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect are included in the notes to the financial statements.

Changes In Accounting Policies and Estimation

During the year ended 31 December 2018, there were no significant change in accounting policies and estimates which impacted the financial performance, result or position of the company.

Risks and Concerns Issues Related To The Financial Statements

To ensure that financial statements are free from material misstatement and have been prepared in accordance with applicable accounting standards and regulatory requirements, the financial statements are reviewed by the Chief Financial Officer (CFO) after which it is reviewed by Internal Audit and Compliance Department before being placed to the Audit Committee for review, finally after which the financial statement is placed to the Board of Directors for Approval.

Some of the risk and concerns associated with the financial statements include the following:

Application of Accounting Policy

There is a risk that accounting policy may not have been applied consistently in the preparation of the financial statement. In order to mitigate such risk, the accounting policies are reviewed on an ongoing basis to ensure compliance.

Use of Judgments, Estimates and Assumptions

IFRSs requires the use of judgments, estimates and assumptions. There is a risk that the judgments, estimates and assumptions may not be appropriate. To ensure that the judgements, estimates and assumptions are accurate, they are reviewed on an ongoing basis.

Adoption of new International Financial Reporting Standards (IFRS)

There is a risk that that a new IFRS are not adopted during the preparation of the financial statement. To ensure compliance, the requirements of the IFRSs are communicated to all the concerned employees and the financial statements are reviewed by qualified accountants of the Finance and Accounts department and another level of screening is done by the Internal Control and Compliance department.

Inadequate Disclosure

There is a risk that there may not be adequate disclosures in the financial statement as required by IFRS / IAS, regulatory bodies such as Bangladesh Bank, Bangladesh Securities and Exchange Commission etc. To ensure that the financial statement meets the required disclosure requirement, new circulars, guidelines and letters issued by the regulatory authorities are reviewed on an ongoing basis.

Operational Risk

Operational risk addresses the risk associated with fraud, forgery, unauthorised activities, error, omission, system failure and external events among others. The Company is managing these risks through written procedures, regular training, awareness programs and monitoring of the implementation of these procedures, to ensure that the financial statements are free from material misstatements.

Concluding Remarks

Our decision to rebrand our organization and radically transform and grow our business has led to this point where we have made a leap of glory by becoming the fastest growing Non-Banking Financial Institution (NBFI) in Bangladesh. Our customers, client, employees, shareholders, regulators, communities and other stakeholders continue to be our source of inspiration & do better every day.

Thank you.



Mominul Islam

Managing Director and Chief Executive Officer

The Onset of
a Greater Race



ABOUT THIS REPORT INTEGRATED REPORTING

As a financial services brand focusing on our home country of Bangladesh, we are increasingly fulfilling a fundamental role in the socio-economic progress and development of the country we serve. We believe that the success of our customers and our clients along with the trust and support of all our stakeholders underpin our commercial sustainability. As an accountable business organization, we consider it to be our responsibility to conduct our business ethically to create value in the long-term interests of the society. In this context, though our report is aimed principally at capital providers, it is also considered to be of interest to a diverse range of other stakeholders. We believe that through this report, both our major groups of shareholders and stakeholders will be able to appraise our Company, our operations and our growth prospects better, thereby helping nurture a better understanding of our Company.

Integrated Reporting <IR> is the management and communication tool for understanding and measuring how an organization creates value over time. The goal of Integrated Reporting is not as much about providing more information, as it is about providing relevant information to diverse stakeholder groups; it is about providing information that is not traditionally covered in statutory financial statements. Essentially, Integrated Reporting should demonstrate linkages among organization's strategy, governance and financial performance in social, economic, environmental and regulatory context within which it operates. Central to the integrated reporting framework is the challenges an organization faces and the opportunities it could seize. The information provided in Integrated Reporting should be historic, futuristic, precise, relevant, consistent and comparable. It supports and provides more cohesive and holistic approach to corporate reporting that draws on different reporting standards and communicates the full range of factors, both internal and external, that materially affects an organization's ability to create value in the short, medium and long term. In a nutshell, Integrated Reporting depicts and narrates the comprehensive value creation journey of the organization. For Integrated Reporting, IPDC has adopted the framework outlined by the International Integrated Reporting Council (IIRC).

Reporting Framework

This integrated report corresponds to the 'capitals model' of value creation, adopted by the International Integrated Reporting Council (IIRC) in the International Framework. Based on our understanding of IIRC's guidelines, our report explains our dependence and impact on the forms of capital that are fundamental to our ability to create value over the long term. Overall, we have structured this report using the capitals but have embedded them within each section to enable us to plot the inter-relationships and trade-offs between them in relation to our company and business unit strategies.

Scope and Boundary

Our 2018 Integrated Report covers the period from 1 January 2018 to 31 December 2018. All data pertains to the Company and its business units.

In explaining the Company's operations and financial performance, we have extracted the financial information from the Audited Financial Statements for the financial year ended 2018 with relevant comparative information. The financial statements consistently comply with the requirements of:

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

Reporting Principles

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

The following reporting principles were considered while preparing the Annual Report 2018.

-  Strategic Focus and Future Orientation
-  Connectivity of Information
-  Stakeholder Relationships
-  Materiality
-  Conciseness
-  Reliability and Completeness
-  Consistency and Comparability

Comparability

All the information presented in this report is on the same basis as the 2017 report. The information provided covers all material matters relating to business strategy, risk and areas of high importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

Materiality Assessment

The materiality assessment of the report content appears on the following sections of this report.

Availability of the Annual Report

Copies of the Annual Report is sent to all the shareholders, prior to holding the Annual General Meeting, giving due period of notice. Our report has also been made available in the web address:

<https://www.ipdcdbd.com/aboutus/investmentrelation>

External Assurance

Report Type	External Assurance
Audited Financial Statements	Hoda Vasi Chowdhury & Co, Chartered Accountants
Corporate Governance Certification	S.F. Ahmed & Co. (SFACO), Chartered Accountants
Provident Fund Audit	Snehasish Mahmud & Co, Chartered Accountants
Gratuity Fund Audit	Snehasish Mahmud & Co, Chartered Accountants
Gratuity Fund Valuation	Air Consulting, an actuarial firm
Credit Rating	Credit Rating Agency of Bangladesh (CRAB)

Declaration of Integrity of the Integrated Report

I acknowledge that

- reasonable care has been taken in ensuring the integrity of this Integrated Annual Report
- preparation and presentation of the integrated report has been done through collaborative and collective efforts of the stewardship
- the stewardship ensured transparency and accountability and played its part in identification and prioritization of material matters
- the report has been prepared in accordance with the Integrated Reporting Council's International Integrated Reporting Framework, and it addresses the material matter relating to the long-term sustainability of the company
- the report fairly presents the integrated performance of IPDC Finance Limited and the impacts thereof



Mominul Islam
Managing Director and Chief Executive Officer

INTEGRATED THINKING

Our commercial sustainability depends on our effectiveness in assisting the country's citizens, businesses and institutions to fulfill their economic potentials. The nature of our business is such that we intermediate between providers of capital, on one hand, and employers of capital on the other, thus serving as a crucial link between these two large groups of suppliers and end-users / consumers.

For our suppliers of funds and capital (banks and other financial institutions), we provide a fair and competitive rate of return as well as exposure to the real economy of Bangladesh. Specifically, for funds originating out of our depositors, we provide medium to long-term financial security by helping them earn competitive returns on their investments as well to diversify their investments across a different asset class. As an overarching strategy, through diversifying our sources of funds origination, we focus on keeping our cost of capital at comfortable levels.

For end-users and consumers of capital, we provide them access to the liquidity and capital that they need to realize their objectives and ambitions. They invest these funds to grow their businesses or deploy them for meeting a wide range of lifestyle choices, including acquiring homes or for mobility through purchase of cars. We ensure that our lending rates are competitive and accessible while still enabling us to generate a respectable return for the underwritten credit and risk, which, overall, comprises the basis of our shareholder value creation philosophy. The net spread that we earn from this cycle is our net interest margin.

Importantly, these functions of our core business are closely integrated and interwoven with our social and environmental development agenda – whether at the local, regional or national level. Specifically, for a developing country like ours, that is rising up the ranks and making a transition from a low income to a middle-income nation, strong institutions are essential to ensure outcomes that are commercially as well as socially beneficial in the short, medium and long-term. In this context, as a non-banking financial services brand that is closely integrated with the contextual relevance of Bangladesh, we consider ourselves to play a constructive role in participating in the economic transformation of our communities, societies and the nation at large. We also believe that a community-minded view is integral to our legitimacy and represents a consistent and considered level of integrated thinking, which we continue to deepen within our organization.

We welcome you to our Integrated Report – and our integrated way of thinking and reporting. Having invested years of reorganizing our business, reinforcing our foundations and reorienting our operational model, the year 2018 represents a culmination of our efforts in realizing the potential of our Company that we undoubtedly believed in.

FORWARD LOOKING STATEMENTS

The Annual Integrated Report of IPDC for the year 2018 contains some forward-looking statements in different sections. These forward-looking statements are based on future events and outcomes which may or may not occur and may have impact on the financial and business performance. The assumptions are made based on trends, experience, expectation and judgements. The forward-looking statements will contain words such as expect, hope, may, will, hope, believe etc. A forward-looking statement is mainly made in relation to income, expense, business growth, business expansion, cost structure, capital structure etc.

Some factors which may impact the overall financial sectors are as follows:

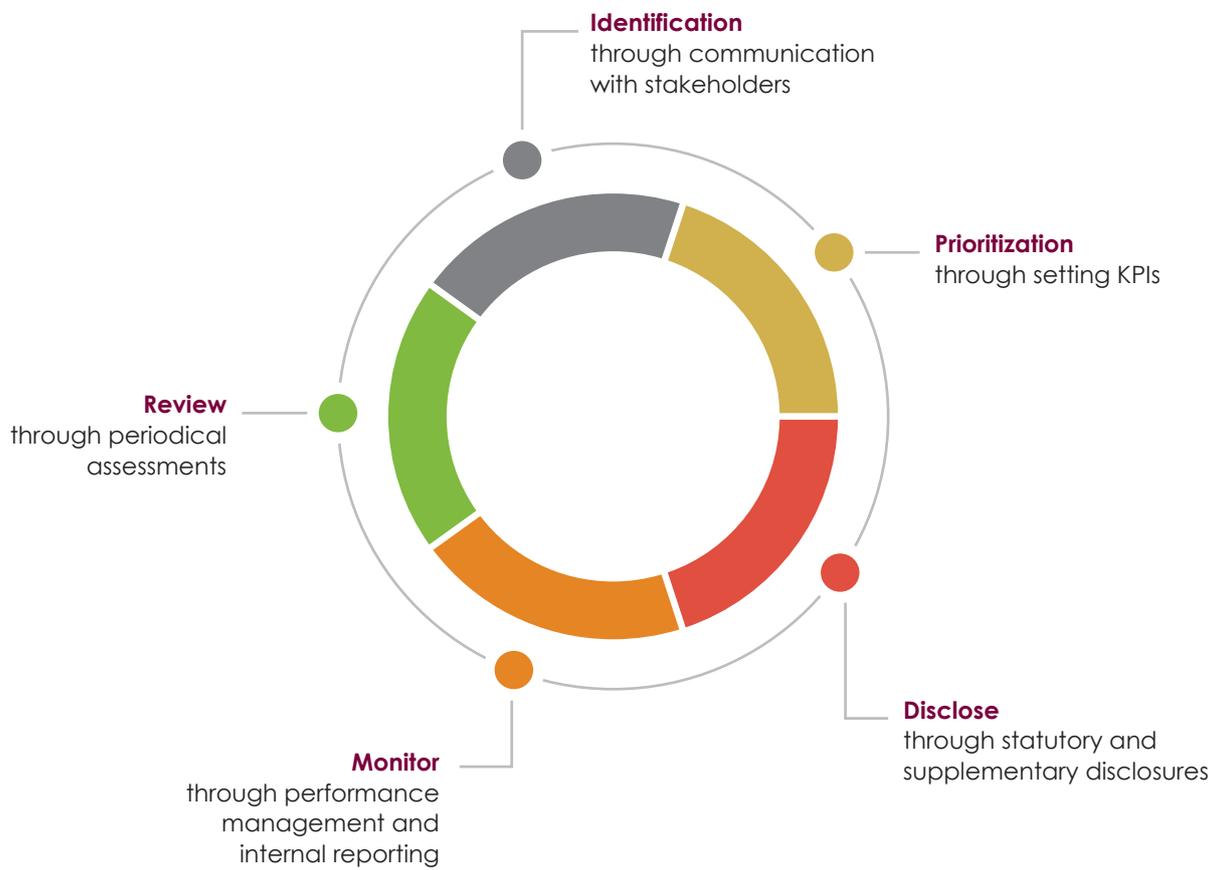
- Change in fiscal and monetary policy
- Change in regulatory and legal frameworks
- Change in Government policy and regulations
- Change in capital market
- Change in financial and money market
- Change in technology
- Change in consumer behavior

As there are uncertainties about the occurrence of future events, these statements should be treated from that viewpoint in decision making by the users of the Annual Integrated Report.

MATERIALITY DETERMINATION

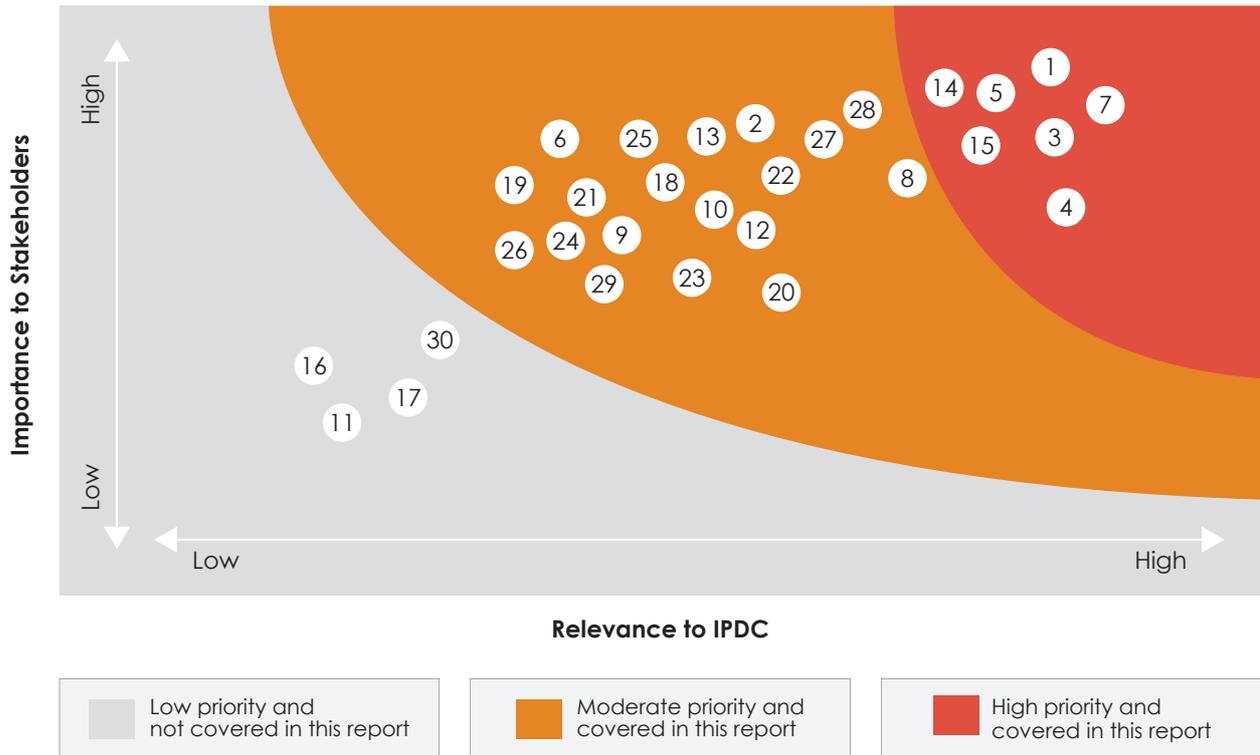
Responsible and sustainable business involves engaging with our stakeholders to refine our strategy. An issue is considered material when it influences the decision, the action and the performance of an organization and its stakeholders. Our materiality assessment is based on an ongoing trend analysis, media search, and stakeholder input. We identify the financial, environmental, social and governance topics which have the greatest impact on our business and the greatest level of concern to stakeholders along our value chain. Assessing these topics enables us to prioritize and focus upon the most material topics and effectively address these in our policies and programs.

Methodology



Materiality Matrix

To define the content for this annual report we assessed our interests and those of our stakeholders and analyzed them based on the significant impact they had:



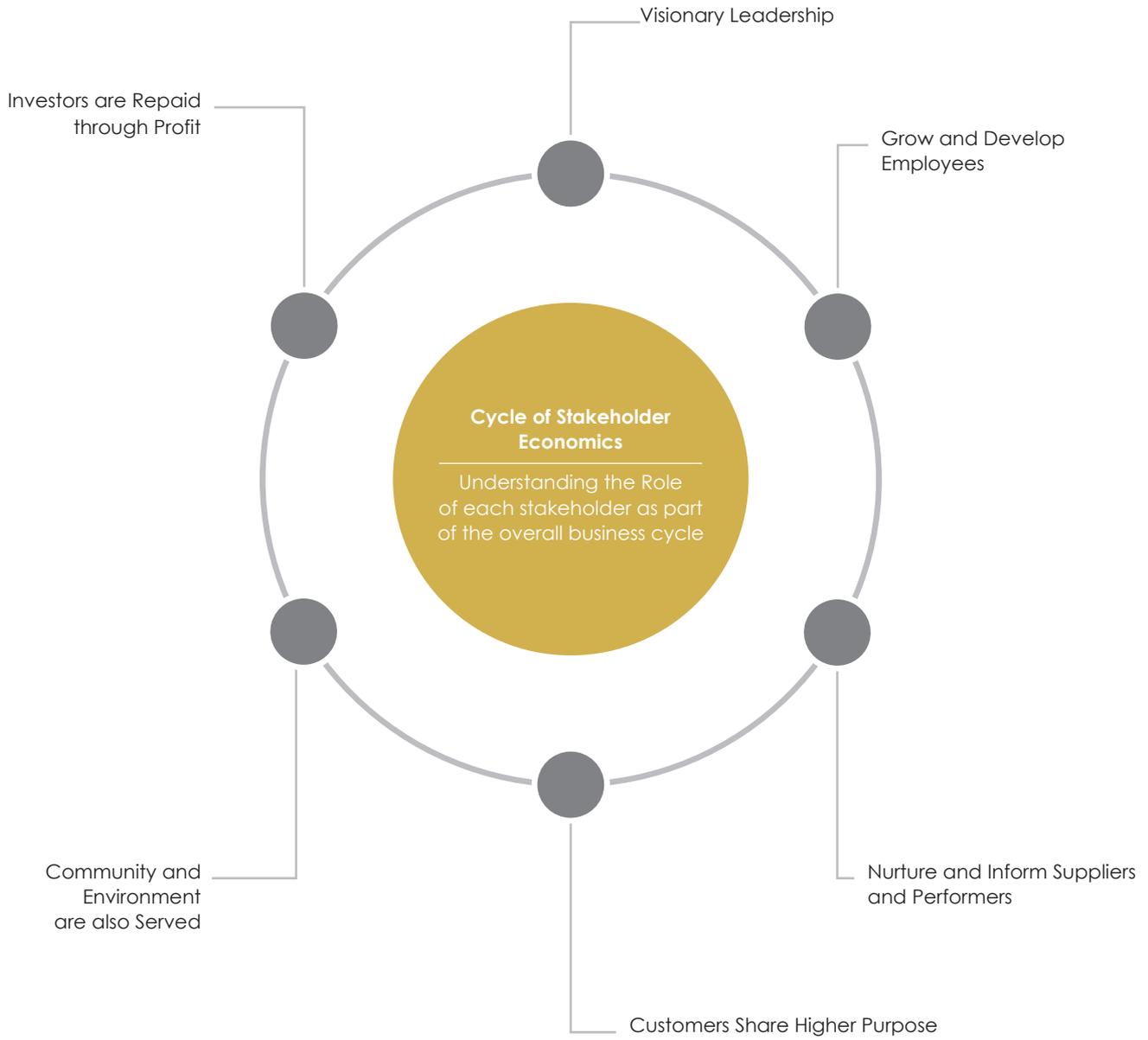
- | | |
|--|--|
| 1. Compliance with Rules and Regulations | 17. Waste Management |
| 2. Career Progression for Employees | 18. Energy Efficiency |
| 3. Financial Position | 19. On time Payment Processing |
| 4. Recruiting and Retaining Talents | 20. Transparent Procurement Process |
| 5. Knowledge and Skill Enhancement | 21. Environmental Resource Protection |
| 6. Corporate Social Responsibility | 22. On-time Regulatory Reporting |
| 7. Sustainability of Business | 23. Safe and Conducive Workplace |
| 8. Service Quality | 24. Simple Documentation Process |
| 9. Work-Life Balance | 25. Compliance with supplier contractual terms |
| 10. Employee Diversity and Inclusion | 26. Environmental Stewardship |
| 11. Carbon Emission | 27. Societal Impact |
| 12. Timely Loan Disbursement | 28. Safety of Deposits |
| 13. Effective Communication of Business Strategy | 29. Community Engagement |
| 14. Strong Corporate Governance | 30. Local Hiring |
| 15. Efficient Risk Management | |
| 16. Employee Charity | |

Our Top Priorities

An issue is material to IPDC if it meets any of the following two conditions. Firstly, it impacts our business in terms of growth, cost and risk. And secondly, it is important to our stakeholders. Through our analysis, we have identified some key issues that are material to both our company as well as our stakeholders. These key issues are illustrated below:

	<p>Customers</p>	<ul style="list-style-type: none"> • Safety of deposits • Timely loan disbursement • Simple documentation process • Quality customer service
	<p>Employees</p>	<ul style="list-style-type: none"> • Career progression opportunities and retaining talents • Knowledge and skill enhancement • Diversity and inclusion • Work-life balance with safe and conducive workplace
	<p>Investors</p>	<ul style="list-style-type: none"> • Financial position • Sustainability of business • Effective communication of business strategy • Effective corporate governance with efficient risk management
	<p>Suppliers</p>	<ul style="list-style-type: none"> • Compliance with contractual terms • On-time payment processing • Transparent procurement process
	<p>Communities and Society</p>	<ul style="list-style-type: none"> • Social responsibility and impact to society • Environmental stewardship • Resource protection and energy efficiency • Community engagement
	<p>Regulators</p>	<ul style="list-style-type: none"> • Compliance with rules and regulations • On-time regulatory reporting • Effective corporate governance

Repaying our Stakeholders



The wave did not
Frighten the Face



ABOUT IPDC COMPANY PROFILE

Founded in 1981, IPDC Finance Limited (previously named as Industrial Promotion and Development Company of Bangladesh Limited) has played a pivotal role in fulfilling its core objective of ushering in the wave of industrialization in Bangladesh. With such an illustrious purpose and intent, the Company introduced innovative financial products and services that together enabled us in building the foundations of leading corporates of Bangladesh.

General Information

Name of the Company	IPDC Finance Limited Formerly registered as Industrial Promotion and Development Company of Bangladesh Limited.
Legal Form	Public limited company
Date of Incorporation	28 November 1981
Company Registration Number	(C-9566)/392 of 1981-1982 dated 28 November 1981
Bangladesh Bank License Number	BCD (Non-Banking)/Dhaka/3/'95 dated 02 February 1995
Listing Date	03 December 2006 (Dhaka Stock Exchange and Chittagong Stock Exchange)
Tax Payer Identification No	11505336736
VAT Registration No.	001103993
Authorized Share Capital	BDT 8,000,000,000
Paid up capital	BDT 2,181,608,160
Branches	12
Chairman	Dr. Muhammad Musa
Managing Director	Mominul Islam
Chief Financial Officer	Benozeer Ahmed
Company Secretary	Samiul Hashim
Head of Internal Audit & Compliance	Md. Ezazul Islam
Stock Exchange Trading Code	IPDC
Registered Office	Hosna Centre (4th floor) 106 Gulshan Avenue, Dhaka 1212 PABX: 55068929,55068931-37, 029891758 FAX: 55068928, 55068930 Email: email@ipdcibd.com Website: www.ipdcibd.com
Investors' Enquiry	Investors Relation Department Phone: +(88) 09612885533, +(88-02) 55068931-6 Fax: +(88-02) 5506893128 Email: email@ipdcibd.com

Auditor, Consultants and Memberships

Auditor	Hoda Vasi Chowdhury & Co, Chartered Accountants
Corporate Governance Auditors	S.F. Ahmed & Co. (SFACO), Chartered Accountants
Provident Fund Auditor	Snehasish Mahmud & Co, Chartered Accountants
Gratuity Fund Auditor	Snehasish Mahmud & Co, Chartered Accountants
Tax Consultants	Snehasish Mahmud & Co, Chartered Accountants Amin Uddin and Associates
Credit Rating Agency	Credit Rating Agency of Bangladesh (CRAB)
Legal Advisors	A Rahman & Associates Law & Remedy Mamun Chowdhury & Associates Sarder Jinnat Ali Voyance Legal Emadullah Shahidul Islam (Sylhet)
Principal Bankers	Standard Chartered Bank Dhaka Bank Limited Prime Bank Limited Mercantile Bank Limited Eastern Bank Limited Dutch Bangla Bank Limited United Commercial Bank Limited BRAC Bank Limited AB Bank Limited WOORI Bank Mutual Trust Bank Limited Bank Alfalah Limited
Membership with Associations	Bangladesh Leasing & Finance Companies Association (BLFCA) International Chamber of Commerce Foreign Investors' Chamber of Commerce & Industry (FICCI) Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Metropolitan Chamber of Commerce and Industry (MCCI) Bangladesh Association of Publicly Listed Companies (BAPLC) Dhaka Stock Exchange Limited (DSE) Chittagong Stock Exchange Limited (CSE) Central Depository Bangladesh Limited (CDBL)

SHAREHOLDERS

IPDC Finance Limited is the first private sector financial institution of the country established in 1981 by a distinguished group of shareholders namely International Finance Corporation (IFC), USA, German Investment and Development Company (DEG), Germany, the Aga Khan Fund for Economic Development (AKFED), Switzerland, Commonwealth Development Corporation (CDC), UK and the Government of the People's Republic of Bangladesh (GOB).

In early 2004 AKFED acquired 70% stake in IPDC by purchasing the shares from IFC, CDC and DEG. In 2006, the shareholding structure was changed by issuance of public shares with AKFED maintaining the management control of the company holding 51% of the shares.

In 2016, BRAC (25.00%), Ayesha Abed Foundation (10.00%), RSA Capital Limited (5.00%) acquired 40% shares from AKFED with AKFED retaining 11.05% of the shares. The rest are owned by Government of People's Republic of Bangladesh (21.88%) and General Public (27.07%).

As on 31 December 2018, IPDC has an authorized capital of BDT 8,000,000,000; issued, subscribed and paid up capital of BDT 218,160,816. Ordinary shares have a face value of BDT 10 each.

Brief Description of the Owners

BRAC: BRAC, an international development organization based in Bangladesh, is the largest non-governmental development organization in the world, in terms of number of employees as of September 2016. Established by Sir Fazle Hasan Abed in 1972 after the independence of Bangladesh, BRAC is present in all 64 districts of Bangladesh as well as other countries in Asia, Africa, and the Americas. BRAC formed a strategic partnership with

UK's Department for International Development and Australia's Department of Foreign Affairs and Trade where they are working together to bring positive changes in the lives of people.

BRAC employs over 100,000 people, roughly 70 percent of whom are women, reaching more than 126 million people. The organization is 70-80% self-funded through a number of social enterprises that include a dairy and food project, a chain of retail handicraft stores called Aarong, Seed and Agro, Chicken etc. BRAC has operations in 11 countries of the world.

Government of the People's Republic of Bangladesh (GOB):

The Government of Bangladesh aims at diversifying the economic base of the country by facilitating investments in an identified series of priority areas. Ministry of Industries and Ministry of Finance was responsible for the inception and initial investment during the inception of IPDC with the target of facilitating and promoting industrial financing in Bangladesh.

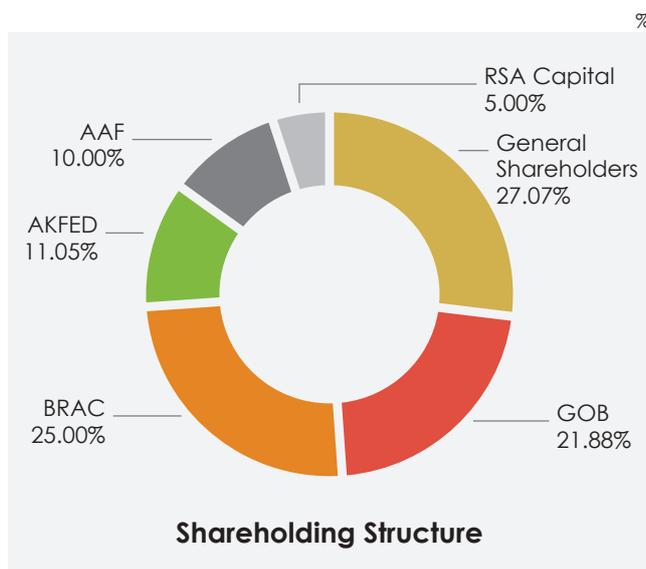
Aga Khan Fund for Economic Development (AKFED):

AKFED is an international development agency dedicated to promoting entrepreneurship and building economically sound enterprises in the developing world. AKFED operates as a network of affiliates with more than 90 separate project companies employing over 47,000 people. Because of its development ethos, it reinvests all profits in further development. For more than 75 years, AKFED has made investments and operated companies in the developing nations of Africa, South Asia and Central Asia. The Fund is active in 18 countries in the developing world: Afghanistan, Bangladesh, Burkina Faso, Burundi, the Democratic Republic of the Congo, India, Ivory Coast, Kenya, Kyrgyz Republic, Mali, Mozambique, Pakistan, Rwanda, Senegal, Syria, Tajikistan, Tanzania and Uganda.

AKFED seeks to create profitable, sustainable enterprises through long-term investments that result in strong equity positions. This in turn allows AKFED to take a "hands-on" approach by providing managerial and technical expertise. Profits generated by the Fund are reinvested in other economic development initiatives under the AKFED umbrella.

Ayesha Abed Foundation (AAF): Ayesha Abed Foundation was founded to empower women from every nook and cranny of Bangladesh; especially women in devastating states who had endured a lot of pain and suffering.

AAF acts as a facilitator in gathering and organizing both skilled and untrained artisans from various village organizations across the country and providing them with training and employment in its numerous centers which serve as Aarong's production hubs. Even Aarong was born



out of need, initially acting as the only buyer for AAF products. Aarong is a social enterprise creating livelihood and opportunities for over 65,000 rural artisans, 95% of whom are poor women. Ever since AAF was founded, Aarong has primarily been taking hand-made products by workers who are under it.

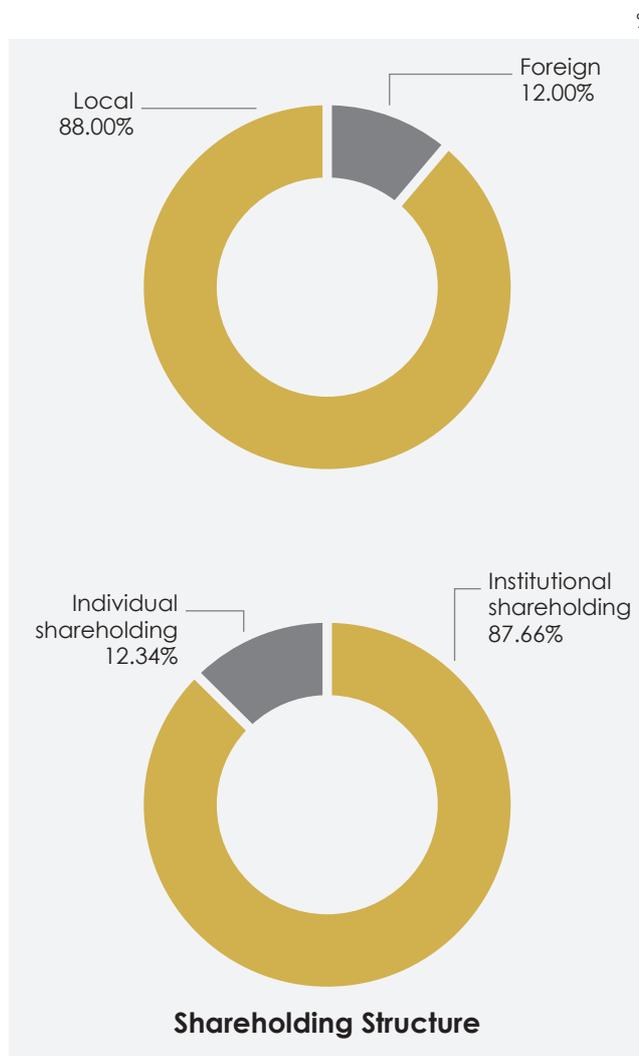
AAF's work can be considered to be completely synonymous to women empowerment. AAF doesn't just generate income for women but works towards enabling women with courage, independence and dreams waiting to be realized.

RSA Capital: RSA Capital is a private equity firm from Bangladesh. RSA established its name through a milestone transaction – the world's first microcredit securitization for BRAC (the world's largest NGO).

The firm primarily provides Structured Finance, Equity and Merger and Acquisition advisory services to financial institutions. They also make domestic and international proprietary and strategic investments.

Share Capital Formation

Date of Issue	# of Shares Issued		Face Value/ Share	Share Capital (BDT)
	Subscription	Bonus		
1981	50	-	10	500
1982	8,999,950	-	10	89,999,500
1999	-	36,000,000	10	360,000,000
2004	2,801,400	-	10	28,014,000
2006	13,900,000	-	10	139,000,000
2007	-	3,085,070	10	30,850,700
2008	-	6,478,640	10	64,786,400
2009	-	7,126,510	10	71,265,100
2010	-	7,839,160	10	78,391,600
2011	-	8,623,070	10	86,230,700
2012	-	9,485,385	10	94,853,850
2014	-	10,433,923	10	104,339,230
2015	-	11,477,315	10	114,773,150
2016	-	25,250,094	10	252,500,940
2017	-	30,300,113	10	303,001,130
2018	-	36,360,136	10	363,601,360
Total	25,701,400	192,459,416	10	2,181,608,160



BUSINESS PHILOSOPHY



Our Vision

To become the most passionate financial brand in the country with a special focus on youth, women and under-served areas.



Our Mission

To enable our customers and communities to live unbound and to live to their fullest potential by extending innovative financial solutions in a friendly, timely, transparent and cost-effective manner.



Our Core Values

We will create extraordinary customer experiences by:

- Serving our customers with passion and honesty
- Going beyond the normal call of duty
- Relentlessly pursuing innovation



Our Core Strengths

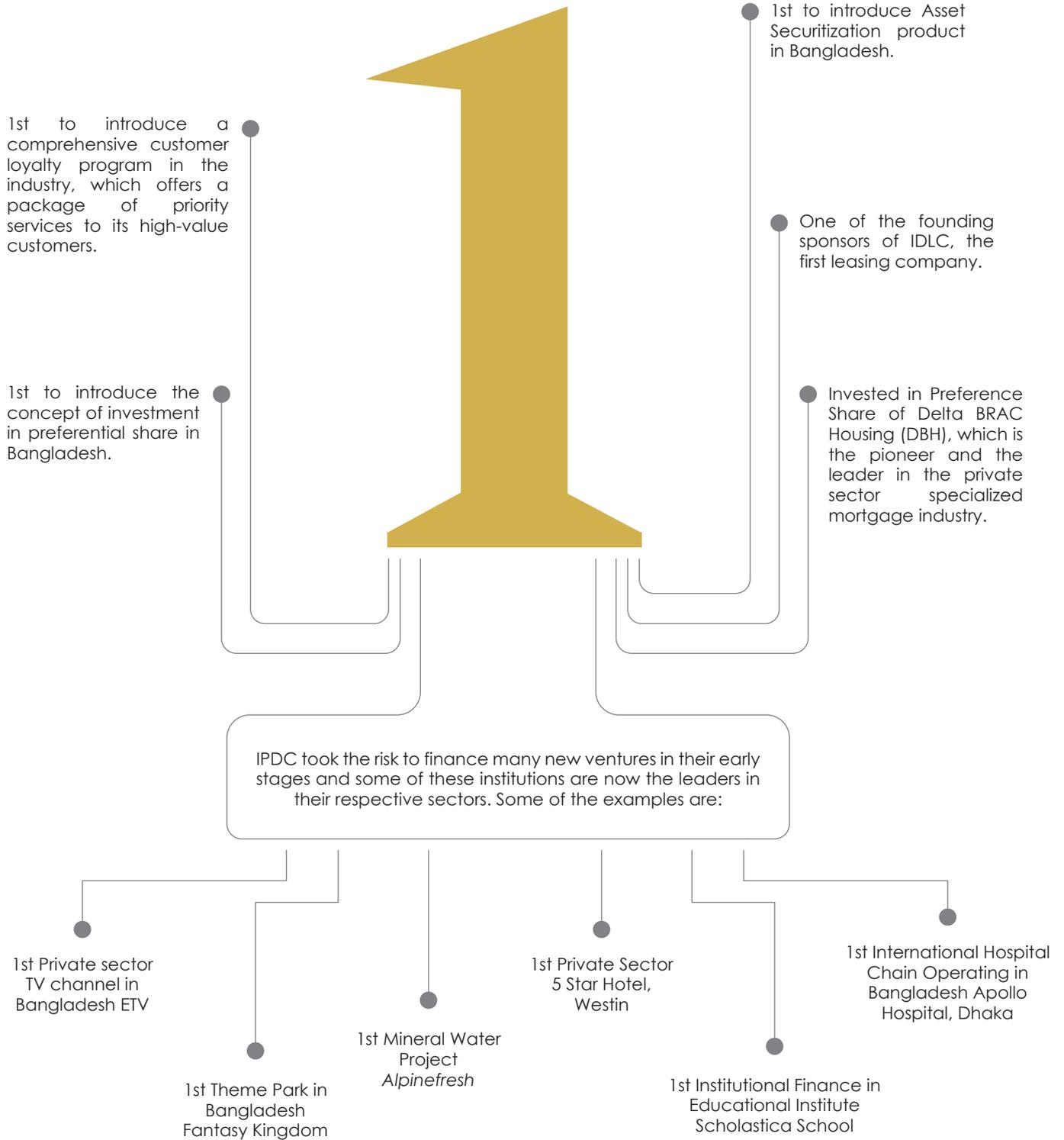
- Strong and diverse Board of Directors
- Experienced management
- Strong governance and regulatory compliance
- Quality asset base
- Strong capital base
- Extraordinary customer service and experience
- Unique corporate culture



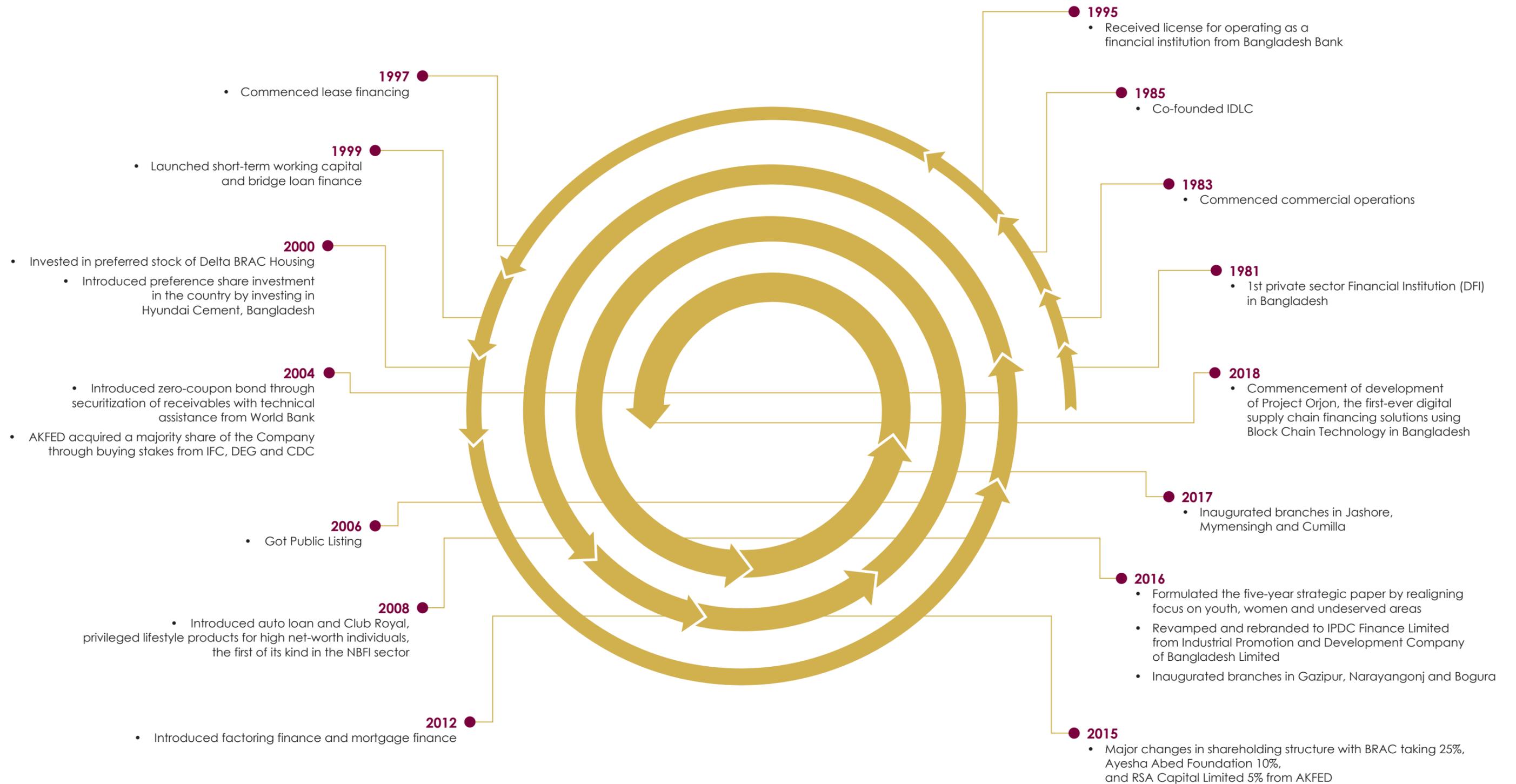
Our Guiding Principles

- Conducting our business with the highest levels of integrity
- Demonstrating a strong will to win in the marketplace
- Promoting diversity in the workplace
- Encouraging under-served and under-penetrated communities with tailor-made products and services
- Supporting the spirit of teamwork and collaboration
- Harnessing the power of technology to deliver better customer experience and outcomes
- Setting the standards of corporate citizenship through extensively engaging in community development initiatives

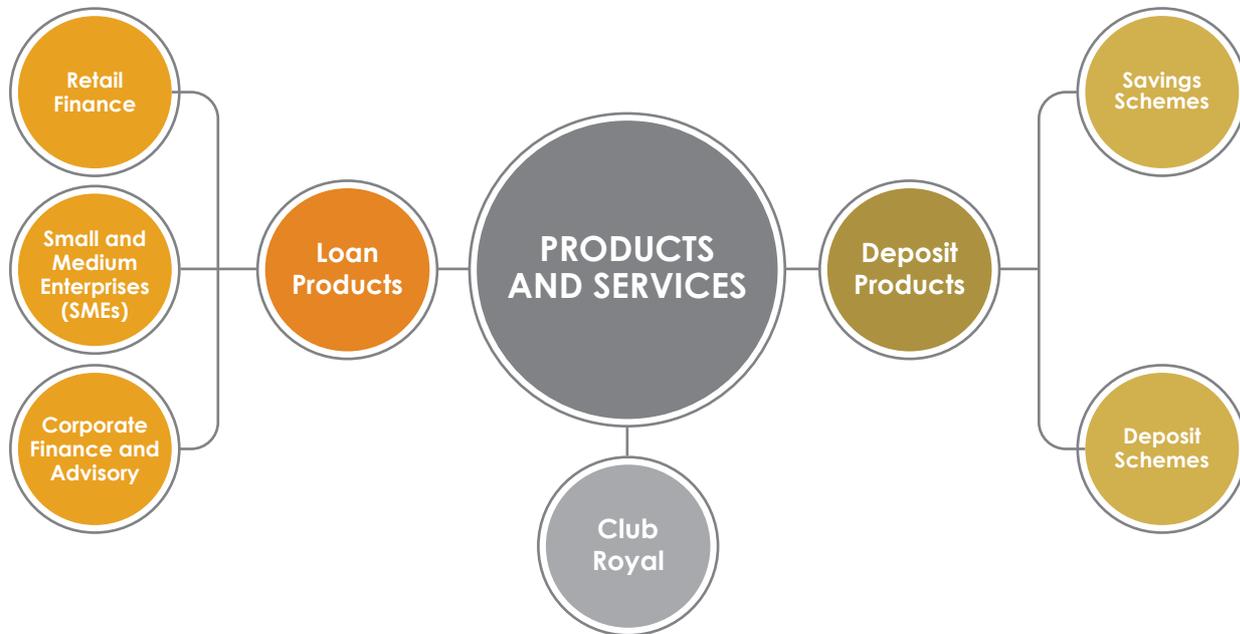
IPDC'S MANY FIRSTS



IPDC'S EVOLUTION



PRODUCTS AND SERVICES



As a strategic orientation of our business, we have organized our business activities into three broad strategic business units: Corporate, SME and Retail. Details of Products and services offered by our business units are given below:

Loan Products

To fulfill the long-cherished dreams and to meet the essentials of life, IPDC Finance is offering several loan products at your doorsteps.



Retail Finance

Our retail finance division offers a substantive and thoughtful variety of personal financial services to fulfill the needs of individuals.

- **Home Loans:** With a wide choice of home loan options, our home and mortgage division aims to meet the need that is on top of every individual aspiration: creating own home. With that aim in mind, IPDC has launched a new and easy to afford home loan product for people outside Dhaka named 'Affordable Home Loan'.
- **Auto Loans:** Our auto loan division specializes in providing car financing products and solutions for both individuals and institutions.
- **Personal Loans:** Our personal loan unit offers loans for fulfilling a wide range of personal needs and requirements. Now, IPDC is also offering a personal loan named 'Consumer White Goods Finance' for purchasing home appliance, furniture and even trips.



Small and Medium Enterprises (SMEs)

IPDC offers loan products to Small and Medium Enterprises (SMEs) with a competitive interest rate and flexible repayment options. IPDC has also tailored designed SME loan products for women entrepreneurs to support them:

- **Term Loans:** Small and medium enterprises requiring financing for capital and operating expenditures such as balancing of production lines, modernization of manufacturing processes and expansion of production capacity or space, etc.
- **Short-term Financing:** IPDC offers working capital finance to enable companies to meet their day-to-day running of business operations, helping them meet short-term cash requirements.
- **Work Order Finance:** To execute a work order in a timely manner and to overcome the liquidity shortage, IPDC offers work order financing.
- **Factoring:** IPDC offers businesses factoring finance to receive cash quickly on their receivables for relieving the first party of a debt for less than the total amount providing them with working capital to continue trading.

- **Joyee:** Loan for female entrepreneurs at 8% interest rate throughout the year.
- **Lease Finance:** IPDC provides lease financing to small and medium enterprises against large industrial engines, industrial machineries and equipment, commercial equipment, generators, vehicles, and vessels among others.



Corporate Finance and Advisory

IPDC's corporate finance and advisory division provides the full spectrum of corporate financial services. Products under corporate finance include the following:

- **Lease Finance:** We provide lease financing against industrial machineries and equipment, commercial equipment, generators, vehicles, vessels and large industrial engines, among others.
- **Term Loans:** Term loans are specially crafted for meeting long-term business purposes. These are normally provided to meet capital and operating expenditures requirements of our customers such as balancing of production lines, modernization of manufacturing processes and expansion of production capacity or space, etc.
- **Project and Syndication Financing:** For projects requiring large-scale investments, IPDC provides syndication services under which it forms consortiums with banks / financial institutions to raise funds. Under this arrangement, IPDC acts as the lead financing arranger. Project financing can be applicable to both greenfield as well as brownfield expansions.
- **Short-term Financing:** IPDC offers working capital finance to enable companies to meet their day-to-day running of business operations, helping them meet short-term cash requirements.

Investments in Preference and Common Shares: IPDC subscribes to client preference shares or acquires common stock if clients are raising funds, thereby helping them meet their funds requirements.

Deposit Products

Under our liability schemes, we offer our depositors the flexibility to either invest in our deposit schemes or our savings schemes. A brief narration of our various products under retail deposit finance is given below:



Savings Schemes

IPDC offers you the most secured and profitable investment that you are looking for through the savings schemes.

- **Deposit Premium Scheme:** A fixed amount is deposited every month which is capitalized annually. Total amount can be withdrawn after then end of the term.
- **Millionaire Deposit Scheme:** A monthly scheme with flexible long-term tenure that gives maturity value of BDT 1 million.
- **Ulti-flex Deposit Scheme:** The most flexible deposit scheme in the market in which customers can deposit any amount of money anytime they wish with a fixed rate. The minimum tenure is 2 years.



Deposit Schemes

The hard-earned small savings of the customers are given the best value through the deposit schemes of IPDC Finance.

- **Annual Profit Scheme:** A fixed amount no less than BDT 10,000 must be deposited in which mode of interest payment is annual.
- **Cumulative Profit Scheme:** A fixed amount no less than BDT 10,000 must be deposited in which interest is paid at maturity.
- **Fixed Deposit General:** A fixed amount no less than BDT 10,000 must be deposited in which minimum tenure is 3 months and interest is paid at maturity.
- **Monthly Profit Scheme:** A fixed amount no less than BDT 50,000 must be deposited in which minimum tenure is 3 months and interest is paid on monthly basis.
- **Double Money Deposit Scheme:** A fixed amount no less than BDT 50,000 must be deposited in which the deposited amount is doubled after a certain period.
- **Quarterly Profit Schemes:** A fixed amount no less than BDT 50,000 must be deposited in which minimum tenure is 1 year and interest is paid on quarterly basis.

Club Royal

Through Club Royal we provide privileged and priority services, including personal financial advice to our high-value customers. We are among the few in the country's non-banking financial services industry to provide this exclusive convenience and engagement platform to our top customers.

OUR FOOTPRINTS IN BANGLADESH

Head Office

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106 Gulshan Avenue, Dhaka-1212,
Bangladesh.
Telephone: (88-02) 55068931-7
Fax: (88-02) 55068930
Email: email@ipdcibd.com

Motijheel Branch

Surma Tower (4th Floor)
59/2, Purana Paltan, Dhaka-1000
Fax: +(88-02) 9564044
Tel: +(88-02) 9551704, 9570666
Email: email.mjl@ipdcibd.com

Dhanmondi Branch

Navana G H Heights (11th Floor)
House # 67, Satmosjid Road
Dhanmondi R/A, Dhaka - 1209.
Fax: +(88-02) 9614736
Tel: +(88-02) 9143049-51
Email: email.dhn@ipdcibd.com

Uttara Branch

Circle Windflower (2nd floor),
Plot no. 30, Sector no. 11,
Sonargaon Janapath,
Uttara Model Town, Dhaka-1230
Fax: +(88-02) 8932630
Tel: +(88-02) 8932152, 8932154
Email: email.uttara@ipdcibd.com

Jashore Branch

Mohashin Super Market (1st Floor)
10 R N Road, Ambika Bashu Lane
Jessore Pouroshova, Jessore
Tel: (0421) 64171-72
Fax: (0421) 64173
Email: email.jsr@ipdcibd.com

Chattogram Branch

Aziz Court
Holding No. 88-90
Agrabad Commercial Area,
Agrabad, Chittagong.
Fax: +(88-031) 726329
Tel: +(88-031) 726325-8
Email: email.ctg@ipdcibd.com

Cumilla Branch

Alahi Tower (2nd Floor)
Holding no-139, Kaporia Potti
Comilla
Tel: (081) 74196-97
Fax: (081) 74214
Email: email.comilla@ipdcibd.com

Bogura Branch

Amicus Center,
416-417 Sherpur Road,
Bogra Sador, Bogra
Tel: 05161477-8
Fax: 05161479
Email: email.bogra@ipdcibd.com

Mymensingh Branch

Brojoraz Niketon (2nd Floor)
62, Muktiyuddha Sharani Sharak
(Chuto Bazar), Mymensingh
Tel: (091) 51438-39
Fax: (091) 51440
Email: email.myn@ipdcibd.com

Gazipur Branch

Shah Jilani Tower
Outpara, Tangail Road,
Gazipur Choerasta, Gazipur-1702
Tel: +(88-02) 49262256-7
Fa: +(88-02) 49262258
Email: email.gzi@ipdcibd.com

Narayanganj Branch

Sattar Tower 50(old), 48(new)
S.M. Maleh Road,
Tanbazar, Narayanganj
Tel: +(88-02) 7646435-6
Fax: +(88-02) 7646437
Email: email.nyr@ipdcibd.com

Sylhet Branch

Khalil Trade Center (3rd Floor)
House # 01, Block # D,
Main Road Shahjalal Upo-Shahar,
Sylhet 3100
Fax: +(88-0821) 711177
Tel: +(88-0821) 711128
Email: email.syl@ipdcibd.com

SHOWCASE PROJECTS

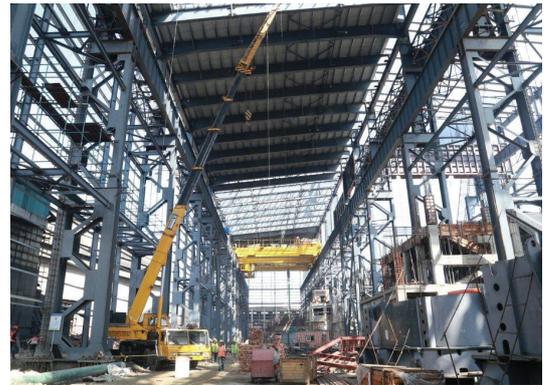


Envoy Textiles Limited

Envoy Textiles Limited (ETL) is a manufacturer of high-quality fashion denim, located at Bhaluka in Mymensingh. Envoy introduced rope dyeing denim in Bangladesh. Established in 2005, Envoy Textiles started its commercial operation in early 2008. Within a very short time, Envoy has turned out to be one of the largest fabrics producing units in Bangladesh. This has been possible because of their extra ordinary human capital and high-quality machineries along with great management. The annual capacity of Envoy is about 50 million yards of denim fabrics. It covers an area of about 48 acres of lands. The products of Envoy Textiles are certified by OKOTEX.

GPH Ispat

GPH Ispat is one of the leading steel manufacturers in Bangladesh. GPH aims to enrich the country with great quality products for the upcoming infrastructural endeavors. Extraordinary customer service and superior products are what lie at the bottom of their success. They maintain such value creating aspects by searching for continuous innovation and constant improvement. The company was incorporated back in May 2006. The production facility of GPH Ispat is one of the most sophisticated one in Bangladesh.



Jinnat Fashion

Jinnat Fashion Limited is a company affiliated to BGMEA situated at Sardaganj, Kashimpur, Gazipur. Basically a knitting, woven and sweater company, Jinnat Fashion is run by about 2,977 employees. With a skillful human capital, the company is performing brilliantly to produce great quality products.

Premier Cement

One of the top cement manufacturers in Bangladesh, Premier Cement is a trustworthy name in Bangladesh. The company commenced its operation in March 2004 with its first unit having a production capacity of 0.6 million tons per annum. Gradually, they improved the quality of their machineries to reach to today's world class state. The factory of this company is situated at West Muktarpur, Munshiganj. This location gives them the advantage of having excellent accessibility by both land and river.



ACCOLADES



ADFIAP Best CSR AWARD 2017

IPDC understands the imperativeness of growing youth population for the prosperity of a country as they can reap the fruits that a nation can enjoy for years to come. IPDC believes to take a 360-angle care from the very birth of a child to its nutrition, education entertainment and convenience, hence IPDC bagged the ADFIAP Best Corporate Social Responsibility Award in Macau, China.

Quick Fact: ADFIAP, founded in 1976, currently has 135-member institutions in 45 countries.

ADFIAP CSR MERIT AWARD 2018

IPDC, the most passionate financial brand in the country, has been relentlessly serving the vibrant youth, women and underserved. For IPDC, it was more about creating socially impactful stories than merely fulfilling social responsibilities. Therefore, IPDC was deservedly awarded the ADFIAP Corporate Social Responsibility Merit Award.



ICAB 2nd Best presented Annual Report Award 2017

Transparency and honesty is at the crux of IPDC's intention and activity. That has been brilliantly reflected in the Annual Report which was well recognized in The Institute of Chartered Accountants of Bangladesh. IPDC bagged the 2nd Best presented Annual Report Award in Pan Pacific Sonargaon, Dhaka.

Quick Fact: ICAB is the sole organization in Bangladesh with the right to award the associate Chartered Accountant Designation

ICAB 3rd Best presented Annual Report Award 2018

IPDC publishes the annual report with an aim to paint a holistic picture of the company while keeping transparency and integrity at the core of this deliberation. IPDC's relentless effort to do so has been recognized by the esteemed body of The Institute of Chartered Accountants of Bangladesh (ICAB). ICAB has honored IPDC with the 3rd position in the Best Presented Annual Report Award.





AA1 Rating from Credit Rating Agency of Bangladesh Limited (CRAB)

Credit Rating Agency of Bangladesh Limited (CRAB) updated IPDC with a credit rating of AA1. AA1 rated institutions have very strong capacity to meet financial commitments. These are judged to be of very high quality and subject to very low credit risk.

Quick Fact: CRAB is a technical partner of ICRA Limited, India. It is an external credit assessment institution accredited by Bangladesh Bank.

SAFA BPA Award Joint Second Runner Up 2017

IPDC was honoured as the Joint Second Runner Up of South Asian Federation of Accountants (SAFA) Best Presented Annual Report (BPA) Award 2017 under the category of Financial Services Sector. This award ceremony was held in Soaltee Crowne Plaza, Kathmandu, Nepal. SAFA has given 51 awards under 13 categories among the South Asian nations.

Quick Fact: South Asian Federation of Accountants (SAFA) is a forum of professional accounting bodies of eight nations in SAARC region



SAFA BPA Award Second Runner Up 2018

For its unparalleled commitment to ensure transparency and integrity, IPDC was honored with the Second Runner up in the SAFA Best presented Annual Report Awards in Pune Chapter of Institute of Chartered Accountants in Bangladesh.

INTERNATIONAL FINANCE AWARD for Best Retail Finance Company 2018

IPDC has considerably increased efforts to provide extra-ordinary customer experience through consumer finance. Innovative designing of retail products to cater for the needs of the new generation of customers, delivering the promised services through state-of-the-art customer service management and pro-active nudging of the customers using technological tools have all contributed towards IPDC achieving the prestigious accolade of Best Retail Finance Company at the International Finance Award 2018 held at Dubai.

Quick Fact: International Finance Awards recognizes industry talent, leadership skills, industry net worth and capability on an international platform





Superbrand 2018

IPDC has set a benchmark with its branding, outwitted the competition and built an enviable reputation in the country with its activities post rebranding. Hence, after an extensive and robust research process that measures the equity of thousands of brands, in both direct-to-consumer and business-to-business markets, IPDC achieved the status of SUPERBRAND.

Quick Fact: Superbrands was found by advertising executive Marcel Knobil in London in 1994. It began as a radio show on GLR (now BBC radio London).

MOMENTS FROM 2018



New Year Celebration

To appreciate the year-long hard work of each unit and embrace the spirit of the year ahead, IPDC celebrated the first day of New Year 2018.

Valentine's Day

Employees do spend a substantial portion of their daily life in the workplace. At IPDC, we promote a familial culture that loves and supports each other both at their highs and lows. To celebrate the ever-existent mutual love and respect between the IPDCians, IPDC workstations were decorated in the universal color of love in the Valentine's Day. In addition to that, photobooths and cake-cutting were a reminder of the fact that employees always cherish and excel in light hearted, and congenial atmosphere.



Friendly Cricket Match

In celebration of the national sport of cricket, a friendly cricket match between Base technologies and IPDC Finance was organized. The organized day event resulted in tremendous employee engagement. Employees participated whole-heartedly and cheered for each other and all that taking time off their weekend.

Pohela Boishakh

Like every year, this year also IPDC embraced the Bengali New Year with unbound enthusiasm. From dressing the office with Boisakh décor to preparation of traditional dishes by different departments in head office, the office space was transformed into one beautiful gathering reminiscent of a Boishakh fair. The branches also celebrated auspiciously through one dish party.





Falgun

The spring blossomed with all its glory at the office premise in the very first day of Falgun. Flowers were distributed, cakes were cut, all to remind the hardworking employees to never forget to appreciate the finer things of life.

Mission I M Possible

To gear up sales, it's not enough to simply communicate the numbers. It must be buttressed with sharing of a unique vision and mission for achieving the I'Mpossible. To facilitate the journey to achieve the I'Mpossible, in presence of the retail members, campaign Mission I'Mpossible was launched. The event hosted in Emmanuel's Banquet Hall, also unveiled an innovative and more competitive incentive structure for the relationship managers.



Employee Recreation Club

The most awaited employee recreation program, ERC was organized this year with the entire IPDC family of 450 participants. A weekend gate away with the IPDC family in Proshikha, focused on team building games, exercises and talent performances where latent talents of many employees took the center stage.

Table Tennis Tournament

Intra IPDC Table Tennis Tournament was organized during the month of November. Employees participated enthusiastically in the tournament.





Town Hall

To keep all IPDCians in line with the state of progress of the company, Town Hall meetings act as the perfect platform. Branches outside of Dhaka join through skype conferences, these town hall meetings act as catalysts towards achieving the strategic goals. The meetings also contain sections for award giving, fun quizzes, and lotteries.

IPDC Talk

To motivate employees to make most of their talent and skill, IPDC organized IPDC Talk sessions with industry experts on various issues like ergonomics, skill management, sales, tax return etc.



Orientation

Every quarter IPDC organized a full-fledged orientation program with top executives of the company transferring their vision to the newly added members of the IPDC family. The orientation programs were aimed at providing new comers with a clear and holistic overview of the roles of each of the departments in IPDC. The management committee members enthusiastically participated and spearheaded the sessions.



Board of Directors left to right:

- Salahuddin Mahmud | Sameer Ahmad | Amin H. Manekia | Nasreen Saffar | Mominul Islam | Dr. Muhammad Musa | Shameran Abed | Tamara Hasan Abed | Tushar Bhowmik | A Gaffar Khan | Salahdin Irshad Imam

PROFILE OF THE BOARD OF DIRECTORS



Dr. Muhammad Musa

Chairman, Nominated by BRAC

Dr. Musa is a Director nominated by BRAC and Chairman of the Board of Directors of IPDC. Dr. Musa is also an Executive Director of BRAC. Before joining BRAC, he worked for 35 years with CARE International as one of its senior international management professionals.

He has been a successful professional in bringing convergence of philanthropic approaches and entrepreneurial methodologies in creating sustainable development programming for achieving impact at large scale. In the professional field, he is known for leading complex organizational change processes in multicultural settings. He is also an internationally recognized senior management trainer and an experienced coach.

Other Interests:

Executive Director: BRAC

Chairman: bracNet, brac KUMON, Affordable Healthcare Trust

Qualifications:

MBBS from Chittagong Medical College, MPH from Johns Hopkins University, School of Hygiene and Public Health, USA, PGD from the Netherlands Universities Foundation for International Development, Wageningen Agriculture University

Age: 61 years



Amin H. Manekia

Vice Chairman & Director, Nominated by AKFED

Mr. Manekia has a vast and diversified expertise in the field of marketing, finance, healthcare and banking. He has pioneered the concept of automatic beverage dispensing machines in India. He is closely involved with the distribution, import and marketing of various food products. Mr. Manekia has worked closely with the Aga Khan Development Network for over 34 years. He is currently the Chairman of Aga Khan Health Services (India) and of Prince Aly Khan Hospital, a 200 bed acute care multi-specialty hospital in Mumbai. He also on the Board of DCB Bank in India.

Other Interests:

Chairman: Aga Khan Health Services India Ltd.

President: Prince Aly Khan Hospital

Director: DCB Bank Ltd., India; IVP Limited, India

Qualifications:

B. Com from Sydenham College of Commerce & Economics, Mumbai, India

MBA (major in Finance & Marketing), Babson College, Wellesley, USA.

Age: 57 years



Salahdin Irshad Imam

Independent Director

Mr. Imam is the Chairman of Board Audit Committee of IPDC. Educated at Harvard and MIT, Mr. Imam has had an extensive career as an International Banker with assignments in the Middle East and Europe. Currently an independent Financial Consultant/Corporate Advisor in Dhaka providing project finance and investment services to leading multinationals, corporate houses and HNWI.

Other Interests:

Independent Financial Consultant
Chairman: Panigram Resort Ltd.
Proprietor: Radius Enterprises
Member: Brotee (NGO)
Shareholder: Tiger Tours Ltd.
Luxembourg Bangladesh Business Council

Qualifications:

BA (Hons) in Social Studies from Harvard University, Cambridge, MA, USA
SPURS Fellow (Business Studies) Massachusetts Institute of Technology (MIT)

Age: 70 years



Sameer Ahmad

Director, Nominated by RSA Capital Limited

Mr. Sameer Ahmad is the Chairman of Board Executive Committee of IPDC. Mr. Ahmad is a versatile investment banker with 21 years of experience encompassing the geographic areas of Europe, Middle East, Emerging Africa and South East Asia. Mr. Ahmad was responsible for establishing the structured finance unit of Industrial and Infrastructure Development Finance Company Limited (IIDFC). Prior to establishing RSA Capital, he was the treasury consultant with Pricewaterhouse Coopers for restructuring Agrani Bank.

Mr. Ahmad has established himself as one of the leading investment bankers in Bangladesh by launching the first ever zero coupon bond, the first step down syndicated loan facility, the first ever unsecured international term loan facility for a microfinance institution and of course the world's first microcredit securitization, the first ever variable rate subordinated domestic convertible bond as Tier 2 Capital with international participation in the Bangladesh market.

He is a partner in Mekong Brahmaputra Clean Development Fund involved in investing in clean energy project in Cambodia, Vietnam, Laos, Sri Lanka, Nepal, Thailand and Myanmar. He is also a Director of Apex Investments Limited.

Other Interests:

Director: Equinox Ltd, RSA Capital Ltd.
RSA Advisory Ltd, Apex Investment Ltd.

Qualifications:

Bachelor of Arts, Economics & Political Science from Colorado College, Colorado Springs, Colorado, USA

Age: 48 years



A Gaffar Khan

Director, Nominated by GoB

Mr. A Gaffar Khan, an additional secretary at the Ministry of Finance, is a government nominated director of IPDC. Mr. Khan is working at the Finance Division of Ministry of Finance and looking after the Marco Economic Wing of the division. Mr. Khan is also a member of the Board Executive Committee of IPDC. He has an illustrious career as government service holder in different ministries and organizations.

Other Interests:

NA

Qualifications:

B.ScAg(Hons), MA

Age: 52 years



Shameran Abed

Director, Nominated by Ayesha Abed Foundation

Mr. Abed is a member of Board Executive Committee of IPDC. He is also the director of the BRAC microfinance programme, which serves more than five million clients in seven countries, and has total assets exceeding USD 1 billion. He also serves on the boards of BRAC Bank's mobile financial services subsidiary, bKash, and Guardian Life Insurance. Additionally, he sits on the Microfinance Network Steering Committee and the World Economic Forum Financial Inclusion Steering Committee.

Other Interests:

Director: BRAC IT Services Ltd (BITS)

bKash Ltd

Guardian Life Insurance

Senior Director: Microfinance and Ultra Poor Graduation Programme,

BRAC and BRAC International

Chairman: bKash Ltd.

Trustee: Ayesha Abed Foundation

Qualifications:

Bachelor of Arts in Economics from Hamilton College, NY, USA

Barrister-At-Law from Lincoln's Inn, London, UK

Age: 37 years



Tamara Hasan Abed

Director, Nominated by BRAC

Ms. Tamara Hasan Abed is a member of Board Audit Committee of IPDC. She is also Senior Director, BRAC Enterprises and heads BRAC's 16 social enterprises including Aarong, BRAC Dairy and BRAC Seed & Agro Enterprise. Ms. Abed is part of BRAC's Executive Management Committee.

Ms. Abed is a member of the Board of Trustees of BRAC University, the BRAC University Syndicate and the Chairperson of the Finance Committee of BRAC University. She is the Executive Trustee of Ayesha Abed Foundation. She also served on the Board of BRAC Bank Limited for eight years until June 2016. Ms. Abed started her career in 1995 as an investment banker in Corporate Finance at Peregrine Capital Ltd., Dhaka and worked in Goldman Sachs in New York in Mergers and Strategic Advisory. She also worked in BRAC's Urban Development Programme and managed a small business of her own in the hospitality industry. She has 20 years of experience in multiple sectors including retail, finance, social enterprise, development, dairy and hospitality both locally and internationally. Ms. Abed is an Asia 21 Young Leader and was honoured by the World Economic Forum as a Young Global Leader in 2010. She received the Outstanding Women Leadership Award from the World Women Leadership Congress in 2014.

Other Interests:

Director: BRAC EPL Stock Brokerage Ltd., BRAC Services Ltd., Bangladesh, Netting Factory Ltd., BRAC Karnafuli Tea Company Limited, BRAC Kaiyacherra Tea Company Limited, BRAC Kodala Tea Estate, BRAC Industries Ltd., BRAC Environmental Enterprises Ltd., BRAC EPL Investments Limited
Executive Trustee: Ayesha Abed Foundation
Member of the Board of Trustees and Syndicate of BRAC University, edotco (BD) Co. Ltd

Qualifications:

BSc (Economics) from the London School of Economics and Political Science, London, UK
MBA in Finance from Columbia Business School, Columbia University, NY, USA

Age: 44 years

Nasreen Sattar

Independent Director

Ms. Nasreen Sattar is a member of Board Executive Committee of IPDC. Ms. Sattar an international banking professional having over 31 years' experience. Her last assignment was as CEO for Standard Chartered Bank, Afghanistan where she successfully led the Bank over challenging and difficult times. She is currently a consultant involved in Training & Developing professional women in enhancing their leadership skills.

Other Interests:

Non-Executive Chairman of Consumark Limited

Qualifications:

Senior Cambridge - St. Xavier's Convent
Bachelor of Arts - Holy Cross College



Md. Enamul Hoque

Director, Nominated by GoB

Mr. Md. Enamul Hoque has been appointed as Director in the Board of IPDC on 22 March 2016. Since then, he has been inducted as member of the Board Audit Committee. Mr. Hoque joined Bangladesh Civil Service (BCS) Administrative Cadre in 1986 and was posted as Assistant Commissioner with magistracy in Netrokona District Collectorate. Apart from his long and diverse experience in field administration, he has served in various capacities in different Ministries and Constitutional Offices i.e. Ministry of Public Administration, Office of the President of Bangladesh, Prime Minister's Office, Bangladesh Parliament Secretariat and Bangladesh Public Service Commission. He is presently working as Additional Secretary in the Ministry of Industries.

Other Interests:

Director: Chittagong Dry Dock Limited
Institute of Cost and Management Accountants of Bangladesh (ICMAB)
Sanofi Bangladesh Limited

Qualifications:

Master's in Bangla Literature from Dhaka University;
Diploma in Software Application under joint collaboration of City & Guild, London and BIAM.
Balanced Scorecard Professional (BSP) by the Balanced Scorecard Institute in conjunction with George Washington University College of Professional Studies

Age: 58 years



Salahuddin Mahmud

Director, Nominated by GoB

Mr. Salahuddin Mahmud Hoque has been appointed as Director in the Board of IPDC representing the Government of Bangladesh. He is also a member of the Board Audit Committee. Mr. Mahmud joined Bangladesh Civil Service (BCS) Administrative Cadre in 1986. Since his appointment, he has served in various capacities in different Ministries and Constitutional Offices. He served as Director General of Export Promotion Bureau, BARD Comilla, Department of Narcotics Control. Presently he is working as Additional Secretary of Ministry of Industries.

Other Interests:

Director: SME Foundation
Reckitt and Benckiser Bangladesh Ltd.

Qualifications:

B.Sc (Hons) from University of Dhaka
M.S.S. (IR) from University of Dhaka

Age: 57 years

** Mr. Salahuddin Mahmud replaced Mr. Md. Enamul Hoque on February 10, 2019 as the Director, Nominated by GoB.*



Tushar Bhowmik

Director, Nominated by BRAC

Mr. Tushar Bhowmik is a member of Board Executive Committee of IPDC. He is also the Finance Director of BRAC Bangladesh. He also serves on the boards of edotco (BD) Co. Limited., BRAC Services Limited and BRAC Industries Limited. Tushar Bhowmik, an accomplished finance professional with over 20 years of progressive experience in Strategic Leadership, Financial Administration, Corporate Governance, Risk Management and Internal Control in the corporate arena of Bangladesh and UK.

Prior to joining BRAC, Mr. Bhowmik worked as the Regional Finance Director of Avery Dennison, South Asia. He served Functional Head role in reputed local and multinational companies, like Zuellig Pharma Bangladesh and Rahimafrooz Storage Power Division and worked with Reckittbenckiser, UK and Bangladesh.

Other Interests:

Director: BRAC EPL Stock Brokerage Limited

Qualifications:

M.Com (Accounting, University of Dhaka)
FCA, Institute of Chartered Accountants of Bangladesh (ICAB)

Age: 52 years



Mominul Islam

Managing Director, Ex Officio

Mr. Islam is holding the position of Managing Director & CEO since January 2012. Prior to that he was the Deputy Managing Director of the Company from July 2008 to December 2011. Mr. Islam joined IPDC in the year 2006 as Head of Operations. During his tenure at IPDC, he has played pivotal role in reshaping the organization through strategic planning, rebranding, organizational restructuring, automation, process reengineering, control and compliance, service quality etc.

Prior to joining IPDC he worked in American Express Bank (AEB) and Standard Chartered Bank (SCB) for more than 7 (seven) years with an enriching career in different areas of the Banks e.g. General Banking, Reengineering, Service Quality, Risk Management, Project Management, Business Contingency Planning etc. During his tenure at AEB he went through the Six Sigma Black Belt training at Brighton, UK and managed several Six Sigma projects for AEB Bangladesh, Singapore, UK, Hong Kong, India and USA.

Other Interests: Nil

Qualifications:

MS in Economics from North South University
BBA from IBA, University of Dhaka.

Age: 42 years



Management Committee left to right:

Benozeer Ahmed | Md. Ezazul Islam | Shah Wareef Hossain | Ashique Hossain | Nawed Wahed Asif | Mahzabin Ferdous

Mominul Islam | Samiul Hashim | Rizwan Dawood Shams | Sharmeen F. Annie | Md. Kyser Hamid

PROFILE OF THE MANAGEMENT COMMITTEE



Mominul Islam

Managing Director & CEO

Expertise:

Strategic Planning, Business Transformation, Operational Excellence, Customer Experience Management, Innovation and Sustainability Management and Fintech.

Years of Experience: 20

Educational Background:

MS in Economics, North South University
BBA, IBA, University of Dhaka

Rizwan D. Shams

DMD & Head of Business Finance

Expertise:

Corporate Business Development, Strategic Business Planning, Relationship Management, Special Asset Management and Risk management.

Years of Experience: 16

Educational Background:

MBA, Victoria University of Melbourne, Australia
BBA, North South University



Kyser Hamid

DMD & Head of Retail Business

Expertise:

Retail Management, Sales Management, Risk Management and Strategic planning

Years of Experience: 13

Educational Background:

MBA, North South University
BBA, University of Dhaka



Shah Wareef Hossain

Chief Operating Officer

Expertise:

Strategic Planning, Organizational Restructuring, Automation, Process Reengineering, Control and Compliance and Project Management.

Years of Experience: 17

Educational Background:

Master's in applied finance, Monash University (Melbourne)
MBA from IBA, University of Dhaka
BSC in Engineering, IIT (Delhi)

Sharmeen F. Annie

Chief Human Resources Officer

Expertise:

HR Planning & Strategy, Change Management, Staffing & Talent Management, Reward Management, Organizational Development and Organizational Culture.

Years of Experience: 18

Educational Background:

MBA, St. Cloud State University, USA
MSS, University of Dhaka
BSS, University of Dhaka



Benozeer Ahmed, FCMA, CPA (AUS)

Chief Financial Officer

Expertise:

Financial Planning, Budgeting, Corporate Reporting, Corporate Finance and Financial Control.

Years of Experience: 15

Educational Background:

MBA, University of Dhaka
BBA, University of Dhaka



Ashique Hossain

Head of Credit Risk Management

Expertise:

Risk Management, Credit Analysis, Credit Management, Financial Management & Strategic Planning, Market Trends, Deal Mechanics and Structured Finance.

Years of Experience: 15

Educational Background:

MBA, North South University
BSC in Civil Engineering, BUET

Samiul Hashim, Barrister at Law & Advocate (Supreme Court)

Accredited Commercial Mediator by ADR-ODR International
Company Secretary & Head of Legal Affairs

Expertise:

Company and Commercial Matters, Customs & Tax, Securities Law, Property Law, Intellectual Property Laws, Banking and Finance Laws, Foreign Exchange Transactions, Board Secretarial, Corporate matters, Arbitration, Mediation, Negotiation.

Years of Experience: 11

Educational Background:

Bar Professional Training Course (BPTC)
LL.M in International Commercial Law, Northumbria University
LLB(Hons), University of London



Mahzabin Ferdous

Head of Corporate Communication

Expertise:

Go-to-market Management, Brand Marketing Innovation, Result Oriented Integrated Marketing Communications Planning and Execution, Digital Marketing Specialist, Sustainability and CSR

Years of Experience: 11

Educational Background:

BBA, North South University





Md. Ezazul Islam, ACA

Head of Internal Audit & Compliance

Expertise:

Financial Planning and Controlling, Risk Based Internal Audit, Financial Accounting, Heat Map, External Audit, Tax and Vat.

Years of Experience: 10

Educational Background:

MBA, University of Dhaka
BBA, University of Dhaka

Nawed Wahed Asif

Head of Treasury

Expertise:

Treasury, Business Performance Management, Corporate Finance, Credit Risk Analysis, Financial Portfolio Management.

Years of Experience: 17

Educational Background:

MBA, IBA, University of Dhaka
BBA, IBA, University of Dhaka



Founding Shareholders



Current Shareholders (as of 31 December 2018)



General Shareholder

Beginning of a Journey
Fearlessly



GOVERNANCE AND RISK MANAGEMENT GUIDING PRINCIPLES

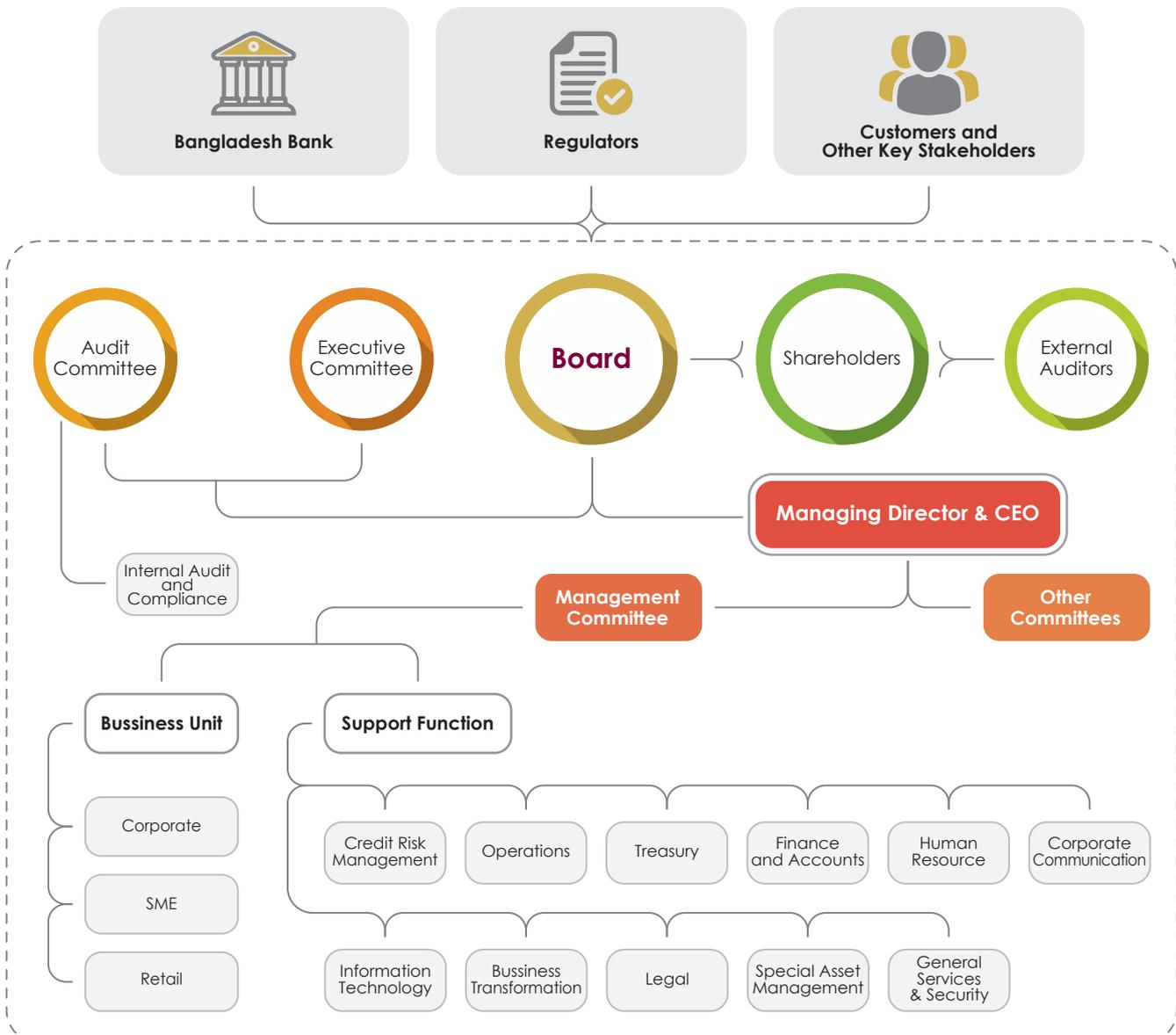
Corporate Governance Statement

Corporate governance is the system by which companies are directed and controlled. The Boards of Directors are responsible for the overall corporate governance. IPDC believes compliance to be one of its key priorities and is continuously working to strengthen and improvement of its corporate governance with the aim to have sustainable growth, transparency, accountability, development of corporate values and to meet the expectation of shareholders, customers, regulators and other key stakeholders.

IPDC follows the Corporate Governance Code issued by Bangladesh Securities and Exchange Commission (BSEC) and other instructions, circulars, policies and guidelines issued by Bangladesh Bank, Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and other regulatory authorities. Our compliance with the corporate governance code has been certified by an external auditor.

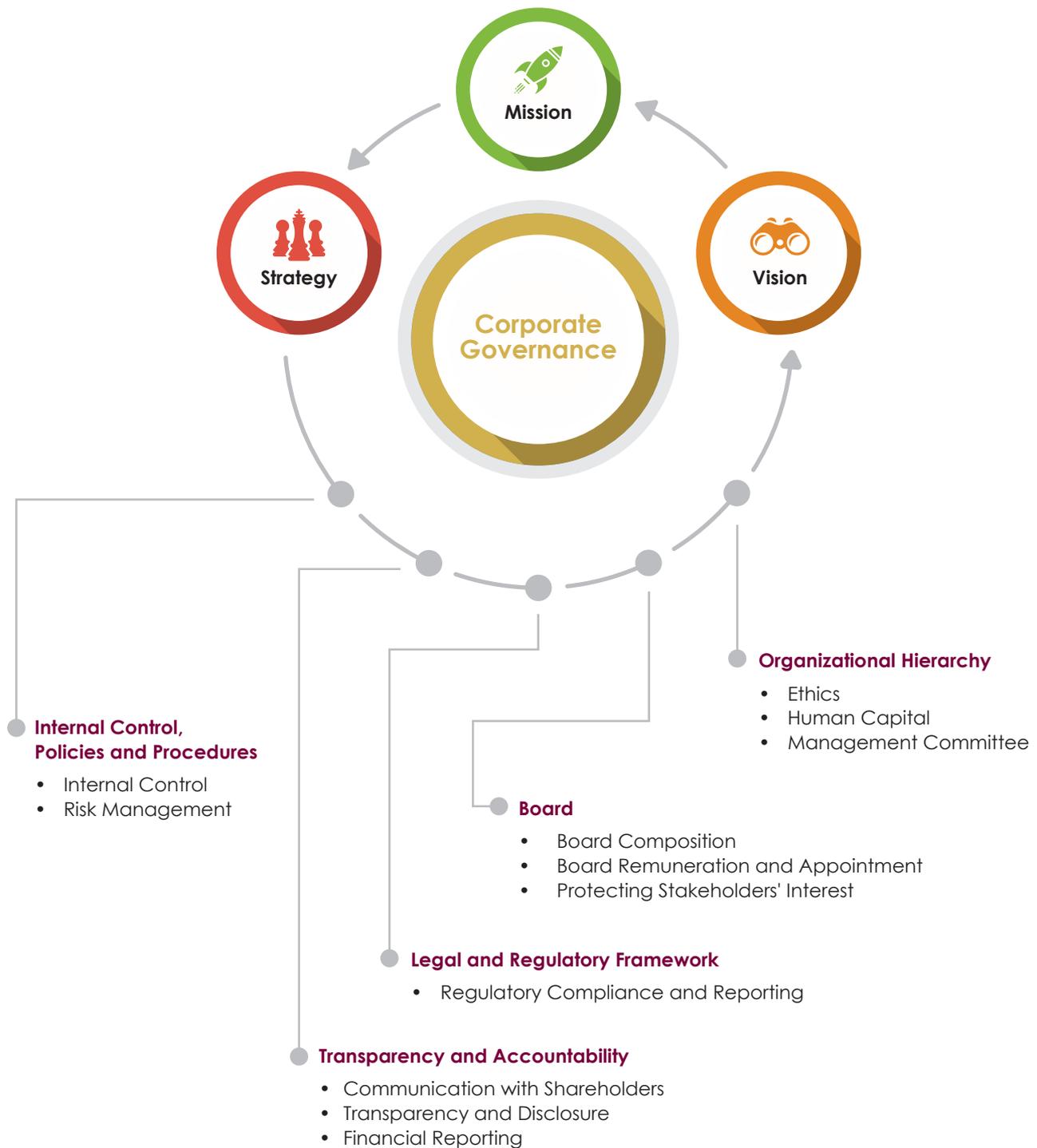
The purpose of the Corporate Governance Report is to provide an overview of the various activities relating to corporate governance.

Corporate Governance Structure



Corporate Governance Framework

IPDC's corporate governance framework is based on the principles of accountability, transparency, ethical management and fairness. A philosophy of sound governance is entrenched across the business. The directors recognize that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term equity performance.



The Board

The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for IPDC and supervises executive management. It also ensures that good corporate governance policies and practices are implemented within the company. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. The Board of Director of IPDC comprises of members from diverse professional and educational background having knowledge and experience in Finance, Accounting, Economics, Medical, Law, Business Studies, Business Administration amongst others. The short biographies of the board of directors is set out in the Profile of the Board of Directors section of this annual report.

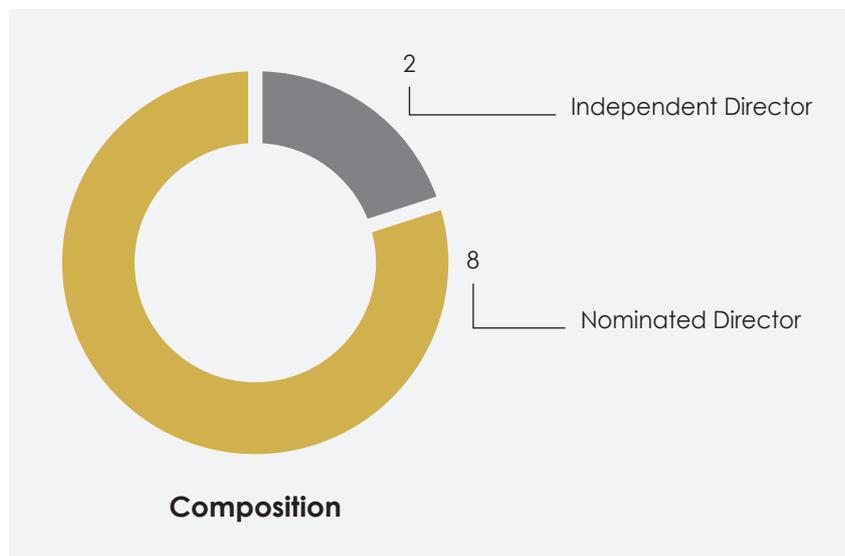
Board Composition

The Board is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. It provides leadership through oversight, review and by providing guidance whilst setting the strategic direction of the Company. The Board members collectively bring a wide range of depth of experiences and industry expertise to the table, representing diversity of age, nationality, skills and knowledge. It includes experiences in the areas of strategic planning, accounting and finance, sales and marketing, and business management in the industries that are relevant to the Company.

Name of Director	Board of Directors	Executive Committee	Audit Committee
Dr. Muhammad Musa	Chairman, Nominated by BRAC	-	-
Amin H. Manekia	Vice Chairman, Nominated by AKFED	-	Member
Salahdin Irshad Imam	Independent Director	-	Chairman
Sameer Ahmad	Director, Nominated by RSA Capital	Chairman	-
A Gaffar Khan	Director, Nominated by GoB	Member	-
Shameran Abed	Director, Nominated by AAF	Member	-
Tamara Hasan Abed	Director, Nominated by BRAC	-	Member
Md. Enamul Hoque*	Director, Nominated by GoB	-	Member
Nasreen Sattar	Independent Director	Member	Member
Tushar Bhowmick	Director, Nominated by BRAC	Member	-
Mominul Islam	Managing Director, Ex Officio	Member	-

* Replaced by Mr. Salahuddin Mahmud on 10 February 2019

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Responsibilities of the Board of Directors

The board has overall responsibility for the Organization. The responsibilities of the board of Directors include:

- Setting overall strategic direction of the company
- Review and approval of business strategy
- Review and approval of budget
- Review of performance against financial and strategic objectives
- Approval of internal policies and guidelines
- Approval of financial statements
- Understanding risk and setting risk appetite
- Ensuring good governance
- Appointment of Managing Director & CEO and fixation of benefits



Appointment of Directors

In relation to the selection and appointment of new Directors, the existing Board of Directors possesses the following duties and responsibilities:

- Regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;
- Identify any competencies not adequately represented and agree to the process to be assured that a candidate nominated by the shareholders with those competencies is selected;
- The Directors are appointed by the shareholders in the Annual General Meeting (AGM). Casual vacancies, if any, are filled by the Board in accordance with the stipulations of the Companies Act, 1994, and the Articles of Association of IPDC;
- Any change in the members of the Board requires intimation to the Bangladesh Bank, all scheduled Banks and Financial Institutions (FIs), Bangladesh Securities and Exchange Commission (BSEC) and the stock exchanges.

Knowledge and Expertise of Directors



IPDC's Board of Directors having a wide variety of knowledge and experience in various sectors. This ensures that together, they formulate the right policy for the development of the business while having the specialized skills and the ability to foresee developments across a larger perspective and with enough independence to audit the management in a balanced manner.

Name of Director	Qualification
Dr. Muhammad Musa	Medical, Public Health and Development Studies
Amin H. Manekia	Marketing, Finance, Commerce and Economics
Salahdin Irshad Imam	Social Studies and Business Studies
Sameer Ahmad	Political Science and Economics
A Gaffar Khan	Arts and Social Science
Shameran Abed	Law and Economics
Tamara Hasan Abed	Economics, Social Science and Finance
Md. Enamul Hoque	Arts, Information Technology and Management
Nasreen Sattar	Social Science and Arts
Mr. Tushar Bhowmick	Accounting
Mominul Islam	Business Administration and Economics

Training of the Board of Directors

To aid the Board of Directors in performing its role and responsibilities, it is essential that they get sufficient and appropriate training. IPDC organizes training for the members of the Board as and when required which is approved by the Board or Sub-Committees of the Board as applicable.

Appraisal of Performance of the Board

IPDC does not have an annual appraisal system of the board's performance. However, an evaluation of the Board is performed through self-assessment and by the shareholders at the Annual General Meeting (AGM). The management reports, quarterly financial statements and implementation status of boards' directives provides a basis against which the Board can assess its own performance. The directors are elected by the shareholders in the AGM and the shareholders at the AGM can comment on the performance of the Board against which the Board can take steps to enhance its performance.

Board Meeting Frequency and Members' Participation

In compliance with Bangladesh Bank's directive, the meeting of the Board of Directors is normally held at the registered Corporate Head Office of the Company. The meetings are held frequently, at least once a month, to help the Board discharge its responsibilities and functions. The meetings are scheduled in advance and the notice of each Board meeting is given in writing to each Director by the Company Secretary. Detail can be found in Directors' Report.

Adequate Representation of Non-Executive Directors

Number of Non-Executive Directors:

10

IPDC's Board comprises ten (10) Non-Executive Directors (NEDs) including two (2) Independent Directors. All the Non-Executive Directors are nominated by their respective institution's shareholders except for the Independent Directors. All the Directors bring forth independent judgment and considerable knowledge to perform their roles effectively.

Adequate Representation of Independent Directors

Number of Independent Directors:

2

Bangladesh Securities and Exchange Commission (BSEC), Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018, at least one-fifth of the total directors

of the Board shall be Independent Directors. Thus, in compliance with the guideline, two (2) Directors out of the total ten (10) Directors are independent, having no share or interest in IPDC. Independence of the respective Independent Directors is confirmed during selection and appointment of the Directors and they remain committed to continue with such independence throughout their tenure.

Independence of Non-Executive Directors

The NEDs do not have executive responsibility of running day-to-day affairs of the company; neither they put undue influence in taking operating decision of the company.

Chairman

Role of the Chairman

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

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

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

Responsibilities of the Chairman

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

- ensure effective operations of the Board and its committees in conformance with the highest standards of corporate governance

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

Separation of Duties between CEO and Chairman

The Chairman of the Board is not the Chief Executive of the Company and are independent of each other, and their roles are autonomous and separate, in accordance with the DFIM Circular No. 07, dated 25.09.2007.

Managing Director

Role and Responsibilities of the Managing Director

The main duties and responsibilities and authorities of the Managing Directors are as follows:

- Perform duty as delegated by the board.
- Business planning and achieving targets set by the board through execution of business plan
- Ensure compliance with Financial Institutions Act, 1993 and related guidelines and circulars
- Appointment and appraisal of all the employees

Appointment of Managing Director

The Managing Director & CEO is appointed by the Board subject to the consent of the shareholders in the Annual General Meeting (AGM) and approval of Bangladesh Bank;

Annual Evaluation of the CEO by the Board

The Board of Directors evaluates the Managing Director and CEO based on the goals set for him considering the company vision and mission at the beginning of each year. The Board does the performance assessment of CEO annually based on the specific targets as set forth in

Annual Budget and long-term strategic goals. The annual financial budget and other job objectives are discussed, reviewed and finalized by the Board at the start of each fiscal year. The Board considers both financial and non-financial goals in both short term and long term while setting targets and doing the performance assessment.

Company Secretary

The Company Secretary of the Company, who is also the Head of Legal Affairs, has day-to-day knowledge of the Company's affairs. Company Secretary reports to the Board of Directors and is responsible for providing advice on governance matters. The Company Secretary's biography is set out in the Profile of the Management Committee section of this annual report.

Role of Company Secretary

In compliance with the Corporate Governance guidelines, the Company Secretary has defined roles and responsibilities approved by the Board.

The Company Secretary acts as a mediator between the Company, its Board of Directors, stakeholders, the government and regulatory authorities. He has expertise in corporate laws, capital markets, security laws and corporate governance. He also keeps close review of all legislative, regulatory and corporate governance developments that might affect the Company's operations and ensure that the Board is fully briefed on these and that it has regard to them when taking decisions.

The Company Secretary ensures that the best management practices and work ethics are embraced to create value for the Company. He ensures that the concept of stakeholders is in the Board's mind when important and business decisions are being taken, co-ordinates the policies of the Company, fulfills the management function and provides guidance on strategic decisions for the improvement and growth of the Company.

Access of Head of Audit to the Audit Committee

The Head of Internal Audit and Compliance has the direct access to the Audit Committee.

Compliance with Corporate Governance Regulation by Bangladesh Bank and Bangladesh Security and Exchange Commission

In compliance with the conditions of the Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) vide their notification no. BSEC/2006-158/207/Admin/80 dated June 3, 2018, S. F. Ahmed & Co. examined the compliance with the said conditions of Corporate Governance and certified that

IPDC Finance Limited has complied with the conditions of Corporate Governance stipulated in the above mentioned BSEC's notification. The company also provides the compliance checklist as required by Bangladesh Bank. The details can be found in the Annexure to the Directors' Report.

Establishing Effective Anti-Fraud Programs and Controls

In recent times, the Company has come to identify the risk of fraud as one of the emerging issues in the overall risk management framework. Planned anti-fraud initiatives include the introduction of a whistleblower mechanism. A whistleblower policy has already been formulated and placed before the senior management for review and approval. Additionally, emphasis is placed on strengthening existing processes or activity levels and anti-fraud controls are embedded within the overall system of internal controls.

Communications to Shareholders and Stakeholders

It is the company's policy that all external communication by the Company will:

- be factual and subject to internal vetting and authorization
- not omit material information
- share information in a timely, clear and objective manner

IPDC strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives.

Communication through AGM

All shareholders have the right to attend the Annual General Meeting (AGM) where they can meet and communicate with the Directors and express their views regarding the Company's business, prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or, if they are unable to attend, to appoint proxies.

Process of Communicating the Schedule

Send all notices of the Annual General Meeting (AGM)/ Extraordinary General Meeting (EGM) to the Exchange and simultaneously to the shareholders at least 14 days prior to AGM and 21 days prior to EGM.

Copies of the Annual Report to the shareholders are also sent as least 14 days before the Annual General Meeting. Notice of the AGM is sent to the Dhaka Stock Exchange (DSE), Bangladesh Securities and Exchange Commission (BSEC), online newspaper and print media. The notice of

the AGM is also made available on the company website.
Communication through Website

The Company's website (www.ipdcbd.com) displays, the annual reports, half-yearly reports, quarterly reports, product offerings, recent announcements, presentations and event updates. Price Sensitive Information (PSI) are made publicly available as required by the Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Limited (DSE) and the Chittagong Stock Exchange Limited (CSE) and the Bangladesh Bank. In addition to ensuring timely compliance, this also enables dissemination of information to all stakeholders and the public through print and online media.

Communication through Quarterly Financial Statements

The quarterly performance of IPDC is communicated through the quarterly financial statements and in addition to being issued on the website it is also issued in two widely circulated national dailies one in English and another in Bengal.

Remuneration Committee, Nomination Committee and Risk Management Committee

As per the Corporate Governance Code issued by BSEC, a company needs to form a Nomination and Remuneration Committee (NRC). However, as per the Central Bank's regulation, no NBFI can form any Board Subcommittee other than Executive Committee and Audit Committee. Additionally, IPDC has obtained a clarification from Bangladesh Bank and confirmed that IPDC does not need to form a Nomination and Remuneration Committee (NRC).

Remuneration of Directors and Senior Managers

Directors are not entitled to any remuneration other than attending the meeting of the Board and its committees. Bangladesh Bank vide its DFIM Circular No.13 dated November 30, 2015, fixed the maximum remuneration limit to BDT 8,000 per attendance, The Board of IPDC complies with the regulation.

Managing Director's remuneration is recommended by the Board of Directors and approved by the Central Bank. Remuneration for senior executives is competitive and based on market to attract, motivate and retain skilled and competent employees. The total remuneration package of senior executives comprises basic pay, car benefits, allowances, performance bonus, retirement benefits (Gratuity and Provident Fund) and other benefits as per company's policies.

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors of IPDC Finance Limited takes great pleasure to welcome you to the 37th Annual General Meeting of the Company.

On behalf of the Board of Directors, I am presenting the Directors' Report on the operational and financial activities of your Company together with the Audited Financial Statements for the year ended 31 December 2018 which also includes reports on business and strategy review, risk management, corporate governance, internal control system, financial and operational highlights for your valued consideration, approval and adoption. This report has been prepared in compliance with Section 184 of the Companies Act 1994, Financial Institutions Act 1993 and the guidelines issued by Bangladesh Securities and Exchange Commission (BSEC), Bangladesh Bank and other regulatory authorities.

The year 2018 has been a challenging year for the financial industry which saw its ups and downs throughout the period due to tight liquidity situation and increasing trend of classified loans combined with initiatives to reduce interest rates. Defying many odds, the company once again outperformed the industry and logged impressive growth in both balance sheet and profitability while keeping classified loan ratio in check and liquidity position intact.

While your company continues to grow, the Board remains extremely focused on ensuring that we have high compliance standard and effective corporate governance, risk management framework and internal control systems in place which are essential for the long-term sustainability of the business.

Key Performance Highlights

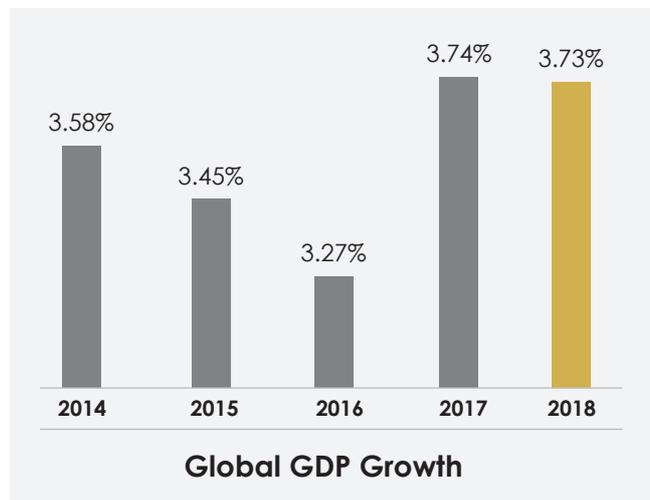
The Company reported a strong performance in 2018 with total Balance Sheet growing by 28.6% from BDT 39,289 million in 2017 to BDT 50,511 million in 2018, Loans and Advances increasing by 28.6%, Deposits rising by 24.6%. On profitability front, Revenue increased by 50.5%, Operating Profit by 66.9% and Net Profit by 34.2% during the year. Classified Loan Ratio increased to 2.14% in 2018 from 0.62% in 2017. Despite classified loan ratio remaining relatively low throughout the year, the ratio jumped significantly at the end of the year 2018 due to few large loan accounts becoming classified. Capital adequacy ratio stood at 14.01% in 2018 against the minimum regulatory requirement of 10.00%.

BDT mn, %



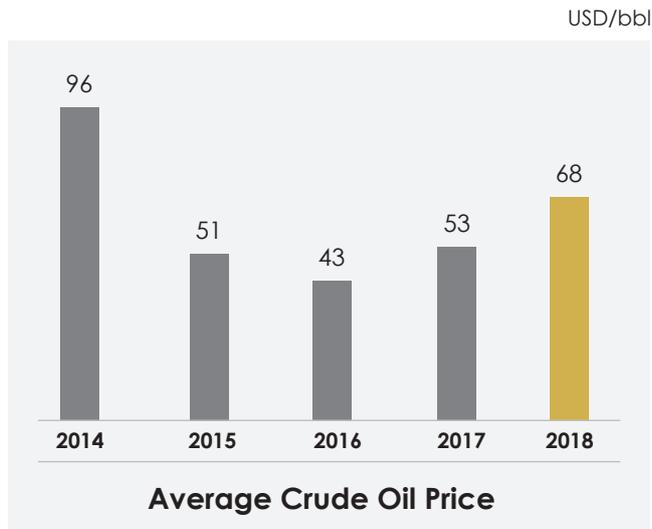
Global Economic Review

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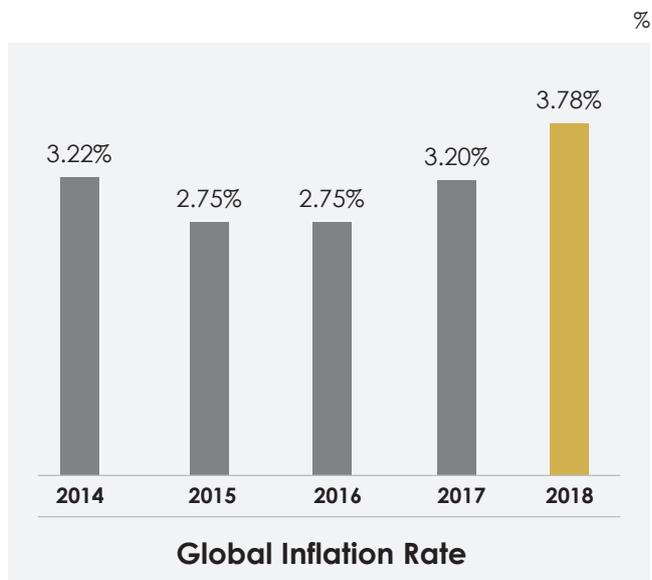


The global economy continued to make strong recovery with GDP growing by 3.73% in 2018 compared to 3.74% in 2017. The growth, as per IMF's recent forecast, is expected to decline during 2019-20 due to the impact of geopolitical tensions, Brexit development, tighter financial condition and increasing oil price. In addition, ongoing trade war between the United States and China can potentially damage the growth prospect of the global economy.

However, China stayed fortified due to relieved monetary policy and ongoing economic reforms. Despite tightened financial conditions, most of the emerging economies remained buoyant, which continued to drive the growth of the global economy.



The falling trend of crude oil price rebounded in 2018 with price shooting up to USD 76 at one point of time in 2018 due to disruption in oil production in Venezuela and renewed US sanctions on Iran; the price subsequently fell-down following the decision by the oil exporters to increase oil production. As a result, the average price settled at USD 68 per barrel in 2018 compared to USD 53 in 2017. This led to an increase in production costs and commodity prices, causing inflation to move up to 3.78% in 2018 from 3.20% in 2017 and the inflationary pressure is expected to sustain in 2019.



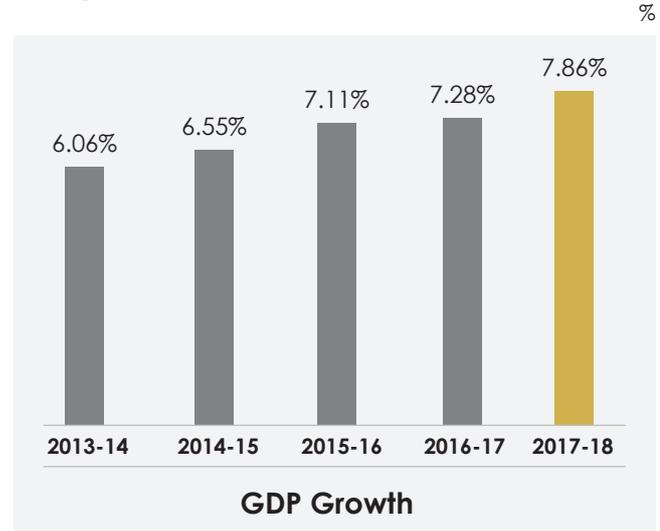
While the world economy continues its recovery journey, the prospect of 2019 and beyond is again under serious pressure with the development of some geopolitical events which may dampen cross-border investment and world's trade volume, put inflationary pressure, spur instability in financial markets and volatility in exchange rates and commodity prices.

Regional Economy Review

Asian economies continue to be the major driver of the world's GDP growth. It is expected that the average GDP growth in Emerging Asian Economies will be 6.1% during 2019 to 2023. GDP in Southeast Asia is forecasted to grow by 5.2% during 2019 to 2023, China to grow by 5.9% and India by 7.3% in the same period.

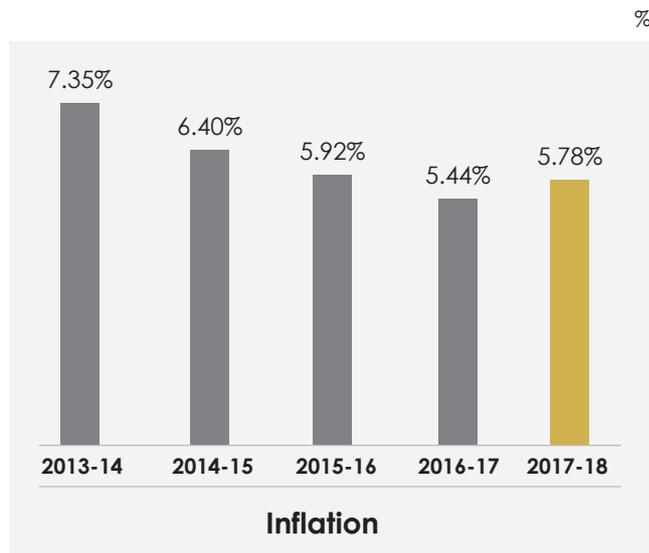
Private consumption remains strong in the South Asian region supported by stability in the labor market, growing purchasing power and emergence of middle-class population. The momentum is expected to continue in the coming years. However, there are many challenges facing the region which includes inadequate infrastructure, insufficient supply of energy and power, lack of skilled and educated manpower, income disparity, slower adoption of newer technologies, inadequate framework for managing market risks and combating cybersecurity crimes and slower progress in social aspects of development.

Bangladesh Economy Review

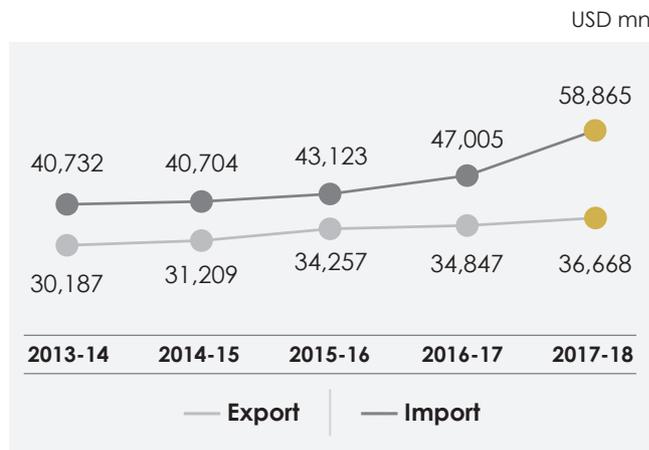


The resilience of Bangladesh economy against any external shocks and volatility has been proven over the years with GDP growth rate staying consistently above 6.0% over the last consecutive seven years. The economy continued to remain buoyant and outperform many of its neighboring countries by logging a GDP growth rate of 7.86% in FY2017-18, the highest ever for the country. This

rapid growth was driven by boost in the manufacturing and construction sector supported by strong domestic and public investments and recovery pick-up in ready-made garment (RMG) exports. In addition, strong private sector credit growth together with a rebound in remittance inflows helped boost aggregate demand of the economy. Additionally, agriculture sector also witnessed strong growth as no major natural disaster hit the country during the last fiscal year.

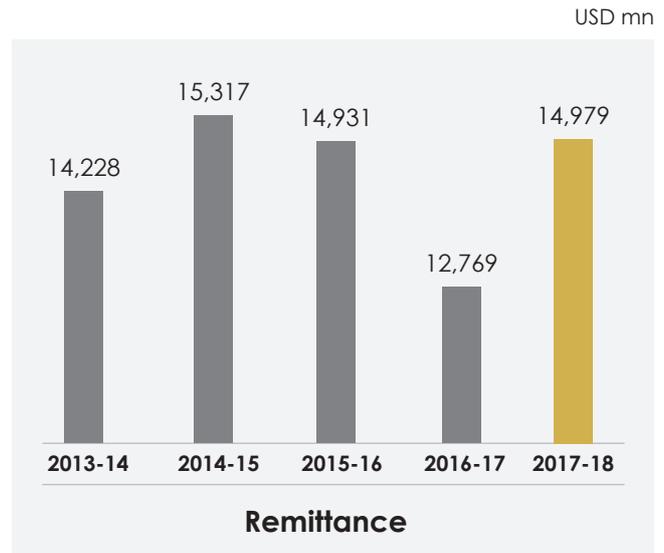


Although inflation has been showing a downward trend till FY2016-17, inflation in FY2017-18 increased to 5.78% from 5.44% in FY2016-17 mainly due to increase in food inflation. However, rates still remains within tolerable limit.

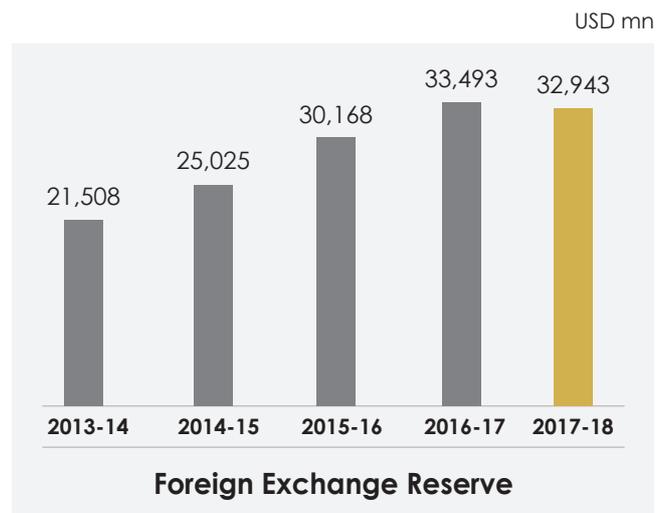


Exports saw a modest growth of 5.3% and stands at USD 36,668 million in FY2017-18. Despite exports not meeting the target for FY2017-18, the growth in the RMG sector exceeded the sectoral target of 7.1% and grew by 8.8% in FY2017-18, representing 83.4% of the total export pie. However, Non-RMG export declined by 9.5% causing an overall strain on the total export. In contrast, import increased by 25.2% to USD 58,865 million in FY2017-18 against USD 47,005 in FY2016-17, which is largely driven by increase in import of consumer goods and capital machinery.

Current account deficit widened as imports outpaced exports. Balance of payment stood at a deficit of USD 885 million in FY2017-18 against a surplus of USD 3.25 billion in FY 2016-17. However, the current account deficit is expected to narrow-down in the future with export growing at a steeper rate than import.



Inward remittance grew by 17.3% to USD 14,979 million in FY2017-18, after two consecutive years of decline. Remittance recovery was combinedly driven by the increased number of Bangladeshi workers working abroad, increase in minimum wage rate in Saudi Arabia, depreciation of taka against USD and initiatives to encourage foreign workers to transfer money through formal channel. Remittance from Gulf countries accounted for around 56.0% of the total pie. Foreign Direct Investment (FDI) increased by 5.1% to USD 2,580 million in FY2017-18 from USD 2,455 million in FY2016-17.



Although the significant increase in current account deficit has put a strain on the foreign exchange rate and reserves, increasing inward remittance as well as stable FDI inflow helped to keep the foreign exchange reserves at a healthy level of USD 32,943 million.

Capital Market Review



DSE Index (DSEX) went through significant volatility during the year 2018 which drifted up and down and finally closed the year at 5,386 points at the end of 2018, down by 13.8% from 6,245 in 2017.



Similarly, market capitalization decreased by 8.4% to BDT 3,873 billion at the end of 2018 from BDT 4,229 billion in 2017.

Non-banking Financial Sector Review

The total assets of the non-banking financial institution sector stood at BDT 882 billion in September 2018, an increase of 8.8%, from BDT 810 billion in September 2017. Loans and advances stood at BDT 640 billion, an increase by 7.9% on year-on-year (YoY) basis whereas YoY growth in previous period was 16.0%. Similarly, deposits stood at BDT 493 billion an increase by 10.0% on YoY basis and growth in the previous year was 23.7%. The weaker growth in loans and deposits during the current period was mainly due to the tight liquidity condition which prevailed during the first half of the year 2018. As a result, cost of fund increased to 9.9% in September 2018 from 8.3% in September 2017. Consequently, spread fell to 2.9% at the end of September 2018 from 3.2% in September 2017. Sustained pressure on banks and financial institutions for reducing Interest Rate could further narrow-down the spread in future.

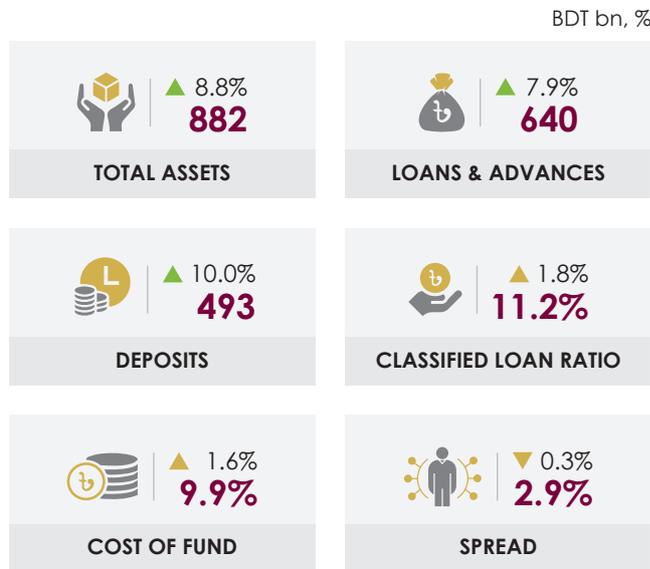
Industry Loans and advances constituted 72.6% of total assets, where deposits formed 55.9% of the total liabilities as of September 2018. Total classified loan stood at BDT 75 billion leading to a classified loan ratio climbing up to 11.2% as of September 2018. The classified loan ratio during September 2017 and December 2017 stood at 9.4% and 7.3% respectively.

In recent times industry Capital Adequacy Ratio (CAR) deteriorated and fell from 13.5% in December 2017 to 12.4% in September 2018. However, CAR continues to remain above the minimum requirement of 10.0%. Reduction in CAR is the result of increasing amount of classified loans and advances along with the increase in Risk Weighted Assets (RWA) associated with credit risk. Credit risk remains one of the most major concerns in the financial sector, but the sector remains resilient to other market and liquidity risks.

Bangladesh Bank took several measures to restore stability in the financial sector such as reduction in Advance Deposit Ratio (AD Ratio) of banks, re-fixation of cash reserve ratio (CRR), exemption of provision against certain off-balance sheet items and rationalization of deposit and lending rates to reduce interest rate spread.

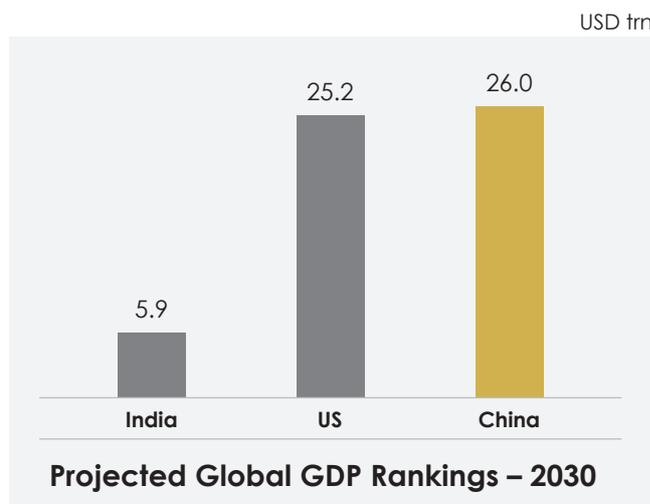
On funding site, deposit mobilization could be a major challenge with more industry players coming into the market and Government increasing its borrowing through banking system as well as national savings certificates. Unless Banks and NBFIs manage spread and find ways to arrest the classified loan trend, managing bottom line could be a major hurdle. With the expectation that investment climate would improve in 2019, financial industry would regain its momentum.

Key Industry Numbers



Note: Data as on 30 Sep 2018 as subsequent data are not publicly available.

Economy and Industry Outlook

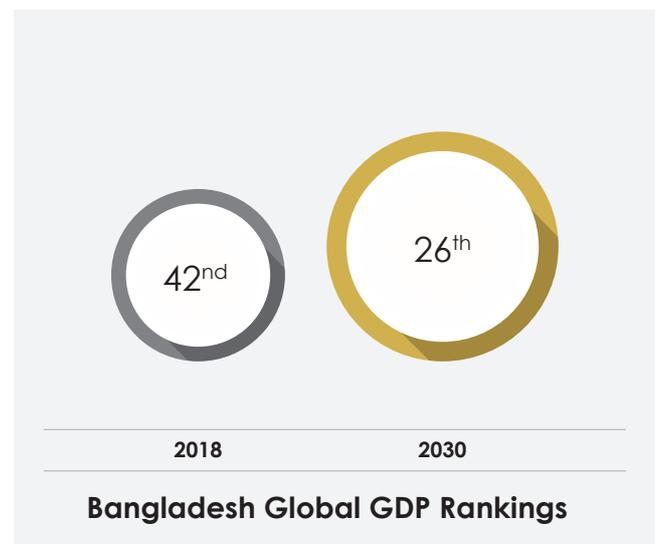


Global GDP growth rate of around 3.0% per annum is likely to sustain till 2030. It is estimated that the global GDP would increase by 40% in 2030 from the base year 2017 with 70% of the growth coming from current emerging countries, according to HSBC. China is expected to continue to be largest contributor to this growth with annual gross GDP reaching USD 26.0 trillion, followed by the United States (USD 25.2 trillion) in second position and India (USD 5.9 trillion) in the third position.

Bangladesh's economic development has been remarkable from the perspective of GDP growth rate. However, the economy has the potential to grow even at a faster pace in the coming years to emerge as a major

player in the world economy in 10-15 years. The year 2019 is expected to be a turning point for Bangladesh in many ways as the country prepares to graduate from the least-developed nation to a middle-income country. This transformation will be aided by the significant infrastructure investment, including but not limited to, Dhaka-Chattogram highway, construction of deep-sea port, Dhaka power grid, Padma bridge and railway and Akhaura Sylhet railway, Dhaka mass rapid-transit development projects and so on.

In the short term, GDP growth of Bangladesh in FY2018-19 is forecasted to stay above 7.0% which will be driven by greater public spending in infrastructure and various mega projects, increased private investments, rising exports, inward remittance and buoyant aggregate demand. In 2019, the GDP growth rate of Bangladesh is expected to be around 7.5% lagging behind India at 7.6% but surpassing the growth rate of neighboring countries such as Nepal, Pakistan, Sri Lanka and Bhutan. The growth will mainly be driven by strong increase in private consumption and gross fixed investment.



In the long term, Bangladesh is projected to maintain its high growth level up to 2030 making it as one of the biggest movers in terms of GDP growth, according to a global research conducted by HSBC. It is expected that Bangladesh will move up in rank by 16 places from now to mark itself as the 26th largest economy surpassing Philippines, Pakistan, Vietnam and Malaysia by the end of 2030.

Moody's Investor Service issued a Stable Ba3 rating for Bangladesh. However, a negative outlook was also provided for Bangladesh's banking system due to the deterioration in the portfolio quality. It is expected that credit costs will rise as asset quality will continue to

deteriorate leading to an erosion of profitability in the financial sector. Private sector banks continue to meet higher capital requirement, but state-owned banks may face difficulty in meeting the capital requirement and may require additional capital injection from the Government. However, it is expected that the financial institutions will continue to maintain adequate liquidity and funding due to proactive measures taken by Bangladesh Bank.

Strategy

IPDC aims to seize the opportunities of the growing economy and plans to achieve more than just delivering impressive numbers. Based on the global and Bangladesh economic conjecture, IPDC decided to grow in five strategic fronts. The Company will be taking on the following major strategic initiatives in response to socio-economic trend in the upcoming years.

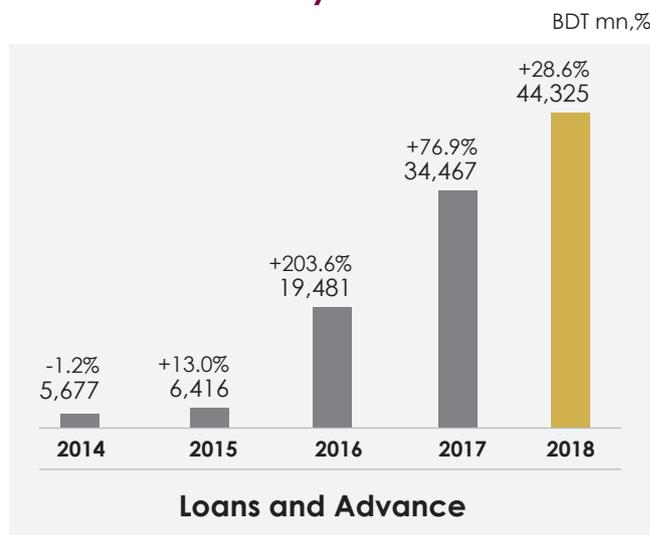
Macroeconomic and Industry Trends	Our Strategic Response
Emergence of Middle and Affluent Consumers (MAC) and improving life-style	Bringing technology-led innovative solutions to facilitate consumer white goods financing business
Increasing literacy rate and participation of women in the economy	Developing products and building entrepreneurial capacity of women
Intense competition in big cities	Expanding business beyond Dhaka and Chittagong
Increasing internet and smartphone penetration	Providing fintech solution to the customers
Increasing young labor force	Promoting SME and women entrepreneurs and bringing state-of-art technology solution in supply chain finance
Gap between demand and supply for mortgage finance	Scaling up mortgage finance targeting low- and middle-income households
Areas of Building Organizational Capabilities	Execution Plan
Brand	Building vibrant brand across the country
Human Resource	Attracting and retaining talents, employer branding and providing rigorous training to our people
Technology	Implement new Core Banking System (CBS), Supply Chain Finance Platform and consumer white goods finance platform
Distribution	Increasing our geographic coverage through branch expansion and strategic tie-ups with various stakeholders
Extraordinary Customer Experience	Simplifying process to reduce Turn Around Time (TAT) and providing technology-led solutions

Key Investors' Ratio

Market Capitalization stood at BDT 8,312 million as on the closing day of December 2018 vis-à-vis BDT 9,108 million in December 2017. Market Value per Share stood at BDT 38.1 as of the closing day of December 2018 (DSE) compared to BDT 41.8 in 2017 (closing price adjusted for stock dividend). EPS at the end of 2018 stood at BDT 2.06 against BDT 1.54 (restated) in 2017. Net asset value (NAV) per share stood at BDT 17.2 against BDT 14.3 in the previous year. Return on Equity (ROE) stood at 13.1% against 11.4% in the previous year. Price earnings ratio decreased to 18.5 times from 32.6 times in the previous year.

Given the proven high growth potential of the company and the minimum regulatory capital requirement, the Board thinks it is prudent to conserve capital, yet deliver higher returns to our shareholders in form cash and stock. Therefore, the Board recommends 15% dividend (8% stock and 7% cash), for the year ended 31 December 2018 for the approval of the shareholders.

Loan Portfolio Analysis



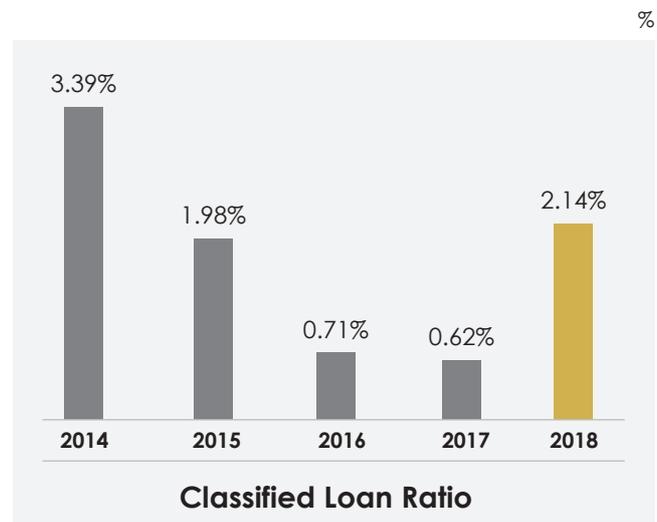
During the year 2018, the Company continued to build on its strengths to gain more market share to position itself as one of the leading financial institution of Bangladesh in the future. Loans and advances grew by 28.6% in 2018 which is a modest figure compared to previous years, but still twice the industry average. However, this was due to a conscious decision to go slow in the volatile marketplace in first half of 2018. As such, 25.6% of the total net growth in Loans and Advances came during first half of 2018 and the majority share (74.4%) of net growth came during second half of 2018. Total Loan disbursement of IPDC Finance Limited for the year 2018 grew by 9.5% compared to 2017.



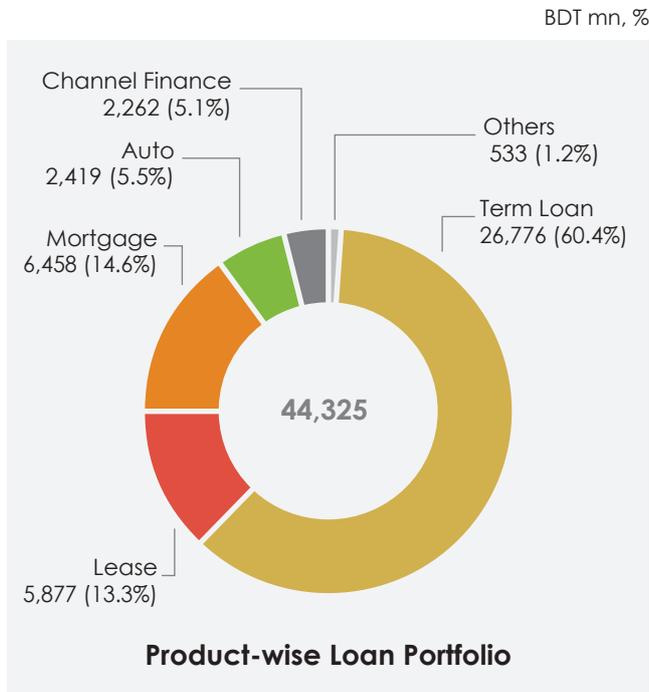
* Market value per share as of closing day of December 2017, has been adjusted for stock dividend

Classified Loan Ratio Analysis

Although classified loan ratio was recorded at 0.62% at the end of 2017, the ratio increased to 2.14% in 2018 due to some loan becoming classified. We hope to bring it down by the first half of 2019. Despite the increase in classified loan, IPDC's classified loan ratio is still much lower than the industry average of around 11% and IPDC remains committed to maintaining and improving the portfolio quality in the future as well.

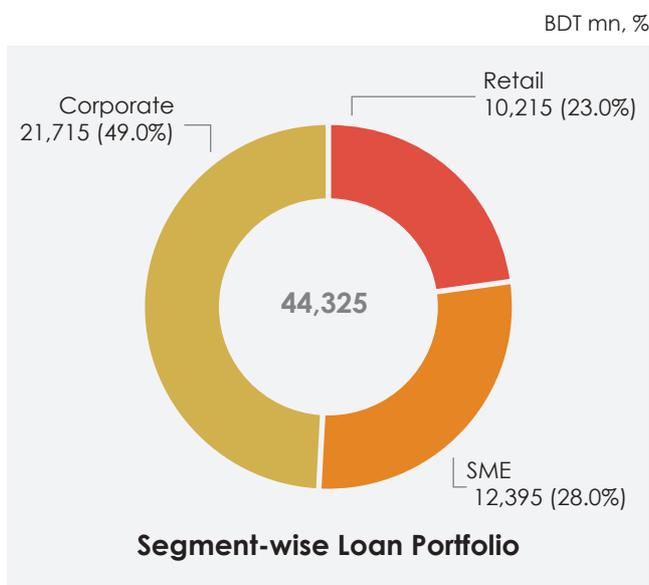


Product-wise Loan Portfolio Analysis



The well diversified portfolio of IPDC includes term loan financing that represents 60.4% of total loans, followed by mortgage financing 14.6%, lease financing 13.3%, auto loan 5.5%, channel financing 5.1% and other forms of financing 1.2%. Despite a weaker investment climate, IPDC ended the year with fresh credit disbursement of BDT 37,972 million in 2018 vis-à-vis BDT 34,681 million in 2017.

Segment-wise Loan Portfolio Analysis



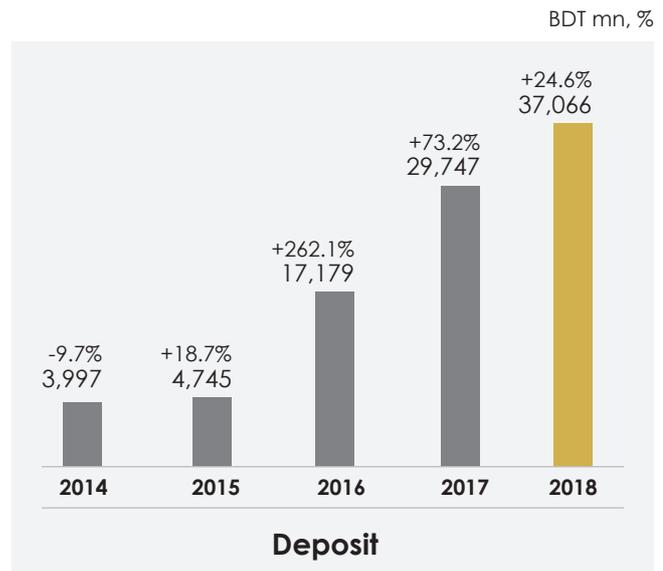
IPDC operates through three major segments: Corporate, Retail and SME.

Corporate portfolio stands at BDT 21,715 million at the end of December 2018 representing 49.0% of the total portfolio and posting a year-on-year (YoY) growth of 13.8%. This is a remarkable achievement considering the market situation with intense competition in this segment. Although contribution of this segment as a percentage of portfolio is expected to decline in future, IPDC will continue to look for quality volume growth in corporate.

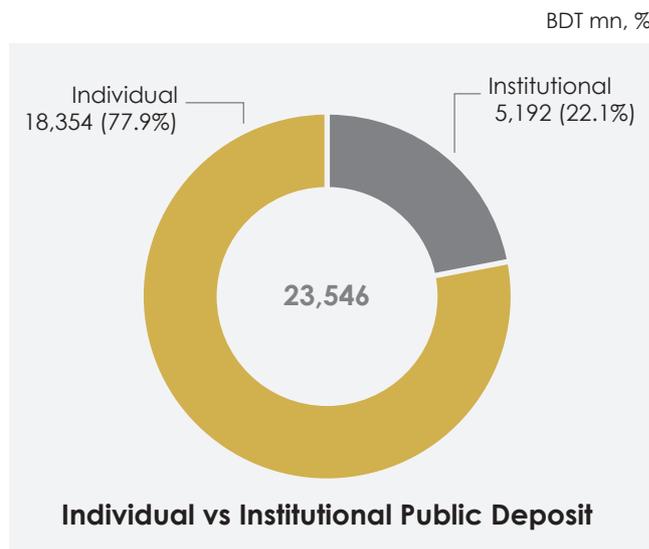
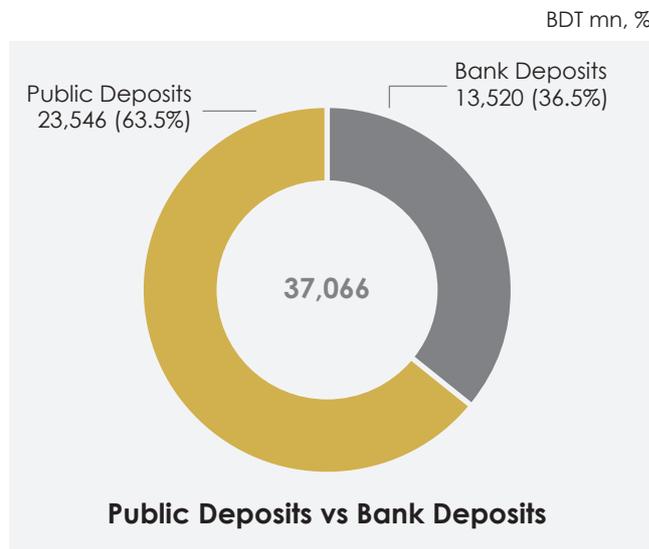
SME portfolio ended with BDT 12,395 million with 28.0% share of the total pie, registering a YoY growth of 47.4%. Being one of the growth drivers of the economy, this segment remains one of the key priority areas for IPDC to drive future growth.

With rising per capita income of the country, Retail segment provides another opportunity space to grow with immense potential in the housing finance specially beyond the established markets in urban areas. With that in mind, we have aligned our Retail strategy, processes and operations. As a result, Mortgage Finance is gradually growing in pace with 53.7% growth over the last year. Affordable Home Loan, one of our flagship products, is starting to get market traction. Retail ended with BDT 10,215 million loan portfolio, taking 23.0% of the total credit portfolio and posting a YoY growth of 46.3%. Further discussion of retail strategy and outlook can be found in the Business Review Section.

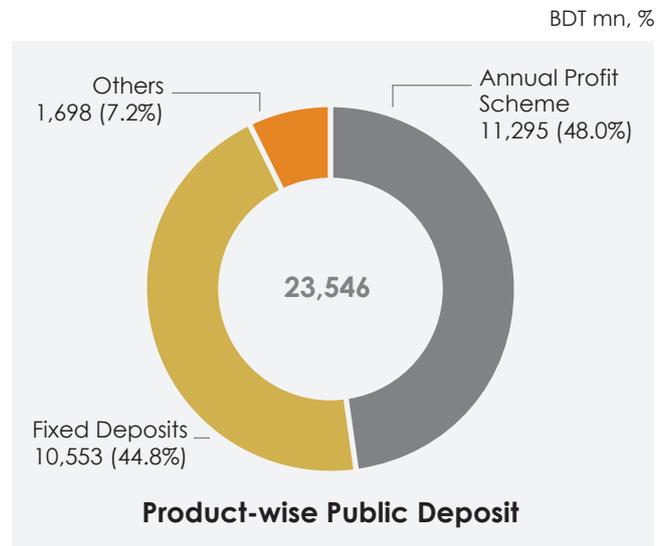
In addition to the product-wise portfolio diversification, the credit portfolio of IPDC is also well spread across different sectors. Product-wise further detail can be found in Business Review and Risk Management section of the Annual Report.



Deposits increased by 24.6% during 2018 and stood at BDT 37,066 million, a growth of 9.3 times from the base year of 2014. This was made possible by the strong efforts by the liability team as well as strong market campaigns. Public deposits (deposits excluding FDR from Banks & NBFIs) take 63.5% of the total share of deposits and amounted to BDT 23,546 million. Number of public deposit accounts stood at 4,748 in 2018 from 2,921 number of accounts in the previous year, up by 1,827 (+62.5%) from the last year. Average ticket size of customer deposits moved from BDT 6 million in 2017 to BDT 5 million in 2018.

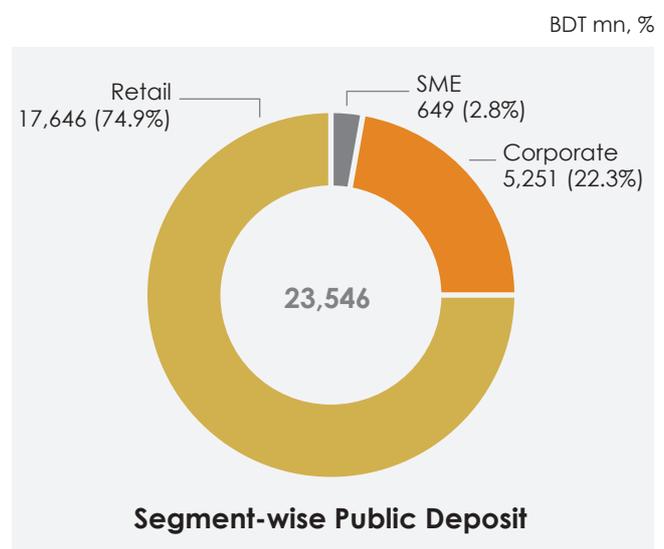


Product-wise Public Deposit Analysis



The company launched some innovative campaigns focusing on deposit mobilization during national events and festivals which helped to shield the company against the adverse liquidity situation that prevailed in the market during first half of 2018. Fixed deposits (BDT 10,553 million) accounted for 44.8% of the total public deposits whereas Annual Profit Scheme (BDT 11,295 million) accounted for 48.0% and other deposits (BDT 1,698 million) accounted for remaining 7.2%.

Segment-wise Public Deposit Analysis



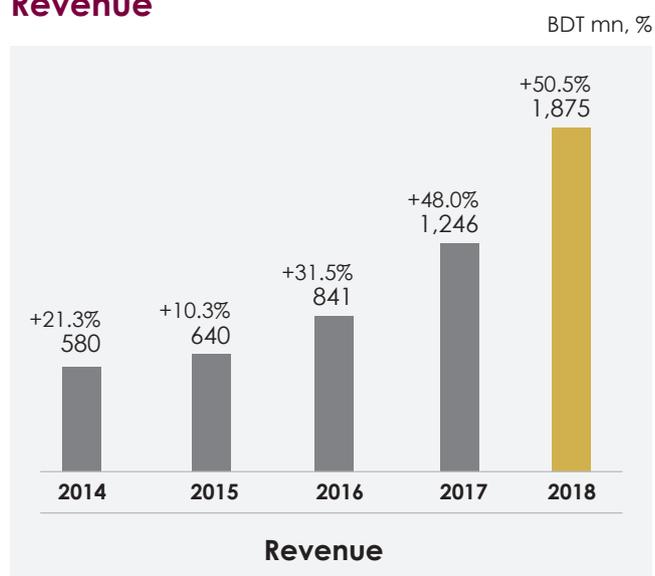
Deposits from Corporate and SME division combinedly took up 25.1% of the total deposits. Average deposit ticket size of Business Finance Division (Corporate and SME) was BDT 7.0 million in 2018. The company's focus will be more on Retail deposits in the future to reduce concentration risks of high-ticket size deposits of Business Finance.

Public deposit is dominated by Retail deposits taking up 74.9% of the total pie. Number of accounts stood at 3,906 taking the average ticket size to BDT 5 million. Although new deposits continued to flow in, attrition rate remains a concern. To address the issue, IPDC will be focusing on small ticket size long term deposits with Retail deposits taking up most of the overall growth.

Treasury Operations

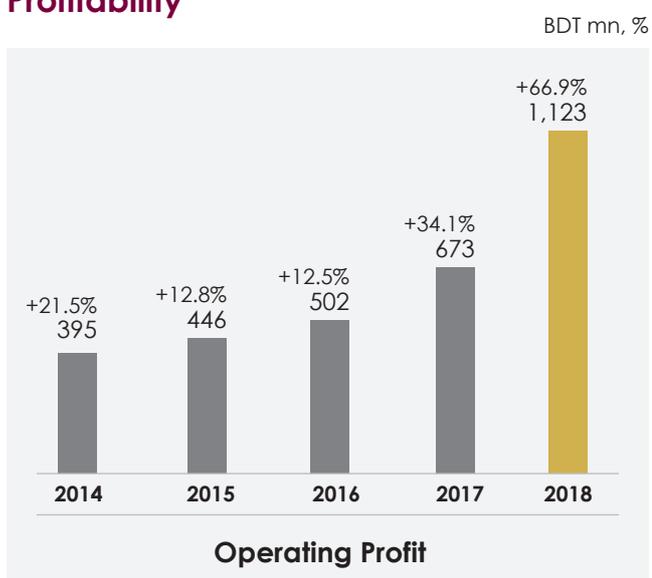
Our treasury operations play a key role in managing fund and liquidity. In tight liquidity condition that persisted during the first half of the year 2018, our Treasury supported the growth momentum while keeping cost of funds at a tolerable level yet fortifying the company on liquidity front. The growth in borrowings from banks and NBFIs mainly came off from refinance project of Bangladesh Bank which stood at BDT 1,371 million as of 31 December 2018. Looking forward, we will give more focus on raising funds through long term borrowing and issuing debt and equity instruments to further strengthen maturity profile of the balance sheet.

Revenue

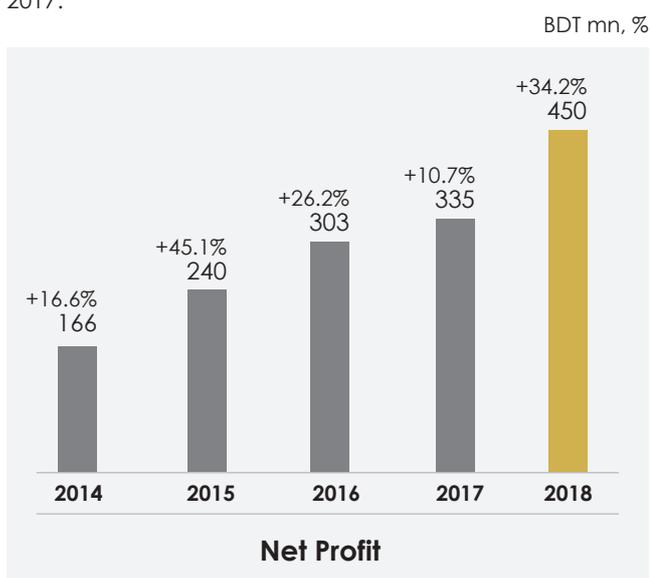


Despite high competition in deposit market, which spiraled the Cost of Fund, IPDC was able to defy the market trends of declining margin by maintaining better-than-market spread, leading to a strong increase in net interest income. Higher disbursements in 2018 resulting in an 8.6% increase in fees income which has more than offset the lower recovery income from written-off portfolio. As such, revenue in 2018 stands at BDT 1,875 million against BDT 1,246 million in 2017, up by 50.5%, on year-on-basis.

Profitability



Although operating cost increased by 31.2% to BDT 752 million, cost-to-income ratio declined from 46.0% in 2017 to 40.1% in 2018, which indicates that the cost increase is in line with business growth. Overall, strong topline growth combined with efficient cost management resulted in 66.9% growth in operating profits which was recorded at BDT 1,123 million in 2018 compared to BDT 673 million in 2017.



Riding on the back of efficient spread and cost management, together with the balance sheet growth, IPDC secured a healthy net profit of BDT 450 million for the year 2018, up by 34.2% from the last year.

Quarterly Operating Results

Particulars	BDT million, %			
	Q1'18	Q2'18	Q3'18	Q4'18
Loan & Advances	34,609	36,987	39,763	44,325
Growth (%) – QoQ	0.4%	6.9%	7.5%	11.5%
Growth (%) – YoY	45.0%	27.7%	25.0%	28.6%
Deposits and Other Accounts	29,236	31,953	33,691	37,066
Growth (%) – QoQ	-1.7%	9.3%	5.4%	10.0%
Growth (%) – YoY	40.9%	28.6%	22.8%	24.6%
Revenue	338	415	498	624
Growth (%) – QoQ	-5.9%	22.8%	19.9%	25.3%
Growth (%) – YoY	24.3%	37.5%	59.2%	73.6%
Operating Profit	153	238	321	411
Growth (%) – QoQ	-25.3%	55.3%	34.9%	28.0%
Growth (%) – YoY	5.0%	63.4%	82.9%	100.2%
Profit After Tax	72	98	116	164
Growth (%) – QoQ	-37.9%	36.7%	18.0%	41.3%
Growth (%) – YoY	14.3%	43.7%	31.7%	41.5%
Cost to Income Ratio	54.6%	42.6%	35.5%	34.1%
Change – QoQ	11.8%	-12.0%	-7.2%	-1.4%
Change – YoY	8.4%	-9.1%	-8.4%	-8.8%
Classified Loan Ratio (%)	0.62%	0.69%	0.74%	2.14%
Change – QoQ	0.00%	0.07%	0.05%	1.40%
Change – YoY	0.20%	0.31%	0.27%	1.52%

IPDC logged a steady growth in Loans and Advances on both Quarter over Quarter (QoQ) and Year over Year (YoY) basis. Deposits growth was held back in Q1'18 due to difficult market condition followed by a strong recovery in the last three quarters. Revenue fell in QoQ basis during Q1'18 mostly driven by macro-economic factors. However, subsequent quarters saw strong growth as Yield on Assets were adjusted gradually and cost of fund was held in check, leading to improvement in net interest margin. Operating profit for Q1'18 saw marginal growth on YoY basis and a fall from Q4'17 mainly due to seasonality impact and some one-off cost which also drove up cost to income ratio.

However, cost to income ratio steadily declined both in QoQ and YoY basis from Q2'18 onwards, as revenue growth outpaced the operation cost. In addition, the company had to take additional general provision for steep portfolio growth during the year and some accounts becoming classified in Q4'18 which caused the Classified Loan Ratio to jump to 2.14% in Q4'18 from 0.74% in Q3'18. However, the increase in classified loan is only transitional and steps are being taken to arrest number.

Financial Results

Particulars	BDT mn, %		
	2017	2018	Growth
Interest income	2,991	5,080	69.8%
Interest expense	1,919	3,382	76.3%
Net interest income	1,073	1,698	58.3%
Non-interest income	173	176	1.9%
Total income	1,246	1,875	50.5%
Operating expense	573	752	31.2%
Operating profit	673	1,123	66.9%
Provision for loans & investments	159	262	65.0%
Profit before tax	514	861	67.5%
Provision for tax	178	411	130.2%
Profit after tax	335	450	34.2%
Net Interest margin	3.7%	4.0%	0.3%
Operating profit margin	22.5%	22.1%	(0.4%)

Interest income has increased to BDT 5,080 million from BDT 2,991, an increase by 69.8%. The increase in interest income was driven by growth in loan portfolio which increased by 28.6% coupled with interest rate management. Interest expense increased by 76.3% and reached BDT 3,382 million in 2018 from BDT 1,919 million from the previous year. The increase in interest expense mainly came from increase in deposit and borrowing. Overall net interest income increased to BDT 1,698 million from BDT 1,073 million, an increase of 58.3% due to effective spread management and as well as strong balance sheet growth.

Non-interest income grew modestly by 1.9% to BDT 176 million in 2018 against BDT 173 million in the previous year. Increase in non-interest income mainly came off from higher processing and documentation fees associated with the disbursement of loans, income from investment portfolio stayed relatively flat.

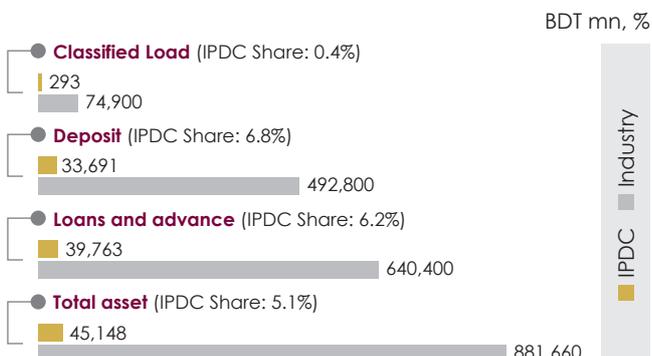
Operational expense increased to BDT 752 million from BDT 573 in the previous year, an increase by 31.2%. The increase in operational expense is mainly due to increase in number of employees, cost relating to raising authorized capital and issuing subordinated bonds and professional cost associated with the review of people, process and technology which is essential for laying foundation for the future growth and sustainability of the organization.

On an overall note, IPDC has witnessed an impressive growth in net profit which increased by 34.2% and stood at BDT 450 million in 2018 from BDT 335 million in 2017. The net interest margin of IPDC increased from 3.7% in 2017 to 4.0% in 2018 indicating that IPDC is generating more income from its interest earning assets. Operating profit margin decreases slightly to 22.1% from 22.5% due to operating profit growing a slightly slower pace than interest income during the year 2018.

Extra-ordinary gain/loss

During the year 2018 there were no incidence or events which lead to any extra ordinary gain or loss.

NBFI Industry and IPDC Market Share

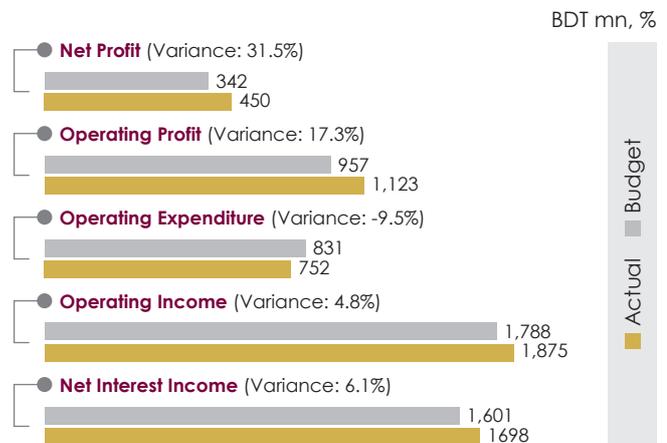


Non-banking Financial Institutions (NBFI) forms an important component of the financial sector of Bangladesh, which witnessed strong growth over the years with combined asset increasing to BDT 881,600 million in September 2018, out of which IPDC's market share stood at 5.1%. Total outstanding loans and advances amounted to BDT 640,400 million at the end of September 2018 wherein IPDC's market share is 6.2%.

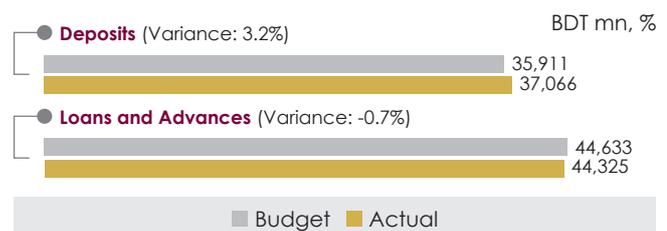
While industry classified loan shot up to BDT 74,900 million, IPDC's classified loan stood at BDT 256 million as of September 2018 which is 0.4% of the industry pie. Deposits in the industry stood at BDT 482,100 million out of which IPDC's deposits constituted 6.6% of the total.

* Note: Industry data are provided as on 30 September 2018 as subsequent data are not publicly available.

Comparison of actual and budgeted performance of IPDC Finance Limited



Although portfolio grew almost at par with budget, net interest income was higher than budget due to achieving better-than-planned spread. Therefore, operating income exceeded the budget despite lower-than-expected recovery income from written off portfolio. With the efficient management of expenses, the operating expenses were contained below 9.5% of budgeted amount. As a result, operating profit exceeded the budget by 17.3%. Provision expense was higher than budgeted amount because of higher than projected classified loan ratio. Efficient spread and cost management combined with a one-off tax benefit due to reduced corporate tax rate for the FY 2017-18, which resulted in significant positive variance in Net Profit after Tax as compared to budget.



Loans and advances ended with BDT 44,325 million in 2018 against the budgetary target of BDT 44,633 million which is marginally behind the budget by 0.7%. In contrast deposits exceeded the budgetary target of BDT 35,911 million and ended with BDT 37,066 million in 2018 which is 3.2% above the budget.

Plan for 2019

Business

IPDC will continue its growth momentum in the coming years. However, growth focus will be relatively skewed more towards Retail and SME segment, than corporate. This is a purposeful move-away from its current balance sheet composition with an aim to diversify portfolio and minimize concentration risk. Growth in Retail will come from Home loan with Affordable Home Loan (AHL) being one of the strategic priorities of the company while SME will remain as another growth agenda, mainly driven by Supply Chain Finance (SCF) as we operationalize our digital supply chain platform. As the company continues to grow, containing the classified Loan Ratio will remain as another key focus area for ensuring sustainable growth in Balance Sheet and profitability.

On the liability side, the focus in 2019 will be to attract long-term deposits with small ticket size. The goal is to reduce exposure to short term market volatility by increasing our reliance on sticky customer deposits rather than treasury and corporate funding. As such, most of the growth in the asset side is projected to be funded by customer deposit growth. In addition, the inflow of fund from Subordinated Bond and planned right share offering will ensure that our Capital Adequacy Ratio (CAR) remains comfortably above the regulatory requirement as we scale-up our business.

People

To support the growth ambition, the company plans to recruit additional resources in 2019 as well as develop capacity of existing employees through continuous training and skill development. Moreover, realignment of organization structure is under process to realize synergies and increase collaboration among various teams. Performance Management System has already been redesigned and new method and tools will be introduced to make the process more development focused, and performance orientated.

Process

Customer onboarding experience for IPDC products will be redefined by simplifying processes and reducing the documentation requirement. Additionally, initiatives for reducing Turn Around Time (TAT), and fast-tracking sales, credit and operational processes across all products has been planned. Separate sanctioning process will be initiated for high value customers to provide quicker

sanction through more efficient documentation processing. The company is also working at policy level to make sure that risks are addressed while trimming down unnecessary steps and activities in overall operational process.

Technology

On the technology side, IPDC's priority in 2019 will be to implement a new core banking system to strengthen system capacity in alignment with growth trajectory of the company. Current applications and infrastructure will also be updated to make internal reporting and work processes more efficient and customer-centric. Additionally, customers will also start getting the benefits of digital supply chain finance platform as well as consumer white goods platform by the end of the year 2019. These platforms will further expand opportunity space to grow and diversify our business further.

Key Operating and Financial Information

Key operating and financial data of the preceding five years and significant deviation as per requirement of BSEC Notification No. BSEC/CMRRCD/2006-158/ 207/Admin/80 dated June 03, 2018 are presented in subsequent section of Directors' Report as Key Operating and Financial Data.

Proposed Dividends and Appropriation of Profit

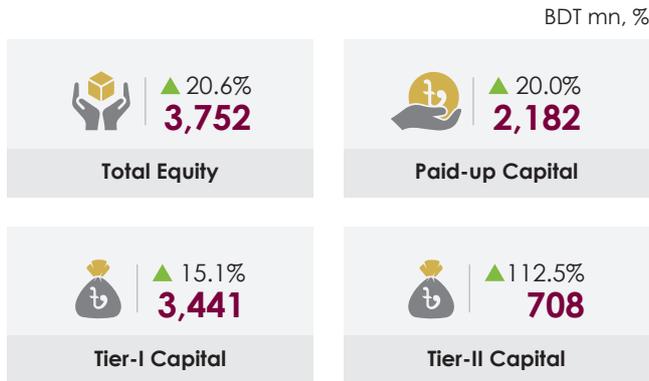
While taking dividend decision, the Company focuses on creating shareholder value by striking a balance between paying out dividend and retaining the surplus to plough back into the business. Given the Company's strong performance in 2018 and growth potential, while maintaining minimum regulatory capital requirement, the Directors recommends 15% dividend out of which 8% will be in stock and 7% in cash, for the year ended 31 December 2018 for the approval of Shareholders in 37th Annual General Meeting scheduled to be held on 31 March 2019.

Particulars	BDT mn, %	
	2017	2018
Retained Earnings bought forward	272.2	180.9
Net Profit after Tax	335.4	450.0
Profit Available for Appropriation	607.6	630.9
Transfer to Statutory Reserve	(67.1)	(90.0)
Transfer from Revaluation Reserve	4.0	1.0
Proposed Dividend* @ 15% in 2018	(363.6)	(327.2)
Retained Earnings	180.9	214.7

* Dividend for the respective financial year has been retrospectively reflected in the aforesaid statement and approved dividend of 2017 was 20% which is BDT 363.6mn.

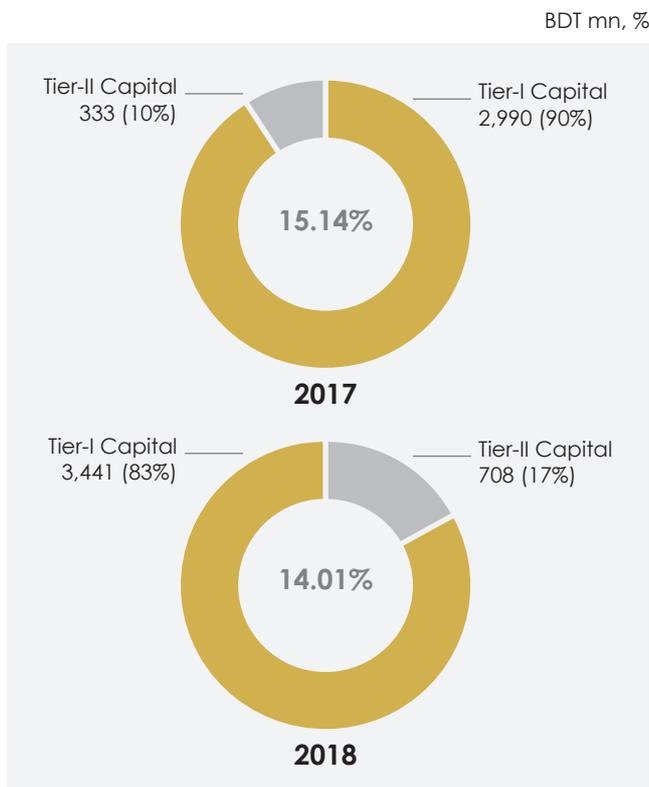
Capital Management

IPDC recognizes the impact of shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per the directives of Bangladesh Bank, the financial institutions are required to maintain capital at 10.00% of risk-weighted assets under Base-II.



The total shareholders equity stood at BDT 3,752 million and paid-up capital stood at BDT 2,182 million as of December 31, 2018. Total Capital and Reserves (Tier-I Capital and Tier-II Capital) stood at BDT 4,149 million against BDT 3,323 million in previous year, an increase by 24.9%, on YoY basis. Capital Adequacy Ratio as of December 31, 2018 stood at 14.01% against 15.14% in the previous year.

Details of our Capital Adequacy Ratio (CAR) is given below:



Shareholders' Equity And Shareholders' Value

IPDC remains fully committed to delivering higher shareholder value. The steady growth in company's asset size and continuous improvement in asset quality and smooth growth in profitability underpins the value the shareholders derived from investing in the shares of the Company. In 2018 the Company exceeded the expectations in delivering profits, growing Balance Sheet and meeting other KPIs and is, therefore, well poised to produce even better results in future. Exceptional operating performance, backed by solid business fundamental, has resulted in appreciation in shareholders' wealth in form of growing market capitalization, growth in EPS and stable dividend.

Contribution to National Economy



Since its inception IPDC has played a pivotal role over the last three decades in developing the private sector industry in Bangladesh through various landmark projects in partnership with renowned corporate houses and financial institutions. During the year 2018, IPDC has deposited a total amount of BDT 605 million, 88.1% higher compared to last year's figure of BDT 321 million, to the national exchequer in form of corporate tax, withholding tax, excise duty and VAT. Detail in this regard can be found in the Social and Relationship Capital Section.

Contribution to Society and Environment

IPDC believes in giving back to the society in a way that will contribute towards the betterment of people in the society as well as ensuring the wellbeing and sustainability of the environment. IPDC continuous to make contribution to society through sponsoring and organizing various events and making charitable donations. Details of the activities and events can be found in the Social and Natural Capital section.

Contribution Towards Employees

Human Resource (permanent) strength of IPDC increased to 423 as of December 2018 against 362 as of December 2017. At our Company, we aim to strengthen our focus on Retail and SME loans and hence will require a large workforce to build the portfolio in this segment. Hence, we continue to recruit contractual, outsourced and permanent employees to strengthen our direct work force and build solid organizational capacity for the long-term. After recruitment, employees go through a well-articulated training and development program so that they remain competent, skillful and relevant to the current and future needs of the Company. We give our best effort to ensure the wellbeing and work place safety of our employees.

Corporate and Financial Reporting Framework

The Board of Directors, in accordance with BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 confirms compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of IPDC fairly presents the state of affairs, the results 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 in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards (IAS) /International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed
- The company has designed sound internal control system and it is being effectively implemented and monitored
- Minority shareholders have been protected from abusive actions by, or in the interest of controlling shareholders acting either directly or indirectly and have effective means of redress.
- There are no significant doubts upon the Company's ability to continue as a going concern.

Directors Responsibility in Relation to The Preparation of Financial Statements

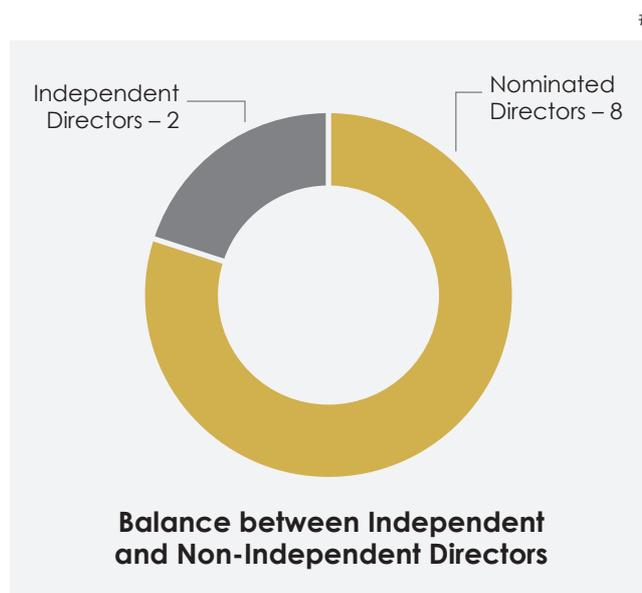
We hereby confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- adequate internal control system is in place to ensure integrity of financial report
- adequate disclosure has been provided for the users of financial statement to understand the impact of financial information, other events and conditions on the entity's financial position and financial performance
- reasonable efforts have been made to safeguard company assets and detect and prevent any fraud or other irregularities

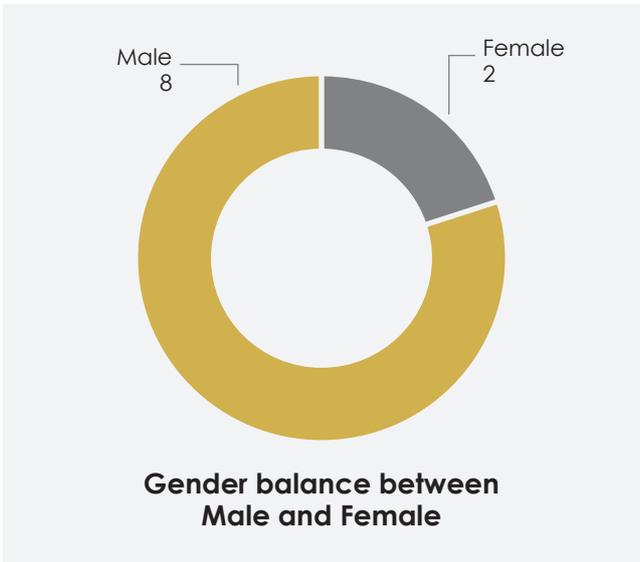
Interim Dividend

No bonus share or stock dividend has been or shall be declared as interim dividend.

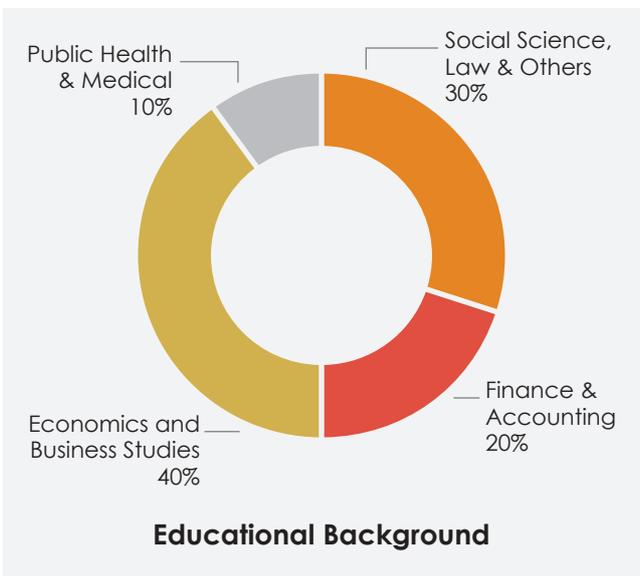
Board Diversity



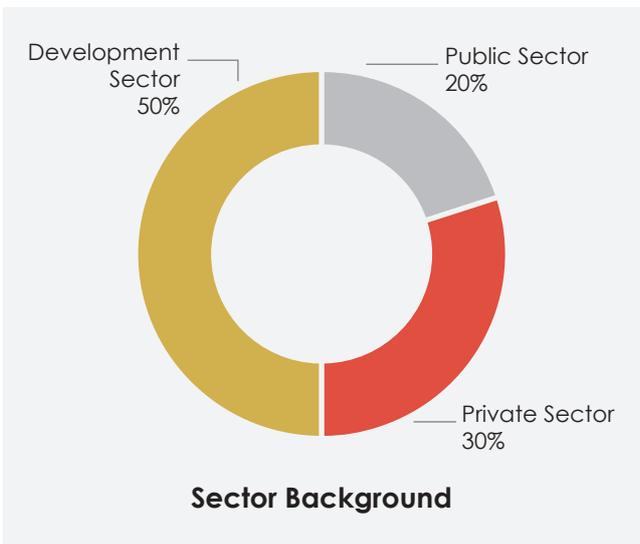
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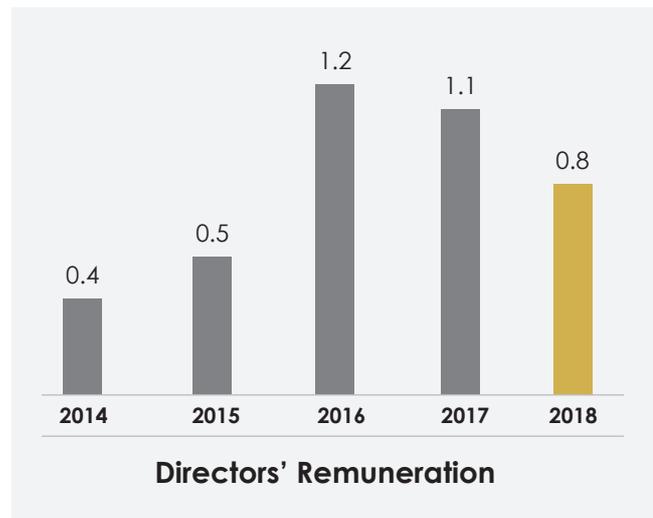
Board Committees

The board has two sub-committees, a short description is given below:

Name of the Committee	Member	Frequency of Meeting	Meeting Held in 2018
Audit Committee	5	Quarterly	5
Executive Committee	6	Monthly	7

Directors' Remuneration

BDT mn



IPDC pays remuneration to its directors based on the guidelines issued by Bangladesh Bank and other applicable laws.

Director's Meeting, Attendance and Remuneration

During the year ended 31 December 2018 a total 9 (Nine) Board Meetings were held. The details of attendance by the Directors along with remuneration paid to them are disclosed in the relevant section of the Directors' Report.

Appointment and Re-appointment and Retirement Of Director(s)

As per Article 100 and 101 of the Articles of Association of the Company, the following 3 (three) Directors will retire from the office of the Company in the 37th Annual General Meeting and 3 (three) being eligible to offer themselves for re-election as per Article 105 of the Articles of Association of the Company. Brief resumes of the directors are furnished in the 'About IPDC' section of this Annual Report.

Mr. Dr. Muhammad Musa	Nominated by BRAC
Mr. Shameran Abed	Nominated by Ayesha Abed Foundation
Mr. Sameer Ahmad	Nominated by RSA Capital Limited

Appointment of Member of The Management Committee Team

At IPDC we believe that a competent senior management team is very critical to the success of the organization. Therefore, we try to recruit top level executives who have proven track record and possess right set of skills and competences. The Board, therefore, finally selects the incumbent through an interview process after the initial screening by the CEO.

Shareholding Pattern as at 31 December 2018

Shareholding patterns of the Company as at December 31, 2018 is shown in the subsequent section of the Directors' Report.

Internal Control System

Board of Directors have the responsibility for reviewing and approving the overall business strategies and significant policies of the Company, understanding the major risks the Company is exposed to, setting acceptable levels for these risks and ensuring that senior management takes necessary steps to identify, measure, monitor and control these risks. Senior management have the responsibility for implementing strategies and policies approved by the Board, developing processes that identify, measure, monitor and control risks incurred by the Company, maintaining an organizational structure that clearly assigns responsibility, authority and reporting relationships, ensuring that delegated responsibilities are effectively carried out, setting appropriate internal control policies and monitoring the adequacy and effectiveness of the internal control system.

An effective internal control system also requires that an appropriate control structure is set up, with control activities defined at every business level. These include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorizations; and a system of verification and reconciliation.

Control Environment

Control activities are the policies and procedures which help ensure that management directives are carried out, and the necessary actions are taken to minimize the risks of failure to meet stated objectives. Policies and procedures

are effectively established within the Company and are continuously reviewed for compliance, adequacy and improvement opportunities.

The Board of Directors sets the tone for an effective control environment through regular reviews of the processes for identifying, evaluating, and managing significant risks. An effective Control environment is set by top management and cascades down across all business functions. Every year the top team conducts a self-assessment of key controls that affect the business and develops action plans to make the internal control environment are aligned with our business philosophies, strategic objectives of the company and risk appetite of the shareholders.

Statutory Payment

The Directors are satisfied that to the best of their knowledge and belief all statutory payments to all authorities have been made on a regular basis.

Insider Trading

The members of the board of IPDC, or its sub-committee, or its senior management and their family members did not involve in any insider trading and did not violate the provision with regard to insider trading.

Related Party Transaction

In the normal course of business, IPDC has entered into few transactions with related parties during the year 2018. IPDC makes sure that all transactions with the related parties are made on arm's length basis. A party is deemed to be related if it can control or exercise significant influence over the other party in making financial or operating decisions. These transactions have taken place on an arm's length basis and include rendering or receiving of services. The details of related party transactions are disclosed in the "Notes to the Financial Statements."

Statement on Utilization of Proceeds from Debt Instruments and Capital

IPDC obtained approval for Bangladesh Securities and Exchange Commission and Bangladesh Bank for raising capital through the issuance of fully redeemable subordinated bond amounting to BDT 1,000 million. During the month of December 2018, BDT 200 million was raised through the issuance of the subordinated bond and the proceeds from the issue were used to pay off some high cost short term borrowing and finance business growth. Furthermore, the subordinated bond acted as Tier-II capital which helped us to further strengthen our capital based and enhance our Capital Adequacy Ratio.

During the year 2018, IPDC also issued zero coupon bond amounting to BDT 453 million and the total balance at the end of the year stood at BDT 807 million. Fund from the issues were used for financing our business growth.

Capital Expenditure

In 2018 the company incurred capital expenditure of BDT 98 million mainly for head office extension, branch reallocation, purchase of vehicles and acquisition/development of various software. The details of capital expenditure are reflected in the Property, Plant and Equipment Schedule in the Notes to the Financial Statements.

Risk Management

Risk management is embedded in the organizational structure, culture, operations, systems and process. Business risks across the Company are addressed in a structured and systematic way through a predefined risk management framework. The Board continuously assess the risks facing the company and updates policies to strike a balance between risk and growth. While the Board sets the policies, management is responsible for executing those policies across the organization.

A summary of Risk Management approach is given below:

Type of Risk	Risk Management Approach
<p>Credit Risk Risk of loss from failure of clients or customers to honor their obligations including the whole and timely payment of principal, interest, collateral and other receivables.</p>	<ul style="list-style-type: none"> • Selecting good borrowers • Robust credit assessment • Diversifying credit portfolio • Strong monitoring • Dedicated recovery team • Reducing large borrower concentration.
<p>Liquidity Risk Risk that the organization fails to meet its contractual obligations, or it does not have adequate funding and liquidity to support its assets.</p>	<ul style="list-style-type: none"> • Matching tenor wise asset and liability • Maintaining strong line of credit with banks and financial institutions • Maintaining good relationship with banks and Financial Institutions • Reducing concentration on volatile deposits • Making short term callable investments • Increasing focus on deposit customer retention. • Observing and predicting state of market liquidity and taking position upfront • Setting trading limit and trigger points on treasury borrowing or lending.
<p>Interest Rate Risk Risk of loss and negative impact on cash flow due to adverse changes in the interest rates.</p>	<ul style="list-style-type: none"> • Tenor wise matching of interest-bearing asset and liabilities to maintain desired spread • Offering floating rate for long term loans to protect against adverse interest rate movement • Embedding callability feature when necessary while borrowing or lending • Reviewing interest rate frequently • Repricing assets or liabilities when necessary • Offering higher interest rate on the long-term loans to safeguard against volatility in market interest rates.
<p>Compliance Risk Risk of penalties, damages or fines due to failure to meet its legal and compliance obligations.</p>	<ul style="list-style-type: none"> • Promoting ethical and compliance culture throughout the organization • Maintaining strict compliance with relevant laws and regulations • Ensuring that sufficient internal policies and control mechanism are in place and monitoring effective implementation of those.
<p>Reputational Risk Risk of loss due to damage in reputation of the organization leading to a loss of current or future business of the company.</p>	<ul style="list-style-type: none"> • Managing good relationship with the stakeholders • Serving customers with greatest integrity and sincerity • Treating suppliers with respect • Treating employees fairly • Promoting transparency and ensuring proper communication with the stakeholders • Not engaging in any activities which has a negative environmental and social consequences.

Type of Risk	Risk Management Approach
<p>Technology Risk Risk of business loss due to failure of IT system.</p>	<ul style="list-style-type: none"> • Creating IT security awareness and training among all employees • Implementing proper business continuity plan and disaster recovery plan • Assessing security threat on regular basis • Testing and monitoring system sanity on a regular interval • Building IT capacity in pace with the business volume and objectives.
<p>Operational Risk The risk of loss due to inadequate or failure of system, processes, human or external factors.</p>	<ul style="list-style-type: none"> • Conducting employee training and raising awareness about policies, procedures and controls • Assessing control system and policies on regular intervals to deal with the changing business and environmental needs • Ensuring adequate supervision, delegation of authority and segregation of duties • Ensuring proper record keeping and documentation and archiving

Further details on risk management can be found in "Risk Management" section of this annual report.

Going Concern

The company displays no symptoms (as indicated below) of possible problems of going concern, thus the financial statements have been on a going concern basis:

Particulars	Indication of Going Concern
Deteriorating liquidity position of the company not backed by sufficient financing arrangements	No
High financial risk arising from increased gearing level rendering the company vulnerable to delays in payment of interest and loan principal	No
Inability of making debt payments when falling due	No
Over trading, that is, growing beyond financial capacity of the company	No
Significant trading losses being incurred for several years	No
Profitability of the company is essential for its survival in the long term	No
Aggressive growth strategy not backed by sufficient finance	No
Increasing level of short term borrowing and overdraft not supported by increase in business	No
Inability of the company to maintain liquidity ratios as defined in the loan covenants	No
Serious litigations faced by the company or high off-balance sheet liability for which the company does not have the financial strength to pay the possible settlement	No
Inability of the company to develop a new range of commercially successful products	No
Refusal by finance providers to renew existing facility or make new loans	No
Operating in an industry which is no more profitable	No
Failure to innovate and respond to the changes in the external environment	No
Failure to adjust high operating gearing (fixed cost to total cost) while industry or company revenue is falling	No
Falling margin with no sign or possibility of increase in sales volume in future	No

A detailed report on the going concern has been furnished in the subsequent section titled "Annexure to the Directors' Report".

Status Of Compliance On Corporate Governance

Corporate Governance status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 issued under Section 2CC of the Securities and Exchange Commission Ordinance 1969 and DFIM Circular No. 07, dated September 25, 2007, issued by Bangladesh Bank is enclosed in the subsequent section of the Directors' Report.

Statement of Compliance with Good Governance Guideline Issued by Bangladesh Bank is included in Annexure VI.

Statutory Auditors

Hoda Vasi Chowdhury & Co, Chartered Accountants were reappointed as the statutory Auditors of the Company in the 36th Annual General Meeting held on March 25, 2018 for the year 2018 until conclusion of 37th Annual General Meeting at a remuneration of BDT 470,000 excluding VAT.

The auditors will retire in the 37th Annual General Meeting. Being eligible for re-appointment under section 212 of the Companies Act 1994 and the Financial Institutions Act 1993, the existing auditors Hoda Vasi Chowdhury & Co, Chartered Accountants, offered themselves for re-appointment for the consecutive third year of service. As proposed by the Board Audit Committee, the Board recommended Hoda Vasi Chowdhury & Co, Chartered Accountants for re-appointment as the auditors of the Company for the year 2019 subject to approval of the shareholders in 37th Annual General Meeting (AGM) at a remuneration of BDT 502,900 excluding VAT until completion of the next Annual General Meeting.

Principal Activities

The principal businesses of the Company are related to finance and finance associated activities. These areas include deposits collection; credit to Corporate, SME and Retail customers. On product front, our areas of financing include factoring finance, work order finance, bill discounting, term loan, project finance, syndicated finance, hire purchase, lease finance, mortgage finance, auto and personal loans equity and quasi-equity investments and other associated services. During 2018, IPDC continued to penetrate the Retail market, and continue its focus on SME segment and collecting of small-ticket size Retail deposit to support long term financing need of the company and widening distribution coverage.

Distribution Network

IPDC offers multiple business services through its 12 branches including head office. The branches cover the geographical areas of Dhaka, Chittagong, Khulna, Sylhet, Rajshahi and Mymensingh and those are located at Motijheel, Dhanmondi, Gulshan, Uttara, Chattogram, Sylhet, Gazipur, Narayanganj, Bogura, Jashore, Cumilla, and Mymensingh.

Acknowledgement

The Board of Directors would take this opportunity to express their gratitude and extend appreciation to our valued shareholders, clients, bankers, depositors, lenders, business partners and other stakeholders for their continued support and co-operation. The Board offers thanks to Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, Registrar of Joint Stock Companies and Firms, the National Board of Revenue, the Ministry of Industries, the Ministry of Finance and other Government Agencies for their collaboration. I would also like to thank my colleagues on the Board, who have extended their cooperation, to meet all the adverse internal and external conditions, and made the year 2018 another year of success for the Company.

Last but not the least, the Board has a special note of thanks for our customers, shareholders, management and employees for their outstanding commitment and tremendous hard work for giving us the opportunity to serve their needs; and our shareholders for your continued faith in the bright future of your Company. For and on behalf of the Board of Directors.



Dr. Muhammad Musa
Chairman

Annexure to Directors' Report

Key Operating and Financial Data of Preceding Five Years

Annexure I

BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth (YoY)	CAGR ³
Operating Results							
Net Interest Income	416	431	638	1,073	1,698	58.3%	42.1%
Operating Income	580	640	841	1,246	1,875	50.5%	34.1%
Operational Expenses	185	194	340	573	752	31.2%	42.0%
Operating Profit	395	446	502	673	1,123	66.9%	29.8%
Profit Before Tax	345	344	468	514	861	67.5%	25.7%
Net Profit After Tax	166	240	303	335	450	34.2%	28.4%
Financial Performance							
Loan Disbursement	3,524	5,525	25,030	34,681	37,972	9.5%	81.2%
Outstanding Loans & Advances	5,677	6,416	19,481	34,467	44,325	28.6%	67.2%
Fixed Assets	224	207	234	267	545	104.1%	24.9%
Total Assets	7,744	8,202	22,577	39,289	50,511	28.6%	59.8%
Term Deposits	3,997	4,745	17,179	29,747	37,066	24.6%	74.5%
Borrowings	398	27	1,141	4,214	5,917	40.4%	96.3%
Total Liabilities and Equity	7,744	8,202	22,577	39,289	50,511	28.6%	59.8%
Equity Information							
Shareholders' Equity	2,292	2,475	2,775	3,111	3,752	20.6%	13.1%
Paid up Capital	1,148	1,263	1,515	1,818	2,182	20.0%	17.4%
Net Asset Value Per Share (BDT)	10.5	11.3	12.7	14.3	17.2	20.6%	13.1%
Earnings per Share ¹ (BDT)	0.76	1.10	1.39	1.54	2.06	34.2%	28.4%
Market Price per Share ² (BDT)	18.2	26.7	42.7	50.1	38.1	-24.0%	20.3%
Market Capitalization	2,089	3,371	6,469	9,108	8,312	-8.7%	41.2%
Number of Ordinary Shares	114,773,158	126,250,473	151,500,567	181,800,680	218,160,816	20.0%	-
Rate of Dividend	15.0%	20.0%	20.0%	20.0%	15.0%	-5.0%	-
Financial Ratios							
Current Ratio (Times)	1.3	1.2	1.0	1.0	1.0	4.0%	-
Debt Equity Ratio (Times)	0.2	0.0	0.4	1.4	1.6	16.4%	-
Interest Coverage Ratio (Times)	28.5	17.3	14.9	4.4	3.8	-13.1%	-
Return on Asset	2.1%	3.0%	2.0%	1.1%	1.0%	-7.6%	-
Price Earnings Ratio (Times)	24.0	24.3	30.7	32.6	18.5	-43.3%	-
Rate of NPL	3.39%	1.98%	0.71%	0.62%	2.14%	244.5%	-
Rate of net NPL	0.05%	-1.64%	-0.62%	-0.59%	0.38%	-	-

¹ EPS has been restated for the year 2014 – 2018 due to issuance of bonus shares.

² Year end Market Price per Share reflects closing DSE share price on the last trading day of the respective year.

³ Compound Annual Growth Rate from base year 2014.

Assessment Report on the Going Concern**Annexure II**

Going concern is one of the fundamental assumptions in the preparation of financial statements. As per the requirements of International Accounting Standards, Companies Act, Listing Rules and Bangladesh Securities & Exchange Commission Guidelines, management and directors should satisfy themselves about the appropriateness of using going concern assumption in the preparation of the financial statements. The management of an entity therefore has a responsibility to assess the entity's ability to continue as a going concern in the foreseeable future. Under the going concern assumption, an entity is normally viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. The management and directors of the Company has made annual assessment for the year ended December 31, 2018 of whether the Company is a going concern involves making appropriate inquiries including review of budget and future outcome of inherent risk associated in the business. The management and directors of the Company are satisfied from the following factors that the preparation of financial statement for the year ended December 31, 2018 on the basis of going concern assumption is appropriate.

The following indicators underline the company's ability to continue as a going concern:

High Interest Coverage Ratio	During the year 2018, interest coverage ratio stood at 3.8 times, which means the company has strong debt servicing capacity.
Less Dependency on Bank Borrowings	As at December 31, 2018 total bank borrowing of the Company was BDT 5,917 million which is 12.7% of the total liabilities. This indicates that Company has no significant dependency on bank borrowings.
Continuous Support from the Depositors	The Company has a very good relationship with the depositors and a good track record and reputation in settling its obligation to its depositors. As at December 31, 2018 total deposits stood at BDT 37,066 million. The depositors continued to keep strong confidence on us which is reflected in higher acquisition rate and renewal rates of deposits. This trend is expected to continue in coming days.
Favorable Key Financial Ratios	The Company's financial ratios (Please see the Key Financial and Operating Performance) revealed the sound financial strength and prospect of the Company.
Consistent Payment of Dividend	IPDC Finance Limited has been paying dividend consistently on a regular basis to the shareholders since 2006 which reflect Company's long-term viability in operational existence.
Strong Capability in Settling of Obligation	The Company has strong credibility in terms of settlement of obligation to the lenders. Company has no default payment history for settlement of its obligation.
Growth in Operating Profit	In the year 2018, IPDC Finance achieved 66.9% growth of operating profit compared to year 2017 which reflects the growth in profitability from regular operation.
Solid Growth in Quality Lending Portfolio	In the year 2018 the performing portfolio of loans, leases and advances increased by 26.6% compared to year 2018, whereas classified loan ratio stands at 2.14% which is much below the industry average. This represents the positive indication of sustainable business of the Company.
Expansion of Business	Company introduced new loan product category such as consumer white goods finance during the year 2018. Furthermore, IPDC has carried out various IT development as well as expansion of head office and reallocation of branches which will help drive future growth.
Employee Satisfaction and Working Environment	IPDC Finance is an employee friendly organizations. There exists a very good corporate environment in the Company. The Company pays a very competitive compensation package with fringe benefits like car facilities, provident fund, performance bonus, gratuity, group insurance, hospitalization insurance, reward and recognition program etc.

Maintenance of Capital Adequacy Ratio (CAR)	As per DFIM circular number 14, dated December 28, 2011 of Bangladesh Bank regarding Capital Adequacy and Market Discipline for Financial Institutions, each Financial Institutions are required to maintain Capital Adequacy Ratio (CAR) at least 10.00% of the total risk weighted assets. As at December 31, 2018 CAR of IPDC is 14.01% vis-à-vis requirement of 10.00% i.e. Company maintains 4.01% surplus capital.
Strong Equity Base	IPDC is one of the highest equity-based Companies among the Financial Institutions. As at December 31, 2018 total equity of the Company is BDT 3,752 million including paid up capital of BDT 2,182 million.
Ability to Pay Day-to-day Operational Expenses	The company has not faced any difficulties in meeting its day to day operational expenses and has continued its reputation of paying vendors in time. The company generates sufficient operating cash flow to meet operational expenses.
Renew of Borrowing Facilities and Obtaining New Loans	The solidity of financial position and the reputation allows the company to negotiate or renew borrowing facilities at a favorable rates and flexible terms and conditions.
Off-balance Sheet Obligations	The company keeps very low exposure in off-balance sheet liabilities and the company has sufficient financial strength to pay the obligations should these materialize.
Changes in Government's Policy	Management and Board anticipate no significant changes in legislation or government policy which may materially affect the business of the Company.

Based on the review of the major indicators, the management and Directors of the Company is of the view that the preparation of the financial statements of the Company for the year ended 31 December 2018 on the basis of "going concern assumption" is appropriate.

Pattern of Shareholding as at 31 December 2018

Annexure III

Name	Position	Number of Shares
Parent/Subsidiary/Directors		
Parent/subsidiary/associates and other related parties	Not Applicable	Nil
Dr. Muhammad Musa, his spouse and minor child	Chairman	Nil
Mr. Amin H. Manekia, his spouse and minor child	Vice Chairman	Nil
Mr. Salahdin Irshad Imam, his spouse and minor child	Independent Director	Nil
Ms. Nasreen Sattar, her spouse and minor child	Independent Director	Nil
Mr. A Gaffar Khan, his spouse and minor child	Director	Nil
Mr. Md. Enamul Hoque, his spouse and minor child	Director	Nil
Mr. Sameer Ahmad his spouse and minor child	Director	Nil
Mr. Tushar Bhowmik and minor child	Director	Nil
Mr. Shameran Abed, his spouse and minor child	Director	Nil
Ms. Tamara Hasan Abed, her spouse and minor child	Director	Nil
Top Executives		
Mr. Mominul Islam, his spouse and minor child	Managing Director & CEO	Nil
Mr. Md. Benozeer Ahmed, his spouse and minor child	Chief Financial Officer (CFO)	Nil
Mr. Samiul Hashim, his spouse and minor child	Company Secretary (CS)	Nil
Mr. Md. Ezazul Islam, his spouse and minor child	Head of Internal Audit & Compliance	Nil
Top Five Executives other than CEO, CFO CS and HIA		
Mr. Rizwan Dawood Shams, his spouse and minor child	Deputy Managing Director	Nil
Mr. Kyser Hamid, his spouse and minor child	Deputy Managing Director	Nil
Mr. Shah Wareef Hossain, his spouse and minor child	Chief Operating Officer	Nil
Mr. Nawed Wahed Asif, his spouse and minor child	General Manager	Nil
Ms. Sharmeen F. Annie, her spouse and minor child	General Manager	Nil

Shareholders holding 10% or more voting right:

Name of Shareholders	Number of Shares	%
Government of the People's Republic of Bangladesh (GOB)	47,732,635	21.8796
BRAC	54,540,202	25.0000
Aga Khan Fund for Economic Development (AKFED)	24,111,549	11.0522
Ayesha Abed Foundation	21,816,081	10.0000

Meetings Attended and Remuneration of the Directors during the year 2018

Annexure III

BDT, #

Name of Director	Board of Directors Meeting				Executive Committee Meeting				Audit Committee Meeting				Total Remuneration paid in 2018
	Total BOD Meeting held during Director's Tenure	Meeting Attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	Total EC Meeting held during Director's tenure	Meeting Attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	Total AC Meeting held during Director's tenure	Meeting Attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting	
Dr. Muhammad Musa	9	7		56,000	-	-		-	-	-		-	56,000
Mr. Amin H. Manekia	9	6		48,000	-	-		-	5	4		32,000	80,000
Mr. Md. Enamul Hoque	9	9		72,000	-	-		-	5	4		32,000	104,000
Mr. Narayan Chandra Das*	1	1		8,000	1	1		8,000	-	-		-	16,000
Mr. Susanta Kumar Saha***	7	5		40,000	5	4		32,000	-	-		-	72,000
Mr. A Gaffar Khan	1	1		8,000	1	1		8,000	-	-		-	16,000
Mr. Salahdin Irshad Imam	9	7		56,000					5	5		40,000	96,000
Ms. Nasreen Sattar	9	8		64,000	5	3		24,000	4	2		16,000	104,000
Ms. Tamara Hasan Abed	9	8		64,000					5	3		24,000	88,000
Mr. Mohammad Mamdudur Rashid **	7	1		8,000					3	1		8,000	16,000
Mr. Tushar Bhowmik	2	1		8,000	1	1		8,000	-	-		-	16,000
Mr. Shameran Abed	9	8		64,000	5	4		32,000	-	-		-	96,000
Mr. Sameer Ahmad	9	2		16,000	7	6		40,000	-	-		-	56,000
Total Remuneration paid				512,000	-	-		152,000	-	-		152,000	816,000

* Mr. Narayan Chandra Das was a nominee director of GoB, he was replaced by Mr. Susanta Kumar Saha on 25 March 2018.

** Mr. Mohammad Mamdudur Rashid was a nominee director of BRAC, he was replaced by Mr. Tushar Bhowmik on 19 November 2018.

*** Mr. Susanta Kumar Saha was a nominee director of GoB, he was replaced by Mr. A. Gaffar Khan on 19 December 2018.

Statement of Compliance with Corporate Governance Guideline

Annexure V

Status on Compliance of the Corporate Governance Guideline (CGG), 2018

Status of compliance with the conditions imposed by the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June, 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under condition no. 9.00)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1	Board of Directors			
1(1)	Size of the Board of Directors			
	The total number of members of a company's Board of Directors (hereinafter referred to as "Board") shall not be less than 5 (five) and more than 20 (twenty).	✓		
1(2)	Independent Directors			
1(2)(a)	At least one fifth (1/5) of the total number of directors in the company's Board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	✓		
1(2)(b)(i)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		
1(2)(b)(ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company;	✓		
1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	✓		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	✓		
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	✓		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	✓		
1(2)(b)(vii)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1(2)(b)(viii)	Who is not independent director in more than 5 (five) listed companies;	✓		
1(2)(b)(ix)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI);	✓		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude;	✓		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM);	✓		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days;	✓		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only;	✓		
1(3)	Qualification of Independent Director			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business;	✓		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or	✓		
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company; or	✓		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; or		Not Applicable	
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or		Not Applicable	
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	✓		
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.	No such event occurred		
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	✓		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	✓		
1(4)(c)	The Chairperson of the Board shall be elected from among the nonexecutive directors of the company;	✓		
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	✓		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	✓		
1(5)	The Directors' Report to Shareholders			
1(5)(i)	An industry outlook and possible future developments in the industry;	✓		
1(5)(ii)	The segment-wise or product-wise performance;	✓		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	✓		
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	✓		
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);	No such event occurred		
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	✓		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;	✓		
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;	Not Applicable		
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;	✓		
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	✓		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that 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)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	√		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;	Dividend Declared		
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:	√		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);	√		
1(5)(xxiii)(c)	Executives;	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details);	√		
1(5)(xxiv)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:-			
1(5)(xxiv)(a)	A brief resume of the director;			
1(5)(xxiv)(b)	Nature of his or her expertise in specific functional areas;			

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board;	✓		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements;	✓		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	✓		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	✓		
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	✓		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	✓		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	✓		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	✓		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-7A; and	✓		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	✓		
1(6)	Meetings of the Board of Directors			
	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	✓		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;		Not Applicable	
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company		Not Applicable	

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;			The company does not have any subsidiary
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;			The company does not have any subsidiary
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;			The company does not have any subsidiary
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;			The company does not have any subsidiary
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.			The company does not have any subsidiary
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).			No such event occurred
3(2)	Requirement to attend Board of Directors' Meetings			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board:	√		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
3(3)(a)(ii)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	✓		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	✓		
4	Board of Directors' Committee for ensuring good governance in the company, the Board shall have at least following subcommittees			
4(i)	Audit Committee	✓		
4(ii)	Nomination and Remuneration Committee	Not Applicable		
5	Audit Committee			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a subcommittee of the Board	✓		
5(1)(b)	The Audit Committee shall assist the Board 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;	✓		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	✓		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	✓		
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be nonexecutive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;	✓		
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	✓		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	No such event occurred		
5(2)(e)	The company secretary shall act as the secretary of the Committee;	✓		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
5(3)	Chairperson of the audit committee			
5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	No such event occurred		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):	✓		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	✓		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	✓		
5(5)	The Audit Committee shall			
5(5)(a)	Oversee the financial reporting process;	✓		
5(5)(b)	Monitor choice of accounting policies and principles;	✓		
5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	✓		
5(5)(d)	Oversee hiring and performance of external auditors;	✓		
5(5)(e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	✓		
5(5)(f)	Review along with the management, the annual financial statements before submission to the Board for approval;	✓		
5.5(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	✓		
5.5(h)	Review the adequacy of internal audit function;	✓		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	✓		
5(5)(j)	Review statement of all related party transactions submitted by the management;	✓		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	✓		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors;	✓		
5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission:	Not Applicable		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	✓		
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board on the following findings, if any			
5(6)(a)(ii)(a)	Report on conflicts of interests; No such event occurred Suspected or presumed fraud or irregularity or material	No such event occurred		
5(6)(a)(ii)(b)	defect identified in the internal audit and compliance process or in the financial statements; control system N o such event occurred	No such event occurred		
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; No such event occurred	No such event occurred		
5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;	✓		
5(6)(b)	Reporting to the Authorities			
	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.	No such event occurred		
5(7)	Reporting to the Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	✓		
6	Nomination and Remuneration Committee (NRC)			
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a subcommittee of the Board;	Not Applicable		
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;	Not Applicable		
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5) (b).	Not Applicable		
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	Not Applicable		
6(2)(b)	All members of the Committee shall be nonexecutive directors;	Not Applicable		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;			Not Applicable
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;			Not Applicable
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;			Not Applicable
6(2)(f)	The Chairperson of the Committee may appoint or coopt any external expert and/or member(s) of staff to the Committee as advisor who shall be nonvoting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;			Not Applicable
6(2)(g)	The company secretary shall act as the secretary of the Committee;			Not Applicable
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;			Not Applicable
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.			Not Applicable
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;			Not Applicable
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;			Not Applicable
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;			Not Applicable
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;			Not Applicable
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;			Not Applicable
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);			Not Applicable
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.			Not Applicable

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
6(5)	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;			Not Applicable
6(5)(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:			Not Applicable
6(5)(b)(i)	Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:			Not Applicable
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;			Not Applicable
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and			Not Applicable
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and longterm performance objectives appropriate to the working of the company and its goals;			Not Applicable
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;			Not Applicable
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;			Not Applicable
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;			Not Applicable
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and			Not Applicable
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;			Not Applicable
6(5)(b)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.			Not Applicable
7	External or Statutory Auditors			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:	✓		
7(1)(i)	Appraisal or valuation services or fairness opinions;	✓		
7(1)(ii)	Financial information systems design and implementation;	✓		
7(1)(iii)	Bookkeeping or other services related to the accounting records or financial statements;	✓		
7(1)(iv)	Broker dealer services;	✓		
7(1)(v)	Actuarial services;	✓		
7(1)(vi)	Internal audit services or special audit services;	✓		
7(1)(vii)	Any service that the Audit Committee determines;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
7(1)(viii)	Auditor certification services on compliance of corporate governance as required under condition No. 9(1); and	✓		
7(1)(ix)	Any other service that creates conflict of interest.	✓		
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company:	✓		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	✓		
8	Maintaining a website by the Company			
8(1)	The company shall have an official website linked with the website of the stock exchange.	✓		
8(2)	The company shall keep the website functional from the date of listing.	✓		
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	✓		
9	Reporting and Compliance of Corporate Governance.			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	✓		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	Will be applicable from the 37 th Annual General Meeting.		
9(3)	The directors of the company shall state, in accordance with the Annexure--C attached, in the directors' report whether the company has complied with these conditions or not.	✓		

Annexure VI

Statement of Compliance with Good Governance Guideline Issued by Bangladesh Bank

In terms of DFIM Circular No. 07, dated September 25, 2007 of Bangladesh Bank, Financial Institutions are required to comply with the policy on role and responsibility of the Board of Director and Chief Executive Officer. The Company has implemented those guidelines as per the directives of Bangladesh Bank.

Status report on compliance with those guidelines is given below:

Sl No.	Particulars	Compliance Status
01.	Responsibilities and authorities of Board of Directors	
A.	Work Planning and Strategic Management	
i	The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goal and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	Complied
ii	The Board shall have its analytical review incorporated in the Annual report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies.	Complied
iii	The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will evaluate half yearly / yearly basis.	Complied
B	Formation of sub-committee	
	To expedite the process of decision making, (e.g. approval of loan/lease, write off, rescheduling etc.) Board may form Executive Committee with the Director (excluding any alternate director)	Complied
C	Financial Management	
i	Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
ii	Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
iii	Board shall approve the procurement policy and shall accordingly the delegation of power for making such expenditure. The maximum delegation of power shall rest on the CEO and top management. However, decision relating to purchase of land, building and vehicles shall remain with the Board.	Complied
iv	The Board shall adopt the operation of bank accounts. Groups maybe formed among the management to operate bank accounts under joint signatures.	Complied
D	Management of loan/lease/investments	
i	Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
ii	No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
iii	Any syndicated loan/lease/investment proposal must be approved by the Board.	Complied
E	Risk Management	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied

Sl No.	Particulars	Compliance Status
F	Internal Control and Compliance	
	A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team	Complied
G	Human Resource Management	
i	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
ii	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board in compliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
H	Appointment of CEO	
	The Board shall appoint a competent CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
I	Benefit to the Chairman	
	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
J	Responsibilities and Duties of the Chairman	
i	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	Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
K	Responsibilities of Managing Director & CEO	
i	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	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, shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company;	Complied
iv	Managing Director may re-schedule job responsibilities of employees;	Complied
v	Managing Director may take disciplinary actions against the employees except DMD and General Manager;	Complied
vi	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 the Managing Director.	Complied



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Report to the Shareholders of IPDC Finance Limited on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by IPDC Finance Limited for the year ended on 31 December 2018. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission except those mentioned in the Statement of Compliance Status;
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The Governance of the company is satisfactory.

For S. F. Ahmed & Co.
Chartered Accountants



Dated, Dhaka;
04 February 2019

Md. Enamul H. Choudhury
Partner

STATEMENT OF ETHICS AND COMPLIANCE

Establishing Ethics and Values

IPDC Finance Limited remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in its Code of Conduct that covers, among other issues, the following areas:

- Their relationship and responsibilities to IPDC
- Their relationship with and responsibilities to customers
- Compliance with laws and regulations
- Acting in a professional and ethical manner
- Protection of business assets
- Disclosure of conflicts of interests
- Prohibition of any conduct involving dishonesty, fraud, deceit or misrepresentation including insider trading.

Our Approach to Ethics

IPDC pays highest priority to the moral concerns to make the right ethical decisions on a day-to-day basis over and above observing the law, which is one of the standard professional requirements for the NBFIs. On 7th May 2015, our Board of Directors approved a Code of Conduct policy for the employees of IPDC Finance Limited. The policy requires that all IPDC employees carry out their responsibilities, decisions and actions to the best of their ability and judgment while maintaining their professional decorum, complying with the laws and regulations for good governance. They must assure the highest standards of integrity in business dealings with their stakeholders and with each other. Highest ethical values, which includes honesty, integrity, fairness, responsible citizenship, and accountability for employees are also focused on this policy. IPDC encourages a positive and productive corporate culture that places high value on quality service, merit based performance, accountability, responsiveness, teamwork, diversity and inclusion and equal employment opportunity.

IPDC places strict practices for streamlining employee conduct inside the workplace in relation to other employees, customers, vendors or any other stakeholders or groups associated with the company to ensure that the guidelines for integrity and ethics are complied with. All employees are expected to carry out their duties honestly, conscientiously and serve the company according to the best of his/her ability and promote the business interests of the company. As such, employees of IPDC must not misbehave with colleagues and/or superiors, get involved with any kind of monetary transaction from with colleagues and/or superiors, falsify, tamper, damage or cause loss of IPDC's official records and neglect any government law or office rule/regulations. Such behavior is considered as breach of the Code of Conduct and may result in disciplinary action. IPDC has an active National

Integrity Strategy (NIS) Committee that works under the directive of the Integrity Strategy Implementation Cell under the central bank. It focuses on creating awareness on improved customer service, data security, transparency and integrity.

Code of Ethics and Conduct at IPDC

Key areas of our efforts are

- Fair Treatment of Customers: IPDC ensures that customers are treated fairly and without prejudice that fosters good support and helps to build long-term sustainable business relationship.
- Privacy and Security of Client Information: As per our 'Code of Conduct', all information gathered from customers/clients during the course of providing service is to be considered confidential unless it is clearly stated otherwise.
- Transparency and Accuracy of Financial, Tax and Other Reporting: Employees of IPDC must ensure that information / reporting relating to their customer is readily available, accurate and transparent.
- Interaction in Print, Electronic and Social Media: All media (Print, electronic and social) inquiries are forwarded to representatives of corporate communication department or any authorized personnel to initiate contact with the media on behalf of the organization.
- Ethics against Discriminatory Harassment: IPDC Management ensures strict compliance with antidiscrimination and harassment policy whereby the wrongdoer may be subjected to the full range of disciplinary actions up to and including termination of his /her employment as well as may be tried by the prevailing laws of the country.
- Kickback & Secret Commission: IPDC employees must not receive payment or compensation of any kind from any customer/ vendor/ supplier, except as authorized under the organization's business. In particular, IPDC Strictly prohibits the acceptance of secret commission from suppliers and clients.
- Personal Investment and Insider Trading: It is also prohibited for IPDC Employees to take part in trading of publicly traded securities and investments for personal gain if they possess material non-public information about the security or the issuer.
- Conduct towards Female Colleagues: Any harassment or discriminatory behavior directed at female employees in the form of derogatory or provocative comments, physical violence, horseplay / inappropriate jokes, unwanted physical contact, use of epithet, comments or innuendo, obscene or harassing telephone calls, e-mails, letters, notes or

other forms of communication, and any other conduct that may create a hostile working environment is strictly prohibited. In some cases can lead to termination of employment.

- Workplace Security & Safety: One of the primary concerns of IPDC is to maintain a healthy and productive work environment by ensuring the safety and security of office premises.

Monitoring Compliance

At IPDC, compliance with our Code of Conduct and Ethics is embedded in our employment contracts, recruitment and performance management activities. All new employees joining IPDC as well as existing employees are required to read the Code of Conduct and duly sign a statement of compliance attesting that they have read and understood the aforementioned and provide their personal commitment to comply with the applicable laws, regulations And corporate ethics, be held accountable for carrying out the compliance responsibilities, and acknowledge that ignorance of the rules and regulations outlined in the Code cannot be an excuse for Non-compliance. We also arrange a session on Code of Conduct during the orientation program for the new joiners.

All the Employees of IPDC are required to comply with the Code of Conduct; any breach of this code may lead to disciplinary action. Moreover, a reward and recognition program is practiced by IPDC which is designed to reward employees who demonstrate ethical principles and uphold the core values of integrity and morality in the Code of Conduct. This type of recognition serves to validate the ethical actions of the concerned employee, encourages repeat behavior and thus helps sustain a culture of transparency, accountability and integrity.

Communication of the Statement of Ethics and Business Practices

At the time of joining all the IPDC employees required to sign an annual declaration confirming that they have read and understood the Code of Conduct. It is the responsibility of Human Resource department to circulate the required declaration and ensure the sign of the employee. The Internal Control and Compliance (IA&C) department ensures whether any employee have breached the Code of Conduct.

Board's Commitment

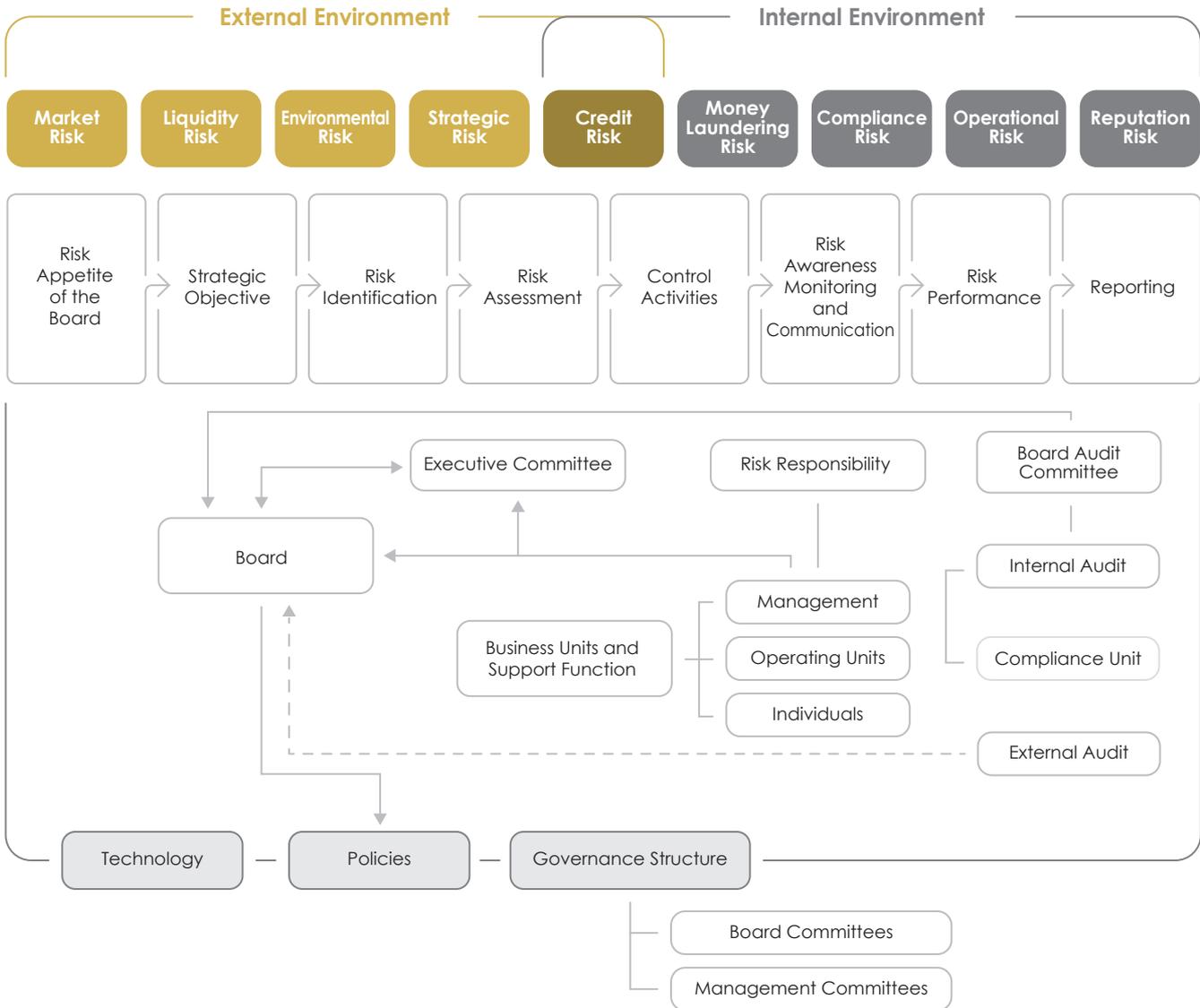
The IPDC Board acknowledges its responsibility for ensuring that the Company's business activities are conducted in accordance with the highest standards of ethics and compliance.

The Board views adherence to ethical standards and compliance as an integral part of the broader corporate governance framework and seeks to adopt a holistic approach in ensuring its implementation. As part of this, it has instituted a number of approaches to underline its commitment to high standards of ethical behavior:

- Setting down standards of expected behavior through the formulation and communication of a Code of Conduct.
- Installing a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis.
- Positioning Company policies and procedures on ethical foundations to ensure that ethical considerations are integrated in the day-to-day decision-making, activities and processes.
- Establishing a clearly-defined organizational structure that assigns responsibility and authority for the conduct of organizational functions while at the same tie ensuring accountability for individual actions.
- Establishing a variety of monitoring mechanisms including the creation and empowerment of an operationally independent internal audit team with reporting responsibilities to the audit committee.

INTEGRATED RISK MANAGEMENT FRAMEWORK

To achieve a sound system of risk management and internal control, the Board and the Management ensure that the risk management and control framework are embedded into the overall business processes, culture and structures of the company. In addition to the best industry practices, the Company follows the Integrated Risk Management guideline for Financial Institutions issued by Bangladesh Bank. The Risk Management Framework is given below:



Risk Management Principles

Our business model requires us to identify, assess, measure, aggregate and manage our risks, and to allocate our capital among our businesses. We actively take risks in connection with our business and as such the following principles underpin our risk management framework:

- Risk is taken within a defined risk appetite;
- Every risk taken needs to be approved within the risk management framework;
- Risk taken needs to be adequately compensated
- Risk should be continuously monitored and managed.

Risk Appetite of the Board

Risk appetite is the aggregate level and type of risks the company is willing and able to accept within its overall risk capacity and is captured by several qualitative principles and quantitative measures. The company takes strategic initiatives and sets its goals within the limit of overall risk appetite of the Board and the shareholders. While the Board sets the risk tone, management executes the operations. Organizational philosophy, values, mission, cultures and the external environment also shape the way the company operates given the risk limit set by the Board.

Control Activities

To improve financial and operating performance, IPDC ensures that adequate and appropriate risk mitigating controls are in place against the risks the organization is facing. Organization sometimes weighs the cost of control against the benefit of exercising such controls and thus it optimizes its control activities through-out the organization.

Policies and Guidelines

Policies and procedures are reviewed on regular intervals and necessary modifications are made to the policies based on the market practices, the changes in the regulatory environment and business strategies. Management puts forward the changes in the policies to the sub-committee of the Board (Executive Committee and Audit Committee) for review. Subject to the recommendations of the sub-committee, the Board ultimately approves the policies.

Monitoring and Review

Monitoring and review together are an integral part of the risk management process, that ties all elements together to create value for the organization. A strong monitoring and review process serve following purposes:

- Ensuring that controls are adequate and effective
- Feeding wide range of information into risk assessment process
- Analyzing and learning lessons from risk events, including success and failure
- Detecting the changes in the external and internal context which may require revision in risk treatments and priorities
- Identifying the emerging risks

Stress Testing

Stress testing and scenario analysis are used to assess the financial and management capability of IPDC to continue operating effectively under extreme but plausible conditions. Such conditions may arise from economic, regulatory, legal, political, environmental and social factors. IPDC has a strong commitment to stress testing performed on a regular basis in order to assess the impact of a severe economic downturn on its risk profile and financial position.

IPDCs stress testing framework is designed to:

- Identify where the risk concentrations are
- Understand impact on the institution if biggest customers default
- Impact on the institution if historical worst-case scenarios recur
- Impact on the institution if it is hit by a similar severe credit loss event that affected competitors in the past

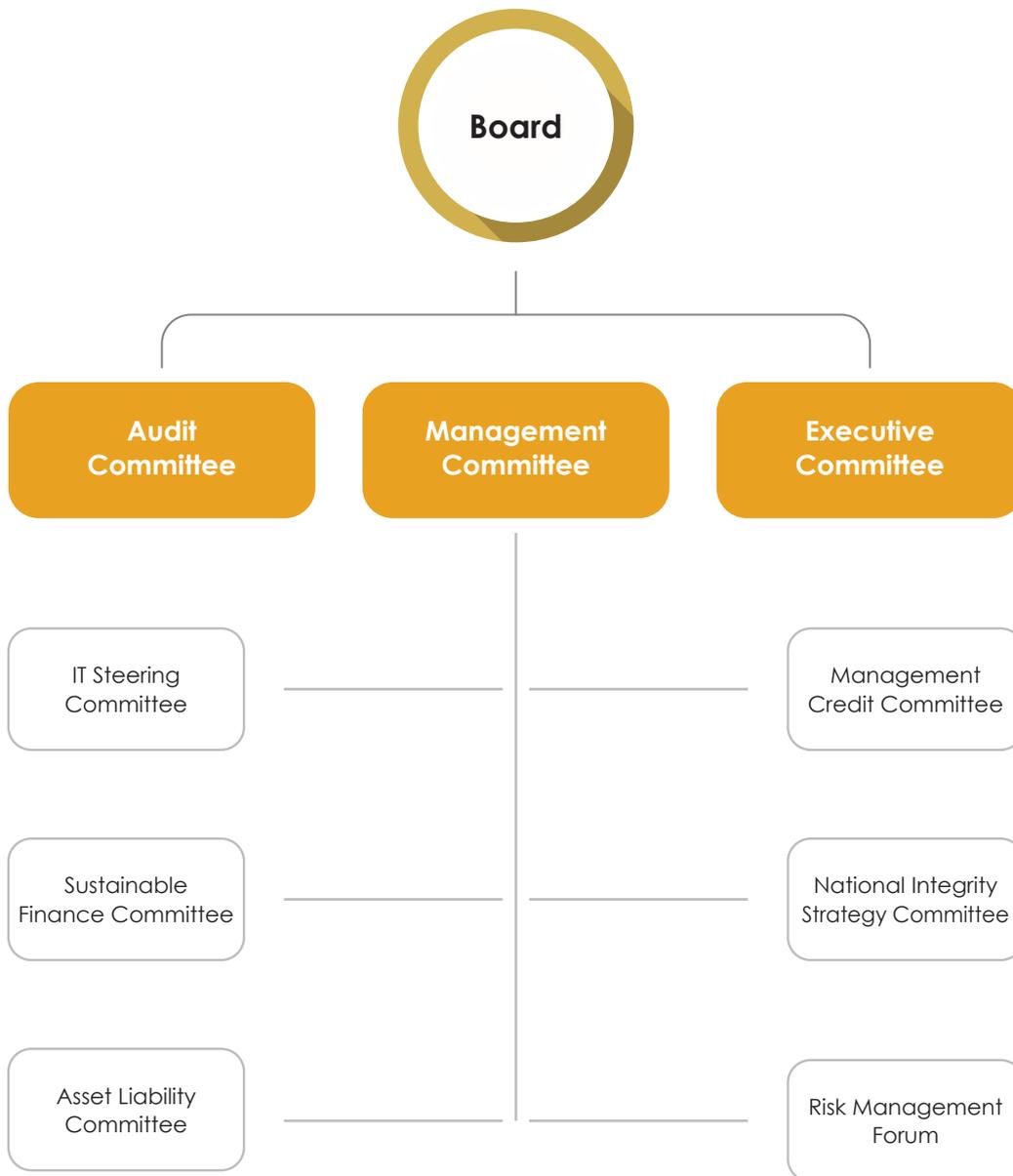
Risk Reporting

IPDC identifies many metrics within its risk measurement systems which support regulatory reporting and external disclosures, as well as internal management reporting across risks and for material risk types. These risk metrics are given in the subsequent sections of Risk Management.

Risk Management Governance Structure

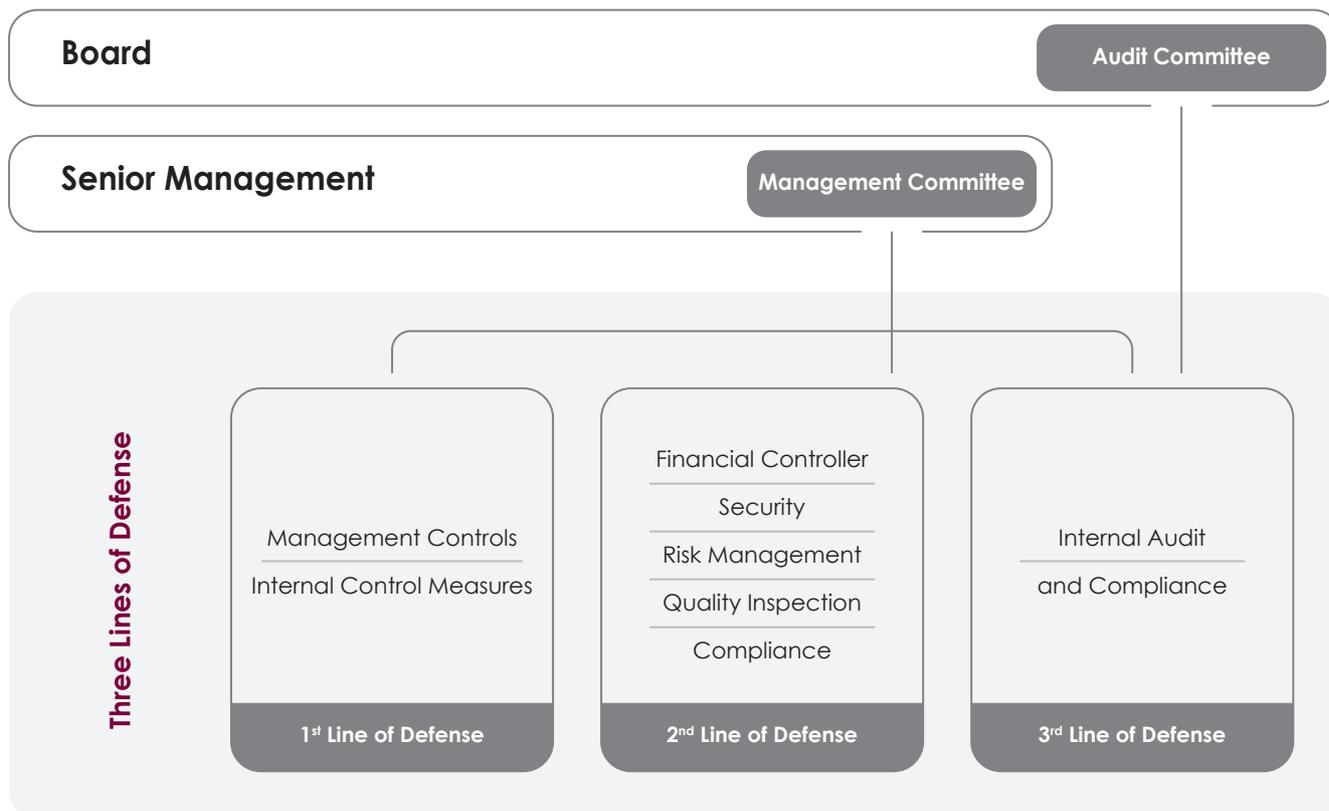
Risk Management Organogram

IPDC has identified relevant risks associated with the financial institution and has come up with a governance framework comprising different committees which have different sets of risk management responsibilities. A summary of the committees and the relationships are given below.



Three lines of Defense

Roles and responsibilities for risk management are defined under a 'three lines of defense' model. Each line of defense describes a specific set of responsibilities for risk management and control. Three Lines of Defense model can enhance clarity regarding risks and controls and help improve the effectiveness of risk management systems'



First Line

Responsible for:

- Identifying all the risks in the activities in which they are engaged, and developing appropriate policies, standards and controls to govern their activities
- Operating within limits established in connection with the Risk Appetite of the firm
- Escalating risk events to senior managers and the Internal Audit & Compliance.

Second Line

Responsible for:

- Establishing limits, rules and constraints under which first line activities shall be performed
- Monitoring the performance of the First Line
- Formulating product program guidelines, document checklists, manuals and guidelines are established and maintained as a second line of defense against the potential risks.

Third Line

Responsible for:

- Providing independent assurance to the Board and Audit Committee relating to the effectiveness of corporate governance, risk management and control.

Board Subcommittees

Member Composition

Name of the Committee	Number of Members	Independent Directors	Nominated Directors	CEO	Number of Meetings Held
Executive Committee	6	1	4	1	7
Board Audit Committee	5	2	3	-	5

Key Responsibilities of Executive Committee

Credit	<ul style="list-style-type: none"> Take credit decisions within its authority To review and monitor the recovery process on continuous basis of good and classified portfolio To review and monitor progress on continuous basis To review the adequacy and provisioning of to ensure that IPDC is meeting the laid down requirements To oversee all large problem accounts on a continuous basis, evaluate progress made by the management in their recovery; completion of documentation and to provide whatever assistance is required to ensure successful recovery
Treasury	<ul style="list-style-type: none"> Approve Bank and FI borrowings within its authority Review fund position and liquidity statements Review Cost of Fund and Return on Funds
Other	<ul style="list-style-type: none"> Review monthly financials of the company Review budget and recommend to the board for approval Approve expenses within its authority

Key Responsibilities of Board Audit Committee

Review	<ul style="list-style-type: none"> Assessing the capacity and effectiveness of the Internal Control and Compliance function Evaluating reports of Credit Inspections, review implementation of suggestions contained in the reports. Assessing inspection reports issued by Bangladesh Bank and external auditors; review rectification of irregularities or compliance of recommendations suggested by such external bodies Assessing the credit risk management system of the company
Others	<ul style="list-style-type: none"> Submit meeting minutes to the immediate next meeting of the BOD and to the Bangladesh Bank Request both internal and external auditors for submission of assessment reports on any credit related issue under review by AC

Member Composition

Committee Names	Members
Management Committee (MANCOM)	<ul style="list-style-type: none"> • Mr. Mominul Islam, Managing Director & CEO • Mr. Rizwan D. Shams, DMD & Head of Business Finance • Mr. Kyser Hamid, DMD & Head of Retail Business • Mr. Shah Wareef Hossain, Chief Operating Officer • Mr. Nawed Wahed Asif, Head of Treasury • Mr. Benozeer Ahmed, Chief Financial Officer • Mr. Ashique Hossain, Head of Credit Risk Management • Mr. Samiul Hashim, Company Secretary & Head of Legal Affairs • Ms. Mahzabin Ferdous, Head of Corporate Communication • Mr. Md. Ezazul Islam, Head of Internal Audit & Compliance • Ms. Sharmeen F. Annie, Chief Human Resources Officer
Risk Management Forum	<ul style="list-style-type: none"> • Mr. Rizwan D. Shams, DMD & Head of Business Finance, (Chief Risk Officer) • Mr. Shah Wareef Hossain, Chief Operating Officer • Mr. Ashique Hossain, Head of Credit Risk Management • Mr. Nawed Wahed Asif, Head of Treasury • Mr. Ezazul Islam, Head of Internal Audit and Compliance • Mr. Samiul Hashim, Company Secretary & Head of Legal Affairs • Mr. Md. Benozeer Ahmed, Chief Financial Officer • Mr. Zakir Hossen, Head of Central Operations • Ms. Aleya R Iqbal, Head of Information Technology • Ms. Mahzabin Ferdous, Head of Brand and Corporate Communication • Ms. Savrina Arifin, AGM, Retail Business
IT Steering Committee	<ul style="list-style-type: none"> • Mr. Mominul Islam, Managing Director & CEO • Mr. Rizwan D. Shams, DMD & Head of Business Finance • Mr. Kyser Hamid, DMD & Head of Retail Business • Mr. Shah Wareef Hossain, Chief Operating Officer • Mr. Nawed Wahed Asif, Head of Treasury • Mr. Benozeer Ahmed, Chief Financial Officer • Mr. Ashique Hossain, Head of Credit Risk Management • Mr. Samiul Hashim, Company Secretary & Head of Legal Affairs • Ms. Mahzabin Ferdous, Head of Corporate Communication • Mr. Md. Ezazul Islam, Head of Internal Audit & Compliance • Ms. Sharmeen F. Annie, Chief Human Resources Officer • Ms. Aleya R Iqbal, Head of Information Technology
Sustainable Finance Committee	<ul style="list-style-type: none"> • Mr. Rizwan Dawood Shams, DMD & Head of Business Finance • Mr. Shah Wareef Hossain, Chief Operating Officer • Mr. Zakir Hossen, Head of Central Operations • Mr. Md. Ashique Hossain, Head of Credit Risk Management • Mr. Md. Benozeer Ahmed, Chief Financial Officer • Mr. Ezazul Islam, Head of Internal Audit and Compliance • Mr. Sayeed Iqbal, AGM, Human Resources • Ms. Mahzabin Ferdous, Head of Brand and Corporate Communication • Ms. Aleya R Iqbal, Head of Information Technology • Ms. Savrina Arifin, AGM, Retail Business • Mr. Md. Barkat Ullah, Head of General Service and Security • Mr. Rahat Jamil, Senior Manager, Credit Risk Management

Committee Names	Members
Asset-Liability Committee (ALCO)	<ul style="list-style-type: none"> Mr. Mominul Islam, Managing Director & CEO Mr. Rizwan D. Shams, DMD & Head of Business Finance Mr. Kyser Hamid, DMD & Head of Retail Business Mr. Benozeer Ahmed, Chief Financial Officer Mr. Ashique Hossain, Head of Credit Risk Management Mr. Nawed Wahed Asif, Head of Treasury
National Integrity Strategy Committee	<ul style="list-style-type: none"> Mr. Md. Ezazul Islam, Head of Internal Audit & Compliance Mr. Ahashanuzzaman Shujan, Manager, Human Resources Mr. Sirajus Salekin, Manager, Retail Business Mr. Md. Fazlay Azim, Senior Executive, Internal Audit & Compliance Ms. Tasneem Tazakka Amin, Senior Executive, Business Finance Ms. Anika Azam, Assistant Manager, Human Resources
Management Credit Committee (MCC)	<ul style="list-style-type: none"> Mr. Mominul Islam, Managing Director and CEO Mr. Rizwan Dawood Shams, DMD & Head of Business Finance Mr. Nawed Wahed Asif, Head of Treasury Mr. Md. Ashique Hossain, Head of Credit Risk Management Mr. Shah Wareef Hossain, Chief Operating Officer

Responsibilities of committees at Management Level

Committee Names	Responsibilities
Management Committee (MANCOM)	<ul style="list-style-type: none"> Reviewing of the business plan Ensuring compliance with regulatory bodies and other statutory guidelines Discussing operational activities and resolving inter-departmental issues Recommending and seeking approval to the Board
Risk Management Forum	<ul style="list-style-type: none"> Designing overall risk management strategy Communicating views of the board and senior management regarding the Risk Management Culture and Risk Appetite all over the FI Preparing risk management policies and procedures Reviewing the market conditions, identifying the external threats and providing recommendations for precautionary measures accordingly Monitoring the prescribed/threshold limits of Risk Appetite set by the regulator and/or by the FI itself
IT Steering Committee	<ul style="list-style-type: none"> Formulating IT strategy Approving IT projects IT project prioritization Ensuring Information security
Sustainable Finance Committee	<ul style="list-style-type: none"> Providing necessary approval, supervision and evaluation of the responsibilities of the Sustainable Finance Unit. Ensuring the coordination and assistance among all the departments associated with the activities of the Sustainable Finance Unit

Committee Names	Responsibilities
<p>Asset-Liability Committee (ALCO)</p>	<ul style="list-style-type: none"> • Assessing the macro-economic situation • Assessing and managing the Balance Sheet related risks • Predict the market rate and significant changes in the market • Taking necessary strategies to mitigate the overall risk • Determining the financial health of the company through ratio analysis • Assessing competitors and pricing in line with the market conditions
<p>National Integrity Strategy Committee</p>	<ul style="list-style-type: none"> • Promoting awareness regarding integrity, transparency and accessibility to information • Identifying the hurdles regarding the implementation of integrity strategy and providing direction to mitigate the hurdles
<p>Management Credit Committee (MCC)</p>	<ul style="list-style-type: none"> • Provide credit approval within management limit • Analyzes the merit of every credit proposal and assesses all the relevant risks that can affect Credit Portfolio of the company

RISK CATEGORIES AND MANAGEMENT STRATEGIES

Credit Risk

It is the risk of potential loss that may arise because of the client, its counter parties and the related party's unwillingness or inability to meet the commitments in relation to lending, trading, settlements and other financial transactions. Credit Risk can be broadly classified into three sections:

- Default Risk
- Recovery Risk
- Concentration Risk

Monitoring Credit Performance

Our Credit Manual properly defines the criteria for identifying and reporting potential problem in credits and other transactions to ensure that they are subject to more frequent monitoring as well as possible corrective actions, classifications and provisioning.

Measurement of Risk

The outcome of the evaluation process is generally a rating/ grade/scores that depicts the degree of credit risk associated with the borrower. The assessment is done both in presanction and post-sanction stages. We use Credit Risk Grading system and Internal Risk Rating systems as presanction assessment tool. In the post-sanction stage, we perform several analyses both in micro and macro level.

Classification Status of Loans and Advances

BDT mn %

Particulars	2014	2015	2016	2017	2018
Unclassified	5,467	6,254	19,328	34,171	43,042
Special Mention Account	17	35	15	82	337
Total Performing Loan	5,484	6,289	19,343	34,253	43,379
Sub Standard	20	35	53	125	710
Doubtful	6	1	4	3	37
Bad Loss	166	91	80	85	200
Total Classified Loan	192	127	138	214	947
Total Loans & Advance	5,677	6,416	19,481	34,467	44,325
NPL %	3.39%	1.98%	0.71%	0.62%	2.14%

Large Loan as a % of Portfolio

BDT mn %

Particulars	2014	2015	2016	2017	2018
Large Loan (% of Port.)	6.1%	15.7%	28.1%	19.8%	11.2%
Large Loan Exposure	347	1,005	5,470	6,834	4,976
Total Loans & Advance	5,677	6,416	19,481	34,467	44,325

Highlights in 2018

Default Risk

Our classified loan has increased from 2017 which is partially because of some newly classified loans in Q4'18. However, this is transitional and the classified loan ratio is expected to decline in the future. It is to be noted that our current classified loan ratio is far below the industry average and is currently one of the lowest in the industry.

Recovery Risk

We have adequate amount of eligible securities against our loans. Value of eligible securities as a percentage of portfolio increased from 23.1% in 2017 to 24.5% in 2018.

Concentration Risk

Large loan as percentage of portfolio is steadily declining from 2017. This is partially a result of our fast pace of portfolio growth as well as the increase in value of our shareholders equity which is raising the limit of the loans which can be classified as large loan. However, we are also consciously managing our exposure to large loans for reducing our concentration risks and as a result, large loan exposure declined in volume for the first time in 2018 since the last 5 years.

Geographic Credit Concentration

BDT mn, %

Divisions	2014	2015	2016	2017	2018
Dhaka	4,732	5,684	17,595	31,087	36,153
Chattogram	888	704	1,617	2,478	5,391
Khulna	17	-	3	115	708
Rangpur	-	-	-	-	703
Rajshahi	15	10	20	420	873
Sylhet	25	17	130	294	269
Barishal	-	-	-	-	6
Mymensingh	-	-	117	73	222
Total Loans & Advances	5,677	6,416	19,481	34,467	44,325

Risk Mitigation Strategy

The Board of Directors periodically reviews and approves the credit risk strategy and credit risk policy considering the risk appetite and the level of profitability it expects to achieve over the periods and define and review the delegation of credit approvals.

Another way IPDC manages credit risk is through provisioning. IPDC maintains surplus amount of provisioning than required. This surplus provision provides a cushion during any unexpected degradation of quality in credit portfolio.

Additionally, IPDC obtains collateral security in the form of land, building, cash, financial instruments, marketable shares. In case of default and inability or unwillingness of the client to repay the loan, the security may be liquidated to recover the loan. The collateral security provides a level of protection against credit risk.

IPDC designs its organizational structure for Credit Risk Management (CRM) by considering the size, complexity and diversification of its credit activities. To facilitate effective management oversight and proper execution of CRM control process IPDC has the following committees and departments:

Department / Committee	Responsibilities
Credit Risk Management Committee	<ul style="list-style-type: none"> Overall credit risk activities and overall credit risk management function Implementation of the credit risk strategy approved by the Board Monitoring the credit risk throughout the Company and ensure compliance
Credit Risk Management Department	<ul style="list-style-type: none"> Formulating the credit policy, setting credit limits and monitoring the credit exceptions, exposures and reviewing and monitoring the required documentations Ensuring that the business lines comply with the risk parameters and limits established by the Board
Credit Administration Department	<ul style="list-style-type: none"> Ensuring the completeness of the documentation in accordance with the approved terms and conditions Monitoring the borrower's compliance with covenants and agreed terms and conditions and monitor the performance of the client
Special Asset Management Department	<ul style="list-style-type: none"> Managing accounts with sustained deterioration Determining the specific strategy for bad loan recovery Pursuing all options to maximize the recovery, including placing customers into receivership or liquidation as appropriate.

Outlook

Default Risk

Although we monitor the current status of our portfolio through regular overdue status review, we are working for development of an Early Warning System so that all the key stakeholders are well aware of the regular movements in portfolio quality as it happens. This will improve the overall reporting standard and steps can be taken to secure our financing accordingly.

Recovery Risk

Some forms of financing are unsecured by nature. As such, we will continue to maintain and possibly improve the share of collaterals against our loans and leases. We are also strengthening our recovery team through the deployment of new resources for increasing recovery from bad loans.

Concentration Risk

As we continue our focus on home loans and other retail loans beyond megacities, we hope to significantly reduce our geography risks and product concentration risks within the coming years. Through further scaling up our supply chain platform, our portfolio will also be diversified against sector exposure.

Liquidity Risk

Liquidity risk arises when liquid assets are not enough to meet maturing obligations or organization's inability to defray its liability. The objective of IPDC's liquidity risk management framework is to ensure that IPDC can always fulfill its payment obligations and can manage liquidity and funding risks within its risk appetite. Liquidity risk management is the main responsibility of the ALCO. The ALCO consists of treasury, business units, finance, credit risk departments. At IPDC, a top-down and bottom-up approach for liquidity risk management is used.

Highlights in 2018

Liquidity Gap

Surplus liquidity dropped significantly during H1'18 due to initiatives to reduce interest rate on loans and deposits. However, the industry recovered, and money market remained adequately liquid in H2'18. We have been able to pass the stressful time with good financials through prudent liquidity management. Currently, our liquidity gap is mostly concentrated in the longer-term horizon which we are addressing through concentrating our focus on long term public deposits.

Liquidity Gap – Maturity Analysis

BDT mn

Particulars	2014	2015	2016	2017	2018
up to 1 month	105	147	-185	364	267
1-3 Months	-539	628	-144	367	89
3-12 Months	1,088	-90	379	-581	490
1-5 Years	1,356	1,453	3,909	6,284	9,761
5 Years +	281	337	-1,184	-3,322	-6,855

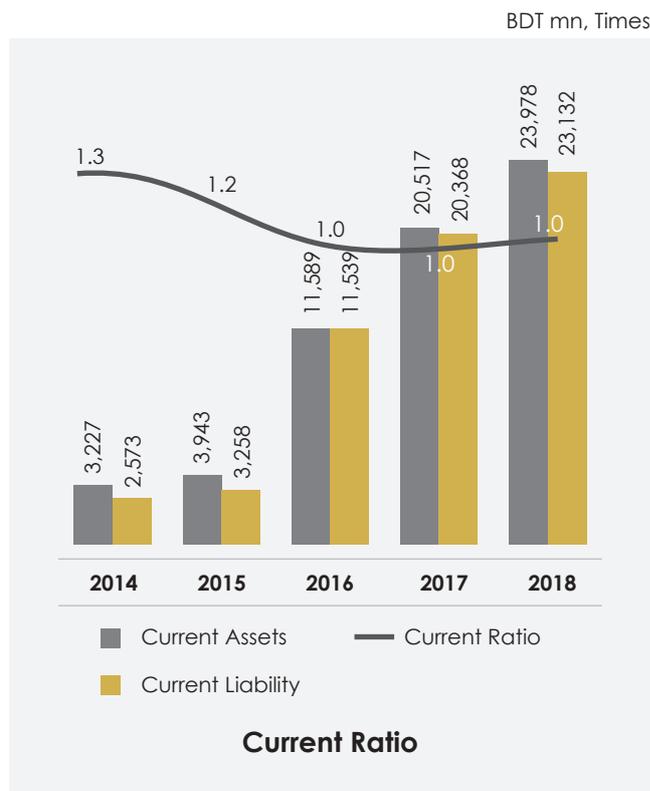
Liquidity Gap as a % of Liability

%

Particulars	2014	2015	2016	2017	2018
up to 1 month	16.7%	31.5%	-6.5%	6.2%	4.3%
1-3 Months	-48.9%	69.5%	-2.2%	5.9%	1.1%
3-12 Months	129.4%	-4.8%	18.1%	-7.1%	5.6%
1-5 Years	67.0%	83.7%	77.6%	82.0%	105.6%
5 Years +	32.9%	46.0%	-36.7%	-40.8%	-47.7%

Current Ratio

We have maintained and slightly improved our current ratio of 1.0 for 2018. This indicates that we have sufficient liquidity in the short term and there are no major risks of being unable to honor our obligations. We hope to maintain this standard going forward.

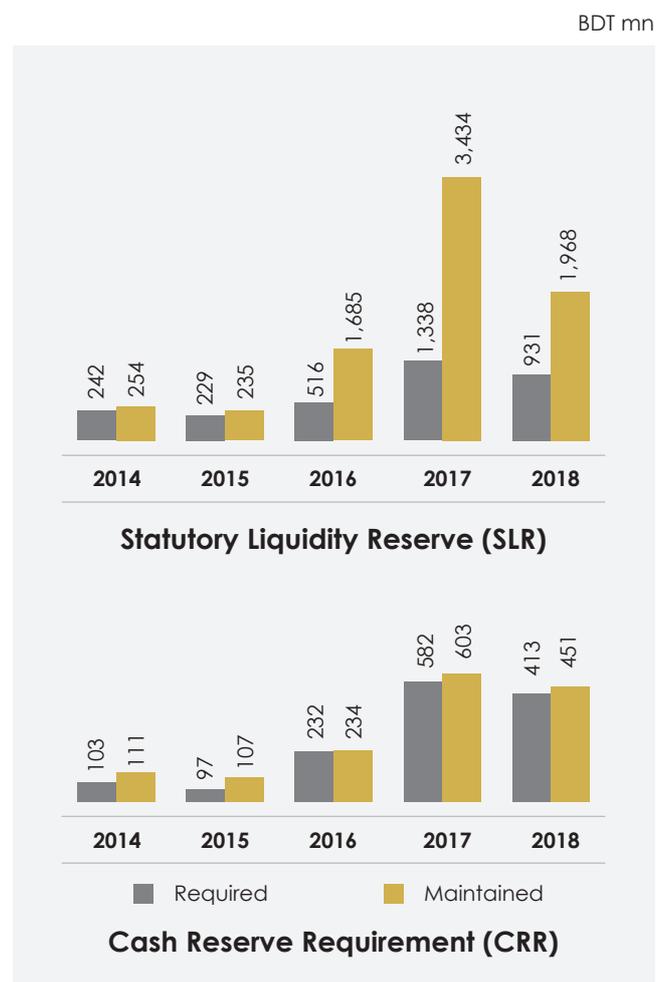
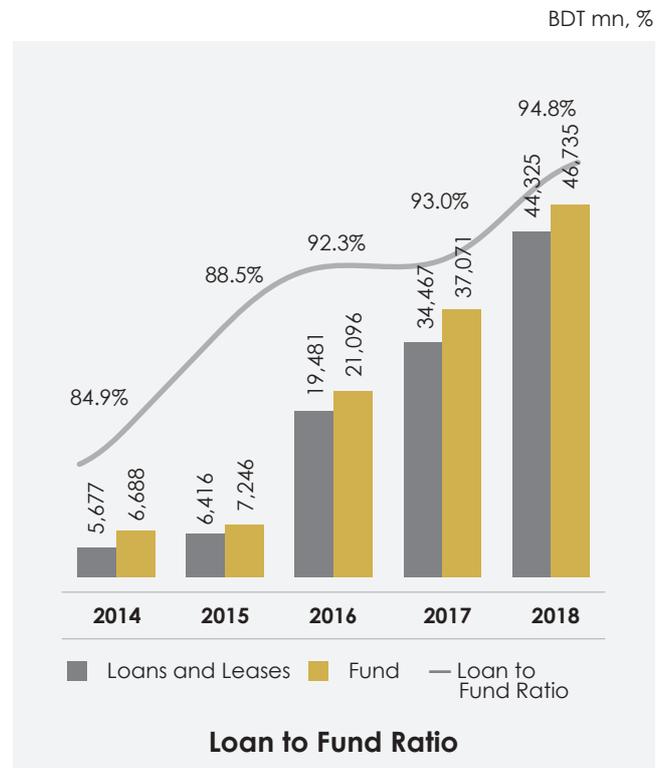


Loan to Fund Ratio

Our loan to fund ratio has steadily increased over the years. 2018 is no exception with the value reaching 94.8% which is slightly below the maximum suggested value of 95.0% for financial institutions. Although the higher value means that we are optimizing our returns from our funds, we plan to strengthen our fund collection efforts to support our high growth ambition for the future. We already have received BDT 200 million for subordinated bond and hope to receive additional 800 million soon. We have also shown strong growth in funding through Bangladesh Bank refinancing schemes which now stands at BDT 1,371 million representing 23.2% of borrowing from banks and FIs.

CRR and SLR

We have adequately maintained Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) with a surplus which indicates our strong liquidity position.



Risk Mitigation Strategy

Liquidity risk is managed in accordance with the Management Board-approved risk appetite across a range of relevant metrics, and implements several techniques to ensure compliance

- Minimizing maturity gap between assets and liability
- Monitoring funding position daily
- Maintaining strong line of credit with banks
- Sourcing less volatile small ticket size deposits
- Making short term investments with high rated Banks and FIs
- Monitoring and forecasting short term and long-term liquidity situation of the company
- Doing predictive analytics about the market liquidity situation and taking position upfront before the market reacts
- Delegating authority and setting limits on the type and volume of transactions
- Setting trigger points for escalating any situation through vertical lines
- Continue to reduce bank dependency for funding need
- Keeping adequate Tier-I and Tier-II capital beyond the regulatory requirement
- Making contingency funding plan (CFP) for addressing liquidity shortfalls in emergency situations

Outlook

Diversification of our funding profile in terms of investor types products and instruments is an important element of our liquidity risk management strategy for the future. Key areas of focus are:

- Increased focus on retail deposits
- Increased focus on small ticket size sticky deposits
- Diversified funding basket through instruments like zero coupon and subordinated bonds.
- Increased proportion of treasury borrowing coming from long-term borrowing
- Explore opportunities of borrowing through foreign currency
- Increase fund from refinancing schemes of Bangladesh Bank

Operational Risk

Operational risk is the risk of financial losses related to breakdown in internal control and corporate governance processes. Such breakdown can be the result of human error, inadequate or failed internal processes and technical systems, fraud, or any other adverse internal events. Operational Risk has the most devastating impact on the organization and is difficult to anticipate.

Operational Risk Types

Operational risk includes the following Sub-categories:

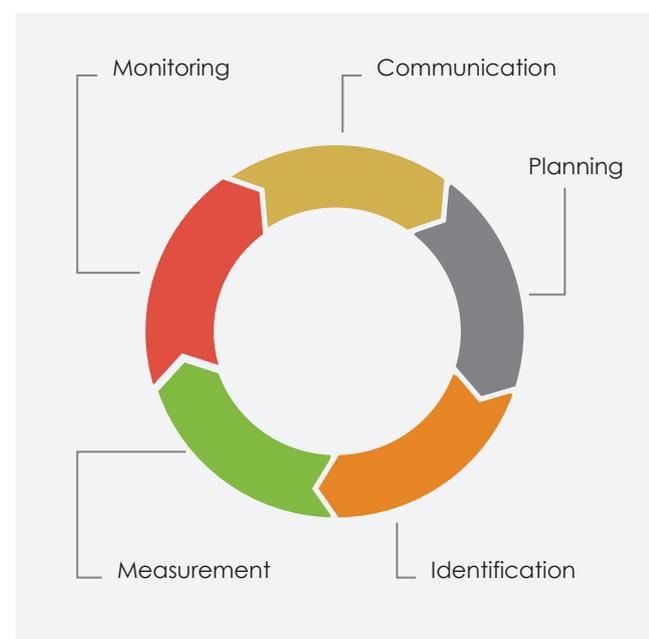
- Legal Risk
- IT Risk
- Internal Fraud Risk
- Cyber Risk
- Process Risk

Highlights in 2018

- Implemented E-Doc system for protection against any possible data loss
- Alternative power sources ensured at branch level for business continuity
- Strengthened internal audit team for detecting and combating frauds
- Updated staff travel and procurement policies in line with peer standards

Operational Risk Management Framework

IPDC follows below operational risk management framework:



Risk Indicator

Particulars	2014	2015	2016	2017	2018
Major External Fraud	None	None	None	None	None
Major System Failure	None	None	None	None	None
Major Security Failure	None	None	None	None	None

#

Risk Mitigation Strategy

Several techniques are followed to manage operational risks:

- Ensuring effective and integrated operational risk management procedures
- Training, supervision and developments
- Proactive communication between the cross functional departments
- Independent control and support functions that monitor operational risk on daily basis
- Segregated dual control mechanism (maker and checker concept) to minimize the error and prevent the fraud
- Building a network of systems throughout the company to facilitate the collection of data for analyzing and assessing our operational risk exposure
- Assessing the state of compliance with applicable laws and regulations, code and guidelines, internal procedures and policies

Outlook

In order to further improve the management of operational risk, we will be working on identifying new tools and measures to effectively measure the operational risk across the organization.

Market Risk

Market risk can be defined as the risk of losses in balance sheet positions arising from adverse movements in market rates or prices such as interest rates, equity prices, foreign exchange rates, commodity prices and general spreads.

Market Risk Types

Market risk may arise, broadly, in any of the following form:

- Interest Rate Risk
- Equity Price Risk
- Credit Spread Risk

Measurement of Market Risk

Market fluctuations may occasionally exceed predicted levels. To ensure IPDC's ability to manage and respond to these fluctuations, the company regularly conducts simulations of radical market movements (stress tests). Such stress tests ensure that the company is prepared to respond should similar situations occur in future. IPDC also monitors interest rate movements in its portfolio on a daily basis as well as monthly basis through management reports.

Highlights in 2018

- All ratios remained within the satisfactory range in 2018
- Spread improved despite volatile market condition in first half of 2018 due to efficient cost of fund management
- Net Gap between risk sensitive assets and liabilities declined in the shorter term and increased in the longer term.
- Return on Equity increased by a healthy margin while return on asset declined due to faster pace of portfolio growth

RoA and RoE

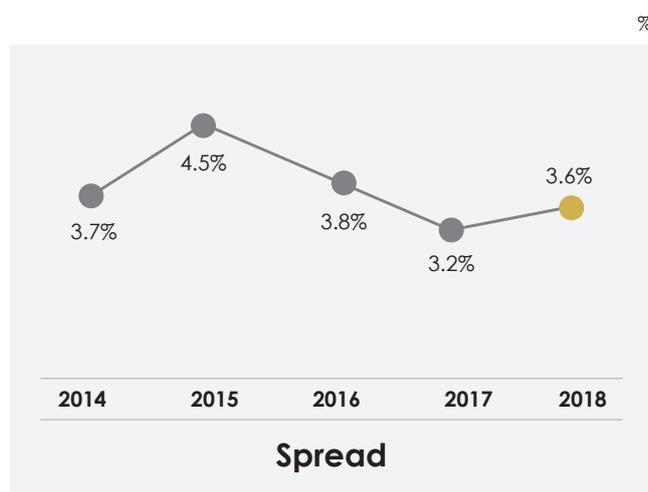
%

Particulars	2014	2015	2016	2017	2018
Return on Asset (ROA)	2.1%	3.0%	2.0%	1.1%	1.0%
Return on Equity (ROE)	7.6%	10.1%	11.5%	11.4%	13.1%

Interest Rate Risk under Simple Sensitivity Analysis

BDT mn

Net Gap (RSA – RSL) *	2014	2015	2016	2017	2018
up to 1 Month	371	276	1,471	2,470	473
1-2 Months	149	113	2,209	237	330
2-3 Months	80	123	2,915	273	441
3-6 Months	416	186	628	79	1,395
6 Months - 1 Year	-46	-88	-472	-791	470



Reputation Risk

We define reputational risk as the risk of possible damage to our brand and reputation, and the associated risk to earnings, capital or liquidity, arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with IPDC's values and beliefs.

Key Numbers related to Reputation Risk

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Particulars	2014	2015	2016	2017	2018
Negative Media Coverage	None	None	None	None	None
Dishonored Cheque	None	None	None	None	None

Risk Mitigation Strategy

- Matching maturity profile of interest-bearing assets and liabilities
- Sensitivity and GAP analysis and stress testing using financial models
- Lending in longer term on floating rate basis
- Adding prepayment penalty clause for early encashment of deposits and early repayment of loans and advances
- To consolidate and manage risk, IPDC conducts stress testing, which calculates the largest estimated loss that could occur with a specific probability

Outlook

- Further improvement in interest rate risk measurement techniques
- Improvement in Return on Asset (RoA) as the portfolio starts to mature
- Maintenance of Return on Equity (RoE) in the event of additional capital inflow

Measurement Techniques

While it's widely accepted that damage to a financial institution's reputation is financially harmful, there are no proven measures to monitor reputational risk that has a measurable impact on financial stability. However, IPDC takes a proactive approach in this regard and ensures that its policies are strictly maintained in its operations which in turn helps to ensure that the company is not subject to any reputational risks.

Highlights in 2018

No major events occurred in 2018 that resulted in negative media coverage. Moreover, there were also no cases of dishonored cheques in as the last five years. So, there were no issues of loss in customer trust regarding financial stability due to being unable to settle customer claims.

Risk Mitigation Strategy

IPDC gives best efforts to make sure that business is conducted in a professional, ethical, compliant and prudent manner.

Effective Board Oversight: Our reputation risk management starts at the top. Strong board oversight on matters of strategy, policy, execution and transparent reporting is vital to effective corporate governance, a powerful contributor to sustaining reputation.

Effective Communications and Brand Building: We are investing to build our brand recognition which is vital to our market success.

Customer Feedback: Customer feedback are constructively taken to improve customer experience and complaints are seriously taken and acted upon to prevent any further negative consequences.

Quality Public Reporting: We have strong vigilance in maintaining internal control over financial reporting and in deploying effective disclosure controls and procedures to ensure reliable public reports.

Outlook

We plan to improve our reputational risk management in three fronts:

Build Goodwill

Building goodwill requires communication with customers on a regular basis. We plan to do that by ensuring that our customers get an extraordinary experience. Initiatives will be taken to better handle customer grievances/issues.

Engage with Customers

Touch points with customers will be increased to better understand customer needs and wants. Information centers and sales centers will be set up which will be designed to be more accessible for customers. Social media is also one of the big reasons for the increased focus on reputational risk. With over 300,000 followers in our Facebook page, we regularly maintain contact with a large set of our customers and plan to increase our interaction in this front as our followers increases.

Issue Management

Every crisis is different and requires a different response. A team will be formed to address the issues as they arise resolve any crisis.

Strategic Risk

It is the possible losses that might arise from adverse business decisions, substandard execution of business strategies and failure to respond properly to changes in the external environment.

Strategic risks can arise from:

- Inadequate assessment of strategic plans
- Ineffective implementation of strategic plans
- Unexpected changes to assumptions underlying strategic plans

Measurement Techniques

IPDC measures its strategic risks on three broad sections:

Positioning Risks: Measuring financial performance against strategic plan

Execution Risks: Monitor key strategic positions as well as the pipeline of resources to fill up those positions. Review of IT systems and processes to ensure sufficient capacity to grow the business.

Consequence Risks: Conducting market research to gauge the performance of IPDC relative to the market.

Highlights in 2018

- Strategy meeting was conducted in 2018 with the presence of Board members to monitor IPDC's performance against 5-year strategic plan
- Key positions of Head of Retail and Head of Human Resources were filled up shortly as well as talent development initiatives were taken to promote existing resources
- Performance against the market as well as major competitors were regularly monitored to identify any performance gap.
- Conducted a review of the skills required for each job role with mapping of the skills from existing employees
- Conducted an audit on people, process and technology to identify possibilities of any skill shortage

Risk Mitigation Strategy

Regular Management Committee meetings, IT Steering Committee meetings, Business Transformation Governance meetings take place where the members review business performance and progress towards strategic plans and revisits plans when necessary in response to the changing environment.

Positioning Risks: Performance against strategic plan is monitored on a periodic basis to ensure that the company is going in the right direction. While making plans for the future, consumer needs are heavily focused to make sure

that the company is well positioned to create value and the strategic objectives makes sense.

Execution Risks: We have succession planning for key strategic positions to make sure that business is not impacted through employee turnover. Moreover, we have conducted an audit on our people, process and systems to ensure that our IT systems, and operational processes are in-line with the growth ambition of the company.

Consequence Risks: Strategic initiatives are taken based on market opportunities and financial projections are made by taking into account all the factors that may affect the company so that there are no unintended consequences for the strategic choices.

Outlook

Our efforts going forward will be towards ensuring protection against any adverse market developments as well as taking action so that the company is in a favorable position to utilize any market opportunities.

Compliance Risk

Compliance Risk is defined as the current or prospective risk of legal sanction and material financial loss due to the company's failure to comply with laws, its own regulations, code of conduct, and standards.

Risk Mitigation Strategy

IPDC fosters a compliance-oriented culture throughout the organization. This has been armored through strong communications, proper training, signing and declaration of the IPDC's code of conduct, repeated communication from senior management and continuous monitoring. In general, compliance culture is embedded in the day to day business processes and practices of the Company

Penalty Imposed by the Regulators

Particulars	2014	2015	2016	2017	2018
Bangladesh Bank	None	None	None	None	None
NBR	None	None	None	None	None
Other Regulators	None	None	None	None	None

Money Laundering Risk

The risk is associated with the money laundering and terrorist financing and the failure to meet the regulatory obligations.

Risk Mitigation Strategy

- Follow robust KYC procedures
- Organize training sessions for all employees on

AML to create awareness about the risks and mitigation practices

Key Numbers Related to Money Laundering Risk

Particulars	2017	2018
Suspicious Transaction Report (STR) Raised	4	25
Number of Accounts Involved	34	42
Suspicious Transaction Amount (BDT mn)	208	335

Social and Environmental Risk

Environmental risk is a facilitating element of credit risk arising from environmental issues. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financial transaction.

Social and Environmental Risk Rating

Particulars	2017	2018
High Risk	None	None

Risk Mitigation Strategy

Environmental and Social Risk Management Guidelines have been incorporated in IPDC's credit manual in line with the ESRM Guidelines issued by Bangladesh Bank. IPDC always considers the environmental issues while financing. Through its effective environmental risk management, IPDC tries to:

- Examine the environmental and social issues and concerns associated with potential business activities proposed for financing;
- Identify, evaluate and manage the environmental and social risks and the associated financial implications arising from these issues and concerns
- Address the environmental and social issues more effectively in credit risk appraisal process.

Overview of Top and Emerging Risks for 2019

Risk	Description	Impact and Mitigation Plan
Macro-Economic Environment		
Global Economic Outlook	Slowdown of growth in fast developing markets like China can reduce global demand resulting in lower investment requirement	As the local economy gets increasingly connected to global economy, global market forces will also increasingly impact the local business. To mitigate this, we will continue to monitor economic developments in key markets with appropriate planning and action as required.
Local Economic Outlook	Return of political instability as well as delay in the implementation of mega infrastructure projects can slowdown the economy	
Regulatory Risk		
Regulatory Developments	The regulatory landscape requires IPDC to deal with several regulatory requirements. New developments in the industry might introduce additional disclosures and stricter compliance in areas relating to treating customers fairly, protection of personal information, tax compliance and asset control sanctions.	Increasing regulatory and requirements may reduce the ease of doing business. Significant investments in people, systems and processes are made to manage the risk emanating from the large number of regulatory requirements.
Financial Crime	The evolving trend for terrorist financing, anti-money laundering, regulations and correspondent banking relationships shaped focus by regulators across the region	
Legal Risk	Legal proceedings arising from business operations could give rise to potential financial loss and reputational damage.	
Risks Relating to Operations		
Cybercrime and Fraud	The increasing trend for cybercrime remains a key focus area	Threats are continuously assessed, and controls adapted to address possible control weaknesses and improve system security.
Skills Shortages	Highly competitive industry compared with a dearth in skilled labor force may cause shortage in skill in the future	Management formulated plans for retention, development and attraction of top talent.
Data Management	Data management becoming more important from a strategic perspective and new regulatory requirements for more frequent, consistent, accurate and timely data submissions.	Project for improved data management, aggregation and reporting are underway

INTERNAL CONTROL

IPDC uses the COSO (Committee of Sponsoring Organizations of the Treadway Commission) Framework to assess the effectiveness of the system of internal control. IPDC adopts COSO's definition of internal control which is defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Internal control is one of the principal means by which risk is managed and is applied to all aspects of operations across all departments.

Objective of Internal Control

The main objectives of IPDC's internal control system is to assist the organization to perform better and achieve its objectives. Through internal control IPDC is able to identify its weaknesses and take steps to overcome those weaknesses. The primary objectives of internal control are as follows:

Performance Objective	Efficiency and effectiveness of activities
Information Objective	Reliability, completeness and timelines of financial and management information.
Compliance Objective	Compliance with applicable laws and regulations

Components of Internal Control

Control Environment	<ul style="list-style-type: none"> • Demonstrates commitment to integrity and ethical values • Exercises oversight responsibility • Establishes structure, authority and responsibility • Demonstrates commitment to competence • Enforces accountability
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The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal control and expected standards of conduct.

Risk Assessment	<ul style="list-style-type: none"> • Specifies suitable objectives • Identifies and analyzes risk • Assesses fraud risk • Identifies and analyzes significant change
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Risk assessment involves a dynamic and iterative process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed. Management considers possible changes in the external environment and within its own business model that may impede its ability to achieve its objectives

Control Activities	<ul style="list-style-type: none"> • Selects and develops control activities • Selects and develops general controls over technology • Deploys through policies and procedures
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Control activities involves the establishment of control policies and procedures and verification of compliance with those policies and procedures. IPDC develops and reviews policies and procedures on a continuous basis and make amendments to them as and when required. To ensure effectiveness of internal control, IPDC has setup appropriate control structure and control activity through the organization at each business level and employees have been provided with clear job description and necessary authority. Some control activities in place includes the following:

- Top level review;
- Physical controls;
- Segregation of duties;
- Follow-up on non-compliance;
- Approvals and authorizations system;
- Verification and reconciliation.

Information and Communication

- Uses relevant information
- Communicates internally
- Communicates externally

Information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the organization with the information needed to carry out day-to-day internal control activities. Communication enables personnel to understand internal control responsibilities and their importance to the achievement of objectives.

Monitoring Activities

- Conducts ongoing and/or separate evaluations
- Evaluates and communicates deficiencies

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner, with serious matters reported to senior management and to the board.

REPORT OF THE AUDIT COMMITTEE

Role of Audit Committee

The Audit Committee on behalf of the Board of Directors attempts to ensure effective implementation of the processes set out in the business plan and policies. Major role of the Audit Committee is to monitor and review the effectiveness of internal control system. The Audit Committee is also responsible to ensure the integrity of the Financial Statements so that it provides a true and fair view of the state of affairs of the Company. In addition, the Audit Committee reviews and, when appropriate, makes recommendations to the Board on business risks, internal control and compliance. The Committee satisfies itself, by means of suitable steps and appropriate information that proper and satisfactory internal controls systems are in place to identify the risks so that Company's business is conducted in a sound manner.

Purpose of the Audit Committee

The Audit Committee is a sub-committee formed by the Board of Directors of the Company. The Committee will consider the internal control and effectiveness within the organization. Terms of reference of the Audit Committee are fixed by the Board. The main purpose of the Audit Committee is to assist the Board of Directors on the following matters:

- Evaluates performance of the Company's internal control functions;
- Ensures compliance of the Company with legal and regulatory requirements;
- Makes recommendations on the reporting, control and compliance aspects of the Company;
- Provides independent monitoring, guidance and, if necessary, to challenge executive Management;
- Performs independent review to ensure control over financial reporting and all other operational matters; and
- Evaluates whether the Financial Statements reflect true and fair view of the affairs of the Company and have been prepared as per the regulatory guidelines;

Structure of Audit Committee

The Audit Committee of the Company has been formed pursuant to the Bangladesh Bank guideline on Internal Control and Compliance framework vide DFIM circular no 13, dated October 26, 2011 and the Corporate Governance Code issued by Bangladesh Securities and Exchange Commission (BSEC) dated June 3, 2018.

With the induction of Ms. Nasreen Sattar on 168th BoD meeting dated 06 Feb 2018 and resignation of Mr. Mohammad Mamdudur Rashid on 172 BoD meeting dated 31 July 2018, the Audit Committee of the Company comprises of the following members:

Name	Status with the Committee	Status with the Board
Mr. Salahdin Irshad Imam	Chairman	Independent Director
Mr. Amin H. Manekia	Member	Director
Mr. Md. Enamul Hoque	Member	Director
Ms. Nasreen Sattar	Member	Independent Director
Ms. Tamara Hasan Abed	Member	Director

The Company Secretary acts as the secretary of the Audit Committee

Terms of Reference

The Terms of Reference of the Audit Committee clearly defines the roles and responsibilities of the Audit Committee. The Terms of Reference is reviewed and revised with the concurrence of the Board of Directors. The Audit Committee is responsible to and reports to the Board of Directors. Role and functions of the Committee are further regulated by the rules governing the Audit Committee as specified by the 'Conditions on Corporate Governance' issued by the Bangladesh Securities and Exchange Commission and the relevant guidelines issued by Bangladesh Bank.

Scope of Work

The Committee is authorized to monitor and review the effectiveness of the Company's internal audit and compliance function in the context of the Company's overall risk management system. The Committee performs its activities within the Terms of Reference of the Committee and is empowered to seek information from any Director or employee of the Company from time to time as it thinks fit. The Committee presents a summary of its activities to shareholders and other interested parties by means of this report.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee are:

Review of Financial Statements

The Audit Committee has reviewed the quarterly and Annual Financial Statements of the Company, focusing particularly on any significant changes to accounting policies and practices, significant adjustments arising from the audits, the going concern assumptions and compliance with applicable Financial Reporting standards and other legal and regulatory requirements.

Internal Audit

The Audit Committee reviews the internal audit plans to satisfy itself about the consistency and coverage of the risk management framework of the Company. The Committee reviews the following activities:

- Review and satisfy itself that the Internal Audit department has the competency and qualifications to maintain its mandates;
- Review the status report from the Internal Audit department and ensure that appropriate actions have been taken to implement its recommendations;
- Recommend any broader review deemed necessary as a consequence of any issues that may have been identified;
- Request and review any special audit when deemed necessary

External Auditor

Hoda Vasi Chowdhury & Co. ("HVC"), a Bangladeshi partnership, were appointed as statutory external auditors of the Company at the 36th Annual General Meeting held on March 25, 2018. As a part of ensuring highest level of corporate governance, the Committee prohibits the external auditors from performing any work that they may subsequently need to audit, or which might otherwise create a conflict of interest. The Committee has ascertained that the external auditors of the Company have not been engaged in any one of the following material non-audit services:

- Appraisal or valuation services or fairness opinions;
- Financial information system design and implementation;
- Book-Keeping or other services related to the accounting records or Financial Statements;
- Broker-dealer services;
- Actuarial services; and
- Internal Audit Services.

The Committee has also ascertained the following:

- None of the partners or employees of the external audit firm possesses any share of IPDC at least during the tenure of their audit assignment.
- The external audit firm is not receiving any fee which is contingent upon such factors like achieving targeted non-performing loan ratio by the Company, loan disbursement target etc.

The Audit Committee evaluated the expertise, resources, independence and objectivity of the external auditors and reviewed their effectiveness as external auditor before recommending their appointment to the Board.

The Committee also reviewed the auditing performance of the external auditors and their audit reports, reviewed the findings and recommendations made by the external auditor for removing the irregularities detected and also made recommendations to the Management regarding removing those irregularities.

Major Activities of the Audit Committee

The Committee met Five times during the year 2018 to carry out the following major activities:

- Reviewed and recommended to the Board on approval of the Annual Financial Statements for the year ended December 31, 2017;
- Reviewed the Management Letter from external auditors for the year 2017 together with Management's responses to the findings;
- The Committee held meeting with the statutory auditors for review of the annual financial statements of 2017 before submission to the Board for approval;
- Reviewed the Auditors' Certificate on Corporate Governance compliance under sec 2CC of the Securities and Exchange Ordinance 1969 for the year ended December 31, 2017;
- Reviewed the development and installation of Heat Map and Risk Register of the Company for 2018;
- The Committee reviewed the changes brought in the revised Corporate Governance Code issued by Bangladesh Securities and Exchange Commission (BSEC) dated June 3, 2018;
- Reviewed and ascertained that the internal control system including financial and operational controls, accounting system, and reporting structure are adequate and effective;

- Reviewed the periodical inspection reports of the Company conducted and submitted by the Internal Auditors and recommended necessary instructions to the Management for proper and prompt resolution of the irregularities/objections stated therein;
- Reviewed the actions taken by the Management for implementation of audit committee observations on issues deliberated in audit committee reports;
- The Committee placed its reports regularly to the Board of the Company for review and monitoring the activities with recommendations on internal control system, compliance with rules and regulation of the regulatory bodies;
- The Committee reviewed the Inspection Report issued by Bangladesh Bank for the year ended December 31, 2017;
- The Committee reviewed first quarter, half-year and third quarter ended Financial Statements for the calendar year 2018 and recommended to the Board for its approval;
- Reviewed statement of significant related party transactions submitted by the Management;
- Reviewed issues within the following areas. However, no such instances were identified for report to the Board of Directors;
 - Report on conflicts of interests.
 - Suspected or presumed fraud or irregularity or material defects in the internal control systems.
 - Suspected infringement of laws, including securities related laws, rules and regulations.

Based on the above review and discussions, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the Company.



Salahdin Irshad Imam
Chairman, Audit Committee

ROLE OF THE EXECUTIVE COMMITTEE

Executive Committee is the Subcommittee of the Board of Directors which needs to be formed and operated as per Bangladesh Bank's regulation.

Executive Committee members have many oversight roles. The main activities of the Executive Committee include approving the credit-risk taking activities of the company based on the regulations of established approving authorities and reviewing and endorsing credit granting activities. Additionally, they are responsible for the facilitating the board in establishing and maintaining good governance practices. Oversight duties also include overseeing adhoc committees that work on policy development by making sure that they complete their objectives. Discussions of the executive committee should be encapsulated in their minutes, which they should present to the full board in a timely manner.

Purpose of the Executive Committee

The Executive Committee is the decision-making body of the company, established to collectively decide upon priority topics, facilitate information sharing among senior management and the Board and support strong team spirit.

The Executive Committee is a sub-committee formed by the Board of Directors of the Company. The primary responsibility of committee is to provide advice and support the Board on strategic and business decision making within the guideline of the Board and regulatory authorities. Scope of work of the Executive Committee is fixed by the Board which includes the following matters:

- Review and approve credit facilities recommended by the management within the discretionary authority delegated by The Board from time to time.
- Review the status of recovery under classified loans, status of portfolio direction and progress under litigation
- Review the status of credit facilities approved by the management.
- Review strategies and the company's structural risk management framework
- Review adequacy of loan provisioning
- Review coherence of the commercial policies and principles with budget objectives
- Optimization of market risk strategies within the guidelines set by the Board of Directors

Structure of Executive Committee

The Executive Committee of the Company comprises of the following members:

Name	Status with the Committee	Status with the Board
Mr. Sameer Ahmad	Chairman	Director
Mr. Shameran Abed	Member	Director
Mr. Tushar Bhowmik	Member	Director
Mr. A Gaffar Khan	Member	Director
Ms. Nasreen Sattar	Member	Independent Director
Mr. Mominul Islam	Member	Managing Director & CEO

Major Activities of the Executive Committee

The Committee met seven times during the year 2018 to carry out the following major activities:

- A total number of 34 credit proposals with aggregate value of BDT 4,274 million (including renewals of BDT 1,271) were considered for approval in EC meeting dated December 11, 2018, of which 3 credit proposals aggregating 750 million are recommended to Board for approval. EC committee also reviewed the proposed budget for the year 2019 in the meeting. EC advised the management to formulate strategy to solicit small-ticket deposit which is essential for future growth and sustainability.
- A total number of 46 credit proposals with aggregate value of BDT 5,395 million (including renewals of BDT 2,065 million) were considered for approval in the EC meeting dated October 09, 2018, of which 11 proposals aggregating BDT 1,755 million were recommended to Board for approval.
- A total number of 33 credit proposals with aggregate value of BDT 4,742 million (including renewals of BDT 2,650 million) were considered for approval in the EC meeting dated August 01, 2018, of which 8 proposals aggregating BDT 2,225 million were recommended to Board for approval.
- A total number of 26 credit proposals with aggregate value of BDT 4,178 million (including renewals) were considered for approval in the EC meeting dated June 03, 2018, of which 07 proposals aggregating BDT 1,500 million were recommended to board for approval.
- A total of 14 credit proposals with aggregate value of BDT 1878 million (including renewals) were considered for approval in the EC meeting dated April 15, 2018, of which 6 proposals aggregating BDT 1,350 million were recommended to board for approval.
- A total number of 15 credit proposals with aggregate value of BDT 1,982 million (including renewal) were considered for approval in the EC meeting dated March 18, 2018, of which 2 proposals aggregating BDT 800 million are recommended to Board for approval.
- A total number of 32 credit proposals with aggregate value of BDT 5,300 million (including renewal, limit enhancement & extension) were considered for approval in the EC meeting Dated January 21, 2018, of which 9 proposals aggregating BDT 2,650 million were recommended to Board for approval.
- Executive Committee is of the view that the procedures are adequate to present a true and fair view of the activities and financial status of the Company.

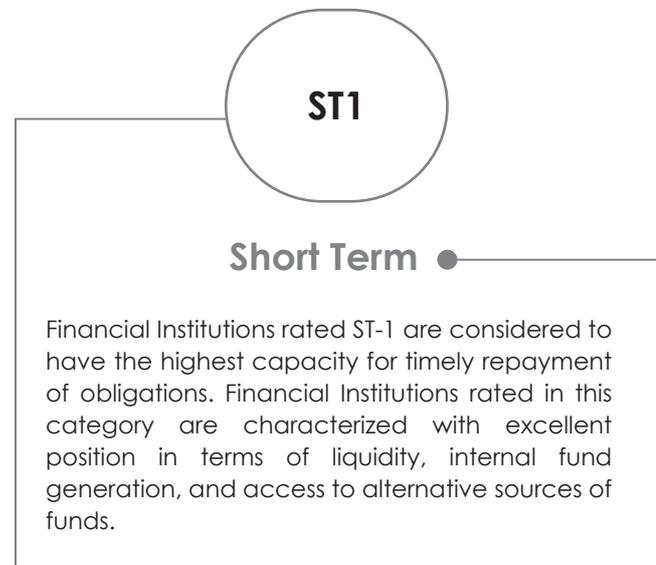
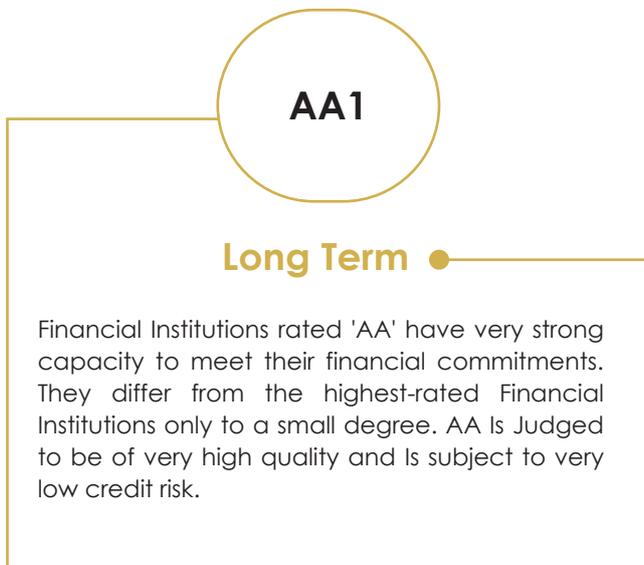
CREDIT RATING REPORT

IPDC has been rated as AA1 (Pronounced as Double A 1) long term credit rating and ST-1 short term credit rating by Credit Rating Agency of Bangladesh Limited (CRAB) based on financials and other available information up to the date of rating declaration. The outlook on the rating is "Stable" in last three consecutive years.

Normally rating company considers financial performance, capital base, asset quality, liquidity position, management experience, prospect of the industry and other parameters while assigning the rating. The assigned rating reflects the strengths of the company which is backed by a strong team of management, growth in the noninterest income, deposits and investments, adequate capital coverage with high Tier-1 capital, improved asset quality and well controlled liquidity position.

Date of Issue	Long-Term Rating	Short Term Rating	Outlook	Date of Validity
19-Jul-18	AA1	ST-1	Stable	30-Jun-19
27-Jul-17	AA1	ST-1	Stable	30-Jun-18
23-Aug-16	AA2	ST-2	Stable	30-Jun-17
04-Jun-15	AA2	ST-2	Stable	30-Jun-16

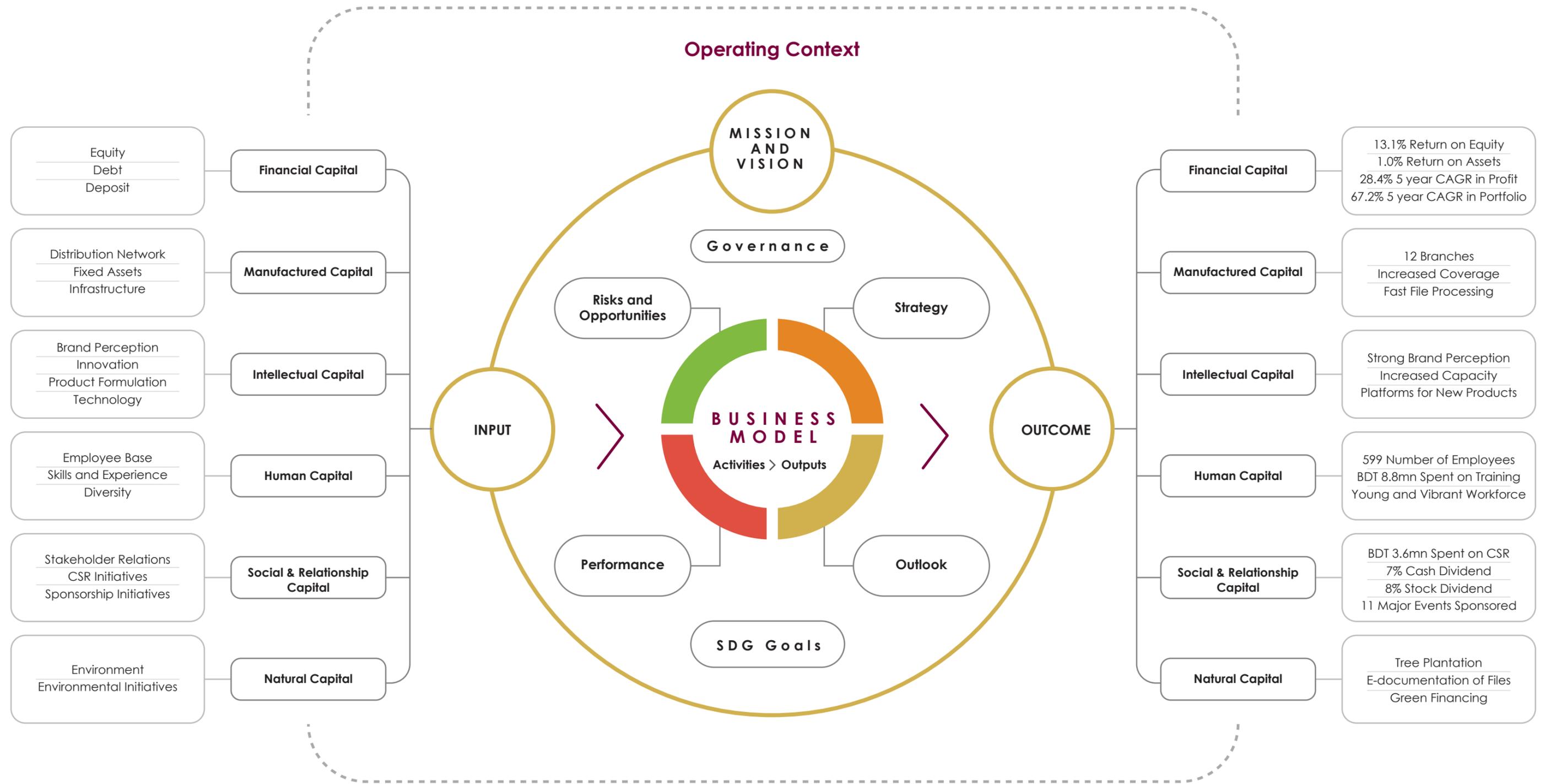
CRAB rating scales for Financial Institutions:



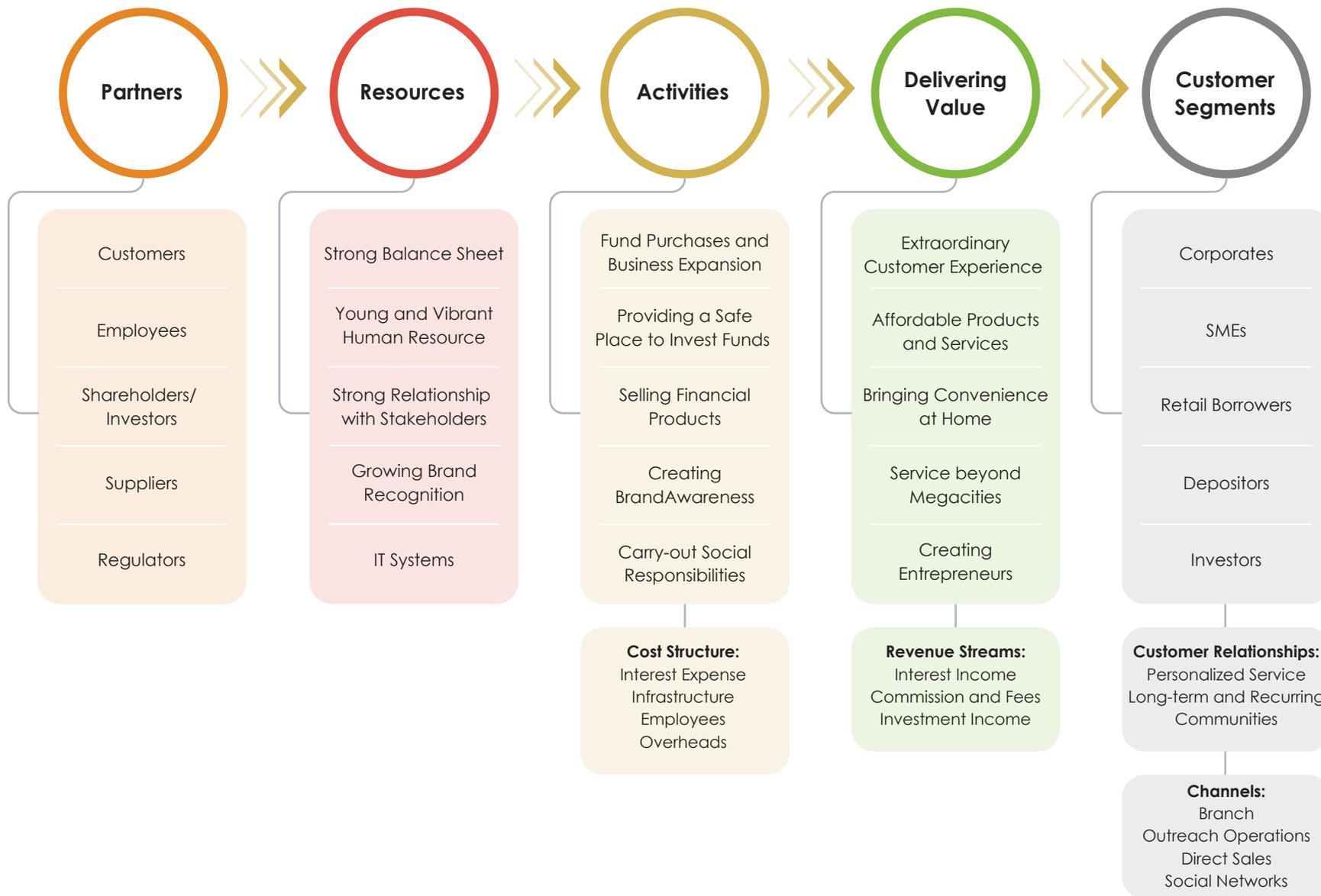
Crossing
Milestones Relentlessly



OUR VALUE CREATION PROCESS



OUR BUSINESS MODEL



Partners

Taking part in strategic and proactive discussion with key stakeholders helps IPDC to deepen its insights into the drivers of its business and the needs of society across the country, and therefore adjust to changing demands of the stakeholders. IPDC has continuous dialogue with its partners through a variety of channels. Detail discussion regarding stakeholder engagement has been discussed in Our Approach to Stakeholder Engagement section.

Resources

Resources are the most important assets that generate long-term value propositions, reach markets, maintain relationships with customer segments, and earn revenues. These can be broadly classified into Physical, Intellectual, Human and Financial. Detail discussion regarding these resources can be found in the capitals section.

Activities

Activities are key tasks that we do in order to deliver value to our customers. IPDC strives to create unique intangible assets which can deliver future stream of financial and non-financial benefits to the shareholders and wider communities of the society.

Sourcing Deposits

Deposit is the prime source of fund which are used to support our lending activities. IPDC sales force collects term and savings deposits from business enterprises, individuals, banks and other financial institutions. This incurs funding cost which is charged against interest income from loans and advances.

Lending to Borrowers

Through its lending and associated services activities, IPDC grows its asset base which generates interest income, fees and other income.

Operating Activities

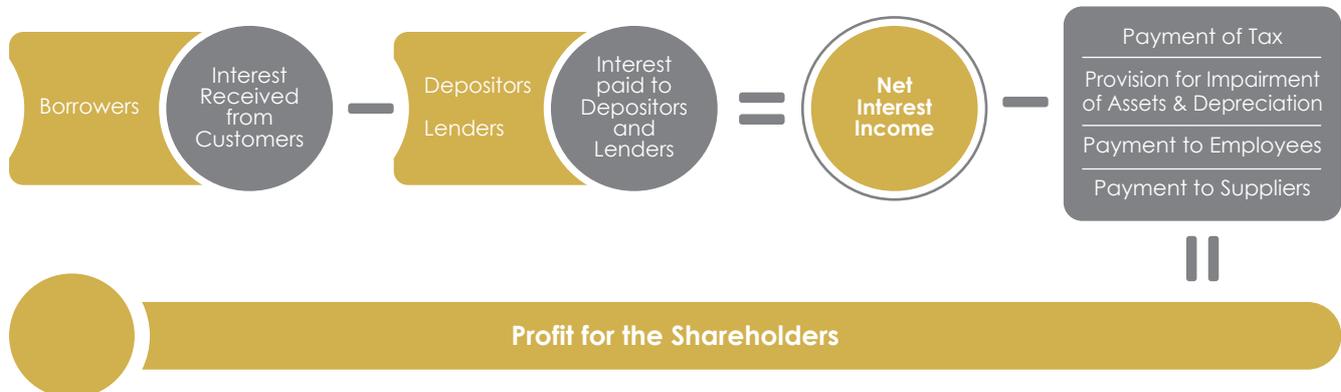
IPDC pays salary and benefits to its employees for their services and pays to the service providers for operating activities. IPDC incurs depreciation cost which sets aside money for the usage of its assets. In addition, impairment charges are made to its loan and investment portfolio for unrecoverable money from customers. Finally, after paying taxes to the Government Exchequer, the company arrives at Net Profit, which is distributed to its shareholders as dividend or retained as the company's reserve for future growth.

Delivering Value

value not only for the shareholders but also for the society by developing sustainable strategy. Delivering value is the reason why customers turn to IPDC over another. Our value proposition is designed to solve customer problems or satisfy our customer needs. We create value for our customer segments through a distinct mix of elements ranging from affordability, accessibility and convenience. Detail discussion regarding how we have delivered on our promise to create sustainable value has been discussed in the Capitals section.

Customer Segments

Customer segments represent the different groups of individuals and institutions targeted by IPDC. We segment our customers to learn about the distinguished needs that they might have and identify ways to address those specific needs. It also allows us to define specific customer relationships and design our channel of communication around them.



MACROECONOMIC ANALYSIS

Macroeconomic analysis helps us to understand how the external factors are affecting IPDC. We are using PESTLE analysis to identify the external factors that may affect the company. Each element of PESTLE influences our company differently. We have identified several elements which significantly influences our business along with response to the changes in these elements.

Political

Political factors are all about the degree to which the government intervenes in the economy or in the financial industry. This can include government policy, political stability or instability, corruption, foreign trade policy, tax policy, labor law, environmental law and trade restrictions.

Material Issues	Impact on Industry	Implications on IPDC	Strategic Response
Political stability	Post-election period has previously seen downward growth in financial institutions in Bangladesh due to traditional political instability. However, as observed after recent elections, financial industry enjoyed a relatively stable growth	Financing needs might reach a plateau in the first quarter if the political climate become instable. However, the growth rate is likely to pick up from the second quarter	The company is planning to disburse more long-term loans such as home loan to tackle the short-term political risk. The widespread market penetration of affordable home loan and blockchain based digital supply chain finance platforms are expected to fuel future growth
Public investment	Increased public spending boosts economy towards holistic developments. As a result, the industry flourishes	Growing demand for financing beyond the metropolitan cities	Expand reach through alternative and cost-effective channels to cover the unbanked population
Annual budget	Tax implications and interest rate waivers	Investment friendly tax model spurs business growth, and increases both retail and business demand for financing	Fast and agile response through innovative products and services to minimize negative implications and maximize gains from opportunities

Economic

Economic factors are determinants of a certain economy's performance and have a direct or indirect long-term impact on IPDC since it affects the purchasing power of consumers. Factors may include economic growth, exchange rates, inflation rates, interest rates, disposable income of consumers and overall business environment.

Material Issues	Impact on Industry	Implications on IPDC	Strategic Response
GDP growth	Increasing GDP growth rate indicates increasing demand for private sector lending	Opportunity to capitalize on the increased economic activity driven by a vibrant economy	Capitalize the fast pace of economic growth through purposeful investments and emerge as a major player in the industry
Monetary policy	Significant impact on market liquidity and cost of funds	Interest rate fluctuations caused by volatility in market liquidity means deposit collection have to be done more strategically	Increasing reliance on long-term customer deposits and FDR
Business environment	Culture of nonpayment causes default loans to increase significantly	Higher provisioning requirement from rising NPL can cause significant dip in profitability	Diversification of portfolio, establishing a stronger credit appraisal process and recovery team

Social

Social factors are aspects, attitudes, and trends that influence the market and community socially. This dimension of the general environment represents the demographic characteristics, norms, customs and values of the population within which IPDC operates.

Material Issues	Impact on Industry	Implications on IPDC	Strategic Response
Improving standard of living	Financing opportunity for consumer spending on luxury goods	Changing customer behavior pattern requires new products and services	IPDC plans to reach 100,000 families through Consumer White Goods Financing
Access to financial service	Untapped geographical market for FIs. Client needs are different from traditional customers	Opportunity for IPDC to acquire new client base through product innovation	IPDC plans to expand its reach to remote areas through Affordable Housing Finance with low ticket size
Population demography	The median age of 26.7 years keeps wages under control and spur investments	SME financing opportunity for startups and budding entrepreneurs	Ensuring easy access to finance MSEs and create 2,000 new entrepreneurs through increasing SME financing

Technological

Technological factors refer to innovations in technology that may affect the operations of the industry and IPDC favorably or unfavorably. This refers to technology incentives, the level of innovation, automation, research and development (R&D) activity, technological change and the amount of technological awareness that the financial industry possesses.

Material Issues	Impact on Industry	Implications on IPDC	Strategic Response
Global shift towards fintech	Traditional service delivery and products are being revolutionized	Shifting market and changing financial landscape would require constant innovation from IPDC's front	IPDC has partnered with IBM for developing its supply chain platform. Also, IPDC is planning to grab the untapped market of app-based financing
Secured digital transactions	With digital transaction gaining popularity around the industry, interlaced security and risk issues are coming forth	Growing demand for secured transaction requires stronger technological infrastructure	Beyond envisioning secured transaction, IPDC has been implementing blockchain through partnership with IBM
Rising popularity for on-demand online service	Increased customer preference for smart service that is instantaneous and available on the go	Attention towards expediting service process through online platforms	Consumer white goods financing was piloted to upgrade lifestyle through real-time credit scoring and financing

Legal

Legal factors include specific laws such as discrimination laws, antitrust laws, employment laws, consumer protection laws etc. as well as the legal and regulatory environment.

Material Issues	Impact on Industry	Implications on IPDC	Strategic Response
Regulatory environment	Regulations placed in this industry remains stringent, with more focus towards ensuring compliant environment	Vigilance and greater monitoring of our business conduction is needed	Besides ensuring department-wise compliance, IPDC took the initiative to ensure all employees were thoroughly informed and equipped to observe and report suspicious actions
Legal landscape	Defaulters may take advantage of potential lapse in legal environment causing a rise in non-performing loans	Default loans may rise if the culture of non-payment is not addressed	Strictly verify legal and application documents before disbursement
Increasing compliance requirements	As the requirements for compliance and reporting increases, operational efficiency may reduce	IPDC may have to deploy additional resources to maintain strict compliance and additional reporting requirements	Develop strong MIS system for easy monitoring of business activity as well as deploy additional resources to address additional reporting and compliance requirements

Environmental

Environmental factors have come to the forefront only relatively recently due to the increasing scarcity of raw materials, pollution targets and carbon footprint targets set by governments. Although the direct exposure of financial industry to this factor is not as significant, implications are huge as additional financing will be required to shift to greener practices.

Material Issues	Impact on Industry	Implications on IPDC	Strategic Response
Integrating green habits within office culture	The industry might have to invest in establishing green offices with short term negative impact but long-term gains	Integrating green habits is not only good for the environment, but also has positive impact on the financials of the company through reduced energy costs. However, initial investment requirement is high	Establishing green practices through paperless approvals and transmission of documents digitally to our E-doc system
Legal landscape	More inclined to adopt green practices with higher investment on environmental compliance	IPDC must be steered to cater to green financing and environmental concerns	Till date, IPDC's refinancing portfolio substantially comprising of green financing reached a new milestone.

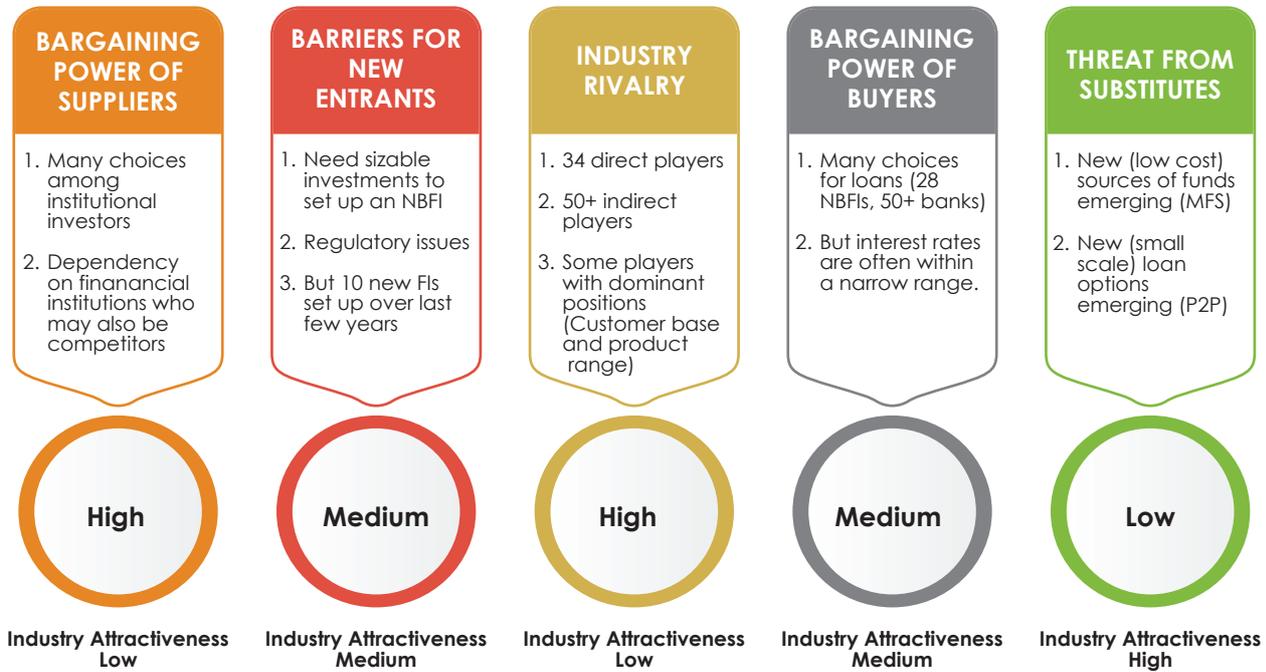
INDUSTRY ANALYSIS

Financial sector is highly fragmented with 59 scheduled banks and 34 non-banking financial institutions (NBFI) which have witnessed considerable growth in last two and half decades after liberalization of the sector. The financial sector, however, is currently passing through a sluggish period marred with increasing classified loan ratio around 10%. The NBFI sector comprises of mostly small institutions having collectively only around 6% - 7% market share of the credit portfolio and 4% - 5% share of the deposit portfolio of the overall financial sector. The highest competitive pressure felt by NBFIs is in deposit mobilization at competitive price. Moreover, NBFIs cannot take transactional deposits. Therefore, cost of fund remains very

high. On the other hand, while lending NBFI has to offer the market interest rates to the customers. Therefore, overall spread of NBFI remains under pressure and is always lower than that of Banks. Another challenge in NBFI is managing maturity profile of assets and liabilities. NBFIs have so far not been able to diversify its sources of funds by issuing debt instruments in the market. Therefore, it is imperative that NBFIs remain operationally lean and efficient to stay competitive while being profitable. In addition, due to lack of brand visibility and limited distribution network, NBFIs cannot scale-up their operation beyond big cities. Key challenges can be summarized as:

Key Challenges	Our Response
High Cost of Fund	<ul style="list-style-type: none"> • Diversify funding base • Focus on small ticket size deposit • Introduce new products
Limited Geographical Coverage	<ul style="list-style-type: none"> • Increase branches • Leverage distribution channel through strategic alliances • Look for alternative mode of distribution • Introduce app-based services
Brand Perception	<ul style="list-style-type: none"> • Build strong brand coverage • Utilize low cost high reach channels of promotion
Highly Fragmented Market	<ul style="list-style-type: none"> • Differentiate ourselves through unique customer service • Introduce non-price factors which would be appealing to customers
Fund Matching	<ul style="list-style-type: none"> • Issue long-term capital • Issue bond • Reduce deposit customer attrition rate
Low Spread	<ul style="list-style-type: none"> • Adopt lean operation model • Keep classified loan under check • Focus on retail portfolio with high margin products

Porter's Five Forces Model



Financial industry is very competitive which is mostly dominated by banks and the market is centered towards the metro areas of Dhaka and Chattogram. While Banks have the edge over NBFIs due to scale of operation, access to finance and client perception, NBFi has the clear opportunities of operating through lean business model and providing faster, customized and personalized services to customers. Besides, there are market opportunities beyond metropolitan cities specially in youth, women, middle and low-income customer segments.

Opportunities

The Bangladesh economy has grown steadily over 6% in real terms over the last one decade with extraordinary resilience. With the economic emancipation, the middle-income population of the country is now growing and reaching to a critical mass bringing in new opportunities for financial sector. It is projected that the middle and affluent population of the country will grow at 10%+ per annum for the next five years and will reach 19.3 million by 2020. Reports suggest that there are about 37.3 million registered mobile banking accounts at large (as of December 2018). Besides, mobile phone and smart phone penetration rate is also increasing. Proper education, awareness and trust in technology can induce more consumers to use Fintech solutions.

Currently Bangladesh has one of the lowest Mortgage Loan to GDP ratio amongst emerging economies. Bangladesh has the ratio at 3.2% while India and Thailand have the ratio at 10% and 19%, respectively. Therefore, there is a large gap in demand and supply in mortgage sector, especially in low and middle-income households.

Women segment of the society remains largely untapped by the banks and financial institutions of the country. While female penetration in tertiary education is around 28% and female penetration in the formal job market is between 15% to 20%, financing women by the financial sector remains at insignificant level. Women Entrepreneurs comprise of only 3.8% of the commercial banks SME finance portfolio.

We observe that there is a surge in interest for entrepreneurship in new generation. However, these young entrepreneurs are constrained by the insufficient access to finance due to the lack of understanding of the formal financial sector and thus are unable to commercialize their business ideas. IPDC can work as a catalyst for the new entrepreneurship development by collaborating with appropriate market players who can then be catered later with appropriate financing like factoring and venture capital finance.

Currently, retail lending is mainly concentrated in megacities, Dhaka and Chittagong. Specialized financial institutions like IPDC can spread the retail lending, specially the home loan and vehicle loans beyond the megacities to Tier II and Tier III cities as the larger number of middle-income class is emerging from these cities.

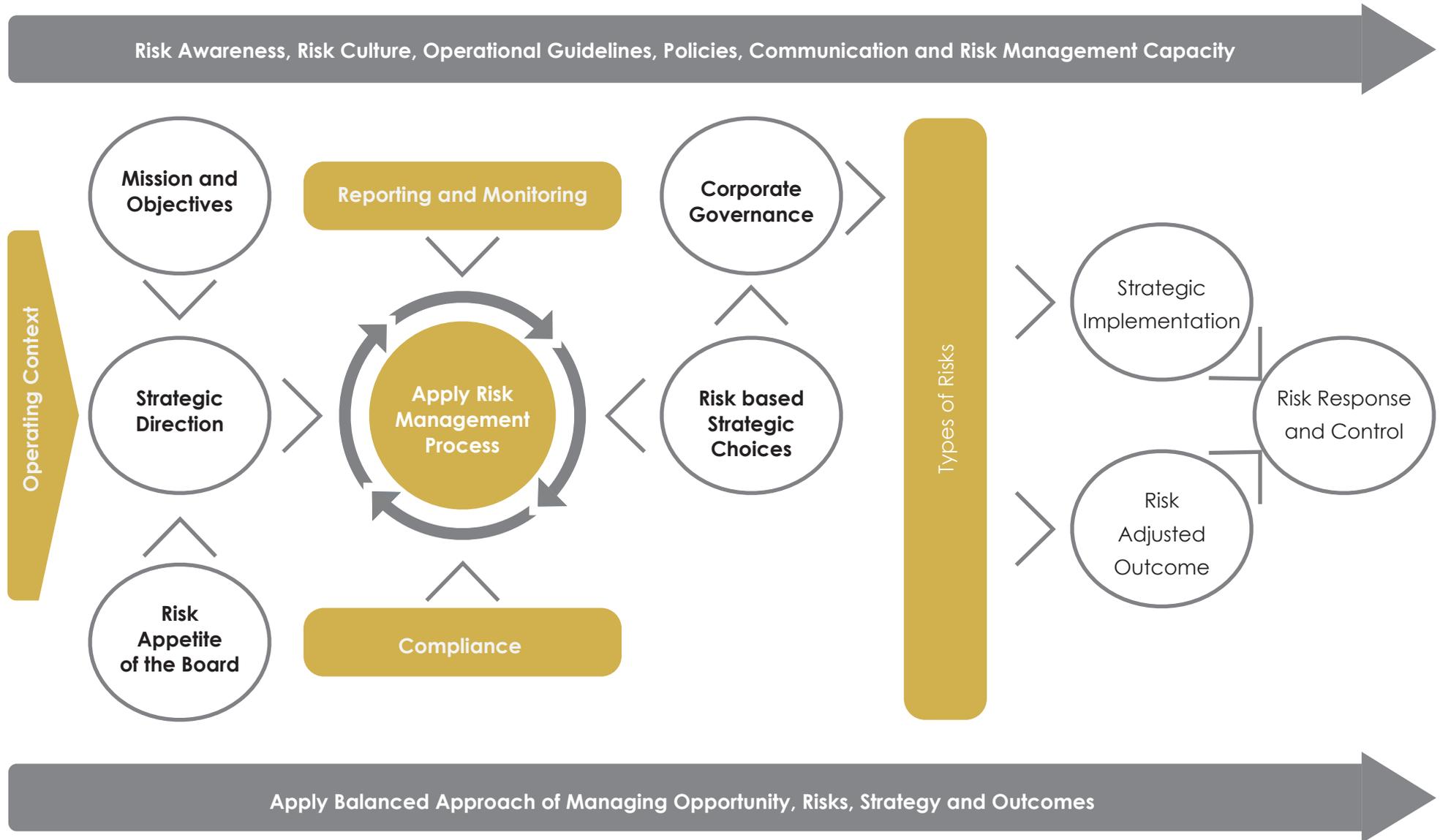
Consumer finance penetration in Bangladesh is still very low at 4.5%. The commercial banks are far more regulated when it comes to consumer finance. The return on these types of financing is considerably higher and specialized financial institutions with strong collaboration with manufacturers and vendors of consumer goods and strong IT support are better equipped to do such business.

COMPANY ANALYSIS

SWOT analysis helps to develop an awareness of all the factors that might affect strategic planning and decision-making for the company and to reveal opportunities and potential problems that should be addressed. It also helps establish an understanding of the various consumer touchpoints and their impact on brand perceptions.

		STRENGTH	WEAKNESS
		<ol style="list-style-type: none"> 1. Unique Shareholding structure 2. Relationship with corporate houses 3. Risk management framework 	<ol style="list-style-type: none"> 1. Scope for improvement in brand recognition in retail & SME 2. Limited distribution network 3. Scope for improvement in Internal capacity of retail & SME
OPPORTUNITIES	<ol style="list-style-type: none"> 1. Regulatory advantage in retail lending 2. Emergence of middle income class 3. Growing women entrepreneurs 4. Collaboration with BRAC 5. Growing services sector 6. Young people coming into workforce 7. Increasing mobile and internet penetration 	<ol style="list-style-type: none"> 1. Leverage corporate relationship for retail lending and supply chain finance 2. Launched women focused products and services 3. Use shareholder strengths for low cost multisource funds 	<ol style="list-style-type: none"> 6. Build HR and IT capacity for retail and supply chain finance 7. Build strategic alliance with stakeholders for incubation of sales and distribution points 8. Build brand in retail segment
THREATS	<ol style="list-style-type: none"> 1. Competition from banks in corporate lending 2. Regulatory restriction on low cost deposit 3. Portfolio infection 4. Limited product 	<ol style="list-style-type: none"> 4. Customize risk management framework for retail and factoring finance 5. Bring in IT enabled products and services 	<ol style="list-style-type: none"> 9. Build strong collection management system for retail lending 10. Optimize ticket size of SME finance
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Strategic Response</div>			

RISK, OPPURTUNITY AND STRATEGY MAPPING



*Elements of this model is partly covered in capital section and partly in governance and risk management section

STRATEGY FORMULATION AND RESOURCE ALLOCATION

Corporate Strategy

Based on the macro economic development of the country and the risks and opportunities it has created, we formulated a clear growth-led strategic plan towards 2020 which will not only bring sustainable and profitable growth of the company, but also contribute to creating impact on the societies and achieving sustainable development goals of the country. Against the backdrop, our broader strategic goals revolve around five key pillars.



A Home for Every Family

IPDC aims to scale up Affordable Home Loan across the country for low and middle-income families.

Empowering Women

IPDC aims to support women to build their financial and non-financial assets and promote entrepreneurship development.

Creating Entrepreneurs

IPDC wants to harness the power of youth and support their entrepreneurial spirit by providing them with innovative financial solutions.

Beyond Megacities

IPDC envisages to reach mass people in Tier-II and Tier-III cities in order to find strong niche market where competition is yet to intensify.

Bringing Convenience at Home

IPDC wants to penetrate strongly into consumer white goods financing business through innovative financial services and state of the art technology platform.



Strategic Business Unit (SBU) Strategy

Corporate Business

Our corporate business unit is structured towards catering to the sophisticated financial needs of some of the large Corporate houses of Bangladesh. With a strong service orientation, we offer a wide range of products under this business.

Growth Strategy

Corporate division is focused on leveraging our multi-decade relationships with some of the large corporates of the country to serve their financing needs with speed, sensitivity and surety. Going forward, we intend to pursue selected business opportunities with a tight control on credit assessment and timely collection.

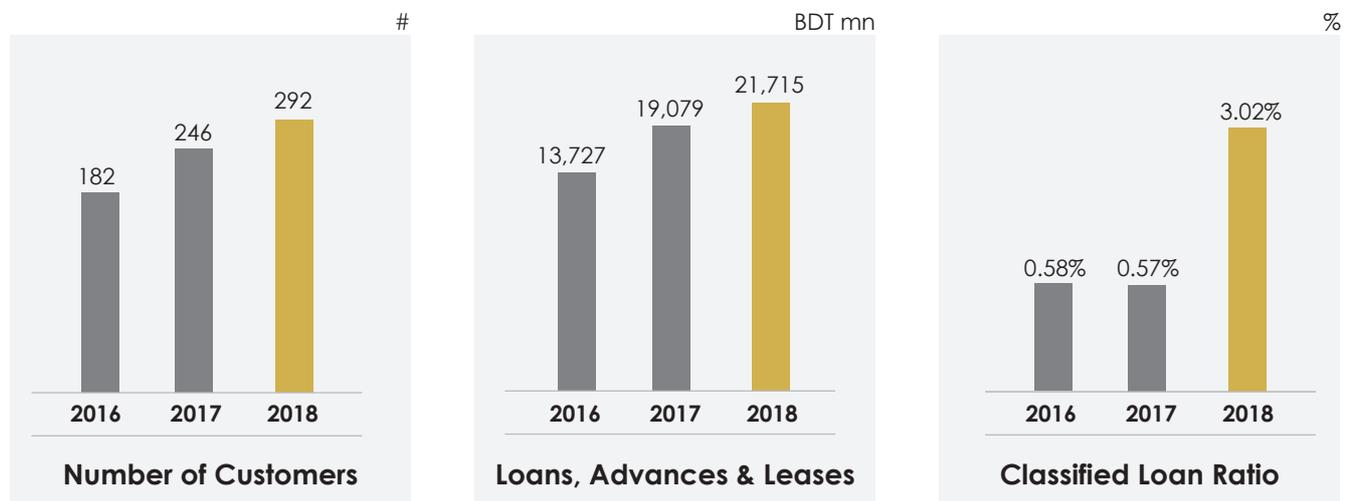
Key Strengths

- Strong relationships with many customers engaged in the steel, pharmaceutical, textiles, FMCG, cement, logistics, ceramics and food processing industries and so on
- Robust service orientation with a very competitive TAT (Turn Around Time).
- Proactive approach in meeting customer requirements.
- Offering personalized financial advisory services that are anchored on taking our customers' business ahead.

Way forward

- Pursue strategic opportunities to grow the loan portfolio.
- Focus on enhancing interest spreads through pursuing larger and more sophisticated deals.
- Bring down classified loans

Key Numbers - Corporate



Retail Business

Our retail business segment provides loans to individual customers across Bangladesh. Such loans broadly include home loans, auto loans and personal loans.

Growth Strategy

Our retail loan strategy is to serve the full value chain of individual customers – from the most basic to the most sophisticated of financial service needs – and to maintain high standards of customer experience and cost-effective delivery channels. We believe that by delivering an excellent customer experience we can make a real difference in the lives of our customers by supporting their personal aspirations.

Key Strengths

- Industry-leading loan Turn Around Time (TAT)
- Robust customer service
- Extensive presence in the key metropolitan areas of Dhaka and Chattogram
- Well-diversified customer base in home and auto loans

Ticket Size

While our typical home loan (excluding affordable home loan) ticket size is about BDT 4.2 million, our average auto loan ticket size represents about BDT 2.0 - 2.5 million.

Way Forward

- Encourage the MIG (mid-income group) segment of home buyers which has typical average loan size of BDT 3.0 million.
- Scale-up the affordable home financing considering the immense potential in the affordable housing segment.
- Go beyond the markets of Dhaka and Chattogram for the home loan portfolio.
- Focus on the affordable home loan market, especially in Tier II and III cities and towns of Bangladesh.
- Enhance relationships with and cover a wider number of car dealers across the country and provide financing options to auto customers.

Key Numbers - Retail



SME Business

SME customers are located across Bangladesh and are operating in a large number of market segments and industries like agroprocessing, pharmaceuticals, manufacturing, steel, cement and ship-scraping among others.

Under our mid-market segment, we are increasingly focusing on supply chain finance, including work order finance and bill discounting. We are one of the leading market players in channel finance with an outstanding loan book of BDT 2,262 million and a base of about 189 customers.

Growth Strategy

Our mid-market customer growth strategy comprises going deeper into M/SME operating clusters and deepen existing relationships. Over the past year, we have been able to tap into such newer customer segments engaged in rice and food processing, automobile spare parts and small-scale textile manufacturers, among others.

Key Strengths

- Proactive customer service, enabling us to strengthen customer relationships

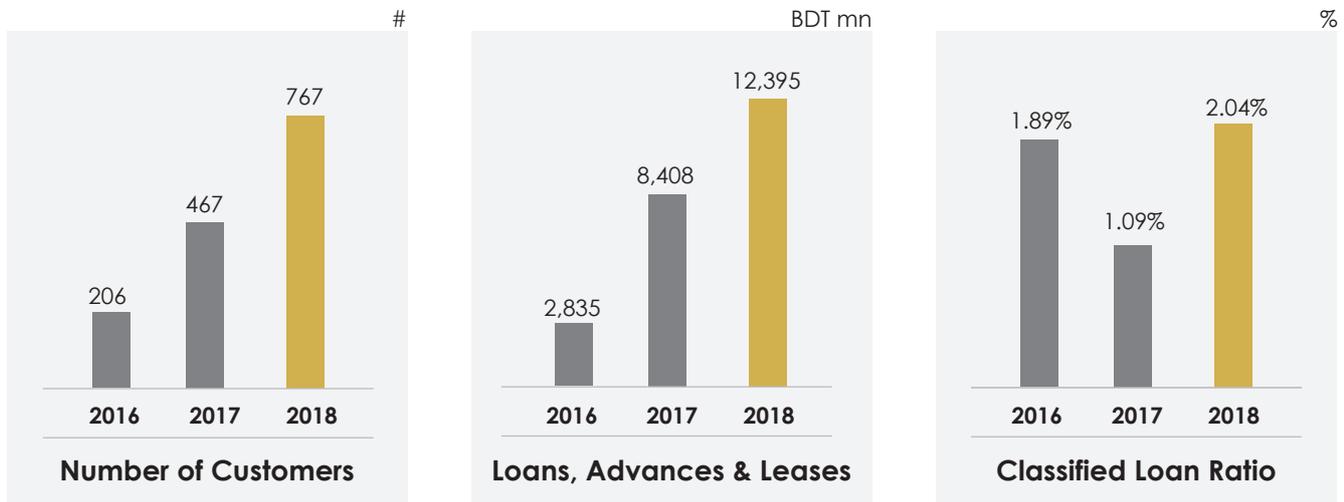
- Leveraging the strong branch network for sourcing business
- Robust CRM (customer relationship management) team with strong documentation practices
- Strong collection bureau that enables to keep a strong check on classified loan

Women Entrepreneurs – Focusing on Women Empowerment

We are increasingly focusing on women entrepreneurship development through providing them with easy access to finance. We have clear strategies to cater to this segment. For instance, we are offering preferential rates to women customers and bundling products, providing free driving lessons who have taken car loans from us.

Way Forward

- Sourcing funds from the Bangladesh Bank under refinancing scheme to minimize borrowing cost.
- Focus on growing the business with protected spreads and controlled classified loan.
- Widen the footprint to cover a larger group of the major SME customers of the country.
- Focus on fulfilling the supply chain finance needs of a larger segment of our existing client group while looking at enlisting new accounts.

Key Numbers - SME**Functional Strategy****Portfolio Development Strategy**

Our restructuring and transformation efforts are on progress in alignment with our strategic objectives. We intend to continue to grow our portfolio at a higher pace in the initial years due to a lower base and higher capital adequacy ratio (CAR), followed by stabilization in the later years. In each of the phases we will continue to keep a watchful eye on credit quality and classified loan. Going ahead, IPDC will provide a balanced focus on corporate and SME businesses with a higher emphasis on the retail lending.

Funds Sourcing Strategy

Effective fund mobilization is critical to sustainable Balance Sheet growth and hence, the profitability of the Company. We intend to focus on mobilizing short-term funds by short term bank deposits, borrowings and commercial paper. On the other hand, we expect to support long-term financing by long-term sources of funds like retail deposits, long-term borrowings from banks and issuance of bonds and equity.

Capital Management Strategy

At the end of 2018, our CAR (Capital Adequacy Ratio) stood at 14.01% against 15.14% in 2017, whereas the regulatory requirement is 10.00%. Our current CAR ratio is sufficient for enabling us to meet our organic growth aspirations. However, given the high growth trajectory, the company might need capital. Therefore, we issued Subordinated Bond amounting to BDT 200 million in 2018 and we plan to issue right share subject to Bangladesh Bank's and SEC's approval. This will not only improve our CAR but will also enable us to grow further.

IT Infrastructure Development Strategy

At IPDC, we intend to continue to invest significantly in Information Technology (IT) to augment operational efficiencies, support central and branch operations, improve the quality of Management Information Systems (MIS), deliver superlative customer experience, improve sales management system and enhance the capacity of our technology infrastructure to handle bigger volume of customers and transactions. We are in the process of creating two digital integrated digital platforms for consumer white goods finance and supply chain finance using Block Chain Technology. We are also going to replace our Core Banking System in the year 2019.

Distribution Strategy

Aligned with our strategy of having an expansive presence in Bangladesh, IPDC established 12 branches including Head Office as on 31 December 2018. Going forward, we plan to open new branches (subject to regulatory approvals) for enhancing brand visibility, increasing our footprint and enabling us to manage our sales force better.

Human Resources Management Strategy

At our Company, we will continue to focus on retail and SME loans and hence will require large workforce to build these portfolios. We will continue to recruit outsourced and permanent employees to strengthen our sales force and build solid organizational capabilities for the long-term. Every employee goes through a well-articulated and progressive training and development program so that they remain competent, skilled and relevant to meet the current and future needs of the Company.

Brand and Communication Strategy

In 2016, IPDC changed its name to align its brand positioning with the long-term purpose of the Company. IPDC plans to ensure its active presence on social, print and electronic media. In addition, IPDC sponsors events and supports CSR and environmental initiatives as a commitment to the society. During the year 2018, the IPDC once again honored grassroots women achievers of Bangladesh through a grand ceremony and intends to sustain this initiative as platform to recognize triumph and success in the face of adversity and hardship.

Social Responsibility

As a Company, we also pledge to support the national agenda of women empowerment through providing innovative privileged financial services to women customers. We are also extensively engaged in green financing that seeks to provide loans to projects that are environment-friendly. Going into the future, we expect our loan book in this segment to appreciate considerably as entrepreneurs (our customers) come forward to build green assets in the country.

"IPDC can work as a catalyst for the new entrepreneurship development by collaborating with appropriate market players who can then be catered later with appropriate financing like factoring and venture capital finance"

STRATEGIC PRIORITIES FOR 2019

Our priority is to go beyond the numbers to create a positive impact in the society and touch the lives of people



Forming Ally
Stronger **Together**



FINANCIAL CAPITAL



Financial capital is the pool of funds that is used to fund our core business activities. This may include deposits, borrowing and equity generated through share capital and retained profits generated from our operations.

Dashboard

Material Issues	2018 Highlights	Challenges	Long-term Strategy
Sustainable business	Created positive value for all stakeholders through effective and powerful governance	Stakeholders have different levels of expectations	Satisfying all types of stakeholders without compromising financial integrity
Access to fund	Issue of subordinated bond and zero coupon bond	Exposure to money market volatility	Foreign borrowing, long term borrowing, small ticket size deposits
Portfolio quality	Increase in classified loan ratio. However, it is still below the industry average	Keeping classified loan ratio	Strengthen credit appraisal and recovery follow-up

Creating Value through Financial Capital

Financial capital is used to fund our business operation and invest in our future, enabling us to repay our investors with dividend payments, and ensure long term sustainability of the business. For financial institutions, efficient management of financial capital has significant implications on bottom-line, thereby making it one of the core aspects of the business.

Tradeoffs in Using Financial Capital

By applying financial capital, we sustain and grow our business, with positive impacts on manufactured, human, intellectual and social and relationship capital, and possible negative impacts on natural capital

Approaches to Optimizing Financial Capital Outcomes

- Diversifying revenue sources to manage risk
- Optimizing fund structure
- Attracting funding from varied source
- Maintaining and upgrading credit ratings

Outcome and Performance Review

The Financial Sector passed a difficult time during the year 2018 due to tight liquidity situation that started in the beginning of the year. Although the situation improved during second half of 2018, spread of Banks and NBFIs remained under pressure. Nevertheless, IPDC managed to end the year with a strong bottom-line growth along with reasonable balance sheet growth. An in-depth analysis of our financial performance is discussed in the subsequent section of financial capital.

Outlook

Our financial strategy is designed to create capacity and maintain financial stability over the long term. We expect to strengthen our capital base by issuing Subordinated bond within 2019. Reducing our cost of fund through increasing our focus on refinancing projects remains a key priority. We also plan to increasingly rely on customer deposits which will provide us cushion against any future market volatility.

We expect to maintain our growth momentum in our lending portfolio. As the industry stabilizes and private investment picks up, we plan to grow aggressively focusing in Retail and SME. Although general provisioning is expected to go up due to our expansion plan; the impact will be temporary, and the long-term benefit will outweigh the short-term cost.

On the operating expenditure front, even though our operating expense is expected to increase as a result of opening new distribution channels and increased headcount, overall cost to income ratio is expected to decrease and fall below industry standard.

BUSINESS REVIEW

Incomes

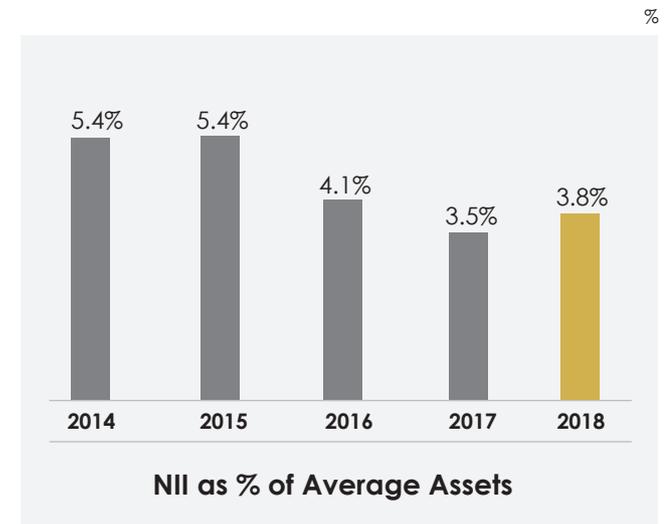
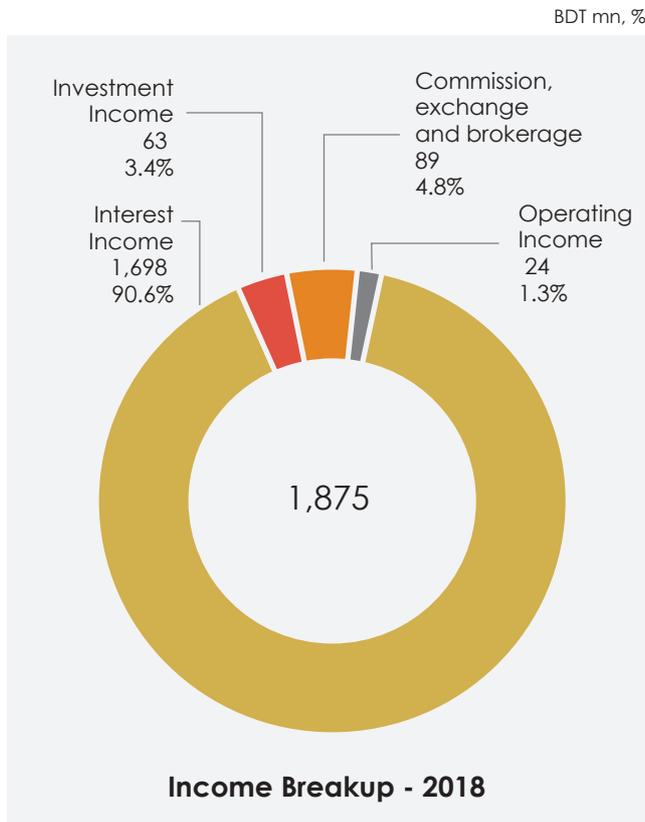
Particulars	BDT mn, %					Growth YoY	% of Total
	2014	2015	2016	2017	2018		
Net Interest Income	416	431	638	1,073	1,698	58.3%	90.6%
Investment Income	87	55	47	65	63	-3.2%	3.4%
Commission, exchange and brokerage	6	8	36	82	89	8.6%	4.8%
Other Operating Income	71	145	120	25	24	-6.6%	1.3%
Revenue	580	640	841	1,246	1,875	50.5%	100.0%

Revenue during the year 2018 amounted to BDT 1,875 million against BDT 1,246 million in the previous year, representing a remarkable growth of 50.5%. This was possible due to the continued balance sheet growth coupled with efficient spread management.

The major portion of the revenue came from interest income which amounted to BDT 1,698 million and grew by 58.3% and represents 90.6% of the total revenue in 2018. Similarly, commission, exchange and brokerage income increased by 8.6% and stood at BDT 89 million from BDT 82 million in the previous year and represented 4.8% of revenue in 2018. Increase in commission, exchange and brokerage income came off from increased disbursement during year.

In contrast, investment income decreased by 3.2% in 2018 ending with BDT 63 million against BDT 65 million in the previous year. Other operating income came down by 6.6% to BDT 24 million against BDT 25 million in the previous year. Investment income and other operating income represented 3.4% and 1.3% of the total revenue in 2018.

Net interest income (NII) as a percentage of average assets increased to 3.8% in 2018 from 3.5% in the previous year. From the base year of 2014, NII as a percentage of average asset is showing a downward trend as the assets of IPDC expanded rapidly over the years. Total assets at the end of 2014 amounted to BDT 7,744 million and increased to BDT 50,511 million at the end of 2018 representing a growth of 552%.



Expenses

BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth YoY	% of Total
Salary and benefits	90	101	149	296	396	33.7%	52.7%
Rent and utilities	13	14	22	33	43	33.1%	5.8%
Depreciation	20	21	22	31	41	31.7%	5.5%
Others	61	57	147	213	271	27.3%	36.0%
Operating Expense	185	194	340	573	752	31.2%	100.0%

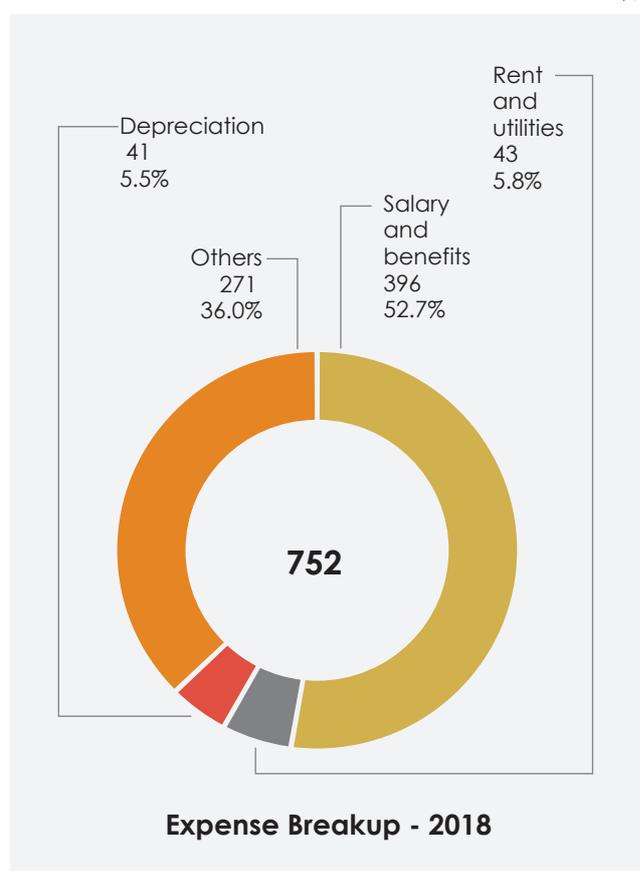
Operating expense for the year 2018 amounted to BDT 752 million against BDT 573 million in the previous year, representing a growth of 31.2%. Salary and benefit expense at the end of 2018 amounted to BDT 396 million against BDT 296 million in the previous year, which is a growth of 33.7% and accounted for 52.7% of the total expense during the year. Increase in salary and benefits mainly came off from increase in number of employees to 599 in 2018 from 543 employees in the previous year.

Rent and utilities accounted for 5.8% of the total expense and increased by 33.1% to BDT 43 million in 2018 from BDT 33 million in the previous year. The increase in rents and utilities came off from head office and branch expansion during the year.

Depreciation increased 31.7% in 2018 to BDT 41 million from BDT 31 million in the previous year. Depreciation increased due to additional capital expenditure of BDT 74 million (excluding capital work in progress – software) during the year 2018. Depreciation expense accounted for 5.5% of the total expense.

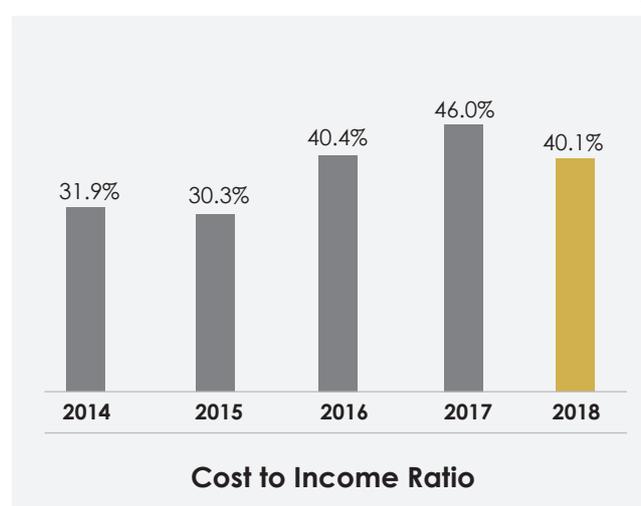
Other operating expense accounted for 36.0% of the remaining operating expense and stood at BDT 271 million in 2018 against 213 million in 2017 representing an increase of 27.3%. Other operating expense increased mainly due to some one-off expense during the year related to professional fees charged by KPMG India for the review of People, Process and Technology of IPDC and professional fees associated with increases in authorized capital.

BDT mn, %



During the year 2018, the management of IPDC took steps to ensure efficient cost management which lead to the drop in cost to income ratio to 40.1% against 46.0% in the previous year.

%



Provision for Loans, Advance and Investments

BDT mn, %

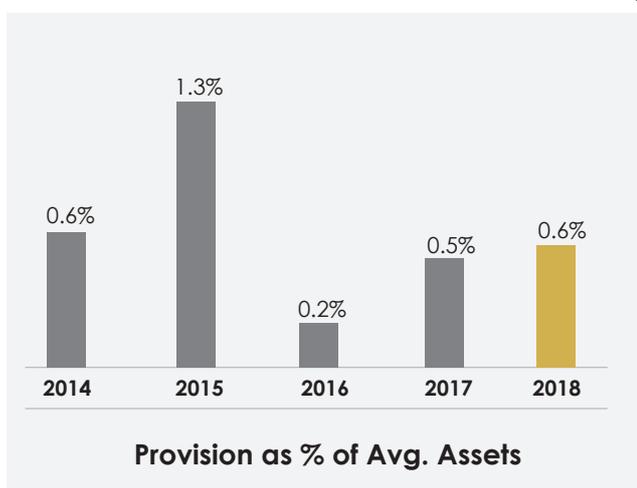
Particulars	2014	2015	2016	2017	2018	Growth YoY
General Provision	8	17	88	140	103	-26.3%
Specific Provision	29	148	-58	19	161	761.0%
Provision for Investments	13	-63	4	1	-1	-257.2%
Total Provision	50	102	34	159	262	65.0%

%

Total provision for loans, advances and investments increased to BDT 262 million in 2018 from BDT 159 million in the previous year, an increase by 65.0%. Specific provision jumped significantly by 761.0% to BDT 161 million in 2018 against BDT 19 million in the previous year due to rise in classified loan and advances which stood at BDT 948 million during 2018 against BDT 214 million in the year before.

On the other hand, general provision charge during 2018 decreased to BDT 103 million from BDT 140 million in the prior year due to some unclassified loan accounts becoming newly classified during the year leading to a decrease in general provision and increase in specific provision. Decrease in general provision was partly offset by additional general provision being charged as a result of the increased performing portfolio size during 2018.

Provision as a percentage of average assets has remained at below 1.0% in the last five years with an exception in 2015 when the ratio shot up to 1.3% due to a jump in provision charge which amounted to BDT 164 million in 2015 against BDT 37 million in the previous year.



Tax

BDT mn, %

Particulars	2014	2015	2016	2017	2018
Tax Expense	179	104	165	178	411
Accounting Profit before Tax	345	344	468	514	861
Effective tax rate	52.0%	30.2%	35.2%	34.7%	47.7%

* Effective tax rate = Tax expense / accounting profit before tax

Tax charged during the year amounted to BDT 411 million in 2018 against BDT 178 million in 2017. Effective tax rate in 2018 stood at 47.7% against 34.7% in the previous year.

The increase in the effective tax rate came of due to the combined impact of the greater amount of tax charged during the year due to greater revenue and reduction in accounting profit before tax due to greater provision requirement during the year.

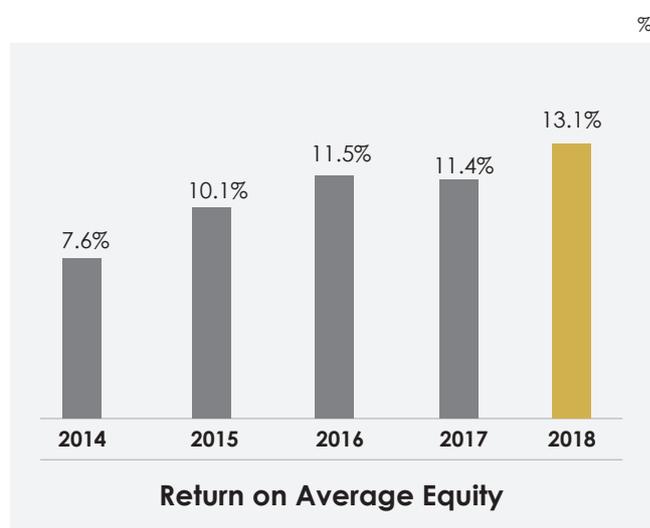
Profitability

BDT mn, %

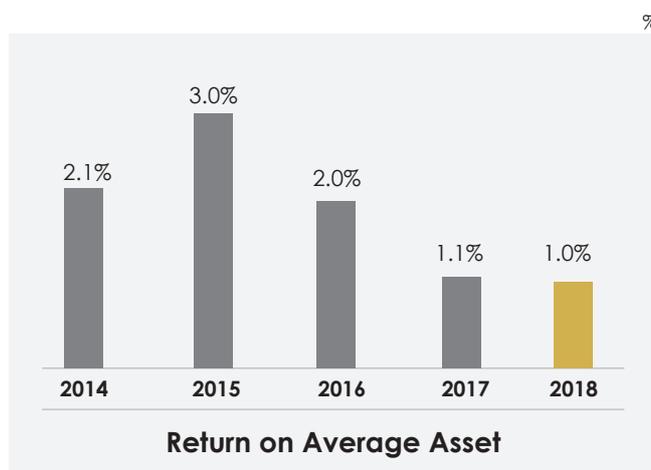
Particulars	2014	2015	2016	2017	2018	% of total
Operating Profit	395	446	502	673	1,123	66.9%
Profit before Tax	345	344	468	514	861	67.5%
Net profit after Tax	166	240	303	335	450	34.2%

Operating profit ended with BDT 1,123 million in 2018, an increase by 66.9% from the previous year. Profit before tax increased by 67.5% and stood at BDT 861 million. A leap in profitability during the year 2018 is evidenced by the strong net profit growth of 34.2% in 2018 ending with BDT 450 million against BDT 335 million in the previous year. From the base year of 2014, IPDC has achieved a net profit growth of 2.7 times.

Return on equity has consistently remained above 10.0% since 2015 and ended with 13.1% in 2018 against 11.4% in the previous year.



Return on assets ended with 1.0% in 2018 against 1.1% in the previous year. Looking back, the return on asset is showing a downward trend as asset base has grown significantly over the last five years.



Balance Sheet Summary

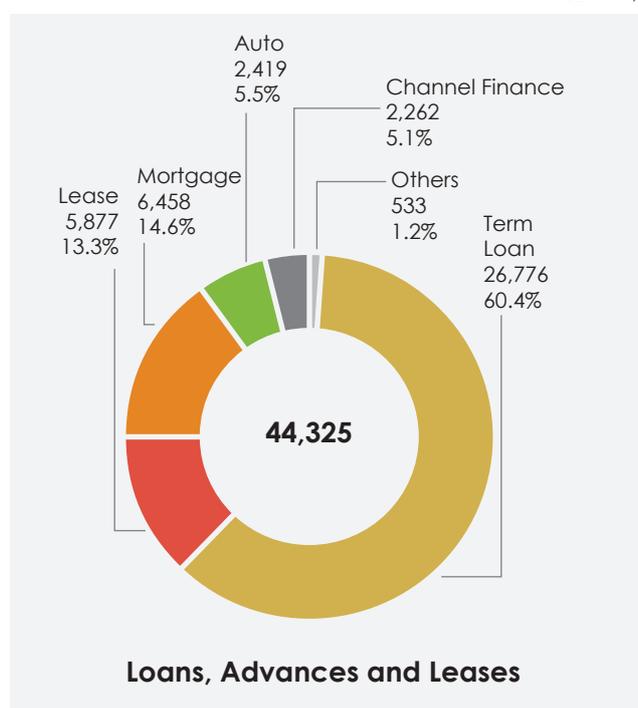
BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth YoY	% of Total
Assets							
Cash and cash equivalent	822	1,145	1,859	3,280	3,759	14.6%	7.4%
Investment	715	187	566	663	869	31.1%	1.7%
Loans, advances and leases	5,677	6,416	19,481	34,467	44,325	28.6%	87.8%
Fixed Assets	224	207	234	267	545	104.1%	1.1%
Others	306	247	438	612	1,013	65.4%	2.0%
Total Asset	7,744	8,202	22,577	39,289	50,511	28.6%	100.0%
Liabilities							
Borrowing	398	27	1,141	4,214	5,917	40.4%	11.7%
Deposit	3,997	4,745	17,179	29,747	37,066	24.6%	73.4%
Other Liabilities	1,056	956	1,481	2,217	3,776	70.3%	7.5%
Equity	2,292	2,475	2,775	3,111	3,752	20.6%	7.4%
Total liabilities and shareholders' equity	7,744	8,202	22,577	39,289	50,511	28.6%	100.0%

Loans, Advances and Leases

IPDC's lending portfolio grew by 28.6% reaching BDT 44,325 in 2018 from BDT 34,467 million in 2017. IPDC continues to maintain sustainable loan portfolio growth with the portfolio size increasing by 7.8 times from the base year of 2014. Loans and advance represented 87.8% of the total assets in 2018.

BDT mn, %

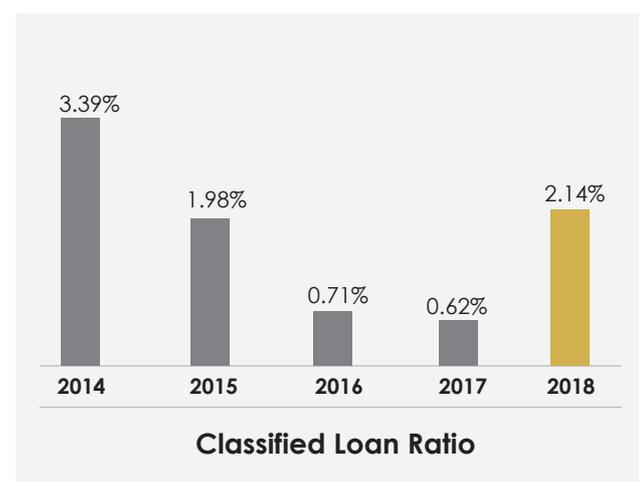


Term loans accounted for 60.4% of the total loan portfolio and stood at BDT 26,776 million in 2018 and accounted for the majority portion of the loan portfolio followed by mortgage finance (BDT 6,458 million) which accounted for 14.6% of the pie followed by lease finance taking 13.3% of the pie. Auto loan, factoring and other loan accounted for the remaining 11.8%.

Classified Loan

Classified loan jumped to BDT 948 million in 2018 leading to classified loan ratio of 2.14% against 0.62% in the year before due to some accounts becoming classified at the later part of the year 2018. A key priority in 2019 will be to bring down the classified loan ratio.

%



Investments

BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth YoY	% of Total
Investment in quoted shares	7	7	7	7	7	0.0%	0.8%
Investment in unquoted shares	12	5	5	5	5	0.0%	0.5%
Investment in preference shares	131	63	281	353	510	44.3%	58.7%
Investment in corporate bonds	150	113	273	298	348	16.6%	40.0%
Investment in government securities	415	-	-	-	-	-	-
Total Investments	715	187	566	663	869	31.1%	100.0%

Investments increased by 31.1% to BDT 869 million in 2018 from BDT 663 million in 2017. Increase in investment came-off from additional investments in preference share and corporate bond which increased by 44.3% and 16.6% respectively. Preference share ended with BDT 510 million and accounted for 58.7% of the total investments and corporate bond ended with BDT 348 million and accounted for 40.0% of the total pie.

Fixed Assets

BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth YoY	% of Total
Land	129	129	129	129	279	116.2%	51.3%
Building	21	20	18	17	90	440.8%	16.6%
Motor vehicles	18	14	17	33	48	47.5%	8.9%
Furniture and fixture	10	8	28	32	36	12.2%	6.6%
Equipment and appliances	34	27	34	47	59	24.1%	10.8%
Software	12	10	7	9	8	-12.4%	1.4%
Capital work in progress- Software	-	-	-	-	24	-	4.5%
Total WDV of Fixed Assets	224	207	234	267	545	104.1%	100.0%

The value of fixed assets jumped to BDT 545 million in 2018 from BDT 267 million in the previous year, an increase by 104.1% which is mainly as a result of revaluation of land and building and acquisition of additional fixed assets during the year 2018. Total value of addition and revaluation amounted to BDT 98 million and BDT 225 million respectively during 2018.

The cost value of land increased by BDT 150 million and building cost increased by BDT 75 million as a result of the revaluation. The written down value of land stood at BDT 279 million and accounted for 51.3% of the total written down value of fixed assets followed by building which stood BDT 90 million and accounted for 17% of the pie. The remaining 32.1% of the pie consisted of furniture, fixture, equipment, motor vehicles and intangible assets.

Borrowings

BDT mn, %

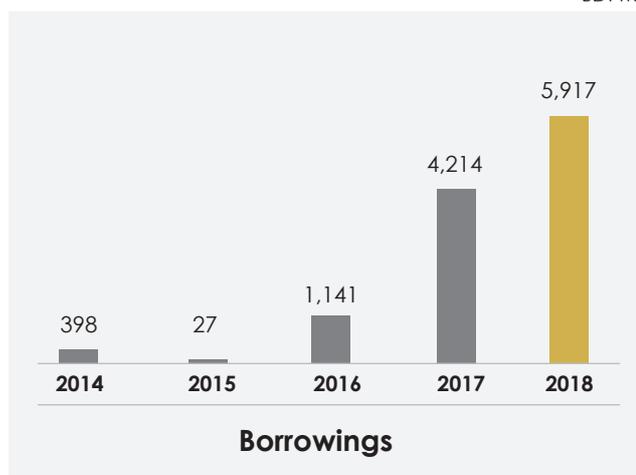
Particulars	2014	2015	2016	2017	2018	Growth YoY	% of Total
Long term loan	18	6	6	710	1,792	152.4%	30.3%
Short term loan	-	-	-	1,450	1,840	26.9%	31.1%
Zero coupon bond	-	-	-	472	807	71.0%	13.6%
Subordinated bond	-	-	-	-	200	-	3.4%
Bank overdraft	60	21	845	1,072	858	-20.0%	14.5%
Money at call and short notice	320	-	290	510	420	-17.6%	7.1%
Total	398	27	1,141	4,214	5,917	40.4%	100.0%

Increase in borrowings is a result of additional fund required for the purpose of business expansion and to build up a strong capital base through the issue of subordinated bonds.

Borrowings amounted to BDT 5,917 million in 2018 against BDT 4,214 million in the previous year, representing an increase by 40%. Long-term loan and short-term loan accounted for 30% and 31% of total borrowing, respectively. Long term loan increased by 152% from BDT 1,792 million in 2018 from BDT 710 million in the previous year.

Similarly, short-term loan increased by 27% in 2018 to BDT 1,840 from BDT 1,450 million. Subordinated bond of BDT 200 million was issued in 2018 and accounted for 3% of total borrowings. Bank overdraft and money at call and short notice made up 14% and 7% of the remaining pie and ended with BDT 858 million and BDT 420 million respectively.

BDT mn



Deposits

BDT mn, %

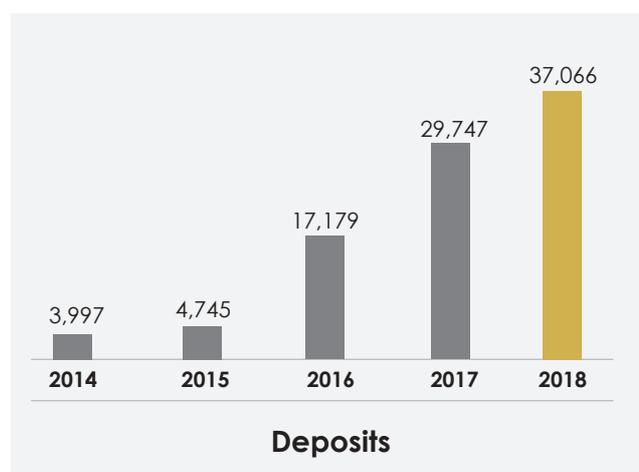
Particulars	2014	2015	2016	2017	2018	Growth YoY	% of Total
Annual Profit Scheme	2,685	2,115	4,696	7,673	11,295	47.2%	30.5%
Quarterly Profit Scheme	135	122	134	169	285	68.7%	0.8%
Monthly Profit Scheme	121	127	142	188	691	266.8%	1.9%
Cumulative Profit Scheme	4	389	475	481	455	-5.4%	1.2%
Fixed Deposit FDR GEN	853	1,641	4,418	9,887	10,553	6.7%	28.5%
FDR from Banks & NBFIs	-	200	7,170	11,110	13,520	21.7%	36.5%
Other deposits	199	151	144	239	267	11.7%	0.7%
Total Deposits	3,997	4,745	17,179	29,747	37,066	24.6%	100.0%

Deposits ended with BDT 37,066 million in 2018 against BDT 29,747 million in 2017 and an increase of 24.6% and accounting for 73% of the total liabilities and shareholders' equity. From the base year of 2014, IPDC has increased its deposits by 9.3 times. The increase in deposits is in line with IPDC planned growth and necessary to finance its loan portfolio.

Monthly profit scheme saw the largest increase with a growth of 266.8% in 2018 from the previous year, followed by quarterly profit scheme increasing by 68.7% and annual profit scheme increasing by 47.2%. The other remaining deposit also saw an increase in 2018 apart from cumulative profit scheme which decreased by 5.4%.

FDR from Banks & NBFIs accounted for the most significant portion of the total deposits, taking up 36.5% of the total deposit, followed by annual profit scheme which took up 30.5% followed by Fixed Deposits taking 28.5% and the remaining deposits products cumulatively taking up the remaining 4.6% of the total deposit balance.

BDT mn



Equity

BDT mn, %

Particulars	2014	2015	2016	2017	2018	Growth YoY	% of Total
Paid up capital	1,148	1,263	1,515	1,818	2,182	20.0%	58.1%
Share premium	167	167	167	167	167	0.0%	4.5%
Statutory reserve	285	333	393	460	550	19.5%	14.7%
Assets revaluation reserve	127	127	125	120	311	158.0%	8.3%
Retained earnings	565	585	575	545	542	-0.5%	14.4%
Total Equity	2,292	2,475	2,775	3,111	3,752	20.6%	100.0%

Equity balance increased from BDT 3,111 million in 2017 to BDT 3,752 million in 2018, an increase by 20.6%. Increase in equity was mainly due increase in paid-up capital from BDT 1,818 million to BDT 2,182 million as a result of issue of 20% stock dividend, increase in statutory reserve from BDT 460 million to BDT 550 million, increase in revaluation reserve to BDT 550 million due to revaluation of land and building and decrease in retained earnings to BDT 542 million as a result of payment of dividend, transfer to statutory reserve which offset the profit made during the years.

BDT mn



Cash Flow

BDT mn, %

Particulars	2014	2015	2016	2017	2018
Net cash from operating activities	-16	322	1,133	410	-838
Net cash (used in)/ from investing activities	165	91	-420	-164	-300
Net cash (used in)/ from financing activities	-29	-89	-0	1,176	1,617
Net increase / (decrease) in cash	120	324	714	1,421	479

Net cash flow from operating activities ended with a negative balance of BDT 838 million in 2018 against a positive balance in the previous year amounting to BDT 410 million. However, IPDC still maintained an overall positive net cash inflow of BDT 479 million in 2018.

A negative net cash from operating activity does not necessarily indicate any liquidity concern and a more relevant indicator of liquidity position is the liquidity statement (assets and liabilities maturity analysis). As per the liquidity statement there are no liquidity gap in zero to one year bucket and one to five-year bucket.

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years
Total assets	6,539	8,208	9,232	19,004
Total liabilities	6,272	8,119	8,742	9,243
Net liquidity gap	267	89	490	9,761

Du-Pont Summary

		Times, %				
Dupont	Description	2014	2015	2016	2017	2018
Net Interest Income	% of Avg Assets	5.4%	5.4%	4.1%	3.5%	3.8%
Non-Interest Income	% of Avg Assets	2.1%	2.6%	1.3%	0.6%	0.4%
Operating Income	% of Avg Assets	7.5%	8.0%	5.5%	4.0%	4.2%
Operating Expenses	% of Avg Assets	2.4%	2.4%	2.2%	1.9%	1.7%
Cost/Income	% of Operating Income	31.9%	30.3%	40.4%	46.0%	40.1%
Operating Profit	% of Avg Assets	5.1%	5.6%	3.3%	2.2%	2.5%
Provisions	% of Avg Assets	0.6%	1.3%	0.2%	0.5%	0.6%
Profit before Tax	% of Avg Assets	4.4%	4.3%	3.0%	1.7%	1.9%
Tax Rate	% of PBT	52.0%	30.2%	35.2%	34.7%	47.7%
Return on Asset	Return on Avg. Assets	2.1%	3.0%	2.0%	1.1%	1.0%
Return on Equity	Return on Avg. Equity	7.6%	10.1%	11.5%	11.4%	13.1%
Assets/Equity	Avg. Assets/Avg. Equity	3.6	3.3	5.9	10.5	13.1

Impairment of Fixed Assets and Investments

According to the IAS 36 impairment of assets seeks to ensure that fixed assets of an organization are not carried at more than their recoverable amount. As per IAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis. As per FID circular No. 08, dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances. Moreover, according to the Bangladesh Bank Circular DFIM circular no.11, date - 23 December 2009, all investment in shares and securities has to be revaluated after a year end.

The carrying amount of the entity's non-financial assets, other than deferred tax assets, are reviewed at year end reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. However, no such conditions that might be suggestive of a heightened risk of impairment existed at the reporting date.

At the end of December 2018, we did an impairment exercise for fixed asset and investment in both quoted and unquoted shares. We found no significant indication for doing impairment in our books.

Details of Investments in shares are scheduled and can be found in Note-7 of the Financial Statement.

Key Ratios

BDT mn, %

Particulars	2014	2015	2016	2017	2018
Balance Sheet					
Loans and Advance Growth	-1.2%	13.0%	203.6%	76.9%	28.6%
Deposit Growth	-9.7%	18.7%	262.1%	73.2%	24.6%
Disbursement - Loans, Leases, Advances etc.	3,523.8	5,524.5	25,029.7	34,681.0	37,971.6
Profitability					
Revenue Growth	21.3%	10.3%	31.5%	48.0%	50.5%
Operating Profit Growth	21.5%	12.8%	12.5%	34.1%	66.9%
Profit After Tax (PAT) Growth (%)	16.6%	45.1%	26.2%	10.7%	34.2%
Net Interest Margin ¹	6.6%	6.2%	4.5%	3.7%	4.0%
Operating Profit Margin ²	42.5%	55.4%	33.8%	22.5%	22.1%
Cost of Fund (CoF)	11.9%	9.2%	7.3%	7.2%	9.1%
Return on Asset (ROA)	2.1%	3.0%	2.0%	1.1%	1.0%
Profitability					
Cost to Income Ratio	31.9%	30.3%	40.4%	46.0%	40.1%
Earning Asset (% of total assets)	92.1%	93.5%	96.0%	96.8%	96.0%
Revenue per Employee	5.5	6.4	3.2	2.3	3.1
Operating Profit per Employee	3.8	4.5	1.9	1.2	1.9
Revenue per Branch	96.7	106.7	93.5	103.8	156.2
Operating Profit per Branch	65.9	74.3	55.7	56.1	93.6
Solvency					
Current Ratio (Times)	1.25	1.21	1.01	1.01	1.04
Credit Deposit Ratio (Times)	1.42:1	1.35:1	1.13:1	1.16:1	1.20:1
Capital Adequacy Ratio (CAR)	26.39%	49.15%	22.09%	15.14%	14.01%
Debt Equity Ratio (Times)	0.17	0.01	0.41	1.35	1.58
Asset Quality					
Rate of NPL	3.39%	1.98%	0.71%	0.62%	2.14%
Rate of Net NPL	0.05%	-1.64%	-0.62%	-0.59%	0.38%
Provision Required	82.6	135.4	205.0	344.8	594.3
Provision Kept	150.9	199.1	226.5	384.8	648.2
Provision Surplus / (Deficit)	68.3	63.7	21.5	40.0	53.9
Investors Ratio					
Market Price Per Share (BDT)	18.20	26.70	42.70	50.10	38.10
Earnings per Share (EPS) (BDT)	0.76	1.10	1.39	1.54	2.06
Market Capitalization	2,088.9	3,370.9	6,469.1	9,108.2	8,311.9
Price Earnings Ratio (Times)	24.0	24.3	30.7	32.6	18.5
Rate of Dividend	15%	20%	20%	20%	15%
Dividend Per Share (DPS)	1.5	2.0	2.0	2.0	1.5
Dividend Yield (%)	8.2%	7.5%	4.7%	4.0%	3.9%
Dividend Cover (EPS/DPS)	0.51	0.55	0.69	0.77	1.38
Return on Equity (ROE)	7.6%	10.1%	11.5%	11.4%	13.1%
NAV per Share (BDT)	10.5	11.3	12.7	14.3	17.2

¹ NIM = Net Interest Income/Average Interest Earning Assets excluding Investments

OPERATING SEGMENT PERFORMANCE

For the year ended December 31, 2018

BDT mn

Particulars	Corporate	SME	Retail	Treasury	Total
Net Interest Income *	643.7	217.2	372.6	465.9	1,699.3
Fees and Other Income	102.0	31.8	40.4	2.0	176.2
Net Operating Revenue	745.7	249.0	413.0	467.9	1,875.5
Operating Expenses **	220.0	107.3	343.8	81.5	752.6
Operating Profit	525.7	141.7	69.2	386.4	1,122.9
Segment Asset ***	22,584.1	12,395.2	10,214.8	5,317.1	50,511.2
Segment Liability ***	5,250.9	649.2	17,645.5	23,213.6	46,759.3
Net Segment Asset	17,333.2	11,745.9	(7,430.7)	(17,896.5)	3,751.9

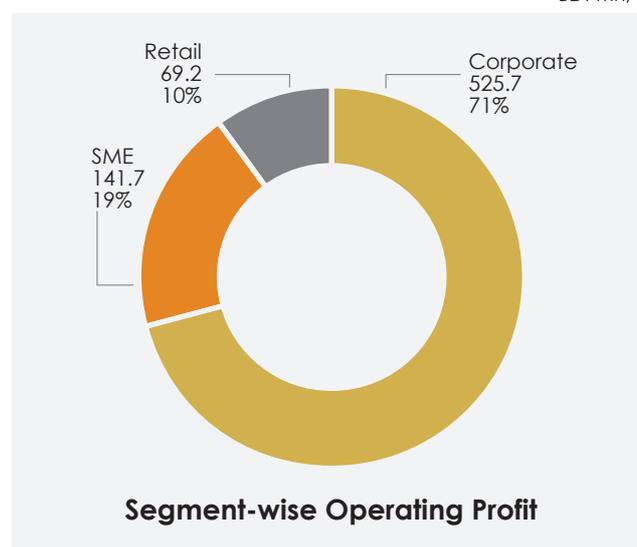
Net operating revenue for the year ended 31 December 2018 amounted to BDT 1,875.5 million and operating profit amounted to BDT 1,122.9 million in the same period.

Corporate division generated the highest amount of operating revenue of BDT 745.7 million in 2018, followed by treasury division at BDT 467.9 million, Retail division at BDT 413.0 million and SME division at BDT 249.0 million.

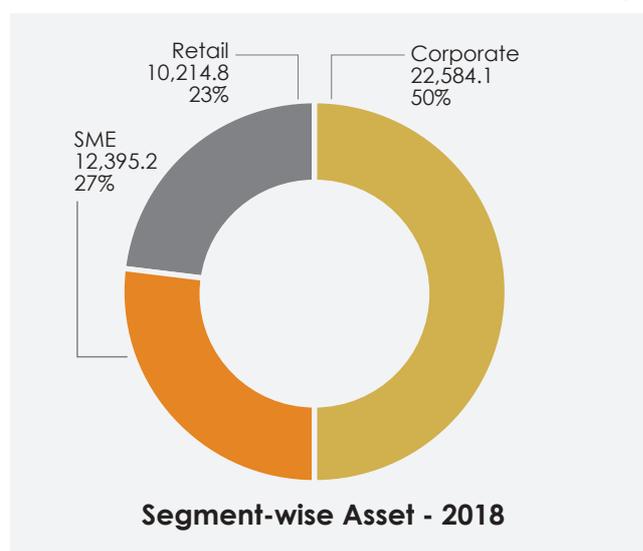
Similarly, corporate division generated the greatest operating profit amounting to BDT 525.7, followed by Treasury division, SME division and Retail division which amounted to BDT 386.4 million, BDT 141.7 million and BDT 69.2 million.

Compared to the previous year the operating profit of corporate increased by 83.5%, SME division by 52.6%, Retail by 70.8% and Treasury by 52.8% in 2018

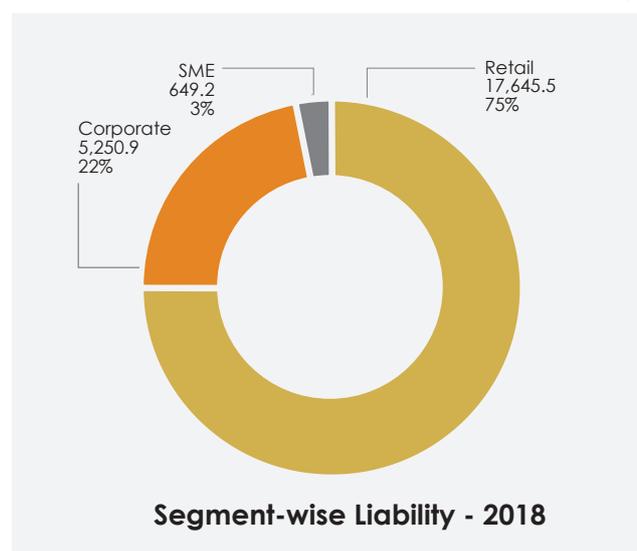
BDT mn, %



BDT mn, %



BDT mn, %



For the year ended December 31, 2017

BDT mn

Particulars	Corporate	SME	Retail	Treasury	Total
Net Interest Income	357.7	129.8	272.5	312.7	1,072.6
Fees and Other Income	101.8	29.6	40.5	1.1	172.9
Net Operating Revenue	459.5	159.3	312.9	313.8	1,245.5
Operating Expenses	172.9	66.5	272.5	60.9	572.8
Operating Profit	286.5	92.8	40.5	252.9	672.7
Segment Asset	19,741.8	8,408.1	6,979.8	4,159.3	39,288.9
Segment Liability	4,934.5	266.9	13,435.5	17,541.5	36,178.4
Net Segment Asset	14,807.3	8,141.3	(6,455.8)	(13,382.3)	3,110.5

For the year ended December 31, 2016

BDT mn

Particulars	Corporate	SME	Retail	Treasury	Total
Net Interest Income	217.5	59.6	100.3	260.7	638.1
Fees and Other Income	174.2	10.1	18.2	0.8	203.3
Net Operating Revenue	391.7	69.7	118.5	261.4	841.4
Operating Expenses	121.9	33.1	144.8	39.9	339.8
Operating Profit	269.9	36.6	(26.3)	221.5	501.6
Segment Asset	14,292.7	2,835.3	2,918.3	2,530.6	22,576.9
Segment Liability	2,689.5	101.9	7,217.8	9,792.6	19,801.8
Net Segment Asset	11,603.3	2,733.4	(4,299.5)	(7,262.0)	2,775.1

For the year ended December 31, 2015

BDT mn

Particulars	Corporate	SME	Retail	Treasury	Total
Net Interest Income	102.5	56.7	51.8	220.3	431.4
Fees and Other Income	202.4	3.3	2.8	0.0	208.5
Net Operating Revenue	304.9	60.0	54.6	220.4	639.9
Operating Expenses	75.4	33.3	65.2	20.2	194.1
Operating Profit	229.5	26.8	(10.6)	200.2	445.8
Segment Asset	5,257.6	718.2	635.1	1,591.4	8,202.2
Segment Liability	973.8	74.4	3,496.5	1,182.9	5,727.6
Net Segment Asset	4,283.8	643.8	(2,861.4)	408.4	2,474.6

* Fund Transfer Pricing under single pool method has been applied in arriving at Segment Net Interest Income.

** Support and common Operating Expenses are allocated to business lines.

*** Non-interest-bearing assets and liabilities are included in Treasury and Investments are included in Corporate

VERTICAL ANALYSIS

Balance Sheet

BDT mn. %

Particulars	2014	%	2015	%	2016	%	2017	%	2018	%
Cash	84.8	1.1%	82.2	1.0%	226.4	1.0%	376.8	1.0%	487.5	1.0%
Balance with other banks and financial institutions	736.8	9.5%	1,063.0	13.0%	1,632.4	7.2%	2,903.3	7.4%	3,271.9	6.5%
Money at call and short notice	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Investments	715.0	9.2%	187.0	2.3%	565.7	2.5%	662.7	1.7%	868.8	1.7%
Loans, advances and leases	5,676.8	73.3%	6,415.8	78.2%	19,480.6	86.3%	34,467.0	87.7%	44,325.3	87.8%
Fixed assets including land, building, furniture and fixture	224.1	2.9%	207.0	2.5%	233.6	1.0%	267.0	0.7%	545.1	1.1%
Other assets	302.6	3.9%	243.4	3.0%	434.5	1.9%	608.3	1.5%	1,008.9	2.0%
Non financial institutional assets	3.8	0.0%	3.8	0.0%	3.8	0.0%	3.8	0.0%	3.8	0.0%
Total assets	7,743.9	100.0%	8,202.2	100.0%	22,576.9	100.0%	39,288.9	100.0%	50,511.2	100.0%
Borrowings from other banks, financial institutions and agents	398.4	5.1%	27.1	0.3%	1,141.4	5.1%	4,214.1	10.7%	5,916.9	11.7%
Deposits and other accounts	3,997.4	51.6%	4,744.7	57.8%	17,179.2	76.1%	29,746.9	75.7%	37,066.1	73.4%
Other liabilities	1,056.3	13.6%	955.9	11.7%	1,481.2	6.6%	2,217.5	5.6%	3,776.3	7.5%
Total liabilities	5,452.1	70.4%	5,727.6	69.8%	19,801.8	87.7%	36,178.4	92.1%	46,759.3	92.6%
Shareholders' equity	2,291.8	29.6%	2,474.6	30.2%	2,775.1	12.3%	3,110.5	7.9%	3,751.9	7.4%
Total liabilities and shareholders' equity	7,743.9	100.0%	8,202.2	100.0%	22,576.9	100.0%	39,288.9	100.0%	50,511.2	100.0%

* Vertical Analysis of Balance Sheet refers to the components of Balance Sheet items as a % of total Assets over the periods which would be termed as common sizing of Balance Sheet.

Profit and Loss Account

BDT mn. %

Particulars	2014	%	2015	%	2016	%	2017	%	2018	%
Interest income	929.3	160.2%	804.9	125.8%	1,482.4	176.2%	2,991.1	240.2%	5,080.0	271.0%
Interest expenses	513.1	88.5%	373.4	58.4%	844.2	100.3%	1,918.5	154.0%	3,381.7	180.4%
Net interest income	416.2	71.8%	431.4	67.4%	638.1	75.8%	1,072.6	86.1%	1,698.3	90.6%
Investment income	86.8	15.0%	55.4	8.7%	47.2	5.6%	65.5	5.3%	63.3	3.4%
Commission, exchange and brokerage	5.6	1.0%	7.6	1.2%	36.2	4.3%	82.2	6.6%	89.2	4.8%
Other operating income	71.4	12.3%	145.5	22.7%	119.8	14.2%	25.3	2.0%	23.6	1.3%
Operating income	580.0	100.0%	639.9	100.0%	841.4	100.0%	1,245.5	100.0%	1,874.5	100.0%
Operating expenses	184.9	31.9%	194.1	30.3%	339.8	40.4%	572.8	46.0%	751.6	40.1%
Operating profit	395.1	68.1%	445.8	69.7%	501.6	59.6%	672.7	54.0%	1,122.9	59.9%
Provision for loans and advances	37.0	6.4%	164.5	25.7%	29.6	3.5%	158.3	12.7%	263.4	14.1%
Provision/(reversal) for diminution in value of investments	13.3	2.3%	(62.9)	-9.8%	4.0	0.5%	0.7	0.1%	(1.0)	-0.1%
Other provision	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total provisions	50.3	8.7%	101.6	15.9%	33.6	4.0%	159.0	12.8%	262.3	14.0%
Profit before tax	344.8	59.4%	344.2	53.8%	468.0	55.6%	513.7	41.2%	860.6	45.9%
Provision for taxation	179.3	30.9%	104.0	16.3%	164.9	19.6%	178.3	14.3%	410.6	21.9%
Net Profit after tax	165.5	28.5%	240.2	37.5%	303.1	36.0%	335.4	26.9%	450.0	24.0%

* Vertical Analysis of Profit & Loss Account refers to the components of Profit & Loss Account as a % of Operational Income (Interest income + Investment Income) over the periods which would be termed as common sizing of Profit & Loss Account.

HORIZONTAL ANALYSIS

Balance Sheet

BDT mn. %

Particulars	2014	%	2015	%	2016	%	2017	%	2018	%
Cash	84.8	-45.3%	82.2	-3.0%	226.4	175.4%	376.8	66.5%	487.5	29.4%
Balance with other banks and financial institutions	736.8	34.8%	1,063.0	44.3%	1,632.4	53.6%	2,903.3	77.9%	3,271.9	12.7%
Money at call and short notice	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Investments	715.0	-22.4%	187.0	-73.8%	565.7	202.5%	662.7	17.1%	868.8	31.1%
Loans, advances and leases	5,676.8	-1.2%	6,415.8	13.0%	19,480.6	203.6%	34,467.0	76.9%	44,325.3	28.6%
Fixed assets including land, building, furniture and fixture	224.1	107.9%	207.0	-7.6%	233.6	12.8%	267.0	14.3%	545.1	104.1%
Other assets	302.6	8.3%	243.4	-19.6%	434.5	78.5%	608.3	40.0%	1,008.9	65.9%
Non financial institutional assets	3.8	0.0%	3.8	0.0%	3.8	0.0%	3.8	0.0%	3.8	0.0%
Total assets	7,743.9	-0.2%	8,202.2	5.9%	22,576.9	175.3%	39,288.9	74.0%	50,511.2	28.6%
Borrowings from other banks, financial institutions and agents	398.4	-3.8%	27.1	-93.2%	1,141.4	4117.5%	4,214.1	269.2%	5,916.9	40.4%
Deposits and other accounts	3,997.4	-9.7%	4,744.7	18.7%	17,179.2	262.1%	29,746.9	73.2%	37,066.1	24.6%
Other liabilities	1,056.3	23.8%	955.9	-9.5%	1,481.2	55.0%	2,217.5	49.7%	3,776.3	70.3%
Total liabilities	5,452.1	-4.2%	5,727.6	5.1%	19,801.8	245.7%	36,178.4	82.7%	46,759.3	29.2%
Shareholders' equity	2,291.8	11.0%	2,474.6	8.0%	2,775.1	12.1%	3,110.5	12.1%	3,751.9	20.6%
Total liabilities and shareholders' equity	7,743.9	-0.2%	8,202.2	5.9%	22,576.9	175.3%	39,288.9	74.0%	50,511.2	28.6%
Long Term Assets	4,517.0	18.2%	4,258.7	-5.7%	10,987.8	158.0%	18,772.0	70.8%	26,532.9	41.3%
Current Assets	3,226.9	-18.0%	3,943.3	22.2%	11,589.2	193.9%	20,516.9	77.0%	23,978.3	16.9%
Total Assets	7,743.9	-0.2%	8,202.0	5.9%	22,577.0	175.3%	39,288.9	74.0%	50,511.2	28.6%
Long Term Liabilities	2,879.3	22.3%	2,468.9	-14.3%	8,262.7	234.7%	15,810.6	91.3%	23,627.0	49.4%
Current Liabilities	2,572.8	-23.0%	3,258.7	26.7%	11,539.2	254.1%	20,367.8	76.5%	23,132.2	13.6%
Total Liabilities	5,452.1	-4.2%	5,727.6	5.1%	19,801.9	245.7%	36,178.4	82.7%	46,759.3	29.2%
Net Current Assets	654.1	9.4%	684.6	4.7%	50.0	-92.7%	149.1	198.2%	846.0	467.4%

* Horizontal Analysis of Balance Sheet refers to the analysis of growth of each component of Balance Sheet items from the previous period.

Profit and Loss Account

BDT mn. %

Particulars	2014	%	2015	%	2016	%	2017	%	2018	%
Interest income	929.3	-0.3%	804.9	-13.4%	1,482.4	84.2%	2,991.1	101.8%	5,080.0	69.8%
Interest expenses	513.1	-18.3%	373.4	-27.2%	844.2	126.1%	1,918.5	127.2%	3,381.7	76.3%
Net interest income	416.2	36.8%	431.4	3.7%	638.1	47.9%	1,072.6	68.1%	1,698.3	58.3%
Investment income	86.8	-0.5%	55.4	-36.2%	47.2	-14.8%	65.5	38.6%	63.3	-3.2%
Commission, exchange and brokerage	5.6	-39.0%	7.6	34.4%	36.2	377.5%	82.2	127.1%	89.2	8.6%
Other operating income	71.4	-7.8%	145.5	103.8%	119.8	-17.6%	25.3	-78.9%	23.6	-6.6%
Operating income	580.0	21.3%	639.9	10.3%	841.4	31.5%	1,245.5	48.0%	1,874.5	50.5%
Operating expenses	184.9	20.7%	194.1	5.0%	339.8	75.0%	572.8	68.6%	751.6	31.2%
Operating profit	395.1	21.5%	445.8	12.8%	501.6	12.5%	672.7	34.1%	1,122.9	66.9%
Provision for loans and advances	37.0	-63.1%	164.5	344.9%	29.6	-82.0%	158.3	435.3%	263.4	66.4%
Provision/(reversal) for diminution in value of investments	13.3	-179.2%	(62.9)	-571.1%	4.0	-106.4%	0.7	-83.5%	(1.0)	-257.2%
Other provision	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total provisions	50.3	-39.6%	101.6	101.9%	33.6	-66.9%	159.0	372.9%	262.3	65.0%
Profit before tax	344.8	42.6%	344.2	-0.2%	468.0	36.0%	513.7	9.8%	860.6	67.5%
Provision for taxation	179.3	79.7%	104.0	-42.0%	164.9	58.6%	178.3	8.1%	410.6	130.2%
Net Profit after tax	165.5	16.6%	240.2	45.1%	303.1	26.2%	335.4	10.7%	450.0	34.2%
EPS	0.76	16.6%	1.10	45.1%	1.39	26.2%	1.54	10.7%	2.06	34.2%

* Horizontal Analysis of Profit & Loss Account refers to the analysis of growth of each component of Profit & Loss Account from the previous period.

MARKET VALUE ADDED

MVA statement for the year ended 31 December

Market Value Added (MVA) measures how the market has evaluated the Company's performance in terms of market value of shares. MVA is the difference between the market value of equity and the book value of equity invested in the Company.

Particulars	2015	2016	2017	2018
Market value per share (BDT)	26.7	42.7	50.1	38.1
Number of shares outstanding	126,250,473	151,500,567	181,800,680	218,160,816
Total market capitalization (BDT mn)	3,370.9	6,469.1	9,108.2	8,311.9
Book value of paid up capital (BDT mn)	2,474.6	2,775.1	3,110.5	3,751.9
Market value added (BDT mn)	896.3	3,694.0	5,997.7	4,560.0

ECONOMIC VALUE ADDED

EVA statement for the year ended 31 December

Economic Value Added (EVA) measures the company's economic success (or failure) over a period of time. EVA is calculated by taking the company's NOPAT (Net Operating Profit After Tax) and deducting capital charges from NOPAT to get the real economic performance of the company.

BDT mn

Particulars	2015	2016	2017	2018
Operating profit	445.8	501.6	672.7	1,122.9
Income tax	(104.0)	(164.9)	(178.3)	(410.6)
Adjustments	(0.9)	31.1	(0.03)	(1.99)
NOPAT	340.8	367.8	494.4	710.4
Cost of equity	208.2	228.2	261.3	317.2
Economic Value Added	132.6	139.6	233.1	393.2

MATURITY ANALYSIS OF ASSETS AND LIABILITIES

In financial institutions, asset and liability management is the practice of managing liquidity and interest rate risks arising out from maturity mismatch between asset and liability. The company should ideally match tenor-wise asset and liability to make sure that the company has enough cash inflow to meet its outflow. Interest rate structure varies with respect to different maturity buckets; therefore, a match between asset and liability is also required which allows the company to adjust its spread due to the movement in market interest rates.

Managing maturity schedules of deposits and credit lines in parallel to the demand for loans while ensuring the adequate liquidity of the funds is one of the most crucial aspect of the company. IPDC has established guidelines for the management of assets and liabilities which is in line with central Bank's policy. Interest Rate Sensitivity is analyzed monthly in regular ALCO meetings.

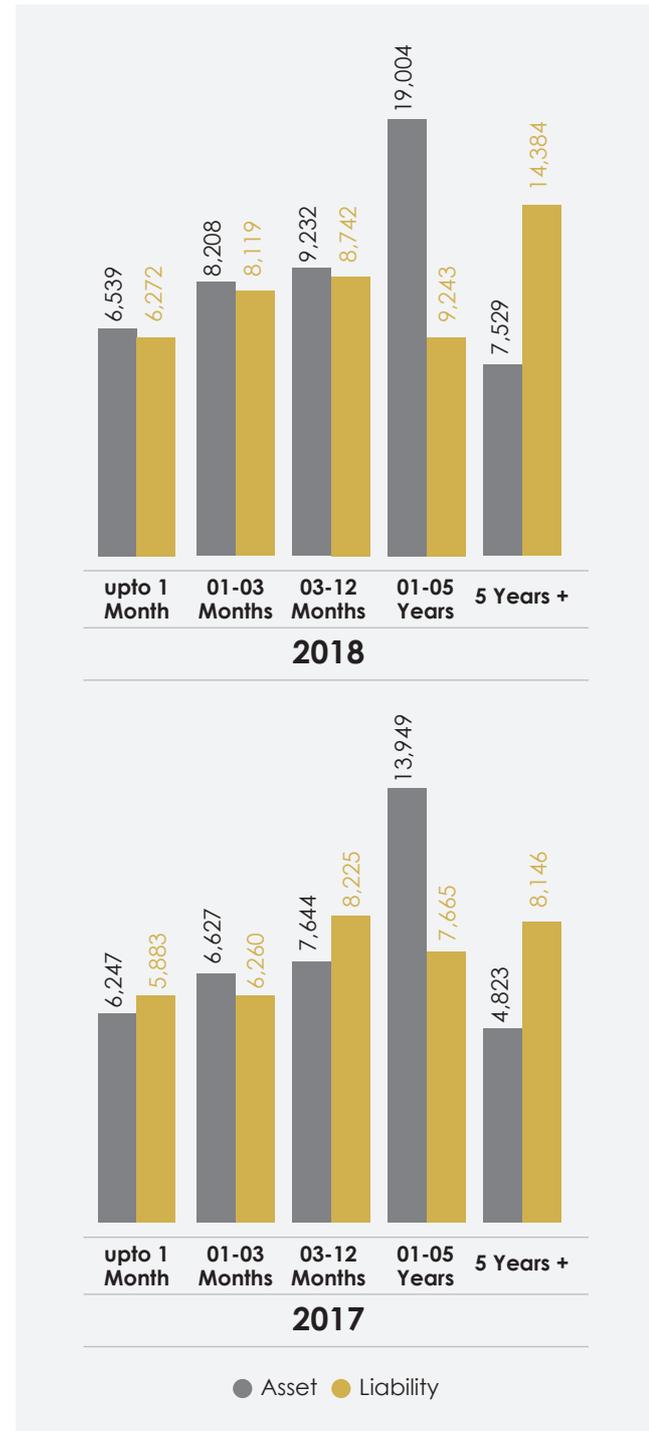
Asset Liability Management Committee

Asset Liability Management Committee (ALCO) is responsible for reviewing the liquidity position of the Company, regulatory compliances, and setting the risk appetite threshold to mitigate the Asset and Liability associated risk of the Company. Asset Liability Management (ALM) deals with the structure of the Company's Balance Sheet and main objective of ALM is to maximize the sustainable return through effective monitoring and management of interest rate risk and maturity risk of assets and liabilities and maintain liquidity at acceptable level. The formation of the ALCO is as follows:

- Managing Director & CEO
- Deputy Managing Director & Head of Business Finance
- Deputy Managing Director & Head of Retail Business
- Chief Financial Officer
- Head of Credit Risk Management
- Head of Treasury

Maturity analysis of assets and liabilities (details of which can be found in financial statement) in 2018 is depicted in the graphs below:

BDT mn



CAPITAL ADEQUACY AND MARKET DISCIPLINE

In accordance with Bangladesh Bank's DFIM Circular no. 14 dated 28 December 2011, the disclosures on capital adequacy and market discipline have been made in line with same circular, which consists of the following three mutually reinforcing pillars:

Pillar I: This prescribes the minimum capital requirements for Credit Risk, Market Risk and Operational Risk.

Pillar II: This prescribes the Supervisory Review Process which is based on the principle that the Company assesses the overall adequacy of its capital and set targets for capital that commensurate with the Company's specific risk profile and control environment.

Pillar III: This depicts Market Discipline and comprises as set of disclosures on the capital adequacy and risk management framework on the Company to ensure that market participants can better understand the Company's risk profile and the adequacy of its capital.

Scope of Application

Qualitative Disclosures

The name of the top corporate entity in the group to which this guideline applies: IPDC Finance Limited.

An outline of differences in the basis of consolidated for accounting and regulatory purpose with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk weighted):

Not Applicable since the Company does not have any subsidiary

Any restrictions, or other major impediments, on transfer offunds or regulatory capital within the group.

Not Applicable

Quantitative Disclosures

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

Not Applicable since the Company does not have any subsidiary

Capital Structure

Qualitative Disclosures

Summary information on the terms and conditions of the main features of all capital instruments, specially in the case of capital instruments eligible for inclusion in Tier I or in Tier II.

As per the guidelines of Bangladesh Bank, Tier - I and Tier - II Capital of the Company consists of as per following:

Tier I	Tier II
Fully Paid-up Capital	General provision
Share premium account	Revaluation reserves
Statutory Reserve	50% of revaluation reserve of fixed assets
Retained Earnings	45% of revaluation reserve on Securities
	Other (if any item approved by Bangladesh Bank)
	All other preference shares

Quantitative Disclosures

The amount of Tier I capital, with separate disclosure of:

Particulars	BDT mn	
	Amount	
Paid-up capital	2,181.6	
Share premium account	167.0	
Statutory Reserve	550.5	
General Reserve	-	
Retained Earnings	542.0	
Total Tier - I Capital	3,441.1	
Total amount of Tier - II Capital	708.5	
Other deductions from capital	-	
Total eligible capital	4,149.5	

Capital Adequacy

Qualitative Disclosures

A summary discussion of the Company's approach to assessing the adequacy of its capital to support current and future activities. IPDC has adopted Standardized Approach for computing Capital Charge for Credit and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio which is currently 10% and adding the resulted figure to the sum of the RWA for credit risk. Capital Adequacy Ratio (CAR) is then determined by dividing total RWA by total Eligible Regulatory Capital:

Particulars	Amount
Capital requirement for Credit Risk	28,243.3
Capital requirement for Market Risk	8.6
Capital requirement for Operational Risk	1,363.2
BDT mn	
Total and Tier I capital ratio - For stand alone	%
CAR on Total Capital basis (%)	14.01%
CAR on Tier - I Capital basis (%)	11.62%

Credit Risk

Qualitative Disclosures

The general qualitative disclosure requirement with respect to credit risk, including:

Definition of Past Due and Impaired (for Accounting Purposes)

With a view to strengthening credit discipline, the Company classifies loan, leases and advances and maintains provision in line with Bangladesh Bank's FID Circular no. 08 dated 03 October 2002 and FID Circular no. 03 dated 03 May 2006 as follows:

Fixed term loan (repayable within maximum 5 years of time) are classified as:

Substandard - if defaulted installment is equal to or more than the amount of installment(s) due within 6 (six) months, the entire loans are classified as 'Sub-standard'.

Doubtful - if defaulted installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loans are classified as 'Doubtful'.

Bad/Loss - if defaulted installment is equal to or more than the amount of installment(s) due within 18 (eighteen) months, the entire loans are classified as 'Bad/Loss'.

Fixed term loan (repayable more than 5 years of time) are classified as:

Substandard - if defaulted installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loans are classified as 'Sub-standard'.

Doubtful - if defaulted installment is equal to or more than the amount of installment(s) due within 18 (eighteen) months, the entire loans are classified as 'Doubtful'.

Bad/Loss - if defaulted installment is equal to or more than the amount of installment(s) due within 24 (twenty-four) months, the entire loans are classified as 'Bad/Loss'.

Special Mention Account (SMA) - A term loan which will remain overdue for a period of 90 days or more, are treated as 'SMA'.

Description of Approaches Followed for Specific and General Allowances and Statistical Methods

The Company is following the general and specific provision for loans and advances/investments based on Bangladesh Bank guidelines issued from time to time.

Particulars	%
General provision on unclassified loan, leases	1%
General provision on unclassified SME loan, leases	0.25%
General provision on special mention account	5%
Specific provision on substandard loan, leases	20%
Specific provision on doubtful loan, leases	50%
Specific provision on bad/loss loan, leases	100%

Discussion of the Company's Credit Risk Management Policy

Definition of Credit Risk: Credit risk is the risk of loss that occur from the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of credit worthiness. Credit risk is managed through a framework set by policies and procedures established by the Board. The responsibility is clearly segregated between originator of business transaction and approver in the risk function.

Credit policies and procedures: The Credit Policy Manual contains the core principles for identifying, measuring, approving and managing credit risk in the Company. These policies are established by the Board of Directors which are designed to meet the organizational requirements. These policies represent the minimum standards for credit extension by the Company and these are not a substitute for the experience and prudent judgment. The policy covers corporate, small and medium enterprise. There is a comprehensive credit appraisal procedure that covers business risk, management risk,

financial risk, security risk, environmental risk, reputational risk and account performance risk. Credit risk management function is independent of business originating functions to establish better internal control systems and conflict of interest. The Head of Credit Risk Management (HoCRM) has clear responsibility for management of credit risk of the Company.

Credit Rating and Measurement: Risk management plays a central role along with prudential judgment and experience in informed risk-taking decisions and portfolio management. For the purpose of risk management, the Company uses a numeric grading system associated with a borrower. Though this rating system, 'Credit Risk Grading Matrix (CRGM)' is not a lending decision making tool but it is used as general indicator to compare one set of customers with others. CRGM analyses a borrower against a range of quantitative and qualitative measures. No rating model for retail and channel financing are currently in practice rather borrowers are assessed against some pre-approved criteria outlined in Product Program Guidelines (PPG), which are approved by the Board of Directors.

Credit Monitoring: The Company, at least quarterly, monitor credit exposures and portfolio performance. Corporate and medium enterprise accounts are continuously monitored under a clearly set out credit policy. Early alerts are raised for financial deterioration, management weakness, irregular repayments, breach of covenants, eroding position in the industry etc. If early alerts are raised, remedial actions are agreed and monitored.

Credit Risk Mitigation: Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreement and other guarantees. The reliance that can be placed on these mitigations is carefully assessed in light with issues such as legal certainty and enforceability, market valuation, and counterparty risk of the guarantor. Collateral is valued by independent third-party surveyor in accordance with the company's credit policy and procedures.

Credit Approval: Board of Directors of the Company has the sole authority to approve any credit exposure and to sub delegate to such authority the 'Executive Committee', a subcommittee of the Board, with no approval authority to the Managing Director & CEO and other Departmental Heads.

Problem Credit Management: The Company has a separate 'Special Asset Management (SAM)' department, dedicated for management, settlement and recovery of problem credits. Major responsibility of this department is to formulate strategy and action plans for minimizing risk, prevention of loss, maximization of recoveries and restructuring, direct recovery and/or legal actions.

Quantitative Disclosures

Product-wise Credit Exposure

BDT mn	
Particulars	Amount
Lease finance	5,876.6
Term loans and advances	26,775.9
Mortgage finance	6,458.0
Channel finance	2,262.2
Retail loan	2,741.7
Personal Loan	210.9
Total	44,325.3

Industry or Counterparty-wise Credit Exposure

BDT mn	
Particulars	Amount
Agro-based industries	3,612.2
Banks and non-banking financial institutions	623.2
Chemicals, pharmaceuticals and allied products	2,034.8
Engineering and building materials	3,921.2
Food and allied products	3,039.1
Glass, ceramic and other non-metallic products	191.7
Hotel, tourism and leisure	77.0
Information and communication technologies	1,181.0
Paper converting and packaging, printing and publishing	1,472.1
Ready-made garments and knitwear	4,529.4
Social sector	994.1
Tannery, leather and rubber products	322.6
Textile	2,035.0
Transport and aviation	1,860.5
Others	18,431.3
Total	44,325.3

Geographical distribution of exposures

BDT mn	
Particulars	Amount
Dhaka Division	36,153.0
Chittagong Division	5,391.5
Khulna Division	708.1
Rangpur Division	703.3
Rajshahi Division	873.1
Sylhet Division	269.0
Barisal Division	5.5
Mymensingh Division	221.7
Total	44,325.3

Residual contractual maturity-wise credit exposure

BDT mn	
Particulars	Amount
On demand	-
Upto one month	4,771.9
More than one month but less than three months	7,228.4
More than three months but less one year	8,089.3
More than one year but less than five years	18,525.5
More than five years	5,710.3
Total	44,325.3

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

BDT mn	
Particulars	Amount
Gross non-performing assets (NPAs)	947.6
NPAs to gross loans and advances (in %)	2.14%

Specific and general provision

BDT mn	
Particulars	Amount
Provision for unclassified loans and advances	453.9
Provision for classified loans and advances	194.2
Provision for off-balance sheet exposures	-
Total	648.2

Charges for specific allowances and charge-offs during the period

None

Movement of Non-Performing Assets (NPAs)

BDT mn	
Particulars	Amount
Opening Balance	213.9
Additions	748.5
Reductions	14.7
Closing Balance	947.6

Movement of Specific Provisions for NPAs

BDT mn	
Particulars	Amount
Opening Balance	33.7
Provisions made during the period	160.5
Write-off	-
Write-back of excess provisions	-
Closing Balance	194.2

Equities: Banking Book Position**Qualitative Disclosures**

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

i. Differentiation between holding on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons;

Investment in equity securities are broadly categorized into two parts:

Quoted Securities that are traded in the secondary markets (Trading Book Assets).

Unquoted Securities that are valued at cost price.

ii. 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. Both quoted and unquoted securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.

Quantitative Disclosures

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

BDT mn	
Particulars	Amount
Quoted Shares	7.0
Unquoted Shares	4.5
Total unrealized gains (losses)	-
Total latent revaluation gains (losses)	-
Any amounts of the above included in Tier II capital.	-

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

Specific Market Risk: Market value of the investment in equity is BDT 4.3 million against which capital requirement @ 10% is BDT 0.43 million.

General Market Risk: Market value of the investment in equity is BDT 4.3 million against which capital requirement @ 10% is BDT 0.43 million.

Interest Rate in the Banking Book

Qualitative Disclosures

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

Interest rate risk is the risk where changes in market interest rates might adversely affect the Company's financial condition. Changes in interest rates affect both the current earnings as well as the net worth of the Company. The short-term impact of changes in interest rates is on the Company's Net Interest Income. In long term, changes in interest rates impact the cashflows on the assets and liabilities giving rise to a risk to the networth of the Company arising out of all re-pricing mismatches and other interest rate sensitive position. The Assets Liability Committee (ALCO) of the Company monitors the interest rate movement on a continuous basis.

Quantitative Disclosures

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

BDT mn. %

Particulars	Within 1 Month	1 - 2 Months	2 - 3 Months	3 - 6 Months	6 months - 1 Year	Above 1 Year
RSL*	4,783	2,795	4,634	3,897	3,314	21,300
RSA*	5,256	3,125	5,076	5,292	3,783	24,464
Mismatch	473	330	441	1,395	470	3,164
Mismatch Cumulative	473	803	1,245	2,640	3,110	6,273
Mismatch	9.9%	11.8%	9.5%	35.8%	14.2%	14.9%

Interest Rate Risk - Increase in Interest Rate

BDT mn. %

Particulars	Minor 2%	Moderate 4%	Major 6%
Change in the Value of Bond	-	-	-
Net Interest Income	62	124	187
Revised Regulatory Capital	4,212	4,274	4,336
Risk Weighted Assets	29,615	29,615	29,615
Revised CAR (in %)	14.2%	14.4%	14.6%

Market Risk

Qualitative Disclosures

Views of Board of Directors on Trading and Investment Activities

Market risk is the possibility of losses of assets in balancesheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and market prices.

Methods used to Measure the Market Risk

Bangladesh Bank suggested the FIs for using Standardized Approach (rule based) in order to calculate the market risk for banking book where the capital charge for interest rate risk, price and foreign exchange risk is determined separately.

Market Risk Management System

Policies and processes for mitigating market risk

To mitigate the several market risks the Company formed Asset Liability Management Committee (ALCO) that monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Company, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits are adhere to.

The ALCO reviews the risk of changes in income of the Company as a result of movement in the market interest rates. The Company always try to follow Bangladesh Bank's guidelines to minimize mismatches between the duration of interest rate sensitive assets and liabilities.

In addition, ALCO holds monthly meetings on a regular basis for controlling day-to-day trading activities, to perform market analysis over interest rate and manage & monitor the level of mismatch for assessing the market risk.

Quantitative Disclosures

Capital requirements for Market Risk

BDT mn

Particulars	Amount
Interest rate risk	-
Equity position risk	8.6
Foreign Exchange Position and Commodity risk	-

Operational Risk

Qualitative Disclosures

Views of Board of Directors (BoD) on System to Reduce Operational Risk

The operational risk is defined as the risk of loss resulting from inadequacy or failure of internal processes, people and systems or from external events. The Board of Directors(BoD) of the Company and its management firmly believe that this risk through a control based environment in which processes are documented, authorized as independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit. All the operational policies and guidelines are duly approved by the BoD and reviewed on a regular basis.

Performance Gap of Executives and Staffs

The Company always strives to ensure a great place to work by hiring and retaining the most suitable people at all levels of the business. The Company affirms that there exists no performance gap of the executives and staffs.

Potential External Events

External events like general business and political situation, change in credit quality of the borrowers, change in market conditions etc. can affect the business of the Company. IPDC is proceeding with its strategic plan and its successful implementation for its future performance.

Policies and Procedures for Mitigating Operational Risk

IPDC mitigates operational risk by virtue of designing the organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it, formulating overall risk assessment and management policies, methodologies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining an acceptable level of risk, mitigating all the core risks in line with their respective guidelines provided by Bangladesh Bank.

Approach for Calculating Capital Charge for Operation Risk

As suggested by the guideline, the Company has computed the capital requirements for operational risk under the 'Basic Indicator Approach (BIA)'. Under BIA, the capital charge for operational risk is a fixed percentage, currently 15% of average positive annual gross income of the Company over the past three years.

Quantitative Disclosures

Capital Requirements for Operational Risk

BDT mn

Particulars	Amount
Capital requirements for operational risk	1,363.2

CLASSIFIED LOAN AND WRITTEN OFF PORTFOLIO

Written-off Portfolio

Detail records for all written off accounts are methodically maintained and followed up and the accumulated written off value is disclosed separately under the heading of "notes to the account". No new accounts were written off in 2018. Although no major recoveries were made in 2018, our strong recovery efforts have resulted in steady flow of recoveries over the year.

Movement in Written-off Portfolio

Particulars	Amount
Opening Balance as on January 1, 2018	468
Add.: Addition during the year	-
Less: Collection during the year	21
Closing Balance as on December 31, 2018	447

Classified Loan

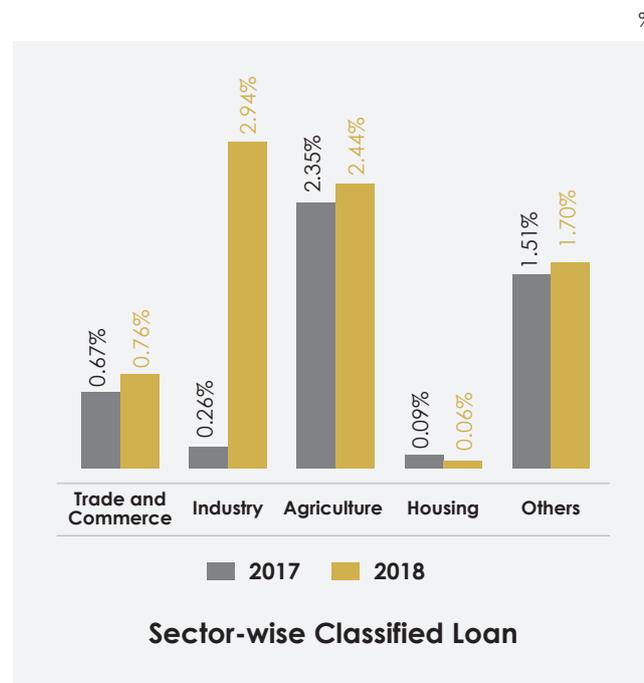
The year 2018 saw a noticeable increase in classified loan ratio increasing from 0.62% (BDT 214 million) in the previous year to 2.14% (BDT 947 million) in 2018. The overall increase in classified loan during the year was mainly due to a large corporate loan becoming classified. Despite the increase in non-performing loan ratio, it is still considerably low compared to the financial institution sector's classified loan ratio which stood 11.2% as on September 2018 compared to 7.3% as on December 2017.

Movement in Classified Loan

Particulars	Amount
Opening Balance as on January 1, 2018	214
Add.: Addition during the year	748
Less: Recovery*	12
Less: Write offs	-
Less: Rescheduled*	2
Closing Balance as on December 31, 2018	947

* Recovery / Reschedule from clients which were classified as on 1 January 2018.

As evident from sector-wise classified loan, the addition mainly came from a single sector with a major client becoming classified during December 2018. Collection during the year was not as strong as last year. With no write offs being made in 2018, classified loan portfolio stood at BDT 947 million as of 31 December 2018.



Sector-wise Classified Loan Ratio

BDT mn, %

Particulars	2016		2017		2018	
	NPL Portfolio	NPL %	NPL Portfolio	NPL %	NPL Portfolio	NPL %
Trade and Commerce	5	0.40%	16	0.67%	25	0.76%
Industry						
A) Garments and Knitwear	16	0.77%	10	0.27%	10	0.23%
B) Textile	-	0.00%	-	0.00%	-	0.00%
C) Jute and Jute-Products	34	12.15%	-	0.00%	30	7.78%
D) Food Production and Processing Industry	-	0.00%	-	0.00%	81	2.67%
E) Plastic Industry	-	0.00%	-	0.00%	-	0.00%
F) Leather and Leather-Goods	-	0.00%	-	0.00%	-	0.00%
G) Iron, Steel and Engineering	6	0.29%	6	0.22%	25	0.70%
H) Pharmaceuticals & Chemicals	-	0.00%	-	0.00%	-	0.00%
I) Cement and Allied Industry	-	0.00%	-	0.00%	-	0.00%
J) Telecommunication and Information Technology	5	1.87%	3	0.31%	1	0.09%
K) Paper, Printing and Packaging	1	0.19%	-	0.00%	14	0.93%
L) Glass, Glassware and Ceramic Industry	-	0.00%	-	0.00%	-	0.00%
M) Ship Manufacturing Industry	-	0.00%	-	0.00%	-	0.00%
N) Electronics and Electrical Goods	-	0.00%	32	3.52%	46	3.90%
O) Power, Gas, Water and Sanitary Service	-	0.00%	-	0.00%	537	31.72%
P) Transport and Aviation	-	0.00%	-	0.00%	-	0.00%
Industry Total	62	0.52%	52	0.26%	744	2.94%
Agricultural	-	0.00%	69	2.35%	79	2.44%
Housing	6	0.38%	4	0.09%	4	0.06%
Others	64	2.04%	74	1.51%	95	1.70%
Grand Total	138	0.71%	214	0.62%	948	2.14%

Power, Gas, Water and Sanitary Service sector saw the largest jump in Classified loan. Investments in this sector is large in nature and as such, risks are much more concentrated compared to other sectors. Sectors like Garments and Knitwear as well as Telecommunications and Information technology saw marginal improvement in portfolio quality.

MANUFACTURED CAPITAL



Manufactured capital is our tangible and intangible infrastructure that we use to conduct our business activities. As a services-driven Company, this capital is represented by our IT infrastructure and systems that provide us with robust competitive advantages in driving our business forward. In this sense, we leverage our manufactured capital for rigorous credit assessment on one hand and ensuring industry-leading TAT (loan disbursement turnaround times) on the other. Specifically, at IPDC, manufactured capital includes all physical assets like land, building, information technology, call center, fixed assets and distribution network (represented by branches).

Dashboard

Material Issues	2018 Highlights	Challenges	Long-term Strategy
Green infrastructure	Successfully designed the draft for setting up green branches	To overcome regulatory hurdles	Gradually spread green practice across all the branches
Operational efficiency	Review of People, Process and Technology by KPMG India to increase operational efficiency and synergy	Ensuring that business risk does not increase due to process simplification to achieve operational efficiency	To reduce turn-around-time through elimination of unnecessary process and documentation
Branch network	Renovated a branch to exemplify the look and structure of the upcoming branches.	Ensuring business profitability in branches in different regions	To go beyond megacities and spread financial services among unbanked population

Creating Value Through Manufactured Capital

As we scale-up our business, manufactured capital will play a key role in supporting our growth ambition. Realizing our dreams of going Beyond Megacities will be largely driven by our physical and IT assets. Efficient management of these assets can reduce the use of resources and augment operational efficiency.

Approaches to Optimizing Manufactured Capital Outcomes

- Enhancing our presence in key strategic areas of the country
- Process optimization through strong IT infrastructure
- Allocating IPDC's limited resources to projects that are in alignment with strategic objectives.
- Decentralized processing to reduce Turn-around -Time

Tradeoffs in using Manufactured Capital

Investing in manufactured capital draws significant amount of financial capital in the long term in the form of depreciation, maintenance and other adhoc charges. As the sector is continuously moving towards mobile and app-based services, we will try to balance our presence in physical and electronic form and try to minimize the tradeoffs at a minimum level.

Outcome and Performance Review

The year 2018 was characterized by a volatile money market and the financial sector saw modest balance sheet growth. In line with these developments, we have tactically invested in our capacity development and focused on our IT infrastructure for upcoming strategic products. Performance in this area has been discussed in the subsequent sections.

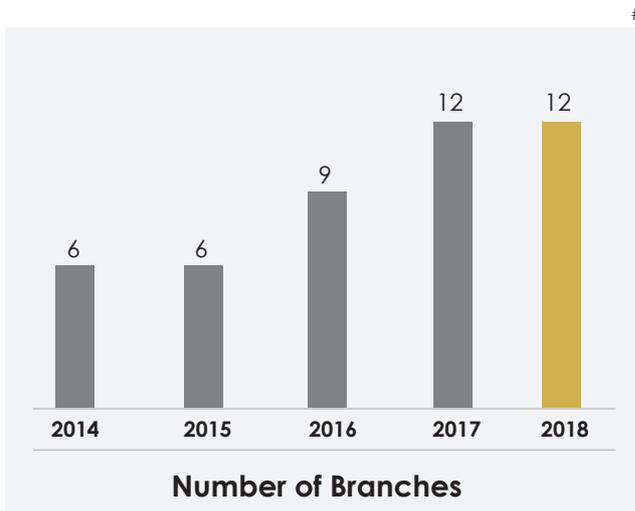
Outlook

We remain firm in our goal to go Beyond Megacities and reach the unbanked population of our county. To do this, we plan to strategically increase our footprint. As the market beyond megacities are generally more price sensitive, low cost channels of distribution through partnership (outreach centers) is the preferred method as it will enable us to enhance our reach at a micro level and provide our services at a much more affordable rate. In addition, we plan to create zonal hubs and empower our branches to reduce our TAT further. We intend to establish new branches and outreach centers by the end of the year 2019 while our planned investment in a new Core Banking System (CBS) will help us to integrate all our systems and increase our capacity to serve at scale in the long term.

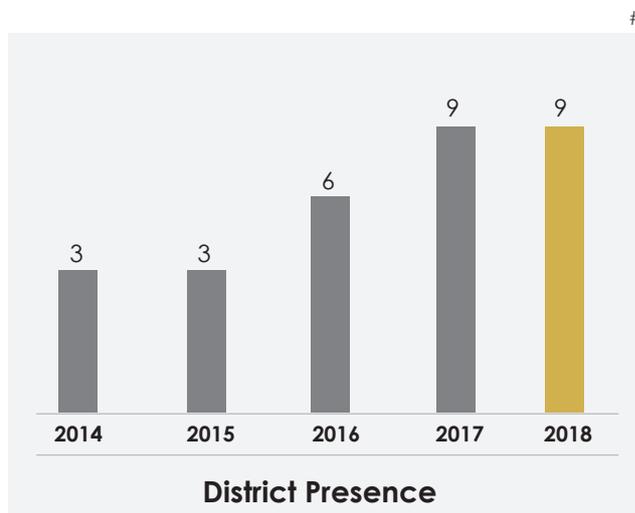
INFRASTRUCTURE

Distribution Network

IPDC currently operates through twelve branches including head office branch. No new branches were opened in 2018. The twelve branch covers nine districts in Bangladesh. IPDC plans to open additional branches in 2019 subjected to obtaining approval from Bangladesh Bank.

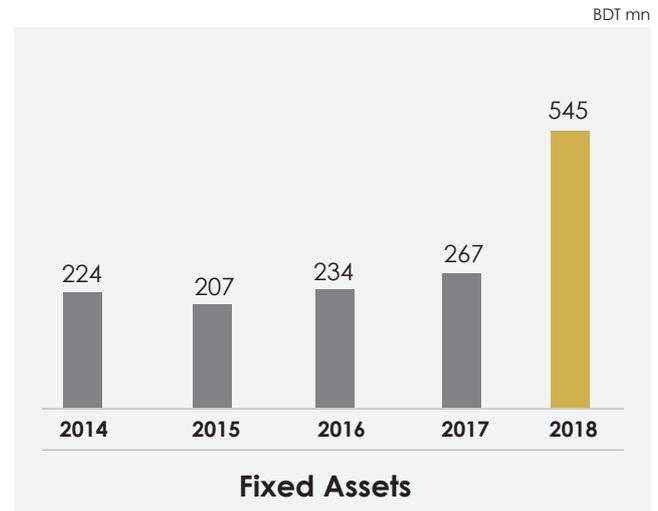


Currently IPDC has presences in nine districts through its various branches. As no new branches were opened in 2018, the district presence remained unchanged. IPDC plans to cover additional districts in the near future through new branches being opened.

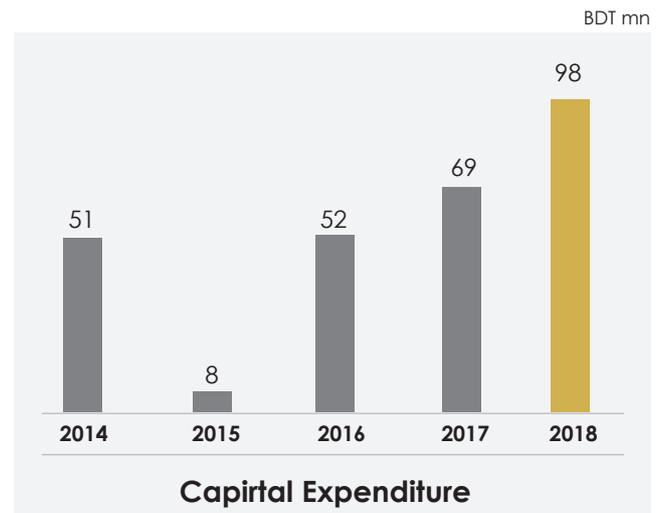


Fixed Assets

Fixed assets (written down value) of IPDC increased to BDT 545 million in 2018 from BDT 267 million in 2017. Increase in fixed assets was mainly due to revaluation of land and building followed by purchase of additional assets for business expansion. From the base year of 2014, the total value of fixed assets increased by 2.4 times.



Total capital expenditure of BDT 98 million was capitalized in 2018 against BDT 69 million in 2017. Increase in capitalization of assets in 2018 came off from additional asset requirement for accommodation additional human resources, planned expansion of physical infrastructure through head office expansion and branch reallocation and further enhancement of IT infrastructure capacity and development of new software which will provide a strong foundation for future growth.



SERVICE ORIENTATION AND OPERATIONAL EFFICIENCY

Service Orientation

Every customer has the ideal expectation of the service they want to receive when they come into a Financial Institutions. Service quality measures how well a service is delivered vis-à-vis customer expectations.

Since its inception, IPDC is anchored on the foundations of superior service quality, strong corporate governance and culture and commitment to excellence. Today, the Company is one of the most recognized financial brands in the country, being a top-tier financial institution in Bangladesh.

Over the past few years, IPDC focused more on increasing the retail business. In the retailer financing the service quality is the main criteria for enhancing the business. High quality of the services believed to be influenced by customer value and customer satisfaction, again the customer satisfaction directly influences the customer loyalty. The customer value, customer satisfaction, service quality resulting the customer loyalty is the main aspect that we believe is to be our main area of concentration. We have ushered in significant changes that have enabled us to proactively meet customer demands and requirements. We are perhaps one of the few in the country's non-banking financial services industry to have a dedicated complain cell within the organization, chaired by a high official to monitor each customer complaint and ensure speedy and satisfactory resolution. At our Company, we consider customer feedback to be a vital component for us to effect changes and become better every day. We are always enthusiastic to introduce diverse mechanisms to manage customer expectations and ensure that our products and services meet their demanding requirements.

IPDC believes that competing in the market is not possible only with the price factor alone, customer satisfaction is the most important factor to become the business leader. The ability of the company to remain in the business is necessary to win customers over competition. Creating Superior and extra ordinary customer experiences is the key success factor for us.

As part of our ongoing customer-facing initiatives, we have also introduced separate customer loyalty programs that provide priority services to a selected group of customers. Moreover, we are also committed to provide the highest customer satisfaction through leveraging technology. With a view to stay ahead of times, IPDC also aims to implement a digital supply chain technology in the coming year to provide the first-ever digital supply chain financing solutions in Bangladesh. In addition, IPDC also aims to introduce retailer financing and Consumer White Good Financing (CWGF) at a large scale in the coming years with the collaboration of large manufacturers.

At our Company, we believe that innovation and introduction to new products and processes is driven by meeting customer expectations. Keeping this in mind, we have conducted extensive market research to understand and fulfill evolving customer needs.

Motivated employees can ensure customer delight. We firmly believe that our people are our brand ambassadors and the way they treat our customers is unique in the market. Apart from embracing suitable initiatives to keep our people motivated and engaged, effective initiatives have also been taken up to motivate employees through different engagement programs and proper assessment processes.

Operational Efficiency

At IPDC, we have consistently focused on enhancing operational efficiencies to ensure superior customer service. The year 2018 was challenging considering the exponential business growth and we foresee 2019 to be more challenging for us to ensure our commitment towards excellence with outstanding operational efficiency. However, adhering to our principals and processes, we believe we can come out only stronger, set model examples for others to follow and create positive differences. In this context, sustainability alignment to business growth, dynamic and talented human resource pool with a strong emphasis on values and stronger risk management controls will represents certain key strengths for our Company as we take a bold leap into the future.

A wide and vibrant product basket with a balanced focus on the corporate, retail and SME sector and high level of operational efficiency has enabled the company to emerge as a point of reference in the country's financial services sector. As one of the most trusted financial brands in the market, IPDC's operational efficiency is encompassed in its customer centricity and we recognize that our customers place their faith in us and we uphold that confidence every day.

Going forward, our strategy is centered on assisting our clients operate their businesses successfully and make IPDC their choice for their business even as we serve their personal financial needs. To fulfill this promise, we draw on a wide range of financial products and resources to structure creative and innovative solutions that maximize operational efficiency. We always focus on upgrading our interface and functions by using the latest technology, systems and tools.

One of the other key strengths of IPDC is our centralized operations, where product processing is migrated from various points to one or specific centralized destination under supervision of entities independent of business functionalities. The decision-making, risk management and control functions are retained centrally. This overarching framework helps to implement a uniform set of policies, apply best practices and procedures and enforce control functions across the board to carry out the day-to-day functions smoothly and seamlessly.

We are also investing more on technology to increase the operational efficiency. IPDC is one of the Financial Institutions in the industry investing profoundly on the latest and state of the earth technology e.g. Block Chain to improve the operational capacity as well as the efficiency.

INTELLECTUAL CAPITAL



Intellectual capital includes the knowledge of our human resources, our intellectual property, technological advantages and brand, reputation and goodwill. It is closely related to financial, human and manufactured capital, given the nature of our business as a non-banking financial services company. Specifically, at IPDC, intellectual capital encompasses intangible assets that are not reflected in the Balance Sheet such as brand, reputation and customer loyalty, among others.

Dashboard

Material Issues	2018 Highlights	Challenges	Long-term Strategy
Confidentiality of Customer Information	Increased security of information through effective and robust use of IT infrastructure	Providing cost effective solutions for IT infrastructure installment	Performing IT security audit by a globally renowned agency
Information Technologies, Business Continuity and Cyber Security	Installed a multilayer security approach that enabled to identify and prevent cyber attacks	Data and IT infrastructure loss due to natural disasters.	Increasing dependency on cloud services and Creating a master backup for both IT infrastructure and data.
Innovative Products	Integrated a culture of innovation and its value chain	Ensuring employee adaptability with innovative mindset	Take first mover advantage with some new digital products

Creating Value Through Intellectual Capital

Our intellectual capital represents the core strength at our Company, enabling us to navigate our growth prospects in a competitive industry environment, while also allows us to increase the market penetration and market share of our products. Our intellectual capital is also differentiated in the sense that it empowers us to customize the way in which we serve our customers.

Approaches to Optimizing Intellectual Capital Outcomes

- Focusing on low cost-high yield channels of market communication
- Organizing flagship events to promote strategic products such as Affordable Home Loan and Supply Chain Finance
- Attracting and retaining people with skills that add value through innovation and creativity
- Enhancing customer relationship management and business intelligence to create customer-centric business solutions.

Tradeoffs in Using Intellectual Capital

By investing in intellectual capital, we reduce the stocks of financial capital in the short term. However, in the longer-term, financial capital as well as manufactured, natural, human, and social and relationship capital, are likely to be enhanced by our commitments.

Outcome and Performance Review

As a financial service provider, IPDC plans to grow, invest and modernize at unprecedented rates through product innovation and providing extraordinary customer experience. Innovation in market communication helps to build up strong customer loyalty. IPDC, like prior years, managed to maintain its leadership in utilizing high yield channels along with innovative modes of market communication. Both of which resulted in IPDC being one of the most vibrant brands for financial services in the country. Detailed performance review and status is discussed in the subsequent sections of Intellectual Capital.

Outlook

Ensuring our brand promise of providing an extraordinary customer experience is key to increase our customer loyalty and brand perception. We aspire to be the No. 1 Brand in the Financial Industry in the Mid-Term and remain one of the most vibrant brands in the industry in the short-term. We are also relentlessly working towards introducing a state-of-the-art digital supply chain finance platform that will revolutionize the supply chain financing in the country and help us to firmly establish ourselves in this market segment.

BRAND PERCEPTION

The purpose of branding in IPDC is being aware of the possibilities and constantly emerging as a winner in all situations and to live unbound in the spirits of life. Also, instilling the same corporate culture in a compelling manner that is meaningful to anyone who encounters people who make up a brand.

After having made significant impressions by spreading the industrial wings of the country, IPDC expanded its capacity to evolve as a financial comrade for all. IPDC takes the responsibility of changing the perspective of consumers toward financial institution from mere service providers to influencers in their lives. Considering, the abundance of competitive offerings from banks and other NBFIs, IPDC takes the leverage of accenting the mere spirit of living unbound through financial inclusion. IPDC Finance has passionately maneuvered to reach a distinctive room in the hearts of its consumers.

IPDC stunned the country by becoming the first ever financial institution in the history to have the most grandiose rebranding embracing a new name IPDC Finance Limited from Industrial Promotion and Development Company of Bangladesh Limited. Post rebranding, IPDC realigned its focus on youth, women and underserved areas. Subsequently addressed issues and met goals successfully. Following which by the end of the year, IPDC became the only SUPERBRAND NBFIs of the country.

Brand Promotion

Considering collaboration as the biggest innovation, IPDC never step aside in associating with the promising universities, media houses, independent associations to have a bigger and louder reach across the country. Apart from merely sponsoring, IPDC has undertaken ground-breaking initiatives like Unsung Women Nation Builders Awards in association with The Daily Star to accredit the woman change makers from the grassroots. Also, for the very 1st time in the country, IPDC took the initiative to create a holistic supply chain financing eco-system in Bangladesh with Bangladesh Supply Chain Excellence Awards (BSCEA) 2018 partnering with BSCMS (Bangladesh Supply Chain Management Society) and in association with The Daily Star.

Digital Presence in 2018

Particulars	Number
Official Page Followers	315,470
Engagement	2381,941
Reach	39,455,193
Impression	48,195,029

Public Presence in 2018

Particulars	Number
Press Release	31
Feature Articles	20
Interview	7
Press Conference Arrangements	2
Media Visits	51
Events	5
PR Value	BDT 163,730,144

Brand Value

IPDC strives to ease the years of turmoil to envision one's desire by giving them the financial assistance and break the inertia to live unbound. From a new born to an anxious youth to a caring parent to a resting old age, a brand like IPDC Finance has the potential to create stories in each stage of a life cycle. IPDC aspire to craft tales together in the excitement of a new car, the contentment of own home, the pride of higher studies, the spirit of unlocking a new start up or simply relaxing in a beach in the retirement days.

PRODUCT FORMULATION AND INNOVATION

IPDC has been pioneering in several landmark outlays. Over the years, IPDC provided financing facilities to help new businesses in their initial capital investment, modernize production facilities, lease facilities for procuring fixed assets, and so on. With time and growing demand of diverse financial needs, IPDC added several other financial services to provide a complete financial solution for different sectors and purposes. With the everchanging and advancing needs of people at individual level, IPDC developed a wide network of fully interconnected retail branches, extension counters, and a contact-centre to cater with utmost compassion. The retail strategy of IPDC Finance is based on network expansion, building product differentiators, customer segmentation, sales effectiveness, and providing quality customer service. Besides, the regular offerings, IPDC brings a no string attached deposit called Ultiflex, letting the customers enjoy the deposit as and when possible.

Besides, a comprehensive supply chain financing solution name Orjon will enable corporations, micro and small enterprises (MSEs) and financial organizations in one single chain.

Understanding the fact that to truly empower women, financial freedom is the key, hence IPDC introduced the exclusive SME Women Entrepreneur loan called Joyee at preferential interest rates. Similarly, for a greater interest for the families in tier 2 and 3 across megacities who aspire for a cozy nest, IPDC offers affordable home loan and calls it "BhaloBasha" Home Loan. In addition to that IPDC visions to create 2,000 new entrepreneurs, enable 25,000 medium and small enterprises and let 10,000 families enjoy home convenience goods by the end of 2020.

Things you didn't know about the brand

- IPDC funded the first private five-star hotel, Westin
- IPDC funded the first International standard private hospital, Apollo Hospital Dhaka
- IPDC funded the first leasing company, IDLC Finance Limited
- IPDC funded the first theme park, Fantasy Kingdom
- Ultiflex allows to deposit any amount at any time at the same interest rate

TECHNOLOGY

IPDC has two facilities DC (Data Center) and DR (Disaster Recovery). Currently both sites are located in Dhaka. Head office in Gulshan, Dhaka is the primary data center which hosts all the applications. There is a lease line connectivity between DC and DR having bandwidth of 20 mbps and a connectivity between DC and Branch offices having bandwidth between 7 Mbps to 20 Mbps depending on branch size requirement. Disaster Recovery drill is conducted once a year for all the applications hosted in DR. IPDC is planning to shift DR site to Jashore branch within couple of years.

There are high configuration seventeen servers at our data center and another three at our DR site. There is one storage each at the Head Office and the DR site. The Head Office data center is equipped with CISCO backbone with latest Firepower Next Generation Firewall, Wi-Fi-based controller, IP PBX and Contact Center Server. The data center is also equipped with 5 next generation Unified Trade Management (UTM) systems. We have a robust IT and Business Transformation team to support the infrastructure, the applications and our business transformation projects.

IPDC currently has several applications supporting its Business Finance, Operations, Retail, and other supporting departments. IPDC currently is using Bank Ultimus for its core banking system and CRM LoS for loan origination system. IPDC also has a robust HRIS system along with a document management system EDMS and fixed asset management system called FAR. IPDC uses the most updated operating system and latest Microsoft office package O365 for its daily operation.

We've worked with third party consulting firms and educational institutions to validate our infrastructure and application roadmap for the next three years to ensure our IT infrastructure is aligned with our current operational need as well as all our strategic business initiatives for the next three years.

Business Transformation Initiatives

Now more than ever, organization's IT strategies are fundamental to their business strategies. Whatever a company's vision for the future, it must include digital transformation in order to grow and compete effectively. The need for IT to support the ambition of the business is paramount. IPDC is at the forefront of digital transformation with its several projects such as updating its core banking system with a state-of-the-art solution like T24 by Temenos, implementation of Supply Chain Finance system "Orjon", and Consumer White Goods Financing system.

Core Banking System

IPDC implemented its first Core Banking System (CBS) in April 2014. The CBS namely, Bank Ultimus was implemented by LEADS Corporation Limited. However, with renewed strategic focus, IPDC needs to have a more robust CBS for the strategic business growth. Given this backdrop, IPDC began its search for a suitable CBS from the second half of 2016. IPDC team completed a thorough assessment and evaluation of several vendors through an Request For Proposal (RFP) process. This report was submitted to the CBS committee formed by the Board.

Board in its 171st meeting discussed on the 'Report on review of Process, People and IT'. The Board decided that decision on procurement of core banking software (CBS) will be taken upon receipt of the recommendation of external consulting firm. Experts from the consulting firm along with in-house resources assessed current business processes of IPDC and the proposals from three CBS vendors namely Temenos, TCS and Infosys. From their analysis, the recommendation was for implementation of Temenos T24. IPDC continued further negotiation with Temenos and made contract with them to implement a brand-new core banking system by the year 2019.

ORJON – Digital Supply Chain Platform

Moving from the traditional and manual process, for the first time in Bangladesh, IPDC is in the process of developing an integrated digital platform for Supply Chain Financing named ORJON. Orjon is a comprehensive Supply Chain Financing solution comprising Factoring, Reverse Factoring, Work Order and Distributor Financing for MSMEs and Corporations as well. Being the first of its kind, Orjon aims to create a holistic supply chain financing eco-system in Bangladesh using Blockchain technology by IBM.

This platform will be ready by 2019 and will bind the Corporations, MSMEs and IPDC in one single chain of transaction which will facilitate the MSMEs with easy and collateral free financing service and Corporations with better supply chain management. To ensure better security, transparency and process efficiency.

Consumer White Goods Platform

Keeping innovation in mind IPDC has launched a new product for consumer white goods financing using innovative digital payment options. Currently, the IPDC IT team has developed an in-house system to support this product and working towards a digital wallet type solution for

the ease of the transactions. The core product is financing the purchase of consumer white good products such as electronics, furniture etc. through providing an EMI facility at 0% interest rate. The purpose of the product is to provide credit to the customers to purchase products that will upgrade the living standard or comfort of the households. The product interest rate will be 0% for the customers; the actual interest will be paid by the manufacturer and IPDC will deduct the interest amount at the time of repayment to the merchants. The interest earning will happen at the time of actual sales.

For governance of these projects, existing infrastructure and applications, IPDC has a strong IT Steering Committee with all its MANCOM members, IT team and other subject matter experts.

IT Steering Committee

IPDC's IT steering committee is an administrative body that reviews, monitors and prioritizes major IT projects from a cross-functional point of view. The committee helps ensure the alignment of IT strategy with the strategic goals of the Company. The top activities of the committee include:

- IT project prioritization
- Approval of IT projects
- Advise on IT operations

The committee also assesses the effectiveness of IT investments and services and a meeting among its members is held once every month. As IPDC is elevating technological advancement, many milestones have been achieved by the IT department under the direct supervision of the IT steering committee.

Role of the IT Steering Committee

The roles and responsibilities of the IT steering committee includes the following:

- Monitor management methods to determine and achieve strategic goals of the IT departments
- Provide guidance on ICT risks and controls
- Provide guidance related to funding or sourcing of IT software and hardware
- Assess feasibility of ICT proposals and approve project priorities
- Ensure that all critical projects address associated risks with proper risk management and mitigation measures
- Advise on the selection of technology within the standards of IPDC guidelines
- Provide direction to regulatory and statutory requirements as per Bangladesh Bank guidelines

H U M A N C A P I T A L



This capital refers to our people and how we recruit and retain them while managing their expectations and providing them with robust career progression opportunities. This encompasses people's competencies, capabilities and experience, and their motivations to innovate. An effective way to measure the impact of Human Capital is to look at employee turnover, labor/management relations, occupational health and safety, training and education, diversity and equal opportunity etc.

Dashboard

Material Issues	2018 Highlights	Challenges	Long-term Strategy
Participative and pluralistic workplace	Established effective communication channels for employee requests, expectations	Biasness of employees while providing feedback	Designing a model based on employee feedback for ensuring a participative and pluralistic workplace
Equal opportunity	Practiced hiring people from both genders irrespective of functions	Cultural stigma	To catapult leadership from different spheres of society
Talent management	Carefully designed trainings and workshops for personal and professional development of employees	Extending employee volunteerism in remote areas	Opening a specific wing under the human resource department for effective leadership in this area

Creating Value Through Human Capital

Focus on Human Capital enables our human resource to utilize their skills, capabilities, insights, knowledge and experiences to improve and develop our products and services that continually meet the evolving needs of our customers and clients across the diverse regions of the country in which we operate. As such, the competencies, motivation and ethical work practices of our employees and service providers enable us to create commercial and sustainable developmental value in the short, medium and long term.

Approaches to Optimizing Human Capital Outcomes

- Improving employee diversity to foster innovation and creativity
- Nurture a culture of continuous learning through job rotation and training
- Instill organizational values through teambuilding
- Focus on talent sourcing and succession planning to ensure sustainability

Tradeoffs in using Human Capital

By making better use of our own human capital through effective training, we can enhance our in-house skills, supporting intellectual capital. However, maintaining excess human capital draws down financial capital as compensation benefits take up large portion of the operational expenses.

Outcome and Performance Review

IPDC adheres to rigorous recruitment processes to select the right resources for the Company and offers competitive packages to attract the best talent. Besides, the Company also runs multiple need-based training programs with a view to rejuvenate its human capital. In

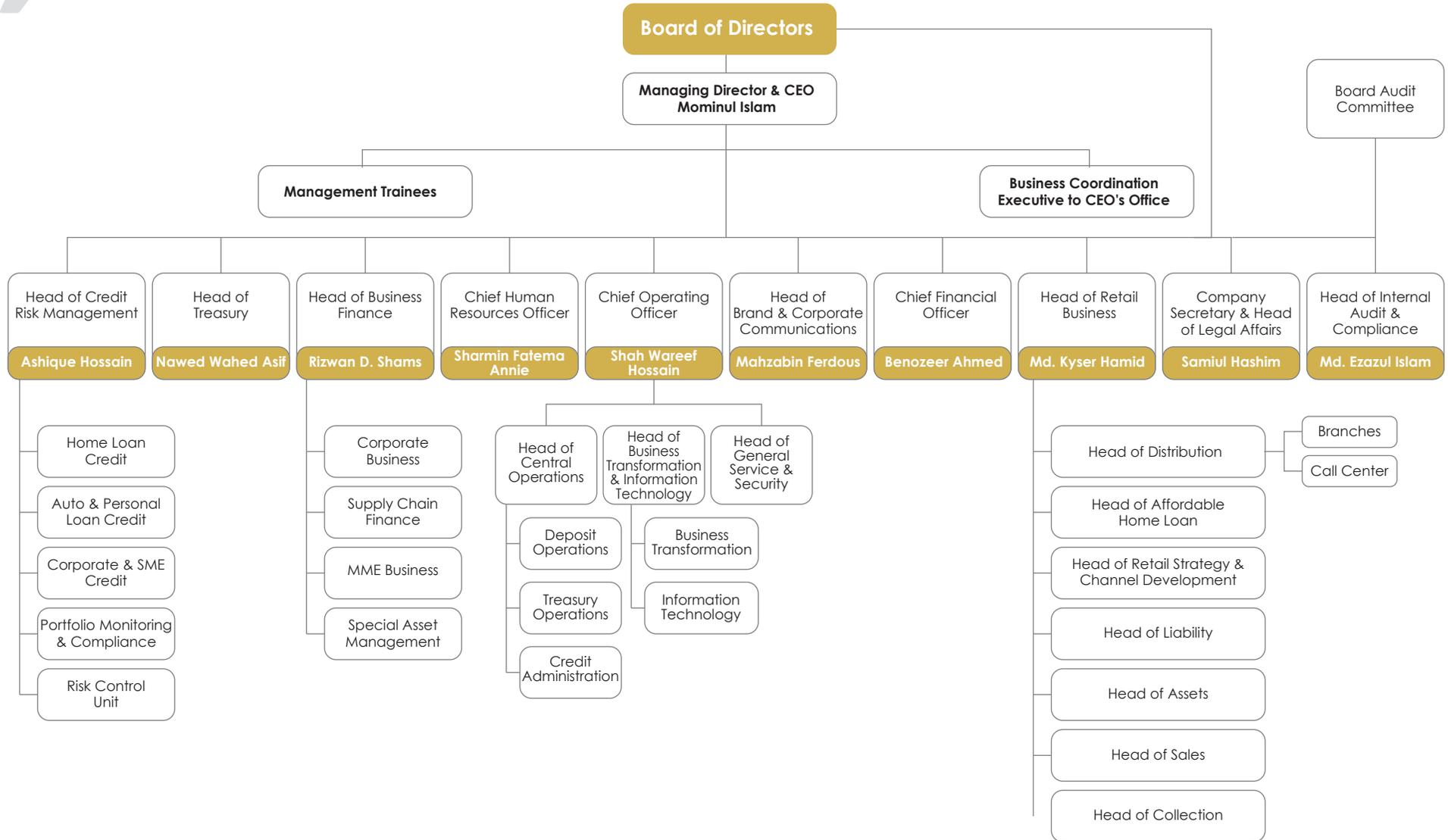
addition, the Company offers merit and performance-based rewards and recognition programs to keep employees motivated, loyal and engaged. Moreover, the Company nurtures a culture of employee engagement through various formal and informal events.

Outlook

We will continue to implement all best HR practices to keep our employees engaged. We will ensure the following people initiatives in the coming years –

- Put more focus on Talent Management by implementing talent review process and succession planning
- Learning and development will continue to be a priority through implementation of individual development plan
- Keep strengthening our Performance Management System to ensure performance culture in the organization
- Have more focus on attracting and retaining talents
- A robust recruitment process to achieve our future people requirement
- Continue to reward our employees with a market competitive remuneration and compensation standards
- Ensure a highly collaborative atmosphere under which team achievement is always encouraged than individual achievement
- Continue to inculcate and reinforce company values and code of conduct among employees to maintain an ethical environment
- Continue current Engagement & collaboration initiatives and introduce new programs to ensure a highly engaged workforce

ORGANOGRAM



STATEMENT OF HUMAN CAPITAL

Being the 1st Financial Institution (Since 1981) in the country, IPDC also pioneered in inculcating the best Human Resource practices in managing its employees. Over the years, IPDC has not only changed its business strategy to become the most passionate financial brand but also changed its approach towards managing human resources strategically to become the best employer. We reshaped our human resource strategy with the passage of time and will continue to do so to attract and retain the best resources available in the country. Ensuring a friendly work environment is our strength, where employees contribute to the best of their ability without too much supervision. We provide equal employment opportunity and maintain a diversified workforce with special focus on women empowerment. Our value propositions are unique in nature that differentiate us as an employer from others. We always strive to enrich our value propositions and aim to remain in the top of mind of potential candidates as one of the best employers.

We strive to create an environment where employees feel at home and every effort is taken to maintain an engaged workforce. We value the needs of employees so as to make sure that our business objectives are achieved by ensuring an extra-ordinary customer experience. Our value proposition towards human capital management are:

At IPDC it's not only a job we offer, we offer a lifestyle to employees. We aim to be the leading employer in the market and strive to continuously uphold the standards set by our core values and corporate culture



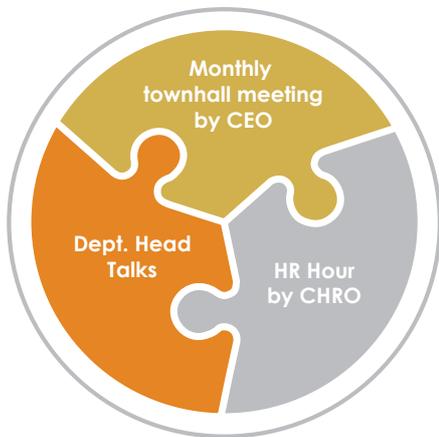
Technology Driven Set up

The employee life cycle is managed through a software starting from joining, attendance, leave, learning & development, compensation and benefits, performance management to final settlement of the exit employees. Employees can view their personal information in the system, update and take necessary actions accordingly. Information is handy and helps management to take any kind of decision quickly.



Engaged Workforce

One of the key drivers of IPDC culture is our engaged workforce. Creating an engaging atmosphere is always a focus of management and ensuring it through open door policy, participation of employees in cross functional initiatives, sharing company strategies with all employees, engagement initiatives though out the year. We value employees' good work and recognize it immediately in different platforms.



We also celebrate employees' success through engaging their family members. Culture of providing prompt feedback is inherent to us, which enables our peoples to be more engaged. We encourage employees to bring new ideas, inputs and engage them in cross functional projects.



Personal Touch To Employees

We believe in two-way communication and in many forums, business updates & new initiatives are discussed to ensure acknowledgment and inputs of employees. Participation in many annual events, celebration of different festivals and special occasions of employees are considered as key priority of our engaged culture.

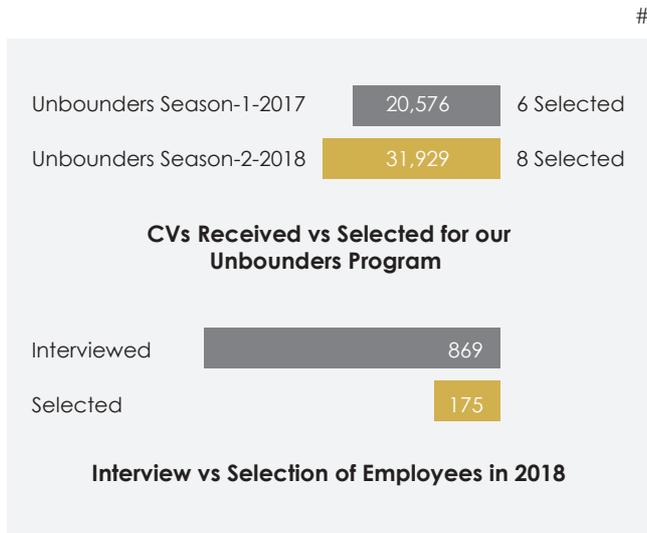
Outdoor Events	<ul style="list-style-type: none"> Employee Recreation Club (ERC): Team building event outside Dhaka for 2/3 days Team Outing: For 2/3 days inside or outside country
Arranging Games & Sports	<ul style="list-style-type: none"> Table Tennis Badminton Cricket Football
Celebrating Festivals	<ul style="list-style-type: none"> Pohela Boishakh Pohela Falgun Valentine's Day Women's Day

Equal Employment Opportunity

IPDC strongly believes in keeping all job vacancies open to all potential candidates to apply and get hired based on their skills and competencies. All our job vacancies are posted in newspapers, best available job portal (bdjobs.com), social media i.e. Facebook & LinkedIn, university career centers and internal job posting. We do not discriminate candidates based on religion, race, gender, color, demography or any other differentiating factors while recruiting. Rather, we focus on right competencies and never compromise quality.



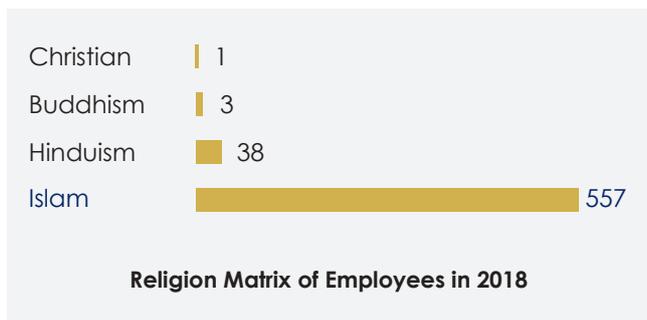
IPDC HR always strives to keep the employer branding high and reach out to all available potential candidates. We always receive huge amount of responses from potential candidates against each vacancy announcement which clearly shows the efforts of HR department to source CVs. We have also redesigned the recruitment program of our future leaders i.e. Management Trainee and named it "Unbounders", which clearly defines limitless learning opportunities and fast track career growth during their tenure at IPDC. This program started from 2017 and so far, we have carried out recruitment of two batches in 2017 & 2018. To reach out all possible corners, we have organized road shows at 14 renowned universities of Bangladesh for recruitment of the 2 batches of Management Trainees. Following figure will show the efforts of HR Department of IPDC to source CVs from different sources:



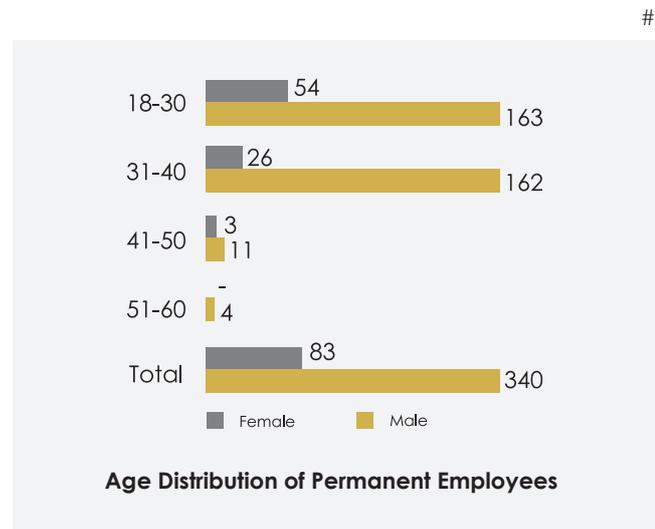
We practice equal opportunity not only while recruitment, but also in case of other areas of employment terms & conditions i.e. promotion, bonus, increment etc. We value meritocracy and avoid biasness, nepotism and discrimination of any sort.

Diversified & Vibrant Workforce

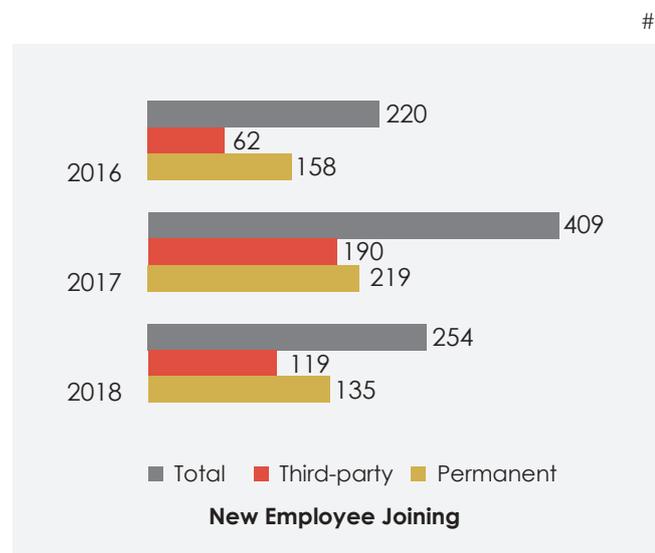
IPDC is a youth centric organization. Average age of employees is 33 years and that makes our working environment more vibrant. Employees from different demography, religion, race and culture joins IPDC. At present, we have employees from all major religions.

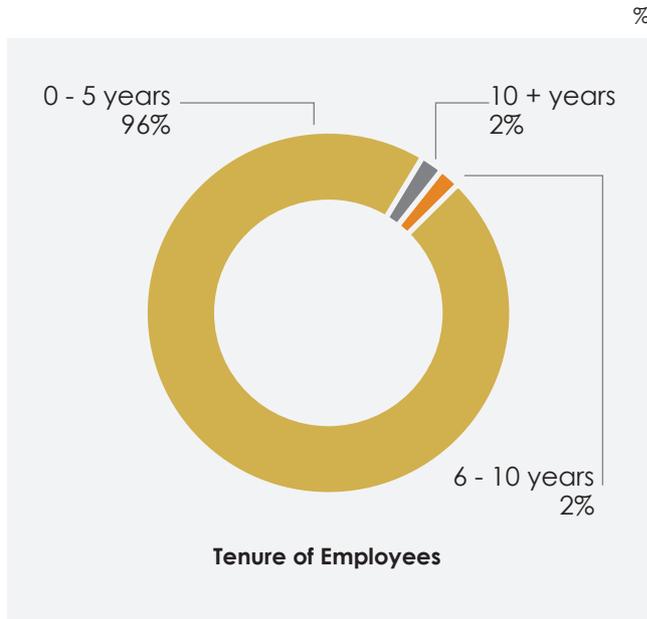


We conduct rigorous induction training on specific function, culture & values of IPDC to bring all new joiners under one umbrella and try to build synergy as much as possible. Apart from these, various team-building efforts go on throughout the year to align all employees under same footing. Such diversified and youth centric employees allow us to keep the workplace vibrant and organizational learnings align them to give their best to achieve our stiff objectives.

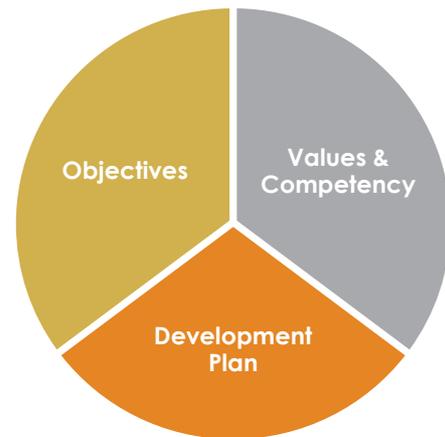


Our headcount started to grow significantly from 2016 because of the new vision that has been set to achieve by 2020. Our current employee base has a good combination of fresh blood and seasoned employees. Following figures will show the number of employees joined over the years and their tenure at IPDC.



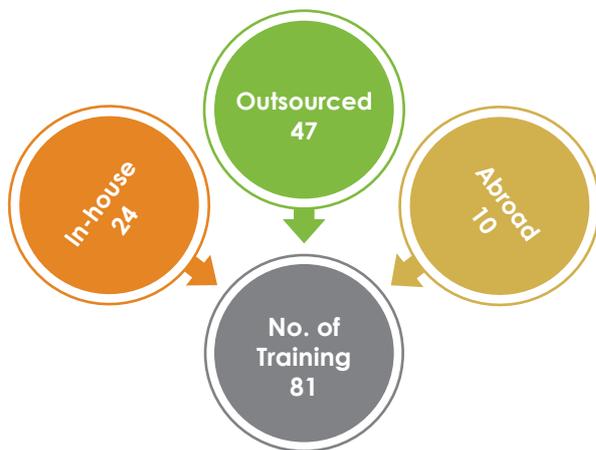
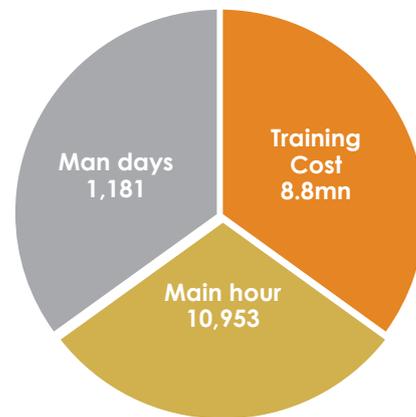


This new PMS automation enabled the process to become more feedback oriented and self-explanatory. The key inherent features of this process are two-way communication between employees and line managers in every step. The new PMS system enabled employees to have performance feedback in three stages of PMS process.



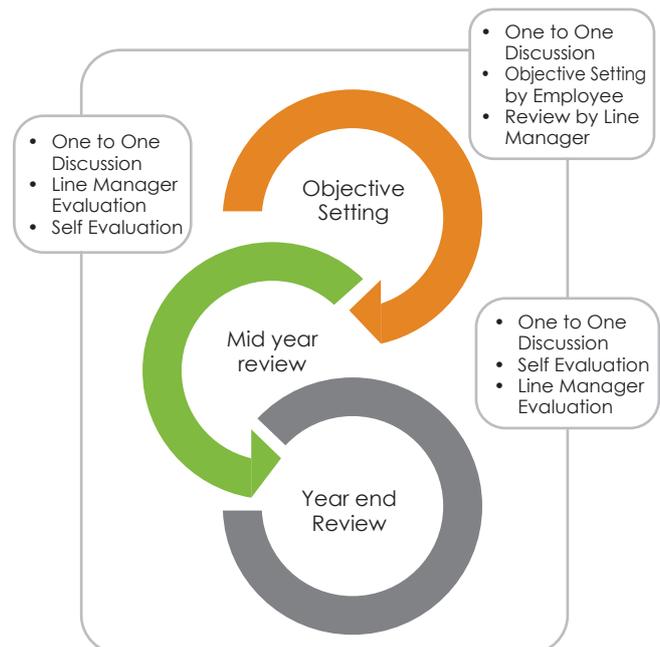
Unbound Learning Opportunities

In IPDC we foster learning as a way of life, encourage creativity and actively promote and invest in the skill and knowledge development of every employee. Capacity building of our employees is one of the key priorities; hence we encourage and support our employees to develop their required skills through both in-house and outsourced training programs, seminars and workshops. To extend the learning opportunities we continue to participate in many foreign training programs and e-learning.



Performance based Career Growth

IPDC always promote performance driven culture and focus on relentless development of Performance Management System (PMS). In 2018, major transformation was executed in order to deploy PMS automation through Human Resource Information System (HRIS). Our PMS system is based on three dimensions, which enables employees to record achievements, leadership and individual development plan.



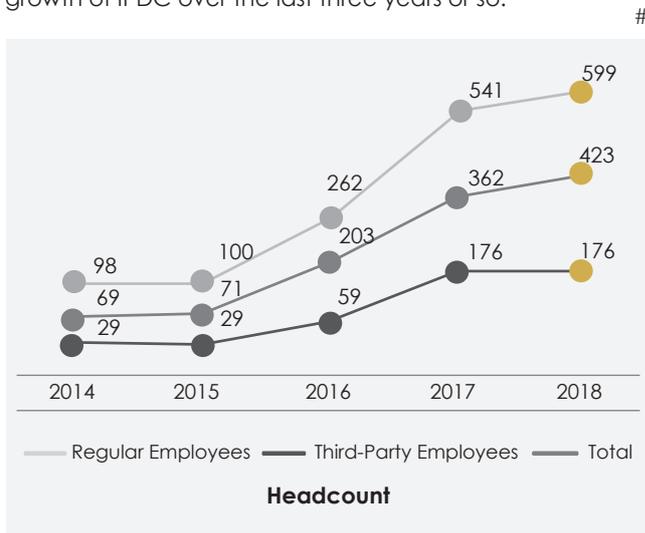
Competitive Compensation and Reward System

Salary structure of the employees of IPDC are reviewed annually and adjusted based on market survey. This ensures a market competitive compensation. IPDC always appreciates and recognizes performers. There are number of monetary and non-monetary awards and recognition programs, which are awarded throughout the year to keep employees motivated. Apart from these, management has introduced Long Term Incentive Award (LTIA) in 2017 to retain high-performers, which is a unique in nature and 1st of its kind in any financial institute. Some of our major reward programs are defrayed below:



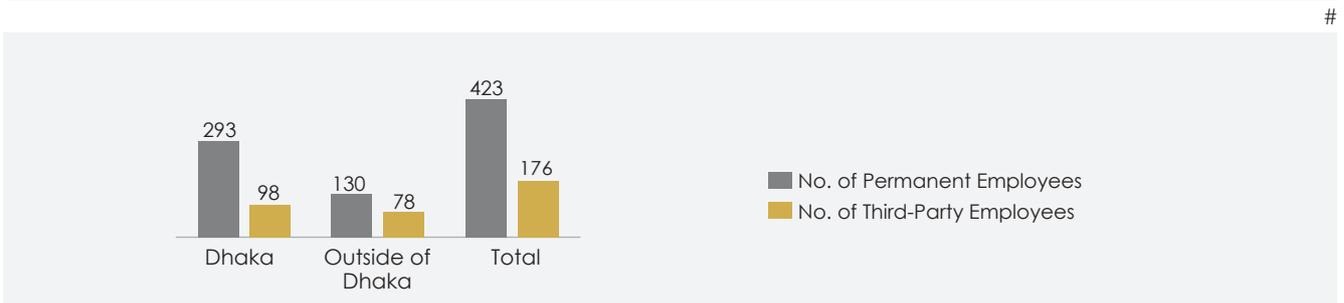
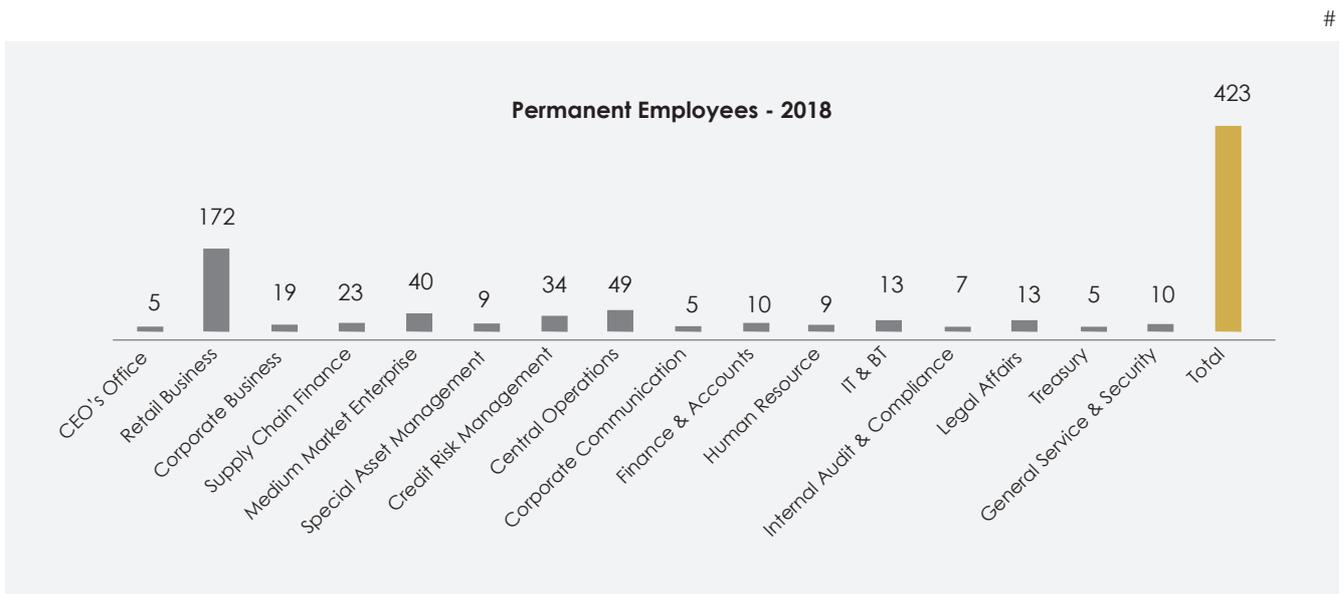
HUMAN RESOURCE ACCOUNTING

Presently, IPDC is in a stage of exponential growth in business with a clearly defined vision to be achieved within 2020. To support business growth, human resources has also been increased strategically specially in the year of 2016, 2017 and 2018. Each of the resources has been recruited and developed keeping in mind the business need. Following figures will show the different dimensions of HRA, which has contributed in the exponential business growth of IPDC over the last three years or so:



Growth of Human Resources & Accountability

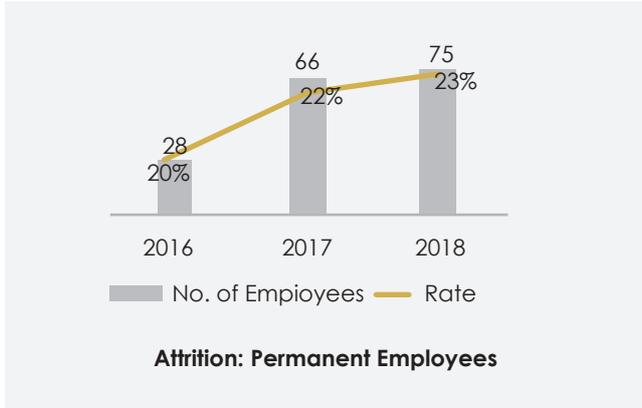
Over the last few years, IPDC has not only increased in different parameters of business but headcount has also increased to achieve that business objectives. The change is predominantly visible since 2015, because of our strategic shift in business plan. Change has taken place both in permanent and third-party employees category. Female employees have increased with respect to male employees, to ensure diversity and balance in the working environment. Five (5) new Branches were opened in 2017 and sales persons have also been deployed in many new locations apart from Branches to ensure that our products reach to all the people across the country. Therefore, a significant number of employees has been recruited in Retail Business in 2017 and 2018, which is almost 50% of our total headcount where they will make sure that the products of retail business, especially affordable home loan is within easy reach of normal people in tier II and tier III districts. Similarly, there is good amount of increase in headcount in Supply Chain Finance and MME businesses to ensure that we contribute in enabling new entrepreneurs. All other supporting functions headcount has also increased accordingly to support business functions. Below mentioned figures will clearly narrate how significantly employees of IPDC has been increased over the years and different dimensions of its human resources:



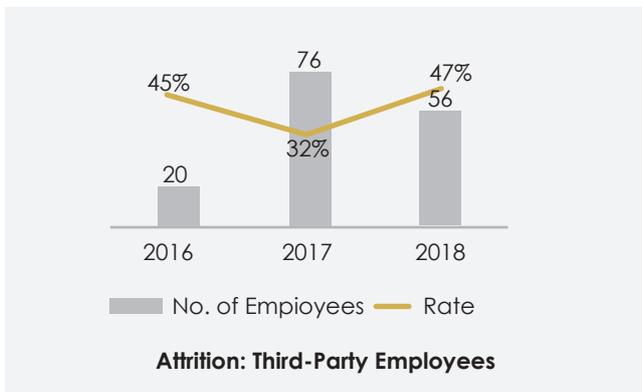
Attrition Rate

IPDC pays highest attention to retain and develop their employees. However, it is not possible to retain all but we try to ensure that we do not incur any regrettable loss. However, attrition rate in 2018 is 23.3% compared to 22.3% of 2017.

#, %



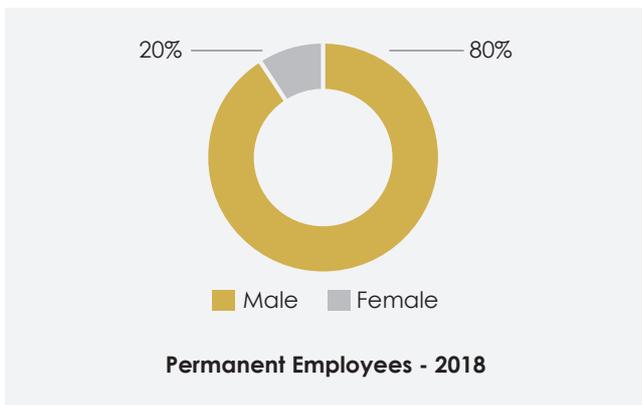
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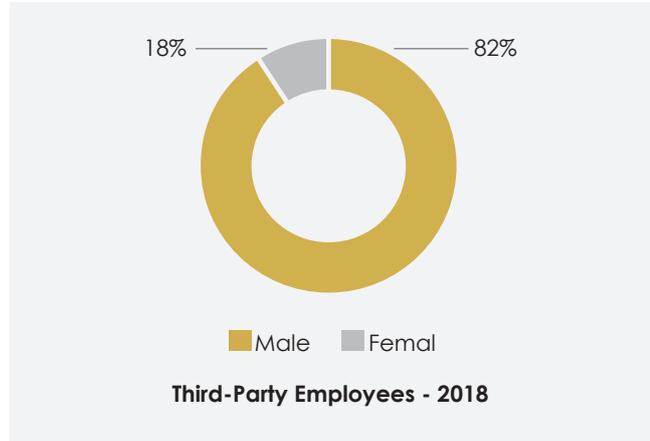
Gender Ratio

We always strive to maintain a balance between male and female employees to ensure a balanced work place environment. Although, our headcount is increasing rapidly but we still try to maintain the same balance. However, we are trying to increase female ratio more in future.

%



%



Learning & Development

Skills Development

Our most important long-term competitive advantage is our people. Our commitment to attracting and retaining the most talented people in our industry and beyond is of vital importance to the organization and the perennial foundation of our success. We believe all employees pose skills that are unparalleled. IPDC acknowledges and supports the need for employees to balance work and personal interests and encourage flexibility, wherever possible. Effectively designed training programs targeting the right group of employees are conducted on a regular basis. We also provide a comprehensive orientation program for the new joiners so that they get an overall idea about the company and the industry.

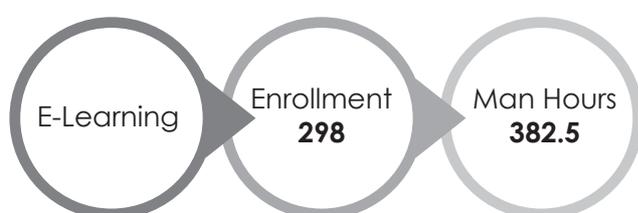
In 2018, IPDC invested 8.8 million for people development which is 12.8% higher than 2017

BDT mn



E-learning

Being a technology driven organization we are enforcing learning process in digital platform. It has been a remarkable initiative by IPDC to aware employees about anti-money laundering and educating them through a comprehensive e-learning module. E-learning on Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) started in June 2018 and 223 employees already earned their certification. We are looking forward to strengthening e-learning process with more subject matters.



Foreign Training



New Skill Development

Process enrichment is one of the key focus in IPDC to witness best customer experience. We unlocked many options for new skill development to optimize knowledge and adding new values. Our employees participated in many foreign collaboration programs, workshop seminars and leadership programs to enhance new skills.

Employee Productivity

BDT mn, %

Particulars	2017	2018
Revenue per employee	2.1	3.3
Operating cost per employee	1.0	1.3
Operating profit per employee	1.1	2.0
Net profit per employee	0.6	0.8
Employee benefits per employee	0.7	0.7
Staff Cost as a % of Operating Expenditure	51.7%	52.7%

Employee Composition

#, %

Employment Type	Number of Employees			Composition in %	
	2017	2018	Growth	2017	2018
Full-Time					
Male	297	340	14.5%	82.0%	80.4%
Female	65	83	27.7%	18.0%	19.6%
Total Full Time	362	423	16.9%	100.0%	100.0%
Contractual					
Male	151	144	-4.6%	83.4%	81.8%
Female	30	32	6.7%	16.6%	18.2%
Total Contractual	181	176	-2.8%	100.0%	100.0%
Full Time & Contractual					
Male	448	484	8.0%	82.5%	80.8%
Female	95	115	21.1%	17.5%	19.2%
Total Employees	543	599	10.3%	100.0%	100.0%

S O C I A L A N D R E L A T I O N S H I P C A P I T A L



Social and relationship capital is the cooperative and supportive relationships we share with our customers, clients, capital providers, industry associations, regulators, strategic partners and other stakeholders in our ecosystem. We create, develop, maintain and nurture these relationships to stay socially relevant and operate as a responsible corporate. It is important for IPDC to be responsive to the needs and interests of all stakeholders and to build social trust through authentic corporate citizenship.

Dashboard

Material Issues	2018 Highlights	Challenges	Long-term Strategy
Stakeholder management	Introduced integrated annual report to address material issues raised by all the stakeholders	Understanding stakeholder needs and wants is a continuous process	Deploy additional resources to monitor shift in stakeholder sentiment and address stakeholder issues promptly
Financial literacy	Supported projects to improve the level of financial literacy by raising awareness through training activities.	Ensuring penetration of the activities in rural areas.	Developing a platform, preferably web-based, to spread financial knowledge
Employee volunteerism	Provided support for platforms to utilize the employee skills towards solving social issues.	Extending employee volunteerism in remote areas	Opening a specific wing under the human resource department for effective leadership in this area
Social investments	Invested in education, sports, culture and arts	Managing financial capital for such investment	Collaborating with international bodies to finance such initiatives

Creating Value Through Social and Relationship Capital

Our social and relationship capital enables us to create new business opportunities and contribute to the development of other forms of capital. Collaborative work practices, customer-centricity and the trust built-up with our customers, employees, suppliers and communities in and around our operations over many years will go a long way to ensure mutual sustainability in the medium to long term.

Approaches to Optimizing Social and Relationship Capital Outcomes

- Focus our CSR efforts on health, socioeconomic infrastructure and education in rural communities
- Effective and frequent engagement with stakeholders to address material issues
- Continuing to forge and strengthen partnerships with our supplier
- Build reputational value and market visibility to attract vital competencies

Tradeoffs in using Social and Relationship Capital

We invest in the communities in which we operate through social investment programs that reduce our financial capital, but in the longer term enable growth in this capital

stock. Through our CSR campaigns, we can improve both natural and social and relationship capital.

Outcome and Performance Review

Being a value driven company with a deep-rooted purpose of doing good for the society, IPDC continues to create value for the society in various ways. Our contribution of value in terms of numbers as well as overall impact went up significantly in the year 2018. Detail discussion is available in the subsequent sections of Social and Relationship Capital.

Outlook

One of our primary focus areas in business is Small & Medium Enterprises (SME). We intend to create 2,000 entrepreneurs in the country by the year 2020. To realize this target, developing products and building entrepreneurial capacity of women is a must. We also plan to work as a catalyst for the young entrepreneurship development by collaborating with appropriate market players.

As our business grows, our contribution to Government Exchequer is also expected to increase. Although the tax rate for financial institutions was revised down to 37.5% from 40.0%, overall tax contribution will increase as the company will reinvest the savings from lower tax rate back into the economy.

OUR APPROACH TO STAKEHOLDER ENGAGEMENT

The sustainability of our company depends on the sustainability of our stakeholder relationships. As such, we consider and engage not only shareholders, employees and clients, but also suppliers, public authorities, local community and civil society in general, financial partners etc. The sustainability of our stakeholder relationships is the guiding principle for the managerial decision-making process and the pillar of a more comprehensive corporate strategy.

We derive significant value from our diverse stakeholders across all our activities and engage with, listen to and learn from them. Working in partnerships is crucial in delivering on our vision to make the world healthier and more

sustainable through innovation. We realize that engaging with our stakeholders is an important source of information to assist in defining risks and opportunities as well as setting our strategic objectives within the value chain. We incorporate their feedback on specific areas of our business into our planning and actions.

Identifying Our Stakeholders

IPDC is fully aware that sustainable business can only be achieved by interacting with its stakeholders and understanding the impact the business has on its environment. We identify our stakeholders based on the following criteria:

Criteria for Identification of Stakeholders

- Dynamic relationship
- Cannot be easily replaced
- Has fundamental impact on our performance
- Can clearly identify our requirements from the stakeholder
- Cannot be identified through another relationship



Customers

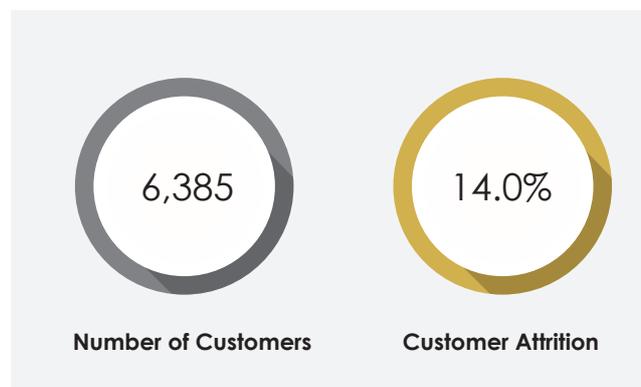
IPDC puts its customers at the heart of its strategy and is becoming increasingly customer-centric. We strive to go beyond knowing only names, ages and incomes and try to understand the customer specific needs and wants. This approach allows us to identify opportunities for growth and develop innovative solutions precisely tailored to the present and future demands of our customers.

Why it is Important to Engage Customers

Understanding our customers' needs and behaviors allow us to deliver relevant products and services, retain customers and attract new ones. Having a strong grasp of customers' actions and the thoughts, beliefs, and needs that drive them are essential for making key decisions related to resource allocation, marketing, and product development.

Forms of Engagement

Engagement Method	Frequency of Engagement
Customer Relationship Teams	Regular
Micro Marketing Events	As Necessary
Print Media	As Necessary
Social Networks	Regular
Website	As Necessary
Call Center	As Necessary



Ways We Create Value for Our Customers

Material Issues	Status as of 2018	Long-term Initiatives/Commitments
Safety of deposits	With a credit rating of AA1, IPDC stands as a trustworthy organization while our strong management team and board ensures that the organization's financial health remain steady	Diversifying the portfolio and better maturity matching with deposits will reduce liquidity risk further
Timely loan disbursement	Loan processing has been a key focus in reengineering our process. We have set fixed timeline for different stages of processing in each department to ensure our commitment of timely loan disbursement	We plan to reduce the Turn-Out-Time (TAT) to half of current processing, particularly for customers availing loans from branches outside of Dhaka
Affordable services	We have specifically designed products to reach the price sensitive and unbanked population of the country. We provide concessional rates to women and our Affordable home loan is targeted towards the people living in remote areas	Our strategy revolves around the people beyond megacities. We are currently exploring ways to reduce our distribution cost through cost effective distribution channels which will translate into affordable products for consumers
Quality service	To ensure smooth service delivery to our clients, process simplification has been our priority this year	To ensure all communication to customers regarding loan processing is as simplified as possible, along with process made smooth, simple and efficient

Employees

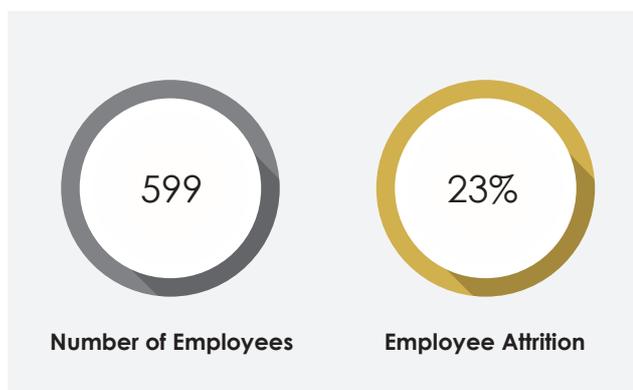
IPDC's employees are the key to its success and the company's steady growth requires an evolving approach to fulfil the potential of the people who work in the organization. We foster a spirit of innovation, shared engagement, and personal responsibility. We employ 599 people as of 31 December 2018 and we invest significant resources in ensuring our status as an employer of choice.

Forms of Engagement

Engagement Method	Frequency of Engagement
Training Programs	Regular
Events	As Necessary
Townhall	Monthly
Employee Recreation Club (ERC)	Annual
Orientation	Quarterly
Celebrations	As Necessary

Why it is Important to Engage Employees

Interactions with our employees are the main ways that customers experience the brand of the Company. Hence, our employees are crucial to the achievement of our customer experience ambitions and are the foundation of our service proposition.



Ways We Create Value for Our Customers

Material Issues	Status as of 2018	Long-term Initiatives/Commitments
Career progression opportunities and talent retention	Ensured best performing individuals have unbiased access to career ladder. To improve skill and knowledge set of employees, access to corporate trainings, e learning module for all was also bought forth	We will encourage effective career practices for motivated and skilled human resources. We also plan to develop individual career plan based on yearly talent review
Knowledge and skill enhancement	Our training expense for the year 2018 is BDT 8.8 mn with 10,953-person hours of training provided to employees	We will undertake management development programs, sales skill enhancement. Strengthen training evaluation to measure training effectiveness
Diversity and inclusion	IPDC constantly fosters, nurtures and encourages an inclusive office culture. We are an equal opportunity employer and we look for people who relentlessly pursues for innovation	We will continue to facilitate and enable a safe and harmonious office ecosystem and improve participation of female as well as minority groups in the workforce which ultimately fosters innovation and brings in new ideas
Work-life balance with safe and conducive workplace	IPDC acknowledges that employees have responsibilities outside of work. We have programs like flexible working hours that facilitate work-life balance and help individuals better manage these multiple demands	Efforts are underway to help employees improve work-life balance to improve morale, increase overall job satisfaction. Feedbacks are being taken on regular basis through engagement activities like HR Hour and we plan to address these feedbacks through specific programs

Further details on employee related initiatives can be found in the Human Capital Section of this report

Investors

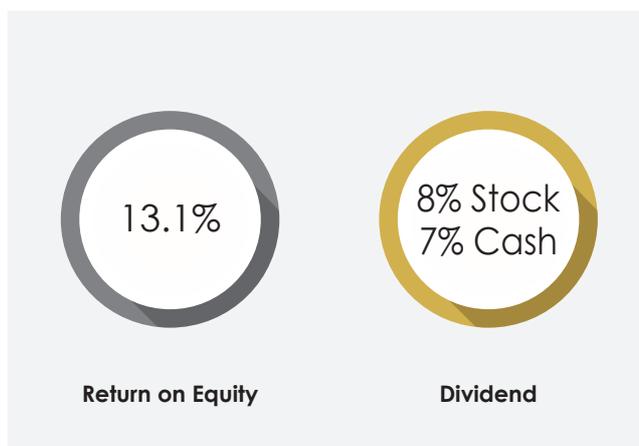
As a major source of capital, Investors require sustainable growth and information on a continuous basis to track IPDC's performance and achievements in enhancing shareholder wealth.

Why it is Important to Engage Investors

As a publicly listed company we need to provide fair, balanced and understandable information to instill trust and confidence and allow informed investment decisions to be made. As such, IPDC strives to provide timely and accurate company information to the investment community.

Forms of Engagement

Engagement Method	Frequency of Engagement
Website	Regular
Print Media	As Necessary
Email	As Necessary
Postal Service	As Necessary
Annual Report	Annual
Extraordinary General Meeting	As Necessary
Annual General Meeting	Annual



Ways We Create Value for Our Investors

Material Issues	Status as of 2018	Long-term Initiatives/Commitments
Financial position and performance	IPDC delivered solid performance with net profit growing above industry average while keeping non-performing loans one of the lowest in the industry. Detail discussion in this regard can be found in the Financial Capital section	We remain committed to maintain strong growth in portfolio and keep the non-performing loans in check. Being able to do so will further increase return on asset and equity as the portfolio matures
Sustainability of business	With solid business performance and impactful social initiatives, IPDC Finance has advanced towards making the business as well as the community more sustainable. Details in this regard can be found in Our Approach to Sustainability section of this report	Undertaking more sector specific activities and innovating technology-based solutions to utilize disruptive developments in the market as well as create greater acceptance
Effective communication of business strategyservices	Our communication efforts include disclosures of all mandatory as well as supplementary disclosures through websites as well as AGM/EGM. Our Annual reports were also recognized as one of the best presented Annual Reports in the industry	Our strategy revolves around the people beyond megacities. We are currently exploring ways to reduce our distribution cost through cost effective distribution channels which will translate into affordable products for consumers
Effective corporate governance with efficient risk management	IPDC understands the earnings and general expectations of its shareholders and has taken these into account when developing its strategy and remuneration philosophy. Details can be found in the Governance section of this report	Future risk management processes will feature real-time integration and enterprise-wide sharing of internal data. Employees will have ready access to information on existing and emerging risks. Governance model will be upgraded as an ongoing process

Suppliers

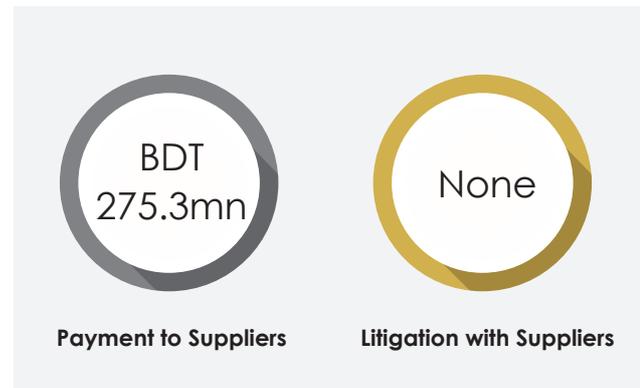
With increasing footprints, suppliers of goods and services to the institution is gradually becoming a key business partner. Our suppliers are integral to how we fulfil our customers' needs and we work closely with them to manage risks and drive continuous developments in the standards of performance through the procurement of goods and services.

Forms of Engagement

Engagement Method	Frequency of Engagement
Meetings	As Necessary
One-on-one Discussions	As Necessary
Written Communication	As Necessary
Verbal Communication	As Necessary
Tender for Proposals	As Necessary
Annual Report	Annual

Why it is Important to Engage Suppliers

Engaging with our suppliers and business partners means that we can ensure quality products and services at an affordable rate. Our brand relies on the high standards of our carefully selected suppliers, in order for us to deliver market-leading services to our customers.



Ways We Create Value for Our Suppliers

Material Issues	Status as of 2018	Long-term Initiatives/Commitments
Compliance with contractual terms	We engage in mutually beneficial and sustainable relationships with our suppliers in an environment of equity, mutual respect and honesty. There has been no incidents in 2018 where IPDC failed to meet the contractual terms agreed with a supplier	We remain committed to ensure that our payment process is compliant with the best practices in the industry. In this regard, we will continually review and update our policies periodically
On-time payment processing	As our business is growing, we are continually strengthening our procurement team and removing bottlenecks to make the payment process faster while maintaining all the compliance standards. In this regard, we have reviewed and updated our procurement policy in 2018 to ensure that our suppliers are paid on time	We will be implementing electronic fund transfer soon which will make the payment process much faster. Moreover, the payment process will go through yearly review to make sure that we have the best practices in the industry in terms of payment processing
Transparent procurement process	Our policies require us to go for competitive procurement activities and bid processes that foster equal opportunity so that qualified suppliers can provide products and services that meet our requirements. Procurement policy has been updated in 2018 to make the process more transparent	We will continue to update our policy and practices to maintain high compliance standards in procurement which will ensure a transparent procurement process

Communities and Societies

IPDC interacts with many other people and groups who are not directly involved with the business activities of the company but have significant influence on it. These includes local residents, community development groups, environmental and development organizations, citizen associations, and non-governmental organizations (NGOs).

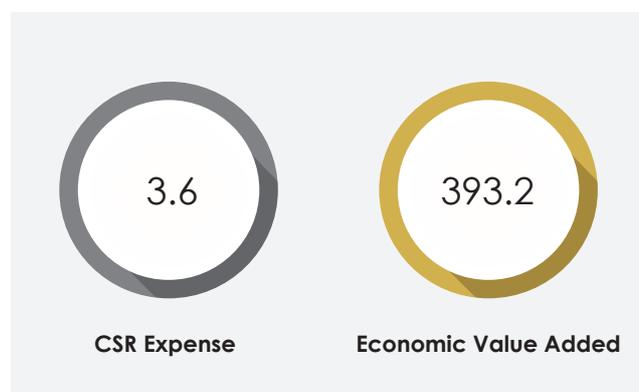
Forms of Engagement

Engagement Method	Frequency of Engagement
Website	Regular
CSR Initiatives	As Necessary
Social Media	Regular
Marketing Events	Regular
Press Releases	As necessary
Annual Report	Annual

Why it is Important to Engage Communities and Societies

Constant engagement with communities and societies ensure continued viability of the business into the long-term. We aim to contribute positively to the communities and societies in which we operate. This engagement will not only benefit communities; it will also improve our company's decision-making and competitiveness—by tapping into local knowledge and attracting talented individuals to work with the company.

BDT mn



Ways We Create Value for Our Communities and Societies

Material Issues	Status as of 2018	Long-term Initiatives/Commitments
Social responsibility and impact to society	IPDC took several initiatives to fulfil its social responsibilities in a manner that reflects the company's mission, vision and values. Further details regarding this can be found in Corporate Social Responsibility and Value-Added Statement Section	We intend to follow a "Shared Value" approach and undertake socially useful programs for welfare & sustainable development of the community at large
Environmental stewardship	IPDC planted trees in the adjacent areas of branch offices and has implemented E-Documentation system for supporting paperless initiative. Further details regarding this has been discussed in the Environmental Initiatives Section	Drive paperless initiative at branch level through utilizing the E-documentation platform
Resource protection and energy efficiency	We have replaced old and inefficient equipment for efficient use of energy. We have also taken fuel conservation efforts like public transportation day and video conferencing to reduce travel between offices	Reducing energy demands through optimizing work hours and reducing overtime work
Community engagement	We have sponsored several social events which provided us a chance to directly interact with the local communities. Details in this regard can be found in Events and Sponsorship Section	Continue to sponsor value adding and sustainable methods of community engagement

Regulators/Policy Makers

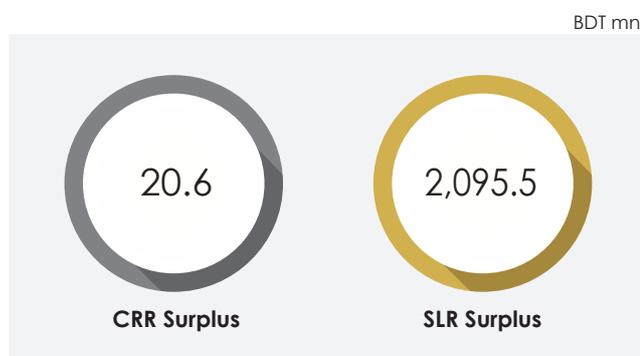
Regulators/Policy Makers is a body, department or organization that supervises, monitors and controls an industry or business activity and have significant influence on the core operations of the business.

Why it is Important to Engage Regulators/Policy Makers

Changes in policy and regulatory environment may provide opportunities or pose risk to our operations. Working closely with the regulators/policy makers ensures that our company evolves through a compliant and effective way.

Forms of Engagement

Engagement Method	Frequency of Engagement
Meetings	As Necessary
One-on-one Discussions	As Necessary
Written Communication	As Necessary
Verbal Communication	As Necessary
Annual Report	Annual



Ways We Create Value for Our Suppliers

Material Issues	Status as of 2018	Long-term Initiatives/Commitments
Compliance with rules and regulations	IPDC continues to be a highly compliant company meeting and exceeding all regulatory requirement	We will continue to proactively look for any loopholes and opportunities for exploitation and ensure sufficient safeguards so that we remain one of the most highly compliant companies of the country
On-time regulatory reporting	No issues occurred for failure to meet deadline in reporting during the year	With increasing requirement of reporting, we will ensure that sufficient and capable resources are available
Effective corporate governance	IPDC has complied all regulatory requirements for ensuring effective corporate governance. Further details regarding this can be found in the Governance section of the Annual Report.	We will look for opportunities to further strengthen our governance while keeping the company operations agile

VALUE ADDED STATEMENT

"Value added" is the wealth which the Company has able to create by providing clients with a quality, value added service. This statement shows how the value so added has been distributed.

Value Added by the Company

BDT mn, %

Particulars	2014	% of total	2015	% of total	2016	% of total	2017	% of total	2018	% of total
Net Interest Income	416.2	91.5%	431.4	92.4%	638.1	100.0%	1,072.6	127.5%	1,698.3	138.8%
Commission, Exchange Brokerage	5.6	1.2%	7.6	1.6%	36.2	5.7%	82.2	9.8%	89.2	6.9%
Investment Income	86.8	19.1%	55.4	11.9%	47.2	7.4%	65.5	7.8%	63.3	4.9%
Other Income	71.4	15.7%	145.5	31.2%	119.8	18.8%	25.3	3.0%	23.6	1.8%
Management expenses excluding salaries & allowances, depreciation	-74.6	-16.4%	-71.4	-15.3%	-169.4	-26.5%	-245.3	-29.2%	-314.2	-24.2%
Provision for doubtful losses	-50.3	-11.1%	-101.6	-21.8%	-33.6	-5.3%	-159.0	-18.9%	-262.3	-20.2%
Total Value Added by the Company	455.1	100.0%	466.9	100.0%	638.4	100.0%	841.2	100.0%	1,298.0	154.3%

Distribution of Value

BDT mn, %

Particulars	2014	% of total	2015	% of total	2016	% of total	2017	% of total	2018	% of total
Employees										
As salaries & allowance	90.2	19.8%	101.4	21.7%	148.9	23.3%	296.4	35.2%	396.4	30.5%
Provider of Capital										
Dividends to shareholders	156.5	34.4%	114.8	24.6%	252.5	39.6%	303.0	36.0%	363.6	28.0%
Government										
As taxes	179.3	39.4%	104.0	22.3%	164.9	25.8%	178.3	21.2%	410.6	31.6%
Expansion & Growth										
Retained as capital and reserve	9.0	2.0%	125.4	26.9%	50.6	7.9%	32.4	3.9%	86.4	6.7%
Depreciation	20.1	4.4%	21.3	4.6%	21.5	3.4%	31.1	3.7%	41.0	3.2%
Total Distribution of Value Addition	455.1	100.0%	466.9	100.0%	638.4	100.0%	841.2	100.0%	1,298.0	100.0%

CONTRIBUTION TO GOVERNMENT EXCHEQUER

Contribution to government exchequer is the amount IPDC pays to the government in form of Withholding Tax, Corporate Tax, Value Added Tax (VAT) and Excise duty. IPDC is among the large contributors to government exchequer of the country and as such creates a significant impact to the development of the country.

BDT mn

Particulars	2014	2015	2016	2017	2018
Withholding Tax					
Salary	4,896,155	5,394,367	6,702,916	12,217,971	15,657,755
Interest on savings deposit	43,086,654	44,715,300	53,479,479	126,922,185	233,384,657
Payment to Supplier	545,349	457,371	711,630	3,037,770	3,021,168
House Rent	302,357	339,093	472,614	568,844	802,266
Dividend Payment	1,770,332	7,393,084	-	-	-
Payment for Professional & Technical Services	702,358	1,387,330	850,858	2,247,562	2,256,081
Others	55,976	139,423	463,676	2,573,147	4,869,229
Total Withholding Tax	51,359,181	59,825,968	62,681,173	147,567,479	259,991,156
Corporate Tax	24,375,003	47,506,104	141,525,976	135,257,010	281,745,290
VAT					
House Rent	518,476	601,464	1,424,666	2,708,935	3,349,095
Processing, Documentation Fee etc.	805,984	644,033	4,184,046	11,853,636	13,193,414
Procurement of goods and services	531,026	946,769	1,045,469	4,326,735	4,291,885
Legal, Professional & Technical Fees	1,536,554	1,941,461	1,005,546	2,039,121	2,417,629
Director Fees	53,250	67,500	183,600	184,800	122,400
Promotion	161,118	186,144	406,731	9,017,581	7,362,233
Others	121,011	135,519	517,891	2,774,265	5,137,532
Total VAT	3,727,419	4,522,890	8,767,949	32,905,073	35,874,188
Excise Duty	2,273,130	6,635,370	5,014,740	8,675,900	26,730,250
Total Paid to Government Exchequer	81,734,733	118,490,332	217,989,838	324,405,462	604,340,885

The collective contribution to the National Exchequer for the last five years was BDT 1,347 million, of which, BDT 604.3 million (44.9%) was made in 2018 alone. Out of total BDT 604.3 million, BDT 281.7 million was made on account of corporate tax. With the payment of taxes and the investment for expansion, IPDC is making a significant contribution to the country's development and growth.

EVENTS AND SPONSORSHIPS

The goal of IPDC's sponsorships is to connect with target audiences in ways that reinforce meaningful and positive perceptions of the company by engaging the community, supporting the brand as well as increasing new business. It helps to reinforce strategic direction, core values and brand attributes of the company to the society.



MIDAS 35th Anniversary

IPDC strives to aspire entrepreneurs with the necessary assistance such as training, access to low-cost funds and market access so that their ventures become successful. In alignment with that aspiration, IPDC Finance came beside the 35th anniversary celebration of Micro Industries Development Assistance and Services (MIDAS), committed to the development of a sound and rapidly growing micro, small and medium enterprise sector in Bangladesh.

Service Award

To celebrate and acknowledge the best service provider of Sheba XYZ, IPDC proudly joined with Sheba XYZ, with the motto to encourage efforts of ensuring sustainable means of employment. The jubilant event witnessed the gathering of dedicated and innovative young minds driven towards better service delivery to the constantly changing needs and demands of people's lifestyle. Addressing the vibrant crowd and entrepreneurs, IPDC announced the financing of consumer white goods- goods that upgrades lifestyle and brings the much needed, much eased service that customers demand now.



Bangladesh Supply Chain Excellence Award

For the very first time ever, Bangladesh witnessed the creation of a platform that unites all stakeholders of supply chain, towards exploring the vast potential in the field of supply chain management. In collaboration with Bangladesh Supply Chain Management (BSCMS), biggest association of proficient members in the field of Supply Chain, IPDC Finance limited hosted the prestigious Bangladesh Supply Chain Excellence Award (BSCEA) 2018. The Award recognized extraordinary contribution in the field of supply chain management. Awardees were selected based on the quality of their visible contribution during 2017 for in the improvement and innovation in various areas of supply chain management in manufacturing and service organizations. The event created the necessary buzz in the industry to form the much-needed holistic supply chain ecosystem throughout the nation, that benefits the Micro small enterprises and the companies alike.



Freshers Program at Dhaka University Development Studies

To inspire the young bubbling talent as they step into the most prestigious development studies program, IPDC sponsored the Freshers Program at Dhaka University Development Studies. This gave the opportunity to hundreds of freshers to obtain insights from academicians and corporates alike.

Jubilee Concert with Aga Khan Foundation

In honor of the spirit of joy in social development, IPDC stepped in to celebrate Aga Khan Foundation's 60 years of service to the world by becoming the Lead Partner at Jubilee Concert in Dhaka. Globally famous singers like Salim-Sulaiman, SukritiKakkar, Vipul Mehta, Raj Pandit along with other artists performed in the concert organized at ICCB. Net proceeds from Jubilee Concert were donated to the social development work of the Aga Khan Foundation in Bangladesh.



SUST Debate Competition

The honing of youth must begin with the ability to analyze, and voice out opinions, in search of the truth. To encourage and empower youths to reason, in cities outside the Capital, IPDC organized the flagship event of Shahjalal University of Science and Technology (SUST) School of Debate. The inter-university debate tournament called "IPDC Finance Presents SUST IV 2.0", hosted in Shahjalal University of Science and Technology in Sylhet, saw 32 universities from across the nation participate in the battle of knowledge and logic.

Foghorn – Art exhibition

An avant-garde art exhibition titled "Fog Horn: An Unbound Art Episode" supported by IPDC Finance exhibited the works of artists coming from different disciplines at Chittagong Club Limited. This exhibition showcased the works of artists who work independently and not having any particular institutional background, giving them a platform to bring forth their talent in front of others.





YEF Econprodigy

A sound financial institution works for the betterment of the nation's economy. Keeping the better tomorrow in mind, IPDC encouraged the efforts taken by students who attempt to address the issues in the growing economy. Hence, IPDC sponsored the Econprodigy 04 organized by NSU YEF, with the relevant theme of comprehending the impact of Corporate Social Responsibility on economy as a whole.

GSEA Night 2018

IPDC sparked the award night for the brightest mind who have competed their paths and reached to the finale of the Global Student Entrepreneur Competition. Organized by the Entrepreneurs Organization who have been transforming the lives of the entrepreneurs.



IPDC Uddokta Summit

A two-day long summit for the inspiring and aspiring entrepreneurs of the country. A pool of the country's greatest leaders from corporates, academics, agencies, practitioners went out of their way to share the tricks and tactics of entrepreneurship. Entrepreneurs showcased their business among the hundreds of people and opened new gates of investment.

Impactors

The SDG Innovators program by Toru Institute of Inclusive Innovation is aimed to nurture the innovators solving a community problem aligned to the SDGs whereas the Impactpreneur program is designed to coach social enterprises that have a tested and market viable solution. Such initiatives are deeply rooted in the values, hence IPDC in full support took care of a team throughout the incubation program.



CORPORATE SOCIAL RESPONSIBILITY

IPDC Finance Limited's CSR activities reflect the Company's mission, vision and values. It initiates a variety of welfare activities in various fields such as healthcare, education, environment, economic empowerment, critical human needs and supply chain standards through community services, funds, tree plantation activities and other philanthropic initiatives. IPDC focuses on inclusive growth and improving its social capital through its health and education initiatives. It creates access to opportunities and resources through economic development and infrastructure and environment support initiatives. The Company is also constantly working to come up with innovative CSR programs, partnerships and business practices to serve the people, communities and the planet. These activities lead to a better lifestyle of the people living in a society as well as a safe and healthy-living environment.



IPDC's Ucchash School

In a far-off island with no electricity, sanitary toilet, certified physician or even a primary school, life takes the form of much hopelessness. Sonpocha, a densely populated char, with 10,000 people, had no means to escape and embrace the warm call of a beautiful future. To help them rise up and above the shackles, in association with a non-profit and social welfare organization- Amal Foundation, IPDC Finance built the Ucchash School from scratch. The school now fills up with the sound of vibrant kids who now dare to hope for a shining future, for their own lives and their nation.

Lean In Bangladesh Chapter Workshop

Lean In, founded by Sheryl Kara Sandberg, Chief Operating Officer of Facebook, is a global community dedicated to helping women achieve their ambitions by forming small peer groups that meet regularly to learn and grow together. A workshop session aimed towards advising effective ways of stress management parenting, was conducted by the NGO "MonerBondhu", which IPDC Finance sponsored. Workshop was targeted towards women working in corporate houses, so that the female professionals can be their most productive selves at work, while also managing their expectations at home.



IPDC Finance Partners with Mashrafe Bin Mortaza of Narail Express Foundation

Standing beside the ones who bring glory and goodness for the nation, IPDC Finance signed a three-year partnership agreement with Narail Express Foundation (NEF). The captain and chairman, Mashrafe Bin Mortaza's foundation envisions to provide all kinds of support to ensure the state-of-the-art sports training facility in the Narail district. The NEF will begin with cricket and football academy in its initial stage, 60 students will be trained within the age level of 16 to 18 years. IPDC Finance is committed to be an exclusive partner in NEF's venture.



Concert for the Helpless in Narail

To make any difference in the life of the underprivileged, it is imperative to liberate them from the shackles of poverty. Having the purpose at the core, IPDC Finance associated itself with Narail Express Foundation led by Bangladesh Cricket team captain Masrafe Bin Mortaza and supported the fund-raising concert. Popular folk singer Momtaz Begam and Apu Biswas made it a star-studded night with their extravagant performances.

Little Farmer

A one of a kind initiative organized by Nagarkrishi at the British Council campus, the "IPDC Finance presents Little Farmer" saw 50 students between 6-12 years participate. Children learned the importance of tree plantation, rooftop farming, indoor plants, aquaculture, rooftop fish farming, insect museum, and quizzes. The aim was to inspire a generation connected with Earth and create consciousness about the future of our planet, to ensure sustainable growth that lets both us and our future generation enjoy earth's resources responsibly.



IPDC's Uchchash Tailors

IPDC Finance distributed sewing machines to empower the marginalized women, by making them self-sustainable and free them from the pressure of their owners. Moreover, IPDC Finance itself bears the monitoring costs to ensure the upgrade of their livelihood after bringing in a sustainable source of steady income.

Women Travelers Program

Women travelers campaign organized workshops across universities on scopes and struggles faced by women in travelling. The workshop was conducted in Chittagong University, United International University and Daffodil University. The session ended on a round table conference with Chairman of Tourism Board as chief guest and 15 panelists from corporate world, academics and media house.





Distributed Blankets in Brahmanbaria

The winter in Dhaka strikes in several places. While everyone focused on the North, IPDC tried to expand its horizon and let the warmth of Brahmanbaria be ensured by distributing blankets.

Maintaining Public Washroom

Beyond securing the future of youths, it is also important to protect the people from diseases. With the aim to prevent the spread of diseases like typhoid, cholera, salmonellosis, bacillary dysentery, tuberculosis, anthrax and parasitic worm infection etc., IPDC took the initiative of setting up public toilet for the better picture of the society. IPDC's hygienic toilet maintenance (Quantity-1) is situated in Moghbazar Anudip CNG pump.



Craftmaking for Special Children

The special children for Proyash have specialized their craft by practicing extracurricular activities beside their regular routine. To encourage the spirit of these special children, IPDC handed over a project to make handcrafted pen holders which were gifted to high end clients of IPDC to create awareness in a good gesture.

Eid Clothes to Underprivileged Children in Bogura

The joy of any festival truly comes from sharing it with as many numbers of people around. But the genuine essence of giving is to spread happiness and joy of the festival itself to the underprivileged sector. Here IPDC donated new Eid clothes to the children of Uchchash School in the remote char of Bogura.





Donation in Dhaka Deaf Association Program

Often, we neglect the granted blessing of the almighty, we realize it only when we are deprived of it. Such is losing a sense of an organ. IPDC empathizes with the emotion and loss and hence donated a portion to the Dhaka Deaf Association Program which will work for the awareness and betterment of this part of the society.

Donation for Bangladesh Cancer Aid Foundation for Treatment of Cancer Patient

To provide care to people through awareness about cancer and by giving out a helping hand to patients who need medical assistance, IPDC supported the true cause of this cancer association that reach out to various target groups and educate them about screening and about various treatments for cancer and where to avail them.



Disaster Preparedness Training

Considering the unpredictability of nature, IPDC held a two days training on earthquake and fire incidence preparedness at Educo School, Nayanagar, Dhaka. The training was designed to prepare students, youth, teachers and school management committee members to design action plans to handle earthquake and fire incidents. The two session was organized by EDUCO. In times of emergency, these trained students are expected to take up the forefront through leading their community to safety.

Donation to Child Cancer Patient

IPDC donated money to a critical child patient fighting the deadly disease, cancer. As a part of the CSR projects, IPDC Finance sympathizes and genuinely prays for the child to overcome the toughest phase of life.



NATURAL CAPITAL



Banks and financial institutions draw resources from nature, leaving behind a carbon emission trail through jet air travel, running the day-to-day office and consuming paper and stationary, among others that could have a damaging impact on the environment. Moreover, financing environmentally hazardous projects also leave behind a negative impact on the planet. In short, at IPDC, this capital relates to the natural resources on which we depend to create value. Besides, as a non-banking financial services Company, we focus on deploying our financial capital in such a way that promotes the preservation and sustenance or minimizes the destruction of natural capital.

Dashboard

Material Issues	2018 Highlights	Challenges	Long-term Strategy
Responsible use of resources	Subsided the uses of plastic, paper, glass and metal whenever applicable	Lack of proper alternatives	Using of e-bills and mobile banking channels to reduce paper waste
Climate-oriented product	Created awareness on the responsibility IPDC has assumed towards transition to a low carbon economy	Habituating people towards accepting such philosophy	Increasing financing of renewable energy resources and promoting efficient use of energy
Fight against climate change	Successfully integrated climate change as a key indicator in decision making mechanism	Keep up with the costs associated with making climate-first decisions	Measuring and evaluating activities to reduce the climate change effects

Creating Value Through Natural Capital

For a country with limited resources like Bangladesh, natural forces play an important role in shaping macroeconomic outcomes. Floods and droughts frequently cause volatility in food supply resulting in rising inflation and affecting interest rates. Preservation of nature and utilizing our natural capital creates long term sustainability of the business.

Approaches to Optimizing Natural Capital Outcomes

- Enhanced IT infrastructure to reduce travel
- Build employee awareness to reduce waste
- Setting green financing targets
- Inculcate green banking at branch level.

Tradeoffs in using Social and Relationship Capital

We impact negatively on natural capital by using non-renewable resources, and through our emissions and wastes. We work to minimize these. In some instances, we also impact adversely on human and social and relationship capital.

Outcome and Performance Review

IPDC acknowledges that preserving ecosystems is the only way to sustainably maintain economic development. The Company focuses on reducing the environmental impact of its operations by using renewable energy and recyclable material, wherever possible, and by focusing on financing environment-friendly projects and encouraging paperless communication.

Outlook

IPDC is committed to play its part in preserving nature and reducing its carbon footprint. As such, we plan to continue looking for new ways of financing more environment-friendly projects. We envisage to move towards green banking supplementing our traditional approach. Work is underway to significantly reduce our paper usage and move all our documents to an electronic system called E-Doc. Apart from these, we will continue to create awareness internally and externally through organizing green events, introducing green marketing and rigorous program to educate our clients.

GREEN BANKING

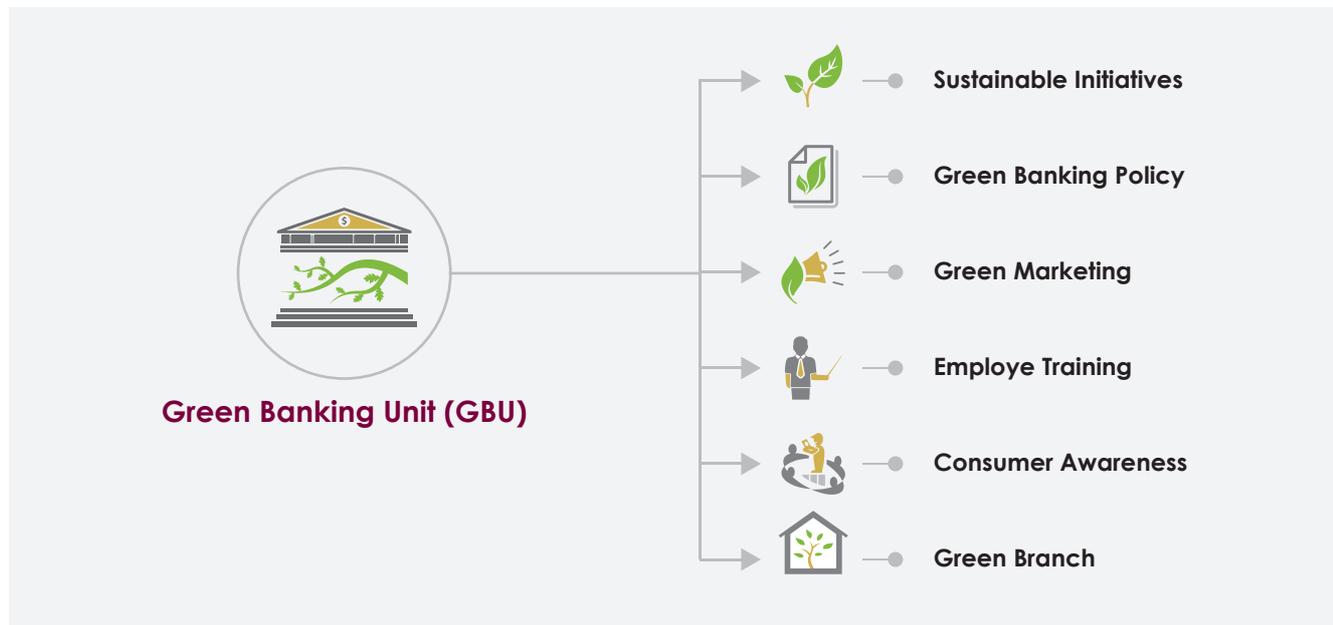
Green Banking Initiatives: Environmental Sustenance

The prominence of green banking has been gradually increasing in the modern-day banking world. Green banking is defined as the operation of banking activities while giving special attention to social, ecological and environmental factors with the aim of the conservation of nature and natural resources. It considers all the environmental factors along with financial priorities with an aim to protect the environment as well as to foster the economic development in a more environment friendly way. This concept of 'Green Banking' will be mutually beneficial to the banks, financial institutions and the economy.

IPDC is one of the pioneer Financial Institutions in the country in implementing Bangladesh Bank's (BB) Green Banking Guidelines in phases. As per Bangladesh Bank SFD (Sustainable Finance Department) Circular number 02 dated December 01, 2016, management of IPDC Finance Limited has already formed a "Sustainable Finance Unit" and a "Sustainable Finance Committee" as per prescribed format of Bangladesh Bank and have fixed the scope of work of these units.

As per the "Policy Guideline for Green Banking" issued by the GB & CSR Department of Bangladesh Bank on August 11, 2013, the Board of Directors of IPDC adopted the 'Green Banking Policy' in its 137th Meeting held on 14 May 2014. IPDC has already formulated "Green Banking Unit (GBU)" headed by the Head of Business Finance.

IPDC has included Environmental and Social Risk Policy with its regular Credit Manual in line with Credit Risk Management (CRM) guideline. Environmental risk, an innate element of credit risk, needs to be managed properly. With this end in view and in line with the guidelines of Bangladesh Bank (BB), Environmental and Social Risk Management (ESRM) Policy of IPDC has been prepared and included in 'Credit Manual' contents which are to be followed and abided by all concerned and reviewed under Environmental Due Diligence (EDD) checklist. In IPDC we have implemented a Green office Guide consisting of a set of general instruction to be followed to improved in-house environment management across the organization.



Sustainability Initiatives

Detail discussion on sustainability initiatives can be found in Our Approach to Sustainability section.

ENVIRONMENTAL INITIATIVES

Environmental sustainability is a key part of IPDC's social responsibility efforts. IPDC have established environmental policies, goals and practices that help guide their activities inside and out. IPDC is staunchly committed to the environment and combating climate change and reduce both its direct impact, through the use of natural resources by its internal operations, and its indirect impact through its financial activity. IPDC's activities range from participation in conservation initiatives in communities across the country, to commitments to well-recognized domestic and international standards and reporting agreements.

Environmental Sustainability Initiatives

Plantation

It would not be stretching things if one were to say that without trees, we humans would not be able to exist on this beautiful planet. To give back to the creation which has facilitated life from the inception of life is what can be claimed humane now. IPDC planted trees in the adjacent areas to insist the compelling issue of safeguarding the earth.

Paperless Initiatives

IPDC committed to a paperless office to create a work environment in which the use of paper is eliminated or greatly reduced. This is done by converting documents and other papers into digital form. IPDC believes "going paperless" not only works well for the environment but can only save money, boost productivity, save space, make documentation and information sharing easier, keep personal information more secure, and help the environment. The concept can be extended to communications outside the office as well.

Fuel Conservation

Video Conference

Expanding every day, IPDC is very known for its collaborations with valuable partners for the better good of all the parties. Such collaborations call for several meetings which in turn brings a lot of fuel emission for travelling back and forth to office premises. Hence, that bring video conferencing in the picture to be used instead of face to face meetings with partners.

Public Transport Day

Last thursday of every month in IPDC is observed as "Public Transport Day". On this day, from the staffs to the CEO himself abandon the use of the private transport and takes public transport to commute to office and back home. Around 599 employees across all the branches around the country make sure they do not use private cars for the day. Such small initiative when held at larger scale in future will create example for other corporate as well.

Power Conservation

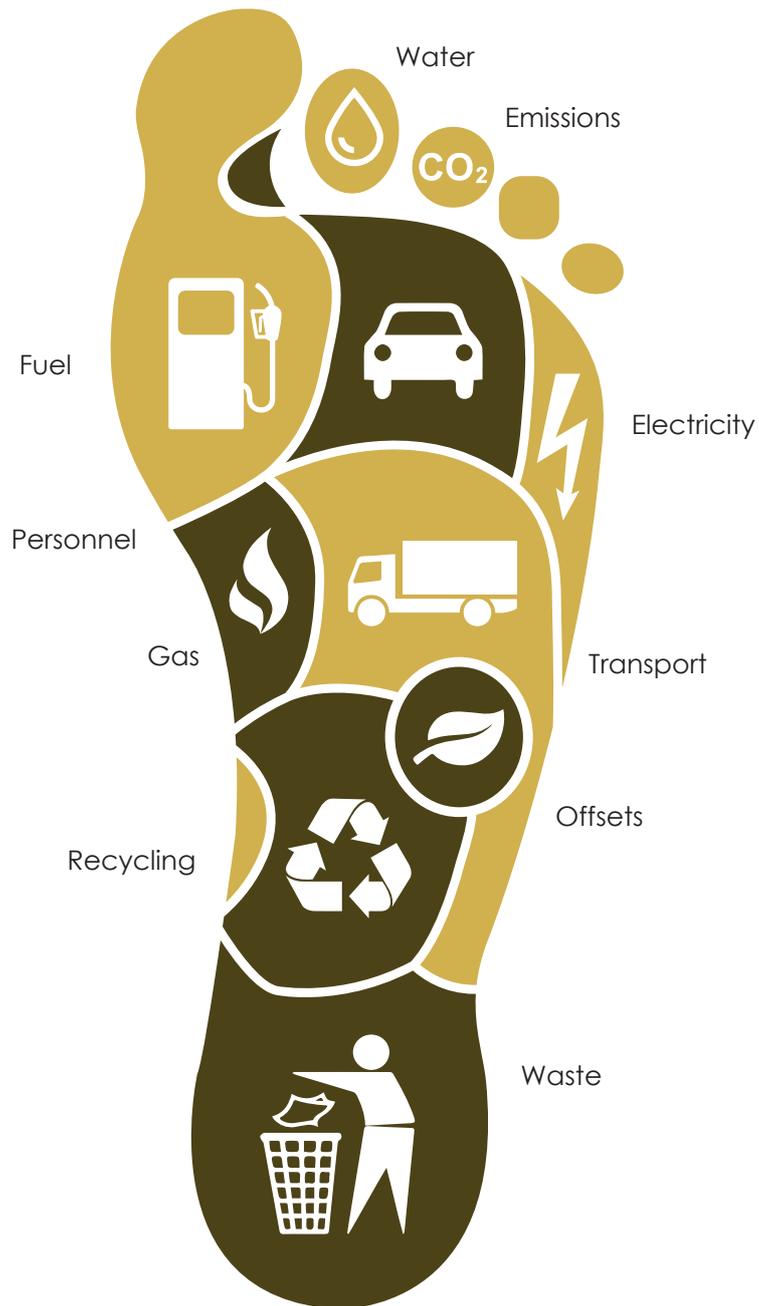
IPDC aims to save electricity in their building to help reduce Carbon-di-oxide emissions and conserve fuel reserves, as well as save penny. IPDC believes in taking simple yet imperative steps for saving electricity at personal level. A few pointers are asked to be embedded in the work habits of all employees as follows:

- Dressing for the season to reduce air conditioning usage.
- Keeping the thermostat between 20-23°C.
- Checking the building's airtightness.
- Using sleep/hibernation and energy-saving modes for PCs.
- Replacing old, inefficient equipment with those that have a high energy rating.
- Keeping lights free of dust and using LEDs.
- Turning off switches when not in use.
- Save Water.

Green Branch

To have a concentrated focus on green initiatives, IPDC anticipates opening a completely green and eco-friendly branch to pave ways to follow by other financial institution as well in the near future. IPDC will make sure all the possible steps are been followed in the fulfilment of a green branch.

We Strive to Reduce Our Carbon Footprint



Crafting **Unbound** Tales
to Remember



OUR APPROACH TO SUSTAINABILITY

With over 37 years of history, we understand the importance of value that stands the test of time. We are very much aware that sustainability initiatives without strong profits is not actually sustainable, while strong profits to the detriment of sustainability weaken the endurance of a business.

For IPDC, 2018 was a year of gradual change and steady progress. To guide us and enable us to thrive in today's rapidly changing market environment, we formulated and began executing a clear strategy. Focused on product innovation, performance and outcome-based solutions, our renewed strategy also includes a commitment to go for sustainable impact, because we believe that sustainable business is smart business.

The sustainability statement covers activities that are significant to IPDC's business and stakeholders and how these material aspects are disclosed. The sustainability statement covers the period from 1st January 2018 to 31st December 2018. IPDC is committed to maintain the highest levels of transparency and accountability. Thus, the company aims to continuously propel its reporting disclosures, standards and quality to the next level, year on year. IPDC has used the Global Reporting Initiative (GRI) framework to guide the reporting of the sustainability statement.

We consider the following reporting principles for determining contents of the sustainability report



Furthermore, the following issues were considered in determining the quality of the report:



The governance of sustainability-related initiatives has been put into a structural shape that ensures continued follow-up and progress. We continue to exert effort to achieve long-term business success by improving our operational efficiency and embedding sustainability approaches into our business practices. This section is a comprehensive overview of our ambition, strategy and roadmap in the field of sustainability and focus in on our results.

SUSTAINABILITY STRATEGY

We strongly believe that growing our company goes hand in hand with the growth of our business, helping our people and the communities around us thrive, while safeguarding our environment. As a result, we are giving sustainability a central role in our organization and in our strategy. IPDCs' sustainability strategy is based on 3 key focus areas. For each of the sustainability focus areas, a clear strategic objective is established to drive our sustainability effort in the respective area, thus optimizing economic, environmental and social impacts and aligning the business conduct with IPDC's sustainability strategic approach and its sustainability vision and mission.



Business

We firmly believe that being a successful, growing business helps sustainability. Achieving profitable growth is also a part of being a long-term sustainable company, providing employment for our local communities and contributing to a resilient economy.



Environment

Climate change, growth in population combined with scarce natural resources to meet their needs, pose significant social, environmental and economic risks. Tackling these risks requires innovation, enterprise and finance. People rightly expect businesses such as IPDC to play a role in fostering sustainable growth, and a transition to the green economy in a way that is responsible towards society.

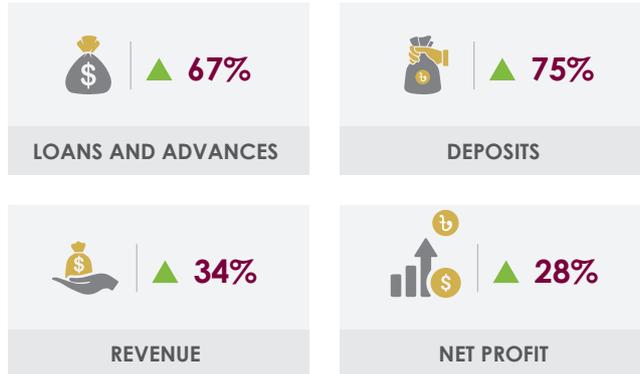


People & Communities

We will take up our responsibilities and play an active role in our ecosystem by safeguarding ethical business standards both inside IPDC and in the relationships with our stakeholders and engaging with our local communities by providing underprivileged people across the country through knowledge and resources.

BUSINESS

HIGHLIGHTS (2014 – 2018 CAGR)



We strongly believe that growing our company goes hand in hand with the growth of our business, helping our people and the communities around us thrive, while safeguarding our environment. As a result, we are giving sustainability a central role in our organization and in our strategy. IPDCs' sustainability strategy is based on 3 key focus areas. For each of the sustainability focus areas, a clear strategic objective is established to drive our sustainability effort in the respective area, thus optimizing economic, environmental and social impacts and aligning the business conduct with IPDC's sustainability strategic approach and its sustainability vision and mission.

Performance in 2018

IPDC continues to outperform the market in 2018 in terms of both balance sheet growth and profitability. Our CAGR (2014-2018) of 28% in net profit is a testament to our ability to generate sustainable profit for our investors.

Growth

Our CAGR (2014-2018) for loan portfolio is 67% with most of it coming during the last 3 years. We plan to continue this momentum. This growth ambition is consistent with the economic outlook of the country with Bangladesh economy being projected to be one of the drivers of regional economic growth. With per capita income of the people increasing at a rapid rate, expenditure will increase manifold. Our Retail and SME strategy is built around the idea of a rising middle-income population as well as increasing business activity.

Profitability

We have improved our cost to income ratio from 46.0% in 2017 to 40.1% in 2018, which indicates our increasing efficiency at operations. As we continue to scale-up, we expect that cost to income ratio will decrease

further. We have also successfully maintained a healthy spread in 2018 even with significant market swings. This is a strong indication of our ability to generate returns in adverse conditions. Although the tax rate is still high compared with other developing economies, there are some positive signs with tax rate being cut to 37.5% from 40.0% in the fiscal year 2017–18 for financial institutions. Unless there are significant changes in market and external forces, growth in profitability is expected to maintain its momentum.

Strength

We have a clear purpose: to become the most passionate financial brand in the country. To fulfil that purpose, we have a clear aim: create an extraordinary customer experience by serving our customers with passion and honesty, going beyond the normal call of duty and relentlessly pursuing innovation. Our core strengths come from our people who make it possible to create this extraordinary customer experience. Moreover, to meet the challenge of the digital revolution, we are working to capture new opportunities in an agile, innovative way using sophisticated technology platform. Our portfolio quality remains one of the best in the industry with Classified Loan Ratio of 2.14%. Although the number is higher from last year, the increase is mainly transitional and is expected to come down again in 2019.

Strengthening Corporate Governance and Risk Management Framework

At IPDC, strengthening corporate governance is believed to be essential to being competitive. In this context, regular review of policies is conducted to ensure that the company stays compliant to current standards while also anticipating possible ways of breach in the future. Moreover, the risks to which financial institutions are exposed are becoming more complex and diverse, heightening the importance of risk management. IPDC is working to strengthen and enhance risk management by gaining an accurate understanding and awareness of each type of risk, and to establish an appropriate risk management framework to maintain the soundness and adequacy of management and secure stable income.

Financial Empowerment through our Products and Services

Given the vital economic role that SMEs play in reducing unemployment rates and alleviating poverty in the community, we have continued our support to the SMEs sector. We are one of the leading players in supply chain finance and have a focus on building a platform for our SMEs to optimize their financial

performance through Supply Chain Financing. Our growth in SME segment with a CAGR of 158.0% is proof of our continued commitment in creating entrepreneurs.

Outlook

Planned initiatives to increase the sustainability of our business includes:

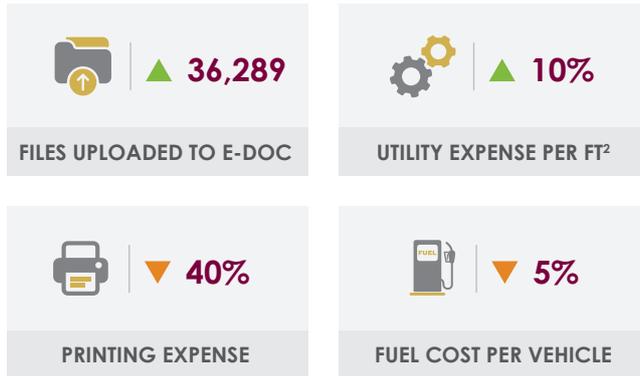
- Increasingly focus our efforts in retail business which will reduce concentration risk.
- Attract small-ticket size deposits to reduce our overall deposit attrition rate as well as enhance our shock absorption capacity
- Capacity development in IT and Human Resource to take advantage of future market developments
- Increasing efficiency from harnessing team synergies resulting in lower cost to income ratio

For more details on the sustainability of our business performance:

Subject	Page Reference
Detail Business Review	163
Financial Capital	161
Strategic Priorities of 2019	159
Strategy Formulation	154
Risk Management	117

ENVIRONMENT

Highlights



Growing market activity and increased global attention to environmental issues have highlighted the importance of reducing our ecological footprint as well as do our part in contributing to the environmental initiatives. The benefits of going green goes well beyond feeling good about helping the environment. They also directly impact our business, both in terms of reducing our operational costs, as well as streamlining our processes by making them more efficient.

Tree Plantation Initiatives

Planting trees is not only good for the environment but an effective way of providing a green endorsement for our brand while complimenting our existing CSR plan. IPDC planted trees in the adjacent areas of its branches to highlight the compelling issue of safeguarding the Earth. We have also taken a one of a kind initiative of training children regarding tree plantation, rooftop farming, indoor plants, aquaculture, rooftop fish farming, insect museum with an aim to inspire a generation connected with Earth and conscious about the future of our planet, to ensure sustainable growth that lets both us and our future generation enjoy earth's resources responsibly.

Going Paperless

'Going Paperless' not only works well for the environment but can also save money, boost productivity, save space, make documentation and information sharing easier. Keeping the belief in mind, IPDC implemented Electronic Document System (eDoC) in 2017. This is an organization-wide virtual document archiving and file sharing system which will remove the need for preserving many paper-based documents and customer files which will reduce documentation risk, improve processing time, avoid duplication of efforts and save management time and money.

Optimizing our Operations to Reduce Footprint

As one of the largest Non-Banking Financial Institution, we are aware of the impact our operations have on our environment. We are therefore working hard to minimize the ecological footprint of our operations and our products IPDC is progressively moving away from pen and paper-based approach of doing banking transactions. We also encourage video-conferencing instead of face to face meetings with partners and we organize our townhalls through video conferencing with the branches outside the Capital.

Resource Conservation

Through effective use of resources, we can minimize our impact on the planet. IPDC aims to save electricity to help reduce CO₂ emissions and conserve fuel reserves, as well as save money. IPDC believes in taking simple yet imperative steps for saving electricity at the personal level. Regular campaigns are conducted at office spaces to create awareness about resource conservation.

Green Branch

To have a concentrated focus on green initiatives, IPDC anticipates opening a completely green and eco-friendly branch to pave the way for others financial institutions to follow as well. IPDC will ensure that all the possible steps are followed in the fulfilment of a green branch.

Green Financing

Bangladesh Bank is encouraging green financing through separate refinancing fund. This presents a good opportunity to strengthen our green financing activities. However, awareness is needed to be built up among borrowers, who may not realize the cost savings generated through going green and thus reluctant to invest upfront in sustainable technology.

Community for Promoting Green Ideas

Formed in 2017, IPDC Uchash Social Club is responsible for several social and environmental initiatives which were taken up such as Public transport day, Clean Workstation Day and so on. To amass all the moral ingenuities that could not be catered within the scopes of the organization, IPDC family takes it upon themselves in bringing changes and creating stories rather. IPDC is also the first ever organization to include voluntary hours in its job scope as well.

Outlook

Planned initiatives to increase the sustainability of our environment includes:

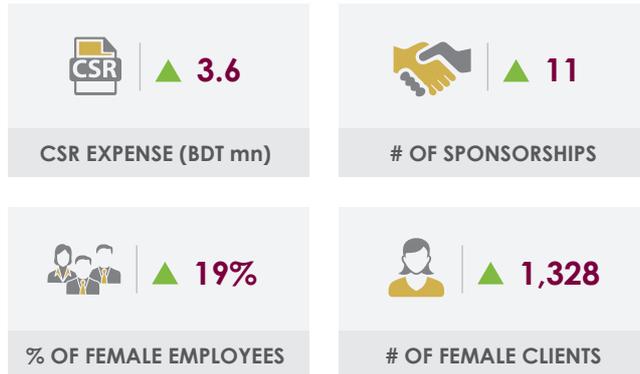
- Greater participation in community effort to bring down waste and promote green initiatives
- Initiating the idea of green branches
- Reduced paper usage through investing in IT infrastructure.
- Green financing through refinancing scheme

For more details on our initiatives regarding environmental sustainability:

Subject	Page Reference
Natural Capital	229-230
Environmental Initiatives	232
Green Banking	231

PEOPLE AND COMMUNITIES

Highlights



As a responsible corporate citizen, IPDC is focused on caring for its entire community - employees, customers and business partners; investors, analysts and shareholders; authorities and the media; and, of course, the local communities in which it operates

Diversity and inclusion

For IPDC, diversity and inclusion are priorities in all their aspects and on all levels. In terms of our workforce, we strive for a healthy gender balance. We are an equal opportunity employer and in 2018, our team expanded and diversified from different angles:

- Age: average age at 33 years.
- Size: expanded from 543 to 599 members.
- Gender: 19% female employees (of total employee base)

Education

To help the inhabitants of the char area to rise up and above the shackles, IPDC Finance built the Ucchash School from scratch. The school now fills up with the sound of vibrant kids who now dare to hope for a shining future, for their own lives and their nation.

Partner: Amal Foundation

Social Equality

IPDC Finance is committed to play its part in ensuring social equality. The company distributed sewing machines to empower the marginalized women, by making them self-sustainable and free them from the pressure of their owners. Moreover, IPDC Finance itself bears the monitoring costs to ensure the upgrade of their livelihood after bringing in a sustainable source of steady income. A workshop session was also organized aimed towards advising effective ways of stress

management and parenting which was targeted towards women working in corporate houses, so that the female professionals can be their most productive selves at work, while also managing their expectations at home.

Partner: Moner Bondhu, Lean-In Bangladesh

Sports

Sports has a unique way in engaging people from all over the world and bring them together. There are millions of kids who are aspiring to be the next great player and IPDC is enthralled to provide them an opportunity to show their talents. IPDC Finance signed a three-year partnership agreement with Narail Express Foundation (NEF) which envisions to provide all kind of support to ensure the state-of-the-art sports training facility in the Narail district.

Partner: Narail Express Foundation

Health & Safety

Health and safety initiatives have a leading role to play in building sustainable workforces within sustainable organizations for a sustainable world – protecting life and strengthening reputation, resilience and results. IPDC took the initiative of setting up public toilet for the better picture of the society. Our hygienic toilet maintenance is situated in Moghbazar Anudip CNG pump. IPDC worked with the street working students, giving them the basic disaster preparedness training in case of Earthquake and fire incidence. These trained students are expected to take up the forefront through leading their community to safety

Partner: EDUCO

Sponsorships

Our proactive sponsorship strategy helps us to stay in touch with the community while maximizing our impact to the society. We have a defined sponsorship strategy which aligns with our long-term vision for the business. In 2018, we sponsored events such as Bangladesh Supply Chain Excellence Awards for the first time in Bangladesh and created a platform that unites all stakeholders of supply chain, towards exploring the vast potential in the field of supply chain management. As a part of creating new entrepreneurs, we sponsored events like IPDC Uddokta Summit, a two-day long summit for the inspiring and aspiring entrepreneurs of the country. We also sponsored YEF Econprodigy as well as Global Student Entrepreneur Competition for encouraging entrepreneurial spirit among students.

Outlook

Planned initiatives in this focus area includes:

- Partnership with local and international organizations with known expertise in implementing social projects
- Increasing participation of women in our workforce
- Greater share of female clients attracted through preferential rates and superior service

For more details on our contribution towards people and communities:

Subject	Page Reference
Social Capital	211
CSR Initiatives	225
Sponsorships	222
Human Capital Statement	203
HR Accounting	208-210

SUSTAINABILITY SCORECARD

Performance Indicators	2017	2018
Customers		
Number of customers	4,204	6,385
Number of branches	12	12
Loans to corporate (BTD mn)	19,079.1	21,715.3
Loans to SME (BTD mn)	8,408.1	12,395.2
Loans to individuals (BTD mn)	6,979.8	10,214.8
Employees		
Permanent	362	423
Contractual	181	176
New recruitments	409	254
Attrition rate of permanent employee (%)	22%	23%
% of Female permanent employees (%)	18%	20%
Average training hours per headcount	37.5	19.2
Training expenditure per headcount	19,480.9	15,445.7
Employee salary and benefits (BTD mn)	296.4	396.4
Investors		
Revenue (BTD mn)	1,245.5	1,874.5
Operating profit (BTD mn)	672.7	1,122.9
Profit after tax (BTD mn)	335.4	450.0
Economic value added (BDT mn)	233.1	393.2
Market value added (BDT mn)	5,997.7	4,560.0
Dividends distributed (BTD mn)	303.0	363.6
Dividends declared (%)	20%	15%
Suppliers		
Total purchase of goods and services (BTD mn)*	226.6	287.0
Communities and Society		
CSR contribution (BTD mn)	4.6	3.6
Utility expense per square feet (BTD)	190	199
Printing & stationery expense per employee (BTD)	15,164	8,163
Fuel cost per employee (BDT)	22,370	20,258
Travelling expense per employee (BTD)	26,610	31,410
Regulators and Policy Makers		
Penalty for breach in compliance	-	-
Corporate tax to government (BTD mn)	324.4	604.3

* Excluding salary and depreciation

COMMITMENT TO SDG GOALS

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. These 17 Goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice among other priorities. For the goals to be reached, governments, the private sector, and civil society need to do their part. IPDC acknowledges its responsibility in contributing to these sustainable development goals (SDGs).

At IPDC, we believe that significant progress can be made in meeting many development challenges. Therefore, being in line with SDGs will in turn make sure a sustainable business growth of IPDC as well as have a positive impact on the overall socio-economic.



BUSINESS

● **Our Activities:**

- Affordable home loan
- Capacity development
- Creating entrepreneurs
- Sustainable business growth

● **SDG Goals:**

- No Poverty
- Zero Hunger
- Decent Work and Economic Growth
- Industry, Innovation and Infrastructure
- Peace, Justice and Strong Institutions



ENVIRONMENT

● **Our Activities:**

- Green financing
- Environmental initiatives
- Green branch
- Going paperless

● **SDG Goals:**

- Clean Water and Sanitation
- Responsible Consumption and Production
- Climate Action



PEOPLE & COMMUNITIES

● **Our Activities:**

- Special products for women
- Improving gender parity in workplace
- CSR Initiatives
- Partnering with development agencies

● **SDG Goals:**

- Good Health and Well-Being
- Quality Education
- Gender Equality
- Reduced Inequality
- Sustainable Cities and Communities



CREATING SUSTAINABLE VALUE FOR OUR STAKEHOLDERS

IPDC is aware of the impact of its activities at every stage of its operations and conducts regular dialogue with its stakeholders. The company enhanced its non-financial reporting disclosures to include sustainability reporting for the first time in our Annual Report 2016 and we continued to build on our efforts; so that stakeholders can gain insight into our approach for sustainability.

Stakeholder	How we engage our stakeholders	How we create value in long term
Customers	<ul style="list-style-type: none"> • Customer relationship teams • Micro marketing events • Print media • Social network 	<ul style="list-style-type: none"> • Ensuring safety of their deposits • Providing financial services fast and efficiently
Employees	<ul style="list-style-type: none"> • Team building events • Townhalls • Employee recreation club • Training programs 	<ul style="list-style-type: none"> • Ensuring a good work life balance • Career progression opportunities
Investors	<ul style="list-style-type: none"> • Annual general meeting • Postal service • Website • Print media 	<ul style="list-style-type: none"> • Higher returns on investment • Efficient risk management to optimize return • Transparent communication
Suppliers	<ul style="list-style-type: none"> • One-on-one meeting • Email • Verbal communication 	<ul style="list-style-type: none"> • Transparent procurement policy • Fast payment for services
Communities and Society	<ul style="list-style-type: none"> • Social media • Website • CSR initiatives 	<ul style="list-style-type: none"> • Optimizing resource usage in branches • Partnering with agencies for community development
Regulators and Policy Makers	<ul style="list-style-type: none"> • Meetings • Letters • Verbal communication • Email 	<ul style="list-style-type: none"> • On time regulatory reporting • Effective corporate governance

For more details on our stakeholder engagement

Subject	Page Reference
Identification of stakeholder	213
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Stakeholder Management	214

GRI STANDARD INDEX

IPDC is aware of the impact of its activities at every stage of its operations and conducts regular dialogue with its stakeholders. The company enhanced its non-financial reporting disclosures to include sustainability reporting for the first time in our Annual Report 2016 and we continued to build on our efforts; so that stakeholders can gain insight into our approach for sustainability.

GRI STANDARDS REFERENCE	DISCLOSURE	PAGE REFERENCE
GRI 102:	GENERAL DISCLOSURES	
ORGANISATIONAL PROFILE		
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102-3	Location of headquarters	33, 43
102-4	Location of operations	2, 43
102-5	Ownership and legal form	33, 35-36, 294-295
102-6	Markets served	41-43
102-7	Scale of the organization	2-4, 33, 210
102-8	Information on employees and other workers	200-210
102-9	Supply chain	143-144, 145
102-10	Significant changes to the organization and its supply chain	35-36
102-11	Precautionary principle or approach	Not Applicable
102-12	External initiatives	222-228
102-13	Membership of associations	34
STRATEGY		
102-14	A statement from the most senior decision-maker of the organization	5-23
102-15	Key impacts, risks, and opportunities	91-92, 117-120, 125-134, 150-153
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	
102-17	Mechanisms for advice and concerns about ethics	37
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102-18	Governance structure	115-116
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102-20	Executive-level responsibility for economic, environmental, and social and societal topics	202
102-21	Consulting stakeholders on economic, environmental, and social and societal topics	61
102-22	Composition of the highest governance body and its committees	29-30, 213-219
102-23	Chair of the highest governance body	53-58, 69, 71, 99
102-24	Nominating and selecting the highest governance body	71
102-25	Conflicts of interest	70
102-26	Role of highest governance body in setting purpose, values, and strategy	-
102-27	Collective knowledge of highest governance body	71
102-28	Evaluating the highest governance body's performance	69, 70-71
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102-30	Effectiveness of risk management processes	151-152, 230, 212
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GRI STANDARDS REFERENCE	DISCLOSURE	PAGE REFERENCE
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102-32	Highest governance body's role in sustainability reporting	-
102-33	Communicating critical concerns	-
102-34	Nature and total number of critical concerns	29
102-35	Remuneration policies	89, 99, 300
102-36	Process for determining remuneration	89, 300
102-37	Stakeholders' involvement in remuneration	89, 300
102-38	Annual total compensation ratio	-
102-39	Percentage increase in annual total compensation ratio	-
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	30, 213-219
102-41	Collective bargaining agreements	Not Applicable
102-42	Identifying and selecting stakeholders	28-30, 213
102-43	Approach to stakeholder engagement	213-219
102-44	Key topics and concerns raised	213-219
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	Not Applicable
102-46	Defining report content and topic boundaries	25-26
102-47	List of material topics	29
102-48	Restatements of information	Not Applicable
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	267
102-51	Date of most recent report	Annual Report 2017
102-52	Reporting cycle	267
102-53	Contact point for questions regarding the report	33
102-54	Claims of reporting in accordance with the GRI Standards	-
102-55	GRI content index	246
102-56	External assurance	34
GRI 103:		
103-1	Explanation of the material topic and its boundary	213-219
103-2	The management approach and its components	213-219
103-3	Evaluation of the management approach	-
GRI 201:		
201-1	Direct economic value generated and distributed	180, 220
201-2	Defined benefit plan obligations and other retirement plans	272
201-3	Financial assistance received from government	-
GRI 202:		
202-2	Proportion of senior management hired from the local community	-
GRI 203:		
203-1	Infrastructure investments and services supported	192, 307
GRI 205:		
205-1	Operations assessed for risks related to corruption	-
205-2	Communication and training about anti-corruption policies and procedures	210
GRI 206:		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None

GRI STANDARDS REFERENCE	DISCLOSURE	PAGE REFERENCE
GRI 301:	MATERIALS	
301-2	Recycled input materials used	-
GRI 302:	ENERGY	
302-1	Energy consumption within the organisation	29, 239
302-3	Energy intensity	-
302-4	Reduction of energy consumption	239
GRI 305:	EMISSIONS	
305-1	Direct (Scope 1) GHG emissions	-
305-2	Energy indirect (Scope 2) GHG emissions	-
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	-
GRI 308:	SUPPLIER ENVIRONMENTAL ASSESSMENT	
308-2	Negative environmental impacts in the supply chain and actions taken	-
GRI 401:	EMPLOYMENT	
401-1	New employee hires and employee turnover	205, 208-209
GRI 403:	OCCUPATIONAL HEALTH AND SAFETY	
403-1	Workers representation in formal joint management-worker health and safety committees	-
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	-
403-4	Health and safety topics covered in formal agreements with trade unions	Not Applicable
GRI 404:	TRAINING AND EDUCATION	
404-1	Average hours of training per year per employee	210
404-2	Programmes for upgrading employee skills and transition assistance programmes	206, 209-210
404-3	Percentage of employees receiving regular performance and career development reviews	-
GRI 405:	DIVERSITY AND EQUAL OPPORTUNITY	
405-1	Diversity of governance bodies and employees	69, 70, 89, 209-210, 241
GRI 408:	CHILD LABOR	
408-1	Operations and suppliers at significant risk for incidents of child labour	None
GRI 409:	FORCED OR COMPULSORY LABOR	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	None
GRI 414:	SUPPLIER SOCIAL ASSESSMENT	
414-2	Negative Social and societal impacts in the supply chain and actions taken	-
GRI 416:	CUSTOMER HEALTH AND SAFETY	
416-1	Assessment of the health and safety impacts of product and service categories	-
GRI 417:	MARKETING AND LABELING	
417-1	Requirements for product and service information and labelling	Not Applicable

Sustainable Business



In the Making of
the **Success Story**





IPDC Finance Limited
DECLARATION BY CEO AND CFO

Date: 6 February 2019
The Board of Directors
IPDC Finance Limited
Hosna Centre (4th Floor),
106 Gulshan Avenue, Dhaka 1212

Subject: Declaration on Financial Statements for the year ended on 31 December 2018

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/80 Dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of IPDC Finance Limited for the year ended on 31 December 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- (i) We have reviewed the financial statements for the year ended on 31 December 2018 and that to the best of our knowledge and belief:
 - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (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 in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



Mominul Islam
Managing Director & CEO



Benazeer Ahmed
Chief Financial Officer

FINANCIAL STATEMENTS



Hoda Vasi Chowdhury & Co Chartered Accountants

Independent Auditor's Report to the Shareholders of IPDC Finance Limited Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IPDC Finance Limited (the "Company"), which comprise the balance sheet as at 31 December 2018 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	Our response to key audit matters
Measurement of provision for loans, advances and leases	
<p>The process for estimating the provision for loans, advances and leases portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis for large exposure, provisions calculation consider the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis of exposure on portfolio basis, provision calculation and reporting are manually processed that deals with voluminous databases, assumptions and estimates.</p> <p>At year end the Company reported total gross loans, advances and leases of BDT 44,325,273,003 (2017: BDT 34,466,955,374) and provision for loans and advances of BDT 648,174,156 (2017: BDT 384,780,931).</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> Credit appraisal, loan disbursement procedures, monitoring and provisioning process; Identification of loss events, including early warning and default warning indicators; Reviewed quarterly Classification of Loans (CL); <p>Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> Reviewed the adequacy of the general and specific provisions in line with related Bangladesh Bank guidelines; Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
See note no 8 and 14 to the financial statements	

**Hoda Vasi
Chowdhury & Co**

Impairment assessment of unquoted investments	
In the absence of a quoted price in an active market, the fair value of unquoted shares and bonds, especially any impairment is calculated using valuation techniques which may take into consideration direct or indirect unobservable market data and hence require an elevated level of judgment.	<p>We have assessed the processes and controls put in place by the Company to ensure all major investment decisions are undertaken through a proper due diligence process</p> <p>We tested a sample of investments valuation as at 31 December 2018 and compared our results to the recorded value.</p> <p>Finally we assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</p>
See note no 7 to the financial statements	
Revaluation of property, plant and equipment	
During the year ended 31 December 2018, the company has undertaken revaluation of its land and building. As a result of this revaluation exercise, the fair value of land and building have increased by Tk 150,195,033 and Tk 75,145,543 respectively. Determination of fair value in absence of any quoted price and active market require significant judgement.	<p>We assessed the process of revaluation taken by the company.</p> <p>We reviewed revaluation report of the independent valuer along with relevant documents.</p> <p>We checked related accounting treatments of fair value gain and associated deferred tax as recognized by the Company.</p>
See note no 9 and 18 to the financial statements	
IT systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.	<p>We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting.</p> <p>We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.</p> <p>We tested the Company's periodic review of access rights and reviewed requests of changes to systems for appropriate approval and authorization.</p> <p>We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p>

Reporting on other information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information obtained prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Hoda Vasi
Chowdhury & Co****Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls**

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs as explained in note 2, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Hoda Vasi
Chowdhury & Co****Report on other Legal and Regulatory Requirements**

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, we also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditures incurred were for the purpose of the Company's business for the year;
- (v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (ix) statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and other duties were collect to be and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- (xi) nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xiii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- (xiv) the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1,200 person hours for the audit of the books and accounts of the Company;
- (xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- (xvii) the Company has complied with the 'First Schedule' of Bank Companies Act, 1991 in preparing these financial statements; and
- (xviii) all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dhaka, 10 February 2019


Chartered Accountants

BALANCE SHEET

as at 31 December 2018

	Note	2018 Taka	2017 Taka
Property and assets			
Cash	5		
In hand (including foreign currencies)		395,000	370,000
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		487,078,154	376,472,857
		487,473,154	376,842,857
Balance with other banks and financial institutions	6		
Inside Bangladesh		3,271,928,101	2,903,301,362
Outside Bangladesh		-	-
		3,271,928,101	2,903,301,362
Money at call and short notice		-	-
Investments	7		
Government securities		-	-
Other investments		868,808,367	662,732,580
		868,808,367	662,732,580
Loans, advances and leases	8		
Loans, cash credits, overdrafts, etc.		44,325,273,003	34,466,955,374
Bills purchased and discounted		-	-
		44,325,273,003	34,466,955,374
Fixed assets including land, building, furniture and fixture	9	545,053,212	267,048,183
Other assets	10	1,008,892,664	608,309,595
Non banking assets	11	3,752,405	3,752,405
Total assets		50,511,180,906	39,288,942,356
Liabilities and capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	12	5,916,890,787	4,214,082,142
Deposits and other accounts	13		
Current accounts and other accounts		-	-
Bills payable		-	-
Savings deposits		-	-
Term deposits		37,066,078,306	29,746,862,008
Bearer certificate of deposits		-	-
Other deposits		-	-
		37,066,078,306	29,746,862,008
Other liabilities	14	3,776,284,442	2,217,459,284
Total liabilities		46,759,253,535	36,178,403,434
Shareholders' equity			
Paid up capital	15	2,181,608,160	1,818,006,800
Share premium	16	167,014,000	167,014,000
Statutory reserve	17	550,461,309	460,460,662
Assets revaluation reserve	18	310,864,292	120,483,652
Retained earnings	19	541,979,610	544,573,808
Total shareholders' equity		3,751,927,371	3,110,538,922
Total liabilities and shareholders' equity		50,511,180,906	39,288,942,356

	Note	2018 Taka	2017 Taka
Off-balance sheet items			
Contingent liabilities			
Acceptances and endorsements	20	-	-
Letters of guarantee		105,148,614	76,890,865
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
Total contingent liabilities		105,148,614	76,890,865
Other commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		-	-
Total off-balance sheet items including contingent liabilities		105,148,614	76,890,865
Net Assets Value (NAV) per share	43	17.20	14.26

The annexed notes from 1 to 47 and Annexures A,B and C are an integral part of these financial statements.



Chairman



Director



Managing Director & CEO



Company Secretary

As per our report of same date.

Dhaka, 10 February 2019

Hoda Vasi Chowdhury
Hoda Vasi Chowdhury & Co
Chartered Accountants
HVC

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2018

Particulars	Note	2018	2017
		Taka	Taka
Interest income	22	5,080,019,093	2,991,122,584
Less: Interest paid on deposits and borrowings, etc.	23	3,381,689,412	1,918,530,631
Net interest income		1,698,329,681	1,072,591,953
Investment income	24	63,347,080	65,463,411
Commission, exchange and brokerage	25	89,224,663	82,161,056
Other operating income	26	23,632,007	25,291,114
Total operating income		1,874,533,431	1,245,507,534
Salary and allowances	28	382,732,193	284,838,827
Rent, taxes, insurance, electricity, etc.	29	43,444,674	32,636,022
Legal expenses	30	41,936,136	19,400,067
Postage, stamp, telecommunications, etc.	31	9,160,192	7,274,963
Stationery, printing, advertisements, etc.	32	101,248,787	111,818,455
Managing Director's salary and allowances	33	13,679,676	11,554,496
Directors' fees	34	2,409,361	2,785,591
Auditors' fees	35	540,500	678,500
Charges on loan loss		-	-
Depreciation and repair of assets	36	68,212,215	49,842,359
Other expenses	37	88,252,460	51,981,149
Total operating expenses		751,616,194	572,810,429
Profit before provision		1,122,917,237	672,697,105
Provision for loans and advances	38	263,393,225	158,288,646
Provision for diminution in value of investments	39	(1,045,775)	665,214
Other provisions		-	-
Total provision		262,347,450	158,953,860
Profit before tax		860,569,787	513,743,245
Provision for taxation			
Current tax	14.4	406,187,365	176,707,827
Deferred tax	40	4,379,185	1,610,115
Net profit after tax		450,003,237	335,425,303
Appropriations			
Statutory reserve	17	90,000,647	67,085,061
General reserve		-	-
Proposed dividend		-	-
		90,000,647	67,085,061
Retained surplus		360,002,590	268,340,242
Earnings per share (EPS)	41	2.06	1.54

The annexed notes from 1 to 47 and Annexures A,B and C are an integral part of these financial statements.



Chairman



Director



Managing Director & CEO



Company Secretary

As per our report of same date.

Dhaka, 10 February 2019


Hod Vasi Chowdhury & Co
Chartered Accountants
HVC

CASH FLOW STATEMENT

for the year ended 31 December 2018

	Note	2018 Taka	2017 Taka
A) Cash flows from operating activities			
Interest received		5,126,780,043	2,993,769,049
Interest paid		(2,825,424,863)	(1,645,056,246)
Dividend received		35,914,111	27,686,721
Fee and commission received		89,224,663	82,161,056
Recoveries of loan previously written off		20,689,836	24,135,000
Payment to employees		(400,177,834)	(292,627,358)
Payment to suppliers		(275,395,890)	(268,631,227)
Income taxes paid		(281,745,290)	(135,257,010)
Receipt from other operating activities		954,511	1,128,929
Payment for other operating activities		-	-
Cash generated from/(used in) operating activities before changes in operating assets and liabilities		1,490,819,287	787,308,914
Changes in operating assets and liabilities			
Statutory deposits		-	-
Sale of trading securities		-	-
Loans and advances to other banks		17,997,600	106,649,072
Loans and advances to customers		(9,876,315,228)	(15,093,009,356)
Other assets		(41,868,860)	(4,294,343)
Deposits from other banks and financial institutions		2,410,387,500	3,940,000,000
Deposits from customers		4,908,828,798	8,627,671,592
Other liability accounts of customers		-	-
Trading liabilities		85,774,406	1,896,583,218
Other liabilities		166,178,999	148,738,583
Cash received/(paid) from operating assets and liabilities		(2,329,016,785)	(377,661,234)
Net cash from operating activities		(838,197,498)	409,647,680
B) Cash flows from investing activities			
Proceeds from sale of securities		-	-
Payments for purchase of securities		(206,075,787)	(97,000,000)
Net increase in purchase of property, plant and equipment		(100,220,972)	(67,344,490)
Sale proceeds of property, plant and equipment		6,706,067	29,200
Net cash (used in)/ from investing activities		(299,590,692)	(164,315,290)
C) Cash flows from financing activities			
Receipts from issue of loan and debt securities		535,062,759	472,239,248
Payments for redemption of loan and debt securities		-	-
Receipts from issue of ordinary share		-	-
Receipts/(payments) of long term loan		1,081,971,476	703,810,735
Dividends returned/ (paid) in cash		10,991	(6,220)
Net cash (used in)/ from financing activities		1,617,045,226	1,176,043,763
D) Net increase in cash (A+B+C)		479,257,036	1,421,376,153
E) Effect of changes in exchange rate over cash and cash equivalents		-	-
F) Cash and cash equivalents at 1 January		3,280,144,219	1,858,768,066
G) Cash and cash equivalents as at 31 December (D+E+F)		3,759,401,255	3,280,144,219
Net operating cash flow per share	44	(3.84)	1.88

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Particulars	Paid up capital	Statutory reserve	Share premium	Assets revaluation reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 1 January 2018	1,818,006,800	460,460,662	167,014,000	120,483,652	544,573,808	3,110,538,922
Surplus/(deficit) on account of revaluation of assets	-	-	-	225,340,576	-	225,340,576
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-
Transfer of revaluation reserve due to excess depreciation on building	-	-	-	(1,004,572)	1,004,572	-
Deferred tax liability	-	-	-	(33,955,364)	-	(33,955,364)
Currency translation differences	-	-	-	-	-	-
Net gain/(loss) not recognised in the profit and loss account	-	-	-	-	-	-
Net profit for the year 2018	-	-	-	-	450,003,237	450,003,237
Dividend	-	-	-	-	-	-
Issuance of bonus share	363,601,360	-	-	-	(363,601,360)	-
Issuance of share capital	-	-	-	-	-	-
Appropriation during the year	-	90,000,647	-	-	(90,000,647)	-
Balance as at 31 December 2018	2,181,608,160	550,461,309	167,014,000	310,864,292	541,979,610	3,751,927,371
Balance as at 31 December 2017	1,818,006,800	460,460,662	167,014,000	120,483,652	544,573,808	3,110,538,922

LIQUIDITY STATEMENT

(ASSETS AND LIABILITIES MATURITY ANALYSIS)
 as at 31 December 2018

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets						
Cash in hand (including balance with Bangladesh Bank)	487,473,154	-	-	-	-	487,473,154
Balance with other banks and financial institutions	1,279,326,431	979,520,000	1,013,081,670	-	-	3,271,928,101
Money at call and short notice	-	-	-	-	-	-
Investments	-	-	125,631,250	478,517,717	264,659,400	868,808,367
Loans and advances	4,771,858,184	7,228,368,699	8,089,257,054	18,525,513,952	5,710,275,114	44,325,273,003
Fixed assets including land, building, furniture and fixture	-	-	-	-	545,053,212	545,053,212
Other assets	-	-	-	-	1,008,892,664	1,008,892,664
Non banking assets	-	-	3,752,405	-	-	3,752,405
Total assets	6,538,657,769	8,207,888,699	9,231,722,379	19,004,031,669	7,528,880,390	50,511,180,906
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	1,022,970,194	535,756,523	2,208,634,030	2,109,530,040	40,000,000	5,916,890,787
Deposits	4,729,710,310	7,307,861,406	5,877,713,133	6,828,699,635	12,322,093,823	37,066,078,307
Other accounts	-	-	-	-	-	-
Provision and other liabilities	519,371,440	274,936,876	655,289,901	304,628,434	2,022,057,790	3,776,284,441
Total liabilities	6,272,051,944	8,118,554,805	8,741,637,064	9,242,858,109	14,384,151,613	46,759,253,535
Net liquidity gap	266,605,825	89,333,894	490,085,315	9,761,173,560	(6,855,271,223)	3,751,927,371



NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

1. Reporting entity

1.1 Company profile

With a mandate to promote economic growth in the country, IPDC Finance Limited (Formerly named as Industrial Promotion and Development Company of Bangladesh Limited) hereinafter also referred as "IPDC" or the "Company" was incorporated in Bangladesh in 1981 as the premier private sector long term lending institution with the Registrar of Joint Stock Companies and Firms, Dhaka. The Company also registered itself as a financial institution under the Financial Institutions Act, 1993 on 7 February 1995. The registered office of the Company is situated at Hosna Center (4th Floor), 106 Gulshan Avenue, Dhaka, Bangladesh. The Company became a listed company on 3 December 2006 with both the Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh. The Company has twelve branch offices located at Gulshan, Dhanmondi, Motijheel, Uttara, Chittagong, Narayanganj, Bogra, Gazipur, Sylhet, Comilla, Mymensingh and Jessore.

1.2 Nature of business

The Company specialises in providing long term and short term financing, project financing, lease financing, supply chain finance, work order finance, mortgage finance, equity financing, syndication finance and Small & Medium Enterprises (SME), asset backed securitisation and related consultancies. The Company also started retail business to increase its activities in retail segment including consumer white goods financing.

2. Basis of preparation

2.1 Statement of compliance

The Financial Reporting Act, 2015 (FRA) has been enacted during the year 2015. Under the FRA, the Financial Reporting Council (FRC) is to be formed and it is empowered to issue financial reporting standards for public interest entities such as Financial Institutions (FIs). The Financial Institutions Act, 1993 has been amended as required to comply for the preparation of their financial statements under such financial reporting standards. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence International Financial Reporting Standards (IFRS) as adopted in Bangladesh are still applicable.

Accordingly, the financial statements of the Company continue to be prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Financial Institutions Act, 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act, 1994, the Securities and Exchange Rules 1987. In case of any requirement of the Financial Institutions Act, 1993, and circulars issued by Bangladesh Bank, which differ with those of IFRSs, the requirements of the Financial Institutions Act, 1993, and circulars issued by Bangladesh Bank shall prevail. The financial statements have been prepared on historical cost basis except for land and building which are presented/stated at revalued amount. The Board of Directors has authorised these financial statements on 10 February 2019.

2.2 Disclosure of departure from few requirements of IASs/IFRSs due to mandatory compliance of Bangladesh Bank's requirements:

Bangladesh Bank is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations differ with the requirements of IASs/IFRSs. As such the Company has departed from those contradictory requirements of IASs/IFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below; along with financial impact where applicable.

S.L	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 "Presentation of Financial Statements"	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular# 11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement.	Presentation of financial statements is not fully aligned with all requirements of IAS.
2	Current / Non-current distinction	IAS 1 "Presentation of Financial Statement"	As per Para 60 of IAS-1 "Presentation of Financial statement" An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular-11, Date-23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non current segmentation of assets and liabilities.	Presentation of financial statements is not fully aligned with all requirements of the IAS. Moreover, the liquidity statement shows the current/non-current portion of assets and liabilities in this regards.
3	Off-balance sheet items	IAS 1 "Presentation of Financial Statement"	There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular-11, Date-23 December 2009, off balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Presentation of financial statements is not aligned with requirements of the IAS 1. There is no financial impact for this departure in the financial statements.
4	Off-balance sheet items	IAS 1 "Presentation of Financial Statement"	There is no concept of non banking assets items in any IFRS; hence there is no requirement for disclosure of non banking assets items on the face of the balance sheet.	As per DFIM Circular-11, Date-23 December 2009, non banking assets must be disclosed separately on the face of the balance sheet.	Presentation of financial statements is not aligned with requirements of the IAS 1. There is no financial impact for this departure in the financial statements.
5	Complete set of financial statements	IAS 1 "Presentation of Financial Statement"	As per IAS 1 "Presentation of Financial Statements" complete set of financial statements are i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash	As per DFIM Circular-11, Date-23 December 2009, complete set of financial statements are i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi)	Presentation of financial statements is not aligned with requirements of the IAS 1. There is no financial impact for this

S.L	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
			flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	notes, comprising significant accounting policies and other explanatory information.	departure in the financial statements.
6	Intangible asset	IAS 1 "Presentation of Financial Statements"	As per IAS 1 "Presentation of Financial Statements" para 54 the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular-11, Date-23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure- A as separate line item.	Presentation of financial statements is not aligned with requirements of the IAS 1. There is no financial impact for this departure in the financial statements.
7.	Presentation of cash and cash equivalent	IAS 7 "Statement of Cash Flows"	"Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations."	"Bangladesh Bank has issued templates for financial statements vide DFIM Circular# 11 dated December 23, 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements provided detail of presentation of statement cash flows."	Presentation of financial statements is not fully aligned with the requirements of IAS. Thus items which should be presented as "investment activities-Balance with Bangladesh Bank (BB)" as per IAS is shown as cash & cash equivalent.
8.	Measurement of deferred tax asset	IAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7 dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against lease, loans and advances.	During this year net provision charged for loan and advances was BDT 262.34 million and deferred tax assets of BDT 98.37 not recognised on this temporary difference as per BB circular.
9.	Preparation of "Statement of Cash Flows"	IAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular-11, Date-23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Presentation of financial statements is not fully aligned with all requirements of the IAS.
10.	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	IFRS 9 "Financial Instruments"	IFRS: As per IFRS 9 an entity shall recognise an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans	"As per FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013, a general provision at 0.25% to 5% under different categories of unclassified loan	In Financial Statements, provision has been kept for 2018 equivalent to BDT 263.39 million as per

S.L	Nature of Departure	Title of IFRS	Treatment of IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
			and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 month expected credit losses.	(good/standard loans) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances. Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue."	Bangladesh Bank guidelines among which BDT 102.85 million is general provision on good loan. Also, as at 31 December 2018, accumulated provision for lease, loan and advances stand at BDT 664.64 million.
11.	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	As per requirements of IFRS 9: classification and measurement of investment in shares and securities will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Based on these factors it would generally fall either under "at fair value through profit and loss account" or under "at fair value through other comprehensive income" where any change in the fair value (as measured in accordance with IFRS 13) at the year-end is taken to profit and loss account or other comprehensive income respectively.	As per FID circular No. 08 dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.	During this year there is no impact in the financial statements due to this departure as the net assets value is higher than cost for all unlisted equity investment and full provision was kept for the listed equity investment.
12.	Recognition of interest income for SMA and classified lease, loans and advances	IFRS 9 "Financial Instruments"	IFRS: Loans and advances to customers are generally classified at amortised cost as per IFRS 9 and interest income is recognised by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently become credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.	As per FID circular No. 03, dated 03 May 2006, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	At year end, interest suspense account has increased to BDT 135.06 million from 37.26 million resulting increase of BDT 97.8 million of interest suspense. This amount has been shown as other liabilities in note 14.2.
13.	Presentation and disclosure of Financial Statements and Financial Instruments	IFRS 9 "Financial Instruments"	IFRS 9 require specific presentation and disclosure relating to all financial instruments.	As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IFRS 9. As such some disclosure and presentation requirements of IFRS 9 have not been made in the accounts.	Presentation of financial statements is not fully aligned with all requirements of IAS.

2.3 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (BDT/Taka/Tk.) currency which is the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of these financial statements in conformity with International Financial Reporting Standards (IFRSs) 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect in the year ending 31 December 2018 is included in the following notes:

- a) Note 10.1.2 Deferred tax assets
- b) Note 14.1 Cumulative provision for loans, advances and investments
- c) Note 14.3 Measurement of defined benefit obligation (provision for gratuity)
- d) Note 14.4 Provision for corporate tax
- e) Note 14.8 Provision for expenses
- f) Note 14.9 Deferred tax liabilities
- g) Note 18 Assets revaluation reserve
- h) Note 20 Letters of guarantee (contingent liabilities)
- i) Note 36.1 Depreciation and amortisation

2.5 Going concern

The Company has adequate resources to continue its 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.

2.6 Materiality and aggregation

Each material item considered by management as significant has been presented separately in the financial statements. No amount has been set off unless the Company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.7 Branch accounting

The Company has twelve branches, having no overseas branch as at 31 December 2018. Accounts of the branches are maintained at the head office from which these financial statements are drawn up.

2.8 Reporting period

The financial period of the Company was determined from 1 January to 31 December each year and is followed consistently.

2.9 Directors' responsibility statement

The Board of Directors is responsible for the preparation and presentation of the financial statements under section 183 of the Companies Act, 1994 and as per the provision of 'The Framework for the Preparation and Presentation of Financial Statements'.

2.10 Consistency

In accordance with the IFRS framework for the presentation of the financial statements together with IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the Company applies the 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 in accordance with the requirement of IAS 8. The Company has applied the same accounting and valuation principles for the year 2018 as in financial statements for 2017.

3 Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Lease finance

As per IAS 17: Leases, the transactions for leasing operation have been recorded under finance lease method of accounting since all the risks and rewards associated with ownership of the assets leased to lessee under agreements are transferred substantially other than the legal title and all leases are full pay-out leases.

The aggregate lease receivables including un-guaranteed residual value throughout the primary lease term are recorded as gross lease receivables while the excess of gross lease receivables over the total acquisition costs including interest during the period of acquiring the lease asset, constitutes the unearned lease income. Initial direct costs, if any, in respect of lease are charged in the period in which such costs are incurred.

The unearned lease income is usually amortised to revenue on a monthly basis over the lease term yielding a constant rate of return over the period. Unrealised income is suspended where necessary in compliance with the requirements of relevant circular issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank.

3.2 Direct finance

Direct finance operation consists of short-term finance and long-term finance, accounts for which are maintained based on accrual method of accounting. Outstanding loans for short-term finance and unrealised principal for long-term finance, auto loan, home loan and other finances are accounted for as direct finance assets of the Company. Interest earnings are recognised as operational revenue periodically.

3.3 Investments

Investment comprises of investment in equity, corporate bond and government securities. Investment in equity is classified broadly in three categories and investment in government securities is classified into held for trading and held to maturity.

3.3.1 Investment in equity

3.3.1.1 Unlisted shares

Equity finance consists of equity participation in the form of unlisted ordinary shares recognised at cost. Adequate provision is maintained, if required, for diminution in value of shares as per the latest available audited financial statements as on the closing of the period on an individual investment basis.

3.3.1.2 Listed shares

Investments in cumulative marketable ordinary shares held for trading or held for dividend income are shown under other assets. These are reported at cost and adequate provision is made for excess of cost over market value of the shares. Unrealised gains are not recognised in the profit and loss account.

3.3.1.3 Preference shares

Investment in cumulative preference shares has been reported at cost and dividend income is recognised in the profit and loss account on accrual basis and considered as operational revenue.

3.3.2 Investment in Government securities

3.3.2.1 Held to maturity

Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the intention and ability to hold to maturity. Where the Company want to sell other than an insignificant amount of such assets, the entire category would be reclassified as held for trading.

3.3.2.2 Held for trading

Investments classified in this category are acquired principally for the purpose of selling or repurchasing in short term trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any changes in fair value is recognised in the profit and loss account for the period in which it arises.

3.4 Revenue recognition

3.4.1 General

As per IFRS 15: *Revenue from Contracts with Customers*, an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

3.4.2 Lease income

The excess of aggregate rentals receivable over the cost of the leased asset constitutes the total unearned lease income. The unearned lease income is recognised as revenue on accrual basis over the terms of the lease. However, lease income against classified and Special Mention Account (SMA) is not recognised as revenue but transferred to interest suspense account as per Bangladesh Bank circulars and directives.

3.4.3 Dividend income

3.4.3.1 Listed and unlisted shares

Dividend income against listed and unlisted equity investment is recognised when the shareholders' legal right to receive payments has been established i.e. during the period in which dividend is declared in the Annual General Meeting.

3.4.3.2 Preference shares

Dividend income on cumulative preference shares is recognised on accrual basis.

3.4.3.3 Gain on sale of shares

Capital gain on sale of shares listed in the stock exchanges is recognised only when such gain is realised through the shares selling in the market.

3.4.4 Interest on long term finance and short term finance

Interest on long term finance and short term finance is recognised as revenue on accrual basis. However, interest income on Special Mention Account (SMA) and classified finance is not recognised as income but credited to interest suspense account as per Bangladesh Bank circulars and directives.

3.4.5 Interest on secured lending

Interest on secured lending is recognised as revenue on accrual basis.

3.4.6 Fee based revenue

Fee based revenue is recognised as income on cash basis.

3.4.7 Grant income

As per IAS 20: *Accounting for Government Grants and Disclosure of Government Assistance*, grant is recognised only when there is reasonable assurance that (a) the company will comply with any conditions attached to the grant and (b) the grant will be received. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, is recognised as income in the period in which it is receivable. Any grant received against any capital expense is recognised as deferred income and is subsequently adjusted with depreciation expense over the period of the assets.

3.5 Interest suspense

Lease income as well as interest income on long term finance, short term finance, lease finance, channel finance, auto loan etc. under category of classified and Special Mention Account (SMA) are not recognised as revenue but credited to interest suspense account.

3.6 Fixed assets including land, building, furniture and fixture

3.6.1 Own assets

Fixed assets except land and building are stated at cost less accumulated depreciation and accumulated impairment losses, if any. On the other hand, land and building are stated under revaluation model. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes as per IAS 16: Property, plant and equipment.

3.6.2 Subsequent expenditure on fixed assets including land, building, furniture and fixture

Subsequent expenditure is capitalised only when it increases the future economic benefit from the assets. All other expenditures are recognised as expense as and when they are incurred.

3.6.3 Depreciation/amortisation on fixed assets including land, building, furniture and fixture

Depreciation is provided to allocate the cost of the assets after commissioning over the period of their expected useful life, in accordance with the provisions of IAS 16: Property, plant and equipment. Full month's depreciation is charged on additions irrespective of date when the related assets are put into use and no depreciation is charged on the month of disposal. Depreciation is calculated on the cost of assets in order to write off such cost over the estimated useful life of such asset. Depreciation/amortisation has been provided at the following rates on straight line basis for current and comparative period:

	Useful life (years)
Building	34*
Motor vehicles	5
Furniture and fixture	8
Equipment and appliances	5
Software	5

*The remaining useful life of building after revaluation.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3.6.4 Impairment

The carrying amount of the entity's non banking assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. However, no such conditions that might be suggestive of a heightened risk of impairment existed at the reporting date.

3.6.5 Disposal of fixed assets including land, building, furniture and fixture

On disposal of item of fixed assets including land, building, furniture and fixture, gain or loss on such disposal is reflected in the profit and loss account as non-operating income or loss.

3.6.6 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Such assets are measured at the lower of their carrying amount and fair value less cost to sell, as per IFRS: 5 Non-current Assets Held for Sale and Discontinued Operations.

3.7 Intangible assets

The intangible assets comprise the value of accounting software licensed for the Company, other than software applied to the operating systems of computers. An intangible asset is recognised if it is probable that future

economic benefits that are attributable to the asset will flow to the Company over a period of time and the cost of the asset can be measured reliably as per IAS 38: Intangible Assets. Intangible assets acquired separately are recorded on initial recognition at costs and are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

3.7.1 Subsequent expenditure on intangible assets

Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefit from the assets. All other expenditures are recognised as expense as and when they are incurred.

3.7.2 Amortisation of intangible assets

Intangible assets are amortised on straight line basis to the profit and loss account from the date when the asset is available for use over its estimated useful life. Intangible assets i.e. acquisition cost of softwares are amortised within five years of acquisition.

3.8 Borrowing costs

All borrowing costs are recognised as expense in the period in which they are incurred in accordance with the IAS 23: *Borrowing Costs*.

3.9 Foreign currency translation

Transactions in foreign currencies are translated to BDT at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the end of the period. Resulting exchange differences are recognised in the profit and loss account.

3.10 Income tax expenses

Income tax expense comprise current and deferred tax.

3.10.1 Current tax

Provision for current tax has been made on the basis of the profit of the year as adjusted for taxation purposes in accordance with the provisions of Income Tax Ordinance, 1984 and amendments made thereto from time to time. The Company's current tax liability is calculated using tax rate (current tax rate is 37.5%) that is applicable on the reporting date, and any adjustments to tax payable in respect of previous years.

3.10.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- b) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- c) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

3.11 Provision for loans, advances and investments

Provision for loans, advances and investments is an estimate of the losses that may be sustained in the investment portfolio. The provision is based on two principles (1) IFRS 9: *Financial Instruments* and (2) Bangladesh Bank guidelines. The 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 no. 08 dated 3 August 2002 and FID circular no. 03 dated 3 May 2006 as the bases for calculating the provision for loans, advances and investments.

3.11.1 Write off of loans, advances and investments

In compliance with Bangladesh Bank DFIM circular no. 3 dated 8 April 2015, loans, advances and investment are written off to the extent that (i) there is 100% provision is maintained (ii) against which legal cases are pending and (iii) prior approval of board is required for write off. The item's potential return is thus cancelled and removed ("written off") from the Company's balance sheet. However, these write off will not undermine or affect the claim amount against the borrower. Recovery against the written off is credited to other operational income. Income is recognised where amounts are either recovered and/or adjusted against securities/properties or advances there against or are considered recoverable.

3.12 Employee benefits

3.12.1 Defined contribution plan

The Company operates a contributory provident fund scheme for its permanent employees. Provident Fund is administered by a Board of Trustees and is funded by contributions equally from the permanent employees and from the Company @ 10% of basic salary of the employees. The contributions are invested to ensure optimum return to the employees.

3.12.2 Defined benefit plan

The Company operates an funded gratuity scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of six month continuous service with the Company from the date of joining. 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 year and one & half month basic pay for more than ten years. The Company has provided for the same in the financial statements accordingly.

3.12.3 Short-term benefit

Short-term employee benefit (salary, bonus etc.) obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.12.4 Other employee benefit obligation

The Company operates a group life insurance and hospitalisation insurance schemes for its permanent employees.

3.13 Accrued expenses, provisions and payables

Liabilities are recognised for goods and services received, whether paid or not, for those goods and services. Payables are not interest bearing and are stated at their actual value.

Provisions and accrued expenses are recognised in the financial statements when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be probable to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.14 Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, cash at bank and term deposits that are readily convertible to a known amount of cash and that are subject to an insignificant risk of change in value.

3.15 Cash flow statement

Cash flow statement has been prepared in accordance with the IAS 7: Statement of Cash Flows under direct method as recommended in the DFIM circular no. 11 dated 23 December 2009 issued by the Department of Financial Institutions and Markets (DFIM) of Bangladesh Bank.

3.16 Earnings per share (EPS)

The Company presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4. General

4.1 Related party disclosure

As per IAS 24: *Related Party Disclosures*, parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties.

4.2 Litigation

The Company is not a party to any material law suits except those arising in the normal course of business. The Company has filed necessary law suits against some of the default clients for non-performance in loans and advances repayment. The Company, however, has made adequate provision against such doubtful finances.

4.3 Guarantees, commitments and contingencies

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

4.4 Statutory reserve

As per Financial Institution Regulations, 1994, Non-Bank Financial Institutions (NBFIs) are required to transfer 20% of its post tax profit to statutory reserve before declaration of dividend. This requirement has been properly complied with.

4.5 Borrowings from other banks, financial institutions and agents

Borrowings include short term and long term borrowings from banks and non-bank financial institutions. These are stated at amounts outstanding on the reporting date. Interest expense on these borrowings is charged to the profit and loss account on accrual basis.

4.6 Dividend payments

Proposed dividends are not recognised as a liability in the balance sheet in accordance with IAS 10: *Events After the Reporting Period*.

4.7 Risk management

Risk is defined as uncertainties resulting in adverse variation of profitability or in losses, financial or otherwise. The risk management of the Company covers core risk areas of credit risk, liquidity risk, market risk that includes foreign

exchange risk, interest rate risk, equity risk, operational risk and reputation risk. The objective of the risk management is that the Company evaluates and takes well calculative business risks and thereby safeguarding the Company's capital, its financial resources and profitability from various risks.

4.7.1 Credit risk

Credit risk is the risk of loss that may occur from the default of any counterparty to repay in accordance with agreed terms and conditions and/or deterioration of creditworthiness. Board of Directors is the apex body for credit approval of the company. However, they delegate authority to the Managing Director & CEO or other officers. The Board also sets credit policies to the management for setting procedures, which together has structured the CRM framework in the company. The Credit Manual contains the core principles for identifying, measuring, approving and managing credit risk in the company. The policy covers corporate, retail, Small and Medium Enterprise (SME) exposures. Policies and procedures together have structured and standardised CRM process both in obligor and portfolio level. There is a comprehensive credit appraisal procedure that covers industry/business risk, management risk, financial risk, facility structure risk, security risk, environmental risk, reputational risk, and account performance risk.

4.7.2 Operational risk

Operational risk addresses the risk associated with fraud, forgery, unauthorised activities, error, omission, system failure and external events among others. The Company is managing these risk through written procedures, regular training, awareness programs and monitoring of the implementation of these procedures.

Operational risks are analyzed through review of various control tools like Departmental Control Function Check List (DCFCL), Quarterly Operations Report (QOR), Loan Documentation Check List (LDCL), and Self Assessment Anti Fraud Internal Control Check list. This is a self-assessment process for detecting high risk areas and finding mitigates of those risks. The effectiveness of the company's Internal control are monitored on an ongoing basis, Key/high risk items are identified and monitored as part of daily activities.

4.7.3 Interest rate risk

Interest rate risk is the risk to earnings or capital of the company arising from movement of interest rates. The movement of interest rates affects companies' reported earnings and capital by changing:

- Net interest income
- The market value of trading accounts (and other instruments accounted for by market value), and
- Other interest sensitive income and expenses.

To manage interest rate risk, ALCO regularly monitors various ratios and parameters. The company deploys several analysis techniques (e.g. rate sensitive gap analysis, duration gap analysis) to measure interest rate risk, its impact on net interest income and takes insight about course of actions.

4.7.4 Liquidity risk

The objective 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. Responsibility of managing and controlling liquidity of the company lies with Asset Liability Committee (ALCO) that meets at least once in a month. Asset Liability Management (ALM) desk being primarily responsible for management of liquidity risk closely monitors and controls liquidity requirements on a daily basis by appropriate coordination of funding activities. A monthly projection of fund flows is reviewed in ALCO meeting regularly. On monthly basis, ALCO monitors liquidity management by examining key ratios, maximum cumulative outflow, upcoming funding requirement from all business units, asset-liability mismatch etc.

ALCO also monitors concentration of deposits on large institutional depositors which is volatile in nature. In addition to these ratios, the company prepares structural liquidity profile, maturity profile of term deposit, cash flow modelling and contingency funding plan on monthly basis, which are analysed in ALCO meeting to ensure liquidity at the level acceptable to the company and regulators.

4.7.5 Market risk

Risk Management Unit (RMU) is responsible for overall monitoring, control and reporting of market risk while treasury mid office is an integral part of market risk management which independently evaluates and monitors

treasury department's transaction from risk perspective. Overall risk parameters and exposures of the company are monitored by RMU and periodically reported to company's Risk Management Committee (RMC). Market risk can be subdivided into three categories depending on risk factors: interest rate risk, foreign exchange risk, and equity price risk.

4.7.6 Equity price risk

Equity price risk is the risk of losses caused by changes in equity prices. These losses could arise because of changes in the value of listed shares held directly by the company; changes in the value of listed shares used as collateral for loans whether the loan was made for the purpose of buying the shares; and changes in the value of unlisted shares. Mark to Market is the tool the company applies for making full provision against losses arisen from changes in market price of securities.

As of 31 December 2018, the company sets aside Tk. 7.00 million charging its profit and loss account over the periods to cover unrealised loss against quoted securities.

4.7.7 Information and communication technology risk

IPDC adheres to the IT Security policies and procedures in line with ICT Security guideline of Bangladesh Bank. To prevent attack from Cyber criminals/fraudsters, IPDC IT has established standard physical and logical security measures for all sensitive IT infrastructures (e.g. Data Centre, Disaster Recovery Site, etc.). Besides, IPDC has standard logical IT security measures like access control system, intrusion detection, access log and periodic security assessment for all systems. Vulnerability assessment exercises, both internally and externally, are conducted regularly to identify security weakness and implementing control for mitigation.

IPDC has Business Continuity Committee (BCC) to manage any manmade or natural incident/disaster. IT Security team has also taken initiatives to create awareness about cybersecurity among all IPDC employees and customers through retail and corporate channels. We have separate information system audit to identify control gaps and improve continually.

4.8 Contingent liabilities and contingent assets

Any possible obligation that arises from past events and the existence of which 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

Any present obligation that arises from past events but is not recognised because:

- a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits can reliably be estimated.

Contingent assets are not recognised in the financial statements as this may result in the recognition of income which may never be realised.

4.9 Liquidity statement

The Liquidity Statement of assets and liabilities as on the reporting date has been prepared on residual maturity term in accordance with DFIM Circular no. 06 dated 26 July 2011, as per following bases:

- a) Balance with other banks and financial institutions, money at call and short notice etc. are on the basis of their term
- b) Investments are on the basis of their residual maturity term
- c) Loans and advances are on the basis of their repayment/maturity schedule
- d) Fixed assets are on the basis of Bangladesh Bank instruction
- e) Other assets are on the basis of Bangladesh Bank instruction
- f) Borrowings from other banks and financial institutions as per their maturity/repayment term
- g) Deposits and other accounts are on the basis of their residual maturity period
- h) Other long term liability on the basis of their maturity term
- i) Provisions and other liabilities are on the basis of their payment/adjustments schedule

4.10 Events after the balance sheet date

All material events occurring after the balance sheet date have been considered and where necessary, adjusted for or disclosed in note no. 45 of these financial statements.

4.11 Comparatives and reclassification

Comparative information have been disclosed in respect of 2017 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current period's financial statements.

To facilitate comparison, certain relevant balances pertaining to the comparatives have been rearranged/restated/reclassified whenever considered necessary to conform to current period's presentation.

4.12 Integral component of financial statements

The financial statements of the Company include the following components:

- i) Balance sheet as at 31 December 2018
- ii) Profit and loss account for the year ended 31 December 2018
- iii) Cash flow statement for the year ended 31 December 2018
- iv) Statement of changes in equity for the year ended 31 December 2018
- v) Notes to the financial statements as at and for the year ended 31 December 2018

4.13 BASEL II and its implementation

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Basel Accord for Financial Institutions (BAFI)' have been introduced from January 01, 2011 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime will be started and the guidelines on BAFI will have come fully into force from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all financial institutions for the purpose of statutory compliance. In line with Bangladesh Bank requirement, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord.

4.14 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 IAS/IFRS specifically suggests to measure some assets/liabilities at fair value. Such as, IAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

4.15 Others

- (a) The Company publishes its quarterly accounts as per IAS 34 "Interim Financial Reporting" and the Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018.
- (b) Figures in these notes and the accompanying financial statements have been rounded off to the nearest Taka.
- (c) Previous year's figures have been rearranged, where necessary, to conform to current year's presentation.
- (d) Company Balances shown in the accounts are duly reconciled.

4.16 Compliance of International Financial Reporting Standard (IFRS)

Name of the standards	Ref.	Status
First-time Adoption of Bangladesh Financial Reporting Standards	IFRS-1	Not applicable
Share Based Payment	IFRS-2	Not applicable
Business Combinations	IFRS-3	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	IFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	IFRS-6	Not applicable
Financial Instruments: Disclosures	IFRS-7	Applied with some departures (note 2.1)
Operating Segments	IFRS-8	Applied with some departures (note 2.1)
Financial Instruments	IFRS-9	Applied with some departures (note 2.1)
Consolidated Financial Statements	IFRS-10	Not applicable
Joint Arrangements	IFRS-11	Not applicable
Disclosure of Interests in Other Entities	IFRS-12	Not applicable
Fair Value Measurement	IFRS-13	Applied with some departures (note 2.1)
Regulatory Deferral Accounts	IFRS-14	Not applicable
Revenue from Contracts with Customers	IFRS-15	Applied with some departures (note 2.1)
Leases	IFRS-16	Not applicable
Insurance Contracts	IFRS-17	Not applicable
Presentation of Financial Statements	IAS-1	Applied with some departures (note 2.1)
Inventories	IAS-2	Not applicable
Statement of Cash Flows	IAS-7	Applied with some departures (note 2.1)
Accounting Policies, Changes in Accounting Estimates and Errors	IAS-8	Applied
Events After the Reporting Period	IAS-10	Applied
Construction Contracts	IAS-11	Not applicable
Income Taxes	IAS-12	Applied
Property, Plant and Equipment	IAS-16	Applied
Employee Benefits	IAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	IAS-20	Applied
The Effects of Changes in Foreign Exchange Rates	IAS-21	Applied
Borrowing Cost	IAS-23	Applied
Related Party Disclosures	IAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	IAS-26	Not applicable
Separate Financial Statements	IAS-27	Not applicable
Investments in Associates	IAS-28	Not applicable
Financial Reporting in Hyperinflationary Economies	IAS-29	Not applicable
Financial Instruments: Presentation	IAS-32	Applied with some departures (note 2.1)
Earnings per Share	IAS-33	Applied
Interim Financial Reporting	IAS-34	Applied
Impairments of Assets	IAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	IAS-37	Applied
Intangible Assets	IAS-38	Applied
Financial Instruments: Recognition and Measurement	IAS-39	Applied with some departures (note 2.1)
Investment Property	IAS-40	Not applicable
Agriculture	IAS-41	Not applicable

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2018 have been considered. However, these amendments have no material impact on the financial statements of the Company.

	Note	2018 Taka	2017 Taka
5 Cash			
Cash in hand	5.1	395,000	370,000
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	487,078,154	376,472,857
		487,473,154	376,842,857
5.1 Cash in hand			
In local currency		395,000	370,000
In foreign currency		-	-
		395,000	370,000
5.2 Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)			
Bangladesh Bank			
In local currency		487,078,154	376,472,857
In foreign currency		-	-
		487,078,154	376,472,857
Sonali Bank Limited (as an agent of Bangladesh Bank)		-	-
		487,078,154	376,472,857

5.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) have been calculated and maintained in accordance with the section 19 of the Financial Institutions Act, 1993 and of instructions contained in DFIM circular no. 01 dated 12 January 2017, FID circular no. 02 dated 10 November 2004 and FID circular no. 06 dated 06 November 2003 issued by Bangladesh Bank.

Cash Reserve Requirement (CRR) required on the term deposits at the rate of 2.5% has been calculated and maintained with Bangladesh Bank in the form of current account and 5% Statutory Liquidity Reserve (SLR) including Cash Reserve Requirement has been maintained against total liabilities excluding shareholders' equity, borrowings from Bangladesh Bank and other Banks and NBFIs in the form of cash in hand (notes and coin in BDT), balance with Bangladesh Bank and other banks and financial institution, investment at call, unencumbered treasury bills, prize bond, saving certificate and any other assets approved by Bangladesh Bank. Both the reserves as maintained by the Company are shown below:

Cash Reserve Requirement (CRR)

The Company requires to maintain cash with Bangladesh Bank current account equivalent to 2.50% of Term Deposits other than deposit taken from banks and financial institutions.

Required reserve (2.5%)	581,945,357	413,082,121
Actual reserve maintained (2018:2.59%, 2017: 2.73%)	602,538,790	450,624,008
Surplus/(deficit)	20,593,433	37,541,887

Statutory Liquidity Reserve (SLR)

The Company requires to maintain SLR equivalent to 5% of total liability including 2.50% of CRR and excluding loans and deposits taken from banks and financial institutions.

Required reserve (5%)	1,338,295,804	930,532,593
Actual reserve maintained (2018:12.83%, 2017: 10.57%)	3,433,806,838	1,968,216,391
Surplus	2,095,511,034	1,037,683,798
Total surplus	2,116,104,466	1,075,225,685

	Note	2018 Taka	2017 Taka
5.3.1 Actual reserve maintained -including CRR			
Cash in hand*		395,000	296,000
AB Bank Limited		426,975,149	501,737,908
Prime Bank Limited		104,253,730	30,610,960
BRAC Bank Limited		5,642	480,278
Mercantile Bank Limited		4,093,493	4,690,752
Eastern Bank Limited		376,636	877,583
Dutch Bangla Bank Limited		7,069,695	648,264
AB Bank Limited		1,574,055	1,542,832
Dhaka Bank Limited		469,111,001	334,752,305
United Commercial Bank Limited		1,690,546	554,832
Standard Chartered Bank		30,454	30,876
NRB Global Bank Limited		-	150,000,000
EXIM Bank Limited		235,000,000	220,000,000
National Bank of Pakistan		14,500,000	15,087,250
Standard Bank Limited		391,020,000	341,834,847
Jamuna Bank Limited		500,000,000	-
Modhumoti Bank Limited		110,500,000	-
One Bank Ltd.		350,000,000	-
Social Islami Bank Ltd.		350,000,000	-
Balance with Bangladesh Bank		467,211,436	365,071,702
		3,433,806,838	1,968,216,391

*Cash in hand balance is the balance of the day of CRR maintained for the month of December.

6. Balance with other banks and financial institutions

Inside Bangladesh	6.1	3,271,928,101	2,903,301,362
Outside Bangladesh		-	-
		3,271,928,101	2,903,301,362
6.1 Inside Bangladesh			
<u>In current deposit accounts with</u>			
United Commercial Bank Limited		762,559	414,213
AB Bank Limited		12,855	14,350
Standard Chartered Bank		962	-
Prime Bank Limited		184	1,218,548
Eastern Bank Limited		14,682	-
Mutual Trust Bank Limited		-	19,457,840
Basic Bank Limited		11,448	-
		802,690	21,104,951
<u>Short term deposit accounts with</u>			
Dutch Bangla Bank Limited		20,022,255	3,712,970
Prime Bank Limited		3,141,109	2,699,413
AB Bank Limited		1,769,929	1,733,024
Standard Chartered Bank		30,876	30,876
Mercantile Bank Limited		6,649,974	11,144,009
BRAC Bank Limited		4,913,183	718,834
Dhaka Bank Limited		37,230,944	3,172,185
United Commercial Bank Limited		6,373,371	786,193
Eastern Bank Limited		670,901	224,705
		80,802,542	24,222,209
<u>Short term placement</u>			
Meghna Bank Limited		200,000,000	-
Peoples Leasing and Financial Service Limited		28,500,000	-
International Leasing and Financial Services Limited		16,500,000	290,000,000
		245,000,000	290,000,000

	Note	2018 Taka	2017 Taka
<u>Short term deposit accounts (in foreign currency) with</u>			
AB Bank Limited		1,367	1,367
		1,367	1,367
<u>Fixed deposit accounts with</u>			
Prime Bank Limited		101,430,636	27,767,106
Dhaka Bank Limited		466,073,238	312,307,847
AB Bank Limited		426,797,628	501,563,035
NRB Global Bank Limited		-	150,000,000
EXIM Bank Limited		235,000,000	220,000,000
Social Islami Bank Limited		350,000,000	500,000,000
Jamuna Bank Limited		500,000,000	500,000,000
National Bank of Pakistan		14,500,000	14,500,000
Modhumoti Bank Limited		110,500,000	-
One Bank Limited		350,000,000	-
Standard Bank Limited		391,020,000	341,834,847
		2,945,321,502	2,567,972,835
		3,271,928,101	2,903,301,362
6.2 Maturity grouping of balance with other banks and financial institutions			
Repayable:			
On demand		-	-
Within one month		1,279,326,431	1,123,557,944
Within one to three months		979,520,000	1,561,668,996
Within three months to one year		1,013,081,670	218,074,422
Within one to five years		-	-
More than five years		-	-
		3,271,928,101	2,903,301,362
7. Investments			
Government securities	7.1	-	-
Other investments	7.2	868,808,367	662,732,580
		868,808,367	662,732,580
7.1 Government securities			
Treasury bill		-	-
National investment bond		-	-
Bangladesh bank bill		-	-
Government notes/bond		-	-
Others		-	-
		-	-
7.2 Other investments			
In ordinary shares:			
Quoted		7,000,000	7,000,000
Unquoted		4,500,000	4,500,000
		11,500,000	11,500,000
Redeemable preference shares		509,762,500	353,265,346
Investment in shares		521,262,500	364,765,346
Investment in corporate bonds		347,545,867	297,967,234
		868,808,367	662,732,580

Details of other investments are as follows:

	2018		2017	
	Cost Taka	Market value Taka	Cost Taka	Market value Taka
In ordinary shares - quoted				
Bangladesh Electric Meter Limited	7,000,000	4,305,000	7,000,000	4,305,000
	7,000,000	4,305,000	7,000,000	4,305,000
In ordinary shares - unquoted				
Quality Feeds Limited	1,500,000	1,500,000	1,500,000	1,500,000
Alliance Bags Limited	3,000,000	3,000,000	3,000,000	3,000,000
	4,500,000	4,500,000	4,500,000	4,500,000
In redeemable preference shares				
Premium Seed Limited	4,000,000	4,000,000	4,000,000	4,000,000
Confidence Salt Limited	-	-	2,265,346	2,265,346
Summit Barisal Power Limited	128,000,000	128,000,000	128,000,000	128,000,000
Summit Narayanganj Power Unit II Limited	144,000,000	144,000,000	144,000,000	144,000,000
Star Ceramics Limited	33,762,500	33,762,500	75,000,000	75,000,000
Ace Alliance Power Limited	200,000,000	200,000,000	-	-
	509,762,500	509,762,500	353,265,346	353,265,346
In corporate bonds				
Impress Newtex Composite Textiles Limited	163,879,092	163,879,092	197,967,234	197,967,234
Golden Harvest Agro Industries Limited	94,200,000	94,200,000	100,000,000	100,000,000
Paramount Textile Limited	89,466,775	89,466,775	-	-
	347,545,867	347,545,867	297,967,234	297,967,234
	868,808,367	866,113,367	662,732,580	660,037,580

Unquoted shares are primarily recognised at cost. Adequate provision has been maintained against the unquoted shares whose book value is lower than the cost.

	Note	2018	2017
		Taka	Taka
7.3 Maturity grouping of investments			
Repayable:			
On demand		-	-
Within one month		-	-
Within one to three months		-	-
Within three months to one year		125,631,250	48,515,346
Within one to five years		478,517,717	386,741,809
More than five years		264,659,400	227,475,425
		868,808,367	662,732,580
8. Loans, advances and leases			
Loans, cash credits, overdrafts, etc.	8.1	44,325,273,003	34,466,955,374
Bills purchased and discounted		-	-
		44,325,273,003	34,466,955,374

	Note	2018 Taka	2017 Taka
8.1 Loans, cash credits, overdrafts, etc.			
In Bangladesh:			
Long term loan		15,090,512,048	10,095,779,669
Lease finance	8.1.1	5,876,561,033	5,002,202,609
Short term loan		11,685,397,424	11,403,845,203
Channel finance		2,262,239,107	1,300,084,291
Mortgage finance		6,458,022,927	4,202,937,705
Auto loan		2,419,381,624	1,892,708,160
Secured retail loan		249,979,685	250,440,327
Personal loan		210,860,735	274,448,957
Staff loan		71,999,919	44,508,453
Consumer finance		318,501	-
		44,325,273,003	34,466,955,374
Outside Bangladesh		-	-
		44,325,273,003	34,466,955,374
8.1.1 Lease finance			
Gross lease receivables		7,258,963,874	6,065,216,928
Less: Unearned lease interest income		1,517,013,970	1,124,131,508
Net lease receivables		5,741,949,904	4,941,085,420
Add: Overdue lease rentals		134,611,129	61,117,189
		5,876,561,033	5,002,202,609
8.2 a) Net loans and advances including bills purchased and discounted			
Total loans and advances receivables	8	44,325,273,003	34,466,955,374
Less: Provision against loans and advances (specific and general)	8.9(b)	648,174,156	384,780,931
Less: Cumulative balance of interest suspense	14.2	131,957,855	34,154,548
		43,545,140,992	34,048,019,895
b) Rate of net classified loans and advances			
Gross loans and advances			
Classified loans and advances		44,325,273,003	34,466,955,374
Unclassified loans and advances		947,649,323	213,869,730
Total provision		43,377,623,680	34,253,085,644
Interest suspense		648,174,156	384,780,931
Total provision and interest suspense		131,957,855	34,154,548
Net classified loans and advances		780,132,011	418,935,479
Rate of classified loans and advances		167,517,312	(205,065,749)
Rate of net classified loans and advances		2.14%	0.62%
		0.38%	-0.59%
8.3 Residual maturity grouping of loans and advances including bills purchased and discounted			
Repayable:			
On demand		-	-
Up to one month		4,771,858,184	5,122,744,036
More than one month but less than three months		7,228,368,699	5,065,072,856
More than three months but less than one year		8,089,257,054	6,996,715,457
More than one year but less than five years		18,525,513,952	13,561,809,739
More than five years		5,710,275,114	3,720,613,286
		44,325,273,003	34,466,955,374

	2018	2017
Note	Taka	Taka
8.4 Loans and advances including bills purchased and discounted are classified into the following broad categories		
Loans and advances		
Inside Bangladesh		
Loans and advances	44,325,273,003	34,466,955,374
Cash credit	-	-
Secured overdraft	-	-
	44,325,273,003	34,466,955,374
Outside Bangladesh	-	-
	44,325,273,003	34,466,955,374
Bills purchased and discounted		
Payable in Bangladesh	-	-
Payable outside Bangladesh	-	-
	-	-
	44,325,273,003	34,466,955,374
8.5 Loans and advances including bills purchased and discounted on the basis of significant concentration		
Loans and advances to the allied concerns of the directors	-	-
<u>Advances to Chief Executive and other Senior Executives</u>		
Managing Director & CEO	6,732,577	7,555,719
Senior Executives (Senior Manager & above)	39,745,516	16,383,001
Other staffs	25,521,826	9,125,392
	71,999,919	33,064,112
<u>Advances to customers' group</u>		
Agricultural loan	6,651,283,703	3,095,560,858
Large corporate	23,621,603,641	20,258,210,706
Small and medium enterprise	4,801,202,013	4,415,076,096
Retail loan	9,179,183,727	6,620,535,149
Others	-	44,508,453
	44,253,273,084	34,433,891,262
	44,325,273,003	34,466,955,374

8.5.1 Disclosure on large loan

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 below. Total capital of the Company as at 31 December 2018 was Taka 3,751.92 million against that of Taka 3,110.54 million as at 31 December 2017.

Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each

7

12

Amount of outstanding loans and advances [to the client as mentioned above]

4,976,145,346

6,834,093,530

Amount of classified loans and advances [out of the amount as mentioned above]

-

-

Measures taken for recovery [for the amount as mentioned above]

-

-

	2018		2017	
	Note	Taka	Taka	Taka
8.6 Industry-wise loans and advances including bills purchased and discounted				
Agro-based industries		3,612,172,181		3,196,506,120
Banks and non-banking financial institutions		623,211,091		599,668,406
Chemicals, pharmaceuticals and allied products		2,034,758,520		1,383,245,126
Engineering and building materials		3,921,226,427		2,732,202,406
Food and allied products		3,039,111,523		2,177,245,444
Glass, ceramic and other non-metallic products		191,747,042		704,435,000
Hotel, tourism and leisure		77,031,859		972,775
Information and communication technologies		1,181,048,530		1,018,620,246
Paper converting and packaging, printing and publishing		1,472,059,592		1,242,584,744
Ready made garments and knitwear		4,529,404,853		3,750,446,470
Social sector		994,117,188		353,174,366
Tannery, leather and rubber products		322,608,799		1,402,271,017
Textile		2,034,997,108		1,296,051,534
Transport and aviation		1,860,486,832		1,789,818,131
Others		18,431,291,458		12,819,713,589
		44,325,273,003		34,466,955,374
8.7 Geographical location-wise loans and advances including bills purchased and discounted				
Dhaka Division		36,153,020,977		31,087,117,691
Chittagong Division		5,391,485,817		2,477,868,362
Khulna Division		708,118,399		114,647,651
Rangpur Division		703,279,601		-
Rajshahi Division		873,081,609		420,451,721
Sylhet Division		269,034,537		293,536,776
Barisal Division		5,508,854		-
Mymensingh Division		221,743,209		73,333,173
		44,325,273,003		34,466,955,374
8.8 Broad economic sector-wise segregation of loans and advances including bills purchased and discounted				
Government and autonomous bodies		-		-
Bank and non-banking financial institutions		623,211,091		599,668,406
Other public sector		-		-
Private sector		43,702,061,912		33,867,286,968
		44,325,273,003		34,466,955,374

	Note	2018	2017
		Taka	Taka
8.9 a) Classification of loans and advances including bills purchased and discounted			
Unclassified loans and advances			
Standard-Non SME (including staff loans)		36,937,814,679	29,577,200,399
Standard-SME		6,104,183,203	4,593,691,611
Special mention account		335,625,798	82,193,634
Total unclassified loans and advances		43,377,623,680	34,253,085,644
Classified loans and advances			
Substandard		710,984,700	125,147,072
Doubtful		36,797,595	3,334,742
Bad/loss		199,867,028	85,387,916
Total classified loans and advances		947,649,323	213,869,730
Total loans and advances		44,325,273,003	34,466,955,374

b) Classification and provisioning of loans and advances including bills purchased and discounted

Classification / status of loans and advances	Amount of outstanding loans and advances as at 31 December 2018	Base for provision	Percentage (%) of provision required as per Bangladesh Bank's directives	31 December 2018	31 December 2017
	Taka	Taka		Taka	Taka
Unclassified loans and advances					
General provision					
Standard-Non SME (including staff loans)	36,937,814,679	36,937,814,679	1.0%	369,378,147	295,771,998
Standard - SME	6,104,183,203	6,104,183,203	0.25%	15,260,458	11,484,229
Special mentioned account	335,625,798	308,574,440	5.0%	15,428,722	3,842,118
	43,377,623,680	43,350,572,322		400,067,327	311,098,345
Specific provision					
Sub-standard	710,984,700	530,998,253	20%	106,199,651	14,912,357
Doubtful	36,797,595	15,376,477	50%	7,688,240	1,494,635
Bad/loss	199,867,028	80,352,708	100%	80,352,708	17,298,094
	947,649,323	626,727,438		194,240,599	33,705,086
Total provision required				594,307,926	344,803,431
Total provision maintained				648,174,156	384,780,931
Total provision surplus				53,866,230	39,977,500

8.10 Particulars of loans and advances including bills purchased and discounted

	2018 Taka	2017 Taka
Loans considered good in respect of which the Company is fully secured	9,308,307,331	7,143,854,877
Loans considered good for which the Company holds no other security other than the debtor's personal guarantee	15,957,098,281	12,572,015,207
Loans considered good and secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	19,059,867,391	14,751,085,290
Loans adversely classified; provision not maintained there against	-	-
	44,325,273,003	34,466,955,374
Loans due by directors or officers of the Company or any of them either separately or jointly with any other persons *	71,999,919	33,064,112
Loans due from companies or firms in which the directors of the Company have interests as directors, partners or managing agents or in case of private companies as members	-	-
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 persons*	71,999,919	33,064,112
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 interests as directors, partners or managing agents or in the case of private companies as members	-	-
Due from other Non-Banking Financial Institutions (NBFIs)	600,302,597	7,118,302
Amount of classified loans and advances on which interest has not been charged to profit & loss account	947,649,323	213,869,730
(Decrease)/increase in specific provision	160,535,513	15,514,536
Amount of loan and advances written off during the year	-	-
Amount realised against loans and advances previously written off	20,689,836	24,135,000
Amount of provision kept against loans and advances classified as bad/loss on the date of preparing the balance sheet	80,352,708	17,298,094
Interest creditable to the interest suspense account during the year	135,064,389	37,261,082

* Amount represents loans to employees of the Company only.

	Note	2018 Taka	2017 Taka
8.11 a) Cumulative amount of written off loan			
Opening balance		467,999,190	492,134,190
Add: Amount written off during the year		-	-
		467,999,190	492,134,190
Less: Adjustment/recovered during the year		20,689,836	24,135,000
Closing balance		447,309,354	467,999,190
b) Amount of written off loan for which lawsuit has been filed for its recovery		447,309,354	467,999,190
9. Fixed assets including land, building, furniture and fixture			
Land		279,435,033	129,240,000
Building		90,474,767	20,922,500
Motor vehicles		70,563,509	50,806,187
Furniture and fixture		68,409,397	62,704,654
Equipment and appliances		134,521,666	106,305,477
Accounting software		24,289,127	21,496,542
		667,693,499	391,475,360
Less: Accumulated depreciation and amortisation		146,927,483	124,427,177
		520,766,016	267,048,183
Capital work in progress		24,287,196	-
		545,053,212	267,048,183

Details are shown in Annexure - A

During the year ended 31 December 2018, the company has undertaken revaluation of its land and building. As a result of this revaluation exercise, the fair value of land and building have been increased by Tk. 150,195,033 and Tk. 75,145,543 respectively. Referred to note 18 for further details.

10. Other assets

Non-income generating other assets

Stationery, stamps, printing materials in stock		1,178,831	1,040,462
Advance rent and advertisement		9,710,289	5,304,489
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures and other income receivable		167,101,212	88,625,907
Security deposits		10,464,580	8,664,580
Preliminary expenses, formation and organisation expenses, renovation/development expenses and prepaid expenses		950,784	902,365
Others	10.1	819,486,968	503,771,792
		1,008,892,664	608,309,595

10.1 Others

Advance tax	10.1.1	764,145,889	482,400,599
Deferred tax assets	10.1.2	-	1,506,386
Sundry assets	10.1.3	55,341,079	19,864,807
		819,486,968	503,771,792

10.1.1 Advance tax

Advance payment of tax represents corporate income tax paid to the Government Exchequer by way of advance tax under section 64 and tax deducted at sources from different heads of income by the third parties and tax paid under section 74 of the Income Tax Ordinance, 1984, which would be adjusted with the corporate tax liability of the Company.

10.1.2 Deferred tax assets

Deferred tax assets have been recognised in accordance with the provision of IAS 12: *Income Taxes* based on temporary difference arising due to difference in the carrying amount of the assets and liabilities in the financial statements and its tax base. Calculation of deferred tax assets is as follows:

	2018	2017
Note	Taka	Taka
Deferred tax asset on gratuity provision		
Carrying amount of building at balance sheet date	-	3,765,965
Tax base	-	-
Taxable temporary differences on building	-	3,765,965
Tax rate	37.50%	40.00%
Deferred tax asset on gratuity provision	-	1,506,386
Movement of deferred tax assets is as follows:		
Opening balance	1,506,386	-
Income/(expense) during the year	(1,506,386)	1,506,386
Closing balance	-	1,506,386
10.1.3 Sundry assets		
City corporation tax	145,530	166,324
Hosna Centre Owners' Society	677,067	677,067
Advance - others	54,518,482	19,021,416
	55,341,079	19,864,807
	3,752,405	3,752,405

11. Non banking assets

This represents the mortgaged property (land) acquired from a default client by virtue of verdict given by the competent court and ownership has been transferred in favor of the Company. The land is mutated in the name of the Company.

12. Borrowings from other banks, financial institutions and agents

Inside Bangladesh	12.1	5,916,890,787	4,214,082,142
Outside Bangladesh		-	-
		5,916,890,787	4,214,082,142

	2018	2017
Note	Taka	Taka
12.1 Inside Bangladesh		
Long term loan		
<u>Unsecured long term loan</u>		
Borrowing under Refinance Project	1,370,828,032	460,073,235
SABINCO	194,524,909	250,000,000
	1,565,352,941	710,073,235
<u>Secured long term loan</u>		
UBICO	50,000,000	-
BASIC Bank Limited	176,691,770	-
	226,691,770	-
	1,792,044,711	710,073,235
Total long term loan		
Short term loan		
<u>Unsecured short term loan</u>		
Uttara Bank Limited	300,000,000	500,000,000
National Credit and Commerce Bank Limited	-	50,000,000
Meghna Bank Limited	200,000,000	-
Standard Bank Limited	-	100,000,000
Jamuna Bank Limited	-	500,000,000
Lankan Alliance Finance Limited	50,000,000	-
	550,000,000	1,150,000,000
<u>Secured short term loan</u>		
Eastern Bank Limited	300,000,000	300,000,000
Standard Chartered Bank	990,000,000	-
	1,290,000,000	300,000,000
	1,840,000,000	1,450,000,000
Total short term loan		
Zero Coupon Bond		
<u>Unsecured</u>		
Zero Coupon Bond	807,302,007	472,239,248
	807,302,007	472,239,248
Subordinated Bond		
<u>Unsecured</u>		
Subordinated Bond	200,000,000	-
	200,000,000	-
Bank overdraft		
<u>Secured</u>		
Prime Bank Limited	26,928,931	10,799,829
Dhaka Bank Limited	124,223,974	370,415,122
AB Bank Limited	42,373,534	49,902,967
Woori Bank Limited	164,577,358	150,062,012
Bank Alfalah Limited	180,833,638	179,887,360
Standard Chartered Bank	92,975,565	109,292,238
Eastern Bank Limited	192,503,904	201,344,894
Mercantile Bank Limited	-	8,673
One Bank Limited	778,168	-
Mutual Trust Bank Limited	32,348,997	56,564
	857,544,069	1,071,769,659
Money at call and short notice		
<u>Unsecured</u>		
Sondli Bank Limited		
Agrani Bank Limited	190,000,000	180,000,000
Meghna Bank Limited	-	150,000,000
National Credit and Commerce Bank Limited	40,000,000	-
Southeast Bank Limited	30,000,000	-
Janata Bank Limited	50,000,000	-
	110,000,000	180,000,000
	420,000,000	510,000,000
	5,916,890,787	4,214,082,142

	Note	2018	2017
		Taka	Taka
12.2 Security against borrowings from other banks and financial institutions			
Secured		2,374,235,839	1,371,769,659
Unsecured		3,542,654,948	2,842,312,483
		5,916,890,787	4,214,082,142

Secured loans are covered by first equitable mortgage of all present and future immovable properties and by floating charges on movable assets of the Company ranking pari-passu among the lenders and in against Fixed Deposit Receipt.

12.3 Residual maturity grouping of borrowings from other banks, financial institutions and agents

Repayable:			
On demand		420,000,000	1,960,000,000
Within one month		602,970,194	21,540,761
Over one month but within three months		535,756,523	53,053,848
Over three months but within one year		2,208,634,030	1,261,398,015
Over one year but within five years		2,109,530,040	918,089,518
Over five years		40,000,000	-
		5,916,890,787	4,214,082,142

13. Deposits and other accounts

Term deposits	13.1	23,278,311,204	18,397,580,787
FDR from Banks & NBFIs		13,520,387,500	11,110,000,000
Other deposits		267,379,602	239,281,221
		37,066,078,306	29,746,862,008

13.1 Term deposits

Product wise break-up of term deposit			
Annual Profit Scheme		11,295,079,587	7,672,888,940
Quarterly Profit Scheme		284,692,466	168,729,486
Monthly Profit Scheme		691,141,494	188,426,315
Cumulative Profit Scheme		454,674,111	480,711,416
Fixed Deposit FDR GEN		10,552,723,546	9,886,824,630
		23,278,311,204	18,397,580,787

13.2 Residual maturity grouping of deposits and other accounts

Repayable:			
On demand		-	-
Within one month		4,729,710,310	3,655,513,671
Over one month but within six months		11,075,842,672	10,229,013,942
Over six months but within one year		2,109,731,866	2,403,496,735
Over one year but within five years		6,828,699,635	6,534,918,060
Over five years but within ten years		12,322,093,823	6,923,919,600
		37,066,078,306	29,746,862,008

There was no unclaimed deposits for ten (10) years and more held by the Company at the reporting date.

	Note	2018 Taka	2017 Taka
14. Other liabilities			
Cumulative provision for loans, advances and investments	14.1	664,645,706	402,298,256
Cumulative interest and dividend suspense	14.2	135,064,389	37,261,082
Provision for gratuity	14.3	-	3,765,965
Dividend payable		13,285,212	13,274,221
Provision for corporate tax	14.4	1,161,030,375	754,843,010
Deposit against lease	14.5	330,830,830	205,071,036
Provision for finance charge	14.6	1,192,177,496	647,724,759
Withholding tax and VAT		80,786,374	44,707,243
Liabilities for special accounts	14.7	56,353,015	52,012,941
Provision for expenses	14.8	68,912,463	30,078,155
Deferred tax liabilities	14.9	47,564,420	10,736,257
Account payable for purchase of office equipment		2,826,018	4,690,027
Accrued Interest on Subordinated Bonds		273,052	-
Accrued Interest on Zero Coupon Bond		22,535,092	10,996,332
		3,776,284,442	2,217,459,284
14.1 Cumulative provision for loans, advances and investments			
Specific provision for classified loans and advances	14.1.1	194,240,598	33,705,085
General provision against unclassified loans and advances	14.1.2	453,933,558	351,075,846
Provision for investments	14.1.3	16,471,550	17,517,325
		664,645,706	402,298,256
14.1.1 Specific provision for classified loans and advances			
Opening balance		33,705,085	15,060,648
Specific provision made/(release) for the year	38	160,535,513	18,644,437
Fully provided debt written-off during the year		-	-
Closing balance (i)		194,240,598	33,705,085
14.1.2 General provision against unclassified loans and advances			
Opening balance		351,075,846	211,431,637
Provision made during the year	38	102,857,712	139,644,209
		453,933,558	351,075,846
Adjustment during the year		-	-
Closing balance (ii)		453,933,558	351,075,846
Total specific and general provision of loans and advances (i+ii)		648,174,156	384,780,931
14.1.3 Provision for investments			
Opening balance		17,517,325	16,852,111
Provision made/(released) for investment in share	39	(1,045,775)	665,214
Provision made/(released) for investment in Govt. securities		-	-
Total provision made/(released) during the year		(1,045,775)	665,214
Closing balance		16,471,550	17,517,325
Total specific and general provision of loans, advances and investments		664,645,706	402,298,256
Breakdown of cumulative provision for loans, advances and investment:			
Provision for loans and advances		648,174,156	384,780,931
Provision for investments in equity		16,471,550	17,517,325
Provision for marking to market of Govt. securities		-	-
		664,645,706	402,298,256

	Note	2018	2017
		Taka	Taka
14.2 Cumulative interest and dividend suspense			
Opening balance		37,261,082	34,614,617
Amount transferred to suspense account during the year		336,726,216	80,562,104
		373,987,298	115,176,721
Amount recovered from suspense account during the year		(238,922,909)	(77,915,639)
		135,064,389	37,261,082
Amount written-off/waiver during the year		-	-
Closing balance		135,064,389	37,261,082
Breakdown of cumulative interest and dividend suspense:			
Interest suspense against loans and advances		131,957,855	34,154,548
Dividend suspense against investment in redeemable preference shares		3,106,534	3,106,534
		135,064,389	37,261,082
14.3 Provision for gratuity			
Opening balance		3,765,965	-
Provision made during the year		13,403,905	17,324,882
		17,169,870	17,324,882
Payment made during the year		(14,803,906)	(13,558,917)
Adjustment of excess provision		(2,365,964)	-
Closing balance		-	3,765,965

14.4 Provision for corporate tax

Provision for current tax has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of Income Tax Ordinance, 1984 and amendments thereto. Current tax rate for the Company is 37.5% on its business income.

Opening balance	754,843,010	581,285,949
Provision made during the year	406,187,365	176,707,827
	1,161,030,375	757,993,776
Adjustment made during the year for completed assessments	-	(3,150,766)
Closing balance	1,161,030,375	754,843,010

Income tax return for the year 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 have been duly submitted under section 82BB (Universal Self Assessment) of Income Tax Ordinance 1984. Out of which, assessment against year 2012 is pending at the honorable High court and assessment against year 2014 is pending at Commissioner Appeal of Income Tax Ordinance. The additional demand of income tax for those pending years are disputed by the Company and there are reasonable grounds to believe that on ultimate settlement of these pending tax assessments, there shall be no additional provision requirement.

14.5 Deposit against lease

Receipts against lease represent lease deposits received from lessees against finance on the stipulation that the amount will be adjusted with the outstanding rentals/instalments. Lease deposits are made up as under:

Opening balance	205,071,036	96,424,338
Receipts during the year	162,530,394	128,068,306
	367,601,430	224,492,644
Adjusted during the year	(36,770,600)	(19,421,608)
Closing balance	330,830,830	205,071,036

Purpose of taking lease deposits is to secure the finance provided to the clients. No interest is payable on lease deposits.

	2018	2017
Note	Taka	Taka
14.6 Provision for finance charge		
Accrued interest expenses on term deposits	1,181,794,135	639,807,307
Accrued interest expenses on secured overdraft	500,780	2,866,068
Accrued interest expenses on long term borrowings	1,981,011	2,135,417
Accrued interest expenses on call borrowings	291,667	255,000
Accrued interest payable on refinance project	7,609,903	2,660,967
	1,192,177,496	647,724,759
14.7 Liabilities for special accounts		
Account payable special account - IPO	1,118,356	1,118,356
Account payable special account - DEG	14,171,390	14,774,282
Account payable special account - other	41,063,269	36,120,303
	56,353,015	52,012,941
14.8 Provision for expenses		
Legal fees		
Office services	4,627,718	2,866,717
Promotion and publicity	38,047,265	11,115,097
Office rent	13,976,799	14,762,795
Professional fees	910,800	227,700
Audit fees	10,809,381	427,346
	540,500	678,500
	68,912,463	30,078,155
14.9 Deferred tax liabilities		
i) Deferred tax liability on furniture and fixture		
Carrying amount at balance sheet date	150,856,216	121,077,154
Tax base	134,047,043	112,500,551
Taxable temporary differences	16,809,173	8,576,603
Tax rate	37.50%	40.00%
Deferred tax liability furniture and fixture	6,303,440	3,430,641
ii) Deferred tax liability on building and land revaluation		
Carrying amount of building at balance sheet date	90,474,767	16,731,029
Tax base	10,251,891	11,390,990
Taxable temporary differences on building	80,222,876	5,340,039
Tax rate	37.50%	40.00%
Deferred tax liability on building	30,083,579	2,136,016
Revaluation reserve on land	279,435,033	129,240,000
Tax rate	4.00%	4.00%
Deferred tax liability on land revaluation	11,177,401	5,169,600
Total deferred tax liabilities on building and land revaluation	41,260,980	7,305,616
Total deferred tax liability (i+ii)	47,564,420	10,736,257
Movement of deferred tax liabilities is as follows:		
Opening balance	10,736,257	7,619,756
Add: Debited to asset revaluation reserve	33,955,364	-
Add: Expense/(income) during the year	2,872,799	3,116,501
Closing balance	47,564,420	10,736,257

15. Share capital**Authorised**

800,000,000 ordinary shares of Taka 10 each

Issued, subscribed and fully paid up

218,160,816 (2017: 181,800,680) ordinary shares of Tk 10 each

Note	2018	2017
	Taka	Taka
	8,000,000,000	4,000,000,000
	2,181,608,160	1,818,006,800

15.1 Given below the history of raising of share capital of IPDC Finance Limited

Year of allotment	Particulars of allotment	Number of Shares Issued		Paid up Shares (Cumulative)	Amount of Shares Capital (BDT)	Amount of Shares Capital (BDT) (Cumulative)
		Bonus Shares	Subscription			
1981	First (Subscription to the memorandum & Articles of association) at the time of incorporation *	-	50	50	500	500
1982	Subscription	-	8,999,950	9,000,000	89,999,500	90,000,000
1999	400% Stock Dividend	36,000,000	-	45,000,000	360,000,000	450,000,000
2004	Subscription	-	2,801,400	47,801,400	28,014,000	478,014,000
2006	IPO	-	13,900,000	61,701,400	139,000,000	617,014,000
2007	10% Stock Dividend	3,085,070	-	64,786,470	30,850,700	647,864,700
2008	10% Stock Dividend	6,478,640	-	71,265,110	64,786,400	712,651,100
2009	10% Stock Dividend	7,126,510	-	78,391,620	71,265,100	783,916,200
2010	10% Stock Dividend	7,839,160	-	86,230,780	78,391,600	862,307,800
2011	10% Stock Dividend	8,623,070	-	94,853,850	86,230,700	948,538,500
2013	10% Stock Dividend	9,485,385	-	104,339,235	94,853,850	1,043,392,350
2014	10% Stock Dividend	10,433,923	-	114,773,158	104,339,230	1,147,731,580
2015	20% Stock Dividend	11,477,315	-	126,250,473	114,773,150	1,262,504,730
2016	20% Stock Dividend	25,250,094	-	151,500,567	252,500,940	1,515,005,670
2017	20% Stock Dividend	30,300,113	-	181,800,680	303,001,130	1,818,006,800
2018	20% Stock Dividend	36,360,136	-	218,160,816	363,601,360	2,181,608,160

Paid up capital as at 31 December 2018 is made up of 25,701,400 numbers of ordinary shares paid up in cash and 192,459,416 ordinary shares through issuance of bonus shares.

Initially, IPDC increased its authorized share capital to BDT 2,000 crore however, subsequently it has been changed to BDT 800 crore through a special resolution taken on its 14th EGM held on 19 September 2018. Bangladesh Bank has also approved this subsequent increase authorized share capital to BDT 800 crore. IPDC duly submitted the revised files to Registrar of Joint Stock Companies and Firms (RJSC).

15.2 Paid up capital of the company is held as follows**Foreign**

Aga Khan Fund for Economic Development (AKFED)

Domestic

BRAC

Ayesha Abed Foundation

RSA Capital Limited

Government of the People's Republic of Bangladesh (GoB)

General shareholders

Note	2018	2017
	Taka	Taka
	241,115,490	200,929,580
	241,115,490	200,929,580
	545,402,020	454,501,690
	218,160,810	181,800,680
	109,080,390	90,900,330
	477,326,350	397,771,960
	590,523,100	492,102,560
	1,940,492,670	1,617,077,220
	2,181,608,160	1,818,006,800

15.3 Number of ordinary shares and percentage of holding are as follows:

Sponsor shareholders

a. Foreign sponsors

AKFED

2018		2017	
Number	% of holding	Number	% of holding
24,111,549	11.05	20,092,958	11.05
24,111,549	11.05	20,092,958	11.05

b. Local sponsors

BRAC

Ayesha Abed Foundation

RSA Capital Limited

GoB

54,540,202	25.00	45,450,169	25.00
21,816,081	10.00	18,180,068	10.00
10,908,039	5.00	9,090,033	5.00
47,732,635	21.88	39,777,196	21.88
134,996,957	61.88	112,497,466	61.88

General Shareholders

59,052,310	27.07	49,210,256	27.07
59,052,310	27.07	49,210,256	27.07
218,160,816	100.00	181,800,680	100.00

15.4 Composition of shareholding is as follows:

Institutional shareholding (including GoB)

Individual shareholding

191,241,002	88.00	158,251,986	84.00
26,919,814	12.00	23,548,694	16.00
218,160,816	100.00	181,800,680	100.00

15.5 Classification of shareholders by holding

Number of shares

1 to 500 shares

501 to 5,000 shares

5,001 to 10,000 shares

10,001 to 20,000 shares

20,001 to 30,000 shares

30,001 to 40,000 shares

40,001 to 50,000 shares

50,001 to 1,00,000 shares

1,00,001 to 1,000,000 shares

over 1,000,000

Total

	No. of shareholders	No. of shares	% of holdings
1 to 500 shares	3,340	522,867	0.24%
501 to 5,000 shares	2,595	4,803,238	2.20%
5,001 to 10,000 shares	385	2,811,736	1.29%
10,001 to 20,000 shares	230	3,281,977	1.50%
20,001 to 30,000 shares	74	1,839,230	0.84%
30,001 to 40,000 shares	40	1,428,984	0.66%
40,001 to 50,000 shares	30	1,398,317	0.64%
50,001 to 1,00,000 shares	57	4,246,413	1.95%
1,00,001 to 1,000,000 shares	45	12,467,339	5.71%
over 1,000,000	15	185,360,715	84.97%
Total	6,811	218,160,816	100.00

The shares are listed in both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. since 03 December 2006 and traded at Tk. 38.10 and Tk. 38.50 at the close of 31 December 2018 at Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. respectively.

15.6 Capital adequacy ratio

In accordance with the Financial Institution Regulations, 1994 and Bangladesh Bank's DFIM circular no. 05 dated 24 July 2011, every Non-Banking Financial Institution which is registered in Bangladesh had to increase its paid up capital to Tk. 1,000 million within 30 June 2012. The Company fulfilled this condition within the stipulated time and as at 31 December 2018, total capital of the Company was Tk. 3,751.93 million out of which paid up capital is Tk. 2,181.61 million.

In accordance with Bangladesh Bank's DFIM Circular no. 14 dated 28 December 2011, financial institutions are required to maintain at least 10% Capital Adequacy Ratio (CAR) in line with the guidelines on Capital Adequacy and Market Discipline (CAMD) for financial institutions, which has come fully into force from 1 January 2012. As of 31 December 2018, the CAR of the Company is 14.01% against the required CAR of 10%. Details are as follows:

	2018	2017
	Taka	Taka
Tier -1 capital (A)	3,441,063,079	2,990,055,274
Tier -2 capital (B)	708,473,268	333,339,724
Eligible capital (C=A+B)	4,149,536,347	3,323,394,998
Total risk weighted assets	29,615,056,540	21,951,734,758
Minimum capital requirement	2,961,505,654	2,195,173,476
Capital surplus	1,188,030,693	1,128,221,522
Capital adequacy ratio	14.01%	15.14%
	167,014,000	167,014,000

16. Share premium

Share premium against 280,140 number of ordinary shares issued in 2004 and 1,390,000 number of ordinary shares issued in 2006 @ Tk.100 per share i.e. at year end 2018 total number of shares would be 16,701,400 @ Tk. 10 per share as the Company changed the denomination of shares from Tk. 100 to Tk. 10 each in 2011 in compliance with the Bangladesh Securities and Exchange Commission's order number SEC/CMRRCD/2009-193/109 dated 15 September 2011.

17. Statutory reserve

This comprises of the cumulative balance of statutory reserve as required by section 9 of the Financial Institutions Act, 1993 and regulations 4(d) and 6 of the Financial Institution Regulations, 1994.

Opening balance	460,460,662	393,375,601
Transferred from profit during the year	90,000,647	67,085,061
Closing balance	550,461,309	460,460,662

18. Assets revaluation reserve

Opening balance	120,483,652	124,501,939
Revaluation during the year		
Land	150,195,033	-
Building	75,145,543	-
Adjustment of excess depreciation on building	(1,004,572)	(4,018,287)
Deferred tax liability on land revaluation	(33,955,364)	-
	310,864,292	120,483,652

IPDC Finance Limited owns real estate property (commercial space including car parking) for its own use as office premises situated at Hosna Center (4th floor), 106 Gulshan Avenue, Dhaka. This property was revalued at fair value in accordance with IAS 16: *Property, Plant and Equipment* which requires regular valuation of property to ensure that the value reflects current market condition.

The property was first revalued in 2005 and subsequently in 2014, since then significant changes took place in local real estate market, as a result with the consent of the Board of Directors of IPDC Finance Limited, ACNABIN Chartered Accountant as professionally qualified valuer had conducted the assignment of valuation for determining the fair value of the property, which has subsequently conveyed to management for incorporating in the financials of 2018 after being adopted in the Board. The revaluation was done in accordance with the guideline of Bangladesh Securities and Exchange Commission (BSEC) circular no SEC/CMRRCD/2009-193/150/Admin.

	Note	2018 Taka	2017 Taka
19. Retained earnings			
Opening balance		544,573,808	575,216,409
Net profit after tax for the year		450,003,237	335,425,303
Transfer to statutory reserve		(90,000,647)	(67,085,061)
Dividend		-	-
Issuance of bonus shares		(363,601,360)	(303,001,130)
Transfer from revaluation reserve		1,004,572	4,018,287
Closing balance		541,979,610	544,573,808
20. Contingent liabilities			
Acceptances and endorsements		-	-
Letters of guarantee	20.1	105,148,614	76,890,865
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
		105,148,614	76,890,865
20.1 Letters of guarantee			
In the normal course of business, the Company incurs certain contingent liabilities (letters of guarantee). No material losses are anticipated as a result of these transactions. These contingent liabilities are quantified below:			
Director		-	-
Government		-	-
Bank and financial institutions		105,148,614	76,890,865
Others		-	-
		105,148,614	76,890,865
21. Particulars of profit and loss account			
<u>Income</u>			
Interest, discount and other similar income	22	5,080,019,093	2,991,122,584
Dividend income	24	28,728,723	28,979,009
Fees, commission and brokerage	25	89,224,663	82,161,056
Gains less losses arising from dealing securities	24	34,618,357	36,484,402
Gains less losses arising from investment securities		-	-
Gains less losses arising from dealing in foreign currencies		-	-
Income from non banking assets		-	-
Other operating income	26	23,632,007	25,291,114
Profit less losses on interest rate changes		-	-
		5,256,222,843	3,164,038,165
<u>Expenses</u>			
Expenses related to deposits, fee, commission etc.	23	3,381,689,412	1,918,530,631
Charges on loan loss		-	-
Administrative expenses	27	710,642,067	541,700,054
Other operating expenses		-	-
Depreciation and amortisation	36.1	40,974,127	31,110,375
		4,133,305,606	2,491,341,060
Profit before provision		1,122,917,237	672,697,105

	Note	2018 Taka	2017 Taka
22. Interest income			
<u>Interest income on loans and advances</u>			
Interest on lease finance		687,239,749	433,493,997
Interest on long term loan		1,579,776,765	942,230,888
Interest on short term loan		1,389,858,487	860,410,919
Interest on channel finance		202,614,777	121,615,328
Interest on mortgage finance		623,206,565	298,415,071
Interest on secured retail loan		27,637,153	12,143,247
Interest on auto loan		274,219,008	161,925,346
Interest on staff loan		2,993,426	2,297,719
Interest on personal loan		30,486,158	34,850,836
Interest on Consumer Finance		3,267	-
		4,818,035,355	2,867,383,351
<u>Interest income on balance with other banks and financial institutions</u>			
Interest on fixed deposits		230,297,819	95,843,966
Interest on overnight and treasury placements		27,853,556	25,800,556
Interest on STD accounts		3,832,363	2,094,711
		261,983,738	123,739,233
		5,080,019,093	2,991,122,584
23. Interest paid on deposits and borrowings etc.			
Interest expenses on term deposits		3,060,385,896	1,757,356,337
Interest expenses on borrowings	23.1	321,303,516	161,174,294
		3,381,689,412	1,918,530,631
23.1 Interest expenses on borrowings			
<u>Local banks and financial institutions</u>			
Interest expenses on short term loan		117,964,254	74,107,881
Interest expenses on long term loan		69,871,672	10,052,885
Interest expenses on call borrowings		29,453,611	34,037,875
Interest expenses on bank overdrafts		38,372,978	31,979,319
Interest expenses on bank overdrafts		65,367,945	10,996,334
Interest expenses on zero coupon bond		273,056	-
Interest expenses on Subordinated Bonds		321,303,516	161,174,294
<u>Foreign banks and financial institutions</u>			
Interest expenses on long term lines of credit		-	-
		321,303,516	161,174,294
24. Investment income			
<u>Dividend income</u>			
Dividend income on cumulative preference shares		28,274,973	28,451,766
Dividend income on listed shares		3,750	2,243
Dividend income on un-listed shares		450,000	525,000
		28,728,723	28,979,009
<u>Interest on treasury bills, bonds and debentures</u>			
Interest income on Govt. treasury bonds		-	-
Interest income on corporate bonds		34,618,336	36,484,402
		34,618,336	36,484,402
Capital gain on sale of listed shares		21	-
		34,618,357	36,484,402
		63,347,080	65,463,411

	Note	2018 Taka	2017 Taka
25. Commission, exchange and brokerage			
Application Fee		340,268	633,186
Documentation Fee		35,936,401	51,076,553
Processing Fee		52,947,994	30,451,317
		89,224,663	82,161,056
26. Other operating income			
Transfer price/sale of leased assets		145,400	169,348
Other earnings		809,111	959,581
Loan loss recovery		20,689,836	24,135,000
Gain/(loss) sale of fixed assets	26.1	1,987,660	27,185
		23,632,007	25,291,114

26.1 Gain/(loss) sale of fixed assets

Some items of fixed assets which were impaired, sold or adjusted during the period as under:

Sale proceeds	6,706,067	29,200
Cost price of the sold/adjusted items	17,598,953	5,789,340
Accumulated depreciation	(12,880,546)	(5,787,325)
Written down value	4,718,407	2,015
Gain/(loss) on sale of fixed assets	1,987,660	27,185

27. Administrative expenses

Salary and allowances	28	382,732,193	284,838,827
Rent, taxes, insurance, electricity, etc.	29	43,444,674	32,636,022
Legal expenses	30	41,936,136	19,400,067
Postage, stamp, telecommunications, etc.	31	9,160,192	7,274,963
Stationery, printing, advertisements, etc.	32	101,248,787	111,818,455
Managing Director's salary and allowances	33	13,679,676	11,554,496
Directors' fees	34	2,409,361	2,785,591
Auditors' fees	35	540,500	678,500
Repair and Maintenance	36.2	27,238,088	18,731,984
Other expenses	37	88,252,460	51,981,149

28. Salary and allowances

382,732,193	284,838,827
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28.1 Number of employees and remuneration thereof

As per the Schedule XI of the Companies Act, 1994, the number of employees (including contractual employees) engaged for the whole year or part thereof who received a total remuneration of Taka 36,000 per annum or Taka 3,000 per month were 740 at the end of 31 December 2018 as against 538 in 2017.

29. Rent, taxes, insurance, electricity, etc.

Office rent	26,789,968	19,423,365
Rates and taxes	270,274	312,530
Insurance	7,423,128	5,613,722
Utilities - electricity, gas, water, etc.	8,961,304	7,286,405
	43,444,674	32,636,022

	Note	2018 Taka	2017 Taka
30. Legal expenses			
Professional fees		31,617,549	8,400,547
Legal documents		9,619,729	9,413,743
Legal Notice Publication		698,858	1,585,777
		41,936,136	19,400,067
31. Postage, stamp, telecommunications, etc.			
Postage, stamps etc.		2,090,329	1,529,723
Telephone		2,960,879	3,662,986
Internet expenses		4,108,984	2,082,254
		9,160,192	7,274,963
32. Stationery, printing, advertisements etc.			
Printing Expenses		2,687,106	4,500,121
Stationery Expenses		1,974,125	1,603,200
Publicity and advertisement		96,587,556	105,715,134
		101,248,787	111,818,455
33. Managing Director's salary and allowances			
Basic salary		7,490,311	6,180,000
House rent allowance		958,176	720,000
Medical allowance		358,773	204,000
Festival bonus		1,250,000	1,030,000
Performance bonus		1,000,000	1,000,000
Leave fare assistance		1,248,385	1,029,996
Company's contribution to provident fund		749,031	618,000
Gratuity		625,000	772,500
		13,679,676	11,554,496
34. Directors' fees			
Honorarium for attending meeting		938,400	1,306,400
Incidental expenses for attending meeting		1,470,961	1,479,191
		2,409,361	2,785,591
Directors' fees include fees for attending the meetings of the Board, Executive Committee and Audit Committee. Each director was remunerated Tk. 8,000 per meeting in accordance with Bangladesh Bank's DFIM circulars number 13 and 03 dated 30 November 2015. In addition, as per policy the Company also bears travelling, accommodation and other related costs of directors who attend Board Meeting from overseas.			
35. Auditors' fees			
Auditors' remuneration for interim audit		-	172,500
Auditors' remuneration for annual audit		540,500	506,000
		540,500	678,500
36. Depreciation and repair of assets			
Depreciation and amortisation	36.1	40,974,127	31,110,375
Repair and maintenance	36.2	27,238,088	18,731,984
		68,212,215	49,842,359

	2018	2017
Note	Taka	Taka
36.1 Depreciation and amortisation		
Building	1,401,807	1,401,805
Motor vehicles	12,003,590	7,775,967
Furniture and fixture	4,628,006	4,797,402
Equipment and appliances	19,048,590	14,169,932
Software	3,892,134	2,965,269
	40,974,127	31,110,375
Details are shown in Annexure - A.		
36.2 Repair and maintenance		
	5,734	334,960
Office premises	5,438,178	5,166,906
Vehicles-fuel	6,129,219	3,836,938
Vehicles-repair and maintenance	15,664,957	9,393,180
Office equipment	27,238,088	18,731,984
37. Other expenses		
Staff training	8,819,491	7,841,081
Membership fees, subscription and donations	5,809,007	6,724,340
News papers, periodicals, learning materials etc.	210,691	202,021
Recruitment expenses	2,296,707	2,625,458
Traveling, conveyance and hotel expenses	17,935,156	10,710,698
Entertainment and public relation	5,229,707	3,281,466
Annual General Meeting expenses	10,404,091	7,009,624
Security and cleaning services	7,521,978	6,949,444
Sundry office maintenance*	26,413,237	4,283,259
Bank Charges	3,443,525	2,182,648
Other operational expenses	168,870	171,110
	88,252,460	51,981,149
*Sundry office maintenance includes application money of BDT 22,899,996 for increase of authorised share capital.		
38. Provision for loans and advances		
Provision for classified loans and advances	160,535,513	18,644,437
Provision for unclassified loans and advances	102,857,712	139,644,209
	263,393,225	158,288,646
39. Provision for diminution in value of investment		
Provision made for investment in share	(1,045,775)	665,214
Provision made for marking to market on Govt. securities	-	-
	(1,045,775)	665,214
40. Provision for deferred tax		
Expense on deductible temporary differences	-	-
Expense/(income) on taxable temporary differences	4,379,185	1,610,115
Revaluation adjustment of previous year through deferred tax	-	-
	4,379,185	1,610,115

41. Earnings per share (EPS)

	2018	2017
	Taka	Taka

Basic earnings per share has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year ended 31 December 2018 as per IAS 33: *Earnings per share*.

Net profit after tax	450,003,237	335,425,303
Weighted average number of outstanding shares	218,160,816	218,160,816
Basic earning per share (restated-2017)	2.06	1.54

Diluted Earnings Per Share (DEPS)

No DEPS is required to be calculated since there was no scope for dilution of share during the period under review.

42. Board meetings

During the year 2018 a total of 9 (nine) Board Meetings were held against 10 in the year 2017.

43. Net asset value (NAV) per share

Net asset	3,751,927,371	3,110,538,922
Number of share outstanding	218,160,816	218,160,816
NAV per share (restated-2017)	17.20	14.26

44. Net operating cash flow (NOCF) per share

Net operating cash flow	(838,197,498)	409,647,680
Number of share outstanding	218,160,816	218,160,816
NOCF per share (restated-2017)	(3.84)	1.88

45. Events after the balance sheet date

The Board of Directors of the Company in its 177th meeting held on 10 February 2019 recommended 7% (percent) cash and 8% (percent) stock dividend.

46. Disclosure on Audit Committee of the Board

The Audit Committee of the Board was duly constituted by the Board of Directors of the Company in accordance with the FID Circular No. 10 dated 18 September 2005 and DFIM Circular No. 13 dated 26 October 2011 of Bangladesh Bank as well as Bangladesh Securities and Exchange Commission Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012. The committee was formed comprising 5 (five) members of the Board.

Sl. no.	Name	Status with the company	Status with the committee	Educational qualification
i)	Mr. Salahdin Irshad Imam	Independent Director	Chairman	BA Hons, Harvard University.
ii)	Mr. Amin H. Manekia	Director	Member	MBA (major in Finance & Marketing), Babson College, USA.
iii)	Mr. Md. Enamul Hoque	Director	Member	Diploma in Software Application, City & Guild, London and BIAM; Master's in Bangla Literature, University of Dhaka.
iv)	Ms. Nasreen Sattar	Independent Director	Member	Senior Cambridge-St. Xavier Covent, Bachelor of Arts, Holy Cross College.
v)	Ms. Tamara Hasan Abed	Director	Member	MBA in Finance from Columbia Business School, Columbia University, NY, USA BSc in Economics from London School of Economics, London, UK

The company secretary acts as secretary to Audit Committee.

The Audit Committee of the Board conducted 5 (five) meetings from 1 January 2018 to 31 December 2018 in which among others, the following salient issues were discussed:

- a) The Committee reviewed of the periodical inspection reports on credit assessment, operational, financial procedure and branch operations of the Company conducted and submitted by the Internal Auditors and gave necessary instructions to the management for proper and prompt resolution of the irregularities/objections stated therein;
- b) The Committee reviewed internal audit plan for the year 2018;
- c) The Committee reviewed the draft financial statements for the year 2018 and after discussion with the external auditors, recommended it to the Board of Directors for its approval;
- d) The Committee reviewed the management letter issued by the external auditors and management's responses thereto;
- e) The Committee also reviewed the first quarter, half-year and third quarter ended financial statements for the year 2018 and recommended them to the Board of Directors for their approvals;
- f) The Committee reviewed and ascertained that the internal control system including financial and operational controls, accounting system, and reporting structure are adequate and effective;
- g) The Committee reviewed the actions taken by the management for implementation of Audit Committee observations on issues deliberated in Audit Committee meetings;
- h) The Committee reviewed the inspection report of Bangladesh Bank with responses from the management for the year ended 31 December 2017;
- i) The Committee recommended regarding re-appointment of external auditors of the Company considering suitability and global acceptability; and
- j) The Committee placed its report regularly to the Board of the Company for review and monitoring the activities with recommendations on internal control system, compliance of rules and regulation of the regulatory bodies.

47 Related party/(ies) disclosure

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decision and include associated companies with or without common directors and key management personnel. The Company has entered into transactions with other entities in normal course of business that fall within the definition of related party as per BAS 24: Related Party Disclosures. Transactions with related parties were executed on the same terms, including interest rates as those prevailing at the time for comparable transactions with normal business transactions with others and do not involve more than a normal risk.

Details of related party/(ies) transactions are as follows:

Related party	Relationship	Nature of transaction	Outstanding balance	
			2018	2017
Aga Khan Education Bangladesh Services, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term deposit receipt	467,606,733	408,116,424
Aga Khan Education Service Bangladesh Employees Provident Fund	This is a part of Aga Khan Development Network - AKDN	Term deposit receipt	2,500,000	Nil
Aga Khan Foundation, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term deposit receipt	298,385,491	307,812,544
AKF-DJ Nazrana	This is a part of Aga Khan Development Network - AKDN	Term deposit receipt	17,167,374	15,900,000
Ismailia Co-Operative Society Ltd	This is a part of Aga Khan Development Network - AKDN	Scheme deposit receipt	56,861,545	17,980,227
Industrial Promotion Services (Bangladesh) Limited	This is a part of Aga Khan Fund for Economic Development - AKFED	Term deposit receipt	26,998,833	25,596,619
Guardian Life Insurance Limited	Mr. Shameran Abed and Mr. Sameer Ahmad are also Director of Guardian Life Insurance Limited and BRAC is the sponsor shareholder of the company	Term deposit receipt	377,556,193	241,284,418
		Group life insurance premium of the employees	3,886,571	2,835,181
BRAC	Sponsor shareholder of IPDC	Term deposit receipt	569,710,425	533,710,000
BRAC University	Related concern of BRAC	Term deposit receipt	533,759,850	410,220,000
Sufia Khatun Foundation	Related concern of BRAC	Term deposit receipt	27,993,475	25,297,750
BRAC Net Limited	Related concern of BRAC	Term deposit receipt	232,677,404	216,058,303
BRAC Net Limited Employees Gratuity Fund	Related concern of BRAC	Term deposit receipt	16,755,013	15,729,500
BRAC Net Limited Employees Provident Fund	Related concern of BRAC	Term deposit receipt	12,553,837	11,817,000
Education Trust Fund	Related concern of BRAC	Term deposit receipt	1,048,381,803	643,749,875
RSA Capital Employees Provident Fund	Shareholder of IPDC	Term deposit receipt	3,728,000	2,000,000
Morseda Chowdhury	Associate Director, BRAC	Auto Loan	2,941,913	Nil
Sir Fazle Hasan Abed	Founder and chairman of BRAC	Term deposit receipt	1,200,000	Nil
Lady Syeda Sarwat Abed	Founder and director of the BRAC Institute of Languages (BIL), BRAC University, Spouse of Sir Fazle Hasan Abed	Term deposit receipt	600,000	Nil
Nasreen Sattar	Independent Director of IPDC	Term deposit receipt	8,500,000	Nil
Fauzia Binte Ahmed	Mother in law of Managing Director & CEO	Term deposit receipt	2,468,636	1,607,775
Benazir Huq	Spouse of Managing Director & CEO	Term deposit receipt	6,946,883	1,672,741
Mr. Mominul Islam	Managing Director & CEO of IPDC	Term deposit receipt	577,801	2,386,202
		Home loan	6,732,577	7,476,268
		Employee loan	-	79,452
		Personal Loan	1,349,221	1,680,408

48 Directors information

48.1 Name of the Directors and the entities in which they have interested as at 31 December 2018

Sl. no.	Name	Status with the IPDC		Firms/companies in which they have interest					
		Position	Nominated by	Name	Position				
i)	Dr. Muhammad Musa	Chairman	BRAC	BRAC Net	Chairman				
				Brac Kumon	Chairman				
				Affordable Healthcare Trust	Chairman				
				BRAC	Executive Director				
ii)	Mr. Md. Enamul Hoque	Director	GoB	Chittagong Dry Dock Limited	Director				
				Sanofi Bangladesh Limited	Director				
				Institute of Cost and Management Accountants of Bangladesh (ICMAB)	Director				
iii)	Mr. A. Gaffar Khan	Director	GoB	N/A	N/A				
iv)	Ms. Nasreen Sattar	Independent Director	N/A	Consumark Limited	Chairman				
v)	Mr. Salahdin Irshad Imam	Independent Director	N/A	Panigram Resort Limited	Chairman				
				Radius Enterprises	Proprietor				
				Tiger Tours Limited	Shareholder				
				Tropical Conservation	Chairman				
				Brotee (NGO)	Member of Executive Committee				
vi)	Mr. Amin H. Manekia	Director	AKFED	IVP Limited (India)	Director				
				DCB Bank Limited India	Director				
				Aga Khan Health Services India Limited	Chairman				
				Prince Aly Khan Hospital	President				
vii)	Ms. Tamara Hasan Abed	Director	BRAC	BRAC EPL Stock Brokerage Limited	Director				
				BRAC Services Limited	Director				
				Bangladesh Netting Factory Limited	Member				
				BRAC Karnafuli Tea Company Limited	Director				
				BRAC Kaiyacherra Tea Company Limited	Director				
				BRAC Kodala Tea Estate	Director				
				BRAC Industries Limited	Director				
				BRAC Environmental Enterprises Limited	Director				
				BRAC EPL Investments Limited	Director				
				Ayesha Abeda Foundation	Executive Trustee				
				BRAC University	Member of the Board of Trustee and Syndicate				
				viii)	Mr. Shameran Abed	Director	Ayesha Abed Foundation	BRAC IT Services Limited (biTS)	Director
								bKash Limited	Director
								Guardian Life Insurance Limited	Director

Sl. no.	Name	Status with the IPDC		Firms/companies in which they have interest	
		Position	Nominated by	Name	Position
ix)	Mr. Tushar Bhowmik	Director	BRAC	BRAC Services Limited BRAC Industries Limited	Director Director
x)	Mr. Sameer Ahmad	Director	RSA Capital Ltd.	Equinox Limited RSA Capital Limited RSA Advisory Limited	Director Director Director
xi)	Mr. Mominul Islam	Managing Director & CEO	Ex-officio	None	N/A

48.2 Significant contracts in which the Company, its subsidiary or any fellow subsidiary company was a party and wherein the Directors have interest that subsisted at any time during the year or at the end of the year.

48.3 Shares issued to Directors and Executives without consideration or exercisable at discount

48.4 Nature, type and elements of transactions with the related party

48.5 Lending policies in respect of related party:

- Amount of transactions regarding loans & advances, deposits, guarantees and commitment
- Amount of provision against loans and advances given to related party
- Amount of guarantees and commitments arising out of the statement of affairs

48.6 Investments in securities of the Directors and their related concerns



IPDC Finance Limited

FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURE

Annexure - A

Figures in Taka

Category of asset	Cost/valuation					Depreciation/amortisation					Carrying amount as at 31 December 2018	
	Balance as at 1 January 2018	Revaluation reserve	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 December 2018	Balance as at 1 January 2018	Rate	Charged during the year	Adjustment during the year		Balance as at 31 December 2018
Land	129,240,000	150,195,033	-	-	-	279,435,033	-	-	-	-	-	279,435,033
Building	20,922,500	75,145,543	-	5,593,276	-	90,474,767	4,191,469	6.67%	1,401,807	5,593,276	-	90,474,767
Motor vehicles	50,806,187	-	32,131,875	-	12,374,553	70,563,509	18,019,863	20.00%	12,003,590	7,832,880	22,190,573	48,372,936
Furniture and fixture	62,704,654	-	12,727,189	4,092,911	2,929,535	68,409,397	30,594,579	12.50%	4,628,006	2,837,634	32,384,951	36,024,446
Equipment and appliances	106,305,477	-	26,418,118	(4,092,911)	2,294,840	134,521,666	59,023,926	20.00%	19,048,589	2,210,030	75,862,485	58,659,181
Software	21,496,542	-	2,792,585	-	-	24,289,127	12,597,340	20.00%	3,892,134	-	16,489,474	7,799,653
Capital working progress - Software	-	-	24,287,196	-	-	24,287,196	-	0.00%	-	-	-	24,287,196
Balance as at 31 December 2018	391,475,360	225,340,576	98,356,963	5,593,276	17,598,928	691,980,695	124,427,177		40,974,126	18,473,820	146,927,483	545,053,212

Figures in Taka

Category of asset	Cost/valuation					Depreciation/amortisation					Carrying amount as at 31 December 2017	
	Balance as at 1 January 2017	Revaluation reserve	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 December 2017	Balance as at 1 January 2017	Rate	Charged during the year	Adjustment during the year		Balance as at 31 December 2017
Land	129,240,000	-	-	-	-	129,240,000	-	-	-	-	-	129,240,000
Building	20,922,500	-	-	-	-	20,922,500	2,789,664	6.67%	1,401,805	-	4,191,469	16,731,031
Motor vehicles	33,137,998	-	26,308,000	-	8,639,811	50,806,187	15,900,574	20%	7,775,967	5,656,678	18,019,863	32,786,324
Furniture and fixture	54,639,506	-	9,517,231	-	1,452,083	62,704,654	26,492,739	12.50%	4,797,402	695,562	30,594,579	32,110,075
Equipment and appliances	81,212,354	-	28,049,376	-	2,956,253	106,305,477	47,121,982	20%	14,169,932	2,267,988	59,023,926	47,281,551
Software	16,398,750	-	5,097,792	-	-	21,496,542	9,632,071	20%	2,965,269	-	12,597,340	8,899,202
Balance as at 31 December 2017	335,551,108	-	68,972,399	-	13,048,147	391,475,360	101,937,030		31,110,375	8,620,228	124,427,177	267,048,183

Details of disposals/adjustments-for 2018

Figures in Taka

Asset category	Cost	Accumulated depreciation	Book value	Sale price/adjustment	Profit/(loss) on disposal	Mode of disposal	Buyer
Motor vehicles	12,374,553	7,832,880	4,541,673	6,438,452	1,896,780	As per policy of the Company	Employees/Outsider
Furniture and fixture	2,929,535	2,854,810	74,725	82,225	7,500	As per policy of the Company	Outsider
Equipment and appliances	2,294,840	2,192,997	101,843	185,223	83,380	As per policy of the Company	Outsider
	17,598,928	12,880,687	4,718,241	6,705,900	1,987,660		

Highlights on the overall activities of the Company as at and for the periods 2018 and 2017

Annexure - B

Sl. no.	Particulars	2018	2017
1	Paid up capital (Taka)	2,181,608,160	1,818,006,800
2	Total capital (Taka)	3,751,927,371	3,110,538,922
3	Capital surplus (Taka)	1,188,030,693	1,128,221,522
4	Total assets (Taka)	50,511,180,906	39,288,942,356
5	Total deposits (Taka)	37,066,078,306	29,746,862,008
6	Total loans and advances (Taka)	44,325,273,003	34,466,955,374
7	Total contingent liabilities and commitments (Taka)	105,148,614	76,890,865
8	Credit to deposit ratio	1.2:1	1.16:1
9	Percentage of classified loans against total loans, advances	2.14%	0.62%
10	Net profit after tax and provision (Taka)	450,003,237	335,425,303
11	Amount of classified loans and advances at the end of the period/year (Taka)	947,649,323	213,869,730
12	Provisions kept against classified loan (Taka)	194,240,598	33,705,085
13	Provisions surplus against classified loan (Taka)	53,866,230	39,977,500
14	Cost of fund	9.14%	7.18%
15	Interest earning assets (Taka)	48,466,009,471	38,032,989,316
16	Non-interest earning assets (Taka)	2,045,171,435	1,255,953,040
17	Return on investment (ROI)	13.11%	11.40%
18	Return on asset (ROA)	1.00%	1.08%
19	Income from investment (Taka)	63,347,080	65,463,411
20	Earning per share (Taka)	2.06	1.54
21	Net income per share (Taka)	2.06	1.54
22	Price earning ratio (Times)	18.50	32.53

Reconciliation of Net Profit with Cash Flows from Operating Activities

Annexure - C

	2018	2017
	Taka	Taka
Net profit after tax	450,003,237	335,425,303
Adjustments for non-cash items:		
Add: Depreciation expenses	40,974,127	31,110,375
Add: Provision for loans, advances and investments	262,347,450	158,953,860
Less: Gain on sale of fixed assets	(1,987,660)	(27,185)
Add/(Less): Accrued expenses	556,264,549	273,474,385
Add/(Less): Accrued income	(78,475,305)	(37,776,690)
Add/(Less): Provision for Current Tax	406,187,365	176,707,827
Add/(Less): Deferred Tax	4,379,185	1,610,115
	1,639,692,948	939,477,990
Changes in operating assets and liabilities		
(Increase)/Decrease in Loans and advances to other banks	17,997,600	117,850,243
(Increase)/Decrease in Loans and advances to customers	(9,876,315,228)	(15,104,210,527)
(Increase)/Decrease in Other assets	(41,868,860)	(2,432,879)
Increase/(Decrease) in Deposits from other banks and financial institutions	2,410,387,500	(135,257,010)
Increase/(Decrease) in Deposits from customers	4,908,828,798	12,567,671,592
Increase/(Decrease) in Trading liabilities	85,774,410	1,896,583,218
Increase/(Decrease) in Payable and accrued expenses	38,834,308	3,765,965
Increase/(Decrease) in Interest suspense	97,803,307	2,646,465
Increase/(Decrease) in Other liabilities	162,413,033	(23,324,496)
Payment of Corporate tax	(281,745,314)	146,877,119
Cash received/(paid) from operating assets and liabilities	(2,477,890,446)	(529,830,310)
Net cash from operating activities	(838,197,498)	409,647,680

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CHECKLISTS

ANNUAL REPORT REVIEW

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1.3 At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	
1.4 Chairman to be independent of CEO	
1.5 Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non-Executive Directors	
1.6 Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	
1.7 Disclosure of policy on annual evaluation of the CEO by the Board.	
1.8 Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	
1.9 At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	
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Particulars	Pg. Ref.
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3.2.5 Statement on Audit committee involvement in selection of appropriate accounting policies that are in line with applicable accounting standards and annual review.	137-139
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6. REMUNERATION COMMITTEE	
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INTEGRATED REPORT

No.	Particulars	Pg. Ref.
1.	Elements of an Integrated Report	
1.1	<p>Organizational overview and external environment</p> <p><i>An integrated report should disclose the main activities of the organization and the environment of which it operates.</i></p> <p>An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters such as:</p> <ul style="list-style-type: none"> • The organization's: <ul style="list-style-type: none"> - culture, ethics and values - ownership and operating structure including size of the organization, location of its operations) - principal activities and markets - competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry) - position within the value chain • Key quantitative information e.g., the number of employees, revenue and number of countries in which the organization operates highlighting, in particular, significant changes from prior periods • Significant factors affecting the external environment and the organization's response (include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term) <p>Eg:</p> <ul style="list-style-type: none"> - The legitimate needs and interests of key stakeholders - Macro and micro economic conditions, such as economic stability, globalization, and industry trends - Market forces, such as the relative strengths and weaknesses of competitors and customer demand - The speed and effect of technological change - Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems - Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached - The legislative and regulatory environment in which the organization operates - The political environment in countries where the organization operates and other countries that may affect the ability of the organization to implement its strategy 	<p>About IPDC (33)</p> <p>Statement from Chairman (5)</p> <p>Statement from MD and CEO (9)</p> <p>Directors' Report (74)</p> <p>Our Value Creation Process (144)</p> <p>Materiality Determination (28)</p> <p>Business Review (163)</p> <p>Social and Relationship Capital (211)</p> <p>Natural Capital (229)</p>
1.2	<p>Governance</p> <p><i>An integrated report should how does the organization's governance structure support its ability to create value in the short, medium and long term. An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:</i></p> <ul style="list-style-type: none"> • The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure • Mandatory and voluntary code of corporate governance adopted by the Company. • Code of ethical conduct adopted by the Company in relation to ethical business. • Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues • Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management • How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders 	<p>Profile of the Board of Directors (53)</p> <p>Guiding Principles (67)</p> <p>Risk Categories and Management Strategies (125)</p> <p>Strategy Formulation and Resource Allocation (154)</p> <p>Directors' Report (74)</p>

No.	Particulars	Pg. Ref.
	<ul style="list-style-type: none"> • Whether the organization is implementing governance practices that exceed legal requirements/ Key Policies • The responsibility those charged with governance take for promoting and enabling innovation • How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals. 	
<p>1.3</p>	<p>Stakeholder Identification/Relationships</p> <p>An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests. Stakeholders are the groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes or whose actions can reasonably be expected to significantly affect the ability of the organization to create value.</p> <p>An entity may disclose the following in their integrated reports in respect of stakeholder relationships.</p> <ul style="list-style-type: none"> • How the company has identified its stakeholders. • Stakeholder engagement methodology. • Identification of material matters of stakeholders. • How the Company has applied such matters. • How the stakeholders are engaged in assessing impacts, implications and outlook unrespects of Company's business model. <p>Capitals</p> <p><i>An integrated report needs to provide insight about the resources and the relationships used and affected by the organization, which are referred to collectively as the capitals and how the organization interacts with the capitals to create value over the short, medium and long term</i></p> <p>An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.</p> <p>Eg:</p> <p><i>Financial Capital – The pool of funds that is available to the organization for use in the production of goods or provision of services.</i></p> <p><i>Manufacturing Capital – Manufactured physical objects that are available to the organization for use in the production of goods and provision of services.</i></p> <p><i>Intellectual Capital – Organizational, Knowledge based intangibles.</i></p> <p><i>Human Capital – People's competencies, capabilities and experience, and their motivations to innovate</i></p> <p><i>Social and Relationship Capital – The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective wellbeing.</i></p> <p><i>Natural Capital – All renewable and non-renewable environmental resources and processes that provide goods and services that support the past, current and future prosperity of the organization.</i></p> <p><i>However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that it uses or affects.</i></p>	<p>Our Approach to Stakeholder Engagement (213)</p> <p>Guiding Principles (67)</p> <p>Materiality Determination (28)</p> <p>Financial Capital (161)</p> <p>Manufactured Capital (190)</p> <p>Intellectual Capital (194)</p> <p>Human Capital (200)</p> <p>Social and Relationship Capital (211)</p> <p>Natural Capital (229)</p>

No.	Particulars	Pg. Ref.
1.4	<p>Business model <i>An integrated report should describe the organization's business model</i> An integrated report need to describe the business model, including key:</p> <ul style="list-style-type: none"> • Inputs • Business activities • Outputs • Outcomes <p>Features that can enhance the effectiveness and readability of the description of the business model include:</p> <ul style="list-style-type: none"> • Explicit identification of the key elements of the business model • A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization • Narrative flow that is logical given the particular circumstances of the organization • Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment • Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues). <p>Inputs <i>An integrated report shows how key inputs relate to the capitals on which the organization depends, or that provide a source of differentiation for the organization, to the extent they are material to understanding the robustness and resilience of the business model.</i></p> <p>Business Activities An integrated report describes key business activities. This can include:</p> <ul style="list-style-type: none"> • How the organization differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing) • The extent to which the business model relies on revenue generation after the initial point of sale (e.g., extended warranty arrangements or network usage charges) • How the organization approaches the need to innovate • How the business model has been designed to adapt to change. <p>When material, an integrated report discusses the contribution made to the organization's long term success by initiatives such as process improvement, employee training and relationships management.</p> <p>Outputs An integrated report identifies an organization's key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.</p> <p>Outcomes An integrated report describes key outcomes, including:</p> <ul style="list-style-type: none"> • Both internal outcomes (e.g., employee morale, organizational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects) • Both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value). <p>Organizations with multiple business models Some organizations employ more than one business model (e.g., when operating in different market segments). This requires a distinct consideration of each material business model as well as commentary on the extent of connectivity between the business models (such as the existence of synergistic benefits). The integrated report of an organization with multiple businesses needs to balance disclosure with need to reduce complexity; however material information should not be omitted.</p>	<p>Business Model (145)</p> <p>Our Value Creation Process (143)</p> <p>Macroeconomic Analysis (147)</p> <p>Industry Analysis (150)</p> <p>Strategy Formulation and Resource Allocation (154)</p> <p>Business Review (163)</p> <p>Financial Capital (161)</p> <p>Manufactured Capital (190)</p> <p>Intellectual Capital (194)</p> <p>Human Capital (200)</p> <p>Social and Relationship Capital (211)</p> <p>Natural Capital (229)</p> <p>Products and Services (41)</p>

No.	Particulars	Pg. Ref.
<p>1.5 Performance</p>	<p>An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?</p> <p>An integrated report should contain qualitative and quantitative information about performance that may include matters such as:</p> <ul style="list-style-type: none"> • Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them • The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain • The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests • The linkages between past and current performance, and between current performance and the organization's outlook. <p>KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use). Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organization's non-compliance with laws or regulations may significantly affect its operations.</p>	<p>Business Review (163)</p> <p>Financial Capital (161)</p> <p>Manufactured Capital (190)</p> <p>Intellectual Capital (194)</p> <p>Human Capital (200)</p> <p>Social and Relationship Capital (211)</p> <p>Natural Capital (229)</p> <p>Statement from MD and CEO (9)</p>
<p>1.6 Risks, Opportunities and Internal Controls</p>	<p><i>An integrated report should explain what are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them? and effectiveness of the system of internal controls.</i></p> <p>This can include identifying:</p> <ul style="list-style-type: none"> • The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two. • The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does. • The specific steps being taken to mitigate or manage key risks (eg: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs. • Risk Management Report (Which includes details about risk, root cause, potential impact, response to risk, risk rating) • Response on the effectiveness of the internal controls and the board's responsibility for the disclosures on internal controls to safeguard stakeholder interest. 	<p>Guiding Principles (67)</p> <p>Directors' Report (74)</p> <p>Integrated Risk Management Framework (117)</p> <p>Risk Categories and Management Strategies (125)</p> <p>Risk, Opportunities, and Strategy Mapping (153)</p> <p>Macroeconomic Analysis (147)</p>

No.	Particulars	Pg. Ref.
1.7	<p>Strategy and Resource Allocation</p> <p><i>An integrated report should describe its strategic direction (Where does the organization want to go and how does it intend to get there)</i></p> <p>An integrated report needs to identify:</p> <ul style="list-style-type: none"> • The organization's short, medium and long term strategic objectives • The strategies it has in place, or intends to implement, to achieve those strategic objectives • How the entity has positioned in the wider market. • How the long term strategies relate to current business model. • The resource allocation plans it has to implement its strategy • How it will measure achievements and target outcomes for the short, medium and long term. <p>This can include describing:</p> <ul style="list-style-type: none"> • The linkage between the organization's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans: <ul style="list-style-type: none"> - relate to the organization's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organization's ability to adapt to change - are influenced by/respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals • What differentiates the organization to give it competitive advantage and enable it to create value, such as: <ul style="list-style-type: none"> - the role of innovation - how the organization develops and exploits intellectual capital - the extent to which environmental and social considerations have been embedded into the organization's strategy to give it a competitive advantage • Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans. 	<p>Strategy Formulation and Resource Allocation (154)</p> <p>Business Review (163)</p> <p>Product Formulation and Innovation (197)</p> <p>Financial Capital (161)</p> <p>Manufactured Capital (190)</p> <p>Intellectual Capital (194)</p> <p>Human Capital (200)</p> <p>Social and Relationship Capital (211)</p> <p>Natural Capital (229)</p>
1.8	<p>Outlook</p> <p><i>An integrated report should explain what challenges and uncertainties the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?</i></p> <p><i>An integrated report should highlight anticipated changes over time and provide information on</i></p> <ul style="list-style-type: none"> • The organization's expectations about the external environment the organization is likely to face in the short, medium and long term • How that will affect the organization • How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise. <p>The discussion of the potential implications, including implications for future financial performance may include:</p> <ul style="list-style-type: none"> • The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives • The availability, quality and affordability of capitals the organization uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organization's ability to create value over time. <p>An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the organization's outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.</p> <p>Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject.</p>	<p>Financial Capital (161)</p> <p>Manufactured Capital (190)</p> <p>Intellectual Capital (194)</p> <p>Human Capital (200)</p> <p>Social and Relationship Capital (211)</p> <p>Natural Capital (229)</p> <p>Risk Categories and Management Strategies (125)</p>

No.	Particulars	Pg. Ref.
<p>1.9</p>	<p>Basis of Preparation and Presentation</p> <p>An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?</p> <p>An integrated report describes its basis of preparation and presentation, including:</p> <ul style="list-style-type: none"> • A summary of the organization's materiality determination process <ul style="list-style-type: none"> - Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters - Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters. • A description of the reporting boundary and how it has been determined <p>Eg: Include process used for identifying the reporting boundary, geographic scope, the entities represented in the report and the nature of the information provided for each entity</p> <ul style="list-style-type: none"> • A summary of the significant frameworks and methods used to quantify or evaluate material matters (e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry-based framework for evaluating risks). 	<p>About this Report (25)</p>
<p>2</p>	<p>Responsibility for an Integrated Report</p> <p>An integrated report should include a statement from those charged with governance that includes:</p> <ul style="list-style-type: none"> • An acknowledgement of their responsibility to ensure the integrity of the integrated report • An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report • Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework or, if it does not include such a statement, it should explain: <ul style="list-style-type: none"> • What role those charged with governance played in its preparation and presentation • What steps are being taken to include such a statement in future reports • The time frame for doing so, which should be no later than the organization's third integrated report that references this Framework. 	<p>About this Report (25), Guiding Principles (67)</p>
<p>3</p>	<p>Other Qualitative Characteristics of an Integrated Report</p>	
<p>3.1</p>	<p>Conciseness</p> <p><i>An integrated report should be concise.</i></p> <p>An integrated report need to include sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information.</p> <p>Eg: Follows logical structure and includes internal cross-reference as appropriate to limit repetition. May link to more detailed information, information that does not change frequently or external sources. Express concepts clearly and in as few words. Favours plain language over the use of jargon or highly technical terminology. Avoids highly generic disclosures.</p>	<p>Applied</p>
<p>3.2</p>	<p>Reliability and Completeness</p> <p><i>An integrated report should include all material matters, both positive and negative, in a balanced way and without material error</i></p> <p>The organization achieve the reliability and completeness through,</p> <p>Eg:</p> <ul style="list-style-type: none"> • Selection of presentation formats that are not likely to unduly or inappropriately influence assessments made on the basis of integrated report. • Giving equal consideration to both increases and decreases in the capitals, both strengths and weaknesses of the organization, both positive and negative performance etc. • When information includes estimates, this is clearly communicated and the nature and limitations of the estimation process are explained. 	<p>Applied</p>

No.	Particulars	Pg. Ref.
3.3	<p>Consistency and Comparability</p> <p>The information in an integrated report should be presented:</p> <ul style="list-style-type: none"> • On a basis that is consistent over time • In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time. <p>Eg:</p> <ul style="list-style-type: none"> - Using benchmark data, such as industry or regional benchmarks - Presenting information in the form of ratios (e.g., research expenditure as a percentage of sales, or carbon intensity measures such as emissions per unit of output) - Reporting quantitative indicators commonly used by other organizations with similar activities, particularly when standardized definitions are stipulated by an independent organization (e.g., an industry body). - Reporting policies are followed consistently from one period to other unless a change is needed to improve the quality of information reported. - Reporting the same KPIs if they continue to be material across reporting period. - When a significant change has been made, the organization explains the reasons for the change describing its effect. 	Applied
3.4	<p>Connectivity of Information</p> <p>An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time. Eg: Connectivity between – Capitals</p> <ul style="list-style-type: none"> - Content elements - Past , Present & Future - Finance and other information 	Applied
3.5	<p>Materiality</p> <p>An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term</p>	About this Report (25)
3.6	<p>Assurance on the Report</p> <ul style="list-style-type: none"> • The policy and practice relating to seeking assurance on the report, • the nature and scope of assurance provided for this particular report • any qualifications arising from the assurance, and the nature of the relationship between the organization and the assurance providers 	About this Report (25)

GLOSSARY

Particulars	Meaning
Accrual Basis	Recognizing the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent
Amortization	Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life.
Cash Basis	Recognizing the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.
Cash Equivalents	Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.
Depreciation	Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to net profit or loss for the period either directly or indirectly.
Executions	Advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Fair Value	Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	A lease that transfers substantially all the risk and rewards incident to ownership of the asset to the lessee. Title may or may not eventually be transferred.
Gross Dividend	The proportion of profit distributed to shareholders inclusive of tax withheld.
Gross Portfolio	Total rental receivable of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Intangible Asset	An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
Interest Cost	The sum of monies accrued and payable to the sources of borrowed working capital.
Interest in Suspense	Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.
Investment Property	Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.
Lease	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Net Portfolio	Total rental receivable excluding interest of the advances granted to clients under leasing, hire purchase, installment sales and loan facilities.
Non-Performing Portfolio	Facilities granted to clients which are in default for more than the period recommended by Bangladesh Bank.
Paid up Capital	All amounts received by the Company or due and payable to the Company (a) in respect of the issue of shares (b) in respect of calls on shares.
Provision	Amounts set aside against possible losses on net receivable of facilities granted to clients, as a result of them becoming partly or wholly uncollectible.
Related Parties	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. A transfer of resources or obligations between related parties, regardless of whether a price is charged.
Related Party Transactions	Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.
Segmental Analysis	Total of issued and fully paid ordinary share capital and reserves.
Value Addition	Value of wealth created by providing leasing and other related services considering the cost of providing such services.



IPDC Finance Limited
PROXY FORM

I of
 being member of IPDC Finance Limited, hereby
 appoint Mr./Ms. of.....

 as my proxy to attend and vote for me and on my behalf at the 37th Annual General Meeting of the Company to be held at
 Emmanuelle's Banquet Hall, House # 04, Road # 134, Gulshan-1, Dhaka-1212 on Sunday, 31 March 2019 at 10:00 a.m. or at any
 adjustment thereof.

Signed this
 Day of 2019

Signature of Proxy



Signature of Shareholder

BO ID

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No. of Shares

N.B. Important

1. This Proxy Form, duly completed, must be deposited at least 48 hours before the meeting at the Company's Registered Office. Proxy is invalid if not signed and stamped as explained above.
2. Signature of the shareholders should agree with the specimen signature registered with the Company.



IPDC Finance Limited
ATTENDANCE SLIP

I hereby record my attendance at the 37th Annual General Meeting of the Company being held at Emmanuelle's Banquet Hall,
 House # 04, Road # 134, Gulshan-1, Dhaka-1212 on Sunday, 31 March 2019 at 10:00 a.m.

Name of Member/Proxy

BO ID:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Signature

Date

N.B. Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and deposit the same at the registration counter on the day of the meeting.



IPDC Finance Limited

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