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Annual Report | 2015

Industrial Promotion and Development Company
of Bangladesh Limited



Annual Report 2015

Industrial Promotion and Development Company of Bangladesh Limited

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Notice of the 34th Annual General Meeting

Notice is hereby given that the 34th Annual General Meeting (AGM) of the shareholders of Industrial Promotion and Development Company of Bangladesh Limited (IPDC) will be held at Trust Milonayaton, 545, Old Air Port Road, Jahangir Gate, Dhaka Cantonment, Dhaka-1206 on Wednesday, March 30, 2016 at 9:00 a.m. to transact the following proceedings:

1. To receive and adopt the Directors' Report, Auditors' Report and Audited Financial Statements of the Company for the year ended December 31, 2015;
2. To declare dividend for the year ended December 31, 2015;
3. To elect/re-elected Directors;
4. To re-appoint the Auditors and to fix their remuneration;
5. To confirm the appointment of Nominee Directors Dr. Muhammad Musa & Mr. Asif Saleh of BRAC, Mr. Shameran Abed of Ayesha Abed Foundation, Mr. Sameer Ahmad of RSA Capital Ltd. and Mr. Mamataz-Ala-Shakoor Ahmed of Government of the People's Republic of Bangladesh;
6. To transact any other business (if any) with the permission of the Chair.

By Order of the Board



Samiul Hashim
Company Secretary

Dated: Dhaka, March 03, 2016

Notes:

1. March 08, 2016 shall be considered as the Record Date for entitlement of the Dividend for the year ended December 31, 2015.
2. Admission into the venue of the AGM will be allowed on submission of the attendance slip.
3. Only the shareholders or their appointed 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 not 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.



Corporate Information

REGISTERED NAME OF THE COMPANY

Industrial Promotion and Development Company of Bangladesh Limited.

Legal Form

A public limited company incorporated in Bangladesh under the Companies Act 1913 (now the Companies Act 1994), listed with the Dhaka and Chittagong Stock Exchange Limited since December 03, 2006.

Licensed as Financial Institution under the Financial Institutions Act 1993 on February 07, 1995.

Date of Incorporation:

November 28, 1981

Company Registration No.:

C- 9566
392 of 1981-1982 dated November 28, 1981

Bangladesh Bank License No.:

BCD(Non Banking)/Dhaka/3/95 dated February 2, 1995

Registered Office:

Hosna Centre (4th floor)
106 Gulshan Avenue, Dhaka 1212
PABX : (+88 02) 9885533-8
Fax : (+88 02) 9885532, 9885529
E-mail : email@ipdcdbd.com
Web site : www.ipdcdbd.com

Dhanmondi Branch:

Bikalpa Dental Clinic & Commercial Complex
(3rd floor), House- 74, Road- 5A
Satmasjid Road, Dhanmondi R/A, Dhaka 1207
Tel: (+88 02) 9614734-35, Fax: (+88 02) 9614736

Motijheel Branch:

Surma Tower (4th floor)
59/2 Puran Paltan, Dhaka 1000
Tel: (+88 02) 9551704, 9570666, Fax: (+88 02) 9564044

Uttara Branch:

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

Chittagong Branch:

Avenue Tower (3rd floor)
115/134, Lalkhan Bazar, Chittagong 4100
Tel: (+88 031) 2866892-4, Fax: (+88 031) 2866895

Sylhet Branch:

Khalil Trade Center (3rd floor), House No. 01, Block D
Main Road, Shahjalal Uposhahar, Sylhet 3100
Tel: (+88 0821) 711112, 711128, Fax: (+88 0821) 711177

Auditors:

Rahman Rahman Huq (RRH)
Chartered Accountants
9 Mohakhali C/A (11th & 12th floor)
Dhaka 1212

Corporate Governance Auditors:

Snehasish Mahmud & Co.
Chartered Accountants
Plot 10 (3rd Floor), Road 9
Block J, Baridhara, Dhaka 1212

Tax Consultants:

Khandaker & Associates
Eastern Commercial Complex
Room No. 4/3 (4th floor)
73 Kakrail, Dhaka

Legal Advisors:

A Hossian & Associates
A Rahman & Associates
Law & Remedy
Mamun Chowdhury & Associates
Sarder Jinnat Ali

Principal Bankers:

Standard Chartered Bank
Prime Bank Limited
AB Bank Limited
Dutch Bangla Bank Limited
Dhaka Bank Limited
BRAC Bank Limited
United Commercial Bank Limited
Mercantile Bank Limited

Board of Directors



Front Row (Left to Right): **Sameer Ahmad**- Director, **Amin H. Manekia**- Vice Chairman, **Dr. Muhammad Musa**- Chairman, **Salahdin Irshad Imam**, Independent Director

Back Row (Left to Right): **Mamataz-Ala-Shakoor Ahmed**- Director, **Shameran Abed**- Director, **Nasreen Sattar**- Independent Director, **Mominul Islam**- Managing Director & CEO, **Asif Saleh**- Director

Management Committee



Front Row (Left to Right): **Savrina Arifin**- Head of Retail Business (Current Charge), **A F M Barkatullah**- Deputy Managing Director, **Mominul Islam**- Managing Director and CEO, **Md. Ashique Hossain**- Head of Credit Risk Management, **Nousheen Rahman**- Head of Marketing and Corporate Communications

Back Row (Left to Right): **Muhammad Sami Ul Hoque**- Manager, Internal Audit & Compliance, **Rizwan Dawood Shams**- Head of Corporate Investments, Channel Financing and Special Asset Management, **Md. Zakir Hossen**- Assistant General Manager, Operations, **Samiul Hashim**- Head of Legal Affairs & Company Secretary, **Lingkon Mondal**- Chief Financial Officer

Moments of 33rd Annual General Meeting



Honorable Ex-Chairman delivering his speech in the 33rd Annual General Meeting



The Board of Directors at the 33rd Annual General Meeting



Managing Director and CEO of the Company addressing queries from the shareholders in the 33rd Annual General Meeting



Shareholders registering their presence for the Annual General Meeting at the registration booth



One of the honorable shareholders addressing in the 33rd Annual General Meeting



The Board of Directors, IPDC officials and few of the shareholders in the Annual General Meeting

Bismillahir Rahmanir Rahim

Distinguished Shareholders, Assalaamu A'laikum,

It is my pleasure to welcome you all to the 34th Annual General Meeting (AGM) of the Industrial Promotion and Development Company (IPDC) of Bangladesh Limited. On behalf of the Board, I am presenting before you the successes, challenges and future directions of this great Company. Key points summarized below have also been elaborated in the Annual Report, along with the audited Financial Statements for the year ended 31 December 2015.

At the end of October 2015, BRAC, Ayesha Abed Foundation and RSA Capital Limited have acquired substantial shareholding in IPDC through a Strategic Alliance Agreement with Aga Khan Fund for Economic Development (AKFED). Since then, the reconstituted Board of IPDC started to provide governance level leadership to the management with a reinvigorated business expansion model. In the year 2015, the Company achieved growth in all of the critical business indicators along with remarkable positive growth in net profit. In spite of experiencing a relatively sluggish private investment climate in the year, which resulted in huge liquidity overhang in the financial sector, IPDC has achieved solid results which is a testimony to the Company's prudent financial and operational management.

During the year, the Company's operating profit reached to a record level of Tk. 445.79 million with an increase of 12.82% year-on-year basis. Profit after tax for the year was Tk. 240.19 million, which has witnessed a substantial improvement of 45.12% over the previous year.

I am also pleased to inform you that, during the year total outstanding gross loans, advances and leases of the Company has increased to Tk. 6,415.78 million from Tk. 5,676.79 million of the prior year. The Company's gross classified loan ratio has come down to 1.98% in the Year 2015 from 3.39% in the Year 2014 and net classified loan ratio has come down to -1.64% from 0.05% during the same period of previous year. In the retail deposit front, the Company's focus remains on individual small ticket deposits rather than large ticket institutional deposits and at the year-end total customer deposits stood at Tk. 4,544.69 million compared to Tk. 3,997.39 million in the previous year. Again, the Company's cost of funds as well as the spread from funded business have significantly improved during the year.

At a time when most of the Banks and Financial Institutions passed through difficult time in the Year 2015, IPDC achieved a remarkable progress in its financial and operational results. This was possible as a result of combination of several factors. Committed leadership at multiple levels, focus on proper control and compliance, ethical practice, robust risk management framework, diversified earning streams, timely treasury fund management and strong corporate governance were the noteworthy factors to success. As chairman of the Company, I am very hopeful that, the Company will witness rapid growth in longer-term.

At IPDC, we are continually mindful of the delivering to multi-pronged objectives of its shareholders and the wealth they invest. We pursue this by a balanced approach in creating value for our customers, employees and society as a whole. We have been working hard to establish a service-oriented corporate culture in the IPDC team, by embracing the organizational values of integrity, prudence and transparency. We are aiming our strategic commitment to enhance our operational performance and create even-higher value for stakeholders, concomitant with bringing socio-economic benefits to all parts of our society.

We expect better macroeconomic environment in the country in the coming years, which would help us to mobilize further investment opportunities. IPDC will adopt a faster growth trajectory in future to tap into the emerging market opportunities specially in retail and women segment. We have crafted a new strategy plan for the next few years based on sound analysis of current and future market potential. The new plan calls for a growth which should position IPDC as an even high-performing financial institution in the rapidly changing market. However, that would require us to make some upfront investment in distribution network, information technology, brand and human resources. We are confident that these investments will bring in higher level of profitability in the longer horizon following the immediate strategy implementation phase.

I remain thankful as ever to our shareholders without whom this success story of the year 2015 would not have been possible. My sincere gratitude goes to all of our stakeholders including shareholders, customers and regulators especially Bangladesh Bank, BSEC, DSE, CSE for their continued support and judicious guidance. I am grateful to my fellow members of the Board of Directors for their valuable guidance and continuous leadership. My heartfelt appreciation goes to IPDC management team, along with Mr. Mominul Islam, Managing Director & CEO for their hard work, dedication, resourcefulness and continued commitment to advance the organization towards its goals.

I wish you all a very happy and prosperous Year 2016.

Thank you.



Dr. Muhammad Musa
Chairman
Board of Directors

Dhaka, 15 February, 2016

Chairman's Statement



IPDC completed another strong year in 2015 with significant growth across all key operating metrics. We grew performing credit portfolio, customer deposits and revenue while we have further improved our Balance Sheet quality and operational efficiency which have translated into record operating and net profit for the Company.

During the year 2015 our performing credit portfolio grew by 13.02% and customer deposit grew by 13.69% year-on-year basis while our gross classified loan ratio has come down to 1.98% at the end of year 2015 from 3.39% at the end of previous year. At the end of year 2015 coverage against the classified credit portfolio has reached 182.91% from 98.39% at the end of year 2014. We have also improved our cost income ratio from 31.88% in the year 2014 to 30.28% in the year 2015. Despite slowdown in credit demand in the market specially for new investments which resulted in huge liquidity overhang in the market, IPDC was able to better manage its liquidity and improved its spread from funded business as well.

The improvement in operating results translated into solid financial performance in the year 2015. Our operating income grew by 10.24% and operating profit grew by 12.82% while our net profit after tax surged to Tk. 240.19 million with a staggering growth of 45.12% year-on-year. The return on equity improved to 10.08% during year 2015 from 7.6% a year ago. The Company also retains a very strong capital base with capital adequacy ratio of 49.15% at the end of year 2015.

IPDC witnessed major change in its shareholding structure in the fourth quarter of the year when BRAC, Ayesha Abed Foundation and RSA Capital Limited acquiring forty percent shareholding of the Company while Aga Khan Fund for Economic Development (AKFED) reducing its shareholding to eleven percent from fifty one percent earlier. With the change in the shareholding structure, the composition of the Board of the Company was also got reconstituted with appropriate representation from the strategic shareholders. The shareholders, in their joint statement, expected that BRAC with its expertise and insight to successfully operate both development activities and commercial operations in Bangladesh, will be better able to guide the Company to expand its business in multiple avenues.

With strong capital base and excellent asset quality, IPDC is now ready to adopt a growth led business strategy for future years. We are currently working towards finalizing a long term strategic plan to identify our key growth areas keeping in view of the emerging



Managing Director's Statement

opportunities in the market where IPDC can create positive value addition and formulating operating plan to successfully achieve the long term objectives. Successful implementation of our growth strategy will entail internal capacity building in terms of talent acquisition and development, expansion of distribution network and adoption of cutting edge information technology as well as strong brand building activities targeting key market segments. This is expected to have negative impact on the bottom line financial results to some extent in the short term but we are confident that the investments for capacity building will significantly improve the profitability of the Company on the longer term.

Customer centricity has been our number one operational principle to successfully compete in the market place. Creating extraordinary customer experience will continue to remain our key focus while we develop our new business strategy. However, we are aware that going forward our customers will need us to do more for them in a fast changing market place. Anticipating the future customer needs and appropriately build our organization capability to adequately meet those needs will remain critical to our aspiration to become the market leader in the financial sector of Bangladesh.

The key to IPDC's recent success remains largely attributable to the strict observance of regulatory compliance. We believe that good compliance brings in sustainable performance. As we grow our business, it remains critical that we adopt more robust regulatory compliance framework to successfully operate our business in the long term. We are also aware that whatever avenue for growth we adopt, this must be backed up by solid risk management framework for its long term continuity. We are building the necessary capacity in risk management with the capability of handling increased business flow in the coming days.

We are grateful to our regulators specially Bangladesh Bank for their continuous guidance and patronage to our good works. We also express our gratitude to our shareholders for putting their confidence in us. I am indebted to the Board of IPDC for providing the vision and strategic direction to the Company as well as for adopting the best in class governance structure unmatched in the industry. My sincere thanks go to my colleagues who have worked relentlessly and passionately to build a great Company.

We want to create positive impact in the life of the people we serve and in the community we operate. Our business model and our everyday activities will be guided by this principle.

We are confident that we can deal with our challenges, continue meaningful growth and position the Company for long term success.

Thank you.

Yours truly



Mominul Islam

Managing Director & CEO

Dhaka, 15 February, 2016

Directors' Report to the Shareholders

Dear Shareholders,

The Board of Directors of Industrial Promotion and Development Company (IPDC) of Bangladesh Limited is very happy to welcome you in the 34th Annual General Meeting of the Company.

On behalf of the Board of Directors, I am presenting Directors' Report on the operational and financial activities of your Company together with the Audited Financial Statements for the year ended 31 December 2015 which also includes reports on business and strategy review, risk management, corporate governance, etc. 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.

During the year, IPDC has come up with change in governing Board Membership through changes in ownership where BRAC, the largest NGO in the World, holds the majority shares. Starting from fourth quarter of year 2015, the new Board of IPDC started to provide guidance which picked up the speed to achieve the organizational goal. At the end of year 2015, IPDC achieved remarkable growth in every indicators of business along with substantial positive growth of 45.12 percent in net profit. We also achieved chronologically positive net profit in every quarter of year 2015.

Economic Review Year 2015

In the year 2015, even more than seven years after the global financial crisis, policymakers around the world faced enormous challenges in stimulating investment and reviving global growth. The world economy had been held back by several major headwinds; persistent macroeconomic uncertainties and volatility; low commodity prices and declining trade flows; rising volatility in exchange rates and capital flows; stagnant investment and diminishing productivity growth and a continued disconnect between finance and real sector activities.

In developing and transition economies, growth slowed in year 2015 to its weakest pace since the global financial crisis amid sharply lower commodity prices, large capital outflows and increased financial market volatility.

Bangladesh Economy

In the year 2015 capacity utilization improved and investments were showing some signs of recovery. Bangladesh continued to do well in containing inflation, due to favourable international commodity price movements and sound macroeconomic management. The average inflation reduced to 6.4 percent in year 2015 compared to 7.4 percent in year 2014.¹

¹[Source: www.adb.org/countries/bangladesh/economy]

Fiscal policy has remained consistent with macroeconomic stability. Tax revenue growth has been weaker than targeted-while expenditure have also found short due to an implementation shortfall. An added factor in this year has been lower subsidies on fuel. A windfall resulting from the declining international oil price is accruing to the state-owned Bangladesh Petroleum Corporation (BPC), as administered domestic oil prices have remained unchanged. Government reduced the borrowing from the banking system because of rise in non-bank borrowing.

Despite political agitation early in year 2015 that adversely affected transport services, exports, and private investment, growth in Bangladesh held up well because of brisk domestic demand, boosted by higher worker remittances, private sector wages and public investment. Inflation moderated in year 2015 much as forecasted from 7.4% a year earlier, reflecting large public stocks of food grains, normal weather, a supportive monetary policy, and lower global food and commodity prices that a steady exchange rate allowed to pass through. Export growth was 3.3% in year 2015, down significantly from 12.1% in year 2014.¹

Garments sector accounted for about 80% of total exports which grew slowly by 4.1%, reflecting supply chains disrupted by political demonstrations in year 2015, soft demand from the European Union and the US, and a marked decline in prices for cotton, a major input cost that can affect pricing. Imports rose by 11.2% in the year 2015, accelerating from 8.9% growth in year 2014. Larger imports of food grains, machinery, fertilizer, and industrial raw materials helped to propel the expansion. As exports grew significantly more slowly than imports, the trade deficit widened markedly. Despite a strong recovery in remittances, the current account recorded a small deficit.¹

Financial sector

The financial sector has been passing through a challenging period due to a slowdown in new investments, lower level of growth in external trade, sluggish real estate sector, and few incidents of large scale losses due to internal control lapses which have resulted in slower credit growth as well as a deterioration of asset quality. The lower credit growth coupled with an increasing trend of overseas borrowing by local corporate houses has resulted in surplus liquidity in the financial sector.

There are almost 59 scheduled commercial banks and 33 Non-banking financial institutions (NBFIs) operating in Bangladesh financial markets. The market is widely fragmented with largest 5 banks enjoying 32.8 percent market share in terms of asset base while top 10 banks controlling 46.9% of the market share in terms of asset base. The banking sector has witnessed increasing trend in non-performing portfolio in recent years partly attributable to the implementation of more stringent regulation under

Directors' Report (continued)

BASEL III which has resulted in falling profitability and return on asset. Specially the NPL situation in the Govt. owned bank remains major concern.¹ However, the banking sector as a whole has become cautious about imprudent lending which is apparent in recent slowdown in credit growth and capital adequacy remains at reasonable level. The Central Bank has also become more vigilant on monitoring and supervision of sectoral stability.

However, in a falling interest rate regime, with few exceptions, banks/FIs have been able to improve their spread from fund based business and maintain operating profits at more or less similar levels as those of the previous years.

Prospects of Bangladesh

The GDP growth forecast for year 2016 is reviewed somewhat higher still with the expectation that exports will grow with continued economic recovery in the United States and the Euro Area, strong expansion in remittances will boost consumption demand, private and public investment will pick up as the business climate improves and spending will increase under the annual development program.

The projection for average inflation in year 2016 remains more or less similar as year 2015, which matches the central bank's monetary policy statement. Although higher public sector wages and upward adjustments to administered prices for natural gas and electricity from end of year 2015 will exert inflationary pressure, the easing of supply constraints, a cautious monetary policy, and a better crop outlook should keep inflation in check. Export growth in year 2016 is projected to improve to 6.0% and imports are projected to increase by 13.0%, mainly for capital goods, industrial raw materials, and food grains. Despite the expansion in remittances, the larger trade deficit will likely to remain a current account deficit, narrower than year 2015.²

The projected recovery in global growth, particularly in the United States and the Euro Zone, and continued softness in international commodity prices, promise well for Bangladesh. The country will need to implement faster structural reforms to capitalize on these opportunities. Raising the low Female Labour Force Participation (FLFP) rate offers an opportunity to boost the economy's potential growth rate. Moving forward, the biggest challenge remains structural development and this is a precondition for accelerated, inclusive, and sustainable growth.

In addition to concentrate on the above areas, the policy response to women's employment need to be aligned with anti-poverty programs such as safety nets, social protection initiatives, small livelihoods programs, micro-credit, and so on. Much more attention is needed to macro policy linkages and the leverage needed to stimulate women's participation and employment.

Principal Activities

The principal businesses of the Company are related to finance and finance associated activities. These businesses include deposits taking, credit to corporate organizations; retail and SMEs, factoring finance; project finance; leases; hire purchase; equity/quasi-equity investments and advisory services. IPDC provides multiple business services through its 5 branches and a Head Office. There are three branches in Dhaka. Those are located in Motijheel, Dhanmondi and Uttara. Besides these, there are two other branches in two large cities, which are in Lalkhan Bazar, Chittagong and Shahjalal Uposhahar, Sylhet.

Diversified Credit Portfolio

Diversification of credit related products is one of the Company's strategic priorities. The well diversified portfolio of IPDC includes term loan financing that represents 68.8% of total loans, followed by lease financing 18.35%, factoring financing 2.98%, mortgage financing 2.1%, auto loan financing 6.29%, retail loan financing 1.24% and staff loan 0.25%. Despite a fairly weak investment market climate, we ended the year with fresh credit disbursement of Tk. 5,524.53 million vis-à-vis Tk. 3,523.81 million disbursed in the previous year. The company's total credit portfolio stood at Tk. 6,415.78 million as of 31 December 2015. A total of 322 agreements were approved for loans, leases and advances during the year 2015. In addition to the diversification of portfolio in different types of products, the credit portfolio of IPDC is also well diversified across different sectors as well.

Performance Highlights

Despite a challenging period for the financial sector, IPDC continues to record superior performance that confirms the inherent soundness of our financial position. IPDC's business model ensured that we proactively manage risks, improve on internal efficiency and remain focused on delivering value to our stakeholders.

During the year 2015, the outstanding gross loans, advances and leases of the company has increased to Tk. 6,415.78 million from Tk. 5,676.79 million of the prior year. At the end of year 2015 the ratio of gross classified loans, leases and advances stood at 1.98 percent as opposed to 3.39 percent in the previous year while on the net basis, the figure is now-1.64% from the year 2014's 0.05%. IPDC's classified lending portfolio has reduced in every year since the year 2010 due to the prudent policy and rigorous due diligence. To ensure improved assets quality, we extended our combined efforts for new credit as well as intensive focus on recovery from the legacy default accounts.

In the retail deposit front, our focus remains on individual small ticket deposits rather than large ticket institutional deposits. During the year 2015, various Micro-Marketing Initiatives (MMIs) were launched in order to facilitate small deposit mobilization and reduce cost of funds. The increased liquidity arising out of these initiatives enabled us to exit

¹[Source: Bangladesh Bank Website & Research Department], ²[Source: www.adb.org/countries/bangladesh/economy]

Directors' Report (continued)

several high-cost large ticket deposits. At the year-end total customer deposits stood at Tk. 4,544.69 million compared to Tk. 3,997.39 million in the previous year. As a result, the Company's cost of funds as well as the spread from funded business has significantly improved during the year. IPDC did not have any net bank borrowing during the year (borrowing from banks/FIs less placement of funds with banks/FIs). IPDC's reliance on its own source of funds for lending ensures that the Company is better equipped to withstand volatility in the money market and also allows us to adopt a prudent approach in sanctioning loans only to quality customers at competitive rates.

Net interest income during the year increased to Tk. 430.94 million compared to Tk. 416.19 million in the previous year; registering a strong growth of 3.55 percent mainly due to reduction of non-performing loans, reduction in cost of funds and higher level of spread. The investment income, on the other hand, became Tk. 55.41 million in year 2015 vis-a-vis Tk. 86.81 million of year 2014. Commission, exchange and brokerage mainly constitutes fees income. It still remains an insignificant part of the revenue stream. During the Year 2015, income from commission, exchange and brokerage was Tk. 7.58 million compared to Tk. 5.64 million in the previous year. In year 2015, other operating income was Tk. 145.48 million (which mainly constituted of loan loss recovery from written off loan) compared to Tk. 71.39 million in year 2014. Overall operating revenue increased to Tk. 639.41 million with growth of 10.24 percent from Tk. 580.03 million in the previous year. The total operating expenses increased to Tk. 193.62 million in year 2015 from Tk. 184.91 million in year 2014 with 4.71 percent increase year on year. However, the operating expenses remained 3.5 percent lower than budgeted expenses.

In the year 2015 IPDC posted operating profit of Tk. 445.79 million compared to Tk. 395.12 million of the previous year resulting in a healthy growth of 12.82 percent. Considering the uncertainties in the external environment and challenges faced by the financial sector, IPDC continues to adhere to its prudent approach when dealing with the non-performing and high risk credit portfolio. In year 2015 the Company made total provision for loans, leases and investments of Tk. 101.59 million vis-à-vis Tk. 50.32 million of the year 2014. After making the provision against loans, leases and investments portfolio, Profit Before Tax (PBT) of the Company registered marginally negative growth of 0.18 percent and reached Tk. 344.2 million vis-à-vis Tk. 344.81 million in the year 2014.

Profit after Tax for the year stood at Tk. 240.19 million compared to Tk. 165.5 million in year 2014, i.e. a remarkable profit growth of 45.12 percent year on year. As such, the Company's Earnings Per Share (EPS) improved to Tk. 1.90 from Tk. 1.31 (restated) of year 2014.

Key Operating and Financial Information

Key operating and financial data of the preceding five years and significant deviation as per requirement of BSEC Notifi-

cation No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 are presented in Annexure-I, page number-20 as Key Operating and Financial Data.

Variance between Quarterly and Annual Performance

During the Q1 of year 2015, the Company earned Net Profit After Tax (PAT) of Tk. 43.24 million vis-à-vis Tk. 40.40 million of Q2 and Tk. 75.71 million in Q3 vis-à-vis Tk. 80.84 million in Q4. PAT increased due to positive growth of performing portfolio, realization from sale of Government Securities, reduction of non-performing loans requiring less provision thereof and income earned through recovery of written-off loans. During the year, total recovery of Tk. 144.19 million was from written off portfolio.

Proposed Dividend and Appropriations of Profit

In the year 2015, the Company's Net Profit After Tax stood at Tk. 240.19 million which is 45.12 percent higher than the previous year. Taking into account the Net Profit After Tax and the total available profit for distribution after complying with the regulatory requirement, the Board recommended 20 (twenty) percent stock dividend for the year ended December 31, 2015 for the approval of Shareholders in 34th Annual General Meeting scheduled to be held on March 30, 2016.

<i>Tk. in million</i>		
Particulars	2015	2014
Retained Earnings Brought Forward	393.10	432.85
Net Profit After Tax	240.19	165.51
Profit Available for Appropriation	633.29	598.36
Appropriations		
Transferred to Statutory Reserve (20% of Net Profit After Tax)	48.04	33.1
Proposed Stock Dividend @ 20% (Y2014 C:5% S:10%)	252.5	172.16
Retained Earnings	332.75	393.10

Capital Management

Capital management of the company is based on the objective of maintaining an adequate capital base to support the projected business and regulatory requirements. This is done by drawing an annual planned business growth vis-à-vis capital requirement. 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 directives of Bangladesh Bank, the financial institutions are required to maintain capital at 10 percent of risk-weighted assets under Basel-II. The company's capital fund is divided into two parts- Tier-I and Tier-II capital. Tier-I includes the equity (paid-up capital, share premium, statutory reserve and retained earnings) and Tier-II includes general provision on unclassified loans and advances, revalu-

Directors' Report (continued)

ation reserves, unsecured subordinated debt and exchange equalization account.

Total capital fund of the company increased by Tk. 182.80 million and stood at Tk. 2,474.61 million during year 2015. Tier-I capital grew by Tk.182.81 million and stood at Tk.2,347.53 million during the year under review. Total capital fund is equivalent to 49.15 percent of total risk weighted assets. More details regarding capital management are given in the notes to the accounts of this annual report.

Shareholders' Equity and Shareholders' Value

Shareholders' equity of IPDC increased by 7.98 percent during the year 2015 which increased by 10.99 percent in year 2014. Shareholders' equity increased by a lower percentage during the year 2015 because of paying 5 percent cash dividend for the year 2014. Paid-up capital of IPDC increased by Tk. 114.77 million (because of bonus share of year 2014) and stood at Tk. 1,262.5 million during year 2015. The statutory reserve increased by Tk. 48.04 million during the year and stood at Tk. 332.76 million. Distributable profit stood at Tk. 585.25 million during the year. The strong growth in shareholders' equity will help the company to expand its business and withstand any external shock.

IPDC remains fully committed to deliver of higher shareholders' value. The smooth growth of profitability track record underpins the value, the shareholders derived from investing in the shares of the Company. The earnings per share increased and stood at Tk. 1.90 and return on average equity stood at 10.08 percent during year 2015. Market capitalization stood at Tk. 3,370.89 million as at December 31, 2015.

Human Resources Management

IPDC's vision envisages the most effective use of our human resources through the optimum enhancement of knowledge, skills, abilities and personal attributes of our employees. A healthy environment has been created where employees enjoy working with pride. Believing that the human resources are main elements behind the success and future sustainability of the Company, IPDC is developing and motivating the workforce with contemporary HR policies and attractive employee benefits. The company is not only offering a job but also the opportunity for learning, development, in a challenging and rewarding career.

Risks and Concerns

Maintaining a prudent risk management framework is an essential component of business success at IPDC. The identification, evaluation and management of risk, together with the way we respond to changes in the external operating environment, are the key to our success and underpin the robustness of our business plans as well as strategic and operational objectives protect our license to operate our reputation and help to create long-term competitive advantage. Risk management is embedded in IPDC's organizational structure,

operations and management systems. Business risks across the Company are addressed in a structured and systematic way through a predefined risk management structure. This ensures the Board's assessment of risk which is continually updated with the relevant risk factors and mitigating controls originating from and identified by the Company's assets, functional departments and operations. Moreover, IPDC possesses a detailed risk management system with procedures in place to support risk evaluation across the Company. The risks associated with the delivery of the business plan and annual work programmers and the associated mitigation measures are maintained in asset or project risk matrices and registers.

IPDC possesses different committees for risk management. The Management Credit Committee (MCC) and Asset and Liability Committee (ALCO) are constituted by the Company's top level management team who frequently review issues related to the market, credit and liquidity and accordingly, recommend and implement appropriate measures to proactively identify and mitigate risks. IPDC has an approved Asset Liability Management (ALM) Policy, under the responsibility of the ALCO, together with a dedicated ALM desk to generate necessary MIS for improving ALCO's decision-making abilities. The Company's Credit Risk Management (CRM) department independently examines projects from a risk-weighted perspective and assists relevant departments in setting business development priorities. These are aligned with the Company's risk appetite while optimizing the risk-return trade-off derived from relevant risk exposures. The CRM team also clearly defines exceptionally high-risk sectors and prohibits lending to those projects which the Company does not ascribe to, including those which represent negative environmental, social or ethical standards.

At an individual exposure level, risk grading model is used to promote corporate safety and sustainability by facilitating informed decision-making. At the portfolio level, the Company actively tracks the quality of its loans by analysing risk migration and trends in non-performing assets. Such indicators prompt timely decision-making by the relevant risk management committees in preserving the quality of loans and advances. IPDC's Credit Risk Management Department and Internal Audit & Compliance Department are responsible for assessing operational risks across the Company and also ensuring an appropriate framework to identify, assess and manage operational risks.

At IPDC, we are always committed to managing the risks associated with business and delivering high value to our stakeholders by maintaining effective and robust Risk Management Systems which not only mitigate these risks but also provide an appropriate trade-off between risk and return. The principal risks associated with IPDC as well as their relevant governing policies and how they support the risk appetite are furnished below.

Directors' Report (continued)

Type of Risk	Policies	Application to Support Risk Appetite
Credit Risk including Concentration Risk	Board approved Credit Policies including large Credit Exposure and Industry Sector Concentration Policy	Exposures to a single or group related counterparties (upper credit limit set is the policy including the coverage of security). Industry concentration (exposure and risk adjusted concentration limit)
Market Risk	Board approved Credit and ALM Policy	Interest Rate Risk (Market value sensitivity and Net Interest Margin Risk Limit)
Liquidity Risk	Board approved Assets Liability Management (ALM) Policy	Holding of liquid assets as a contingency plan to use at the time of liquidity crunch.
Operational Risk	Operational Risk covered with the Company Core Risk Management Policies	A number of risk management policies and comprehensive risk assessment and control assurance process.
Compliance Risk	Company Core Risk Management Policies	Business unit compliance framework and skill compliance professional.
Reputational Risk	Best Practice Corporate Culture	Professionalism and leadership, best efforts for customer service.

Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations resulting in a financial loss to IPDC. Credit risk includes concentration risk which can result from interdependencies between counterparties and concentrations of exposure to industry sectors and geographical regions. Credit risk management processes involve identification, measurement, monitoring and control of credit exposures. At IPDC, credit risk may arise in the following form: exposure risk, counterparty risk and default risk.

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates and changes in the price of securities. Being a Financial institution, the primary risk that arises for a FI is interest rate risk. The immediate impact of changes in interest rates is on the Company's earnings due to changes its Net Interest Income (NII).

Liquidity Risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. This arises mainly due to mismatch in maturity of assets and liabilities. The overall responsibility for measuring and monitoring the liquidity risk for FI rests with the Asset Liability Committee (ALCO).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external factors. It includes legal, regulatory, fraud, business continuity and technology risk. In order to control its operational risk, IPDC primarily relies on its internal audit and internal control system.

Compliance Risk

Compliance risk is the risk which arises due to legal or regulatory breach. The Company may suffer material financial loss or loss of reputation as a result of its failure to comply with the requirements of relevant laws, regulatory bodies etc.

Reputational Risk

Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant parties. This risk may adversely affect the Company's ability to maintain existing business relationships or impede the establishment of new relationships.

Related Party Transaction

In the normal course of business, IPDC has entered few transactions with related parties during the year 2015. Parties are considered to be related if one party has the ability to 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 these Financial Statements.

Contribution to the National Economy

IPDC is the first private sector Non-Banking Financial Institution in Bangladesh which was established in the year 1981 by the Government of Bangladesh and a number of distinguished multilateral developing agencies. IPDC was established with an aim to promote private sector industrial ventures in the country at a time when all the banks in Bangladesh remained nationalized.

Directors' Report (continued)

IPDC has played a vital role in developing the private sector industry in Bangladesh over the last three decades, through various innovative projects in partnership with other renowned corporate houses. IPDC has made significant contributions in the development of the health, education and agro-based industries of the country. We have also introduced many innovative financial products and over time have earned the distinction to be the 'most innovative financial institute' of the country. Sustainable economic development is the key focus of the Company and corporate social responsibility is woven into the totality of our operations. During the year 2015, we engaged in corporate social responsibility like distributing winter cloths to under privileged people, donating computers for under privileged students, tree plantation programme, donation of medical equipment and medicine for under privileged, donation to 'Free School' etc.

IPDC envisages continuing and expanding its role as catalyst in inspiring, strengthening and enhancing the financial sector development of the country. We want to play role in employment generation for growing young segment of our population specially, with focus on young women entrepreneurs. IPDC always prioritizes sectors which help the sustainable growth of the economic development of the country. In general, IPDC avoids investing in projects which are hazardous to the environment and society. During project appraisals concerned personnel examine whether the project is indeed viable and whether it complies with the Environment Conservation Act 1995 and Environment Conservation Rules 1997 and other rules and regulations relating to the environment. In addition to our mentioned approach, IPDC has taken initiative for in-house environment management, compiling a Green Office Guide, incorporation of Environmental Risk in CRM, introducing Green Finance, creating of Climate Risk Fund, introducing Green Marketing, supporting Employee Training, Consumer Awareness and Green Event etc. in line with Bangladesh Bank regulations.

In order to serve the diverse needs of our customers, IPDC offers a range of products and services covering corporate finance and advisory services, mortgage finance, retail finance, middle market supply chain finance, retail wealth management and retail finances.

During the year 2015, IPDC has deposited total amount of Tk. 116.53 million to the national exchequer as corporate tax, withholding tax, excise duty and VAT.

Statutory Payments

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.

Capital Expenditure

A sum of Tk. 8.28 million has been incurred on acquisition of office furniture, office equipment and vehicles during the year 2015. The details of capital expenditure are reflected in

the Fixed Assets including land, building, furniture and fixtures Schedule in the Notes to the Financial Statements.

Going Concern

Going concern is one of the fundamental assumptions in accounting on the basis of which financial statements are prepared. Financial statements are prepared assuming that a business entity will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of a company to determine whether the going concern assumption is appropriate in the preparation of financial statements. If the going concern assumption is considered by the management to be invalid, the financial statements of the entity would need to be prepared on break up basis. This means that assets will be recognized at amount which is expected to be realized from its sale (net of selling costs) rather than from its continuing use in the ordinary course of the business. Assets are valued for their individual worth rather than their value as a combined unit. Liabilities shall be recognized at amounts that are likely to be settled.

None of the following indications of going concern were found in the year 2015:

- Deteriorating liquidity position of the company not backed by sufficient financing arrangements
- High financial risk arising from increased gearing level rendering the company vulnerable to delays in payment of interest and loan principal
- Significant trading losses being incurred for several years
- Negative profitability of the company indicating adverse impact on its survival in the long term
- Aggressive growth strategy not backed by sufficient finance which ultimately leads to over trading
- Increasing level of short term borrowing and overdraft not supported by increase in business
- Inability of the company to maintain liquidity ratios as defined in the loan covenants
- Serious litigations faced by the company which does not have the financial strength to pay the possible Settlement
- Inability of the company to develop a new range of commercially successful products

A detailed report on the going concern has been furnished in Annexure – II, page number- 21

Shareholding Pattern as at 31 December 2015

Shareholding patterns of the Company as of December 31, 2015 is shown in Annexure – III, page number-23

Directors' Report (continued)

Corporate and Financial Reporting Framework

The Board of Directors, in accordance with BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 confirms compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of IPDC presents fairly its 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)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

Director's Meeting, Attendance and Remuneration

During the year ended 31 December 2015 a total 7 (Seven) Board Meetings were held and attendance by the Directors along with remuneration paid to them are summarized in Annexure - IV, page number- 24 in this annual report,

Appointment / Re-appointment of Director(s)

As per Article 100 and 101 of the Articles of Association of the Company, the following three Directors will retire from the office of the Company in the 34th Annual General Meeting and being eligible offered themselves for re-election as per Article 105 of the Articles of Association of the Company. Brief resumes of the directors are furnished in Annexure - V, page number- 25 of this annual report,

Dr. Muhammad Musa - Nominated by BRAC

Mr. Amin H. Manekia - Nominated by AKFED

Mr. Sameer Ahmad - Nominated by RSA Capital Ltd.

Status of Compliance on Corporate Governance

Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 imposed conditions for compliance for corporate governance. Corporate governance status of compliance with these conditions is enclosed as Annexure VI, page number- 29.

Corporate governance status of compliance as per Bangladesh Bank DFIM Circular No. 07, dated September 25, 2007, is enclosed as Annexure VII, page number- 34.

Statutory Auditors

Rahman Rahman Huq, Chartered Accountants (KPMG in Bangladesh) were appointed as the statutory auditors of the Company in the 33rd Annual General Meeting held on May 06, 2015 for the year 2015 until conclusion of 34th Annual General Meeting at a remuneration of Tk. 440,000 excluding VAT.

The auditors will retire in the 34th 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 Rahman Rahman Huq, Chartered Accountants, offered themselves for re-appointment for the consecutive third year of service. As proposed by the Board Audit Committee, the Board recommended Rahman Rahman Huq, Chartered Accountants for re-appointment as the auditors of the Company for the year 2016 subject to approval of the shareholders in 34th Annual General Meeting (AGM) at a remuneration of Tk. 440,000 excluding VAT until completion of the next Annual General Meeting.

Internal Control System

Board of Directors reviews and approves the overall business strategies and significant policies of IPDC, assesses the underlying major risks run by the Company, involves in setting acceptable levels for these risks and ensures that senior management takes steps necessary to identify, measure, monitor and control these risks.

Senior management accordingly working 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.

In IPDC, an effective internal control system has been set up which ensures an appropriate control structure with defined control activities 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

Directors' Report (continued)

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 across all business functions. Every year the top team conducts a self-assessment of key controls that affect the business and develops up action plans to make the internal control environment more robust.

Outlook and Prospects in year 2016

Bangladesh economy has grown with healthy pace over 6.0 percent annually with extraordinary stability over the last one decade displaying exceptional resilience in the face of domestic challenges like corruption, natural calamity and inadequate infrastructure as well as major global shocks during the period. In year 2005, investment bank Goldman Sachs included Bangladesh in its Next 11 list of countries.¹ Bangladesh has been poorest as well as smallest in the list of the eleven countries, however has performed the best amongst the group both in terms of growth and stability.

Considering all those potentials to grow, the new strategic changes and opportunities to expand business in consumer durables, we will dedicate our maximum proactive endeavour for business growth and expansion, specially through launching personal loans & consumer durables loans, and focusing auto loans & mortgage finance, concentrating on household financing, factoring & SME finance, widening the geographical coverage and name changing & rebranding through out the country for all those types of business.

Our customers are the most important part of our business and IPDC will endeavour to distinguish itself in terms of providing extra-ordinary customer service to all our stakeholders. Our strong performance in year 2015 is the demonstration of our sustainable business model which can withstand the challenges of operating in a developing country like Bangladesh fraught with fiscal and economic uncertainty. Going forward IPDC will remain focused on strengthening our balance sheet and capital position to create greater opportunities for improvement in long-term shareholder value.

Underpinning this strategy is our unique culture and corporate values and, most especially, the quality of our people. We are proud to have one of the most vibrant working environments with passionate employees who work together to attain a common goal; help our customers to fulfil their financial dreams. We are expecting that, our long term business strategy, strong culture of compliance, the unyielding commitment and dedication of the IPDC team, will translate into outstanding results in year 2016 and beyond.

Acknowledgements

The Board of Directors would take this opportunity to express its gratitude and extend appreciation to its 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 all of the respected Directors of the Board, who have extended their all sorts of cooperation, to meet all the adverse internal and external conditions, and made the year 2015 another year of success for the Company.

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

For and on behalf of the Board of Directors.



Dr. Muhammad Musa
Chairman

¹ [Source: World Bank]

Key Operating and Financial Data of Preceding Five Years

	Taka in million					
	2011	2012	2013	2014	2015	Growth (%)
Operational Result						
Operational Income	692.58	861.41	1,019.25	1,016.10	860.27	-15.34%
Financial Expenses	431.52	554.66	627.68	513.10	373.92	-27.13%
Net Interest Margin	261.06	306.75	391.57	503.00	486.35	-3.31%
Operational Expenses	133.58	131.63	153.18	184.91	193.62	4.71%
Operating Profit	132.10	207.50	325.11	395.12	445.79	12.82%
Profit Before Tax	139.60	134.00	241.78	344.81	344.20	-0.18%
Net Profit After Tax	111.67	128.60	141.98	165.51	240.19	45.12%
Financial Performance						
Disbursement - Loans and Advances etc.	1,979.82	3,316.94	3,492.20	3,523.81	5,524.53	56.78%
Outstanding Loans and Advances	4,325.02	5,585.64	5,745.51	5,676.79	6,415.78	13.02%
Fixed Assets including land, building, furniture & fixtures	81.02	76.21	107.83	224.13	207.04	-7.62%
Total Assets	6,761.09	7,114.51	7,758.92	7,743.86	8,202.02	5.92%
Term Deposits	3,798.24	4,208.01	4,427.09	3,997.39	4,544.69	13.69%
Borrowings	104.02	29.70	413.98	398.38	227.06	-43.00%
Total Liabilities and Equity	6,761.09	7,114.51	7,758.92	7,743.86	8,202.02	5.92%
Equity Information						
Shareholders' Equity	1,898.72	2,027.33	2,064.97	2,291.81	2,474.61	7.98%
Paid up Capital	948.54	1,043.39	1,043.39	1,147.73	1,262.50	10.00%
Number of Ordinary Shares	94,853,850	104,339,235	104,339,235	114,773,158	126,250,473	10.00%
Net Asset Value Per Share (NAV)	15.04	16.06	16.36	18.15	19.60	7.98%
Earnings per Share (EPS) ¹	0.88	1.02	1.12	1.31	1.90	45.04%
Rate of Dividend	10.00%	10.00%	15.00%	15.00%	20%	5.00%
Year-end Market Price per Share ²	31.80	18.00	20.00	18.20	26.70	46.70%
Market Capitalization	3,016.35	1,878.11	2,086.78	2,088.87	3,370.89	61.37%
Financial Ratios						
Current Ratio (Times)	1.36	1.39	1.18	1.25	1.21	-0.04
Debt Equity Ratio (Times)	0.26	0.23	0.20	0.17	0.09	-0.08
Interest Coverage Ratio (Times)	5.07	7.00	11.68	28.50	16.92	-11.58%
Return on Asset	1.72%	1.85%	1.91%	2.14%	3.01%	0.87%
Price Earning Ratio (Times)	35.95	17.67	17.78	13.88	14.03	.15%
Rate of NPL	13.04%	9.66%	5.95%	3.39%	1.98%	-1.41%
Rate of net NPL	1.87%	3.98%	2.37%	0.05%	-1.64%	-1.69%

¹EPS has been restated for the year 2011- 2014 due to issuance of bonus shares.²As per last trading price in Dhaka Stock Exchange Limited (DSE)

Assessment Report on the Going Concern of IPDC

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 have made annual assessment for the year ended December 31, 2015 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 statements for the year ended December 31, 2015 on the basis of going concern assumption is appropriate.

Financial Indications

Optimistic Net Current Assets

IPDC has favorable net current assets of Tk. 684.79 million as at December 31, 2015 which represent that Company's ability to meet its short term obligation out of the short term assets.

Less Dependency on Bank Borrowings

As at December 31, 2015 total bank borrowing of the Company was Tk. 227.06 million representing 3.96 percent of the total liabilities which indicates that Company has no dependency on bank borrowings.

Continuous Support from the Depositors

The Company has a very good relationship with the depositors of the Company and a good track record and reputation in settlement of its obligation with its depositors. As at December 31, 2015 total customer deposits stood at Tk. 4,544.69 million. The Company has able to build confidence with the depositors mind and very much optimistic that depositors will remain continue in coming days.

Positive Operating Cash Flows

Cash flow statement of the Company for the year 2015 shows optimistic and positive operating cash flows. Statement of liquidity also demonstrates overall positive liquidity gap representing strong ability to meet current and future obligations.

Favorable Key Financial Ratios

Company's financial ratios (Please see the Key Financial and Operating Performance) revealed the sound financial strength and prospect of the Company. Such positive financial ratios indicate Company's sound financial strength and good prospects.

Consistent Payment of Dividend

IPDC has paying dividend consistently on a regular basis to the shareholders over the years. Company has been paying dividend consistently since 2006 which reflect Company's long term viability in operational existence.

Creditability in settlement of Obligation

The Company has strong Creditability 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 2015, IPDC achieved 12.82 percent growth of operating profit compared to year 2014 which reflects the operational growth excellency of the Company.

Growth in Quality Lending Portfolio

In the year 2015 the quality performing portfolio of loans, leases and advances significantly increased by 13.02 percent compared to year 2014 which represents the positive indication of sustainable business of the Company.

Other Indications

Expansion of Business

Company introduced new opportunity of business during the year 2015. In this year the company focused and became able to increase business in the mortgage loan, auto loan and retail loans etc. Moreover, in retail segment the Company expanded different types of deposit products including individual deposits.

Employee Satisfaction and Working Environment

IPDC is one of the employee friendly organizations among the financial sector. There exists a very good corporate environment in the Company. The Company pays a very competitive compensation package with fringe benefit like car facilities, provident fund, performance bonus, gratuity, group insurance, hospitalization insurance, reward and recognition program etc.

Directors' Report (continued)

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 Institution is required to maintain Capital Adequacy Ratio (CAR) at least 10 percent of the total risk weighted assets. As at December 31, 2015 CAR of IPDC is 49.15 percent vis-à-vis requirement of 10 percent i.e. the Company maintains 39.15 percent excess CAR at the end of the year 2015.

Strong CAMEL rating:

CAMEL rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of IPDC. In that report, there was no adverse material observation of Bangladesh Bank on the activities of the Company.

Strong Equity Base

IPDC is one of the highest equity based Company among the Financial Institutions. As at December 31, 2015 total equity of the Company is Tk. 2,474.61 million including paid up capital of Tk. 1,262.50 million opposed to Tk. 1,147.73 million of previous year which is 10 percent higher than last year, that reflects Company's long term sustainability.

Changes in Government's Policy

Management and Board anticipate no significant change 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 2015 on the basis of going concern assumption is appropriate.

Pattern of Shareholdings as at December 31, 2015

Names	Position	No. of shares
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. Mamataz-Ala-Shakoor Ahmed, his spouse and minor child	Director	Nil
Ms. Afroza Khan, her spouse and minor child	Director	Nil
Mr. Sameer Ahmad, his spouse and minor child	Director	Nil
Mr. Shameran Abed, his spouse and minor child	Director	Nil
Mr. Asif Saleh, his spouse and minor child	Director	Nil
Top Executives		
Mr. Mominul Islam	Managing Director & CEO	Nil
Mr. Lingkon Mondal	Chief Financial Officer	Nil
Mr. Samiul Hashim	Company Secretary	Nil
Mr. Muhammad Sami ul Haque	Head of Internal Audit (HIA, cc)	Nil
Top Five Executives other than CEO, CFO CS and HIA		
Mr. A. F. M. Barkatullah	Deputy Managing Director	Nil
Mr. Rizwan Dawood Shams	General Manager	Nil
Mr. Ashique Hossain	Assistant General Manager	Nil
Mr. Md. Zakir Hossen	Assistant General Manager	Nil
Ms. Savrina Arifin	Head of Retail Business (cc)	Nil
Shareholders holding 10% or more voting right:		
Name of shareholders	No. of shares	%
Government of the People's Republic of Bangladesh (GOB)	27,623,054	21.88
BRAC	31,562,618	25.00
Aga Khan Fund for Economic Development (AKFED)	13,953,444	11.05
Ayesha Abed Foundation	12,625,048	10.00

Meetings attended by the Directors during year 2015

Annexure -IV

Name of Director	Board of Directors Meeting			Executive Committee Meeting			Audit Committee Meeting			Remarks
	Total BOD Meetings held during Director's tenure	Meetings attended	Remuneration paid for attending the meeting(s)	Total EC Meetings held during Director's tenure	Meetings attended	Remuneration paid for attending the meeting(s)	Total AC Meetings held during Director's tenure	Meetings attended	Remuneration paid for attending the meeting(s)	Total Remuneration paid in 2015
			Taka			Taka			Taka	Taka
Mr. Sulaiman Ajanee ****	5	5	-	-	-	-	-	-	-	Nominated by AKFED
Mr. Altaf Hussain ****	5	5	25,000	9	9	45,000	-	-	-	70,000 Nominated by AKFED
Ms. Afroza Khan	7	4	23,000	-	-	-	5	3	15,000	38,000 Nominated by GoB
Mr. Muzibur Rahman Howlader *	3	1	5,000	7	5	25,000	-	-	-	30,000 Nominated by GoB
Mr. Mamataz-Ala-Shakoor Ahmed *	4	3	18,000	4	4	20,000	-	-	-	38,000 Nominated by GoB
Mr. Salahdin Irshad Imam	7	6	30,000	-	-	-	5	5	25,000	55,000 Independent Director
Ms. Nasreen Sattar	7	6	33,000	11	9	45,000	-	-	-	78,000 Independent Director
Mr. Shaffiq Dharamshi ****	5	5	-	9	5	-	-	-	-	Nominated by AKFED
Mr. Amin H. Manekia	7	7	38,000	-	-	-	5	5	25,000	63,000 Nominated by AKFED
Ms. Ashraf Ali: ***	5	5	25,000	-	-	-	4	4	20,000	45,000 Nominated by AKFED
Mr. Altaf Ramzi **	5	4	20,000	-	-	-	4	4	20,000	40,000 Nominated by AKFED
Dr. Muhammad Musa ****	2	2	13,000	-	-	-	-	-	-	13,000 Nominated by BRAC
Mr. Selim R. F. Hussain ****	2	1	5,000	2	-	-	1	-	-	5,000 Nominated by BRAC
Mr. Asif Saleh ****	2	2	13,000	-	-	-	1	1	5,000	18,000 Nominated by BRAC
Mr. Shameran Abed ***	2	2	13,000	2	2	10,000	-	-	-	23,000 Nominated by Ayesha Abed Foundation
Mr. Sameer Ahmad **	2	2	13,000	2	2	10,000	-	-	-	23,000 Nominated by RSA Capital Ltd.
Total Remuneration paid			274,000			155,000			110,000	539,000

Note:1

Leave of absence was granted in all cases of non attendance

* Dr. Muzibur Rahman Howlader, a Nominee Director of GoB was replaced by Mr. Mamataz-Ala-Shakoor Ahmad on August 23, 2015

** Mr. Altaf Ramzi, a Nominee Director of AKFED was replaced by Mr. Sameer Ahmad, a Nominee Director by RSA Capital Ltd. on October 29, 2015

*** Ms. Ashraf Ali, a Nominee Director of AKFED was replaced by Mr. Shameran Abed, a Nominee Director by Ayesha Abed Foundation on October 29, 2015

**** Mr. Shaffiq Dharamshi, Mr. Altaf Hussain, Mr. Sulaiman Ajanee, Nominee Directors of AKFED were replaced by Selim R. F. Hussain, Mr. Asif Saleh and Dr. Muhammad Musa, (respectively) Nominee Directors by BRAC on October 29, 2015

Note:2

Mr. Selim R.F. Hussain resigned on December 24, 2015 from the Board of Directors of IPDC

The Brief Profile of the Board of Directors

Dr. Muhammad Musa, Chairman – Nominated by BRAC	Director since October 29, 2015
<p>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 32 years with CARE International as one of its senior international management professionals.</p> <p>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.</p> <p>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.</p>	<p>Other Interests: Executive Director: BRAC</p> <p>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</p> <p>Age: 58 years</p>
Mr. Amin H. Manekia, Director - Nominated by AKFED	Director since April 19, 2009
<p>Mr. Manekia, is Vice Chairman of the Board of IPDC and he is also a member of the Board Audit Committee since April, 2009.</p> <p>Mr. Manekia has a vast and diversified expertise in the field of marketing, finance, co-operation 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. He also has his expertise in institutional catering services. Mr. Manekia has worked closely with the Aga Khan Development Network for over 25 years. He is currently the Chairman of Aga Khan Health Services (India) and of Prince Aly Khan Hospital, a 162 bed, acute care, multi-specialty hospital in Mumbai.</p>	<p>Other Interests: Director: DCB Bank Ltd., India; IVP Limited, India</p> <p>Qualifications: B. Com, Sydenham College of Commerce & Economic, Mumbai, India MBA (Major in Finance & Marketing), Babson College, Wellesley, USA.</p> <p>Age: 54 years</p>
Mr. Salahdin Irshad Imam -Independent Director	Director since October 01, 2014
<p>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.</p>	<p>Other Interests: Independent Financial Consultant Chairman: Panigram Resort Ltd. Tropical Conservation</p> <p>Member: Brotee (NGO) Tiger Tours Ltd.</p> <p>Qualifications: BA (Hons) Social Studies from Harvard University, Cambridge MA, USA SPURS Fellow (Business studies) Massachusetts Institute of Technology (MIT)</p> <p>Age: 67 years</p>

Directors' Report (continued)

Mr. Sameer Ahmad, Director – Nominated by RSA Capital Limited

Director since October 29, 2015

Mr. Sameer Ahmad is the Chairman of Board Executive Committee of IPDC. Mr. Ahmad is a versatile investment banker with 20 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 Limited, he was the treasury consultant with PricewaterhouseCoopers for restructuring Agrani Bank Limited.

Other Interests:

Director:

Equinox Limited

RSA Capital Limited

RSA Advisory Limited

Guardian Life Insurance Limited

Qualifications:

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

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 micro-credit securitization, the first ever variable rate subordinated domestic convertible bond as Tier 2 Capital with international participation in the Bangladesh market.

Age: 45 years

Mr. Mamataz-Ala-Shakoor Ahmed, Director – Nominated by GoB

Director since 23 August 2015

Mr. Mamataz-Ala-Shakoor is a member of the Board Executive Committee of IPDC since his induction on the Board. Mr. Ahmed joined Bangladesh Civil Service (BCS) Administrative Cadre in 1982. His career with the Government of Bangladesh spans over 33 years during which he has served in various Ministries in different capacities, particularly the Ministry of Public Administration, Ministry of Communication and Ministry of Finance. Mr. Ahmed has also worked as a Managing Director in Film Development Corporation. At present Mr. Ahmed is serving as Additional Secretary in the Finance Division of Ministry of Finance.

Other Interests:

Director:

Bangladesh Krishi Bank

Jamuna Oil Company Limited

Padma Oil Company Limited

Teletalk Bangladesh Limited

Qualifications:

M.S.S in Economics, University of Dhaka

Age: 58 years

Mr. Shameran Abed, Director– Nominated by Ayesha Abed Foundation

Director since October 29, 2015

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 Limited. Additionally, he sits on the Microfinance Network Steering Committee and the World Economic Forum Financial Inclusion Steering Committee.

Other Interests:

Director:

BRAC IT Services Limited (BITS)

bKash Ltd

Guardian Life Insurance Limited

Qualifications:

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

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

Age: 34 years

Directors' Report (continued)

Mr. Asif Saleh, Director – Nominated by BRAC	Director since October 29, 2015
<p>Mr. Asif Saleh, is a member of Board Audit Committee of IPDC. Mr. Saleh is also working as Senior Director of Strategy, Communications and Empowerment for BRAC and BRAC International. He is also Chairman in BRAC IT Services Ltd. (BITS). Prior to joining BRAC, he was Executive Director at Goldman Sachs, and also worked at Glaxo Wellcome, NorTel, IBM.</p> <p>Mr. Saleh is the founder of Drishtipat, a global organization with chapters across the Globe focusing on human and economic rights of Bangladeshis. Mr. Saleh was recognized for his work by Asia Society's Asia 21 programme in 2008, the Bangladeshi American Foundation in 2007, and was selected as an Asia 21 Fellow in 2012. Mr. Saleh was selected to be a Young Global Leader by World Economic Forum in 2013.</p>	<p>Other Interests:</p> <p>Chairman BRAC IT Services Ltd (BITS)</p> <p>Director: BRAC Net bKash Ltd Institute of Informatics and Development (IID) 1 degree Initiative Foundation Spreeha</p> <p>Qualifications: Bachelor in Computer Science and MBA in Management, NYU Stern School of Business</p> <p>Age: 41 years</p>
Ms. Afroza Khan, Director - Nominated by GoB	Director since November 29, 2012
<p>Ms. Khan has been the Director on the Board of IPDC since November 2012. She is also the member of the Board Audit Committee since her induction on the Board.</p> <p>Ms. Khan joined the Bangladesh Civil Service (BCS) Administrative Cadre in 1988. Her career with the Government of Bangladesh spans over 25 years during which she has served in various Ministries in different capacities, particularly the Ministry of Health and Family Welfare, Ministry of Posts and Telecommunications and Ministry of Public Administration. Ms. Khan has also worked as a consultant for the ILO, Dhaka Office, and is a member of different professional bodies concerning Civil Service in Bangladesh. At present Ms. Khan is serving as an Additional Secretary in the Ministry of Industries where she is a senior team member in the International Cooperation Wing.</p>	<p>Other Interests:</p> <p>Director: Training Institutes for Chemical Industries (TICI).</p> <p>Qualifications: Master of Soil, Water and Environment, University of Dhaka; Master of Public Health, University of North Carolina, Chapel Hill, USA.</p> <p>Age: 55 years</p>
Ms. Nasreen Sattar - Independent Director	Director since October 01, 2014
<p>Ms. Sattar is an international banking professional having over twenty three years' experience. Her last assignment was as CEO for Standard Chartered Bank, Afghanistan where she successfully led the Bank over challenging and difficult times.</p> <p>She is currently a consultant involved in Training & Developing professional women in enhancing their leadership skills.</p>	<p>Other Interests: Non-Executive Chairman of Consumark Limited</p> <p>Qualifications: Senior Cambridge - St. Xavier's Convent Bachelor of Arts - Holy Cross College</p>

Directors' Report (continued)

Mr. Mominul Islam- Managing Director - Ex Officio	Managing Director since January 04, 2012
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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, organizational restructuring, automation, process reengineering, control and compliance, service quality etc.

Other Interests: Nil

Qualifications:
BBA from IBA, University of Dhaka.

Age: 39 years

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.

Corporate Governance Compliance Report on SEC's Notification

Status of compliance with the conditions imposed by the Securities and Exchange Commission's notification No.SEC/CMR-RCD/2006-158/129/Admin/44 dated August 07, 2012 issued under section 2CC of the Securities and Exchange Ordinance 1969. The status report on compliance with those conditions is furnished below:

Condition No.	Title	Compliance Status	Remarks
1	Board of Directors		
1.1	The number of Board members should not be less than 5 (five) and more than 20 (twenty)	Complied	
1.2	Independent Directors		
1.2 (i)	At least one fifth (1/5) of the total number of Directors should be Independent Directors.	Complied	
1.2 (ii)	Meaning of Independent Directors		
1.2 (ii)(a)	Who either does not hold any share in the Company or hold less than one percent (1%) shares of the total paid-up shares of the Company	Complied	
1.2 (ii)(b)	Who is not a sponsor of the Company and is not connected with the Company's any sponsor or director or shareholder	Complied	
1.2 (ii)(c)	Who does not have any other relationship, whether pecuniary or otherwise, with the Company or its subsidiary/associated companies	Complied	
1.2 (ii)(d)	Who is not a member, director or officer of any stock exchange	Complied	
1.2 (ii)(e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	Complied	
1.2 (ii)(f)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	Complied	
1.2 (ii)(g)	Who shall not be an Independent Director in more than 3 (three) listed companies	Complied	
1.2 (ii)(h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	Complied	
1.2 (ii)(i)	Who has not been convicted for a criminal offence involving moral turpitude	Complied	
1.2 (iii)	Independent Director (ID) shall be appointed by the Board and approved by the shareholders in the AGM.	Complied	
1.2 (iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days	Complied	
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	Complied	
1.2 (vi)	The tenure of office of an Independent Director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	Complied	
1.3	Qualification of Independent Director		
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	Complied	
1.3(ii)	The person should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The Independent Director must have at least 12 (twelve) years of corporate management/professional experiences	Complied	

Directors' Report (continued)

1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission		No such deviation occurred
1.4	Chairman of the Board and Chief Executive Officer		
	The Chairman and the Chief Executive Officer should be different persons. The Chairman shall be elected from among the directors and Board shall clearly define the roles and responsibilities of the Chairman and the Chief Executive Officer.	Complied	
1.5	The Directors' Report to Shareholders shall include the following statements:		
1.5(i)	Industry outlook and possible future developments in the industry	Complied	
1.5(ii)	Segment-wise or product-wise performance	Complied	
1.5(iii)	Risks and concerns	Complied	
1.5(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	Complied	
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss.		No such event occurred
1.5(vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	Complied	
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments		No such item exists
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.		No such event occurred
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	Complied	
1.5(x)	Remuneration to directors including independent directors.	Complied	
1.5(xi)	Fairness of Financial Statements.	Complied	
1.5(xii)	Maintain proper books of accounts.	Complied	
1.5(xiii)	Adaption of appropriate accounting policies and estimates and have been applied consistently	Complied	
1.5(xiv)	International Accounting Standards(IAS)/Bangladesh Accounting Standards(BAS)/International Financial Reporting Standards(IFRS)/Bangladesh Financial Reporting Standards(BFRS) as applicable in Bangladesh, have been followed in preparation of financial statement and any departure there from has been adequately disclosed.	Complied	
1.5(xv)	System of Internal Control is sound in design and has been effectively implemented and monitored.	Complied	
1.5(xvi)	Ability of the Company to continue as a Going Concern	Complied	
1.5(xvii)	Highlighted the significant deviation of operating results from prior year.	Complied	
1.5(xviii)	Summarized the key operating and financial data of at least preceding 5 (five) years.	Complied	
1.5(xix)	Declaration of dividend	Complied	
1.5(xx)	Number of board meetings held during the year and attendance by each director	Complied	
1.5(xxi)	The pattern of shareholding	Complied	
1.5(xxii)	In case of Appointment/re-appointment of Director's, the Company shall disclose the following to the shareholders:		

Directors' Report (continued)

1.5(xxii)(a)	A brief resume of the Director	Complied
1.5(xxii)(b)	Nature of his/her expertise in specific functional areas	Complied
1.5(xxii)(c)	Name of companies in which hold the directorship and the membership of the committees of the Board	Complied
2	Chief Financial Officer (CFO), Head of Internal Audit (HIA) and Company Secretary (CS)	
2.1	Appointment of CFO, HIA and CS and Board shall clearly define the roles, responsibilities and duties of CFO, HIA and CS	Complied
2.2	The CFO and CS shall attend the Board Meeting except such part of the meeting which involves consideration of agenda relating to them	Complied
3	Audit Committee	
3.0(i)	An Audit Committee as sub-committee of the Board of Directors	Complied
3.0(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	Complied
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	Complied
3.1	Constitution of Audit Committee	
3.1(i)	Audit Committee should be composed of at least 3 (three) members	Complied
3.1(ii)	Members of the Audit Committee should be appointed by the Board with at least 1 (one) Independent Directors	Complied
3.1(iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	Complied
3.1(iv)	The Board will ensure continuity term of the Audit Committee and maintain the minimum number of members of the Committee and if any vacancy arises within 1 (one) month Board will fill up the vacancy.	Complied
3.1(v)	The company secretary shall act as the secretary of the Committee	Complied
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) Independent Director	Complied
3.2	Chairman of the Audit Committee	
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an Independent Director	Complied
3.2(ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM)	Complied
3.3	Role of Audit Committee	
3.3(i)	Oversee the financial reporting process.	Complied
3.3(ii)	Monitor choice of accounting policies and principles	Complied
3.3(iii)	Monitor Internal Control Risk Management process	Complied
3.3(iv)	Oversee hiring and performance of external auditors	Complied
3.3(v)	Review along with the management, the annual financial statements before submission to the Board for approval	Complied
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval	Complied
3.3(vii)	Review the adequacy of internal audit function	Complied
3.3(viii)	Review statement of significant related party transactions submitted by the management	Complied

Directors' Report (continued)

3.3(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	Complied	
3.3(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/ prospectus.	Not Applicable	There was no IPO/RPO/Right Issue in year 2015.
3.4.1	Reporting of Audit Committee to the Board of Directors		
3.4.1(i)	Audit Committee report on its activities to the Board of Directors	Complied	The Audit Committee informs to the Board timely through its minutes.
3.4.1(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-		
3.4.1(ii) (a)	Report on conflict of interest		No such event occurred
3.4.1(ii) (b)	Any suspected or presumed fraud or irregularity or material defect in the internal control system		No such event occurred
3.4.1(ii) (c)	Suspected infringement of laws, including securities laws, rules and regulations		No such event occurred
3.4.1(ii) (d)	Any other matter which shall be disclosed to the Board of Directors immediately		No such event occurred
3.4.2	Reporting to Authorities		
	If any report which has a material impact on the financial condition & results of operation has discussed with the Board of Directors and the management that any rectification is necessary and which is unreasonably ignored, Audit Committee shall report such finding to SEC 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
3.5	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 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer Company		No such event occurred under condition 3.4.1 (ii).
4	External/Statutory Auditors should not be engaged to the following services:		
4(i)	Appraisal or valuation services or fairness opinion	Complied	
4(ii)	Designing of Financial Information System and implementation	Complied	
4(iii)	Book Keeping or other services related to the accounting records or financial statements	Complied	
4(iv)	Broker-Dealer services	Complied	
4(v)	Actuarial services	Complied	
4(vi)	Internal Audit services	Complied	
4(vii)	Any other services that the Audit Committee determines	Complied	

Directors' Report (continued)

4(viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company.	Complied	The Audit firm has declared that none of them holds any share in the Company.
5	Subsidiary Company		
5(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	Not Applicable	The Company does not have any subsidiary.
5(ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company	Not Applicable	-Do-
5(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	Not Applicable	-Do-
5(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company too	Not Applicable	-Do-
5(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	Not Applicable	-Do-
6.	CEO and CFO's Certification on Financial Statements to the Board		
6(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	Complied	
6(i)(a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	Complied	
6(i)(b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	Complied	
6(ii).	There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct	Complied	
7.	Reporting and Compliance of Corporate Governance		
7(i).	The Company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost & Management Accountants/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis	Complied	
7(ii).	The Directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions	Complied	

Statement of Compliance on the Good Governance Guideline Issued by the 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.	Particulars	Compliance Status
1	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 appraise 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 may be formed among the management to operate bank accounts under joint signatures.	Complied
D	Management of loan/lease/investments	
i.	Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	
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
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

Directors' Report (continued)

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 policies 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

Certificate on
Compliance of conditions of Corporate Governance guidelines to the
Shareholders of
INDUSTRIAL PROMOTION AND DEVELOPMENT COMPANY OF BANGLADESH LIMITED.

We have examined compliance to the BSEC guidelines on Corporate Governance by **Industrial Promotion and Development Company of Bangladesh Limited.** for the year ended on 31 December 2015. These guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7th August 2012 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

Such compliance to the codes of Corporate Governance is the responsibility of those charged with governance and management of the Company.

Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of Corporate Governance. This is a scrutiny and verification only and not an expression of opinion or audit on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations provided to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines issued by BSEC.

We also state that such compliance is neither an assurance as to the future viability of the Company nor a certification on the efficiency or effectiveness with which the Management has conducted the affairs of the Company.



Snehasish Mahmud & Co.
Chartered Accountants

Dhaka, 6 March 2016

Report of the Audit Committee

Role of Audit Committee

The Audit Committee on behalf of the Board of Directors endeavors to ensure effective implementation of the processes set out in the business plan and policies. Major role of the Audit Committee is to monitor the integrity of the Financial Statements to ensure that they provide 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. 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:

- a) Evaluate performance of the Company's internal control functions;
- b) Ensure compliance of the Company with legal and regulatory requirements;
- c) Making recommendations on the reporting, control and compliance aspects of the Company;
- d) Providing independent monitoring, guidance and, if necessary, challenge to executive management;
- e) To evaluate whether the Financial Statements reflect true and fair view of the affairs of the Company and are 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 Guidelines on Corporate Governance issued by Bangladesh Securities and Exchange Commission (BSEC) dated August 7, 2012.

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
Ms. Afroza Khan	Member	Director
Mr. Amin H. Manekia	Member	Director
Mr. Asif Saleh	Member	Director

The Company Secretary acts as the secretary of the Audit Committee.

Mr. Selim R.F Hussain, director and member of the Audit Committee resigned from the Board on December 24, 2015. New member will be appointed on next Board meeting.

Terms of Reference

The Terms of Reference of the Audit Committee clearly define the roles and responsibilities of the Audit Committee. The Terms of Reference are 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 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

Rahman Rahman Huq, Chartered Accountants (KPMG in Bangladesh), a Member Firm of KPMG International, were appointed as statutory external auditors of the Company at the 33rd Annual General Meeting held on May 06, 2015. 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 also 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 2015 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, 2014.
- Reviewed the Management Letter from external auditors for the year 2014 together with management's responses to the findings.
- Reviewed the Auditors' Certificate on Corporate Governance compliance under sec 2CC of the Securities and Exchange Ordinance 1969 for the year ended December 31, 2014.
- 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, 2014.
- The Committee reviewed first quarter, half-year and third quarter ended Financial Statements for the year 2015 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

**Report of the CEO & Managing Director and the Chief Financial Officer to the Board of Directors of
Industrial Promotion and Development Company of Bangladesh Limited**

In accordance with the notification of Bangladesh Securities and Exchange Commission No. SEC/ CMRRCD/ 2006-158/134/Admin/44 dated 07, August, 2012 we declare that-

We have reviewed accompanying financial statements of IPDC of Bangladesh Limited which comprise the Balance Sheet as at December 31, 2015, Profit and Loss account, Statement of Changes in Equity, Cash Flow Statement for the year then ended, and notes to the financial statements.

These financial statements have been prepared and presented fairly in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations.

The Company has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The Internal Audit & Compliance Department of the Company conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Based on the internal control system of the Company and our review of these financial statements, we certify that to the best of our knowledge and belief:

- i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;
- iii) no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.
- iv) proper books of account as required by law have been kept by the Company;



Mominul Islam

Managing Director & CEO



Lingkon Mondal
Chief Financial Officer

Date: February 15, 2016



Rahman Rahman Huq
Chartered Accountants
9 Mohakhali C/A (11th & 12th Floors)
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**Independent Auditor's Report
to the Shareholders of
Industrial Promotion and Development Company of Bangladesh Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Industrial Promotion and Development Company of Bangladesh Limited ("the Company") which comprise the balance sheet as at 31 December 2015, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.1.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Financial Institution Act 1993 and the rule and regulations issued by Bangladesh Bank, we also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the balance sheet and profit and loss account of the Company dealt with by the report are in agreement with the books of account;
- d) the expenditure incurred was for the purposes of the Company's business;
- e) 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 issued by Bangladesh Bank to the extent applicable to the Company;

Rahman Rahman Huq, a partnership firm registered in Bangladesh and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

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- f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- g) the financial statements of the Company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- h) the records and statements submitted by the branches have been properly maintained and recorded in the financial statements;
- i) the information and explanation required by us have been received and found satisfactory; and
- j) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1,480 person hours for the audit of the books and accounts of the Company.



Dhaka, 15 February 2016



Industrial Promotion and Development Company of Bangladesh Limited
Balance Sheet
as at 31 December 2015

Property and assets	Note	2015 Taka	2014 Taka
Cash	5		
In hand (including foreign currencies)	5.1	150,000	150,000
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	82,047,426	84,621,526
		82,197,426	84,771,526
Balance with other banks and financial institutions	6		
In Bangladesh	6.1	1,063,034,059	736,811,385
Outside Bangladesh		-	-
		1,063,034,059	736,811,385
Money at call and short notice		-	-
Investments	7		
Government	7.2	-	415,000,000
Others	7.3	187,048,680	300,037,536
		187,048,680	715,037,536
Loans and advances			
Loans, cash credits, overdrafts, etc.	8	6,415,776,969	5,676,790,793
Bills purchased and discounted		-	-
		6,415,776,969	5,676,790,793
Fixed assets including land, building, furniture and fixtures	9	207,043,649	224,130,901
Other assets	10	243,163,438	302,568,585
Non financial institutional assets	11	3,752,405	3,752,405
Total assets		8,202,016,626	7,743,863,131
Liabilities and capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	12	227,064,552	398,377,801
Deposits and other accounts	13		
Current accounts and other accounts		-	-
Bills payable		-	-
Savings deposits		-	-
Term deposits		4,544,692,563	3,997,390,887
Bearer certificate of deposits		-	-
Other deposits		-	-
		4,544,692,563	3,997,390,887
Other liabilities	14	955,647,653	1,056,286,355
Total liabilities		5,727,404,768	5,452,055,043
Shareholders' equity			
Paid up capital	15	1,262,504,730	1,147,731,580
Share premium	16	167,014,000	167,014,000
Statutory reserve	17	332,758,289	284,720,219
Assets revaluation reserve	18	127,086,739	127,086,739
Retained earnings	19	585,248,100	565,255,550
Total shareholders' equity		2,474,611,858	2,291,808,088
Total liabilities and shareholders' equity		8,202,016,626	7,743,863,131

Balance sheet (continued)

	Note	2015 Taka	2014 Taka
Off-balance sheet items			
Contingent liabilities			
Acceptances and endorsements		-	-
Letters of guarantee	20	11,612,000	5,590,000
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
Total contingent liabilities		11,612,000	5,590,000
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		11,612,000	5,590,000

The annexed notes from 1 to 45 and Annexure - A are an integral part of these financial statements.


Chairman


Director


Managing Director & CEO


Company Secretary

As per out report of same date.



Auditor
Rahman Rahman Huq
Chartered Accountants

Dhaka, 15 February 2016



Industrial Promotion and Development Company of Bangladesh Limited
Profit and Loss Account
for the year ended 31 December 2015

Particulars	Note	2015 Taka	2014 Taka
Interest income	22	804,863,230	929,287,424
Interest paid on deposits and borrowings etc.	23	373,919,143	513,098,917
Net interest income		430,944,087	416,188,507
Investment income	24	55,405,731	86,812,815
Commission, exchange and brokerage	25	7,577,541	5,636,658
Other operating income	26	145,480,822	71,394,084
Total operating income		639,408,181	580,032,064
Salary and allowances	28	90,183,739	82,353,556
Rent, taxes, insurance, electricity, etc.	29	13,986,678	13,235,518
Legal expenses	30	12,659,979	20,566,503
Postage, stamp, telecommunications, etc.	31	3,235,851	3,055,616
Stationery, printing, advertisements, etc.	32	13,150,848	12,613,516
Managing Director's salary and allowances	33	11,195,905	7,879,996
Directors' fees	34	3,896,477	3,536,254
Auditors' fees	35	506,000	460,000
Charges on loan loss		-	-
Depreciation and repair of assets	36	27,812,852	26,217,998
Other expenses	37	16,994,196	14,991,402
Total operating expenses		193,622,525	184,910,359
Profit before provision		445,785,656	395,121,705
Provision for loans and advances	38	164,468,055	36,966,734
(Reversal)/provision for diminution in value of investments	38	(62,882,555)	13,348,821
Other provisions		-	-
Total provision		101,585,500	50,315,555
Profit before tax		344,200,156	344,806,150
Provision for taxation			
Current tax	14.4	105,822,441	182,882,958
Deferred tax	39	(1,812,634)	(3,582,939)
Net profit after tax		240,190,349	165,506,131
Appropriations			
Statutory reserve	17	48,038,070	33,101,226
General reserve		-	-
Proposed dividend		-	-
		48,038,070	33,101,226
Retained surplus		192,152,279	132,404,905
Earnings per share (EPS)	40	1.90	1.31

The annexed notes from 1 to 45 and Annexure - A are an integral part of these financial statements.


Chairman


Director


Managing Director & CEO


Company Secretary

As per out report of same date.


Auditor

Rahman Rahman Huq
Chartered Accountants

Dhaka, 15 February 2016



Industrial Promotion and Development Company of Bangladesh Limited
Cash Flow Statement
for the year ended 31 December 2015

Figures in Taka

Particulars	Note	2015 Taka	2014 Taka
A) Cash flows from operating activities			
Interest received		744,371,527	1,074,390,248
Interest paid		(442,516,367)	(534,159,993)
Dividend received		13,071,710	38,542,464
Fee and commission received		7,577,541	5,636,658
Recoveries of loan previously written off		144,185,099	69,482,960
Payment to employees		(97,364,774)	(88,831,896)
Payment to suppliers		(95,303,127)	(68,871,863)
Income taxes paid		(47,506,104)	(24,375,003)
Receipt from other operating activities		41,505,987	56,845,980
Payment for other operating activities		-	-
Cash generated from operating activities before changes in operating assets and liabilities		268,021,492	528,659,555
Changes in operating assets and liabilities			
Statutory deposits		-	-
Sale of trading securities		415,000,000	-
Loans and advances to other banks		91,721,472	44,425,470
Loans and advances to customers		(860,097,377)	(337,360,453)
Other assets		4,475,086	80,238
Deposits from other banks and financial institutions		-	-
Deposits from customers		547,301,676	(429,702,521)
Other liability accounts of customers		-	-
Trading liabilities		(359,185,382)	(15,598,575)
Other liabilities		15,007,366	193,832,240
		(145,777,159)	(544,323,601)
Net cash from/(used in) operating activities		122,244,333	(15,664,046)
B) Cash flows from investing activities			
Proceeds from sale of securities		105,817,987	205,933,333
Payments for purchase of securities		-	-
Net increase in purchase of property, plant and equipment		(15,047,985)	(40,819,028)
Cash payments or proceeds from purchase or sale of subsidiaries		-	-
Net cash from investing activities		90,770,002	165,114,305
C) Cash flows from financing activities			
Receipts from issue of loan and debt securities		-	-
Payments for redemption of loan and debt securities		-	-
Receipts from issue of ordinary share		-	-
Receipts/(payments) of long term loan		187,872,133	(3,316,554)
Dividends paid in cash		(77,237,894)	(26,131,007)
Net cash from/(used in) financing activities		110,634,239	(29,447,561)
D) Net increase in cash (A+B+C)		323,648,574	120,002,698
E) Effect of changes in exchange rate over cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of year		821,582,911	701,580,213
G) Cash and cash equivalents at end of year (D+E+F)		1,145,231,485	821,582,911

Industrial Promotion and Development Company of Bangladesh Limited
Statement of Changes in Equity
for the year ended 31 December 2015

Particulars	Paid up capital Taka	Statutory reserve Taka	Share premium Taka	Assets revaluation reserve Taka	Retained earnings Taka	Total Taka
Balance as at 1 January 2015	1,147,731,580	284,720,219	167,014,000	127,086,739	565,255,550	2,291,808,088
Surplus/(deficit) on account of revaluation of assets	-	-	-	-	-	-
Surplus/(deficit) on account of revaluation of investments	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
Net gain/(loss) not recognised in the profit and loss account	-	-	-	-	-	-
Net profit for the year 2015	-	-	-	-	240,190,349	240,190,349
Dividend	-	-	-	-	(57,386,579)	(57,386,579)
Issuance of bonus share	114,773,150	-	-	-	(114,773,150)	-
Issuance of share capital	-	-	-	-	-	-
Appropriation during the year	-	48,038,070	-	-	(48,038,070)	-
Balance as at 31 December 2015	1,262,504,730	332,758,289	167,014,000	127,086,739	585,248,100	2,474,611,858
Balance as at 31 December 2014	1,147,731,580	284,720,219	167,014,000	127,086,739	565,255,550	2,291,808,088

Industrial Promotion and Development Company of Bangladesh Limited

Liquidity Statement

(Assets and liabilities maturity analysis)

as at 31 December 2015

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)	82,197,426	-	-	-	-	82,197,426
Balance with other banks and financial institutions	114,776,778	765,810,001	182,447,280	-	-	1,063,034,059
Money at call and short notice	-	-	-	-	-	-
Investments	28,125,000	-	59,048,680	84,375,000	15,500,000	187,048,680
Loans and advances	380,715,851	754,917,183	1,534,936,834	3,064,334,515	680,872,586	6,415,776,969
Fixed assets including land, building, furniture and fixtures	1,713,290	3,426,580	15,419,610	37,716,502	148,767,667	207,043,649
Other assets	5,210,047	8,391,591	2,378,404	1,623,489	225,559,907	243,163,438
Non financial institutional assets	-	-	3,752,405	-	-	3,752,405
Total assets	612,738,392	1,532,545,355	1,797,983,213	3,188,049,506	1,070,700,160	8,202,016,626
Liabilities						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	200,000,000	3,223,724	21,790,828	2,050,000	-	227,064,552
Deposits	229,233,933	851,388,643	1,735,747,286	1,698,835,978	29,486,723	4,544,692,563
Other accounts	-	-	-	-	-	-
Provision and other liabilities	36,635,677	49,684,997	130,763,137	34,470,590	704,093,252	955,647,653
Total liabilities	465,869,610	904,297,364	1,888,301,251	1,735,356,568	733,579,975	5,727,404,768
Net liquidity gap	146,868,782	628,247,991	(90,318,038)	1,452,692,938	337,120,185	2,474,611,858

Industrial Promotion and Development Company of Bangladesh Limited

Notes to the financial statements
as at and for the year ended 31 December 2015

1. Reporting entity

1.1 Company profile

With a mandate to promote economic growth in the country, Industrial Promotion and Development Company of Bangladesh Limited ("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 five branches located at Dhanmondi, Motijheel, Chittagong, Sylhet and Uttara.

1.2 Nature of business

The Company specialises in providing long term and short term financing, project financing, lease financing, channel finance, work order finance, mortgage finance, equity financing, syndication finance, Small and Medium Enterprises (SME) and Medium Market Enterprises (MME) finance, asset backed securitisation through issuance of zero-coupon bond and related consultancies to both local and foreign private investments in Bangladesh. In 2006, the Company also started retail business to increase its activities in retail segment.

2. Basis of preparation

2.1 Statement of compliance

The Financial Reporting Act 2015 (FRA) has been enacted during the year. 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 require to comply for the preparation of their financial statements under such financial reporting standards.

The FRC is yet to be formed and as such no financial reporting standards have been issued as per the provisions of the FRA. Hence, the financial statements of the Company are prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) 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 any requirement of the Financial Institutions Act 1993, and provisions and circulars issued by Bangladesh Bank differ with those of BFRS, the requirements of the Financial Institutions Act 1993, and provisions and circulars issued by Bangladesh Bank shall prevail. The financial statements have been prepared on historical cost basis except for office premises (Land and building) under fixed assets including land, building,

furniture and fixtures which are stated at revalued amount. The Board of Directors has authorised these financial statements on 15 February 2016. Material departures from the requirements of BFRS are as follows:

Disclosure of departure from few requirements of BASs/BFRSs 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 BASs and BFRSs. As such the Company has departed from those contradictory requirements of BASs/BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below; along with financial impact where applicable.

i) Investment in shares and securities

BFRS: As per requirements of BAS 39 investment in shares and securities generally falls either under 'at fair value through profit and loss account' or under 'available for sale' where any change in the fair value (as measured in accordance with BFRS 13) at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank: As per Financial Institutions Department (FID) circular no. 08 dated 3 August 2002 issued by Bangladesh Bank, investments in quoted shares and unquoted shares are required to be revalued at the year end at market price and book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment.

ii) Provision on loans and advances/investments

BFRS: As per BAS 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.

Bangladesh Bank: As per FID circular No. 08 dated 3 August 2002, FID circular No. 03, dated 3 May 2006 and DFIM Circular No. 03 dated 29 April 2013 issued by Bangladesh Bank, a general provision of 0.25% to 5% under different categories of unclassified loans (Standard/Special Mention Account loans) has to be maintained.

iii) Other comprehensive income

BFRS: As per BAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which will strictly be followed by Financial Institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Compre-

hensive Income (OCI) nor are the elements of OCI allowed to be included in a single OCI Statement. As such the Financial Institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

iv) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorise, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such full disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

2.2 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (BDT/Taka/Tk.) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest integer.

2.3 Use of estimates and judgments

The preparation of these financial statements in conformity with Bangladesh Financial Reporting Standards (BFRSs) 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 on the amounts recognized in the financial statements is included in the following notes:

- a) Note 10.1.2 Deferred tax assets
- b) Note 14.9 Deferred tax liabilities
- c) Note 14.1 Cumulative provision for loans and advances
- d) Note 14.3 Measurement of defined benefit obligation (provision for gratuity)
- e) Note 14.4 Provision for corporate tax
- f) Note 14.8 Provision for expenses
- g) Note 18 Assets revaluation reserve
- h) Note 20 Letters of guarantee (contingent liabilities)
- i) Note 36.1 Depreciation

2.4 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.

2.5 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.

2.6 Branch accounting

The Company has five branches, with no overseas branch as at 31 December 2015. Accounts of the branches are maintained at the head office from which these financial statements are drawn up.

2.7 Reporting period

The financial period of the Company has been determined from 1 January to 31 December each year and is followed consistently

2.8 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'.

2.9 Consistency

In accordance with the BFRS framework for the presentation of the financial statements together with Bangladesh Accounting Standard (BAS) 1: *Presentation of Financial Statements* and Bangladesh Accounting Standard (BAS) 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company applies the disclosure principles consistently from one year 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 BAS 8. The Company has applied the same accounting and valuation principles in 2015 as in financial statements for 2014.

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 Bangladesh Accounting Standard (BAS) 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 year 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 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 recognized 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 year 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 current 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 recognized in the profit and loss account for the period in which it arises.

3.4 Revenue recognition

3.4.1 General

As per Bangladesh Accounting Standard (BAS) 18 Revenue: revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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 recognized as revenue on accrual basis over the terms of the lease. However, lease income against classified and Special Mentioned 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 recognized as revenue on accrual basis. However, interest income on Special Mention Account (SMA) and classified finance is not recognized as income but credited to interest suspense account as per Bangladesh Bank guidelines and circulars.

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.

3.5 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 recognized as revenue but credited to interest suspense account.

3.6 Fixed assets including land, building, furniture and fixtures

3.6.1 Own assets

Fixed assets including premises, furniture and fixtures are stated at cost less accumulated depreciation and accumulated impairment losses, if any. On the other hand land and building are stated at 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 Bangladesh Accounting Standard (BAS) 16: *Property, plant and equipment*.

3.6.2 Subsequent expenditure on fixed assets including land, building, furniture and fixtures

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 fixtures

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 Bangladesh Accounting Standard (BAS) 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 years:

Particulars	Useful life (years)
Building	15*
Motor Vehicles	5
Furniture and fixtures	8
Equipment and appliances	5
Accounting 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 financial 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 fixtures

On disposal of item of property, plant and equipment, 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 Bangladesh Financial Reporting Standard (BFRS) 5: *Non-current Assets Held for Sale and Discontinued Operations*.

3.7 Intangible asset

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 recognized 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 Bangladesh Accounting Standard (BAS) 38: *Intangible Assets*. Intangible assets acquired separately are recorded on initial recognition at costs and are carried at cost less accumulated amortization and accumulated impairment losses, if any.

3.7.1 Subsequent expenditure on intangible asset

Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefit from the assets. All other expenditure are recognised as expense as and when they are incurred.

3.7.2 Amortisation of intangible asset

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 asset i.e. acquisition cost of the accounting software is amortised within five years of acquisition

3.8 Borrowing costs

All borrowing costs are recognized as expense in the period in which they are incurred in accordance with the Bangladesh Accounting Standard (BAS) 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 year. Resulting exchange differences are recognised in the profit and loss account.

3.10 Income tax expenses

Income tax expenses comprises 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 40%) 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, leases and investments is an estimate of the losses that may be sustained in the investment portfolio. The provision is based on two principles (1) Bangladesh Accounting Standard (BAS) 37: *Provision, contingent liabilities and contingent assets* 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 investment and advances.

3.11.1 Write off loans, advances and investments

In compliance with Bangladesh Bank FID Circular No. 3 dated 15 March 2007 and DFIM circular No. 11 dated 21 November 2013, loans, leases, advances and investment are written off to the extent that (i) there is no realistic probability of recovery, (ii) against which legal cases are pending and

(iii) full provision has been maintained. 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 unfunded gratuity scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of 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. The Company provided the same in the accounts 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 hospitalization 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 flows statement

Cash flow statement has been prepared in accordance with the Bangladesh Accounting Standard (BAS) 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 Bangladesh Accounting Standard (BAS) 24: *Related Party Disclosures*, parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with 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 loan/lease 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 firm 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 Institutions 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 recognized as a liability in the balance sheet in accordance with Bangladesh Accounting Standard (BAS) 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 defined as the potential loss arising from the failure of a counter party to perform as per contractual agreement with the Company. The Company has separate Credit Risk Management Department and Credit Administration to carry out risk assessment in lending to a customer, sanctioning credit and maintaining asset quality.

4.7.2 Operational risk

Operational risk addresses the risk associated with fraud, forgery, unauthorized 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.

4.7.3 Interest rate risk

Interest rate risk may arise from trading portfolio and non-trading portfolio. The trading portfolio of the Company consists of government treasury bills, bond, etc. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) of the Company monitors the interest rate movement on a regular basis.

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. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis.

4.8 Contingent liabilities

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 recognized 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 recognized 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 recognized in the financial statements as this may result in the recognition of income which may never be realized.

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 their useful lives.
- e) Other assets are on the basis of their realization/amortization.
- 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 maturity period and past trend of withdrawal by the depositors.

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. 42 of these financial statements.

4.11 Comparatives and reclassification

Comparative information have been disclosed in respect of 2014 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year 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 2015
- ii) Profit and loss account for the year ended 31 December 2015
- iii) Cash flow statement for the year ended 31 December 2015
- iv) Statement of changes in equity for the year ended 31 December 2015
- v) Notes to the financial statements for the year ended 31 December 2015

4.13 Compliance of Bangladesh Financial Reporting Standard (BFRS)

Name of the standards	Ref.	Status
First-time Adoption of Bangladesh Financial Reporting Standards	BFRS-1	Not applicable
Share Based Payment	BFRS-2	Not applicable
Business Combinations	BFRS-3	Not applicable
Insurance Contracts	BFRS-4	Not applicable
Non-current Assets Held for Sale and Discontinued Operations	BFRS-5	Not applicable
Exploration for and Evaluation of Mineral Resources	BFRS-6	Not applicable
Financial Instruments: Disclosures	BFRS-7	Applied with some departure (note 2.1)
Operating Segments	BFRS-8	Applied with some departure (note 2.1)
Consolidated Financial Statements	BFRS-10	Not Applicable
Joint Arrangements	BFRS-11	Not Applicable
Disclosure of Interests in Other Entities	BFRS-12	Not Applicable
Fair Value Measurement	BFRS-13	Applied with some departure (note 2.1)
Presentation of Financial Statements	BAS-1	Applied with some departure (note 2.1)
Inventories	BAS-2	Not Applicable
Statement of Cash Flows	BAS-7	Applied with some departure (note 2.1)
Accounting Policies, Changes in Accounting Estimates and Errors	BAS-8	Applied
Events After the Reporting Period	BAS-10	Applied
Construction Contracts	BAS-11	Not Applicable
Income Taxes	BAS-12	Applied
Property, Plant and Equipment	BAS-16	Applied
Leases	BAS-17	Applied
Revenues	BAS-18	Applied
Employee Benefits	BAS-19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS-20	Not Applicable
The Effects of Changes in Foreign Exchange Rates	BAS-21	Applied
Borrowing Cost	BAS-23	Applied
Related Party Disclosures	BAS-24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS-26	Not Applicable
Separate Financial Statements	BAS-27	Not Applicable
Investments in Associates	BAS-28	Not Applicable
Financial Reporting in Hyperinflationary Economies	BAS-29	Not Applicable
Financial Instruments: Presentation	BAS-32	Applied with some departure (note 2.1)
Earnings per Share	BAS-33	Applied
Interim Financial Reporting	BAS-34	Applied
Impairments of Assets	BAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS-37	Applied
Intangible Assets	BAS-38	Applied
Financial Instruments: Recognition and Measurement	BAS-39	Applied with some departure (note 2.1)
Investment Property	BAS-40	Not Applicable
Agriculture	BAS-41	Not Applicable

As at 31 December	Note	2015	2014
5. Cash			
Cash in hand	5.1	150,000	150,000
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	5.2	82,047,426	84,621,526
		82,197,426	84,771,526
5.1 Cash in hand			
In local currency		150,000	150,000
In foreign currency		-	-
		150,000	150,000
5.2 Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)			
Bangladesh Bank			
Local currency		82,047,426	84,621,526
Foreign currencies		-	-
		82,047,426	84,621,526
Sonali Bank Limited (as an agent of Bangladesh Bank)		-	-
		82,047,426	84,621,526

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 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 treasury bills, bonds, balance with Bangladesh Bank and other banks and financial institutions. Both the reserves as maintained by the Company are shown below:

Cash Reserve Requirement (CRR)

Required reserve	96,602,144	102,876,484
Actual reserve maintained	106,628,331	110,983,843
Surplus	10,026,187	8,107,359

Statutory Liquidity Reserve (SLR)

Required reserve	229,438,764	242,196,323
Actual reserve maintained	235,239,533	254,184,840
Surplus	5,800,769	11,988,517
Total surplus	15,826,956	20,095,876

6. Balance with other banks and financial institutions

In Bangladesh	6.1	1,063,034,059	736,811,385
Outside Bangladesh		-	-
		1,063,034,059	736,811,385

6.1 In Bangladesh

With banks:

In current deposit accounts with

Commercial Bank of Ceylon PLC	41,980	43,250
The Hongkong and Shanghai Banking Corporation Ltd.	-	-
Uttara Bank Ltd.	2,583	2,583
United Commercial Bank Ltd.	29,707	40,748
AB Bank Ltd.	17,225	18,375
Standard Chartered Bank	9,832	64,896
Prime Bank Ltd.	96,682	1,000,040
Social Islami Bank Ltd.	1,850	2,500
Bank Alfalah Ltd.	1,451	-
	201,310	1,172,392

As at 31 December	Note	2015	2014
<u>Short term deposit accounts with</u>			
Dutch Bangla Bank Ltd.		867,822	4,828,602
Prime Bank Ltd.		27,985,260	26,487,901
AB Bank Ltd.		1,590,275	1,488,859
Standard Chartered Bank		39,586	25,105
Mercantile Bank Ltd.		1,201,820	168,010
AL-Arafah Islami Bank Ltd.		3,768	5,397
BRAC Bank Ltd.		11,312,262	385,403
Dhaka Bank Ltd.		45,330,394	-
United Commercial Bank Ltd.		62,097	-
		88,393,284	33,389,277
<u>Short term placement</u>			
National Bank of Pakistan		250,000,000	200,000,000
LankaBangla Finance Ltd.		75,000,000	-
		325,000,000	200,000,000
<u>Short term deposit accounts (in foreign currency) with</u>			
AB Bank Ltd.		62,184	62,283
		62,184	62,283
<u>Fixed deposit accounts with</u>			
Prime Bank Ltd.		225,585,004	110,324,933
Dhaka Bank Ltd.		124,860,000	100,000,000
AB Bank Ltd.		107,860,627	77,362,500
EXIM Bank Ltd.		100,000,000	50,000,000
Union Bank Limited		25,000,000	-
National Bank of Pakistan		16,071,650	14,500,000
The City Bank Ltd.		50,000,000	50,000,000
Trust Bank Ltd.		-	100,000,000
Total		649,377,281	502,187,433
Grand total		1,063,034,059	736,811,385
6.2 Maturity grouping of balance with other banks and financial institutions			
<i>Repayable:</i>			
On demand		201,310	1,172,391
Within one month		114,575,468	358,451,560
Within one to three months		765,810,001	-
Within three months to one year		182,447,280	377,187,434
Within one to five years		-	-
More than five years		-	-
		1,063,034,059	736,811,385
7. Investments			
Government securities	7.2	-	415,000,000
Other investments	7.3	187,048,680	300,037,536
		187,048,680	715,037,536
7.1 Classification of investments			
Held for trading (HFT)		-	204,100,000
Held to maturity (HTM)		-	210,900,000
		-	415,000,000
Other investments		187,048,680	300,037,536
		187,048,680	715,037,536
7.2 Government securities			
Treasury bonds	7.2.1	-	415,000,000
		-	415,000,000
7.2.1 Treasury bonds			
15-year treasury bonds		-	242,600,000
20-year treasury bonds		-	172,400,000
		-	415,000,000

As at 31 December	Note	2015	2014
7.3 Other investments			
In ordinary shares:			
Quoted		7,000,000	7,000,000
Unquoted		4,500,000	11,670,869
		11,500,000	18,670,869
Redeemable preference shares		63,048,680	131,366,667
Investment in shares		74,548,680	150,037,536
Investment in corporate bonds		112,500,000	150,000,000
		187,048,680	300,037,536

Details of other investments are as follows:

	2015		2014	
	Cost	Market value	Cost	Market value
In ordinary shares - quoted				
Bemco Electric Metre Ltd.	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 Ltd.	1,500,000	1,500,000	1,500,000	1,500,000
Alliance Bags Ltd.	3,000,000	3,000,000	3,000,000	3,000,000
Ekushey Television Ltd.	-	-	7,170,869	7,170,869
	4,500,000	4,500,000	11,670,869	11,670,869
In redeemable preference shares				
Premium Seed Ltd.	4,000,000	4,000,000	4,000,000	4,000,000
Confidence Salt Ltd.	5,715,346	5,715,346	10,700,000	10,700,000
Summit Power Company Ltd.	20,000,000	20,000,000	50,000,000	50,000,000
ACI Godrej Agrovvet Private Ltd.	33,333,334	33,333,334	66,666,667	66,666,667
	63,048,680	63,048,680	131,366,667	131,366,667
Investment in corporate bonds				
Mutual Trust Bank Ltd.	112,500,000	112,500,000	150,000,000	150,000,000
	187,048,680	184,353,680	300,037,536	297,342,536

Unquoted shares are primarily recognized at cost. Adequate provision has been maintained against the unquoted shares whose book value is lower than the cost.

7.4 Maturity grouping of investments

Repayable on demand	-	-
Within one month	28,125,000	-
Within one to three months	-	10,700,000
Within three months to one year	59,048,680	95,833,333
Within one to five years	84,375,000	170,833,334
More than five years	15,500,000	437,670,869
	187,048,680	715,037,536

8. Loans and advances

In Bangladesh:		
Long term loan	2,090,171,423	2,839,058,571
Lease finance	1,177,043,033	1,413,928,097
Short term loan	2,323,608,983	697,565,894
Channel finance	190,873,203	256,198,846
Mortgage finance	135,033,555	85,629,338
Auto loan	403,632,792	255,781,377
Secured retail loan	79,241,370	112,777,787
Staff loan	16,172,610	15,850,883
	6,415,776,969	5,676,790,793
Outside Bangladesh	-	-
	6,415,776,969	5,676,790,793
Bills purchased and discounted	-	-
	6,415,776,969	5,676,790,793

8.1 Lease finance

Gross lease receivables	1,349,967,511	1,683,042,909
Less: Unearned interest income	224,426,076	321,610,387
Net lease receivables	1,125,541,435	1,361,432,522
Add: Overdue lease rentals	51,501,598	52,495,575
	1,177,043,033	1,413,928,097

As at 31 December	Note	2015	2014
8.2 a) Net loans and advances including bills purchased and discounted			
Total loans and advances receivables	8	6,415,776,969	5,676,790,793
Less: Provision against loans and advances (specific and general)	8.9(b)	199,098,264	150,916,653
Less: Cumulative balance of interest suspense	14.2	33,169,046	38,332,212
		6,183,509,659	5,487,541,928
b) Rate of net classified loans and advances			
Gross loans and advances		6,415,776,969	5,676,790,793
Classified loans and advances		126,982,039	192,338,111
Unclassified loans and advances		6,288,794,930	5,484,452,682
Total provision		199,098,264	150,916,653
Interest suspenses		33,169,046	38,332,212
Total provision, interest suspense		232,267,310	189,248,865
Net classified loans and advances		(105,285,271)	3,089,246
Rate of classified loans and advances		1.98%	3.39%
Rate of net classified loans and advances		-1.64%	0.05%
8.3 Residual maturity grouping of loans and advances including bills purchased and discounted			
Repayable on demand		-	-
Up to three month		1,135,633,034	805,901,462
More than three months but less one year		1,534,936,834	1,433,899,330
More than one year but less than five years		3,064,334,515	3,158,743,286
More than five years		680,872,586	278,246,715
		6,415,776,969	5,676,790,793
8.4 Loans and advances including bills purchased and discounted are classified into the following broad categories			
Loans and advances			
In Bangladesh			
Loans and leases		6,415,776,969	5,676,790,793
Cash credit		-	-
Secured overdraft		-	-
		6,415,776,969	5,676,790,793
Outside Bangladesh		-	-
		6,415,776,969	5,676,790,793
Bills purchased and discounted			
Payable in Bangladesh		-	-
Payable outside Bangladesh		-	-
		6,415,776,969	5,676,790,793
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		10,501,668	10,676,941
Senior Executives (Senior Manager & above)		3,209,289	3,567,310
Other staffs		3,536,767	5,131,204
		17,247,724	19,375,455
<u>Advances to customers' group</u>			
Agricultural loan		785,298,745	598,927,138
Large corporate		2,653,838,383	3,558,924,400
Small and medium enterprise		1,378,074,711	1,046,642,767
Retail loan		1,063,260,254	450,663,928
Others		518,057,152	2,257,105
		6,398,529,245	5,657,415,338
		6,415,776,969	5,676,790,793

As at 31 December	Note	2015	2014
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8.5.1 Disclosure on large loan

Loan sanctioned to any individual or enterprise or any organization of a group, amounting to 15% or more of the Company's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Total capital of the Company as at 31 December 2015 was Taka 2,474.61 million against that of Taka 2,291.81 million as at 31 December 2014.

Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each	2	1
Amount of outstanding loans and advances [to the client as mentioned above]	1,005,052,602	346,622,519
Amount of classified loans and advances [out of the amount as mentioned above]	-	-
Measures taken for recovery [for the amount as mentioned above]	-	-

8.6 Industry-wise loans and advances including bills purchased and discounted

Agro-based industries	833,959,200	598,927,138
Banks and non-banking financial institutions	210,170,907	301,892,379
Chemicals, pharmaceuticals and allied products	160,577,931	213,641,556
Engineering and building materials	1,063,785,412	444,118,342
Food and allied products	237,489,187	414,268,180
Glass, ceramic and other non-metallic products	1,788,228	48,669,702
Hotel, tourism and leisure	52,688,219	70,782,502
Information and communication technologies	23,866,107	37,218,224
Paper converting and packaging, printing and publishing	307,696,915	323,881,651
Ready made garments and knitwear	354,772,417	528,212,939
Social sector	291,935,549	225,502,442
Tannery, leather and rubber products	342,378,583	-
Textile	634,740,003	624,141,861
Transport and aviation	191,649,831	212,305,658
Others	1,708,278,480	1,633,228,219
	6,415,776,969	5,676,790,793

8.7 Geographical location-wise loans and advances including bills purchased and discounted

Dhaka Division	5,683,938,558	4,731,867,477
Chittagong Division	704,216,304	887,678,372
Khulna Division	-	17,241,810
Rangpur Division	-	-
Rajshahi Division	10,190,569	15,044,183
Sylhet Division	17,431,538	24,958,951
Barisal Division	-	-
Mymensingh Division	-	-
	6,415,776,969	5,676,790,793

8.8 Broad economic sector-wise segregation of loans and advances including bills purchased and discounted

Government and autonomous bodies	-	-
Bank and financial institutions	210,170,907	301,892,379
Other public sector	-	-
Private sector	6,205,606,062	5,374,898,414
	6,415,776,969	5,676,790,793

As at 31 December	Note	2015	2014
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8.9 a) Classification of loans and advances including bills purchased and discounted

Unclassified loans and advances		
Standard (including staff loans)	6,253,975,091	5,467,371,748
Special mention account	34,819,839	17,080,934
Total unclassified loans and advances	6,288,794,930	5,484,452,682
Classified loans and advances		
Substandard	34,716,070	20,161,813
Doubtful	1,219,442	6,185,770
Bad/loss	91,046,527	165,990,528
Total classified loans and advances	126,982,039	192,338,111
Total loans and advances	6,415,776,969	5,676,790,793

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 2015	Base for provision	Percentage (%) of provision required as per Bangladesh Bank's directives	2015	2014
Unclassified loans and advances	Taka	Taka		Taka	Taka
General provision					
Standard	5,806,752,579	5,806,752,578	1%	58,067,526	47,479,842
Standard - SME	447,222,513	447,222,513	0.25%	1,118,056	1,798,469
Special mentioned account	34,819,838	33,179,135	5%	1,658,957	843,005
	6,288,794,930	6,287,154,226		60,844,539	50,121,316
Specific provision					
Sub-standard	34,716,070	26,941,204	20%	5,388,241	1,003,409
Doubtful	1,219,442	629,505	50%	314,753	1,888,046
Bad/loss	91,046,527	68,803,197	100%	68,803,197	29,609,383
	126,982,039	96,373,906		74,506,191	32,500,837
Total provision required				135,350,730	82,622,153
Total provision maintained				199,098,264	150,916,653
Total provision surplus				63,747,534	68,294,500

8.10 Particulars of loans and advances including bills purchased and discounted

Loans considered good in respect of which the Company is fully secured	1,005,511,671	1,464,221,861
Loans considered good for which the Company holds no other security other than the debtor's personal guarantee	1,650,899,811	2,118,946,123
Loans considered good and secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtors	3,759,365,487	2,093,622,809
Loans adversely classified; provision not maintained there against	-	-
	6,415,776,969	5,676,790,793
Loans due by directors or officers of the Company or any of them either separately or jointly with any other persons *	17,247,724	19,375,455
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*	17,247,724	19,375,455

As at 31 December	Note	2015	2014
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)		14,673,203	2,991,501
Amount of classified loans on which interest has not been charged		86,449,688	165,990,528
Increase/(decrease) in specific provision		42,005,353	(22,318,941)
Amount of loan written off during the year		139,038,588	60,637,932
Amount realised against loan previously written off		144,185,099	69,482,960
Amount of provision kept against loan classified as bad/loss on the date of preparing the balance sheet		68,803,197	29,609,383
Interest creditable to the interest suspense account (during the year)		9,699,289	20,114,021
<i>* Amount represents loans to employees of the Company only.</i>			
8.11 a) Cumulative amount of written off loan			
Opening balance		614,185,856	670,411,513
Add: Amount written off during the year		139,038,588	60,637,932
		753,224,444	731,049,445
Less: Adjustment/recovered during this year		144,185,099	116,863,589
Balance as on 31 December		609,039,345	614,185,856
b) Amount of written off loan for which lawsuit has been filed for its recovery		609,039,345	614,185,856
9. Fixed assets including land, building, furniture and fixtures			
Land		129,240,000	129,240,000
Building		20,922,500	20,922,500
Motor vehicles		28,799,037	32,690,044
Furniture and fixtures		34,154,874	33,964,876
Equipment and appliances		65,794,703	63,138,083
Accounting software		16,398,750	16,398,750
		295,309,864	296,354,253
Less: Accumulated depreciation and amortisation		88,266,215	72,223,352
		207,043,649	224,130,901
Capital work in progress		-	-
		207,043,649	224,130,901
Details are shown in Annexure-A.			
10. Other assets			
<u>Non-income generating other assets</u>			
Stationery, stamps, printing materials in stock		95,156	108,849
Advance rent and advertisement		2,823,489	5,187,621
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debentures and other income receivable		19,319,193	30,815,053
Security deposits		1,990,560	1,222,410
Preliminary expenses, formation and organization expenses, renovation/development expenses and prepaid expenses		200,569	263,162
Branch adjustment		-	-
Suspense account		-	-
Silver		-	-
Others	10.1	218,734,471	264,971,490
		243,163,438	302,568,585

As at 31 December	Note	2015	2014
10.1 Others			
Advance tax	10.1.1	208,768,379	252,139,987
Deferred tax assets	10.1.2	7,479,781	6,240,947
Sundry assets	10.1.3	2,486,311	6,590,556
		218,734,471	264,971,490

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. An amount of Tk. 90,877,712 has been adjusted during this year for the completed assessment that was in dispute as well as disclosed in prior years.

10.1.2 Deferred tax assets

Deferred tax assets have been recognised in accordance with the provision of Bangladesh Accounting Standard (BAS) 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:

Deductible temporary differences		
Gratuity provision	18,699,452	14,684,582
	18,699,452	14,684,582
Tax rate	40.00%	42.50%
Deferred tax assets	7,479,781	6,240,947

Movement of deferred tax assets is as follows:

Balance as at 1 January	6,240,947	5,645,244
Add: Credited to profit and loss account as income	1,238,834	595,703
Balance as at 31 December	7,479,781	6,240,947

10.1.3 Sundry assets

City corporation tax	166,324	135,628
Hosna Centre Owners' Society	583,050	583,050
Advance others	1,736,937	5,871,878
	2,486,311	6,590,556

11. Non financial institutional assets

	3,752,405	3,752,405
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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 favour of the Company. The land is mutated in the name of the Company.

12. Borrowings from other banks, financial institutions and agents

In Bangladesh	12.1	227,064,552	398,377,801
Outside Bangladesh		-	-
		227,064,552	398,377,801

12.1 In Bangladesh

Unsecured

Long term loan

The UAE-Bangladesh Investment Company Ltd.	2,711,221	12,789,088
Borrowing under Refinance Project (scheme JICA assisted ESPDSME)	3,587,500	5,637,500
Repo borrowings from Bangladesh Bank	-	-
	6,298,721	18,426,588

Treasury borrowing from bank

The City Bank Limited	200,000,000	-
	200,000,000	-

As at 31 December	Note	2015	2014
Secured			
Bank overdraft			
Prime Bank Ltd.		10,273,385	59,951,213
Dhaka Bank Ltd.		10,492,446	-
		20,765,831	59,951,213
Money at call and short notice			
Standard Bank Ltd.		-	50,000,000
Dhaka Bank Ltd.		-	100,000,000
The City Bank Ltd.		-	170,000,000
		-	320,000,000
		227,064,552	398,377,801
12.2 Residual maturity grouping of borrowings from other banks, financial institutions and agents			
Repayable on demand		-	320,000,000
Within one month		200,000,000	59,951,211
Over one month but within three months		3,223,724	2,921,382
Over three months but within one year		21,790,828	9,206,483
Over one year but within five years		2,050,000	6,298,725
Over five years		-	-
		227,064,552	398,377,801
13. Deposits and other accounts			
Inter-bank deposits		-	-
Other deposits	13.1	4,544,692,563	3,997,390,887
		4,544,692,563	3,997,390,887
13.1 Residual maturity grouping of deposits and other accounts			
Repayable on demand		-	-
Within one month		229,233,933	204,037,844
Over one month but within six months		1,362,362,848	1,049,920,816
Over six months but within one year		1,224,773,081	680,057,803
Over one year but within five years		1,698,835,978	1,982,290,641
Over five years but within ten years		29,486,723	81,083,783
		4,544,692,563	3,997,390,887
There was no unclaimed deposits for ten (10) years and more held by the Company at the reporting date.			
14. Other liabilities			
Cumulative provision for loans, advances and investments	14.1	211,908,008	226,608,952
Cumulative interest and dividend suspense	14.2	36,275,580	41,438,746
Provision for gratuity	14.3	18,699,452	14,684,582
Dividend payable		13,275,600	33,126,916
Provision for corporate tax	14.4	423,048,318	408,103,589
Receipts against lease	14.5	36,718,793	46,364,536
Provision for finance charge	14.6	162,412,807	231,010,031
Withholding tax and VAT		5,698,046	11,436,305
Liabilities for special accounts	14.7	34,868,505	19,421,867
Provision for expense	14.8	6,702,530	9,762,775
Deferred tax liabilities	14.9	5,841,264	6,415,064
Account payable for purchase of office equipment		198,750	7,912,992
		955,647,653	1,056,286,355
14.1 Cumulative provision for loans, advances and investments			
14.1.1 Specific provision for classified loans and advances			
Opening balance		44,307,020	54,819,778
Add: Specific provision for the year	38	147,713,411	29,433,112
Less: Fully provided debt written-off during the year		116,286,444	39,945,870
Closing balance		75,733,987	44,307,020

As at 31 December	Note	2015	2014
14.1.2 General provision against unclassified loans and advances			
Opening balance		106,609,633	99,076,024
Add: Provision made during the year	38	16,754,644	7,533,622
		123,364,277	106,609,646
Less: Adjustment during the year		-	13
Closing balance		123,364,277	106,609,633
Total specific and general provision of loans		199,098,264	150,916,653
14.1.3 Provision for investments			
Opening balance		75,692,299	62,343,478
Add: Provision made/(release) for investment in share	38	(5,361,125)	-
Add: Provision made/(release) for investment in Govt. securities		(57,521,430)	13,348,821
Total provision made/(release) during the year		(62,882,555)	13,348,821
Closing balance		12,809,744	75,692,299
Total specific and general provision of loans, advances and investments		211,908,008	226,608,952
Break up of cumulative provision for loans, advances and investment:			
Provision for loans and advances		199,098,264	150,916,653
Provision for investments in equity		12,809,744	18,170,869
Provision for marking to market of Govt. securities		-	57,521,430
		211,908,008	226,608,952
14.2 Cumulative interest and dividend suspense			
Opening balance		41,438,746	53,165,131
Add: Amount transferred to suspense account during the year		9,699,289	20,114,021
		51,138,035	73,279,152
Less: Amount recovered from suspense account during the year		1,666,525	8,393,094
		49,471,510	64,886,058
Less: Amount written-off/waiver during the year		13,195,930	23,447,312
Closing balance		36,275,580	41,438,746
Break up of cumulative interest and dividend suspense:			
Interest suspense against loans and advances		33,169,046	38,332,212
Dividend suspense against investment in redeemable preference shares		3,106,534	3,106,534
		36,275,580	41,438,746
14.3 Provision for gratuity			
This liability represents provision for staff gratuity up to 31 December 2015. The company had provided full provision for gratuity at the rate of one month's basic salary for each completed year of service.			
Opening balance		14,684,582	13,282,926
Add: Provision made during the year		6,613,463	3,713,656
		21,298,045	16,996,582
Less: Payment during the year		2,598,593	2,312,000
Closing balance		18,699,452	14,684,582
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 40% on its business income.			
Opening balance		408,103,589	225,220,631
Add: Provision made during the year		105,822,441	182,882,958
		513,926,030	408,103,589
Less: Adjustment made during the year for completed assessments		90,877,712	-
Closing balance		423,048,318	408,103,589

Income tax return for the year 2009, 2010, 2011, 2012, 2013 and 2014 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 appeal stage. An amount of Tk. 90,877,712 has been adjusted during this year for the completed assessment that was in dispute as well as disclosed in prior years.

As at 31 December	Note	2015	2014
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14.5 Receipts against lease

Receipts against lease represents 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	46,364,536	36,086,227
Add: Receipts during the year	4,883,328	22,760,949
	51,247,864	58,847,176
Less: Adjusted during the year	14,529,071	12,482,640
Closing balance	36,718,793	46,364,536

Purpose of taking lease deposits is to secure the finance provided to the clients. No interest is payable on lease deposits.

14.6 Provision for finance charge

Accrued interest expenses on term deposits	162,361,812	230,412,937
Accrued interest expenses on long term borrowings	50,995	597,094
	162,412,807	231,010,031

14.7 Liabilities for special accounts

Account payable special account - IPO	1,118,356	1,118,356
Account payable special account - DEG	16,750,973	15,640,920
Account payable special account - other	16,999,176	2,662,591
	34,868,505	19,421,867

14.8 Provision for expenses

Legal fees	2,990,614	3,326,751
Office services	1,177,766	1,850,416
Promotion and publicity	1,572,240	2,165,483
Office rent	107,910	86,275
Professional fees	348,000	1,873,850
Audit fees	506,000	460,000
	6,702,530	9,762,775

14.9 Deferred tax liabilities

i) Taxable temporary differences		
Fixed assets including furniture and fixtures	(554,556)	3,715,385
Net taxable temporary differences	(554,556)	3,715,385
Tax rate	40.00%	42.50%
Deferred tax liability	(221,822)	1,579,039
ii) Deferred tax liability on land and building revaluation		
Revaluation reserve on building	-	5,296,999
Taxable temporary differences on building	5,464,716	-
Tax rate	40.00%	42.50%
Deferred tax liability	2,185,886	2,251,225
Revaluation reserve on land	129,240,000	129,240,000
Tax rate	-	2.00%
Deferred tax liability*	3,877,200	2,584,800
Total deferred tax liability on revaluation	6,063,086	4,836,025
Total deferred tax liability (i+ii)	5,841,264	6,415,064

*The amount of deferred tax liability for land of 3.5901 katha has been calculated by an amount of taka ten lakh and eighty thousand per katha basis as per section 53H of Income Tax Ordinance 1984.

As at 31 December	Note	2015	2014
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15. Share capital**Authorised**

400,000,000 ordinary shares of Taka 10 each

4,000,000,000 4,000,000,000

Issued, subscribed and fully paid up

126,250,473 (2014: 114,773,158) ordinary shares of Tk 10 each

1,262,504,730 1,147,731,580

Paid up capital as at 31 December 2015 is made up of 25,701,400 ordinary shares paid up in cash and 100,549,073 ordinary shares through issuance of bonus shares.

15.1 Paid up capital of the company is held as follows:**Foreign**

Aga Khan Fund for Economic Development (AKFED)

139,534,440 585,942,130

Others

- 600

139,534,440 585,942,730

Domestic

BRAC

315,626,180 -

Ayesha Abed Foundation

126,250,480 -

RSA Capital Limited

63,125,240 -

Government of the People's Republic of Bangladesh (GoB)

276,230,540 251,118,680

General shareholders

341,737,850 310,669,810

Others

- 360

1,122,970,290 561,788,850

1,262,504,730 1,147,731,580

15.2 Number of ordinary shares and percentage of holding are as follows:

	2015		2014	
	Number	% of holding	Number	% of holding
Foreign				
AKFED	13,953,444	11.05	58,594,213	51.05
Others	-	-	60	0.00
	13,953,444	11.05	58,594,273	51.05
Domestic				
BRAC	31,562,618	25.00	-	-
Ayesha Abed Foundation	12,625,048	10.00	-	-
RSA Capital Limited	6,312,524	5.00	-	-
GoB	27,623,054	21.88	25,111,868	21.88
General shareholders	34,173,785	27.07	31,066,981	27.07
Others	-	-	36	0.00
	112,297,029	88.95	56,178,885	48.95
	126,250,473	100.00	114,773,158	100.00

15.3 Composition of shareholding was as follows:

	No. of shares	
	2015	2014
Institutional shareholding (including GoB)	105,214,845	98,108,052
Individual shareholding	21,035,628	16,665,106
	126,250,473	114,773,158

As at 31 December	Note	2015	2014
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15.4 Classification of shareholders by holding as required by Regulation 37 of the Listing Regulation of the Dhaka Stock Exchange Ltd.

Number of shares	No. of shareholders	No. of shares	% of Holdings
1 to 500 shares	4,534	597,190	0.47%
501 to 5,000 shares	2,923	4,791,274	3.80%
5,001 to 10,000 shares	346	2,562,447	2.03%
10,001 to 20,000 shares	168	2,476,953	1.96%
20,001 to 30,000 shares	71	1,781,842	1.41%
30,001 to 40,000 shares	27	951,611	0.75%
40,001 to 50,000 shares	24	1,089,372	0.86%
50,001 to 1,00,000 shares	42	3,118,702	2.47%
1,00,001 to 1,000,000 shares	39	10,987,397	8.70%
over 1,000,000	7	97,893,685	77.54%
Total	8,181	126,250,473	100.00%

The shares are listed in both Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. since 3 December 2006 and traded at Tk. 26.70 and Tk. 26.80 at the close of 31 December 2015 at Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. respectively.

15.5 Capital adequacy ratio

In accordance with the Financial Institutions Rules 1994 and Bangladesh Bank's DFIM circular no. 05 dated 24 July 2011, every Non-Banking Financial Institution which is registered in Bangladesh has 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 2015, total capital of the Company was Tk. 2,474.61 million out of which paid up capital is Tk. 1,262.50 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 2015 the CAR of the Company is 49.15% against the required CAR of 10%. Details are as follows:

Tier -1 Capital (A)	2,347,525,119	2,164,721,349
Tier -2 Capital (B)	126,865,481	168,316,300
Eligible capital (C=A+B)	2,474,390,600	2,333,037,649
Total risk weighted assets	5,034,252,762	8,840,465,514
Minimum capital requirement	1,000,000,000	1,000,000,000
Capital surplus	1,474,390,600	1,333,037,649
Capital adequacy ratio	49.15%	26.39%
16. Share premium	167,014,000	167,014,000

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. in year 2015 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 regulation 4(d) and 6 of the Financial Institutions Regulations, 1994.

Balance as at 1 January	284,720,219	251,618,993
Add: Transferred from profit during the year	48,038,070	33,101,226
Balance as at 31 December	332,758,289	284,720,219

As at and for the year ended 31 December	Note	2015	2014
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18. Assets revaluation reserve

IPDC 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 has been revalued to present at fair value in accordance with BAS 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 since then significant changes took place in local real estate market, as a result with the consent of the Board of Directors of IPDC, Hoda Vasi Chowdhury & Co (HVC) 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 2014 after being adopted in the Board.

Opening balance	127,086,739	13,585,980
Revaluation during the year		
Land	-	93,233,926
Building	-	15,061,046
Adjustment of deferred tax liability for revaluation reserve on building	-	(845,371)
Deferred tax liability on land revaluation	-	6,051,158
Closing balance	127,086,739	127,086,739

19. Retained earnings

Balance as at 1 January	565,255,550	589,359,492
Net profit after tax	240,190,349	165,506,131
Transfer to statutory reserve	(48,038,070)	(33,101,226)
Dividend	(57,386,579)	(52,169,617)
Issuance of bonus shares	(114,773,150)	(104,339,230)
Balance as at 31 December	585,248,100	565,255,550

20. Letters of guarantee

Director	-	-
Government	-	-
Bank and financial institutions	11,612,000	5,590,000
Others	-	-
	11,612,000	5,590,000

21. Particulars of profit and loss account

<u>Income</u>			
Interest, discount and other similar income	22	804,863,230	929,287,424
Dividend income	24	14,245,455	30,597,960
Fees, commission and brokerage	25	7,577,541	5,636,658
Gains less losses arising from dealing securities	24	41,160,276	56,214,855
Gains less losses arising from investment securities		-	-
Gains less losses arising from dealing in foreign currencies		-	-
Income from non financial institutional assets		-	-
Other operating income	26	145,480,822	71,394,084
Profit less losses on interest rate changes		-	-
		1,013,327,324	1,093,130,981
<u>Expenses</u>			
Expenses related with deposits, fee, commission etc.	23	373,919,143	513,098,917
Losses on loans and advances		-	-
Administrative expenses	27	172,275,531	164,858,348
Other operating expenses		-	-
Depreciation on fixed assets	36.1	21,346,994	20,052,011
		567,541,668	698,009,276
Profit before provision		445,785,656	395,121,705

For the year ended 31 December	Note	2015	2014
22. Interest income			
<u>Interest income on loans, leases and advances</u>			
Interest on lease finance		184,284,759	288,891,947
Interest on long term finance		305,210,856	430,541,775
Interest on short term finance		121,854,706	29,916,123
Interest on channel finance		29,852,904	35,287,225
Interest on mortgage finance		12,286,660	11,789,616
Interest on secured finance		12,556,172	17,611,301
Interest on auto loan		48,059,427	38,651,437
Interest income on staff loan		1,395,366	1,875,759
		715,500,850	854,565,183
<u>Interest income on balance with other banks and financial institutions</u>			
Interest on fixed deposits		53,949,078	50,855,254
Interest on overnight and treasury placements		33,625,237	22,986,542
Interest on STD accounts		1,788,065	880,445
		89,362,380	74,722,241
		804,863,230	929,287,424
23. Interest paid on deposits and borrowings etc.			
Interest expenses on term deposits		350,954,333	499,831,480
Interest expenses on borrowings	23.1	22,964,810	13,267,437
		373,919,143	513,098,917
23.1 Interest expenses on borrowings			
<u>Local Banks and financial institutions</u>			
Interest expenses on long term loan		2,072,067	2,267,318
Interest expenses on call loan borrowing		20,732,721	10,810,782
Interest expenses on bank overdrafts		160,022	189,337
Interest expenses on Repo borrowings		-	-
		22,964,810	13,267,437
<u>Foreign Banks and financial institutions</u>			
Interest expenses on long term lines of credit		-	-
		22,964,810	13,267,437
24. Investment income			
<u>Dividend income</u>			
Dividend income on cumulative preference shares		14,009,857	29,922,836
Dividend income on listed shares		10,598	124
Dividend income on un-listed shares		225,000	675,000
		14,245,455	30,597,960
<u>Interest on treasury bills, bonds and debentures</u>			
Interest income on Govt. treasury bonds		24,356,083	38,114,855
Interest income on corporate bonds		16,804,180	18,100,000
		41,160,263	56,214,855
Capital gain on sale of listed shares		13	-
		41,160,276	56,214,855
		55,405,731	86,812,815
25. Commission, exchange and brokerage			
Fees income	25.1	7,577,541	5,636,658
		7,577,541	5,636,658
25.1 Fees income			
Appraisal, feasibility study fees and documentation fees		7,577,541	5,636,658
Restructuring/renewal fees		-	-
		7,577,541	5,636,658
26. Other operating income			
Transfer price/sale of leased assets		124,414	135,405
Other earnings		221,310	495,720
Loan loss recovery		144,185,099	69,482,960
Gain on sale/adjustment of fixed assets	26.1	949,999	1,279,999
		145,480,822	71,394,084

For the year ended 31 December	Note	2015	2014
26.1 Gain on sale/adjustment of fixed assets			
Some items of fixed assets which were impaired, sold or adjusted during the year as under:			
Sale proceeds		950,000	3,380,000
Cost price of the sold/adjusted items		1,804,132	4,604,000
Less: Accumulated depreciation		1,804,131	2,503,999
Written down value		1	2,100,001
Gain on sale of fixed assets		949,999	1,279,999
27. Administrative expenses			
Salary and allowances	28	90,183,739	82,353,556
Rent, taxes, insurance, electricity, etc.	29	13,986,678	13,235,518
Legal expenses	30	12,659,979	20,566,503
Postage, stamp, telecommunications, etc.	31	3,235,851	3,055,616
Stationery, printing, advertisements etc.	32	13,150,848	12,613,516
Managing Director's salary and allowances	33	11,195,905	7,879,996
Directors' fees	34	3,896,477	3,536,254
Auditors' fees	35	506,000	460,000
Repair and maintenance	36.2	6,465,858	6,165,987
Other expenses	37	16,994,196	14,991,402
		172,275,531	164,858,348
28. Salary and allowances		90,183,739	82,353,556
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 100 at the end of 2015 as against 105 in 2014.			
29. Rent, taxes, insurance, electricity, etc.			
Office rent		7,517,858	6,669,569
Rates and taxes		243,737	253,792
Insurance		1,748,058	2,249,450
Utilities - electricity, gas, water etc		4,477,025	4,062,707
		13,986,678	13,235,518
30. Legal expenses			
Professional fees		6,979,469	16,667,035
Legal document, court fees etc.		5,680,510	3,899,468
		12,659,979	20,566,503
31. Postage, stamp, telecommunications, etc.			
Postage, stamps etc.		259,440	286,504
Telephone		977,211	1,021,959
Internet expenses		1,999,200	1,747,153
		3,235,851	3,055,616
32. Stationery, printing, advertisements etc.			
Printing and stationery		1,676,757	1,552,867
Publicity and advertisement		11,474,091	11,060,649
		13,150,848	12,613,516
33. Managing Director's salary and allowances			
Basic salary		6,164,032	4,200,000
House rent allowance		717,097	360,000
Medical allowance		203,565	150,000
Festival bonus		1,030,000	700,000
Performance bonus		1,000,000	1,000,000
Leave fare assistance		949,808	699,996
Company's contribution to provident fund		616,403	420,000
Gratuity		515,000	350,000
		11,195,905	7,879,996

For the year ended 31 December	Note	2015	2014
34. Directors' fees			
Honorarium for attending meeting		539,000	425,500
Incidental expenses for attending meeting		3,357,477	3,110,754
		3,896,477	3,536,254
Directors' fees include fees for attending the meetings of the Board, Executive Committee and Audit Committee. Each director was remunerated @ Tk. 8,000 and Tk. 5,000 per meeting in accordance with Bangladesh Bank's DFIM circular number 13 and 03 dated 30 November 2015 and 24 February 2010 respectively. 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 statutory annual audit		506,000	460,000
		506,000	460,000
36. Depreciation and repair of assets			
Depreciation	36.1	21,346,994	20,052,011
Repair and maintenance	36.2	6,465,858	6,165,987
		27,812,852	26,217,998
36.1 Depreciation			
Building		1,394,832	3,925,081
Motor vehicles		5,586,463	5,490,587
Furniture and fixtures		1,953,434	1,548,664
Equipment and appliances		9,612,269	7,188,099
Accounting software		2,799,996	1,899,580
		21,346,994	20,052,011
Details are shown in annexure-A			
36.2 Repair and maintenance			
Office premises		242,469	252,064
Vehicles		4,779,841	4,818,776
Office equipments		1,443,548	1,095,147
		6,465,858	6,165,987
37. Other expenses			
Staff training		1,702,396	1,804,068
Membership fees, subscription and donations		2,843,246	1,604,855
News papers, periodicals, learning materials etc.		178,576	144,343
Recruitment expenses		63,025	55,036
Traveling, conveyance and hotel expenses		1,793,231	2,327,528
Entertainment and public relation		1,640,834	1,291,766
Annual General Meeting expenses		3,728,210	3,583,123
Security and cleaning services		3,113,752	2,589,438
Sundry office maintenance		1,611,116	1,338,075
Other operational expenses		319,810	253,170
		16,994,196	14,991,402
38. Provision for loans and advances			
Provision for classified loans and advances		147,713,411	29,433,112
Provision for unclassified loans and advances		16,754,644	7,533,622
		164,468,055	36,966,734
Break up of provision for loans, advances and investment			
Provision for loans and advances		164,468,055	36,966,734
Add: Provision made/(release) for investment in share		(5,361,125)	-
Add: Provision made/(release) of marking to market on Govt. securities		(57,521,430)	13,348,821
		101,585,500	50,315,555

For the year ended 31 December	Note	2015	2014
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39. Deferred tax expense/(income)

Income on deductible temporary differences	(1,238,834)	(595,703)
(Income)/ expenses on taxable temporary differences	(573,800)	(2,987,236)
	(1,812,634)	(3,582,939)

40. Earnings per share (EPS)

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 2015 as per Bangladesh Accounting Standard (BAS) 33: *Earnings per share (EPS)*.

Net profit after tax	240,190,349	165,506,131
Weighted average number of outstanding shares	126,250,473	126,250,473
Basic earning per share	1.90	1.31

Diluted Earnings Per Share (DEPS)

No DEPS is required to be calculated since there was no scope for dilution of share during the year under review.

41. Board meetings

During the year 2015 a total of 7 (seven) Board Meetings were held (2014: 4).

42. Events after the balance sheet date

The Board of Directors of the Company in its 148th meeting held on 15 February 2016 recommended 20% (twenty percent) stock dividend.

43. 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)	Ms. Afroza Khan	Director	Member	Master of Soil, Water and Environment, University of Dhaka; Master of Public Health, University of North Carolina, USA
iv)	Mr. Asif Saleh	Director	Member	Bachelor in Computer Science, North Carolina State University; MBA in Marketing and Management, New York University-Leonard N. Stern School of Business.

One of the member of Audit Committee Mr. Selim R. F. Hussain resigned on 24 December 2015.

The company secretary acts as secretary to Audit Committee.

The Audit Committee of the Board conducted 5 (five) meetings from 1 January 2015 to 31 December 2015 in which among others, the following salient issues were discussed:

- a) The Committee reviewed of the periodical inspection reports on 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 2015;
- c) The Committee reviewed the draft financial statements for the year 2014 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 2015 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 2014;
- i) The Committee recommended regarding re-appointment of external auditors of the Company considering suitability & global acceptability;
- 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.

44. 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 Bangladesh Accounting Standard 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.

Detail of related party/(ies) transactions are as follows:

Figures in Taka

Related party	Relationship	Nature of transaction	Outstanding balance	
			2015	2014
Aga Khan Education Bangladesh Services, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	291,712,985	312,801,568
Aga Khan Foundation, Bangladesh	This is a part of Aga Khan Development Network - AKDN	Term Deposit Receipt	383,411,637	288,495,700
Industrial Promotion Services (Bangladesh) Ltd.	This is a part of Aga Khan Fund for Economic Development - AKFED	Term Deposit Receipt	22,594,126	20,749,714
Guardian Life Insurance Limited	Mr. Shameran Abed and Mr. Sameer Ahmad are also Director of Guardian Life Insurance Limited	Term Deposit Receipt	28,000,000	-
Habib Bank Ltd	Majority share held by AKFED	Letter of Guarantee	-	5,590,000
Mr. Momtazul Islam	Managing Director & CEO of IPDC	Term Deposit Receipt	1,885,775	1,619,597
		Home loan	9,042,885	9,743,703
		Employee Loan	427,177	454,992
		Secured Retail Loan	1,031,606	478,246

45. Directors information

45.1 Name of the Directors and the entities in which they have interest as at 31 December 2015

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	Executive Director
ii)	Ms. Afroza Khan	Director	GoB	Training Institutes for Chemical Industries (TICI).	Director
iii)	Mr. Mamataz-Ala-Shakoor Ahmed	Director	GoB	Bangladesh Krishi Bank	Director
				Jamuna Oil Company Ltd.	Director
				Padma Oil Company Ltd.	Director
				Teletalk Bangladesh Ltd.	Director
iv)	Mr. Asif Saleh	Director	BRAC	bKash Limited	Director
				BRAC IT Services Ltd. (biTS)	Director
v)	Mr. Amin H. Manekia	Director	AKFED	IVP Ltd. India.	Director
				DCB Bank Ltd., India	Director
vi)	Mr. Shameran Abed	Director	Ayesha Abed Foundation	bKash Limited	Director
				BRAC IT Services Ltd. (biTS)	Director
				Guardian Life Insurance Limited	Director
vii)	Mr. Sameer Ahmad	Director	RSA Capital Ltd.	Equinox Ltd.	Director
				RSA Capital Ltd.	Director
				RSA Advisory Ltd.	Director
				Guardian Life Insurance Limited	Director
viii)	Mr. Salahdin Irshad Imam	Independent Director	N/A	Panigram Resort Ltd.	Chairman
				Radius Enterprises	Proprietor
				Tiger Tours Ltd.	Member
				Tropical Conservation	Chairman
				Arannayk Foundation	Chairman
				Brotee (NGO)	Member
ix)	Ms. Nasreen Sattar	Independent Director	N/A	Consumark Limited	Chairman
x)	Mr. Mominul Islam	Managing Director & CEO	Ex-officio	None	N/A

45.2 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. None

45.3 Shares issued to Directors and Executives without consideration or exercisable at discount None

45.4 Nature, type and elements of transactions with the related party Note No. 44

45.5 Lending policies in respect of related party:

- | | |
|---|-------------|
| a) Amount of transactions regarding loans & advances, deposits, guarantees and commitment | Note No. 44 |
| b) Amount of provision against loans and advances given to related party | None |
| c) Amount of guarantees and commitments arising out of the statement of affairs | None |

45.6 Investments in securities of the Directors and their related concerns None

Industrial Promotion and Development Company of Bangladesh Limited

Fixed assets including land, building, furniture and fixtures

Figures in Taka

Category of asset	Cost			Depreciation/amortisation			Carrying amount as at 31 December 2015
	Balance as at 1 January 2015	Revaluation reserve	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 December 2015	
Land	129,240,000	-	-	-	-	-	129,240,000
Building	20,922,500	-	-	-	-	-	19,527,668
Motor vehicles	32,690,044	-	5,413,125	9,304,132	-	1,394,832	14,753,838
Furniture and fixtures	33,964,876	-	213,998	24,000	-	14,471,506	14,045,199
Equipment and appliances	63,138,083	-	2,656,620	-	-	24,222,977	7,978,463
Accounting software	16,398,750	-	-	-	-	29,496,790	26,685,644
Balance as at 31 December 2015	296,354,253	-	8,283,743	9,328,132	-	72,223,352	207,043,649

Category of asset	Cost			Depreciation/amortisation			Carrying amount as at 31 December 2014
	Balance as at 1 January 2014	Revaluation reserve	Addition during the year	Adjustment during the year	Disposal during the year	Balance as at 31 December 2014	
Land	65,088,380	93,233,926	-	29,082,306	-	-	129,240,000
Building	10,595,783	15,061,046	-	4,734,329	-	-	20,922,500
Motor vehicles	31,374,745	-	5,919,299	4,604,000	-	33,816,635	18,218,538
Furniture and fixtures	29,550,148	-	4,488,863	74,135	-	2,503,999	9,741,899
Equipment and appliances	37,591,445	-	26,779,338	1,232,700	-	66,883	33,641,293
Accounting software	2,398,750	-	14,000,000	-	-	1,239,958	12,366,671
Capital work in progress - Hardware	5,337,695	-	-	5,337,695	-	-	-
Capital work in progress - Software	15,689,165	-	-	15,689,165	-	-	-
Balance as at 31 December 2014	197,626,111	108,294,972	51,187,500	60,754,330	-	72,223,352	224,130,901

Annexure - B**Industrial Promotion and Development Company of Bangladesh Limited**

Highlights on the overall activities of the Company for the years 2015 and 2014

Serial no.	Particulars	2015	2014
1	Paid up capital (Taka)	1,262,504,730	1,147,731,580
2	Total capital (Taka)	2,474,611,858	2,291,808,088
3	Capital surplus (Taka)	1,474,390,600	1,333,037,649
4	Total assets (Taka)	8,202,016,626	7,743,863,131
5	Total deposits (Taka)	4,544,692,563	3,997,390,887
6	Total loans and advances (Taka)	6,415,776,969	5,676,790,793
7	Total contingent liabilities and commitments (Taka)	11,612,000	5,590,000
8	Credit deposit ratio	1.41:1	1.42:1
9	Percentage of classified loans against total loans, advances	1.98%	3.39%
10	Net profit after tax and provision (Taka)	240,190,349	165,506,131
11	Amount of classified loans and advances at the end of the year (Taka)	126,982,039	192,338,111
12	Provisions kept against classified loan (Taka)	75,733,987	44,307,020
13	Provisions surplus against classified loan (Taka)	63,747,534	68,294,500
14	Cost of fund	9.16%	11.87%
15	Interest earning assets (Taka)	7,665,859,708	7,128,639,714
16	Non-interest earning assets (Taka)	536,156,918	615,223,417
17	Return on investment (RoI)	10.08%	7.60%
18	Return on asset (RoA)	3.01%	2.14%
19	Income from investment (Taka)	55,405,731	86,812,815
20	Earning per share (Taka)	1.90	1.31
21	Net income per share (Taka)	1.90	1.31
22	Price earning ratio (Times)	14.03	13.88

Disclosure on Capital Adequacy and Market Discipline (CAMD)

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.

A) Scope of Application

Qualitative Disclosures

The name of the top corporate entity in the group to which this guidelines apply: IPDC of Bangladesh Ltd.

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 of funds or regulatory capital within the group.

Not Applicable

Quantitative Disclosures

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

Not Applicable

B) Capital Structure

Qualitative Disclosures

Summary information on the terms and conditions of the main features of all capital instruments, 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
Non repayable share premium account	Revaluation reserves -
Statutory Reserve	- 50% of revaluation reserve of fixed assets
Retained Earnings	- 45% of revaluation reserve on securities
	All other preference shares

Quantitative Disclosures

The amount of Tier I capital, with separate disclosure of:

Particulars	Taka in million
Paid-up capital	1,262.50
Non repayable share premium account	167.01
Statutory Reserve	332.76
General Reserve	-
Retained Earnings	585.25
Total Tier - I capital	2,347.53
Total amount of Tier - II Capital	126.87
Other deductions from capital	-
Total eligible capital	2,474.39

C) 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.

Quantitative Disclosures

Particulars	Taka in million
Capital requirement for Credit Risk	4,176.78
Capital requirement for Market Risk	8.61
Capital requirement for Operational Risk	848.87
<i>Total and Tier I capital ratio - For stand alone</i>	
CAR on Total Capital basis (%)	49.15
CAR on Tier - I Capital basis (%)	46.63

D) Credit Risk

Quantitative 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 on the basis of Bangladesh Bank guidelines issued from time to time.

Particulars	Rate
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 mitigates 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 sub-committee 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

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

Particulars	Taka in million
Lease finance	1,177.04
Term loans and advances	4,413.78
Mortgage finance	135.03
Channel finance	190.87
Retail loan	499.05
Total	6,415.78

Geographical distribution of exposures broken down by major types of credit exposure.

Particulars	Taka in million
Dhaka Division	5,683.94
Chittagong Division	704.22
Khulna Division	-
Rangpur Division	-
Rajshahi Division	10.19
Sylhet Division	17.43
Mymensingh Division	-
Total	6,415.78

Industry or counterparty type distribution of exposures, broken down by major type of credit exposure.

Particulars	Taka in million
Agro-based industries	833.96
Banks and non-banking financial institutions	210.17
Chemicals, pharmaceuticals and allied products	160.58
Engineering and building materials	1,063.79
Food and allied products	237.49
Glass, ceramic and other non-metallic products	1.79
Hotel, tourism and leisure	52.69
Information and communication technologies	23.87
Paper converting and packaging, printing and publishing	307.70
Ready made garments and knitwear	354.77
Social sector	291.94
Tannery, leather and rubber products	342.38
Textile	634.74
Transport and aviation	191.65
Others	1,708.28
Total	6,415.78

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

Particulars	Taka in million
On demand	-
Upto one month	380.72
More than one month but less than three months	754.92
More than three months but less one year	1,534.94
More than one year but less than five years	3,064.33
More than five years	680.87
Total	6,415.78

By major industry or counterparty type:

- Amount of impaired loans and if available, past due loans, provided separately

Particulars	Taka in million
Gross non-performing assets (NPAs)	126.98
NPAs to gross loans and advances (in %)	1.98%

- Specific and general provisions

Particulars	Taka in million
Provision for unclassified loans and advances	124.59
Provision for classified loans and advances	74.51
Provision for off-balance sheet exposures	-
Total	199.10

- Charges for specific allowances and charge-offs during the period
- None

Gross Non Performing Assets (NPAs)

Non Performing Assets (NPAs) to Outstanding Loans & Advances

Movement of Non Performing Assets (NPAs)

Particulars	Taka in million
Opening balance	192.34
Additions	16.75
Reductions	82.11
Closing balance	126.98

Movement of specific provisions for NPAs

Particulars	Taka in million
Opening balance	44.31
Provisions made during the period	147.71
Write-off	116.29
Write-back of excess provisions	-
Closing balance	75.73

E) Equities: Banking book position

Qualitative Disclosures

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

- 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.

- 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 share price is materially different from fair value.

Particulars	Taka in million
Quoted shares	7.00
Unquoted shares	4.50

The cumulative realized gains (losses) arising from sales and liquidations in the reporting period is nil

Particulars	Taka in million
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 Tk. 4.50 million against which capital requirement @ 10% is Tk. 0.45 million
- General Market Risk: Market value of the investment in equity is Tk. 4.50 million against which capital requirement @ 10% is Tk. 0.45 million

F) Interest rate in the banking book

Qualitative Disclosures

The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior 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 cash flows on the assets and liabilities giving rise to a risk to the net worth 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).

Particulars	Taka in million				
	Within 1 month	1 - 2 months	2 - 3 months	3 - 6 months	6 months- 1 Yr
Total Rate Sensitive Liabilities	219.23	630.31	654.10	1,093.45	526.55
Total Rate Sensitive Assets	495.29	743.80	776.93	1,279.24	438.14
Mismatch	276.06	113.48	122.83	185.80	(88.41)
Cumulative Mismatch	276.06	389.54	512.37	698.17	609.76
Mismatch (in %)	125.92%	18.00%	18.78%	16.99%	-16.79%

Interest Rate Risk - Increase in Interest Rate

Particulars	Minor 2%	Moderate 4%	Major 6%
Change in the Value of Bond Portfolio	-	-	-
Net Interest Income	12.20	24.40	36.60
Revised Regulatory Capital	2,486.60	2,498.80	2,511.00
Risk Weighted Assets	5,031.60	5,031.60	5,031.60
Revised CAP (in %)	49.42%	49.66%	49.91%

G) Market Risk

Qualitative Disclosures

Views of Board of Directors on trading/investment activities:

Market risk is the possibility of losses of assets in balance sheet 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

Particulars	Taka in million
Interest rate risk	-
Equity position risk	0.86
Foreign Exchange Position and Commodity risk (if any)	-

H) 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. We want to be the preferred employer in the industry within the year 2013. 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

Particulars	Taka in million
Capital requirements for operational risk	848.87

Disclosure on Green Banking

Global warming is a vital issue that requires for immediate quick response from global participants to face the rapid changes in the world climate and eco-systems. Since the change have direct impact on biodiversity, agriculture, forestry, dry-land, water resources, human health etc., now it has been considered as the most burning issue in the world. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc., society demands that business houses will also take this responsibility in safeguarding the planet. As part of that, green finance & greenbanking can make great contribution towards a transition to resource-efficient and low carbon industries i.e. green industry and green economy. That's why green banking is now a part of the global initiatives to save world environment.

As like other countries of the world, the environment in Bangladesh is deteriorating day by day, which covers air pollution, water pollution and scarcity, encroachment of rivers, improper disposal of industrial, medical and household waste, deforestation and loss of open space, loss of biodiversity etc. Besides, Bangladesh is one of the most climate change vulnerable countries in the world and thus climate change is the most significant issue for us. Bank and Financial Institutions can provide important leadership for the required economic transformation that will provide new opportunities for financing and investment policies as well as portfolio management for the creation of a strong and successful low carbon economy. The green banking activities cover multi-dimensional areas which include both in-house environment management as well as undertaking green financing to support green economy.

Considering all those factors, Bangladesh Bank as prime regulator of financial sector, introduced guidelines for green banking in year 2013. IPDC is one of the pioneer financial institutions in the country in implementing Bangladesh Bank's (BB) Green Banking Guidelines in phases. Actions taken by the Company are given below:

- 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 Corporate Investment.
- IPDC has circulated the 'Green Banking Policy' for all the employee of IPDC. The purpose of this policy is to create awareness for more efficient management of resources and encourage IPDC employees to embrace "green" values by promoting a more environmentally friendly corporate culture, identifying steps for positive environmental action, developing sustainable procurement practices and conservation policies, and facilitating shifts towards a green mindset.
- A Green Office Guide has been developed for more efficient management of resources and promoting an environmentally friendly corporate culture by the Company.
- Beside the Green Banking Policy, the Company uses e-communication system for internal communication, information sharing and employee education. We use IT equipment for conducting Board, Executive Committee and Audit Committee meeting instead of using hard papers. IT facilitates notifications, leave management facility and e-attendance for the employees. Most of the communications within the Company has become absolutely online. To further reduce the proportion of paper consumption steps have taken on efficient and economic use of paper, such as both-side printing and reusing paper as much as possible. All of these are significantly saving the usage of paper and thus enabling IPDC to become a more environment friendly organization.
- IPDC is utilizing modern facilities with a view to establishing green concept in usual business communications. As part of this, it has created SMS service for providing information to the clients. IPDC encourages its clients to communicate and to send documents through e-mail with a view to avoiding printing and paper use.
- IPDC has included Environmental 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 Risk Management (ERM) Policy of IPDC has been prepared and included in 'Credit Manual' version: 5 dated 19 July 2014, contents of which are to be followed and abided by all concerned and reviewed under Environmental Due Diligence (EDD) checklists.
- Allocation of Fund in the Budget for Green Banking for the amount of BDT 30.00 million (for Green Finance BDT 20.00 million & Climate Risk Fund BDT 10.00 million).
- There were some sessions on Green Banking activities arranged by IPDC to create awareness among the employees.

- The Company instructed to its branches to initiate workshop, seminar and customer get together to make aware them regarding their participation towards protection of the environment from different pollution and hazards.
- The Company participated in the training program titled “Green Banking & Environmental Risk Management” conducted by Bangladesh Bank Training Academy in year 2015.
- The Company participated in the tree plantation program during the year and regularly posts awareness building messages on official social media page.
- IPDC has been regularly reporting its green Banking activities to the Bangladesh Bank on quarterly basis since year 2013 etc.

It is our responsibility to keep the world liveable and suitable for the next generation. Keeping in mind all those motives, we have to participate under common consensus to keep the temperature of the world at tolerable level.

Since IPDC is a corporate participant working in the society, we have that responsibility to work for the greater benefits of all stakeholders. As a results we are committed to ensure proactive and prudent participation regarding the management of environmental degradation arising from our business activities. We are also dedicated to comply with those environmental regulations for maintaining ecological as well as social balance and retaining the globe safe habitable for all living beings and their forthcoming generation.



Beside your Dream ... always

Industrial Promotion and Development Company of Bangladesh Limited

Proxy Form

I.....of.....
.....being member of IPDC of
Bangladesh Limited, hereby appoint Mr/ Ms..... of

as my proxy to attend and vote for me and on my behalf at the 34th Annual General Meeting of the Company to be held on
Wednesday, March 30, 2016 at 9:00 a.m. in Trust Milonayaton, 545, Old Air Port Road, Jahangir Gate, Dhaka Cantonment,
Dhaka-1206 or at any adjustment thereof.

Signed this.....
Day of.....2016

Signature of Proxy.....

Signature of Shareholder

Revenue
Stamp
Tk. 20.00

BO ID:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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.



Beside your Dream ... always

Industrial Promotion and Development Company of Bangladesh Limited

Attendance Slip

I hereby record my attendance at the 34th Annual General Meeting of the Company being held on Wednesday, March 30, 2016
at 9:00 a.m. in Trust Milonayaton, 545, Old Air Port Road, Jahangir Gate, Dhaka Cantonment, Dhaka-1206.

Name of Member/Proxy.....

BO ID:

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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.

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sme finance



women entrepreneur
finance

Industrial Promotion and Development Company of Bangladesh Limited

• Gulshan • Motijheel • Dhanmondi • Uttara • Chittagong • Sylhet

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