

DIRECTORS' REPORT

Dear Shareholders,

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

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

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

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

Key Performance Highlights

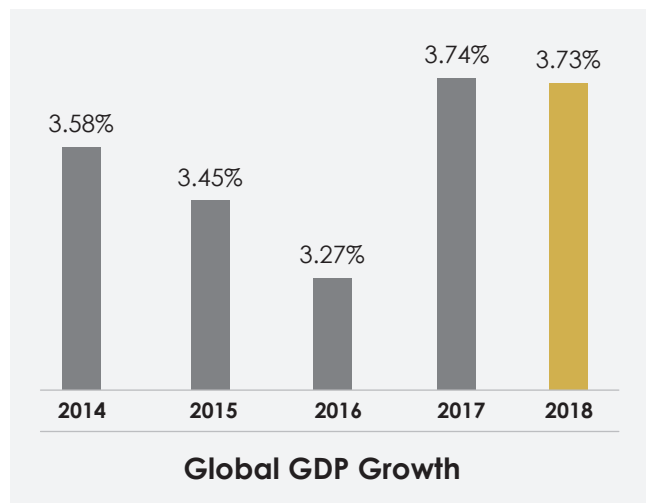
The Company reported a strong performance in 2018 with total Balance Sheet growing by 28.6% from BDT 39,289 million in 2017 to BDT 50,511 million in 2018, Loans and Advances increasing by 28.6%, Deposits rising by 24.6%. On profitability front, Revenue increased by 50.5%, Operating Profit by 66.9% and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

BDT mn, %



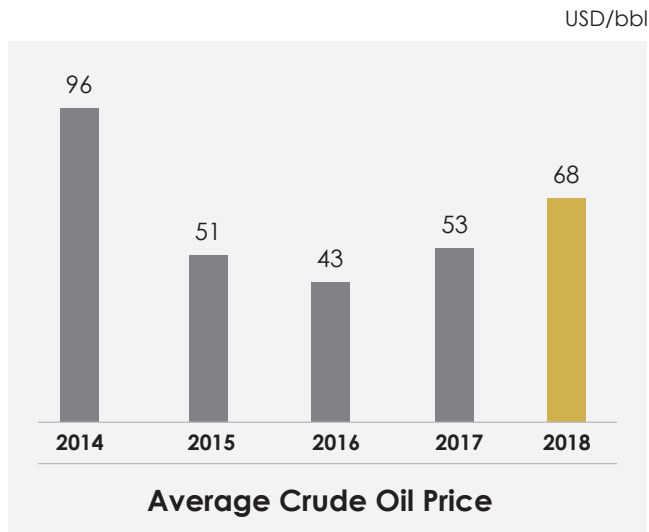
Global Economic Review

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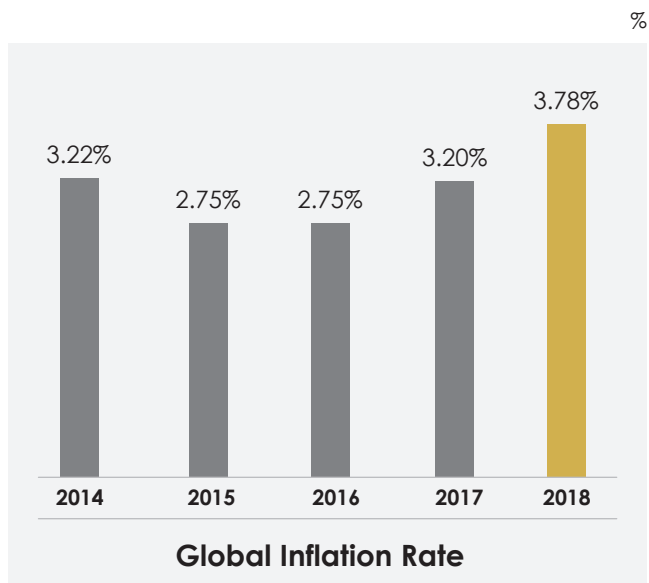


The global economy continued to make strong recovery with GDP growing by 3.73% in 2018 compared to 3.74% in 2017. The growth, as per IMF's recent forecast, is expected to decline during 2019-20 due to the impact of geopolitical tensions, Brexit development, tighter financial condition and increasing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

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



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



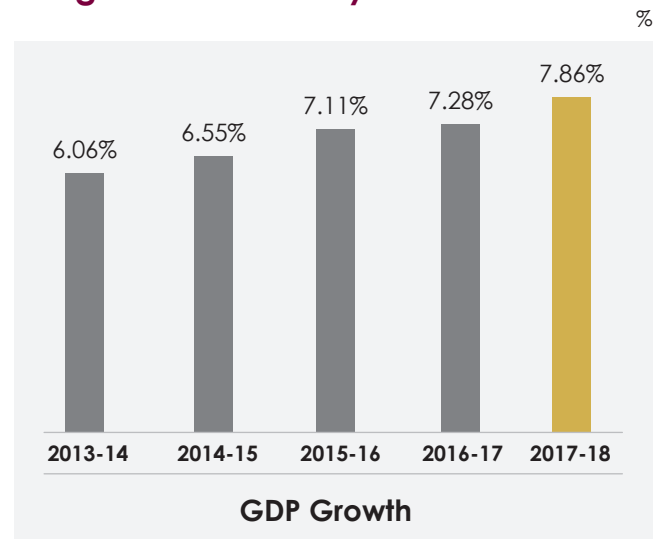
While the world economy continues its recovery journey, the prospect of 2019 and beyond is again under serious pressure with the development of some geopolitical events which may dampen cross-border investment and world's trade volume, put inflationary pressure, spur instability in financial markets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

Regional Economy Review

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

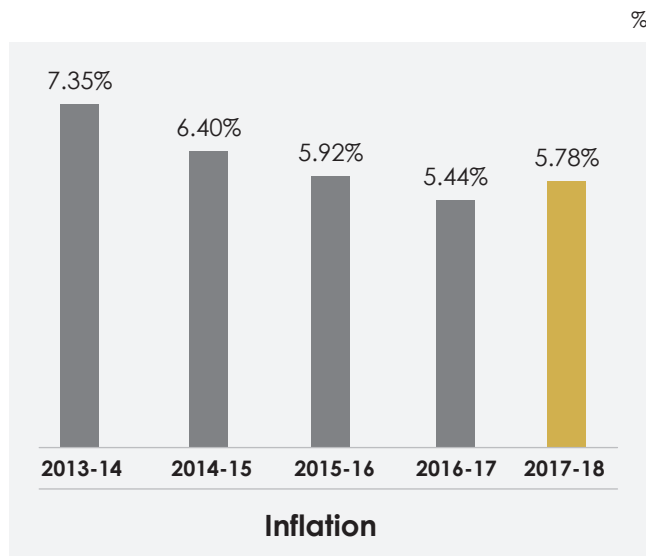
Private consumption remains strong in the South Asian region supported by stability in the labor market, growing purchasing power and emergence of middle-class population. The momentum is expected to continue in the coming years. However, there are many challenges facing the region which includes inadequate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

Bangladesh Economy Review

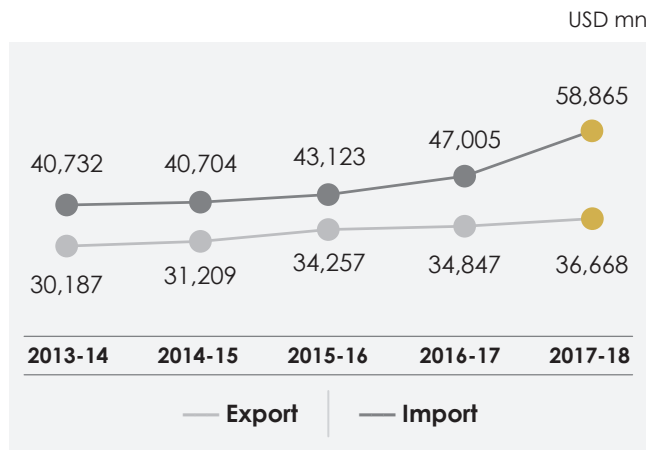


The resilience of Bangladesh economy against any external shocks and volatility has been proven over the years with GDP growth rate staying consistently above 6.0% over the last consecutive seven years. The economy continued to remain buoyant and outperform many of its neighboring countries by logging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

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

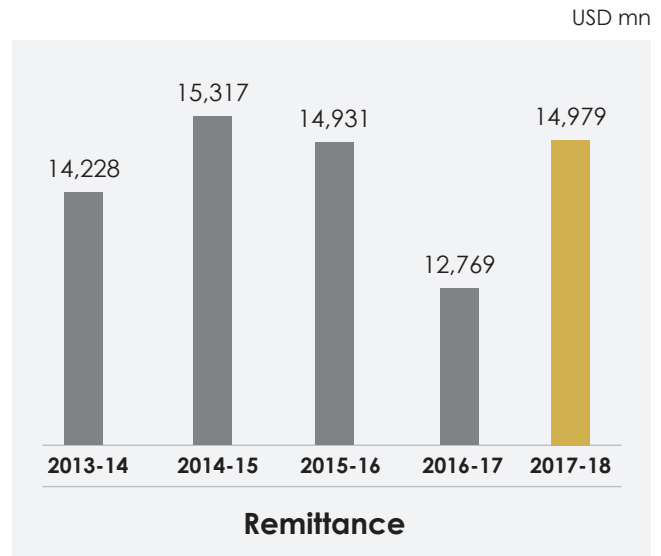


Although inflation has been showing a downward trend till FY2016-17, inflation in FY2017-18 increased to 5.78% from 5.44% in FY2016-17 mainly due to increase in food inflation. However, rates still remains within tolerable limit.

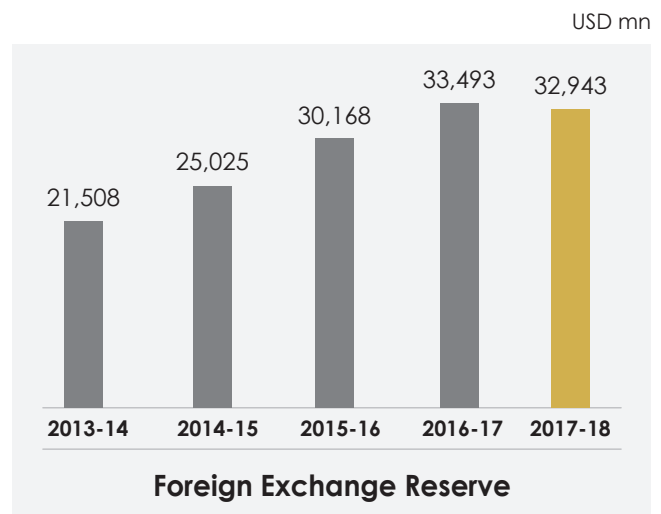


Exports saw a modest growth of 5.3% and stands at USD 36,668 million in FY2017-18. Despite exports not meeting the target for FY2017-18, the growth in the RMG sector exceeded the sectoral target of 7.1% and grew by 8.8% in FY2017-18, representing 83.4% of the total export pie. However, Non-RMG export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

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



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



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

Capital Market Review



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



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

Non-banking Financial Sector Review

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

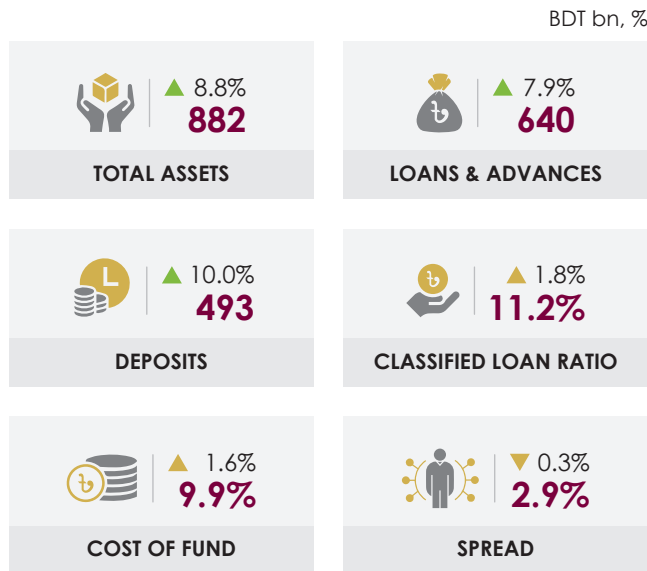
Industry Loans and advances constituted 72.6% of total assets, where deposits formed 55.9% of the total liabilities as of September 2018. Total classified loan stood at BDT 75 billion leading to a classified loan ratio climbing up to 11.2% as of September 2018. The classified loan ratio during September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

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

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

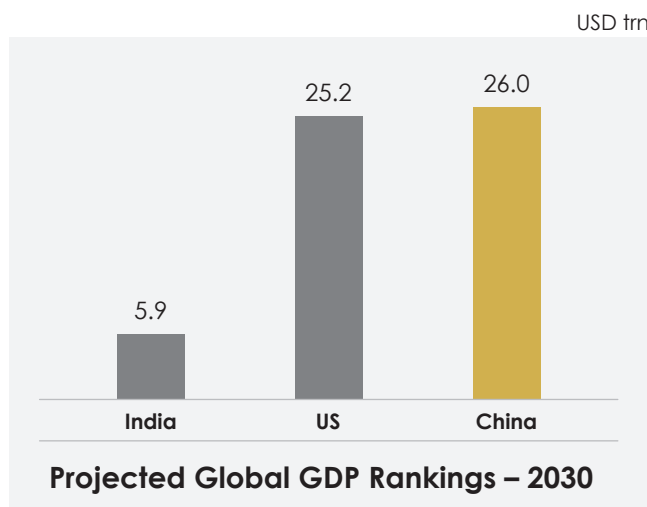
On funding site, deposit mobilization could be a major challenge with more industry players coming into the market and Government increasing its borrowing through banking system as well as national savings certificates. Unless Banks and NBFIs manage spread and find ways to arrest the classified loan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

Key Industry Numbers



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

Economy and Industry Outlook

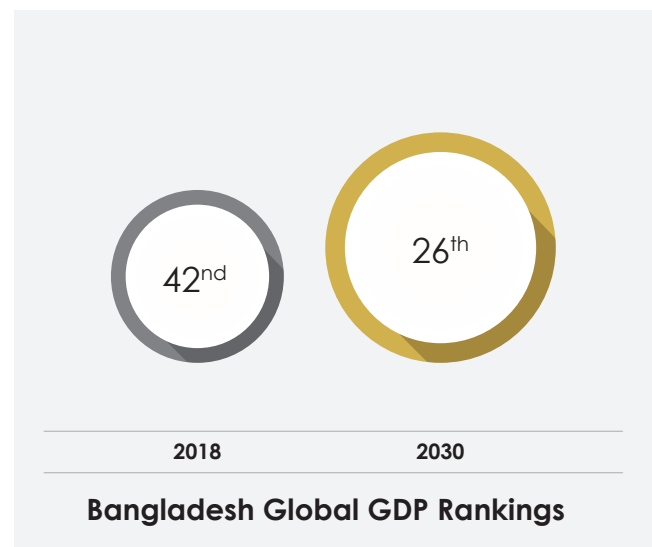


Global GDP growth rate of around 3.0% per annum is likely to sustain till 2030. It is estimated that the global GDP would increase by 40% in 2030 from the base year 2017 with 70% of the growth coming from current emerging countries, according to HSBC. China is expected to continue to be largest contributor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

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

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

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



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

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

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

Strategy

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

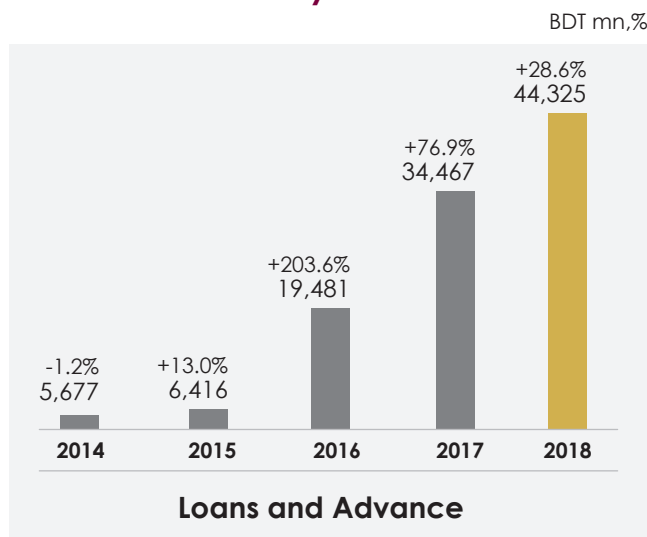
Macroeconomic and Industry Trends	Our Strategic Response
Emergence of Middle and Affluent Consumers (MAC) and improving life-style	Bringing technology-led innovative solutions to facilitate consumer white goods financing business
Increasing literacy rate and participation of women in the economy	Developing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

Key Investors' Ratio

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

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

Loan Portfolio Analysis



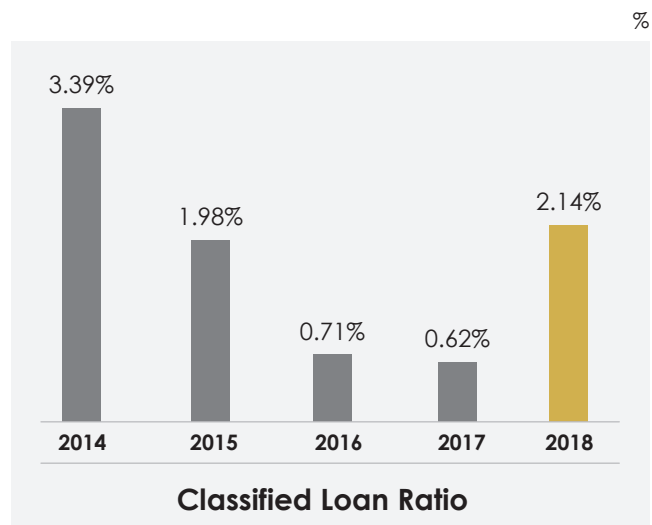
During the year 2018, the Company continued to build on its strengths to gain more market share to position itself as one of the leading financial institution of Bangladesh in the future. Loans and advances grew by 28.6% in 2018 which is a modest figure compared to previous years, but still twice the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



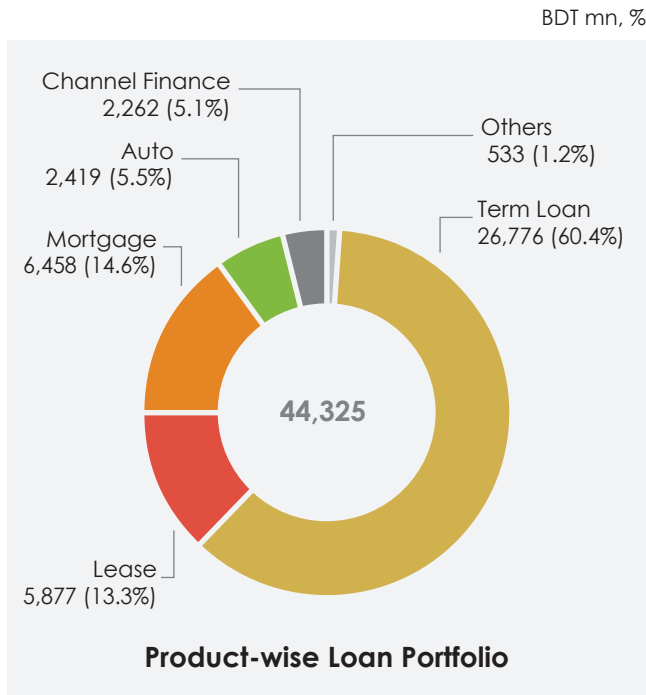
* Market value per share as of closing day of December 2017, has been adjusted for stock dividend

Classified Loan Ratio Analysis

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

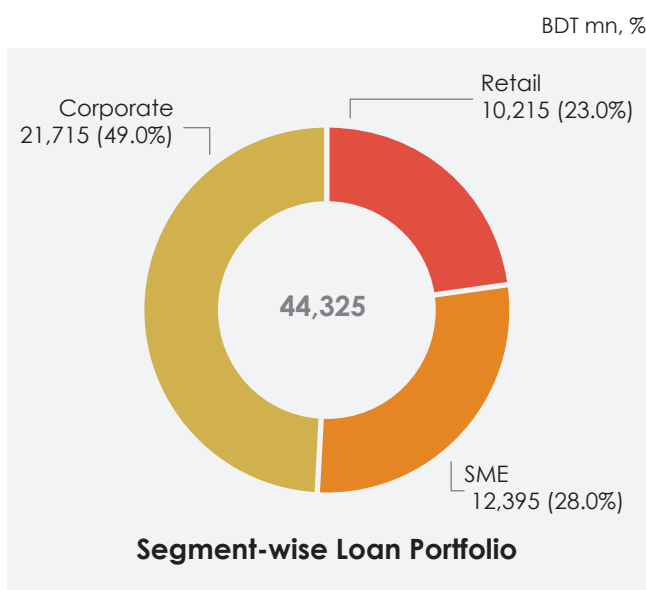


Product-wise Loan Portfolio Analysis



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

Segment-wise Loan Portfolio Analysis



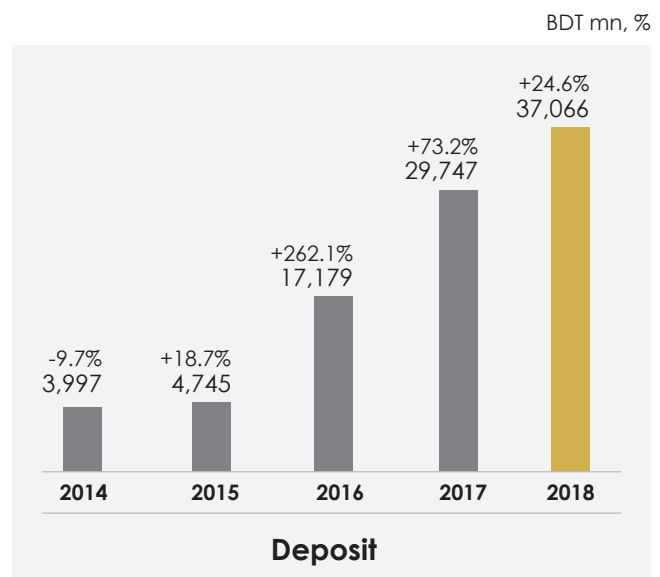
IPDC operates through three major segments: Corporate, Retail and SME.

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

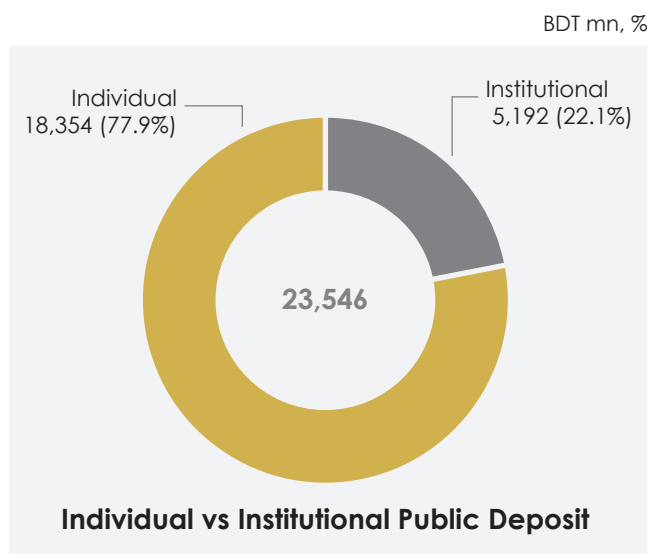
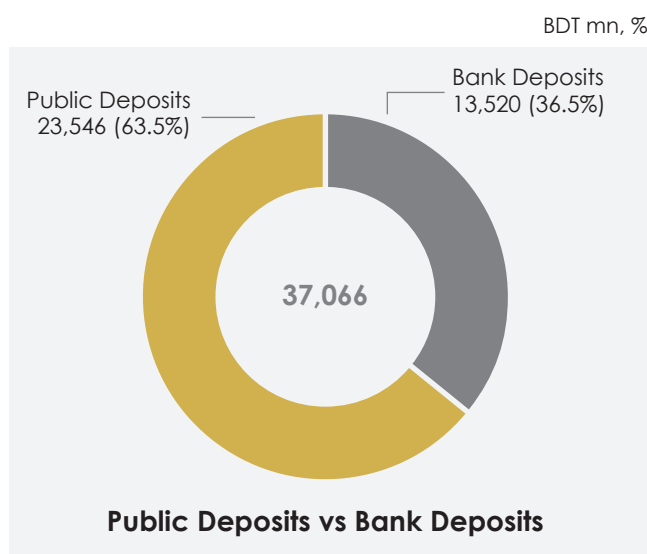
SME portfolio ended with BDT 12,395 million with 28.0% share of the total pie, registering a YoY growth of 47.4%. Being one of the growth drivers of the economy, this segment remains one of the key priority areas for IPDC to drive future growth.

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

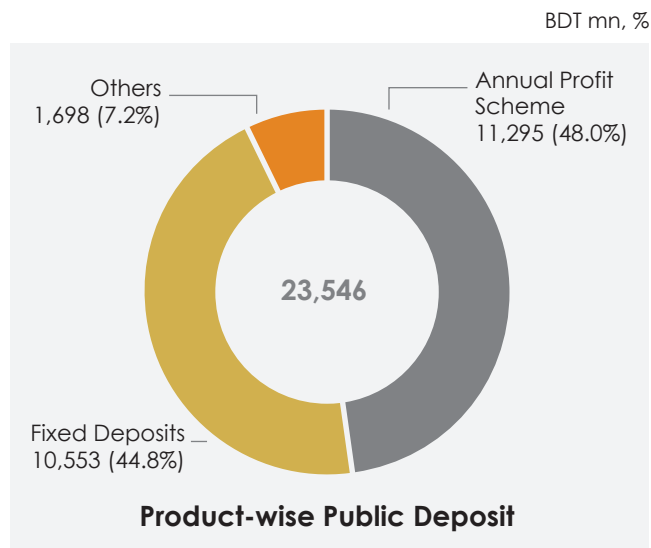
In addition to the product-wise portfolio diversification, the credit portfolio of IPDC is also well spread across different sectors. Product-wise further detail can be found in Business Review and Risk Management section of the Annual Report.



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

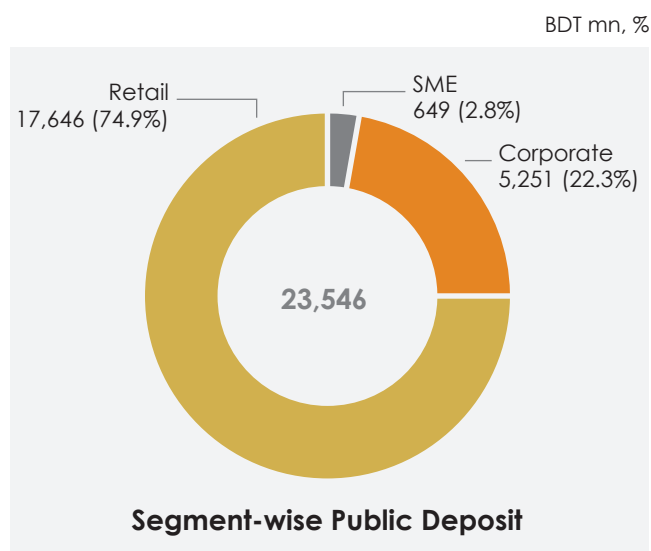


Product-wise Public Deposit Analysis



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

Segment-wise Public Deposit Analysis



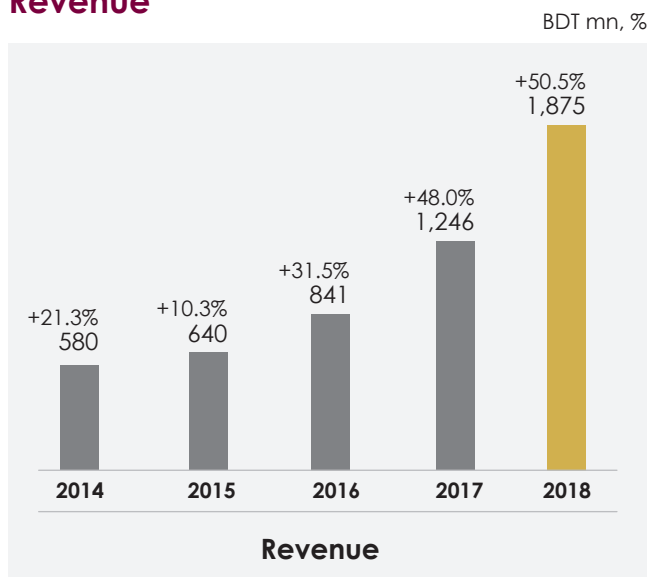
Deposits from Corporate and SME division combinedly took up 25.1% of the total deposits. Average deposit ticket size of Business Finance Division (Corporate and SME) was BDT 7.0 million in 2018. The company's focus will be more on Retail deposits in the future to reduce concentration risks of high-ticket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

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

Treasury Operations

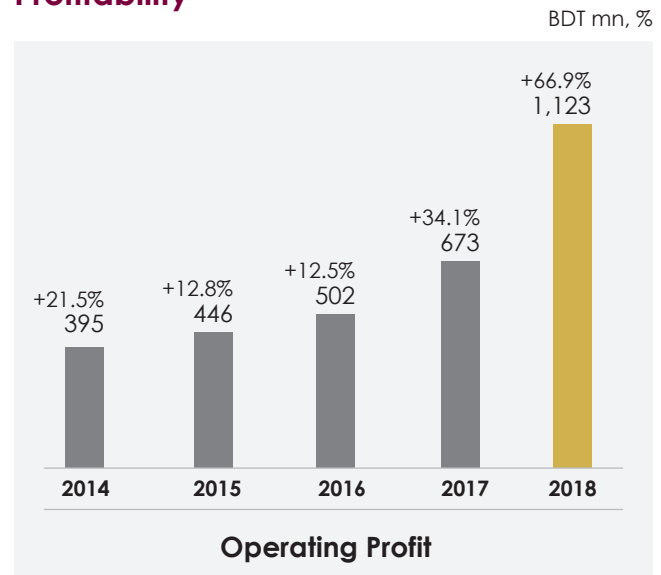
Our treasury operations play a key role in managing fund and liquidity. In tight liquidity condition that persisted during the first half of the year 2018, our Treasury supported the growth momentum while keeping cost of funds at a tolerable level yet fortifying the company on liquidity front. The growth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

Revenue

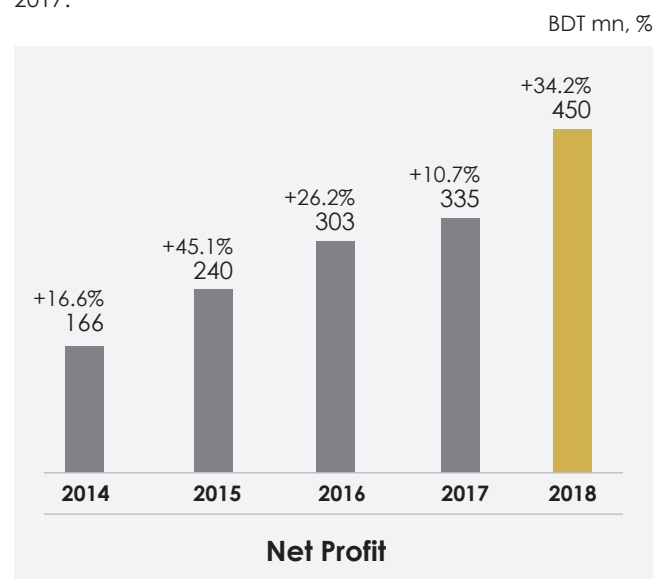


Despite high competition in deposit market, which spiraled the Cost of Fund, IPDC was able to defy the market trends of declining margin by maintaining better-than-market spread, leading to a strong increase in net interest income. Higher disbursements in 2018 resulting in an 8.6% increase in fees income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

Profitability



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



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

Quarterly Operating Results

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

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

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

Financial Results

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

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

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

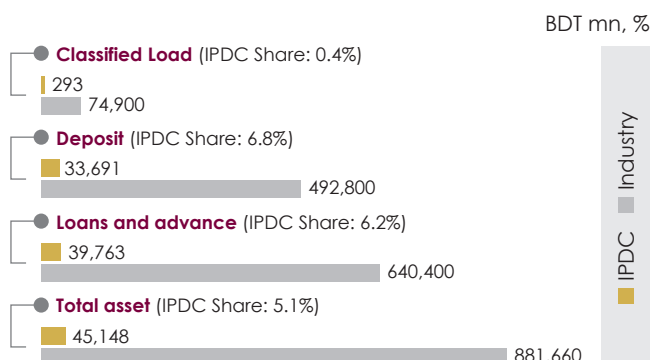
Operational expense increased to BDT 752 million from BDT 573 in the previous year, an increase by 31.2%. The increase in operational expense is mainly due to increase in number of employees, cost relating to raising authorized capital and issuing subordinated bonds and professional cost associated with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

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

Extra-ordinary gain/loss

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

NBFI Industry and IPDC Market Share

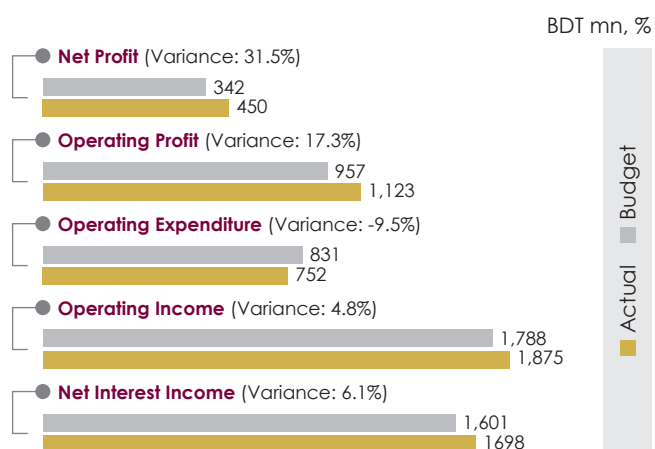


Non-banking Financial Institutions (NBFI) forms an important component of the financial sector of Bangladesh, which witnessed strong growth over the years with combined asset increasing to BDT 881,600 million in September 2018, out of which IPDC's market share stood at 5.1%. Total outstanding loans and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

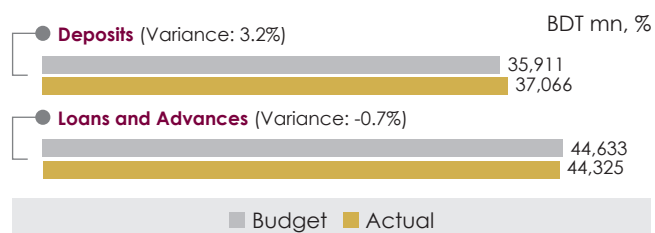
While industry classified loan shot up to BDT 74,900 million, IPDC's classified loan stood at BDT 256 million as of September 2018 which is 0.4% of the industry pie. Deposits in the industry stood at BDT 482,100 million out of which IPDC's deposits constituted 6.6% of the total.

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

Comparison of actual and budgeted performance of IPDC Finance Limited



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



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

Plan for 2019

Business

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

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

People

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

Process

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

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

Technology

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

Key Operating and Financial Information

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

Proposed Dividends and Appropriation of Profit

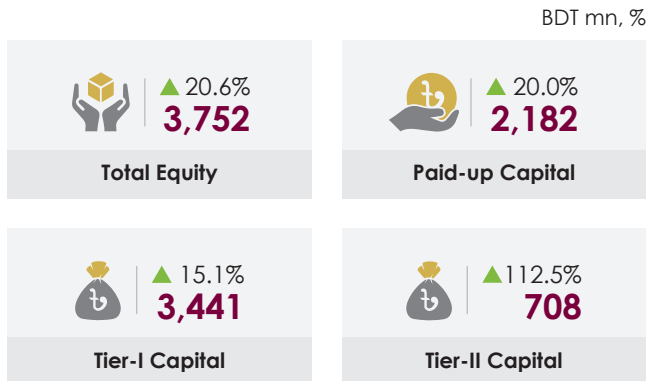
While taking dividend decision, the Company focuses on creating shareholder value by striking a balance between paying out dividend and retaining the surplus to plough back into the business. Given the Company's strong performance in 2018 and growth potential, while maintaining minimum regulatory capital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

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

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

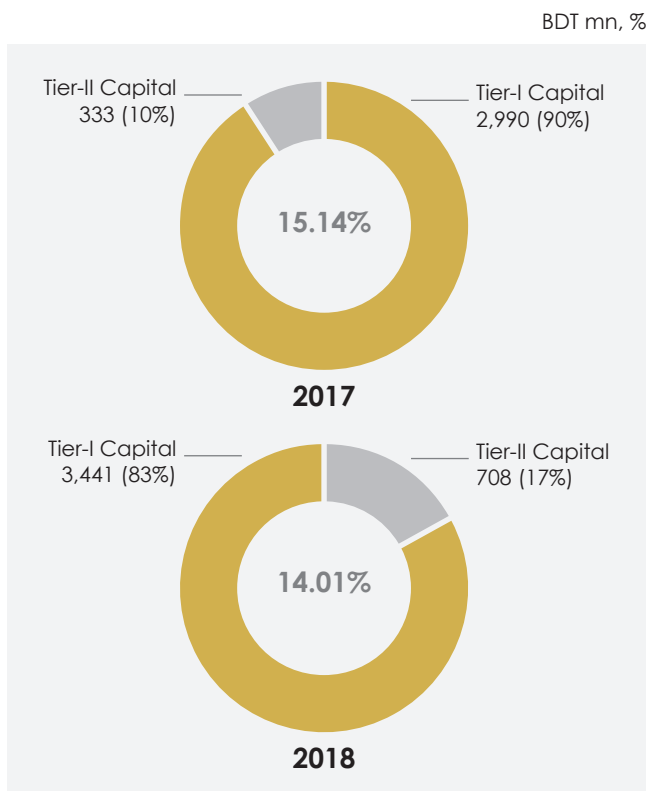
Capital Management

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



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

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



Shareholders' Equity And Shareholders' Value

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

Contribution to National Economy



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

Contribution to Society and Environment

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

Contribution Towards Employees

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

Corporate and Financial Reporting Framework

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

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

Directors Responsibility in Relation to The Preparation of Financial Statements

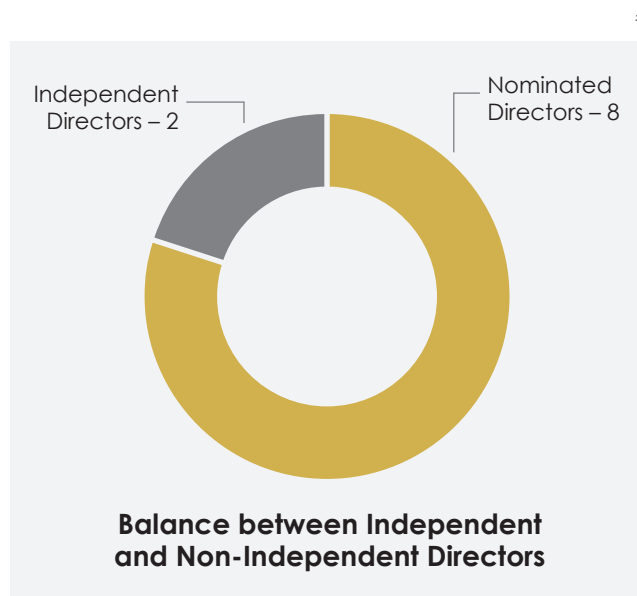
We hereby confirm that to the best of our knowledge:

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

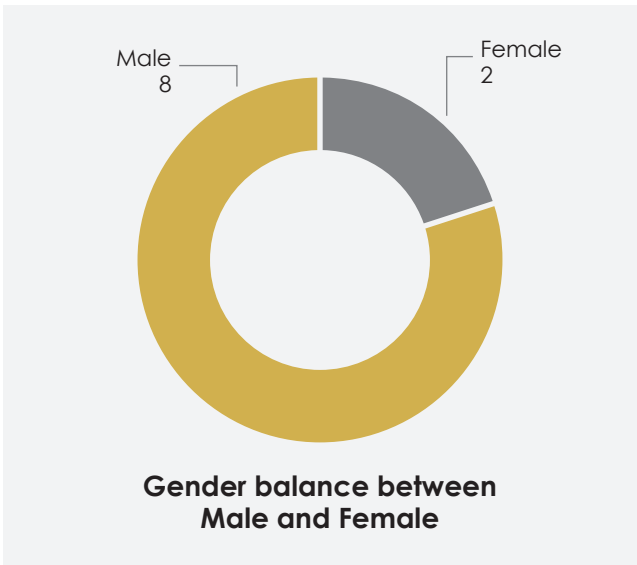
Interim Dividend

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

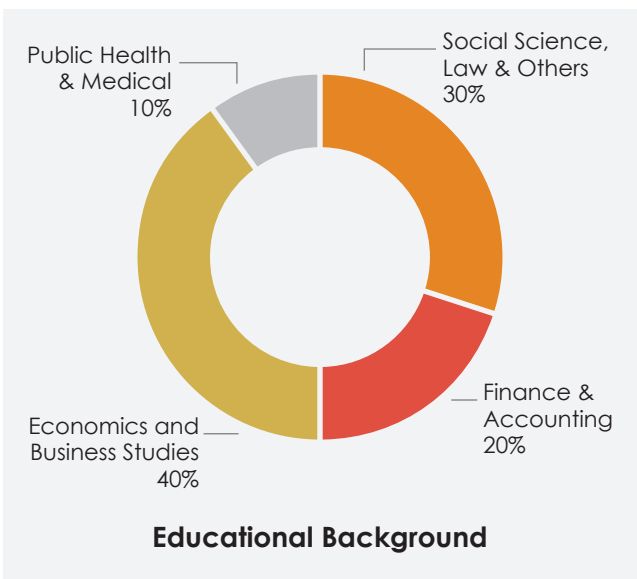
Board Diversity



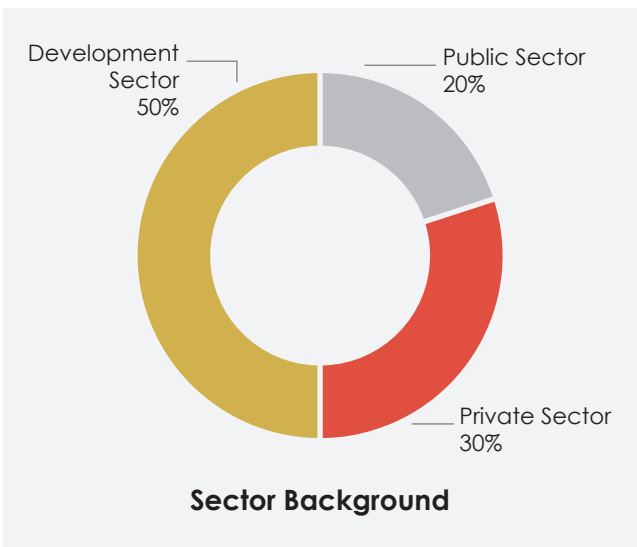
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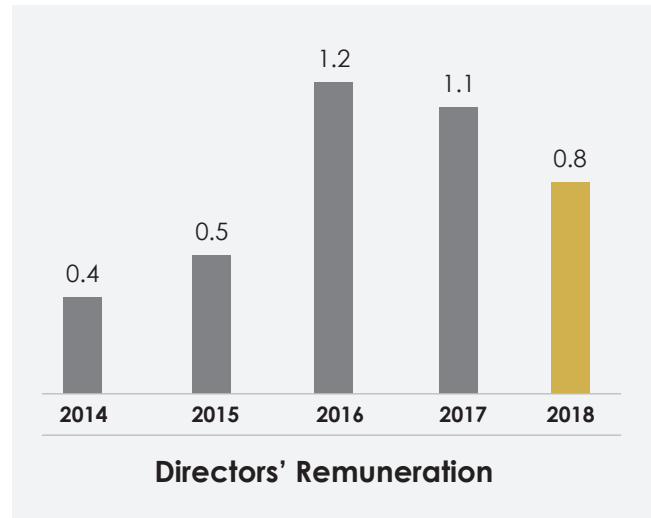
Board Committees

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

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

Directors' Remuneration

BDT mn



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

Director's Meeting, Attendance and Remuneration

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

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

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

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

Appointment of Member of The Management Committee Team

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

Shareholding Pattern as at 31 December 2018

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

Internal Control System

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

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

Control Environment

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

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

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

Statutory Payment

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

Insider Trading

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

Related Party Transaction

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

Statement on Utilization of Proceeds from Debt Instruments and Capital

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

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

Capital Expenditure

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

Risk Management

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

A summary of Risk Management approach is given below:

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

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

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

Going Concern

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

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

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

Status Of Compliance On Corporate Governance

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

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

Statutory Auditors

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

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

Principal Activities

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

Distribution Network

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

Acknowledgement

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

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



Dr. Muhammad Musa
Chairman

Annexure to Directors' Report

Key Operating and Financial Data of Preceding Five Years

Annexure I

BDT mn, %

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

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

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

³ Compound Annual Growth Rate from base year 2014.

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

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

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

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

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

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

Pattern of Shareholding as at 31 December 2018

Annexure III

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

Shareholders holding 10% or more voting right:

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

Meetings Attended and Remuneration of the Directors during the year 2018

Annexure III

BDT, #

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

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

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

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

Statement of Compliance with Corporate Governance Guideline

Annexure V

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

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

(Report under condition no. 9.00)

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

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

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

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

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

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

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

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

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

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

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

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

Annexure VI

Statement of Compliance with Good Governance Guideline Issued by Bangladesh Bank

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

Status report on compliance with those guidelines is given below:

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

Sl No.	Particulars	Compliance Status
F	Internal Control and Compliance	
	A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team	Complied
G	Human Resource Management	
i	Board shall approve the policy on Human Resources Management and Service Rule. Chairman and director of the Board shall not interfere on the administrative job in line with the approved Service Rule.	Complied
ii	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board in compliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others.	Complied
H	Appointment of CEO	
	The Board shall appoint a competent CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
I	Benefit to the Chairman	
	Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
J	Responsibilities and Duties of the Chairman	
i	Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
ii	The minutes of the Board meetings shall be signed by the Chairman;	Complied
iii	Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
K	Responsibilities of Managing Director & CEO	
i	Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
ii	Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities;	Complied
iii	All recruitment/promotion/training, except recruitment/promotion/training of DMD, shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company;	Complied
iv	Managing Director may re-schedule job responsibilities of employees;	Complied
v	Managing Director may take disciplinary actions against the employees except DMD and General Manager;	Complied
vi	Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit Heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by the Managing Director.	Complied



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

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

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

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

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

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

For S. F. Ahmed & Co.
Chartered Accountants



Dated, Dhaka;
04 February 2019

Md. Enamul H. Choudhury
Partner