

IPDC FINANCE LIMITED  
Directors' Report to the Shareholders



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WE GUIDE.** 

## Directors' Report to the Shareholders

### Dear Shareholders,

The Board of Directors of IPDC Finance Limited (formerly Industrial Promotion and Development Company of Bangladesh Limited) is very happy to welcome you in the 35th 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 2016 which also includes reports on business and strategy review, risk management, corporate governance, 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.

2016 has been an outstanding year for IPDC. Despite low credit appetite in the market and weak performance of banks and NBFIs, IPDC has demonstrated exceptional performance in all major Key Performance Indicators. IPDC has tripled its credit portfolio size which is matched with a 3.6 times growth in deposits. Classified loan ratio hit an industry-record-low of 0.71% at the end of December 2016. IPDC posted a 26% growth in Net Profit in 2016. The results reflect our promise to deliver sustainable growth in our balance sheet and growing returns to our shareholders.

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

### Economic Review of Year 2016

#### World economy

The world has not recovered fully yet from the global financial crisis. The global economic growth is estimated to have slowed in 2016 to a post-crisis low of 2.3%; however, a moderate recovery is expected in 2017 with the GDP forecast to increase to 2.7%, which is mainly driven by the growth in emerging and developing economies.

While the world is on the verge of economic recovery, the prospect of 2017 and beyond is against under serious cloud following some geo-political events in 2016 such as Britain's vote to leave European Union (Brexit), appointment of a new US president, OPEC's decision to cut crude oil production, leakage of Panama Papers and the fact that Central Banks of advanced economies have reached their limits of expansionary monetary policy measures that could restrict them from taking

further stimulus measures. These events could dampen cross-border capital flows and world's trade volume, put inflationary pressure and spur instability in financial markets, exchange rates and commodity prices.

#### Bangladesh Economy

The resilience of Bangladesh economy has been persistently tested over time. The economy is moving forward despite global macroeconomic volatility, energy shortage and structural constraints. GDP has been growing at more than 6.0% per annum over the five years. The economy posted 7.1% GDP growth in fiscal year 2015-2016, which exceeded expectations, aided by a revival in exports and sustained domestic consumption. Inflation was lower than projected, whilst higher exports and modest imports kept the current account in a larger surplus. However, with the falling trend in inward remittances, BoP (balance of payment) faced some pressure towards the end of the year 2016. Inflation rate has steadily declined to 5.03% in December 2016. Cut in domestic oil prices by state-owned organization BPC (Bangladesh Petroleum Corporation) in response to favourable oil prices in the world market, low international commodity prices and a good rice harvest have reflected in a lower rate of inflation.

Foreign exchange rate (BDT/USD) remained stable through-out the year and foreign exchange reserves hit an all-time record high at USD 32 billion in December 2016. Exports grew by 9.7% and import stayed flat in FY 2015-2016. Trend of foreign direct investment has shown signs of recovery in the second half of 2016.

Capital market remained steady during the year 2016 with stock market index hardly gaining any points and turnover yet to pick up. In addition, the number of listed companies has not increased as of September 2016 over December 2015.

Tax revenue collection in the first half of FY 2016-17 and implementation of ADP (annual development program) has fallen short of target. Government continues to rely on borrowings to finance the deficit. Government initiatives in the areas of energy, special economic zones, and rapid transit systems are yet to receive the desired momentum. The overall fiscal policy, however, has been consistent with macroeconomic stability.

#### Financial sector

Sluggish performance of real estate sector and low appetite for private sector investment have resulted in low demand for credit. The gap between demand and supply has caused excess liquidity in the market. As a result, interest rates on both loans and deposits continued to fall and loans and advances posted a modest growth. Industry wide asset quality has deteriorated further as reflected in higher non-performing loan ratio. In

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addition, gradual implementation of BASEL III has reduced banks' lending capacity. With low balance sheet growth, reduced spread and falling asset quality, Banks and NBFIs are facing difficult times to achieve profitability targets. In an attempt to curtail deterioration of asset quality, the Central Bank has strengthened its vigilance and supervision over the industry.

Overall performance of the industry is largely held back by the weaker lending performance, operational inefficiencies and poor asset quality of state-owned banks. In addition, few unexpected events in the banking sector have created some disturbances in the overall discipline of the industry.

Call money borrowing rates remained stable with the year average of 3.67%. Average interest rate on loans and advances has fallen to 10.45% in 2016 from 11.68% in 2015 and similarly interest rate on deposit has gone down to 5.65% in 2016 from 6.83% in 2015. Because of the parallel shift in interest rates, spread stayed flat at 4.80% in 2016 vis-à-vis 4.85% in 2015. Classified loan ratio of banks hit high at 10.3% as of September 2016.

Because of higher delinquency rate, lower margin and higher capital adequacy requirement on corporate portfolio some Private Commercial Banks (PCBs) tend to diversify their portfolio with renewed focus on high-yield SME and retail lending.

In NBFi sector, average interest rate on loans and advances has fallen to 13.10% in 2016 from 14.89% in 2015 and similarly interest rate on deposit have fallen to 9.03% in 2016 from 10.56% in 2015. Average cost of fund has moved down to 7.95% in November 2016 from 8.98% a year ago. Classified loan ratio stood at 9.0% as of June 2016.

### Principal Activities

The principal businesses of the Company are related to finance and finance associated activities. These areas include deposits collection; credit to corporate organizations, retail and SMEs; factoring finance; project finance; leases; hire purchase; equity/quasi-equity investments and advisory services. In 2016 IPDC penetrated strongly in retail market, renewed its focus on SME segment and concentrated more on collecting low-ticket size retail deposit to support long term financing and widening distribution coverage. IPDC offers multiple business services through its 9 branches including head office. The branches are located at Motijheel, Dhanmondi, Gulshan, Uttara, Chittagong, Sylhet, Gazipur, Narayanganj and Bogra and cover the geographical area of Dhaka, Chittagong, Sylhet and Rajshahi.

### Diversified Credit Portfolio

Diversification of credit related products is one of the Company's strategic priorities. The well diversified portfolio of IPDC includes term loan financing that represents 69% of total loans, followed by lease financing 13%, mortgage financing 8%, auto loan 4%, factoring financing 4% and other forms of financing 2%. Despite a fairly weak investment climate, IPDC

ended the year with fresh credit disbursement of BDT 25,030 million in 2016 vis-à-vis BDT 5,525 million in 2015. In addition to the product wise portfolio diversification, the credit portfolio of IPDC is also well diversified across different sectors.

### Performance Highlights

Despite the weaker performance of the financial sector, IPDC recorded an extraordinary performance as measured in terms of important KPIs including balance sheet growth, profitability, NPL management and solidity of its financial position. It was made possible because of the combination of various factors such as new strategies for target market segments, revamping of products and services ranges, improved human resource capacities, prudential credit risk management and robust follow-up to reduce non-performing portfolio (NPL) and mostly, the team work and collaborating efforts of the employees. Exponential growth carries with it some measure of risks. IPDC has been well-aware of the inherent risk it faces and it has consequently strengthened its risk management framework and internal control systems to best in class standards to all allow us to deliver strong and sustainable value to its shareholders.

Outstanding loans and advances has jumped to BDT 19,481 million in 2016, up by 204% against BDT 6,416 million in 2015. Classified loan ratio stood at 0.71% in 2016 as opposed to 1.98% in 2015. IPDC's classified lending portfolio continued to reduce in every year since the year 2010 due to its prudent policies and rigorous due diligence exercised while extending new credit as well as intensive focus on recovery from the legacy default accounts. The lower level of classified loan ratio bears testament to our combined efforts in improving assets quality.

On the deposit front, focus remained on individual small ticket deposits rather than large ticket institutional deposits. During the year 2016, IPDC continued to add on low-cost and small-ticket deposits to reduce cost of funds and support stable and sustainable long term growth of the balance sheet. The increased liquidity arising out of these initiatives enabled the company to release many high-cost large ticket deposits. Term deposits, including deposit taken from individuals, institutions and banks and NBFi, stood at BDT 17,179 million in 2016, up by 262% of BDT 4,745 million in 2015. IPDC did not have any net bank borrowing during the year as borrowing from banks/FIs has been less than placement of funds with banks and FIs. IPDC's reliance on its term deposits for lending ensures that the company is well protected from interest rate volatility, liquidity shock and this approach also allows the company to adopt a prudent strategy for locking loans for a longer period at a competitive rate.

Net Interest Income during the year increased to BDT 638 million in 2016 compared to BDT 431 million in 2015; posting a solid growth of 48%, which is in alignment with the portfolio growth. In contrast, Investment Income amounted to BDT 47 million in 2016 against BDT 55 million in 2015. Commission, Exchange and Brokerage mainly derived from fees income, which has jumped to BDT 36 million in 2016 from BDT 8 million

in 2015, due to higher disbursement and concentration on factoring business. Other Operating Income which is mainly constituted of loan loss recovery, was BDT 112 million in 2016 compared to BDT 145 million in 2015. Overall Operating Revenue has gone up to BDT 841 million in 2016 against BDT 640 million in 2015, up by 31% over the last year.

Operating Cost in 2016 has amounted to BDT 340 million, which is 75% higher than that of 2015. In an attempt to support its long term growth plan, IPDC has taken a conscious and integrated approach of aligning its growth strategies with other functional and operational plan such as building brand, improving customer experience, strengthening human capital, expanding distribution reach, upgrading technology platform and engaging in CSR activities. Therefore, IPDC has incurred additional costs with clear intent, which will pay-off in the long run.

IPDC posted Operating Profit of BDT 502 million in 2016 compared to BDT 446 million in 2015, posting a healthy growth of 13% over the previous year. IPDC continued to adhere to its rigorous approach in dealing with the non-performing and high risk credit portfolio that resulted in a consistent reduction of classified loan ratio. Consequently, IPDC made a provision for loan loss of BDT 34 million in 2016, against BDT 102 million in 2015. Therefore, Profit Before Tax (PBT) in 2016 have registered an impressive growth of 36%, taking the figure to BDT 468 million in 2016 against 344 million in 2015. The company recorded a Profit After Tax (PAT) of BDT 303 million in 2016, posting a healthy growth of 26% over 2015.

### 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. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 are presented in Annexure-I as Key Operating and Financial Data.

### Proposed Dividend and Appropriations of Profit

In the year 2016, the Company posted Profit After Tax of BDT 303 million which is 26% percent higher than that of the previous year. Considering the Profit After Tax and the total available profit for distribution after complying with the regulatory requirement, the Board recommended 20% (twenty percent) stock dividend for the year ended 31 December 2016 for the approval of Shareholders in 35<sup>th</sup> Annual General Meeting

Particulars	Amount in BDT million	
	2016	2015
Retained Earnings brought forward	333	393
Net Profit after Tax	303	240
Profit available for appropriation	636	633
<b>Appropriations:</b>		
Transfer to Statutory Reserve (20% of PAT)	61	48
Proposed Stock Dividend @ 20%	303	253
Retained Earnings	272	333

scheduled to be held on 02 May 2017.

### Capital Management

Capital management of the company is based on the objective of maintaining an adequate capital base to support the projected business and regulatory requirements. This is done by drawing an annual planned business growth vis-à-vis capital requirement. IPDC recognizes the impact of shareholders' returns on the level of equity and seeks to maintain a prudent balance between Tier-I and Tier-II capital. As per directives of Bangladesh Bank, the financial institutions are required to maintain capital at 10% of risk-weighted assets under Basel-II. The Company's capital fund is divided into two parts- Tier-I and Tier-II capital. Tier-I includes the equity (paid-up capital, share premium, statutory reserve and retained earnings) and Tier-II includes general provision on unclassified loans and advances, revaluation reserves, unsecured subordinated debt and exchange equalization account.

Total capital fund of the company under Basel II has increased by BDT 448 million and stood at BDT 2,922 million in 2016 against BDT 2,474 million in 2015. Tier-I capital has grown by BDT 302 million and stood at BDT 2,651 million in 2016 against BDT 2,348 million in 2015. Total capital fund is equivalent to 22.09% of total risk weighted assets. The minimum requirement of this ratio as set by the central bank is 10.00%.

More details relating to capital management are given in the notes to the accounts of this annual report.

### Shareholders' Equity and Shareholders' Value

Shareholders' equity of IPDC stood at BDT 2,775 million in 2016, up by 12% from last year. Paid up capital increased to BDT 1,515 million in 2016 because of issue of bonus shares, posting a growth of 20% over last year.

Share premium remained flat at BDT 167 million in 2016, while statutory reserve increased to BDT 393 million in 2016, up by 18% over last year for transferring 20% of Profit After Tax in 2016 to statutory reserve.

Retained Earnings or distributable profit saw marginal de-growth of 2% in 2016 because of bonus share issued in 2016 and making transfer of profit after tax to statutory reserves.

The strong capital base, as reflected in growth in shareholders' equity, has created opportunity space for the company to expand its business, absorb unexpected loss and withstand any external shock.

The Earnings Per Share (EPS) increased to BDT 2.00 in 2016 against BDT 1.59 in 2015 (after restatement) and return on equity stood at 11.55% during 2016 compared to 10.08% in 2015. Market capitalization stood at BDT 6,469 million as on closing day of December 2016 vis-à-vis BDT 3,371 million as on closing day of December 2015. Market value per share stood at 42.70 as at 31 December 2016 (DSE) compared to 26.70 at 31 December 2015 (DSE).

IPDC remains fully committed to deliver 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 2016 the Company exceeded the expectations in delivering profits, growing Balance Sheet and meeting other KPIs and is, therefore, well-poised to deliver good results in future.

### Human Resources Management

IPDC's vision envisages the most effective use of our human resources through the optimum enhancement of knowledge, skills, abilities and personal attributes of our employees. A healthy environment has been created where employees take pride in their works and are aligned to the objectives set by the Board and management. Believing that the human resources are main elements for the success and sustainable growth of the Company. IPDC is developing and motivating the workforce with contemporary Human Resource policies and attractive employee benefits. The company is not only offering a job but also the opportunity for learning, development, in a challenging and rewarding career. In this connection, the company runs rigorous performance management program to motivate and reward people for their good efforts. IPDC endeavours to create a vibrant work force who works collectively towards achieving the common goal. Human resource (permanent) headcount increased to 203 as of December 2016 against 71 as of December 2015. Additional resources, including some in leadership roles, were recruited to support expansion of business and distribution network.

### Risks and Concerns

Maintaining a prudent risk management framework is an essential component of business success at IPDC and that is why formal and structured approach towards risk management is adopted in the way we do our business. At IPDC we make sure that company operates within the risk appetite of the shareholders. The identification, evaluation and management of risk, together with the way we respond to changes in the external operating environment, are a key to our success and underpin the robustness of our business plans and strategic objectives, protect our license to operate and our reputation and help to create long-term competitive advantage. Risk management is embedded in IPDC's 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 structure. This ensures the Board's assessment of risk is continually updated with the relevant risk factors and mitigating controls originating from

and identified by the Company's assets, functional departments and operations. Moreover, IPDC possesses a detailed risk management system with procedures in place to support risk evaluation across the Company. The risks associated with the delivery of the business plan and annual work programmes and the associated mitigation measures are maintained in asset or project risk matrices and registers.

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

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

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

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

### Credit Risk

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

### Market Risk

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

### Liquidity Risk

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

### Operational Risk

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

### Compliance Risk

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

### Reputational Risk

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

### Related Party Transaction

In the normal course of business, IPDC has entered few transactions with related parties during the year 2016. IPDC makes sure that all transactions with the related parties are made on arm's length basis. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. These transactions have taken place on an arm's length basis and include rendering or receiving of services. The details of related party transactions are disclosed in the notes to this Financial Statements.

### Contribution to the National Economy

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

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at a time when all the banks in Bangladesh remained nationalized.

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. IPDC has made significant contributions in the development of the health, education and agro-based industries of the country. Since inception IPDC has been evolving with innovative and diversified product to meet the need of diversified customer groups, which has distinguished the company from the peers. Empowering women through financing remains one of the key agenda at IPDC and therefore, the company formulated flexible and special schemes for this customer groups. Given the potential of SME sector in the economy and opportunity it offers, IPDC also renewed its focus on SME business. Sustainable economic development is the key focus of the Company and corporate social responsibility is woven into the totality of our operations.

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

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

During the year 2016, IPDC has deposited a total amount of BDT 223 million, 1.92 times of last year's figure, to the national exchequer in form of corporate tax, withholding tax, excise duty and VAT.

### Statutory Payments

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

### Capital Expenditure

In 2016 the company incurred capital expenditure of BDT 52 million mainly for renovation of existing branches, construction

of new three branches and purchase of vehicles. The details of capital expenditure are reflected in the Property, Plant and Equipment Schedule in the Notes to the Financial Statements.

### Going Concern

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

The company displays no symptoms (as indicated below) of possible problems of going concern:

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

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- Failure to adjust high operating gearing (fixed cost to total cost) while industry or company revenue is falling
- Falling margin with no sign or possibility of increase in sales volume in future

A detailed report on the going concern has been furnished in the subsequent section of the Directors' Report.

### Shareholding Pattern as at 31 December 2016

Shareholding patterns of the Company as at December 31, 2016 is shown in the subsequent section of the Directors' Report.

### Corporate and Financial Reporting Framework

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

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

### Director's Meeting, Attendance and Remuneration

During the year ended 31 December 2016 a total 11 (eleven) Board Meetings were held and attendance by the Directors along with remuneration paid to them are summarized in the subsequent section of the Directors' Report.

### Appointment / Re-appointment 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 35th Annual General Meeting and 2 (two) 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 subsequent section of the Directors' Report.

**Mr. SHAMEREN ABED** - Nominated by BRAC

**Mr. MOHAMMAD MAMDUDUR RASHID** - Nominated by BRAC

**Mr. ASIF SALEH\*** - Nominated by BRAC

\* Mr. ASIF SALEH retires, but he has not been considered for re-election as he will be resigning and replaced by Ms. TAMARA ABED, who being eligible, offered herself for re-election

### 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. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 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.

### Statutory Auditors

Rahman Rahman Huq, Chartered Accountants (KPMG in Bangladesh) were appointed as the statutory Auditors of the Company in the 34th Annual General Meeting held on March 30, 2016 for the year 2016 until conclusion of 35th Annual General Meeting at a remuneration of BDT 440,000 excluding VAT.

The auditors will retire in the 35th Annual General Meeting as per regulations. They are not eligible for re-appointment as they are the Auditors of the Company for last consecutive three years. On the basis of the proposal of the Board Audit Committee, the Board recommends to appoint Hoda Vasi Chowdhury and Co as the Auditors of the Company for the year 2017 at a remuneration of BDT 440,000 (Four Hundred and Forty Thousand only) and plus VAT until completion of the next Annual General Meeting.

### 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 run by the Company, setting acceptable levels for these risks and ensuring that senior management takes steps necessary 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 porting 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 across all business functions. Every year the top team conducts a self-assessment of key controls that affect the business and develops up action plans to make the internal control environment more robust.

### Outlook and Prospects in the year 2017

Bangladesh achieved Ba3 (Moody's) and BB- (Standard and Poor's) with stable outlook for the 6th consecutive years. Stable real GDP growth and strong external balance have helped Bangladesh to achieve BB- rating with stable outlook from Fitch Ratings for the fourth time. On many fronts, Bangladesh economy has outperformed its neighbouring South Asian countries.

The GDP growth forecast for 2017 is expected to be 6.9%, according to Asian Development Bank. Inflation is expected to stay below 6% with the anticipation of lower domestic oil price, good domestic agricultural harvest and low international commodity price.

Export volume once again expected to grow by double digit with the hope of continued global economic recovery in the USA and Euro zone. The price competitiveness of RMG sector will continue to drive the export volume; however, full potential of this sector cannot be maximized due to inadequate transport, logistics, seaport and shipment facility. In addition, Bangladesh has not been able to seize further RMG export opportunity created by China's gradual move away from apparel manufacturing. Trade deficit as usual would persist. This is mainly for current accounts deficit caused by inelastic demand for import for the necessities such as raw materials, food grains, edible oils and petroleum. But challenge would be to keep the deficit within a manageable limit. Bangladesh bank's measures to rebound falling trend of inward remittance flow through formal banking channel is expected to pay off in 2017. However, maintaining stability of foreign exchange rate remains in doubt with the possibilities that strong currencies may be officially depreciated by the respective Governments. Foreign exchange reserve would continue to stay healthy which will keep foreign investors interested. Real estate sector slowly but gradually getting its momentum which is expected to continue in 2017. The landmark MoU signed between China and Bangladesh on infrastructure development, energy and information technology in late 2016 has raised optimism among investors and opened up new horizon of China-Bangladesh bilateral relationship.

Revenue collection may fall short of target and public expenditure could be lower than expected and therefore, budget deficit is expected to widen. However, deficit is likely to stay within tolerable limits.

Sustained macroeconomic stability, low rate of inflation, rising reserves and declining interest rates will play an important role in stabilizing the economy. However, lack of efficiency in government expenditures will continue to be a concern. Structural reforms, energy boost-ups, infrastructure development and efficiency in government expenditures are required for a sustained growth.

In the face of sound macroeconomic environment and stable political outlook, private sector investment is expected to speed up in 2017. Private sector investment is expected to be well backed by strong domestic consumption and higher export volume. Therefore, the economy is expected to remain buoyant in 2017.

In addition to the concentration on above areas, policy support for women empowerment needs be strengthened to increase the workforce base and improve productivity. SME remains thrust sector and it needs better access to credit. Other development initiatives in the areas of health, education, human capital development, micro credit, environment protectionist measures and other livelihood programs must go hand in hand with economic policy to ensure an inclusive, balanced and sustainable growth of the economy.

IPDC will continue to build on the progress made in 2016. IPDC changed its name and rebranded itself and expanded distribution coverage to come closer to mass population and envisage to establish itself as a strong financial brand in the country.

In order to diversify and grow its credit portfolio, IPDC will aggressively drive affordable home loans and SME loans across the country. The new three branches, opened in Narayanganj, Gazipur, Bogra in late 2016, is expected to operate in full potential in 2017. In addition, IPDC plans to open few more branches in 2017 to increase its footprints. IPDC has made some remarkable tie-ups with key strategic partners to leverage distribution channel and gain operating and business synergies. It has revamped its product ranges to reach target customers. The recruitment of human resources and ongoing training programs in both business and support functions will continue to make sure that business growth is matched with right organizational capabilities. In order to ensure sustainable growth in Balance Sheet, IPDC will give focus on securing long term fund from retail deposit and going for floatation of long-term debt instruments. In addition, IPDC will continue to maintain sufficient capital reserve beyond regulatory requirement, which will allow the company to grow and absorb expected loss in future. While growing, IPDC will continue to take prudent approach in assessing and approving credit and monitoring portfolio. IPDC will heavily invest in information technology to handle growing volume of business and bring

## Directors' Report (continued)

operational efficiency, deliver extraordinary customer experience and improve management information system. IPDC has aligned its corporate communication strategy to establish IPDC as a strong financial brand in the country. IPDC will continue to patronize CSR initiatives through sponsorships, donations or any other support within its capacity. IPDC promises to stay agile, vigilant and responsive to the changes in macroeconomic and regulatory environment

Customer remains at the central point of whatever we do and creating value for customer is critical to long term success of our business. We understand this by our heart and soul. Therefore, we are committed to give best-in-class experience to our valued customers. We pledge to comply with all applicable laws and regulations, increase transparency and public disclosure and conduct our business in ethical manner. This is deeply rooted in our employee values. In our journey at IPDC we try to engage our shareholders, regulators, customers, employees and other stakeholders to create a sustainable business model. We ensure that good internal control and governance is embedded in our business, system, process and culture.

Underpinning this strategy is our unique culture and corporate values and, most especially, the quality of our people. We are proud to have one of the most vibrant working environments with passionate employees who work together to attain a common goal: help our customers to fulfil their dreams. Our business strategy, strong culture of compliance and the unyielding commitment and dedication of the IPDC team will translate into exceptional results in 2017 and beyond.

## Acknowledgements

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 Board, who have extended their all sorts of cooperation, to meet all the adverse internal and external conditions, and made the year 2016 another year of success for the Company.

Last but not least, the Board has a special note of thanks for our customers, employees, shareholders and management 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

## Key Operating and Financial Data of Preceding Five Years

	Amount in BDT million					
	2012	2013	2014	2015	2016	Growth (%)
<b>Operational Result</b>						
Operational Income	861.41	1,019.25	1,016.10	860.27	1,529.62	77.81%
Financial Expenses	554.66	627.68	513.10	373.42	844.24	126.08%
Net Interest Margin	306.75	391.57	503.00	486.35	685.37	40.92%
Operational Expenses	131.63	153.18	184.91	194.12	339.79	75.04%
Operating Profit	207.50	325.11	395.12	445.79	501.61	12.52%
Profit Before Tax	134.00	241.78	344.81	344.20	468.00	35.97%
Net Profit After Tax	128.60	141.98	165.51	240.19	303.09	26.19%
<b>Financial Performance</b>						
Disbursement - Loans, Leases, Advances etc.	3,316.94	3,492.20	3,523.81	5,524.53	25,029.67	353.06%
Outstanding Loans, Leases and Advances	5,585.64	5,745.51	5,676.79	6,415.78	19,480.60	203.64%
Fixed Assets	76.21	107.83	224.13	207.04	233.61	12.83%
Total Assets	7,114.51	7,758.92	7,743.86	8,202.24	22,576.95	175.25%
Term Deposits	4,208.01	4,427.09	3,997.39	4,744.69	17,179.19	262.07%
Borrowings	29.70	413.98	398.38	27.06	1,141.45	4118.21%
Total Liabilities and Equity	7,114.51	7,758.92	7,743.86	8,202.24	22,576.95	175.25%
<b>Equity Information</b>						
Shareholders' Equity	2,027.33	2,064.97	2,291.81	2,474.61	2,775.11	12.14%
Paid up Capital	1,043.39	1,043.39	1,147.73	1,262.50	1,515.01	20.00%
Number of Ordinary Shares	104,339,235	104,339,235	114,773,158	126,250,473	151,500,567	20.00%
Net Asset Value Per Share (NAV)	13.38	13.63	15.13	16.33	18.32	1.98
Earnings per Share (EPS) <sup>1</sup>	0.85	0.94	1.09	1.59	2.00	0.42
Rate of Dividend	10.00%	15.00%	15.00%	20.00%	20.00%	-
Year end Market Price per Share <sup>2</sup>	18.00	20.00	18.20	26.70	42.70	16.00
Market Capitalization	1,878.11	2,086.78	2,088.87	3,370.89	6,469.07	91.91%
<b>Financial Ratios</b>						
Current Ratio (Times)	1.39	1.18	1.25	1.21	1.01	(0.20)
Debt Equity Ratio (Times)	0.23	0.20	0.17	0.09	0.41	0.32
Interest Coverage Ratio (Times)	7.00	11.68	28.50	17.27	14.94	(2.33)
Return on Asset	1.85%	1.91%	2.14%	3.01%	1.97%	(1.04%)
Price Earning Ratio (Times)	21.20	21.34	16.66	16.84	21.34	4.50
Rate of NPL	9.66%	5.95%	3.39%	1.98%	0.71%	(1.27%)
Rate of net NPL	3.98%	2.37%	0.05%	-1.64%	-0.62%	1.02%

<sup>1</sup>EPS has been restated for the year 2012 - 2015 due to issuance of bonus shares.

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

## Assessment Report on the Going Concern

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, 2016 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, 2016 on the basis of going concern assumption is appropriate.

### Financial Indications

#### *High Interest Coverage Ratio*

During the year 2016, interest coverage ratio stood at 16.9 times, which means the company has strong debt servicing capacity.

#### *Less Dependency on Bank Borrowings*

As at December 31, 2016 total bank borrowing of the Company was BDT 1,141 million which is 5.76 percent 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 of the Company and a good track record and reputation in settling its obligation to its depositors. As at December 31, 2016 total deposits stood at Tk. 17,179 million. The depositors continued to keep strong confidence on us which is reflected in higher acquisition rate and renewal rates of deposits. This trend will continue in coming days.

#### *Positive Operating Cash Flows*

Cash flow statement of the Company for the year 2016 shows optimistic and positive operating cash flows. Statement of liquidity also demonstrates minimum liquidity gap representing strong ability to meet current and future obligations.

#### *Favourable 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.

#### *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 2016, IPDC Finance achieved 12.52 percent growth of operating profit compared to year 2015 which reflect the operational growth excellency of the Company.

#### *Growth in Quality Lending Portfolio*

In the year 2016 the quality performing portfolio of loans, leases and advances increased by 208% percent compared to year 2015, whereas classified loan ratio came down to 0.71% at the end of 2016 from 1.98% in 2015. This represents the positive indication of sustainable business of the Company.

### Other Indications

#### *Expansion of Business*

Company introduced new opportunity of business during the year 2016. This year Company successfully launched three new branches in Gazipur, Narayanganj and Bogra indicating continuous increase of business. Moreover, in retail segment Company offers different types of deposit products including individual deposit.

#### *Employee Satisfaction and Working Environment*

IPDC Finance is one of the employee friendly organizations among the financial sector. There exists a very good corporate environment in the Company. The Company pays a very competitive compensation package with fringe 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 percent of the total risk weighted assets. As at December 31, 2016 CAR of IPDC is 22.09 percent vis-à-vis requirement of 10 percent i.e. Company maintains 12.09 excess CAR at the end year 2016.

***Strong Equity Base***

IPDC is one of the highest equity based Companies among the Financial Institutions. As at December 31, 2016 total equity of the Company is BDT 2,775 million including paid up capital of BDT 1,515 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 favourable rates and flexible terms and conditions.

***Changes in Government's Policy***

Management and Board anticipate no significant change in legislation or government policy which may materially affect the business of the Company.

***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 crystalize.

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 2016 on the basis of going concern assumption is appropriate.

## Pattern of Shareholdings as at 31 December 2016

Names	Position	No. of shares
Parent/subsidiary/associates and other related parties	Not Applicable	Nil
Dr. Muhammad Musa, his spouse and minor child	Chairman	Nil
Mr. Amin H. Manekia, his spouse and minor child	Vice-Chairman	Nil
Mr. Salahdin Irshad Imam, his spouse and minor child	Independent Director	Nil
Ms. Nasreen Sattar, her spouse and minor child	Independent Director	Nil
Mr. Sadaruddin Ahmed, his spouse and minor child	Director	Nil
Mr. Md. Enamul Hoque, his spouse and minor child	Director	Nil
Mr. Shameran Abed, his spouse and minor child	Director	Nil
Mr. Asif Saleh, his spouse and minor child	Director	Nil
Mr. Sameer Ahmad, his spouse and minor child	Director	Nil
Mr. Mohammad Mamdudur Rashid, his spouse and minor child	Director	Nil

## Top Executives

Mr. Mominul Islam	Managing Director and CEO	Nil
Mr. Benozeer Ahmed	Chief Financial Officer (CFO)	Nil
Mr. Samiul Hashim	Company Secretary (CS)	Nil
Mr. M Sami Ul Hoque	Head of Internal Audit and Compliance (CC)	Nil

## Top Executives other than CEO, CFO, Company Secretary and Head of Internal Audit and Compliance

Mr. A. F. M. Barkatullah	Deputy Managing Director	Nil
Mr. Shah Wareef Hossain	Chief Operating Officer	Nil
Mr. Nawed Wahed Asif	Head of Treasury	Nil
Mr. Rizwan Dawood Shams	Head of Corporate Business	Nil
Mr. Ashique Hossain	Head of Credit Risk Management	Nil
Ms. Gulnaz Alam	Head of Human Resource	Nil
Ms. Mahzabin Ferdous	Head of Corporate Communication	Nil
Mr. Abu Saleh Mohammad Jubayer Alam	Head of Business Transformation	Nil

## Shareholders holding 10% or more voting right:

Name of shareholders	No. of shares	%
Government of the People's Republic of Bangladesh (GOB)	33,147,664	21.88
Aga Khan Fund for Economic Development (AKFED)	16,744,132	11.05
BRAC	37,875,141	25.00
Ayesha Abed Foundation	15,150,057	10.00

## Meeting attended by the Directors during 2016

Name of Director	Board of Directors Meeting				Executive Committee Meeting				Audit Committee Meeting				Total Remuneration paid in 2016	Remarks
	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 EC Meeting held during Director's tenure	Meeting Attended	Attendance as % of total meeting held	Remuneration paid for attending the meeting		
				BDT				BDT				BDT		
Dr. Muhammad Musa	11	10	90.91	80,000	-	-	-	-	-	-	-	-	-	Nominated by BRAC
Mr. Anin H. Manekia	11	11	100.00	88,000	-	-	-	-	5	5	-	40,000	-	Nominated by AKFED
Ms. Afroza Khan*	1	1	100.00	8,000	-	-	-	-	-	-	-	-	-	Nominated by GoB
Mr. Md. Enamul Hoque*	9	9		72,000	-	-	-	-	4	4	-	32,000	-	Nominated by GoB
Mr. Mamtaz-Ala-Shakoor Ahmed**	6	6		48,000	8	8		64,000	-	-	-	-	-	Nominated by GoB
Mr. Sadaruddin Ahmed**	5	5		40,000	3	3		24,000	-	-	-	-	-	Nominated by GoB
Mr. Salahdin Irshad Imam	11	10	90.91	80,000	-	-	-	-	5	5	-	40,000	-	Independent Director
Ms. Nasreen Sattar	11	8	72.73	64,000	11	10		80,000	-	-	-	-	-	Independent Director
Mr. Asif Saleh	11	9	81.82	72,000	-	-	-	-	5	3	-	24,000	-	Nominated by BRAC
Mr. Mohammad Mamdudur Rashid***	6	6	100.00	48,000	4	3		24,000	2	2	-	16,000	-	Nominated by BRAC
Mr. Shameeran Abed	11	7	63.64	56,000	11	9		72,000	-	-	-	-	-	Nominated by Ayesha Abed Foundation
Mr. Sameer Ahmad	11	7	63.64	56,000	11	11		88,000	-	-	-	-	-	Nominated by RSA Capital Limited
<b>Total Remuneration paid</b>				<b>712,000</b>				<b>352,000</b>				<b>152,000</b>		

## Note:

Leave of absence was granted in all cases of non attendance

\* Ms. Afroza Khan was a nominee director of GoB, She was replaced by Mr. Md. Enamul Hoque on March 22, 2016.

\*\* Mr. Mamtaz-Ala-Shakoor Ahmed was a nominee director of GoB, he was replaced by Mr. Sadaruddin Ahmed on August 18, 2016.

\*\*\* Mr. Mohammad Mamdudur Rashid has been appointed as Nominated Director on June 28, 2016.

### The Brief Profile of the Board of Directors

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**Dr. Muhammad Musa, Chairman** – Nominated by BRAC

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Dr. Musa is a Director nominated by BRAC and Chairman of the Board of Directors of IPDC. Dr. Musa is also an Executive Director of BRAC. Before joining BRAC, he worked for 32 years with CARE International as one of its senior international management professionals.

He has been a successful professional in bringing convergence of philanthropic approaches and entrepreneurial methodologies in creating sustainable development programming for achieving impact at large scale.

In the professional field, he is known for leading complex organizational change processes in multicultural settings. He is also an internationally recognized senior management trainer and an experienced coach.

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**Mr. Amin H. Manekia, Director** - Nominated by AKFED

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Mr. Manekia has a vast and diversified expertise in the field of marketing, finance, healthcare and banking. He has pioneered the concept of automatic beverage dispensing machines in India. He is closely involved with the distribution, import and marketing of various food products. Mr. Manekia has worked closely with the Aga Khan Development Network for over 25 years. He is currently the Chairman of Aga Khan Health Services (India) and president of Prince Aly Khan Hospital, a 200 bed, acute care, multi-specialty hospital in Mumbai. He also on the Board of DCB Bank in India.

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**Mr. Salahdin Irshad Imam**- Independent Director

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

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

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Mr. Sameer Ahmad is the Chairman of Board Executive Committee of IPDC. Mr. Ahmad is a versatile investment banker

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Director since 29 October 2015

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**Other Interests:**  
Executive Director: BRAC

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

**Age:** 59 years

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Director since 19 April 2009

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**Other Interests:**  
Chairman: Aga Khan Health Services India Ltd.  
President: Prince Aly Khan Hospital  
Director: DCB Bank Ltd., India; IVP Limited, India

**Qualifications:**  
B. Com Sydenham College of Commerce & Economics, Mumbai, India  
MBA (major in Finance & Marketing), Babson College, Wellesley, USA.

**Age:** 55 years

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Director since 01 October 2014

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**Other Interests:**  
Independent Financial Consultant  
Chairman: Panigram Resort Ltd., Tropical Conservation  
Proprietor: Radius Enterprises  
Shareholder: Tiger Tours Ltd.  
Member: Executive Committee, Brotee (NGO)

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

**Age:** 68 years

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Director since 29 October 2015

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**Other Interests:**  
Director: Equinox Ltd, RSA Capital Ltd, RSA Advisory Ltd



## Directors' Report (continued)

with 20 years of experience encompassing the geographic areas of Europe, Middle East, Emerging Africa and South East Asia. Mr. Ahmad was responsible for establishing the structured finance unit of Industrial and Infrastructure Development Finance Company Limited (IIDFC). Prior to establishing RSA Capital, he was the treasury consultant with PricewaterhouseCoopers for restructuring Agrani Bank.

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

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

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### Mr. Sadaruddin Ahmed – Nominated by GoB

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Mr. Sadaruddin Ahmed has been appointed as Director in the Board of IPDC on August 18, 2016. Since then, he has been inducted as member of the Board Audit Committee. Mr. Ahmed has more than 33 years of service in the Bangladesh Civil Service (BCS) administrative service, performed multidisciplinary tasks i.e. from policy planning and policy directions as secretary in charge and additional/joint secretary of ministries or divisions. Mr. Ahmed also led the National Emergency Response and disaster management organization as Director General of the Department of Relief and Rehabilitation. He is presently working as Additional Secretary, Finance Division in the Ministry of Finance.

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

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

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### Mr. Asif Saleh, Director – Nominated by BRAC

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Mr. Asif Saleh, is a member of Board Audit Committee of IPDC. Mr. Saleh is also working as Senior Director of Strategy, Communications and Empowerment for BRAC and BRAC International. He is also director in BRAC IT Services Ltd. (BITS). Prior to joining BRAC, he was Executive Director at Goldman Sachs, and also worked at Glaxo Wellcome, NorTel, IBM.

#### Qualifications:

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

Age: 46 years

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Director since 18 August 2016

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#### Other Interests:

Director: Megna Oil Company Ltd, Padma Oil Company Ltd  
Teletalk Bangladesh Ltd

#### Qualifications:

M. Sc in General Maritime Administration, World Maritime University, MALMO Sweden

MBA, London Metropolitan University, London UK

Age: 58 years

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Director since 29 October 2015

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#### Other Interests:

Director: BRAC IT Services Ltd (BITS), bKash Ltd  
Guardian Life Insurance

#### Qualifications:

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

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

Age: 35 years

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Director since 29 October 2015

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#### Other Interests:

Chairman: BRAC IT Services Ltd (BITS)  
Director: BRAC Net  
Member: Institute of Informatics and Development (IID)  
1 degree Initiative Foundation  
Spreeha

## Directors' Report (continued)

Mr. Saleh is the founder of Drishtipat, a global organization with chapters across the globe focusing on human and economic rights of Bangladeshis. Mr. Saleh was recognized for his work by Asia Society's Asia 21 programme in 2008, the Bangladeshi American Foundation in 2007, and was selected as an Asia 21 Fellow in 2012. Mr. Saleh was selected to be a Young Global Leader by World Economic Forum in 2013.

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### Mr. Md. Enamul Hoque - Nominated by GoB

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

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### Ms. Nasreen Sattar - Independent Director

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

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### Mr. Mohammad Mamdudur Rashid, – Nominated by BRAC

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Mr. Mohammad Mamdudur Rashid is a member of Board Executive Committee and Board Audit Committee. He also worked as Additional Managing Director of BRAC Bank Limited.

Mr. Rashid has been in financial services industry for 25 years out of which 21 years have been in banking, a career that began in 1995 with Citibank-Bangladesh. In his banking career that covers multiple cultures across Bangladesh, India and Australia, Mr. Rashid managed a number of functional areas covering Finance, Operations, Compliance, Credit Administration, HR and General Services prior to joining BRAC bank. He was the Head of Strategic Planning for Citibank-Australia and New Zealand for its institutional banking business.

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### Mr. Mominul Islam, Managing Director - Ex Officio

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

#### Qualifications:

Bachelor in Computer Science and  
MBA in Management, NYU Stern School of Business

Age: 42 years

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Director since 22 March 2016

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#### Other Interests:

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

#### Qualifications:

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

Age: 56 years

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Director since 01 October 2014

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#### Other Interests:

Non-Executive Chairman of Consumark Limited

#### Qualifications:

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

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Director since 28 June 2016

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#### Other Interests:

Director: BRAC EPL Stock Brokerage Limited

#### Qualifications:

MBA, Institute of Business Administration (IBA) of Dhaka University as Vice Chancellor's Gold medalist  
MA, International Economics and Finance as a Fulbright Scholar from Brandeis University of Massachusetts, USA

Age: 50 years

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Managing Director since 04 January 2012

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#### Other Interests: Nil

#### Qualifications:

BBA from IBA, University of Dhaka.

Age: 39 years

restructuring, automation, process reengineering, control and compliance, service quality etc.

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

**“ A S T R A T E G I C B O A R D  
HAS A VIEW OF LOOKING AHEAD,  
AN INSIGHT TO LOOK DEEPER,  
AND COMPETENCY TO LOOK BEYOND.**

**- Pearl Zhu**”

**Compliance Report on SEC Notification**  
**Status of Compliance of Corporate Governance**  
 (Report under Condition No. 7.00)

Status of compliance with the conditions imposed by the Bangladesh Security and Exchange Commission's Notification No SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is presented below:

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.1	Board's size	✓		
1.2 (i)	Number of independent directors	✓		
1.2 (ii) a)	The independent director does not hold any share in the company' or holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		
1.2 (ii) b)	The independent directors not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company;	✓		
1.2 (ii) c)	The independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associated companies;	✓		
1.2 (ii) d)	The independent director is not a member, director. or officer of any stock exchange;	✓		
1.2 (ii) e)	The independent director is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	✓		
1.2 (ii) f)	The independent director 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;	✓		
1.2 (ii) g)	The independent director shall not be an independent director in more than 3 (three) listed companies;	✓		
1.2 (ii) h)	The independent director has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	✓		
1.2 (ii) i)	The independent director has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90(ninety) days.	✓		
1.2 (v)	The Board shall lay down, a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3(three) years, which may be extended for 1(one) term only.	✓		
1.3 (i)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
1.3 (ii)	The person should be a Business Leader/ Corporate Leader/ Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have a least 12(twelve) years of corporate management /professional experiences.	✓		

**Directors' Report (continued)**

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	✓		
1.4	Chairman of the Board and Chief Executive Officer	✓		
1.5 (i)	Industry outlook and possible future developments in the industry.			
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns.	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		
1.5 (vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report.	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	✓		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	✓		
1.5 (ix)	If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		
1.5 (x)	Remuneration to directors including independent directors.	✓		
1.5 (xi)	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.	✓		
1.5 (xii)	Proper books of account of the issuer company have been maintained.	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standard (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the 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 thereof should be disclosed.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi) c)	Executives;	✓		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		

**Directors' Report (continued)**

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.5 (xxii) a)	a brief resume of the director;	✓		
1.5 (xxii) b)	nature of his/her expertise in specific functional areas;	✓		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
2.1	Appointment of CFO, Head of Internal audit & company secretary.	✓		
2.2	Requirement to attend Board meeting	✓		
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	✓		
3.1 (i)	Number of member of Audit committee	✓		
3.1 (ii)	Inclusion of independent director in the audit committee	✓		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience,	✓		
3.1 (iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until 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 of Directors shall appoint the new Committee member(s) to fill up the vacancy (ies) immediately or not later than 1 (one) month from the date of vacancy (ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	✓		
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
3.2 (i)	Selection of the Chairman of audit committee	✓		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3 (i)	Oversee the financial reporting process.	✓		
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.	✓		
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		
3.3 (v)	Review along with the management, the annual financial, statements before submission to the board for approval.	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function.	✓		
3.3 (viii)	Review statement of significant 'related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	When money is raised through Initial Public Offering. (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	✓		
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		

**Directors' Report (continued)**

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
3.4.1 (ii) a)	report on conflicts of interests;		N/A	
3.4.1 (ii) b)	suspected or presumed fraud or irregularity or material defect in the internal control system;		N/A	
3.4.1 (ii) c)	suspected infringement of laws, including securities related laws, rules and regulations;		N/A	
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.		N/A	
3.4.2	Reporting to the Authorities (if any material impact on the financial condition & results of operation, unreasonably ignored by the management)		N/A	
3.5	Reporting to the Shareholders and General Investors		✓	
4 (i)	Non-engagement in appraisal or valuation services or fairness opinions.		✓	
4 (ii)	Non-engagement in design and implementation of financial information system		✓	
4 (iii)	Non-engagement in Book-keeping or other services related to the accounting records or financial statement		✓	
4 (iv)	Non-engagement in Broker -dealer services		✓	
4 (v)	Non-engagement in Actuarial services		✓	
4 (vi)	Non-engagement in Internal audit services		✓	
4 (vii)	Non-engagement in any other services that the audit committee determines.		✓	
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their audit assignment		✓	
4(ix)	Non-engagement in audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7		✓	
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.		N/A	The company does not have any subsidiary.
5 (ii)	At least 1 (one) independent director of the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.		N/A	Do
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.		N/A	Do
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.		N/A	Do
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular, the investments made by the subsidiary company.		N/A	Do
6 (i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;		✓	
6 (i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.		✓	
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent illegal or violation of the company's code of conduct.		✓	
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.		✓	
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.		✓	

**Statement of Compliance on the Good Governance Guideline Issued by the  
Bangladesh Bank**

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

Status report on compliance with those guidelines is given below:

SI	Particulars	Compliance Status
<b>01.</b>	<b>Responsibilities and authorities of Board of Directors</b>	
<b>A.</b>	<b>Work Planning and Strategic Management</b>	
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>B</b>	<b>Formation of sub-committee</b> 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
<b>C</b>	<b>Financial Management</b>	
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
<b>D</b>	<b>Management of loan/lease/investments</b>	
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



**Directors' Report (continued)**

Sl	Particulars	Compliance Status
E.	<b>Risk Management</b> Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
F.	<b>Internal Control and Compliance</b> 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.	<b>Human Resource Management</b>	
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.	<b>Appointment of CEO</b> 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.	<b>Benefit to the Chairman</b> 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.	<b>Responsibilities and Duties of the Chairman</b>	
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.	<b>Responsibilities of Managing Director &amp; CEO</b>	
i.	Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
ii.	Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities;	Complied
iii.	All recruitment/promotion/training, except recruitment/promotion/training of DMD, shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company;	Complied
iv.	Managing Director may re-schedule job responsibilities of employees;	Complied
v.	Managing Director may take disciplinary actions against the employees except DMD and General Manager;	Complied
vi.	Managing Director shall sign all the letters/statements relating to compliance of policies and guidelines. However, Departmental/Unit Heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by the Managing Director.	Complied