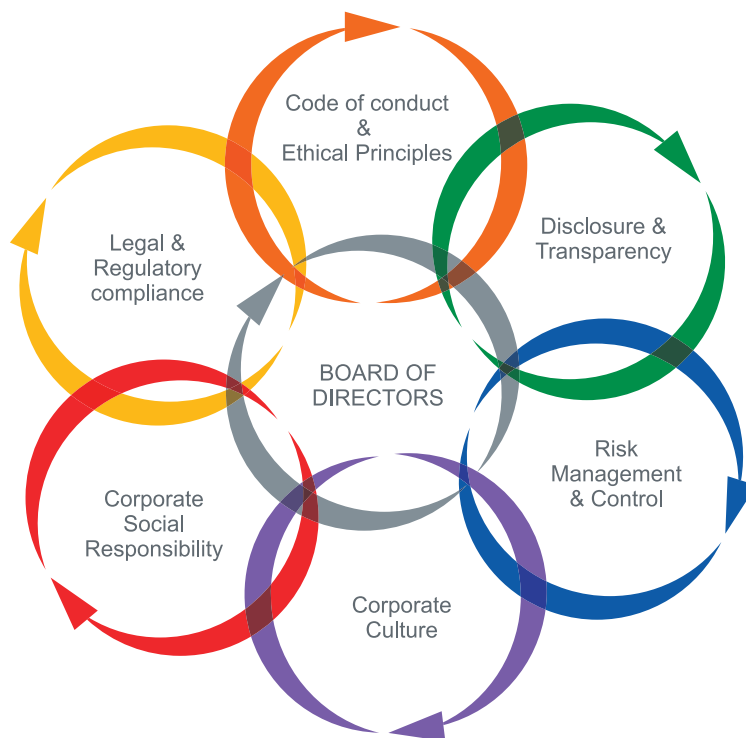


2012
ANNUAL
REPORT



GOOD GOVERNANCE
Key to enhancing stakeholders' value

About

UNION CAPITAL LIMITED

Established in 1998, UCL Financial Group is a diversified financial service provider based in Dhaka. UCL has operations in both the principal segments of financial market: Capital market and financing & investment activities. Together with its principal subsidiaries, SES Company Limited and UniCap Investments Limited, UCL Group offers a wide range of complementary investment products like term/lease finance, SME finance, real estate finance, equity finance, etc., brokerage services, issue management, underwriting, portfolio management and corporate advisory services.

UCL has 5 offices located in Dhaka, Chittagong and Sylhet. UCL is a publicly traded company listed on both the Dhaka and Chittagong Stock Exchange.

Market change. Business evolves. Value endures.

RATIONALE

This year's annual report cover gives an insight into the heart of UCL – its commitment to sustainable operations at every level UCL operates within a clearly defined governance framework that defines all governance and compliance aspects of the organization. This framework includes governance structure that is strategically linked to performance management, thereby encouraging and enabling all business units to focus on key requirements.

GOOD GOVERNANCE

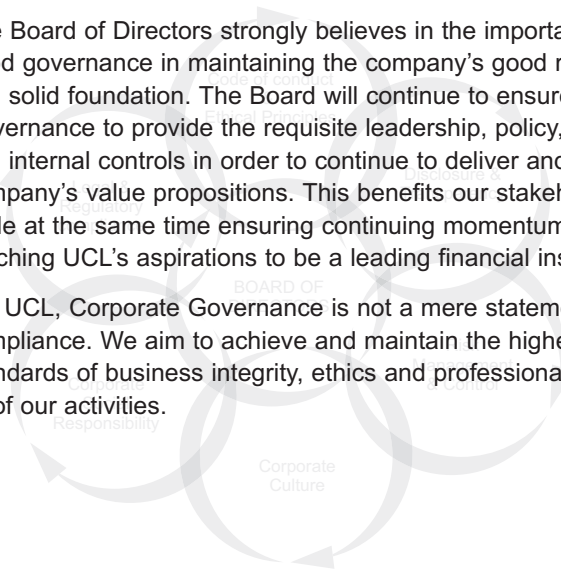
Key to enhancing stakeholders' value

How we govern ourselves as a company is as important as anything else we do. Corporate Governance is not merely a reporting on compliance of certain condition. But it's an important step.

Good governance is the cornerstone for enhancing stakeholders' value, increasing investors' confidence, establishing customers' trust and building a strong financial institution.

The Board of Directors strongly believes in the importance of good governance in maintaining the company's good reputation and solid foundation. The Board will continue to ensure good Governance to provide the requisite leadership, policy, strategy and internal controls in order to continue to deliver and sustain company's value propositions. This benefits our stakeholders while at the same time ensuring continuing momentum towards reaching UCL's aspirations to be a leading financial institution.

For UCL, Corporate Governance is not a mere statement of compliance. We aim to achieve and maintain the highest standards of business integrity, ethics and professionalism across all of our activities.



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GROUP PROFILE

Sketch UCL's operational sphere

UCL is a financial services group operating in Bangladesh. UCL Group has two principal subsidiaries: SES Company Limited and UniCap Investments Limited. Both the subsidiaries are providing capital market services while UCL is a non-banking financial institution provides a comprehensive financial services. UCL's ordinary shares are traded on both the Dhaka and Chittagong Stock Exchange since 2007.

UCL and its subsidiaries constitute one of the largest financial groups, which began its activities more than 14 years ago. UCL's predecessor, Peregrine Capital Limited was established in 1988 based in Hong Kong.

UCL is involved in a variety of financial and non-banking activities, in Bangladesh. The Group operates through UCL and its subsidiaries having 5 branch offices located in Dhaka, Chittagong, and Sylhet.

UCL's policy is to provide its customers with comprehensive financial solutions, high-level professional services, and a wide variety of products adapted to each customer's needs.

To implement its strategy, UCL operates through different business lines, with each business line providing financial services to a particular customer segment: Corporate Financial Services including leasing and term finance to SMEs and large enterprises of different sectors, Capital Market Services include issue management, share trading and portfolio management through its subsidiaries and Retail Customer Services include deposit schemes and personal lending.

THE GROUP PROVIDES

- Different deposit schemes
- Leasing, term and SME finance
- Investors portfolio management
- IPO and rights issue management
- Corporate advisory services
- Margin loan for investment in securities
- Share trading for retail and corporate investors

BUSINESS CLUSTERS

- Union Capital Limited (NBF1)
- SES Company Limited (a member of DSE and CSE)
- UniCap Investments Limited (Full fledged merchant bank)

FOCUS

- Local Market
- UCL as an employer of choice
- Positioned as a institution for all
- Building strong investment portfolio
- Acknowledged for its sustainability leadership
- Access to major areas of investment services

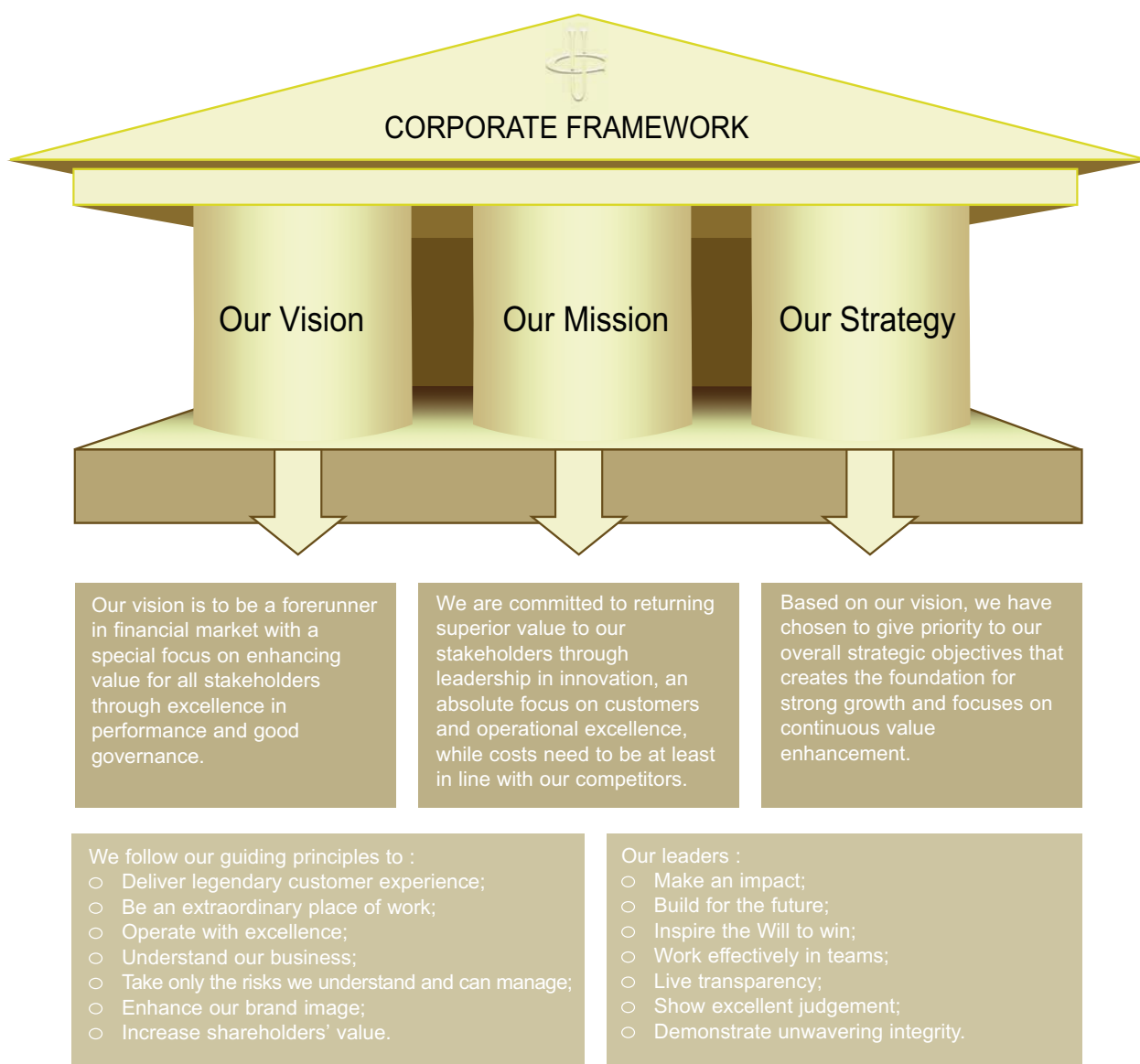
LOCATION

- Registered office in Dhaka
- Major operating centres in Dhaka
- Branch network in Dhaka, Chittagong and Sylhet

CORPORATE FRAMEWORK

Outlines Vision, Mission, Strategy and Guiding Principles

UCL Group's framework outlines our Vision, Mission and Strategy along with our Guiding Principles and expectations of leaders. It outlines in a simple way who we are, what we stand for and how we get things done. It's easy for employees to understand and incorporate in their day-to-day work. Most importantly, it applies to everyone at UCL Group.



OUR VISION

The overall aspiration of the business that sets out what we want to be

Vision possesses real power in setting directions, motivating action, and guiding decisions. It helps delivering quality services with measurable results and achievements; evolving quickly; communicating clearly; collaborating with partners; making decisions that are timely and focused; and innovating and looking forward

Our vision is to become a leading integrated financial services provider that reflects its principles and values by aligning with our mission giving special focus on enhancing value for all stakeholders through excellence in performance and good governance for our shareholders, customers, employees and the community where we do business.



OUR SHAREHOLDERS

Maximizing shareholders' wealth
achieving superior performance

OUR CUSTOMERS

Developing strong and mutual
beneficial relationships working
closely with our customers



OUR EMPLOYEES

Providing a safe and supportive
working environment for
our employees

OUR COMMUNITY

Be good citizens supporting community
initiatives in health, education, arts
and socio-economic development



OUR MISSION

The overall purpose of the business that sets out how we are going to achieve our vision

Our mission is supported by two fundamental principles that provide the foundation for all of our activities: Ethical principles and Core Values. Attaining our mission requires superior and continually improving performance in every area and at every level of the Group. Our performance will be guided by clear and concise strategic objectives for each business unit.

We are committed to returning superior value to our stakeholders. We will achieve this through leadership in innovation, an absolute focus on customers and operational excellence, while costs need to be at least in line with our competitors.



SHAREHOLDERS

Our responsibility to our shareholders is to effectively manage our physical, financial and human resources to increase shareholders' value through employee commitment to excellence.

CUSTOMERS

We are dedicated to serve our customers and we believe our first responsibility is to our customers. We will strive to meet our customers' need by providing high quality product and services of superior value. We believe our customers' success determines our future.



EMPLOYEES

We provide responsible leadership and a clear vision of the future to all of our employees. We expect our people to maximize their potential, to consistently achieve a high level of performance. We will provide a safe, productive work environment in which each employee will be treated as an individual with fairness, dignity and respect. We will recognize and reward creativity, individual initiative and superior achievement.

COMMUNITY

We provide quality products and services to meet the needs of the society. We will maintain high ethical standards, obey all laws, and respect local customs.



OUR GOALS

General statements of what business intends to achieve

We will leverage the strengths of UCL Group e.g. talented people, outstanding innovation capabilities, a strong brand, leading market positions and a solid balance sheet – to deliver long-term shareholders' value.

Our goals is to enhance shareholders' value through a deep understanding of our businesses and markets and by building sustainable competitive advantage in each business. In doing so, we will

leverage the strengths of UCL e.g. talented people, outstanding innovation capabilities, a strong brand, leading market positions and a solid balance sheet – to deliver long-term shareholders' value through:

- Managing risk prudently;
- Building quality investment portfolio;
- Developing reliable and long-term relationship with our customers;
- Maintaining strong relationship with the development partners;
- Diversifying earnings stream through innovation;
- Strive for continuous improvement developing performance excellence in all we do.

TWO THOUSAND THIRTEEN

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CORE VALUES

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

Seven core values drive UCL employees and management in delivering results to our shareholders, clients and the community we operate in. Pursuing and living up to these values is a responsibility we take great pride in.

We believe our strength is rooted in our core values: putting integrity first, building trust, working together, pursuing excellence, ensuring transparency, embracing challenge and serving our community. These values are our legacy and our future. We never lose sight of our founding principles and our proud heritage. Our business is always evolving but we'll always stay true to who

we are. They always have been. They always will be. Since its inception, UCL Group has been governed by its core values. They shape the culture and define the character of our company. They guide how we behave and make decisions. This is just one of the many ways that we continually reinforce the values on which this company was built.

CORE VALUES

INTEGRITY

We are honest in everything we do. We work hard to make sure that the integrity remains a priority for everyone at UCL - every day, at every level of our Company.

TRUST

We work diligently to build a deeper level of trust with our clients and fund providers through appropriate investment ideas and value added services.

TEAMWORK

We believe that highly qualified, motivated professionals working together in an entrepreneurial environment results in achieving UCL's vision, mission and goal.

OPENNESS

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

TRANSPARENCY

We are focused on the highest level of transparency providing timely and accurate information about company's performance and financial results to meet the stakeholders' expectation.

EXCELLENCE

We aspire to achieve excellence in all that we do. We deliver what we promise and add value that goes beyond what is expected. We pursue continued growth and strive to achieve the highest levels of performance in all endeavors.

RESILIENCE

We welcome a challenge; we show strength of character, remain positive, even when things are tough; we see difficulty as an opportunity to demonstrate our ability.

OVERALL STRATEGIC OBJECTIVES

More precise and detailed statements of the goals

As an integrated financial service provider, UCL Group operates in a dynamic market environment characterized by high pressure in terms of competition, innovation and costs. We counter this pressure foresightedly with our corporate strategy.

Our strategic objectives are a medium term step in the journey towards the vision what we are doing over the next few years. We will build on our core regulated business based on financial discipline to deliver sustainable growth and superior financial performance. Based on our vision and target image, we have chosen to give priority to the following overall strategic objectives that creates the foundation for strong growth and focuses on continuous value enhancement.

INTENDING TO RANK AMONG THE TOP IN ALL OUR RELEVANT MARKETS

We offer leading services in the fields of financing and capital market. Our products facilitate solving both short term and long-term financial funding requirements. We deliver

We deliver innovative solutions to cater customers' diverse needs for our services. Our services lead the field in terms of quality and sophistication. In the area of capital market operations, we offer a broad, modular range of products – with well-engineered components like corporate reengineering, fund restructuring, exploring diverse funding sources, etc.

innovative solutions to cater customers' diverse needs for our services. Our services lead the field in terms of quality and sophistication. In the area of capital market operations, we offer a broad, modular range of products – with well-engineered components like corporate reengineering, capital restructuring, exploring diverse funding sources, etc. The constant, ongoing development of our products in our selected markets, leasing, term finance, SME finance, real estate finance and issue management, underwriting,

portfolio management, share trading and corporate advisory services through subsidiaries helps us to rank among the top three providers in all our relevant markets.

GROWING STRONGLY COMPARED TO OUR MARKETS

Our strength in innovation, our market expertise, our focus on the constantly rising level of quality portfolio and our gearing towards SME markets shall allow us to achieve targeted revenue in the coming years. Assuming no further crashes in capital market, we anticipate considerable growth in revenue in coming years, even with a relatively small rise in macro economic indicators. Our growth course will be buoyed by the rising demand among the customers for products and services.

ENHANCING OUR EFFICIENCY AND PRODUCTIVITY

In recent times, we have made our presence even more efficient and productive providing services more in the areas that provide better return. We will continue to pursue this policy systematically. The interaction of our growth, efficiency and productivity orientation allows us to offer competitive price always expected by our customers. Our cost discipline throughout the group extends across all stages of operations more particularly in the areas of fund mobilization and where possible, we utilize multi-sourcing and secure our volumes in the long term.

STRIVING FOR A BALANCED GROWTH OF REVENUES

In our two pillars – the financing operations and the capital market operations – we have a stable footing that should protect us from the cyclical fluctuations of the financial markets. This is why we are aiming to generate major revenue directly from financing activities and adequate amount from capital market operations in the medium term. Today, the share of revenue from financing activities is still higher than capital market. We are pursuing three strategic directions in this regard: Firstly, we are investing specifically in the SME sector and large industries having good repayment track record and strong cash flow management; secondly, we are actively increasing our endeavors in managing our investment portfolio with the objective of minimizing the NPL at a tolerable level; thirdly, we are boosting our business with customer-specific solutions. More importance will be attached to the growth of SME financing in this regard.

GROWING INTERNALLY AND EXTERNALLY

UCL has been growing organically and has also successfully integrated with its subsidiaries namely SES Company Limited and UniCap Investments Limited. UCL operates as one family and pursues common goals with the help of a strong identity based on the values given on page 9, that creates the requirements for a competitive, high-performance culture. Our proven ability to achieve internal and external growth will aid our development in the future as well.

SAFEGUARDING OUR GROWTH IN THE LONG TERM WITH A SOLID FINANCING PROFILE

Our goal is to ensure that ongoing investment requirements are financed from the operating cash

STRATEGIC OBJECTIVES - *continued*

flow. Other investment projects should be financed from new and additional debt to achieve a constant stabilization or improvement in the UCL's costs of capital. Owing in particular to our current investment climate and the effects of the lingering liquidity problem on the financial markets as well, we are pursuing the target of maintaining the gearing ratio at a realistic level. If justified by special financing reasons or special market circumstances, we can rise above this level for an appropriate period.

REGARD OUR EMPLOYEES AS THE KEY FACTOR IN OUR SUCCESS

As an innovative company that plays a leading role in quality, the expertise of our employees is of enormous importance as it would not be possible to implement this strategy successfully without them.

Utilizing comprehensive promotion and training activities, we strive to be seen as an employer of choice at all levels on the job market.

We are well positioned in markets with attractive long-term growth prospects sustained by the continuing demand for financial services. We have a clear investment led growth strategy focused on building revenue momentum across all our businesses.

BUILDING REVENUE MOMENTUM, GOOD MARGIN IMPROVEMENT, HIGH CASH GENERATION, EARNINGS PER SHARE GROWTH AND GROWING RETURNS ON CAPITAL

We are well positioned in markets with attractive long-term growth prospects sustained by the continuing demand for financial services. We have a clear

investment led growth strategy focused on building revenue momentum across all our businesses. This, together with improvements in cost efficiency and organizational effectiveness, will flow through to operating profitability and cash flow.

Business strategy is concerned with deciding which markets and activities the business should be involved in; where it wants to be; and how it is going to get there. Strategy is about making high-level decisions and forms the management game plan for ...

- Satisfying customers (meeting customer needs)
- Running the business (organizing resources in the most efficient and effective way)
- Beating the competition (strategies and tactics to gain competitive advantage)
- Achieving corporate objectives (building on our corporate framework)

BUSINESS PRINCIPLES

The roadmap on how the Group operate and why we make our decision

Our Business Principles define how we operate and express our core values and behaviours. We believe that operating in accordance with our Business Principles is essential for sustainable performance and long-term value creation.

Certain principles are so fundamental to our success that we would like to follow in every business we operate. If we can adhere to these principles – and they are not in order of importance – we will reach our goal of becoming the best financial services provider in Bangladesh. We also hope those give us a roadmap on how and why we make our decisions.

We would like to create a financial group that all can be proud of, and we are confident that, working together, we will build one of the best financial services companies in Bangladesh.

ASPIRE TO BE THE BEST

Grow organically providing superior services in every business we operate

To be a great Company must have the ability to deliver good returns and solid growth over time. To achieve these results, we must provide our customers with a broad, complete and quality products and services. We must also demonstrate our ability to grow organically (e.g., new products, gaining market-share).

Consistently delivering the best products in a cost-effective way

We must offer outstanding products and services and being helpful, courteous, quick and consistent follow up in the customer's best interest. We need to be keenly aware of the competitive landscape and quick to act. We must exceed customers' expectations and constantly make it easier for them to do business with us.

Innovate in all actions we take

We need to build forward-looking ideas into every conversation, every analysis and every new product we look at for that we will take some calculated risks, knowing that some may fail.

Create strong brands that carry a commitment of quality and integrity

UCL Group is not only a promise to customers, but also a commitment we make to ourselves about who we are and just how good we want to be. This commitment goes well beyond creating a name. To be

powerful and trusted, our brands must be brought to life by the people who represent them for which we need to deliver on the promise every day.

We want to be one of the best financial services providers in Bangladesh. Because of our excellent platform, we believe this is within our reach. We cannot promise specific outcomes or risk-free results. What we can and will promise is to share the truth, and offer honest assessments of our businesses and our prospects; act with integrity and honor; do the right thing so that our shareholders, employees, customers and community can be proud.

EXECUTE MAGNIFICENTLY

Demand and maintain strong financial discipline

Financial discipline is foundation of great companies, particularly financial companies. Financial discipline – including sound accounting standards, transparent public reporting and great management information systems – leads to high-quality earnings that are recurring and predictable in nature; yields high returns on capital; produces good margins; and provides reasonable risk relative to the capital deployed.

Financial discipline must be matched with superior-risk management. If we properly manage risk, we should get a good return through the cycle, not just during the good times. It is a trade-off we will always be prepared to make.

Create and maintain a strong financial condition

A strong balance sheet is critical to managing successful business. Having appropriate reserves, strong capital ratios and strong credit ratings allows us to withstand difficult events while giving us the flexibility to deploy our capital as we see fit – such as increasing our dividends, taking sectoral exposure, investing in subsidiaries, investing in our businesses, or simply doing nothing. We will deploy our capital wisely and in the shareholders' best interest. This is one of our most important goals.

To build a strong balance sheet, we must thoroughly understand all our assets and liabilities; make sure that we use sound, and appropriate accounting; and have strong controls in place.

Business principles are so fundamental to the success that we would like to follow in every business we operate. If we can adhere to those principles we will reach our goal of becoming one of the best financial services provider in Bangladesh.

Maintain the best systems and operations

Financially strong companies consistently build and develop the best infrastructure. The best systems and operations give them the ability to meet the needs of customers and exceed their expectations for service. Superior performance requires spending more and getting more from every amount we spend. We must relentlessly focus on integrating and upgrading technology, and on aggressively consolidating, streamlining and standardizing our operations, all of which help to push decision-making and authority to the field. We believe that efficient operations will be

We cannot promise specific outcomes or risk-free results. What we can and will promise is to share the truth, and offer honest assessments of our businesses and our prospects; act with integrity and honor; do the right thing so that our shareholders, employees, customers and the community can be proud.

critical in the financial services business, and therefore we need to embrace and integrate them into everything we do. We need to continually strive to give our customers more, better and faster.

Eliminate bureaucracy

While appropriate rules and procedures are critical to the control and discipline of an entity, unnecessary rules translate into bureaucracy, which destroys initiative, neutralizes passion, stifles creativity, eliminates accountability, and makes it hard for people to do a good job and for managers to manage well.

Maintain good governance practices and internal controls

Good governance is vital for effective management. It ties together all our businesses we do with a common set of rules, expectations and oversight activities. These help safeguard our reputation, which we believe is one of our most important assets, and align the company's performance with the best interests of our shareholders.

Measure performance through a balanced scorecard

A mark of a winning company is its ability to outperform its competitors, regardless of economic conditions. A company may improve profitability in the short run by taking on additional risk and cutting back on investments but it may be the kind of growth one comes to regret. Our commitment is to build UCL Group that can thrive in any environment.

To reach that level of performance requires using a balanced scorecard that goes beyond earnings to address many questions, such as:

- Are we recruiting and developing talented people?
- Are we innovating better products?
- Are we relentlessly improving our core processes?
- Are we making good returns on capital?

As important as strategy is, we have got to execute to win. Execution involves every employee and every contact we have with customers. We must act quickly

on problems; drive for results, not just activities; and ensure detailed follow-up so that we meet our commitments.

BUILD A GREAT AND WINNING CULTURE

Operate with the highest standards of integrity

Ethical behavior does not just happen rather it needs to be cultivated and repeatedly affirmed throughout the organization. Maintaining the highest standards of integrity involves being honest and doing the right thing for our customers, employees, shareholders and all other partners.

Train and retain great people

We need to continually hire and train talents. They always drive for superior performance, building teamwork within and across our group business. They act quickly on tough issues, relentlessly strive to improve performance, demonstrate a passion to win and develop their colleagues.

Be open and honest with ourselves, our colleagues, our shareholders and our community

We must build a culture based on truth, knowledge, constructive debate, a passion to win, and the courage to face and fix mistakes. Our responsibility is to create a company that promotes this kind of constructive exchange. We believe this is the hardest part of leadership – we must have the fortitude and courage to take action and do the right thing. Leadership is an honor and a privilege, and carries the responsibility to set the right example.

All our employees must be engaged in facing the challenges and solving problems. The key is to never stop learning, to share ideas and always acknowledge mistakes. Our commitment is to create a self-sustaining culture that strives for continual improvement, which will ensure the health of this company in the coming years.

Fair share of performance

We want employees to think and act like owners and partners. We want to offer them an appropriate share of financial performance.

A successful Company always provides people with competitive compensation, the opportunity to benefit as the company grows and a rewarding career path.

Foster an environment of respect and inclusiveness

We need to constantly remind ourselves that the most important thing we can do for employees is to build a healthy and vibrant company that treats people with respect and creates opportunity. We have to remember that we all support one another. Above all, it means doing what is right for the company and the customers.

Business Principles - *continued*

We strive to create a more inclusive work environment that develops the best talent. Building a diverse and inclusive work environment requires effort and perseverance, which is why we will make inclusiveness and diversity an integral part of how we manage the Group.

Give back to our society

We believe that building a strong and vibrant company, will eventually benefit not only our shareholders, but everyone we touch. It is what enables us to give back to our community. In one sense, we view ourselves as a small business. But we are striving to be as supportive as we can. We are committed to adding value by focusing on issues that are universally important, including education and community development.

Our greatest source of pride, however, is our employees, who contribute a good amount of time and talent to worthwhile causes of the society. Our employees continue to volunteer their participation in community work.

As important as strategy is, we have got to execute to win. Execution involves every employee and every contact we have with customers. We must act quickly on problems; drive for results, not just activities; and ensure detailed follow-up so that we meet our commitments.

Eventually, it all comes down to people. Creating a winning team and a self-sustaining culture takes hard work, and there is no substitute for it. Teams win because they are disciplined, they work well together, they execute consistently and they have a passion to win.

We follow our guiding principles to:

- Deliver legendary customer experiences;
- Be an extraordinary place of work;
- Operate with excellence;
- Understand our business;
- Take only risk we understand and can manage;
- Enhance our brand;
- Increase shareholders' value



ETHICAL PRINCIPLES

The qualities of virtue, truth and justice
that guides our decision making

Behaving in an ethical manner can create positive business results. A business environment that promotes and upholds strong values is usually a happier and more productive workplace, and customers receive good service so they keep coming back.

The Company is committed to conducting business on the basis of morality and to create added value to its shareholders and also to put unwavering efforts to ensure that all stakeholders are fairly treated. It is the duty and responsibility of all Directors, Executives and staffs presence to faithfully follow the Business Ethics and comply with the policies and practices stated in this Code of Conduct. The Company's ultimate goal is to achieve its business objectives for the benefit of all stakeholders including the shareholders and the society.

ETHICAL RESPONSIBILITIES TO THE CUSTOMERS

- We always think from the customers' point of view.
- We treat our customers with care and courtesy, and accommodate customer complaints and suggestions with humility.
- We safeguard customer assets.
- Management of customer assets is, in principle, done only with customer consent.
- Customer assets must not be used for the benefit of the Company, directors or employees.
- We handle personal and financial customer information as required by law.
- We avoid unfair dealing with customers.
- We do not accept gifts or entertainment from customers.
- Illicit monetary dealing with customers is not tolerated for whatever reason.

ETHICAL RESPONSIBILITIES TO THE SHAREHOLDERS

- We provide long-term, stable return to shareholders through sensible investment and prudent management.
- We prepare and retain financial records in accordance with BFRS and applicable rules, and provide company information to shareholders accurately and fairly.

ETHICAL RESPONSIBILITIES TO THE SOCIETY

- We comply with all applicable laws, rules, and regulations, and uphold the highest standard of business ethics and business principles.
- We compete fairly, relying on the merits of our products and services.
- We refrain from unreasonable business practices and create new standards for competition, to promote healthy growth of the industry.

ETHICAL RESPONSIBILITIES TO THE COMPANY

- We respect the dignity and rights of each other.
- We are a family committed to common values.
- Supervisors, subordinates, and co-workers all must work to build mutual trust and respect.
- Supervisors must not take advantage of their position to give unjust orders or demand gifts from subordinates. Any kind of harassment in the workplace is not tolerated.
- We safeguard corporate profits and property.
- We safeguard tangible and intangible company assets.
- Company assets must not be used for personal gain, and all reasonable measures must be taken to keep business information secure.

ETHICAL RESPONSIBILITIES TO THE PROFESSION

- We maintain professional competence and keep abreast of cutting edge information and knowledge, continually developing professional and financial expertise.
- We fulfill our fiduciary duty to customers, and faithfully do our part as members of UCL Group.

PRODUCTS & SERVICES

The strength of diversity

Across our business group, we offer a complete range of financial services to help clients achieve their goals. We provide strategic advice, lend money, raise capital, help manage funds and extend supports, and hold leadership positions in all of our major business areas.

As a full service financial institution, UCL Group offers tailored product and services to meet appropriate and diverse needs of our customers, which include:

Financing and Investment Products	<ul style="list-style-type: none"> ○ Lease Finance ○ Term Finance ○ Project Finance ○ Corporate Finance ○ Syndication Finance ○ SME Finance ○ Apartment Finance ○ Real Estate Finance 	<ul style="list-style-type: none"> ○ Bridge Finance ○ Construction & Renovation Finance ○ Unsecured Personal Loan ○ Car Finance ○ Student Finance ○ Professionals Loan ○ Venture Capital
Capital Market Services	<ul style="list-style-type: none"> ○ IPO Management ○ Rights Issue Management ○ Underwriting ○ Portfolio Management ○ Margin Loan ○ Pre-IPO Placement 	<ul style="list-style-type: none"> ○ Share Trading ○ Investment Management ○ Corporate Restructuring ○ Corporate Advisory Services ○ Equity Investment ○ Fund Raising
Deposit Products	<ul style="list-style-type: none"> ○ Fixed Term Deposit ○ Monthly Income Deposit ○ Periodic Income Deposit ○ Cumulative Income Deposit ○ Double Money Deposit ○ Triple Money Deposit 	<ul style="list-style-type: none"> ○ Millionaire Plus (MPlus) ○ Monthly Saving Scheme (MSS) ○ Profit First Deposit ○ Home Planning Deposit ○ Marriage Deposit ○ Education Deposit

BUSINESS REVIEW

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STATEMENT FROM THE CHAIRMAN



The Board of Directors of Union Capital Limited have always remained focused on maximizing shareholders' value through formulating policies and guidelines towards ensuring sustainable profitability, minimizing risks/vulnerabilities and establishing good governance. As the Chairman, my objective is to ensure that the role of the Board of Directors actively continue to play their due part in the coming years.

I begin by extending a warm and cordial welcome to all our esteemed shareholders at the 15th Annual General Meeting of the Company. As Chairman of the Board of Directors, I feel immensely honoured and privileged in taking this opportunity to formally report to our valued shareholders for the very first time. On behalf of the Board of Directors, I convey my sincerest gratitude to all the shareholders for the unqualified support towards the Company over the past years.

As you may be already aware, 2012 was a year filled with a number of formidable challenges to the business operations of Union Capital Limited. Throughout the year, there was a gradual and significant rise in the borrowing/lending rates which can be primarily attributed to a liquidity crisis in the money market. As a result the

Company's internal cost of fund shot up significantly which led to reduced profitability on existing lease and term finance portfolios. Simultaneously, the increased cost of lending undermined the viability of most financing proposals which prevented the Company from actively venturing out on new investments.

An alarming rise and increase on the number of non performing loan/leases in the overall financial sector was noticed throughout 2012. This can perhaps be attributed to the local businesses having to overcome challenges in both the domestic economy and global economy. Global economy itself presented a number of hardships arising out of recession in Europe, sluggish growth in the economy of the United States and a sharp slowdown in China and emerging market economies. The Company had to increase

provisioning requirements in line with classified portfolios, however the persistent efforts by the management helped to ensure that rise of non-performing liabilities remained within a tolerable level.

2012 failed to bring about the much anticipated positive turn around to the sustained sluggish trend in the capital market of Bangladesh. Market capitalization, investors' participation and

The challenges of 2012 will not disappear overnight and may continue to pose difficulties in 2013 as well. In addition, apprehension of major political unrest and strikes cannot be discarded. However, I have faith that the guidance of the Board of Directors; dedicated hard work of the management; cooperation from our business partners; and continued invaluable support of the shareholders, will allow the Company to successfully overcome all challenges in 2013.

confidence continued to dip throughout the year. As a result Company's earnings from both stock-brokerage and merchant banking operations reduced significantly. Opportunities for booking capital gains out of investments in the stock market were scarce.

Upon overcoming what has been an extremely tough year for the financial sector in Bangladesh, we embark upon 2013 with renewed vigor, expectation and optimism. However, although we positively hope for the best, we must also remain prepared to face the worst. The challenges of 2012 as mentioned hereinabove will not disappear overnight and may continue to pose difficulties

in 2013 as well. In addition, apprehension of major political unrest and strikes cannot be discarded. However, I have faith that the (i) guidance of the Board of Directors; (ii) dedicated hard work of the management; (iii) cooperation from our business partners; and (iv) continued invaluable support of the shareholders, will allow the Company to successfully overcome all challenges in 2013.

It is pertinent to mention here that, Mr. Akter Hossain Sannamat joined the Company as Managing Director and Chief Executive Officer of Union Capital Limited in the middle of 2012. The Company's internal cost of fund marked a reduction in the latter half of the year due to vigorous deposit mobilization efforts on part of the management. I believe that Mr. Sannamat has begun working to implement the Board of

Director's vision of establishing good governance in every sphere with a primary focus on enrichment, development and retention of human resources. I am optimistic that under the leadership of Mr. Sannamat, the management will be motivated and inspired to drive the Company toward new heights in terms of sustainable profitability, transparency and compliance.

The Board of Directors of Union Capital Limited have always remained focused on maximizing shareholders' value through formulating policies and guidelines towards ensuring sustainable profitability, minimizing risks/vulnerabilities and establishing good governance. As the Chairman, my objective is to ensure that the role of the Board of Directors actively continue to play their due part in the coming years.

I take this opportunity to thank our regulators Bangladesh Bank and Bangladesh Securities and Exchanges Commission and Stock Exchanges for their continued guidance and support extended to us. I also wish to thank each and every employee of the Company along with our auditors, legal advisors and external consultants for their hard work. I remain personally grateful to the honorable members of the Board for having vested their confidence in my leadership skills and also for their continued support and guidance.

I conclude by reiterating my appreciation to all the shareholders of the Company who have taken the time and effort to attend the annual general meeting in person. The suggestions, advice and constructive criticism offered by our shareholders at these general meetings have always proved to be immensely helpful. I eagerly look forward to receiving your thoughtful inputs at this 15th Annual General Meeting which will help us to drive the Company towards excellence.

sd/-

Chowdhury Tanzim Karim
Chairman

STATEMENT FROM THE MANAGING DIRECTOR & CEO



In today's economy, running a financial institution is harder than ever. Leaders are faced with critical challenges in finding new and better ways to increase top-line revenues, maintain necessary capital ratios, improve margins, strengthen balance sheets and enhance efficiencies. Regulatory changes, compliance, economic volatility, and issues involving distressed lending and troubled assets add even more concern.

2012 was exceptionally a challenging year – for the global economy, for Bangladesh financial markets, for financial institutions and for Union Capital as well. During 2012, a growing number of developed economies, especially in Europe, have already fallen into a double-dip recession, while those facing sovereign debt distress moved even deeper into recession. Many developed economies are caught in downward spiraling dynamics from high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial fragility. Weak economic growth in the United States, recessions in Europe and Japan, and a soft landing in China all took a toll on growth in other emerging markets including Bangladesh last year.

The resulted crisis had a profound impact on financial markets. As investors' concern grew, conditions for credit and liquidity in financial system

became significantly more difficult. This in turn, affected capital market which experienced both volatility and substantial correction. The impact of downturn in global economy and its wider ramifications were felt acutely in our investment and so in our operating results.

As we look forward, the near-term outlook continues to be very challenging. Conditions remain difficult for both the financial markets and the economy at large. Credit for individuals and businesses are likely to remain expensive and less widely available than before. Real estate markets shall remain slow as was in 2012. Capital market condition is still unstable and investors remain wary. Political confrontation is getting more acute. The environment for financial sector is, therefore, likely to remain challenging in the near-term.

2012 was a year of consolidation during which we focused on improving the overall risk profile of the

The Statement from the Managing Director & CEO - *continued*

Company and driving top-line revenue growth. Although due to challenging and slow economic environment and ongoing market weakness, both in investment and capital market, the company could not achieve expected results in 2012, we ended the year with small size of balance sheet but strong cash position. This outcome was in the backdrop of significant challenges faced in the lending market, a volatile interest rate environment induced by inflationary spiral.

OPERATING RESULTS

2012 was a difficult year for the industry where we operate. When 2012 began, we hoped that the uncertainty in financial market was receding and that macroeconomic fundamentals would lead to a gradually improving business environment. As it turned out, 2012 was yet another year of mounting challenges for the financial sector and our customers. Like many of our industry, we could not produce expected results due to slower than expected economic growth in 2012.

In 2012, UCL achieved a operating revenue of Tk. 1,148.00 million compared to Tk. 1,208.52 million slightly lower than previous year despite significant volatility in the markets where we do business. Profit Before Tax for 2012 was Tk. 108.69 million.

Earnings, on the other hand, suffered from the economic and capital market woes and were unsatisfactory in view of our business platform and potential. We have therefore launched initiatives to improve earnings and ensure that our business model is competitive and creates value even in times of low economic growth and high capital and funding costs.

The depth of the challenges facing the financial sector was worse than expected and as other institutions, we had similar experience of increased non-performing loans resulting in a credit impairment allowance of Tk. 1,225.20 million compared to Tk. 686.94 million of the previous year. We were able to absorb significant credit write-downs due to our reasonable income generation.

We believe that UCL has the right foundation to improve its earnings. The capital and liquidity positions are satisfactory, employee satisfaction is above the sector average, and customer satisfaction is rising. On the basis of our strong market position, we will continue to focus on improving both customer service and operating efficiency.

CHANGES FOR POSITIVE GROWTH

I began working at UCL less than a year. As I came from within the industry, I have the benefit of being able to view things from a different perspective. Financing activities is a fascinating business – truly innovative, truly cost competitive and also truly cutting-edge. Every time, we are offering efficient and value-enhancing product proposition to cater diverse needs our customers.

We took decisive action to change course and the first positive signs of changes in our business are now visible. They prove we are on the right track and I am confident that UCL will be on top of the game in near future. We're determined to turn these current difficulties into opportunities. My top priority for 2013 is to inspire our people to work together towards our common goals.

OUR PEOPLE

Our people are as vital to our success as our investments. We are committed to our people, who determine how effectively we operate and build our reputation with our investors, partners and fellow employees every day and who we require to uphold our values. Ultimately, it is our people who will realize our ambition and deliver our strategy to be the leading financial institution.

We continue to undertake efforts to attract, develop and retain top talents in order to deliver an outstanding integrated value proposition to our customers. Valuing different perspectives, creating an inclusive environment is the key to UCL's workplace culture. We have a policy to train our employees to ensure that the knowledge and competence of our employees supports the needs of our customers and our strategy.

UNDERSTANDING CUSTOMERS' NEED

Customers' priorities are changing. Their expectations are also increasing in terms of service and many more. Successfully meeting those expectations begins with understanding what our customers care about most. There's far more to being a institution than simply offering flexible services and a safe place to deposit money. We're here to help people, grow their savings, borrow smartly and invest wisely. We're here to help small businesses grow. To help growing businesses become more competitive. To help competitive businesses find new markets. And to help all businesses be more innovative. We understand our business, and we really understand our customers.

CHALLENGES AND OPPORTUNITIES

The main areas of focus for UCL in 2013 will be to continue integrating activities across the Group and to consolidate the profitability of each operating unit and ensure that they meet Company's return on equity targets. Priority will also be given to increasing the proportion of deposits in Company's overall funding. We have also made efforts to reduce our funding costs.

Our prudent growth strategy will continue, but not at the expense of profitability. We should bear in mind that the current market turmoil does not only present us with challenges but also with opportunities. Those who are first to adapt to this environment will be able to take full advantage of such opportunities.

The Statement from the Managing Director & CEO - *continued*

The challenges are significant, especially as competitors continue to innovate. However, we are prepared at the possibilities that lie ahead of us and remain confident that we will achieve our ambitions with the continued support of all our stakeholders.

LOOKING FORWARD

In 2012, the top priority was turning the business around: improving cash flow, strengthening UCL's balance sheet and improving profitability by strengthening recovery position. To strengthen the balance sheet we gave more focus on recovery of stuck up loans, reducing cost of funds, building good investment portfolios and structuring the human resources.

In 2013 the economic climate is likely to remain challenging like 2012. At the time of writing this report, after only two months of business in 2013, it is

We are committed to offering a workplace where employees can achieve their full potential and feel proud to be part of UCL. Investing in our people, ensuring their skills evolve with the needs of our business, acting on the value of diversity and inclusion – we view all of this as key to future growth. I am gratified to see across many indicators and measures that UCL will grow to be an employer of choice.

premature to draw firm conclusions on the market outlook, especially with a general election expected in the October next. Monetary policy will generally be tightened. However, levels of demand from customers is expected to be little bit stronger than our expectations. Money market has been to some extent stable, capital market appears to be remaining positive. The potential for economic growth, therefore, appears limited and we expect modest growth in 2013.

We have everything we need to turn UCL into a strong and growing company. We remain focused on all of our targets and their achievement over time. We remain on track to meet our balance sheet restructuring and cost reduction targets. However, the timing and pace of achieving our income related targets are

dependent on the pace of economic recovery and the trajectory of interest rates.

We have been focusing more on building a strong position, with good diversification in terms of income streams, geography and strong asset quality. The trend in customer credit quality will depend on the economic climate in the selected markets, and total impairment charges are likely to remain higher in 2013. Concerted efforts are being made to develop and reinforce core activities. We continued to build up the Company's profit centers, while intensifying our focus on core activities. We have planned to bring on board a host of outstanding individuals during the year to achieve our goals.

Overall, the Group remains well placed through the actions of recent times to respond to the needs of our markets in 2013. Hence, we expect earnings to remain moderately better in 2013. It is my honour to lead this Company and we aim to deliver against the expectations of all our stakeholders.

ACKNOWLEDGEMENTS

I would like to end this review by thanking our cherished customers for their loyalty to UCL and confidence in our ability to help them realize their ambitions. At the same time, I wish to convey my deep gratitude to our valued shareholders for their support and steadfast confidence in UCL. My utmost gratitude also goes to my fellow colleagues for their united efforts, dedication and hard work in the face of difficult conditions – as well as for their willingness to embrace change. We also thank the Board and the regulators for their support and guidance during the past year.

And finally, I would also like to express my utmost gratitude to our lenders and depositors for their continued support and confidence in these challenging times that underpin our future success.

We have set out on a demanding and exciting journey. More than ever, we are resolved to accelerate, unlock UCL's full potential, and grow the value of your investment.

Thank you.

sd/-

Md. Akter Hossain Sannamat FCA, FCS
Managing Director & CEO

MANAGEMENT REVIEW & FINANCIAL ANALYSIS

Outlines UCL's operations and financial condition

The Managing Director & CEO and the Chief Financial Officer have signed a statement which can be found on page 85 outlining management's responsibility for financial information in the annual consolidated financial statements.

This report describes UCL's operations and financial condition for the year ended 31 December 2012. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2012. Unless otherwise indicated, all amounts are stated in BDT and have been derived from financial statements prepared in accordance with BFRS and other applicable regulatory requirements.

Certain prior year data has been reclassified to conform with the current year's presentation, including restatements arising from transaction of certain businesses between subsidiaries.

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WHO WE ARE

Established in 1998, UCL Financial Group is a diversified financial services provider based in Dhaka. With total assets of Tk. 10,495.34 million and 95 employees, UCL provides a broad range of financial services including leasing, term finance, SME finance, real estate finance and corporate financial services. UCL also provides capital market services including IPO management, portfolio management, underwriting, share trading etc. through its subsidiaries.

UCL's business planning process is rigorous and considers the prevailing economic conditions, customers' evolving needs and the opportunities available across our lines of business. It includes clear and direct accountability for annual performance that is measured against internal and external benchmarks and progress towards our strategic priorities.

OUR STRATEGY

Changes in the economic environment, and their effects on our customers are ongoing. Our focus on helping our customers succeed and giving them confidence that they are making the right financial choices. It also drives our employees to deliver their best every day.

Recognizing that a company's first responsibility is to be well managed, we believe that the strength of our business model, balance sheet, risk management framework and leadership team, will continue to generate sustainable growth. We remain steadfastly committed to our strategy, our customers and our shareholders.

OUR PRIORITIES IN 2013

- Drive quality earnings growth across all of our businesses by focusing on industry leading customer experience and enhancing operating efficiency;

Management Review & Financial Analysis - *continued*

- Accelerate the growth of our businesses by helping our broad range of customers' needs;
- Build deeper customers' relationships to deliver growth in net income and strong ROE, while maintaining an appropriate risk/return profile;
- Develop our business in selected markets to grow with our customers;
- Expand our capabilities and reach new customers;
- Sustain a culture that focuses on customers, high performance and our people.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our communications often include written or oral forward-looking statements. Statements of this type are included in this Annual Report, or in other communications are regarded as forward-looking statements. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2013 and beyond. Our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Bangladesh economies.

Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this Annual Report not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward looking statements. These factors include:

- general economic and market conditions of Bangladesh;
- the strength of the global economy;
- the degree of competition in the business areas in which we operate;
- changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance;

- the accuracy and completeness of the information we obtain with respect to our customers;
- changes to our credit ratings;
- general political conditions;
- performance of our capital market;
- the ability to maintain sufficient liquidity;
- market and interest rate fluctuations and interest rate levels;
- the ability of customers to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary and tax policies;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the effects of changes in accounting policies or practices;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand image;
- the ability to increase market share and control expenses;
- technological changes; and
- our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results.

For more information, please see the discussion below, which outlines in detail certain key factors that may affect our future results. When relying on forward-looking statements to make decisions with respect to UCL, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. UCL does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the Company or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the period ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

FACTORS THAT MAY AFFECT FUTURE RESULTS

As noted in the preceding caution regarding forward-looking statements, all forward-looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and

specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The report on risk management starting on page 111 describes a number of risks, including credit, market, liquidity and funding, operational, legal and regulatory, business, strategic, reputation and environmental. Should our risk management framework prove ineffective, there could be a material adverse impact on our financial position. The followings outline some additional risks and uncertainties.

Company's business and earnings are affected by general business and political conditions

The performance of UCL is influenced by economic conditions. Downturn in economies could result in a general reduction in business activity and a consequent fall in income of our Company. It could also cause a slow recovery of investments. Political instability also affect our earnings.

The financial performance of the Company is affected by customers credibility

Risks arising from changes in portfolio quality and the recoverability of loans/leases are inherent in a wide range of our business. Adverse change in portfolio quality of our customers or a deterioration in economies of Bangladesh and even global economic conditions, or events arising from systematic risks could affect the recoverability and value of Company's investments. This would require an increase in the provision for doubtful losses.

Changes in interest rates and other market factors may affect our business

Changes in interest rate levels, yield curves and spreads may affect our interest income. The performance of financial markets and monetary policy may cause changes in the value of Company's investments and portfolios. UCL has implemented risk management methods to mitigate and control these and other market risks to which the Company is exposed. However, it is difficult to predict with accuracy the likely changes in economic and market conditions and to anticipate the effects that such changes could have on the company's financial performance and business operations.

Operational risks are inherent in Company's business

Our businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational losses can result from fraud, errors by employees, failure to document transaction properly, failure to comply with regulatory requirements and code of business conduct. Although, UCL has implemented risk

controls and loss mitigation actions and substantial resources are devoted to developing efficient procedures and to staff training. It is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by our company.

Each of the Company's business is subject to stringent regulations and regulatory overseeing

The Company is subject to laws, regulations and administrative actions of Bangladesh Bank and Bangladesh Securities and Exchange Commission. Our capital market activities are also monitored by stock exchanges. This supervision and regulation, if changed could materially affect Company's business, the products and services offered or the value of assets.

Future growth of Company's earnings and shareholders' value depend on strategic decisions

The Company devotes substantial management and planning resources to the development of strategic plans for organic growth. If these strategic plans do not meet with success, the Company's earnings could grow more slowly or decline.

The risk of litigation is inherent in Company's operation

In the ordinary course of the Company's business, legal actions, claims by and against the Company may arise. The outcome of such legal proceedings could affect the financial performance of the Company.

The Company is exposed to the risk of changes in tax legislation and its interpretation

The Company's activities are subject to tax at various rates. Action by Government to withdraw any tax benefit or impose additional taxes would affect the profitability of the Company. Revisions to tax legislation or its interpretation might also affect Company's results in future.

A description on specific risks that UCL may likely to face is given in the last part of this section.

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND BFRS

We did not adopt any new significant accounting policies during the year 2012. The following standards, interpretations and amendments to standards will be relevant to UCL Group and all the amendments except IFRS 9: Financial Instruments have been adopted by ICAB. The Group's initial view of the impact of these accounting changes is outlined below.

Management Review & Financial Analysis - *continued*

Pronouncement	Nature of change	Effective date	Impact
Amendment to IAS 12 'Income Taxes'	The amendment introduces an exception to the existing principle for the measurement of the deferred tax asset or liabilities arising on investment property measured at fair value.	Financial periods beginning on or after 1 January 2012	Not significant
IAS 1, 'Presentation of financial statements'	The amendments to IAS 1, 'Presentation of Financial Statements' require companies to group together items within other comprehensive income (OCI) that may be reclassified to the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two separate statements.	Financial periods beginning on or after 1 July 2012	Not significant
IAS 19, 'Employee Benefits'	The amended standard eliminates the option for deferred recognition of all changes in the present value of the defined benefit obligation and in the fair value of plan assets (including the corridor approach, which is not applied by the Group). In addition, the amended standard requires a net interest approach, which will replace the expected return on plan assets, and will enhance the disclosure requirements for defined benefit plans.	Financial periods beginning on or after 1 January 2013	The Group is assessing the impact of adopting the amended IAS 19.
IFRS 10, 'Consolidated Financial Statements'	This standard replaces IAS 27, 'Consolidated and Separate Financial Statements' and SIC-12, 'Consolidation – Special Purpose Entities'. It establishes a single control model that applies to all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when it is exposed, or has rights, to variable returns from the investee, and has the ability to affect those returns through its power over the investee. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there are changes in facts and circumstances.	Financial periods beginning on or after 1 January 2013	The Group is assessing the impact of adopting IFRS 10.
IFRS 11, 'Joint Arrangements'	IFRS 11 supersedes IAS 31, 'Interests in Joint Ventures' and SIC- 13, 'Jointly-controlled Entities – Nonmonetary Contributions by Venturers'. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. IFRS 11 requires the use of the equity method of accounting for joint arrangements by eliminating the option to use the proportionate consolidation method, which is not applied by the Group.	Accounting periods starting on or after 1 January 2013	The Group is assessing the impact of adopting IFRS 11
IFRS 12, 'Disclosure of Interests in Other Entities'	IFRS 12 establishes the provision of information on the nature, associated risks, and financial effects of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities, as disclosure objectives. IFRS 12 requires more comprehensive disclosure, and specifies minimum disclosures that an entity must provide to meet the disclosure objectives. The new standard is still subject to ICAB endorsement.	Accounting periods starting on or after 1 January 2013	The Group is assessing the impact of adopting IFRS 12.
IFRS 13, 'Fair Value Measurement'	In May 2011, the IASB issued IFRS 13, 'Fair Value Measurement' which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 provides a revised definition of fair value and guidance on how it should be applied where its use is already required or permitted by other standards within IFRS and introduces more comprehensive disclosure requirements on fair value measurement.	Accounting periods starting on or after 1 January 2013	The Group is assessing the impact of adopting IFRS 13.

Management Review & Financial Analysis - *continued*

Pronouncement	Nature of change	Effective date	Impact
IAS 27 (revised), 'Consolidated and Separate Financial Statements'	IAS 27 (revised) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	Accounting periods starting on or after 1 January 2013	The Group is assessing the impact of adopting IAS 27 (revised).
IAS 28 (revised), 'Investments in Associates'	IAS 28 (revised) includes the requirements for joint ventures, as well as associates to be equity accounted following the issue of IFRS 11.	Accounting periods starting on or after 1 January 2013	The Group is assessing the impact of adopting IAS 28 (revised).
Amendments to IAS 32 and IFRS 7 'Financial Instruments' on Asset and Liability Offsetting	These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', that clarify some of the requirement for offsetting financial assets and financial liabilities on the balance sheet. The IASB has also published an amendment to IFRS 7, 'Financial Instruments: Disclosures'. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.	IFRS 7: Accounting periods starting on or after 1 January 2013 IAS 32: Accounting periods starting on or after 1 January 2014	The Group is assessing the impact of adopting the amendments to IAS 32 and IFRS 7.
IFRS 9, 'Financial instruments'	<p>IFRS 9 is the standard which will replace IAS 39, 'Financial instruments: recognition and measurement'. The first stage of IFRS 9 dealt with the classification and measurement of financial assets and was issued in November 2009. An addition to IFRS 9 dealing with financial liabilities was issued in October 2010. The main changes from IAS 39 and the new concepts in IFRS 9 are summarised as follows:</p> <ul style="list-style-type: none"> ○ The multiple classification model for financial assets in IAS 39 is replaced with a single model that has only two classification categories: amortised cost and fair value; ○ Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets; ○ The requirement to separate embedded derivatives from financial asset hosts is removed; ○ The cost exemption for unquoted equities is removed; ○ Most of IAS 39's requirements for financial liabilities are retained, including amortised cost accounting for most financial liabilities; ○ Guidance on separation of embedded derivatives will continue to apply to host contracts that are financial liabilities; ○ Fair value changes attributable to changes in own credit risk for financial liabilities designated under the fair value option other than loan commitments and financial guarantee contracts are required to be presented in the statement of other comprehensive income unless the treatment would create or enlarge an accounting mismatch in profit or loss. These amounts are not subsequently reclassified to the income statement but may be transferred within equity. <p>The amendment is still subject to ICAB endorsement.</p>	Financial periods beginning on or after 1 January 2015	The Group is assessing the impact of adopting IFRS 9. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's ongoing financial instruments project.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Managing Director & CEO and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as at December 31, 2012, by UCL Management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at December 31, 2012, our disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with BFRS and the requirements of Bangladesh Securities and Exchange Commission as applicable.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for UCL Financial Group. UCL's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of UCL;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with BFRS and the requirements of Bangladesh Securities and Exchange Commission, as applicable, and that receipts and expenditures of UCL are being made only in accordance with authorizations by management and directors of UCL; and
- provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of UCL's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements.

The Management, under the supervision of the CEO, the CFO and Head of ICC has evaluated the effectiveness of our internal control over financial reporting using the framework and criteria established in Internal Control. Based on this

evaluation, management has concluded that internal control over financial reporting was effective as at December 31, 2012.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The ongoing preparation of financial statements in accordance with the amendment in BFRS did not change company's internal control over financial reporting.

AUDITORS SERVICES AND FEES

The external auditors of UCL M/S Hoda Vasi Chowdhury & Co., Chartered Accountants were not engaged to perform any of the following services other than annual statutory audit of the company and the audit of one of its subsidiary namely SES Company Limited :

- Appraisal or valuation services or fairness opinions;
- Financial information systems design and implementation;
- Book-keeping or other services related to the accounting records or financial statements;
- Broker-dealer services;
- Actuarial services;
- Internal audit services.

The auditors are paid an amount of Tk. 130,000 net of VAT for their audit of Union Capital Limited.

One of the subsidiaries of UCL Group UniCap Investments Limited is audited by M/S S. F. Ahmed & Co., Chartered Accountants who were not engaged in the above mentioned services other than annual audit and certification on the compliance by Union Capital Limited of the conditions on corporate governance as stipulated in and required by BSEC's Notification of 7 August 2012. The auditors are paid Tk. 50,000 net of VAT for the audit services.

2012 FINANCIAL PERFORMANCE AND FINANCIAL CONDITION REVIEW

Challenges in 2012

- Economic slowdown;
- Increased competition;
- High interest rates environment;
- Volatile capital market;
- Low demand for industrial credit;
- Lack of confidence of investors;
- Maintenance of asset quality;
- Higher corporate tax rate;

Management Review & Financial Analysis - continued

Major Financial indicators of 2012

Major performance indicators in 2012 were as under:

- Investment increased to Tk. 9,170.70 million from Tk. 8,462.50 million registering a growth of 8.37 percent;
- Consolidated net profit for the year was Tk. 56.72 million as against Tk.178.28 million of 2011;
- Deposit growth was 15.34 percent increased to Tk. 4,598.30 million from Tk. 3,986.63 million of 2011;
- Shareholders' equity decreased to Tk. 1,868.91 million from Tk. 1,907.34 million of 2011;
- Operating revenue decreased from Tk. 1,208.52 million to Tk. 1,148.00 million representing a decline of 5.00 percent over last year;
- Earnings per share decreased to Tk. 0.54 as against Tk. 1.70 of 2011.

OPERATING PERFORMANCE REVIEW

Summary of Profit and Loss Account

(Figures in million Taka)

For the year ended 31 December	2012	2011	% of increase/ (decrease)
Revenue from loans, advances and leases	897.15	907	-1.10
Revenue from Capital Market activities	155.22	212.89	-27.09
Other operating income	95.64	88.51	8.05
Total revenue	1,148.00	1,208.52	-5.01
Financial expenses	836.13	612.01	36.62
Management expenses	118.00	107.37	9.90
Provision for doubtful losses	85.19	100.17	-14.96
Total expenses	1,039.32	819.55	26.78
Profit before tax	108.69	388.97	-72.06
Provision for taxation	51.96	210.70	-75.34
Net profit after tax	56.72	178.28	-68.18

Revenue from loans, advances and leases

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

(Figures in million Taka)	Amount	2012 %	Amount	2011 %
Income from lease finance	153.21	14.60	261.59	22.35
Income from term finance	295.69	28.18	295.45	25.24
Income from margin loan	599.46	57.13	612.57	52.33
Other operating income	0.86	0.08	0.96	0.08
Total	1,049.22	100	1,170.57	100

A substantial portion of Company's revenue is earned from financing activities like lease finance, term finance, SME finance and margin loan. Earnings from loans, advances and leases represent 78.14 percent of total revenue earned by the Company during 2012 (2011: 75.02 percent). Income from loans, advances and leases decreased by 1.10 percent i.e. Tk. 9.85 million in 2012 compared with 2011. The main reason was impairment of investment portfolio.

Income from margin loan was 27.09 percent lower than last year because of sluggish capital market throughout the year 2012. During 2012 total trade volume in DSE decreased 36 percent to Tk. 4,206 billion from Tk. 6,642 billion of 2011.

Operating Expenses

(Figures in million Taka)	2012	2011	% of increase/ decrease
For the year ended 31 December			
Financial expenses	836.13	612.01	36.62
Management expenses	118.00	107.37	-9.90
Provision for doubtful losses	85.19	100.17	-26.82
Total expenses	1039.32	819.55	26.82

Financial expenses

In 2012 financial expenses has increased by 36 percent due to high money market environment. Interest on term loan at one stage soared up to 18 percent plus and sustained for quite long time.

Management Review & Financial Analysis - continued

UCL pays interest on funds mobilized from different sources like deposits from individuals and institutions, loan from banks, call loan and security deposit from customers. Interest rates vary depending on the nature of sources of funds. Interest expenses consist of 80.45 percent of total expenses (2011: 74.68 percent). Interest expenses in 2012 increased by 36.62 percent compared to that of the year 2011 mainly due to increased interest rate environment. In 2012 financial expenses were 72.83 percent of total operating revenue (2011: 50.64 percent).

Management expenses

Management expenses include salaries and allowances, office maintenance expenses,

depreciation on fixed assets, legal and professional fee etc. Details of the expenses are given in the Notes to the Financial Statements of this Annual Report. Management expenses decreased by 9.90 percent to Tk. 118.00 million in 2012 (2011: Tk. 107.37 million). During 2012, management expense was 10.28 percent of total revenue (2011: 8.88 percent).

Provision for doubtful losses

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank. During the year total provision of Tk. 74.03 million has been provided which was Tk. 100.17 million in 2011.

FINANCIAL CONDITION REVIEW

(Figures in million Taka except percentage)			
Assets and Investments	2012	2011	Percentage
Loans, advances and leases	7,728.56	7,234.89	6.82
Investment in securities	1,442.14	1,227.61	17.48
Fixed assets	22.71	28.03	-18.99
Cash & cash equivalent and other assets	1,301.93	1,402.00	-7.14
Total assets and investments	10,495.35	9,892.53	6.09
Shareholders' equity and liabilities	2012	2011	Percentage
Shareholders' equity	1,868.91	1,907.34	-2.02
Deposits	4,598.30	3,986.63	15.34
Borrowings from banks and NBFIs	1,989.44	2,143.48	-7.19
Provisions and others liabilities	2,038.70	1,855.08	9.90
Total shareholders' equity & liabilities	10,495.35	9,892.53	6.09

Loans, advances and leases

Total outstanding balance of loans, advances and leases at 31 December 2012 were Tk. 7,728.56 million which is 6.82 percent higher than last year

(2011: Tk. 7,234.89 million). Outstanding balance of loans, advances and leases as on 31 December 2012 and 2011 was as under:

		2012		2011	
(Figures in million Taka except percentage)		Amount	Percentage	Amount	Percentage
Lease finance	1,875.50	24.27	1,953.61	27.00	
Term finance	2,109.16	27.29	2,280.98	31.53	
Margin loan (Net)	3,570.53	46.20	2,959.56	40.91	
Other finance	173.37	2.24	40.74	0.56	
Total	7,728.56	100.00	7,234.89	100.00	

In 2012, our total loans, advances and leases increased by 6.82 percent compared to 2011 mainly due to increase in margin loan by 20.64 percent. In 2012 we gave priority more on improving the portfolio quality rather than increasing volume of business with an special focus on recovery of slow moving and stuck up lone/leases. Management has always been trying to concentrate on adding quality investments in its portfolio rather than achieving high target of

business volume, keeping in mind our previous experiences in our financing activities.

Liquidity Statement

Maturity of assets and liabilities has been determined as per agreements with our customers and fund providers. Management always maintains long-term and short-term strategy to address the probable liquidity gap properly.

Management Review & Financial Analysis - continued

The Company meets its funding requirements through prudent liability management. Liability structuring is made in such a way so that it matches with the tenure of asset structure. Liquidity is monitored regularly to ensure the company's ability to support investment growth, deposit encashment, meet contractual obligations, maintain reserve requirements and otherwise sustain operations. Union Capital maintains its liquidity in the form of readily encashable deposits with banks, collection of rentals/installments and investment in listed securities.

On the other hand, in order to meet company's urgent requirement UCL, can on the basis of its net assets, borrow significant amount in the form of call

money, which is another point of comfort as far as fund management is concerned. Based on the net assets as of 31 December 2012, UCL can borrow from call money market to the tune of Tk.990 million. A statement of structural liquidity is sent to Bangladesh Bank on monthly basis. Management, however, believes that the company's present position is adequate to meet its current and future liquidity requirements. Maturity analysis indicates that the company maintains reasonable maturity gap between assets & liabilities in case of one year maturity buckets and above one year maturity buckets. Given below is the maturity table of investment activities:

Loans, advances and leases

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Lease finance	188.72	80.56	1,024.36	438.62	54.62	1,786.88
Advance against lease finance	-	48.58	-	-	40.04	88.62
Term finance	33.13	156.22	970.08	459.87	489.86	2,109.16
Margin loan	707.00	242.00	2,431.16	190.37	-	3,570.53
Loan against deposits	6.65	-	143.66	-	-	150.31
Staff loan	0.26	0.53	2.41	15.35	4.50	23.06
Total	935.52	527.89	4,571.67	1,104.62	589.01	7,728.56

Maturity Table of borrowings and other liabilities are given below:

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Bank Loan	31.67	82.72	324.54	645.74	-	1,084.67
SMESPD Fund	0.33	-	1.00	2.67	-	4.00
Fund from Bangladesh bank	-	1.76	1.76	0.15	-	3.67
Short term loan	670.00	227.10	-	-	-	897.10
Total	702.00	311.58	327.30	648.56	-	1,989.44

Investment in shares

Union Capital invested in diversified listed securities with highest investment in manufacturing companies represents 33.89 percent of total investment followed by non-banking financial institutions sector (18.51 percent), investment companies (16.55 percent), fuel & power (12.59 percent), banking companies (10.48 percent) and insurance companies (7.98 percent). UCL is exposed to market risk since it has a significant amount of investment in capital market

and the fluctuation in the share price is a regular phenomenon of this market. We minimize this risk through diversification investing mostly in fundamentally strong securities. The market value of the securities at 31 December 2012 was Tk. 341.17 million (2011: Tk. 224.27 million). The following table shows the concentration of investment in major sectors of listed securities as at 31 December 2012 and 2011:

(Figures in million Taka)	2012		2011	
	Amount	Percent	Amount	Percent
Banking companies	54.75	10.48	48.15	14.14
Non Banking Financial Institutions	96.69	18.51	101.69	29.85
Insurance companies	41.70	7.98	5.50	1.62
Investment companies	86.43	16.55	75.05	22.03
Fuel & power	65.78	12.59	29.09	8.54
Manufacturing companies and others	177.04	33.89	81.13	23.82
Total	522.39	100	340.61	100

Performance of Capital Market

We could not perform well in 2012 in our capital market activities as we expected at the beginning of the year. In all areas of this segment was effected mostly due to sluggish market through out the year resulted from many factors including lack of investors' confidence, liquidity problem, lack of co-ordinations among the regulators etc.

In 2012, DGEN index lost 19.75 percent. Following two consecutive losing years, DGEN was 52.69 percent below from its peak value of 8,918.51 on 5 December 2010.

During 2012, the index lost 1,038.29 points, closed at 4,219.31 points. DGEN bottomed on 06 February 2012 at a 27-month low of 3,616.24. Subsequently it went up to 5,502 points on 17 April 2012, which was the highest in 2012.

The DSE 20 Index that comprises of the blue-chip shares clocked at its highest point at 3,878.27 in April

2012 while the lowest of DSE 20 was recorded at 3,296.42 in July 2012 and the year end closing point was 3,472.56. DSE All Share Price Index (DSI) closed at 3,577.21 on 30 December 2012. The highest DSI was recorded at 4,612.78 on 17 April 2012 while the lowest was recorded at 3,045.31 on 06 February 2012.

In addition to decline in index, plunge in turnover was also apparent in 2012. Average daily turnover stood at BDT 4,206.24 million, 36.67 percent less than 2011. On 08 July 2012, turnover hit a 39 month low at BDT 1,157.03 million. Aided by a revived primary market, number of listed securities increased from 501 to 515 in 2012. However, despite the contribution from new listings, 2012 observed an 11 percent decline in equity portion of market capitalization, and 8 percent drop in aggregate market capitalization.

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

	2010	2011	2012	Change (%)
Total Trading Days	244	235	238	-
Total Turnover value (BDT in billion)	4,010	1,561	1,001	-36
Daily Average Turnover value (BDT million)	16,434	6,642	4,206	-36.67
Average Volume (BDT million)	70	72	91	26
Market Capitalization (USD million)	49,145	32,553	29,612	-9
DSE General Index (DGEN)	8,290	5,258	4,219	-19.75
DSI Index	6,878	4,384	3,577	-18
Total Number of Listed Securities	445	501	515	3
Total Newly Listed Securities	21	14	14	0
Market Capitalization to GDP (Ratio)	50.67	33.23	26.27	-21

Non-performing loans, advances & leases (NPL)

Loans, advances & leases are classified as non-performing when it marked as substandard category or worse even if there exist no reasonable doubts as to collectivity. Bangladesh Bank guidelines are strictly follows for determining the classification of

loans, advances and leases. Interest receivable for 3 months and above is not taken into profit and loss account rather kept in interest suspense account. Non-performing assets as of 31 December 2012 and 2011 were as follows:

(Figures in million Taka)	Outstanding amount	NPL	2012 NPL (%)	Outstanding amount	NPL	2011 NPL (%)
Lease finance	1,875.50	937.32	77	1,953.61	635.42	93
Term finance	2,109.16	287.88	23	2,280.98	51.51	7
Margin loan (Net)	3,570.53	-	-	2,959.56	-	-
Other finance	173.37	-	-	40.74	-	-
Total	7,728.56	1,225.20	100	7,234.89	686.93	100

Non-performing loans, advances and leases was recorded Tk.1,225.20 million in 2012 as against Tk.686.93 million of 2011, a significant growth of 78.36 percent. The NPL under Bad and loss increased to Tk.657.69 million compared to Tk.578.47 million in 2011. The impaired portfolio comprised of sub-standard of 25.10 percent as

against 8.92 percent, doubtful 21.22 percent as against 6.87 percent and Bad and Loss 53.68 percent as against 84.21 percent.

Non-performing loans, advances and leases increased, because Management was very strict to follow guidelines for rescheduling/restructuring of

Management Review & Financial Analysis - continued

classified accounts, some accounts which were previously classified as SMA have been entered into the list of classification, some accounts which have been rescheduled in previous years also added in the list of classified loan/leases in 2012. Above all the repayment performance of our customers was not satisfactory. Despite increased amount of classification, the Company was able to maintain the rate of classification at reasonable level. Adequate

provision has been made against the classified loan accounts as per Bangladesh Bank guidelines.

Coverage/reserve against non-performing loans, advances and leases

The following table summarizes the allocation of the provision and interest suspense against loans, advances and leases as of 31 December 2012 and 2011:

(BDT in million)	Provision for NPL	Interest suspense	Total	NPL	2012 % of NPL	Provision for NPL	Interest suspense	Total	NPL	2011 % of NPL
Lease finance	347.17	223.23	570.40	937.32	60.85	234.88	161.09	395.97	635.42	62.32
Term finance	41.90	39.65	81.55	287.88	28.33	7.51	6.82	14.34	51.51	27.83
Real estate finance	-	-	-	-	-	-	-	-	-	-
Margin loan(Net)	-	-	-	-	-	-	-	-	-	-
Loan against term deposit	-	-	-	-	-	-	-	-	-	-
Total	389.07	262.88	651.95	1,225.20	53.21	242.39	167.91	410.31	686.93	59.73

Union Capital has maintained total provision of Tk. 466.72 million against loans, advances and leases as of 31 December 2012. Provision against classified loan has increased by 60.51 percent compared to 2011. The provision for doubtful losses increases by charging to profit and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowances is based on the companies past loss experience, known and inherent risk in the portfolio, adverse situations that may affect the clients' ability to repay and current economic conditions. Management also taken the qualitative aspects while classifying an account.

We adhere to the principal of classification as guided by Bangladesh Bank for making interest suspense and provisioning against loans, advances and leases. Interest amount is transferred to interest suspense account rather showing as income in the Profit & Loss Account when instalments fall due over 2 months or more. Base for provision is made after deducting interest suspense and value of eligible security (considered 50 percent for the security value in case of collateral of land, building and market value of shares, 100 percent against cash security) from outstanding amount of a particular loan, advance and lease. Rate of provision for loans, advances and leases classified as Sub-standard, Doubtful and Bad & Loss is 20 percent, 50 percent and 100 percent respectively.

Coverage ratio of loans, advances and leases decreased slightly. As at 31 December 2012 coverage was 53.21 percent compared to 59.73 percent of 2011. We believe coverage is satisfactory as the company maintain adequate provision as per guidelines of Bangladesh Bank.

Management has taken adequate measures to reduce the classified loan percentage by regular monitoring, examining, appraising, evaluating the position/status of the classified clients/customers.

Appropriate legal action has been taken where necessary against the classified loan accounts where prospect of recovery from the customer through negotiation and amicable settlement is uncertain. Moreover, engagement of external recovery agents and formation of internal monitoring and recovery committee for effective monitoring and follow-up of problem accounts are the initiatives for improving recovery situation.

CREDIT MONITORING FUNCTION

A continuous monitoring of loan/leases is one of the most important tools for ensuring the quality of advances assets for any lending institution. UCL too has a well-established system of monthly monitoring of its advances accounts at various levels to prevent asset quality slippages and to take timely corrective steps to improve the quality of its overall portfolio. At UCL, a separate department for monitoring function at the corporate level, has been functional. UCL has placed special focus on sharpening of the credit monitoring process for improving the asset quality, identifying the areas of concern and the branches requiring special attention. It has also worked out strategies to ensure implementation in a time-bound manner. The primary objectives of UCL's Monitoring Department at the corporate level are fixed as under:

- Identification of weakness/potential default/incipient sickness in the account at an early stage;
- Initiation of suitable and timely corrective actions for preventing impairment in credit quality, whenever signals are noticed in any account, e.g. decline in credit rating, delay in servicing of rentals/installments etc;
- Prevention of slippage in the asset classification through a vigorous follow up;

- Identification of suitable cases for restructuring/ rescheduling/ rephasing;
- Taking necessary steps/regular follow up, for review of accounts and compliance of terms and conditions, thereby improving the quality of UCL's portfolio;
- Regular monitoring progress of classified accounts.

SHAREHOLDERS' EQUITY AND CAPITAL

Capital Management

Objective

UCL is committed to a disciplined approach to capital management that balances the interests and requirements of shareholders, regulators, depositors and rating agencies. Our objective is to maintain a strong capital position in a cost-effective structure that:

- is appropriate given our target regulatory capital ratios and internal assessment of required capital;
- is consistent with our targeted credit ratings;
- underpins our business strategies; and
- builds depositors' confidence and long-term shareholder value.

Capital Management Framework

The principles and key elements of UCL's capital management framework are outlined in our capital management policy which includes the results of the internal capital adequacy assessment process.

This process evaluates capital adequacy, and is used to establish capital targets and capital strategies that take into consideration the strategic direction of the Company. The internal capital adequacy assessment process and capital plan are developed in conjunction with UCL's annual business plan, promoting alignment between our business and risk strategies, regulatory capital requirements. Stress testing and scenario analysis are also used to assess the impact of various stress conditions on UCL's risk profile and capital requirements. The framework seeks to ensure that we are adequately capitalized given the risks we take, and supports the determination of limits, goals and performance measures that are used to manage balance sheet positions, risk levels and capital requirements. Assessments of actual and forecast capital adequacy are compared to the capital plan throughout the year.

UCL uses regulatory capital to evaluate business performance and as the basis for strategic and transactional decision-making. This approach aims to protect our stakeholders from the risks inherent in our various businesses, while still allowing the flexibility to deploy resources to the high-return, strategic growth activities of our operational areas.

Governance

The Board of Directors and the Risk Management Committee provide ultimate oversight and approval of capital management, including our capital management policy and capital plan. We regularly review our capital position, capital adequacy and key capital management activities. The Risk Management Committee provide senior management oversight, and also review and discuss capital policies, issues and action items that arise in the execution of our strategy.

2012 Regulatory Capital Review

Regulatory capital requirements for UCL are currently determined on a Basel II basis. UCL's capital adequacy is determined based on risk weighted assets (RWA) in our portfolio. UCL's total consolidated RWA were Tk. 11,645.29 million at 31 December 2012, up from Tk. 11,363.78 million in 2011. The table below provides a breakdown of our RWA by risk type.

Risk-Weighted Assets (Consolidated)

	BDT in millions	
As at 31 December	2012	2011
Credit risk	9,089.98	8,992.41
Market risk	1,484.84	1,226.96
Operational risk	1,070.47	1,144.40
Total RWA	11,645.29	11,363.77

Basel II Regulatory Capital (in million Taka)

As at 31 December	2012	2011
TIER 1 Capital	1,363.41	1,401.84
TIER 2 Capital	398.32	394.80
Total capital	1,761.73	1,796.64

The above table details the components of regulatory capital. Tier 1 capital is primarily comprised of paid up share capital, and reserves and surplus. Our shareholders' equity and Tier 1 capital were Tk. 1,363.41 million.

Total capital includes Tier 1 and Tier 2 capital, net of certain deductions. Tier 2 capital is primarily comprised of subordinated debt and a portion of the general allowance for credit losses. Deductions from Tier 2 capital primarily relate to our investments in subsidiaries. UCL does not have any subordinated debt. Total capital as of 31 December 2012 was Tk. 1,761.73 million.

Our objective is to maintain strong capital ratios that exceed regulatory requirements. The Equity Ratio, Tier 1 Capital Ratio and Total Capital Ratio are key measures of capital adequacy, and all remained adequate in 2012.

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

Management Review & Financial Analysis - continued

The Equity Ratio/Tier 1 Capital Ratio	11.71
Tier 2 Capital Ratio	3.42
Total Capital Ratio	15.13
Capital to Assets multiple	1.51

The Equity Ratio reflects shareholders' equity divided by RWA. The Tier 1 Capital Ratio reflects Tier 1 capital divided by RWA. The Total Capital Ratio reflects total capital divided by RWA.

Borrowings from other banks and financial institutions

Total outstanding loan from banks and other financial institutions as at 31 December 2012 was Tk.1,989.44 million compared to Tk. 2,143.48 million in 2011. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2012, a total loan of Tk.708.54 million was repaid. In addition, an amount of TK. 280.10 million was paid as interest.

Union Capital has been enjoying credit facility from Bangladesh Bank for SME financing and received JICA fund under the refinancing scheme.

Treasury Operation

In order to minimize the asset-liability mismatch, UCL always strives for mobilizing funds for longer term. In the current money market scenario it is difficult to mobilized deposit for a period of more than 12 months. For that reason, we need to borrow a large portion of our fund from banking sources which is of course a costlier source of fund. During the year 2012, an amount of Tk. 611.67 million has been received as term deposits from various sources which was Tk. 553.12 million in 2011. As at 31 December 2012, total outstanding amount of term deposit was Tk.4,321.42 million compare with Tk.3,571.48 million in 2011. Interest amounting to TK. 535.88 million was paid on term deposits during the year 2012 as against Tk.401.28 million in 2011. The Company offers different deposit products which is available on page 16.

CASH FLOWS ANALYSIS

Union capital prepares its cash flow statement in line with the formate prescribed by Bangladesh Bank. We manage our cash flow preparing statement for different maturity period i.e. within 7 days, 2 weeks, 1-12 months, between 1-3 years, 3-5 years, 5-10 years, 10-15 years, 15-20 years as per the situation demands.

A considerable portion of our total assets representing 11.56 percent is liquid in nature and consists mainly of cash and balance with various banks and financial institutions and investment in listed securities. The highly liquid nature of our assets provides us with flexibility in financing and managing our anticipated operating needs.

The company's asset and liability management policy is intended to manage Balance Sheet Risk,

especially for managing of liquidity risk and interest rate risk. We manage the risk re-pricing the interest earning assets and interest-bearing liabilities though in some cases it is difficult to re-price the loans, advances and leases. The Company is maintaining the CRR and SLR as prescribed by the Bangladesh Bank.

Cash flow from operating activities

Union Capital maintained a positive net cash flow from its operating activities during the year 2012. Positive net cash flows from operating activities signifies that UCL Group generates sufficient cash flow from its operating activities to meet its operating expenses. Net cash inflows from operating activities was Tk. 348.78 million due to a significant amount of deposit collected from banks and financial institutions.

Cash flow from investing activities

Net cash outflows from investing activities was Tk. 193.30 million mainly due to investment in listed securities. During the year, a total amount of Tk. 921.33 million (2011: Tk.417.73 million) has been invested for purchase of listed securities while total sale of securities was Tk. 732.56 million (2011: Tk.120.90 million).

Cash flow from financing activities

Net cash flow from financing activities shows a net cash outflow that means the repayment of loan was higher than the money borrowed from banks and other sources. During the year a total amount Tk. 708.54 million was paid to banks as repayment of short/long term loan while an amount of Tk. 554.50 million was taken as fresh loan. Moreover, an amount of Tk. 95.16 million was paid as cash dividend for 2011.

SPECIFIC RISK AND ITS MANAGEMENT

COMPLIANCE RISK

Regulatory risk

This is the risk whereby the procedures implemented by UCL to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective.

Impact on business

Could result in significant financial loss, impairment of shareholders' funds and/ or outright closure of business occasioned by sanction/fine on UCL, or loss/ suspension of banking licence.

Mitigation measures

Proactive implementation of UCL's sound compliance programme that ensures compliance by all stakeholders to relevant laws and regulations. This includes continuous updates of UCL's policy guidelines as well as training of employees to

Management Review & Financial Analysis - *continued*

understand regulatory obligations and the consequence of non-compliance.

Reputational risk

This is the risk whereby UCL might be exposed to negative publicity due to the contravention of applicable statutory, regulatory and supervisory requirements and/ or providing a service that does not comply with fit and proper industry standards.

Impact on business

Could result in loss of correspondent banking relationship, loss of investor community confidence significant financial loss; occasioned by damage to UCL's image as a result of negative publicity and eventual loss of business.

Mitigation measures

UCL has put in place adequate measures to know our customers and implement processes for combating money laundering and terrorist financing. In this regard, UCL continuously reviews its Anti Money Laundering and Terrorist Financing policy, incorporating any new regulatory guidelines for Know Your Customer (KYC)/ Know Your Customer's Business (KYB).

Responsibility

The primary responsibility for complying with regulatory requirements lies with all employees conducting particular transactions, or activity to which regulation applies. However, the Board of Directors is ultimately accountable for compliance through the Chief Compliance Officer.

CREDIT RISK

Credit

Default risk, performance risk, payment risk, diversion risk, managerial risk.

Impact on business

- Poor asset quality arising from high level of non-performing loan/leases and ultimately low yield on risk assets;
- Financial loss due to increased provisions and charges on impaired assets;
- Could lead to impairment of shareholders' funds.

Mitigation measures

- Strong credit analysis to identify the risk;
- Clear loan covenants and transaction dynamics;
- Effective credit control and monitoring processes;
- Prompt identification of early sign of deterioration;
- Adequacy and realizability of collateral;
- Adoption of risk-based pricing for risk assets;
- Risk management systems and processes have

been strengthened to optimize portfolio quality and to ensure appropriate pricing of risk assets.

Portfolio Concentration risk

Impact on business

Breaches of portfolio limits and regulatory provisions could lead to sanctions and increased financial loss.

Mitigation measures

Adherence to portfolio limits and regulatory requirements.

Responsibility

Business Units, Chief Risk Officer and Risk Management Committee.

MARKET AND LIQUIDITY RISK

Interest rate risk

Impact on business

Could result in significant financial loss, impairment of interest rate related instruments including fixed-rate instruments.

Mitigation measures

- Experienced Asset-liability Management Committee that meets regularly;
- Daily reporting to executive management;
- Strict adherence to UCL's internal policies such as the use of limits and management action triggers.

Investment risk

Impact on business

Could lead to diminution in the value of investments.

Mitigation measures

- Significant investments are approved by the Board and all others by the Board Executive Committee and the Management Committee;
- Experienced executives in the respective business units;
- Supervision by the parent company board on subsidiaries;
- Portfolio selection and diversification strategies.

Liquidity risk

Impact on business

Could lead to insolvency and eventual reputational risk.

Mitigation measures

- Efficient Asset and Liability Committee that oversees liquidity management;
- Diversified sources of funding;

Management Review & Financial Analysis - *continued*

- Contingent funding plan;
- Effective cash flow planning.

Responsibility

The primary responsibility for mitigating the above risks lies with the treasury department. However, the risk identification, measurement, monitoring, control and reporting lies with the ALCO and the Chief Risk Officer.

Operational risk

People risk

The risk of loss – financial, reputational or otherwise – arising from a failure to properly manage UCL's human capital. This could manifest in the form of staff fraud, high staff attrition, knowledge gaps and a demotivated and disgruntled workforce.

Impact on business

This would impact UCL by way of negative service experiences for our customers and the attendant loss in market share, financial loss and reputational damage and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- UCL has put in place comprehensive service rules to achieve a strong workplace;
- Effective background checks on new hires;
- Competitive remuneration package to attract and retain the best talent;
- Enforcement of strong supervisory control;
- Zero tolerance to staff integrity issues and fraud;
- A fully fledged HR Department to cater for the training and development needs of staff;
- A HR and Compensation Committee that deal with and resolve employee issues.

Operations risk

The risk for UCL to incur financial loss as a result of inadequacies or failures in operations processes, systems or staff. Operations risk additionally incorporates the risk arising from disruption of operations activities caused by external events. Examples are: failures in the customer intake and documentation process; failed mandatory reporting obligations; limit breach due to inadequate internal processes; inadequate reconciliation processes and manual intensive processes.

Impact on business

Impact on business ranges from negative customer impact and the attendant loss in market share, financial loss and reputational damage, and the cumulative effect of being unable to deliver strong business performance that meets or exceeds stakeholders' expectations.

Mitigation measures

- We have a operational guidelines that guide operational activities;
- There is a functional reporting structure for effective supervisory control on the operations of UCL;
- Automation of functional processes;
- Putting in place sound business continuity plan and disaster recovery programmes;
- Stepping up operational risk awareness training;
- Monitoring and managing key risk indicators (KRIs) in products/activities.

System or technology risk

The risk of failing to develop, implement or operate UCL's technology platforms and solutions to meet stakeholders requirements.

Impact on business

This could manifest in the form of: system downtime resulting in irate customers and tarnished reputation; software failures; systems change process management failures; seizure of technical support; hardware failures; obsolete hardware; and no support from the system providers.

Mitigation measures

- UCL has a Disaster Recovery Plan;
- UCL execute Service Agreement with IT service providers;
- Regular IT supervision and control;
- Hardware management covering hardware purchase, use, replacement and disposal;
- Extensive software selection process is in place covering purchase or design, use, enhancement and replacement;
- Building resilience into UCL's network platform through the installation of a back-up link.

Regulatory and compliance risk

This could lead to financial and reputational losses to UCL as a result of failure to comply with the laws, regulations or codes applicable to the financial services industry.

Impact on business

The impact of this risk category on UCL ranges from financial loss arising from fines and penalties; loss of revenue due to temporary suspension or ban from certain market activities; possible loss in share price and negative investors perception and suspension of operations.

Mitigation measures

- UCL has compliance team to drive and implement UCL's compliance framework;

Management Review & Financial Analysis - *continued*

- Effective monitoring of compliance with laws and regulations, its code of conduct, and corporate governance practices;
- UCL has a process for ensuring new and changed legal and regulatory requirements;
- Ensuring that regulatory requirements are incorporated in the operation where appropriate;
- Prompt submission of regulatory reports;
- Sound corporate governance practices and the setting of the right tone from the top with respect to regulatory issues.

Responsibility

The primary responsibility for mitigating the above operational risks lies with the risk-taking units of UCL, which include all the business units and support functions.

Information security risk

Confidentiality, integrity and availability of UCL operations and information assets.

Impact on business

Information assets are critical to UCL's operation and the confidentiality, integrity and availability of these assets are crucial to the effective and efficient delivery of service by UCL to its customers.

Disruption or interruptions to these assets would have dire consequences on UCL operations.

Mitigation measures

- Documenting and standardizing the processes within UCL while building appropriate controls into these processes;
- Classifying all information assets with appropriate priorities and assigning ownership for those assets;
- Developing awareness programme and making information security the responsibility of all UCL staff.

Responsibility

The primary responsibility for security of UCL information assets and applicable legislations lies with all employees, while the Executive Management has the overall responsibility to ensure that all information assets within UCL are protected and thus adequately secure.

Legal risk

Litigation and adverse claims

Impact on business

Increased costs, loss of revenue, abuse and/or loss of intellectual property, distraction, negative brand equity, strained relationships with customers,

depositors, employees, service providers, investors, regulators and other stakeholders, and possible disruption of business activities.

Mitigation measures

Consistent application of professional standards, transparency and fairness while transacting to reduce areas of possible conflicts, availability of a dependable record retention system, engagement of external counsel with proven competence in the prosecution of UCL's claims against third parties and in the conduct of UCL's defense, and exploring alternative dispute resolution mechanisms, among others.

Asset security cover risk

Impact on business

Loss of revenues, weak legal position in recovery efforts, increase in litigations and the attendant negative impact.

Mitigation measures

Thorough and experienced credit proposal reviews, use of independent experts for asset valuations, conduct of due diligence on assets subject matter of the security arrangements, legally defensible documentation protective of UCL's security interest and effective and proactive monitoring of credits.

Responsibility

The Legal Services Department, Credit Appraisal Unit, Credit Risk Management and all Relationship Managers.

REGULATIONS

UCL has been operating under the license from Bangladesh Bank. Our operations are subject to regulation, inspection, and supervision. This supervision and regulation is intended primarily to bring financial discipline in the functioning of NBFIs and for the protection of the depositors. We are required to provide reports on our activities on certain intervals some are regularly; some are weekly, monthly, quarterly and so on. Regulations applicable to UCL generally relate to lending and investment activities, maintenance of appropriate level of capital, maintenance of cash and liquidity reserve, appointment of Directors, Managing Director and auditors, loan to Directors and associates etc. Failure to comply with these regulations may be considered an unsafe and unsound practice and may result in the imposition of penalties by Bangladesh Bank. The company is required to file periodic reports to Bangladesh Bank describing its activities and financial conditions. Our capital market operations are also monitored and supervised by BSEC and Stock Exchanges. The periodic reports required to submit to Bangladesh Bank, BSEC and Stock Exchanges are given below:

Management Review & Financial Analysis - *continued*

Reporting Type	Frequency
Schedule of Bangladesh Bank Reporting	
Statement of Shareholding information	Half-Yearly
Statement of Re-Schedulement of Lease/Loan A/C	Monthly
Statement of Write Off of Lease/Loan A/C	Monthly
CIB return	Monthly
Statement of Business Activities	Quarterly
Statement of Industrial Loan	Quarterly
Statement of Money Laundering	Quarterly
Statement of Loans/Leases of Bank/FIs Directors	Quarterly
Statement of Top 10 Defaulters	Quarterly
Statement of Litigation cases	Half-Yearly
Statement of Large Loan/Lease	Quarterly
Call Money Transactions	Daily
Statement of NBDC Return	Monthly
Unaudited Balance Sheet	Half-Yearly
Statement of Net Assets	Half-Yearly
Schedule of collection of fees/charges/commission	Half-Yearly
Statement of Corporate Social Responsibility	Half-Yearly
Classification of Leases & Loans (CL)	Quarterly
Sector wise Investment	Quarterly
BASEL II reporting	Quarterly
Stress Testing Report	Half-Yearly
Minutes of Board/Committee Meetings	Occasionally
Statement of Cash Reserve Requirement	Monthly
Statement of Statutory Liquidity Reserve	Monthly
Statement of Lending/Deposit Rate	Quarterly
Liquidity Profile	Monthly
Branch wise information	Monthly
Audited Financial Statements & Management Report	Annually
Statement of SME Loan/Lease disbursement	Quarterly
Statement of SME Loan/Lease disbursement for Women Entrepreneur	Quarterly
Statement of SME Loan/Lease outstanding	Quarterly
Statement of SME Loan/Lease recovery/collection status	Quarterly
Statement of SME Loan/Lease cluster wise disbursement	Quarterly
Statement of SME Loan/Lease cluster wise outstanding	Quarterly
Statement of SME Market Segmentation Data	Quarterly

Reporting Type	Frequency
Statement of SME monitoring refinance scheme	Quarterly
Statement of SME monitoring refinance scheme for Women Entrepreneur	Quarterly
Statement of SME re-financing of JICA Fund	Quarterly
Statement of SME target report	Yearly

Reporting to BSEC

Quarterly Financial Statements (Q1)	Quarterly
Quarterly Financial Statements (Q3)	Quarterly
Shareholding position	Monthly
Half-Yearly report	Half-yearly
Daily Trade Report	Daily
Merchant Bank activities	Monthly
Merchant Bank activities	Quarterly

Dhaka & Chittagong Stock Exchange

Quarterly Financial Statements (Q1)	Quarterly
Quarterly Financial Statements (Q3)	Quarterly
Half-Yearly report	Half-yearly
Shareholding position	Monthly
Statement of free float shareholding	Monthly
Annual Report	Annually

RECENT LEGISLATIONS

During the year 2012, Bangladesh Bank has issued certain guidelines which inter alia include as under:

- All NBFIs must obtain consent from Bangladesh Bank before formation of any subsidiary company;
- Financial Institutions have been advised to reduce the loan extended to their subsidiary companies carrying out merchant banking and brokerage activities within 31 March 2013;
- The Board of financial institution must approve all large loan/lease/investment proposals;
- NBFIs are required to carry out Stress Testing on quarterly basis;
- NBFIs are required to submit the minute of the Board and its Committee Meetings to Bangladesh Bank within 5 working days from the date of such meeting;
- All stock dealers and stockbrokers, portfolio managers and merchant banks, securities custodian and asset managers have been included as Reporting Organization. Accordingly they are required to comply all the provisions contained in the Money Laundering Prevention Act 2012 and Anti Terrorism Act 2009 (amended in 2012).

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

- BSEC has issued a Notification dated 7 August 2012 containing certain conditions to be complied with by the listed companies on or before 31 December 2012 with the objective of enhancing corporate governance in the interest of investors and the capital market;
- BSEC has made it mandatory for the Sponsors and Directors of all listed companies to hold at least 2 percent share individually and 30 percent collectively;
- All the Merchant Banks were asked by BSEC to close the Omnibus account within the extended time of February 2013.

COMPETITION

Union Capital faces intense competition in all the markets where it operates. Its principal competitors are the non-banking financial institutions. Because of involvement of banks in our core product i.e. leasing business, competitiveness in leasing has been intensified further. Some banks are also offering capital market related products like brokerage services, portfolio management etc.

COMMUNICATION WITH THE SHAREHOLDERS

The investor relation activities of the Company are designed to provide a balanced level of communication between the Company and its stakeholders. Established procedures are in place to ensure the timely release of price sensitive information. The Company also publishes its quarterly, half-yearly and annual results well within the time periods prescribed by the regulators.

The Company promotes the use of Company's website in all Company announcements. The website also contains corporate information which is updated on a regular basis and includes a corporate governance information which contains details of the Company's adherence to the guidelines and the full terms of reference of the Board and its Committees.

All the Directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have been concluded. The Fifteenth Annual General Meeting will

be held on 31 March 2013. All shareholders of the Company are invited to attend the Company's Annual General Meeting. An invitation letter has been given to the shareholders available on page 232 of this Annual Report.

The Directors appreciate the importance of general shareholders of the Company and use the Company's Annual General Meeting as further opportunities to communicate with them. UCL provides copies of its annual report in order that these are made available to them well in advance for detail and constructive discussion.

It is the company's policy to give the shareholders the opportunity at Annual General Meeting to ask questions about its activities and prospects. The Board also structures these meetings so that shareholders can vote separately on each matter, by proposing separate resolutions for each item to be considered.

In accordance with the provisions of the Companies Act, 1994, the notice of the Fifteenth Annual General Meeting was sent to shareholders more than 14 clear days before the meeting. Notice of AGM is also published in two widely circulated daily newspaper one in English and another in Bangla. Shareholders had the opportunity to vote separately on each proposal at the Annual General Meeting, either in person or by proxy. The proxy form is attached to the annual report to represent the original shareholder in the meeting and vote on his behalf in case of preoccupation or otherwise.

As in previous years, the Chairman of the Company will be available to answer questions from shareholders at the Annual General Meeting.

The Company maintains a corporate website www.unicap-bd.com containing a wide range of information of the Company.

HUMAN RESOURCES

Our human capital strategy focuses on attracting and retaining the key skills needed to achieve organizational objectives, improving individual capabilities, placing the right people in development programmes, increasing the focus on achieving organizational goals through performance management, identifying a pipeline of leaders needed by the organization now and in the future, improving change capability, fostering sound employee relations, and organizational transformation, improving employee engagement, promoting the wellbeing of our employees, and ensuring competitive rewards for employees.

In line with our objective of increasing ownership concept among employees, we introduced among others employee provident fund, gratuity, performance bonus, home loan facility, transport facility and so on. The total human resource strength of UCL Group as on 31 December 2012 was 95 including 21 support staff. Management considers relations amongst its employees is satisfactory. The list of senior executives of UCL group is given below:



Management Review & Financial Analysis - continued

Age on Name	31 Dec 2012 (years)	Executive since	Present Position
Md. Akter H. Sannamat FCA, FCS	46	July 2012	Managing Director & CEO
Mushfiq UI Quayoom	37	June 1999	EVP & Company Secretary
Abul Munim Khan	57	October 2009	EVP & Head of Business
Mohammad Morshed Alam	60	February 2009	VP & Head of Credit Administration
A.N.M. Golam Shabbir	42	December 1998	VP & Head of HR, Admin & ICT
Fazle Karim Murad	39	June 2000	VP & Head of Risk Management
Mohammad Redwanur Rahman FCA	32	February 2013	Vice President & Head of ICC
Zafor Uddin Ahmed	34	October 2009	AVP & CAMLCO
Mohammad Shafi Uddin	40	October 2010	AVP & In-charge of Chittagong Br.
Md. Israil Hossain	38	October 2012	AVP, Capital Market Operation
Rubaba Nazneen Noor	32	February 2009	Senior Manager
Md. Monirul Islam	44	October 2001	Senior Manager
Md. Abu Zubayer Bhuiyan	34	February 2007	Senior Manager
Shah Md. Julker Nine	29	April 2010	Senior Manager
Md. Rakibul Islam	50	August 2010	Senior Manager
Salamul Latif Choudhury	32	March 2005	Senior Manager
Md. Alamgir Hossain	43	September 2007	Senior Manager
Md. Shohidul Islam	48	November 2010	Manager
Mohammad Belayet Hossain	31	May 2010	Manager
Palash Kumar Dalal	31	May 2009	Manager
Md. Moinul Islam Bhuiyan	32	November 2006	Manager
S. M. Ferdaus Hussain	28	March 2008	Manager
Milton Kumar Roy	35	March 2008	Manager
Md. Touhid Akbar Chowdhury	42	November 2008	Manager

OPERATIONAL HUB

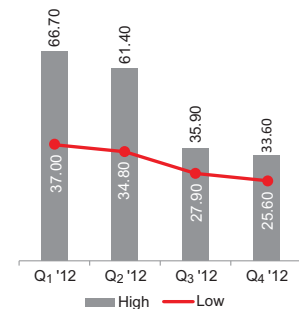
The corporate head office of UCL is located at 73 Sonargaon Road, Dhaka. We have 5 branch offices three of which are in Dhaka (Karwan Bazar, Motijheel and Gulshan), one is in Chittagong and Sylhet. We conduct our merchant banking operations and securities trading activities through our subsidiary companies.

ANNUAL REPORT AND OTHER IMPORTANT DOCUMENTS AVAILABLE IN WEBSITE

This Annual Report, prepared and presented on the basis of disclosure requirements by the regulatory authorities is made available on our website at www.unicap-bd.com as soon as reasonably practicable after furnishing the same to the Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Stock Exchanges where the shares of the Company are traded.

MARKET FOR UCL'S ORDINARY SHARES

The ordinary shares of UCL are traded on the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. under the symbol of 'UNIONCAP'. The following graph indicates the high and low prices for the shares of Union Capital, as reported by DSE during each quarter end of 2012 (in Taka).



FIVE-YEAR FINANCIAL SUMMARY

As of and for the years ended 31 December

(Figures in million Taka except ratios and per share data)

OPERATING PERFORMANCE

	2012	2011	2010	2009	2008
Operating revenue	1,148.00	1,208.52	1,720.38	891.53	668.19
Operating profit	311.88	596.51	1,232.55	467.82	292.65
Profit before tax	108.69	388.97	938.78	279.46	154.63
Net profit after tax	56.72	178.28	570.85	163.16	84.82
Earnings per share (EPS)	0.54	1.70	10.50	3.90	2.43

STATEMENT OF FINANCIAL POSITION

Current assets	7,367.60	6,478.45	5,475.16	3,284.97	1,288.52
Total assets	10,495.34	9,892.53	8,373.22	6,090.26	4,091.04
Property, plant and equipment	22.71	28.03	24.11	16.96	12.80
Net current assets	409.74	526.95	837.92	439.87	22.19
Long term liabilities	1,668.58	2,033.69	2,006.91	2,592.44	2,335.12
Current liabilities	6,957.86	5,951.50	4,637.24	2,845.10	1,266.32
Total liabilities	8,626.44	7,985.19	6,644.15	5,437.54	3,601.49
Shareholders' fund	1,868.91	1,907.34	1,729.06	652.72	489.55
Capital employed	3,537.48	3,941.03	3,735.97	3,245.16	2,824.67

PROFITABILITY AND OTHER FINANCIAL RATIOS

Gross operating margin ratio (%)	27.17	49.36	71.64	52.47	43.80
Earning before interest, depreciation and tax	954.62	1,011.19	1,433.16	708.04	533.81
Price earnings ratio (Times)	51.48	32.35	23.50	32.36	47.90
Current ratio (Times)	1.06	1.09	1.18	1.15	1.02
Return on capital employed (%)	3.07	9.87	25.13	8.61	5.47
Debt/Equity (Times)	0.89	1.07	1.16	3.97	4.77
Financial expense coverage (Times)	1.01	1.06	1.19	1.07	1.04
Net profit margin (%)	4.94	14.75	33.18	18.30	12.69
Rate of dividend (%)	5.00	20.00	75.00	30.00	20.00
Operating expense to operating revenue (%)	10.28	8.88	9.88	12.43	8.64

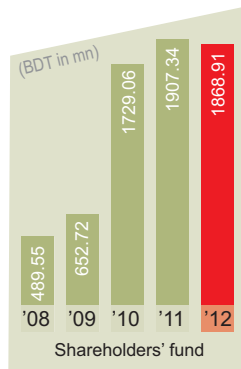
BUSINESS RATIOS

Statutory liquidity reserve ratio (%)	5	5	5	5	5
Cash reserve ratio (%)	2.5	2.5	2.5	2.5	2.5
Net interest income as a % of working funds	0.58	2.98	2.84	2.02	2.69
Cost/Income ratio (%)	37.84	18.00	13.79	23.68	19.73
Return on average assets (%)	0.56	1.95	7.89	3.21	2.37
Net asset value per share	17.85	20.04	31.80	15.60	14.04
Profit per employee	1.14	3.97	11.31	4.74	3.29
Capital adequacy ratio (%)	13.55	14.88	20.51	13.50	15.05
Operating profit as a percentage of working funds	2.97	6.03	14.72	7.68	7.15
Dividend cover ratio (Times)	1.08	0.94	1.40	1.30	1.22
Non-Performing Loans to Total Loans (%)	15.55	9.25	9.25	9.34	4.81

EQUITY STATISTICS

Authorized capital	2,000.00	2,000.00	2,000.00	500.00	500.00
Paid up share capital	1,046.76	951.60	543.77	418.28	348.57
Number of shares	104.68	95.16	54.38	41.83	34.86
Shareholders' equity	1,868.91	1,907.34	1,729.06	652.72	489.55
Year end market price	27.80	60.50	246.80	126.20	116.40
Market capitalization	2,909.98	5,757.16	13,420.22	5,278.74	4,057.35
Market value addition	1,041.07	3,849.82	11,691.16	4,626.02	3,567.80

GRAPHICAL DATA OF BUSINESS PERFORMANCE

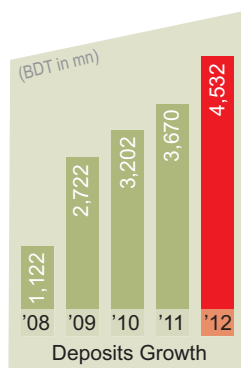
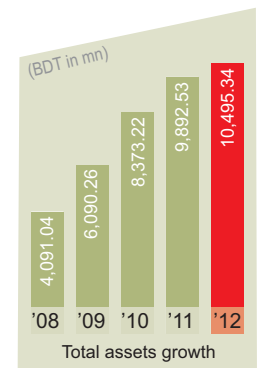


Growth of shareholders' fund

The shareholders' fund as on 31 December 2012 was Tk. 1,868.91 million as against Tk. 1,907.34 million of 2011. The fund reduced slightly by 2.02 percent due to partial utilization of dividend equalization reserve for payment of cash dividend for the year 2011. UCL paid 20 percent dividend including 10 percent cash for the year 2011.

Growth of total assets

The total asset of the Group as on 31 December 2012 was Tk. 10,495.34 compared to Tk. 9,892.53 of 2011 registering a growth of 6.10 percent. Despite slow investment environment UCL could maintain its investment growth during 2012.

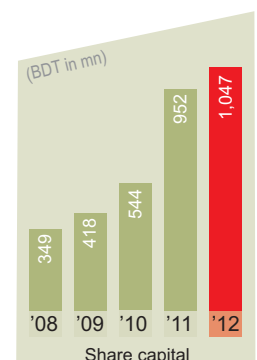


Growth of deposit

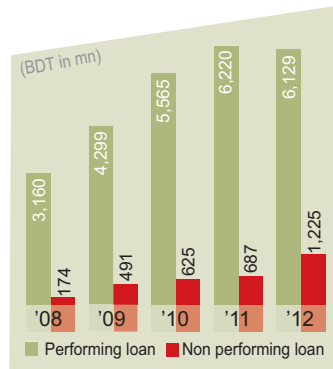
As of 31 December 2012, the total deposit of the Group has recorded at Tk. 4,532 million registering a growth of 23.49 percent from Tk. 3,670 million of last year. The growth was resulted from changes in Management's focus on mobilizing more deposits and on the other hand reducing dependency on bank borrowings which was more costly than retail deposits.

Paid up share capital

The share capital of the Company as on 31 December 2012 was Tk. 1,047 million showing an increase of Tk. 95 million due to payment of stock dividend. The existing paid up share capital of the Company has exceeded the minimum regulatory requirement of Tk. 1,000 million.



Graphical Data of Business Performance - continued

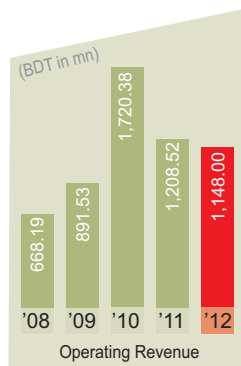
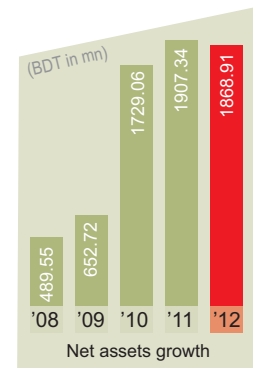


Performing vs Non-performing loan

The total non-performing loan (NPL) of the Company as on 31 December 2012 was Tk. 1,225 million as against Tk. 687 million of last year. The NPL has increased significantly mainly due to poor performance by our customers who were largely affected by increased interest rate and contractionary monetary policy.

Net assets growth

The net asset of the Group as on 31 December 2012 was Tk. 1,868.91 million compared to Tk. 1,907.34 million of 2011. The net asset has decreased by Tk. 38.43 million due to increase in short term borrowings.

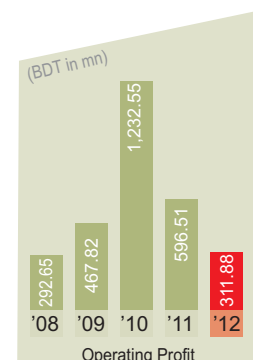


Operating revenue

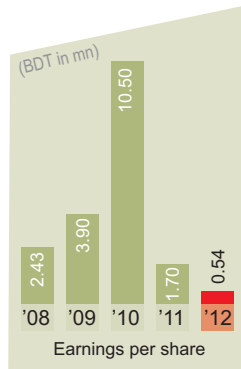
Company's Operating revenue for the year ended 31 December 2012 was Tk. 1,148.00 million as against Tk. 1,208.52 million of 2011. Operating revenue has decreased by 5 percent because of the fact that our performance in the capital market operations was not satisfactory due to sluggish capital market and slow investment environment throughout the year 2012.

Operating profit

Company's operating profit for the year ended 31 December 2012 was Tk. 311.88 million as against Tk. 596.51 million of 2011. The operating profit has decreased due to fall in commission income from our capital market operation and increased financial expenses. The significant fall in the trade volume of stock market had a direct bearing on our trading business that contributed to the downward of our commission income.



Graphical Data of Business Performance - continued

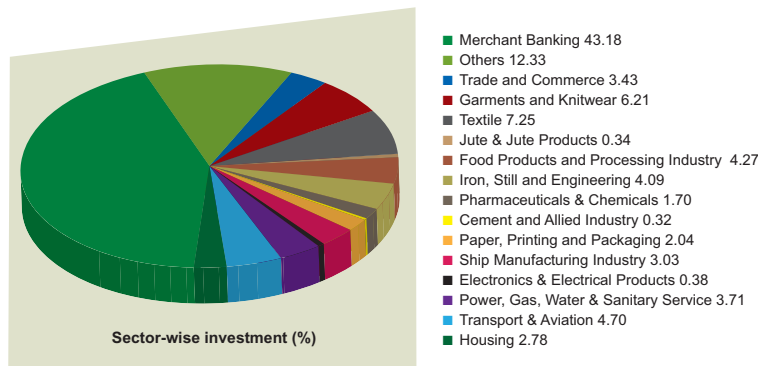
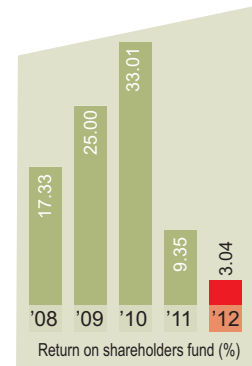


Earnings per share

Earnings per share of the Company as of 31 December 2012 was Tk. 0.54 as against Tk. 1.70 of 2011. EPS has decreased because of increase in the number of shares for payment of stock dividend in last year as well as decrease in profitability due to increased financial expenses and significant fall in the income from our capital market operations.

Return on shareholders' fund

The return on shareholders' fund of the Company for the year ended 31 December 2012 was 3.04 percent as against 9.35 percent of 2011. Company's income for the year 2012 was impacted significantly due to volatile capital market and high interest rate environment.

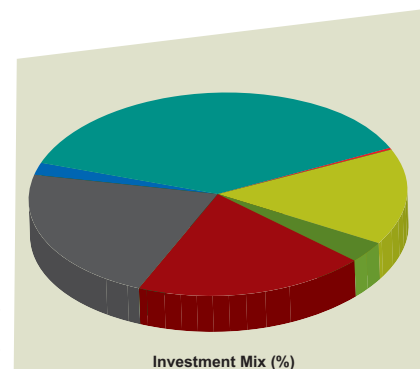


Sector-wise investment

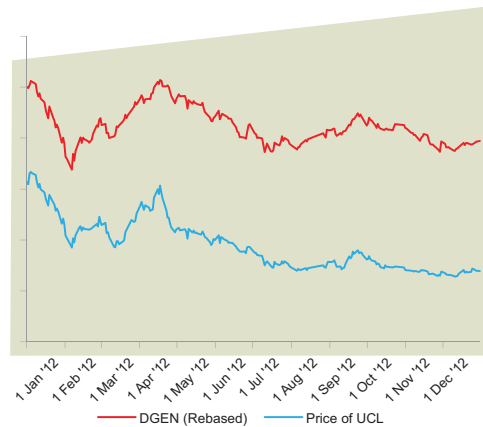
The Group has a diversified investment portfolio with the highest concentration to capital market operations followed by textile (7.25 percent), garments and knitwear (6.21 percent), transport and aviation (4.70 percent), food products and processing industry (4.27 percent) and so on.

Investment mix

The Company has diversified its investment portfolio through an appropriate mix of core financing and capital market operations. The major portion of investment was in margin loan followed by term finance (22.04 percent), lease financing (19.81 percent). The other investments were in subsidiaries, SME finance, etc.



Stock Performance

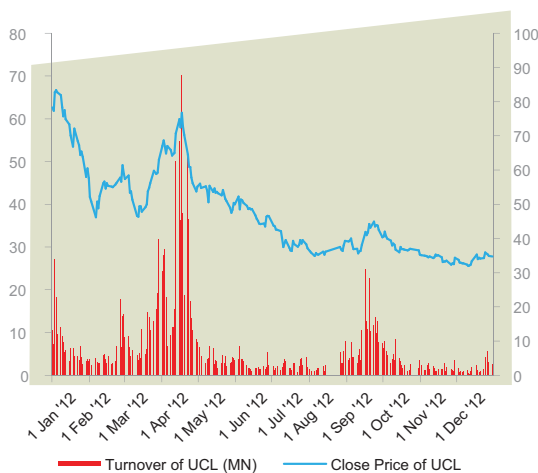
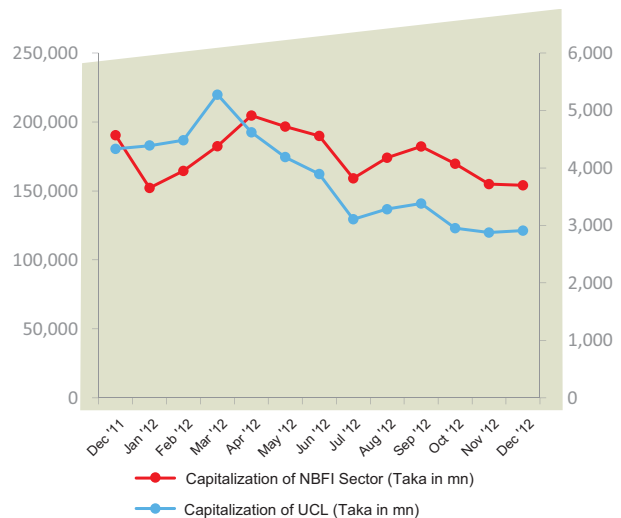


Movement in UCL's share price

The share price of UCL moved in the same direction of DGEN in 2012. At the beginning of 2012, DGEN was 5,257.61 while UCL's share price was Tk. 63.80. DGEN reached to its peak value of 5,502.03 on 17 April 2012 when UCL's share price was Tk. 61.40. At the end of 2012, the DGEN fell down to 4,219.31 when the UCL's share price was Tk. 27.80.

UCL's market capitalization

There was a direct relation between the share price of UCL and that of the NBFi sector. It was because of the fact that the movement in share price was driven mostly by the market forces. The highest market capitalization of UCL was Tk. 5,275.65 million at the end of March 2012 while it was Tk. 204,639.58 million for the NBFi sector at the end of April 2012.



UCL's share turnover

There was a direct relationship between the UCL's share price and its trade volume. UCL's share price has increased with the increase in the demand for its shares. In 2012, the highest turnover of UCL's share was Tk. 87.699 million on 17 April while the lowest turnover was Tk. 0.296 million on 11 December. As on that dates the share price of UCL was Tk. 61.40 and Tk. 25.70 respectively.

2012 SOCIAL INDICATORS

OF UNION CAPITAL LIMITED

STAFFING LEVEL	2012	2011
Management Cadre	18	19
Non Management Cadre	16	18
Support Staff	17	17
Total Work force	51	54
Male	44	47
Female	10	10

AVERAGE AGE OF EMPLOYEES		
Management Cadre	37.18	39.35
Non-management Cadre	29.17	30.36
Support Staff	32.07	28.67

SALARY & ALLOWANCE (IN MILLION TAKA)		
Total Salary	46.81	32.54
MD's Salary	3.96	7.18
Total Benefits	6.23	6.33

CHANGE IN STAFFING LEVEL		
Total employee at beginning	54	45
Recruitment during year	5	16
Departures (retirement/resignation)	8	7
Changes during the year	51	54

TRAINING		
Average number of days in training per employee	1.22	2.44
% of employees who participated in at least one	39.22	51.85
No. of employees who participated in at least one training program during the year	20	28
No. of training programs participated by employees during the year	33	42

2013 KEY PRIORITIES

Outlines important actions for achieving strategic goals

Driving quality earnings across all of our business by focusing on industry leading customer experience and enhancing operating efficiency we shall strive for achieving our strategic goals.

At the beginning of year 2013, the Management of the Company deliberated and agreed on certain key priorities for UCL Group. These priorities will serve as the platform for driving the overall performance for the year 2013. They are:

STRENGTHENING OUR VALUE PROPOSITION

Strengthening our value proposition to our target customer segments including corporate, SME and retail customers with the objective of improving our share of businesses of financing operations and becoming an institution amongst the top performers in key areas.

CONSOLIDATING UCL AND ITS SUBSIDIARIES

Reinforcing our business in each of our operating segments in order to deepen our penetration, achieve positive contribution to the Group's profitability and deliver commensurate returns on working fund.

DRIVING FOR LOW COST TERM DEPOSIT

Augmenting our market share of low cost deposits by leveraging our superior reach and personalized to drive growth building a strong and dedicated team for deposit mobilization.

AGGRESSIVE INVESTMENT GROWTH

Improving our investment by creating quality investment portfolio with the customers having good repayment track record in key sectors of the economy as well as leveraging the opportunities linked to SME financing.

COMMITMENT TO LEAN GROWTH

Focusing on achieving aggressive revenue growth with minimal cost growth by leveraging our existing operational platform to improve our cost-to-income ratio.

PROCESS IMPROVEMENT

Removal of process, organizational and policy bottlenecks affecting efficiency improvements within the Group.

Stemming from the progress made on these key areas of priority in the last part of the year 2012, it is our belief that the Company has laid a strong foundation for achieving better performance in 2013 and beyond.

GOVERNANCE AND RISK MANAGEMENT

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BOARD OF DIRECTORS



CHOWDHURY TANZIM KARIM
Chairman
Nominated by EC Securities Ltd

First appointment to the Board
25 April 2011

Born in May 1985

Nationality Bangladeshi

Committee Membership
Executive Committee, Member

External Appointment
Chairman
SES Company Limited
UniCap Investments Limited

Qualification & Experience
Mr. Chowdhury Tanzim Karim is a full time practicing lawyer specialized in company, commercial, banking and securities law. He is the Head of Chamber at C. T. Karim & Partners, a Dhaka based law firm primarily engaged in dealing with civil matters. He has been providing legal services to a number of leading banks, financial institutions, merchant banks and asset management companies in Bangladesh. Mr. Karim was called to the Bar of England and Wales from the Honorable Society of Lincoln's Inn upon successful completion of Bar Vocational Course at Inns of Court, School of Law. He obtained his LL.B degree from Cardiff University, UK and Diploma-in Law from University of London. Mr. Karim is enrolled as an Advocate of Supreme Court of Bangladesh and also a member of Dhaka Bar Association and Supreme Court Bar Association.



MR. M. FAIZUR RAHMAN
Director

First appointment to the Board
28 May 2002

Born in May 1939

Nationality Bangladeshi

Committee Membership
Audit Committee, Member
Executive Committee, Member

External Appointment
Chairman & Managing Director
Asian Surveyors Ltd.

Director
Pubali Bank Limited
Credit Rating Agency of Bangladesh Ltd.
Tiger Tours Limited

Qualification & Experience
Mr. Rahman comes of a nationally known & respectable family of Moulvibazar, Sylhet. He graduated from Dhaka University and then went to London for higher studies and training. In London, he was trained by the Commercial Union Assurance Co. Ltd. in 1962. He also studied in the Institute of Chartered Secretaries and Chartered Insurance Institution, London. He was one of the senior most executives of Insurance Company in the then East Pakistan. After the creation of Bangladesh, he started his own business and formed Asian Surveyors Ltd., one of the largest and globally renowned firms of surveyors, valuers and loss adjusters. He was the Director of National Tea Company Ltd. and Infrastructure Investment Facilitation Centre for many years. Mr. Rahman is also associated with many social and welfare oriented organizations.



MR. NASIR A. CHOUDHURY
Director

First appointment to the Board
22 April 2002

Born in December 1946

Nationality Bangladeshi

Committee Membership
Executive Committee, Chairman

External Appointment
Director
DBH Finance Corporation Ltd.
Progressive Life Insurance Co. Ltd.
United Hospital Ltd.
NASCOM (PVT) Ltd.

Chairman
Green Delta Securities, Ltd.
Green Delta Capital Ltd.

Managing Director
Green Delta Insurance Company Ltd.

Qualification & Experience
Mr. Choudhury has been in the insurance profession for around 55 years. For his outstanding contribution towards the development of the insurance industry, Mr. Choudhury received the DHL and the Daily Star life time achievement award 2009. After obtaining his Masters from the University of Dhaka, he started his career in Karachi in the executive cadre of the then Pakistan Insurance Corporation in 1958. Mr. Choudhury received advanced training for over 14 months in insurance and reinsurance from UK and Germany during 1961 and 1962. He was the Honorable Insurance Advisor of Bangladesh Biman and Bangladesh Shipping Corporation for decades. He was also the Chairman of Bangladesh Insurance Association from 2001 to 2005. Mr. Choudhury is an Executive Committee member of Federation of Afro-Asian Insurers & Reinsurers (FAIR). He is the Vice President of Bangladesh Malaysian Chamber of Commerce & Industry (BMCCI), Committee Member, Metropolitan Chamber of Commerce & Industry of Bangladesh (MCCI), Executive Committee Member of Bangladesh Insurance Association and Member of the Governing Body of Bangladesh Insurance Academy.



MR. NADEEM A. CHAUDHURY

Director
Nominated by Enrilco Limited

First appointment to the Board
22 November 2001

Born in May 1965

Nationality Bangladeshi

Committee Membership
Audit Committee

External Appointment
Director

Enrilco Limited
Green Delta Securities Ltd.
Green Delta Capital Ltd.

Qualification & Experience

Mr. Nadeem A. Chaudhury is representing Enrilco Limited in the Board of Union Capital Limited. Mr. Chaudhury holds a Bachelor of Professional Science degree in Construction Management and Civil Engineering from Pratt Institute, New York, USA. He is also an MBA. He has been involved in the Infrastructure Development business internationally for over 20 years. He is also highly skilled contract negotiator with international concerns. Presently, he is the Chief Executive Officer of Bengal Development Corporation Ltd.

He was a Director of Green Delta Insurance Company Limited. He was also the Managing Director of Navana Pharmaceuticals Ltd, concern of Islam Group.



MRS. TAJRINA SIKDER

Director
Nominated by Palmal Garments Hosiery Ltd.

First appointment to the Board
9 August 1998

Born in January 1974

Nationality Bangladeshi

Committee Membership
Audit Committee

External Appointment
Director

Palmal Garments Hosiery Ltd.
Palmal Garments Washing Ltd.
Amazon Garments Ltd.
NKK Knitwear Ltd.
Max Speed Plastic Ltd.
Designer Line (Pvt.) Ltd.
The Dacca Dyeing Garments Ltd.
MNK Apparels Ltd.
South Bridge Real Estate Ltd.
UniCap Investments Limited

Qualification & Experience

Mrs. Tajrina Sikder, born in 1974, obtained BBA degree from ABAC University of Thailand. Subsequently, she involved herself with Palmal Group as a Director. As a businesswoman, Mrs. Sikder is associated with business activities in the area of apparels, fashion, accessories and packaging. She has traveled various countries for business purpose. She is also involved with many social work and welfare organization.



KAZI GOLAM SAMIUR RAHMAN

Director

First appointment to the Board
9 August 1998

Born in March 1974

Nationality Bangladeshi

Committee Membership
Executive Committee

External Appointment
Managing Director

Totalgaz Bangladesh
Group Representative & Country Manager
Total Group

Qualification & Experience

Mr. Rahman has over 14 years of experience as an oil industry professional serving in various senior management positions in the Total Group including as Head of Finance & Corporate Affairs of Premier LP Gas Ltd., Chief Financial Officer of Total Oil Pakistan Ltd. and Managing Director of Total Vietnam Limited. He was Senior Manager of Strategy and Development in Total's Asia Pacific Regional Office in Singapore. Mr. Rahman is the Vice-President of France-Bangladesh Chamber of Commerce and Industries, and member of the Power & Energy Sub-Committee as well as the Strategy & Planning Sub Committee of Foreign Investors' Chamber of Commerce & Industry (FICCI). Mr. Rahman obtained his MBA degree from Massachusetts, USA after graduating as an Electrical Engineer from India. He is involved in various social and educational development activities, including as Trustee of an orphanage set up by his family for under privileged children in his hometown.



MR. M. A. SALAM
Director

First appointment to the Board
9 August 1998

Born in November 1959

Nationality Bangladeshi

Committee Membership
Nil

External Appointment

Chairman & CEO
Ekushey Television Ltd.,
South Asia Energy Ltd.,
Sand Bangla Ltd.

Chairman
Semisam International Ltd.
SAS Fashion Wear Ltd.

Managing Director
SAS Holdings Ltd.

Director
American Super Speciality
Hospital Ltd.
Bangladesh Mine & Energy Ltd.
News Corp. Publications Ltd.
Barisal Power Company Ltd.

Qualification & Experience

Mr. Salam is a well-known businessperson and a foremost entrepreneur of the Country started business in the year 1992. He has been involved himself in different line of businesses in the sector of finance, local & international trade, media & service and buying house & garments at home and abroad. He was also a sponsor Director of One Bank Ltd.



MRS. RUMANA SHARIF
Director
Nominated by EC Securities Ltd.

First appointment to the Board
9 August 1998

Born in April 1963

Nationality Bangladeshi

Committee Membership
Executive Committee

External Appointment
Pubali Bank Limited, Director

Qualification & Experience

Mrs. Rumana Sharif has extensive involvement in the financial services sector and has been serving on the Board of Pubali Bank Ltd. for the last five years. She has a first class Bachelors of honours and Masters degree in Biochemistry from Dhaka University. She was also a Director of Green Delta Insurance Company Limited for several years.



MRS. MEHERUNNESA HAQUE
Director

First appointment to the Board
26 June 2004

Born in December 1954

Nationality Bangladeshi

Committee Membership
Nil

External Appointment
Director

Palmal Garments Hosiery Ltd.
Palmal Garments Ltd.
Palmal Knitwear Factory Ltd.
Palmal Garments Washing Ltd.
Palmal Styles Ltd.
Palmal Packaging Ltd.
Palmal Dresses Ltd.
N.K.K. Knitwear Ltd.
N.K.K. Sweaters Ltd.
Pragati Fashionwear Ltd.
Pragati Metalex (Pvt) Ltd.
Al-Hamra Garments Ltd.
Amazon Garments Ltd.
The Dacca Dyeing Garments Ltd
UniCap Investments Ltd

Qualification & Experience

Mrs. Meherunnesa Haque was born in 1954. As a businesswoman she is involved with business activities since 1984. Mrs. Haque holds position of Director in good number of business entities in the area of garments and garments accessories and finance. She was a Directors of Prime Bank Ltd. Mrs. Haque has traveled various countries including U.S.A, UK, Canada, Germany, Singapore, and Thailand for business purposes. She enthusiastically takes part and contributes to various social activities.



KAZI RUSSEL MAHBUB
Director

First appointment to the Board
21 May 2012

Born in October 1971

Nationality Bangladeshi

Committee Membership
Nil

External Appointment
Chairman
Flora Accessories Ltd.

Qualification & Experience

Dr Kazi Russel Mahbub graduated from Dhaka Dental College in 1996. After finishing his training in Dhaka, Dr Mahbub went on to pursue further training in Australia, where he also obtained his Masters Degree from the prestigious University of Wollongong, New South Wales (NSW) in 2002. Since then he has attended numerous scientific sessions and CME conferences in various countries. Dr Mahbub setup his private practice in Gulshan called BIODENT Dental Clinic in 2003. He is one of the few private practitioners in Dhaka well known at home and abroad for his skills and high quality work. Skilled in Oral Surgical Procedures, Dr Mahbub was one of the first few Bangladeshi Dentists to train and qualify for the placement of Dental implants from the BICON Institute of Boston, USA in 2009. Dr Mahbub is also the founder and Chairman of Floral Accessories Limited, a reputed packaging industry setup in 2010. Dr Mahbub is an avid golfer, and is a member of both The Army Golf Club and Kurmitola Golf Club. He is also a long standing member of Dhaka Club. In his personal life, Dr Mahbub is married and a loving father of one son and two daughters. He is the son of Engr K A S Md Abdur Rahim, retired Chairman of Dhaka Electric Supply Authority.



MR. N.H. KHAN
Independent Director

First appointment to the Board
10 November 2008

Born in May 1935

Nationality Bangladeshi

Committee Membership
Audit Committee, Chairman

External Appointment
Director
SES Company Limited, Director

Independent Director

Green Delta Insurance Company Ltd.

Qualification & Experience

Born in 1935, Mr. N.H. Khan obtained his M.A. degree from Dhaka University in 1956. He started his career in Pakistan Taxation Service in 1957. He was Deputy Secretary, Ministry of Commerce, Pakistan Central Government in Islamabad at the time of liberation of Bangladesh. On return from Pakistan he held many important positions under Government of Bangladesh, both home and abroad. He worked as Secretary, Ministries of Post and Telecommunication, Food & Internal Resources Division. He was also Chairman of National Board of Revenue. He worked abroad as Economic Minister of Bangladesh Embassy, Jeddah and Bangladesh Consul General in Karachi. He retired from government service in 1992. He was the founder chairman of Eastern Bank Limited from 1992 to 2000. He has been associated with various educational and social organizations, including North South University, Dhaka and Shahjalal University, Sylhet. Since the year 2002, he is holding the position of Chairman of the governing body of Sapporo Dental College and Hospital, Dhaka.



MR. ZIAUL HASAN SIDDIQUI
Independent Director

First appointment to the Board
23 October 2012

Born in February 1953

Nationality Bangladeshi

Committee Membership
Audit Committee

External Appointment
UniCap Investments Limited, Director

Qualification & Experience

An Advisor of Prime Bank Limited, Mr. Siddiqui started his career in 1976 at Bangladesh Bank as direct Class-1 Officer and accomplished professional excellence in different areas of Central Banking operations. He holds more than 35 years of extensive and versatile experience under different capacities including Deputy Governor for more than 5 years with specialization in monetary policy, foreign exchange policy and reserve management. He also worked as Head of Financial Intelligence Unit to upgrade Anti Money Laundering and Combating Financing of Terrorism. During this long career, Mr. Siddiqui also held various important positions like Chairman, Bangladesh Commerce Bank Ltd., Managing Director, Security Printing Press Corporation Bangladesh Ltd, Board Member, Karma Sangsthan Bank Ltd. and Wage Earners' Welfare Fund of the GoB and also Member, APG Steering Committee representing South Asian countries. He is also associated with different prestigious academies and universities as visiting guest speaker and part-time faculty member. He is now an adjunct professor at BRAC University. Mr. Siddiqui obtained his Masters in Economics with rating in the top 5 percentile from University of Dhaka in 1974 and Masters in Public Administration from Harvard University, USA in 1989. He participated in many international training programs, conferences and seminars at home and abroad.

BOARD STRUCTURE & ITS OPERATION

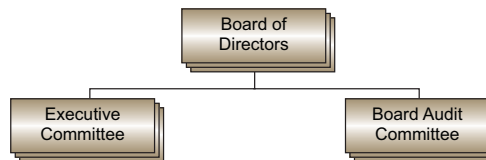
The governing authority of UCL

The Primary responsibility of the Board of Directors is to protect the shareholders interest. The Board, elected by the shareholders, is the highest governing authority within the management structure.

BOARD STRUCTURE OF UCL

Chaired by Chowdhury Tanzim Karim, the Board of Directors determines Company's objectives and supervises their implementation. The operating procedure of the Board is governed by the internal rules and regulations of the Board of Directors. The internal rules and regulations of Board of Directors also define the composition, duties and operating procedures of the Committees established by the Board, which have their own charter of functioning. The Board is assisted by two committees as under:

- The Board Audit Committee
- The Executive Committee



SIZE OF THE BOARD

The Board of UCL comprises of ten members excluding the two Independent Directors and the Managing Director. As per FID Circular no. 9 dated 11 September, 2002 of the Bangladesh Bank, the size of the Board of a Non-banking Financial Institution shall be minimum of nine and maximum eleven. As per BSEC's Notification, a listed company should have Independent Director of at least one-fifth of the Directors. As per Articles of Association of the Company the Managing Director is an Ex-officio Director.

COMPOSITION

The Board of UCL comprises of the following:

Non-executive Directors

Ten out of whom five are Nominated Directors

Independent Directors

Two

Executive Director

One (The Managing Director)

NON-EXECUTIVE DIRECTOR

There are ten Non-executive Directors in the Board. None of the Directors takes part in the day to day affairs of the Company. They attend only in the Board/Committee meetings to discuss the agenda reserved for the Board/Committees.

INDEPENDENT DIRECTOR

In order for a Director to qualify as an Independent Director, the Board affirmatively determines that the Director has no material relationship with UCL either as a partner, shareholder or officer of an organization that has a relationship with UCL that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the Independent Director does not hold any share or holds less than one percent shares of the total paid up capital of the Company, who is not connected with the Company's Promoters or Directors or Shareholders who holds one percent or more than one percent shares of the total paid up shares of the Company, on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associate companies, who is not a member, Director or Officer of any Stock Exchange and who is not a shareholder, director or officer of any stock exchange or an intermediary of the capital market. The Independent Director is appointed for a period of three years which may be extended by one term only. A person can not be appointed as Independent Director who have already been appointed as Independent Director of three listed company.

TENURE AND RETIREMENT

As per Companies Act, the office of Non-executive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an Ex-officio Director is not subject to retirement. The tenure of an Independent Director is three years and may be extended by another three years.

DIRECTORS' COMPENSATION

Except the Managing Director & CEO, none of the Director holds any position of profit and does not receive any remuneration other than the fees for attending the Board/Committee meetings. An amount of Tk. 5,000 is paid to each Director for attending each Board/Committee meeting.

MEMBERSHIP OF BOARD COMMITTEE

All the Board Committees are comprised entirely of Non-executive Directors. Membership of Directors in

Board's Structure and its operation - *continued*

the Board Committees is given in their biographies on pages 50 to 53 of this Annual Report.

CHARTER OF BOARD SUB-COMMITTEE

The Board has two sub-committees namely the Board Audit Committee and the Executive Committee. The Board Audit Committee is comprised of five non-executive Directors. The Executive Committee is also consisted of five non-executive Directors. All the Board Committees have a written Charter that describes the Committees' purposes, duties and responsibilities. The Committee Charters are available on page 57 of this Annual Report

BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2012, the Board met eleven times to discuss scheduled businesses.

DIRECTORS' RESPONSIBILITY

Each Director uses his or her best efforts to attend in all the meetings of the Board and the Board Committees to which such Director is appointed. The Directors are responsible for developing and upgrading UCL's Governance Principles, Code of Business Conduct and the Charter of each Committee on which such Director serves. For review, working papers relating to business to be transacted in the meeting are provided well in advance to the members of Board/Committees.

COMMUNICATION TO DIRECTOR

Interested parties may communicate with any Director by sending letter to the attention of the Directors in care of the Company Secretary, Union Capital Limited, 73 Noor Tower, Sonargoan Road, Dhaka-1205.

Charter of the BOARD AND ITS COMMITTEES

Sets out the role and responsibilities of the Board and its Committees

The role of the Board has two fundamental elements: decision-making and oversight. The decision-making function is exercised with respect to the formulation with management of fundamental policies and strategic goals and through the approval of certain significant actions; the oversight function concerns the review of management decisions, the adequacy of systems and controls and the implementation of policies.

BOARD OF DIRECTORS

The Board of Directors is responsible for supervising the management of the business and affairs of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. In discharging this duty, the Board has the following overall responsibilities:

Strategic planning process

- Supervising the formulation of the strategic direction, plans and priorities of the Company and approving the strategic plan.
- Reviewing and approving the organizational structure of the Company.
- Monitoring implementation and effectiveness of the approved strategic and operating plans.
- Reviewing and approving the corporate financial objectives and operating plans and actions of the Company.
- Approving major business decisions.

Identification and management of risks

- Ensuring that processes are in place to identify the principal risks of Company's business.
- Reviewing the systems that are implemented by management to manage those risks.
- Reviewing the processes that ensure compliance with applicable regulatory, corporate, securities and other legal requirements.

Succession planning and evaluation of management performance

- Supervising the succession planning processes of the Company, including the selection, appointment and development of the Chief Executive Officer and the senior management team;
- Evaluating and approving compensation of the Chief Executive Officer and the senior management team in a manner that is consistent with regulatory guidelines;
- Overseeing Company's control functions, having regard to their independence and effectiveness.

Oversight of communications and public disclosure

- Assessing the effectiveness of Company's communications, including measures for receiving feedback from stakeholders.

- Overseeing establishment of processes for accurate, timely and full public disclosure.
- Reviewing due diligence processes and controls in connection with certification of the Company's financial statements.

Internal controls

- Reviewing the effectiveness of Company's internal controls and management information systems.
- Reviewing and approving the Company's annual and quarterly financial statements and other public disclosure documents that require Board approval.
- Overseeing compliance with applicable audit, accounting and reporting requirements.
- Approving dividends, as well as capital expenditures and transactions which exceed threshold amounts set by the Board.

Culture of Integrity

- Establishing Company's values
- To the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that the Chief Executive Officer and other senior officers create a culture of integrity throughout the organization.

Governance

- Developing a set of corporate governance principles and guidelines.
- Appointing from its members a Chairman of the Board.
- Establishing appropriate structures and procedures to allow the Board to function independently of management.
- Establishing Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities.
- Setting expectations and responsibilities of directors, including attendance at, preparation for, and participation in meetings.
- Review the composition of the Board with a view to the effectiveness and independence of the Board and its members.

Charter of the Board and its Committees - *continued*

AUDIT COMMITTEE

The Audit Committee, within the delegated authority and in fulfilling the regulatory requirements will:

Internal Control

- review the implementation of key accounting policies and financial reporting;
- evaluate the implementation of the internal control systems and the risk management process.

Internal Audit

- review the adequacy of internal audit function;
- consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;
- review and approve the annual audit report;
- review the activities, resources and organizational structure of Internal Audit;
- contribute to the selection process for the appointment of the Head of Internal Audit; and
- ensure that findings and recommendations communicated by Internal Audit and Management's proposed responses are received, discussed and appropriately acted on.

Compliance

- review the effectiveness of the company's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non-compliance.

Relationship with the external auditor

- review the scope of work and audit plan;
- review Management Letters issued by external Auditors;
- review the Report on the annual audit of the company;
- consider the independence of the external auditor and any potential conflicts of interest;
- review the "Terms of Engagement" of the external auditor;
- discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on; and

- review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of appointment of the external auditor.

Reporting to the Board

- report on the conflict of interests;
- suspected or presumed fraud or irregularity or material defect in the internal control system;
- suspected infringement of laws, rules and regulations;
- any other matters that requires immediate reporting.

Others

- oversee the financial reporting process;
- monitor choice of accounting policies and principles;
- review the annual financial statements before submission to the Board for approval;
- review the quarterly and half yearly financial statements;
- review the statement of significant related party transactions submitted by the management.

EXECUTIVE COMMITTEE

The Executive Committee, in fulfilling its purpose, will:

- Guide the Management in achieving the organization's mission/vision;
- Review implementation of the business policy;
- Approve credit proposals upto Tk. 10 million for each customer;
- review credit proposals prepared by the management and recommend to the Board where the amount exceeds Tk. 10 million;
- review the proposals relating to write off loan/leases and recommend to the Board for consideration.

DIRECTORS' REPORT

DEAR SHAREHOLDERS,

The Board of Directors of Union Capital Limited (UCL) takes the pleasure to present the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2012 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved these on 28 February 2013.

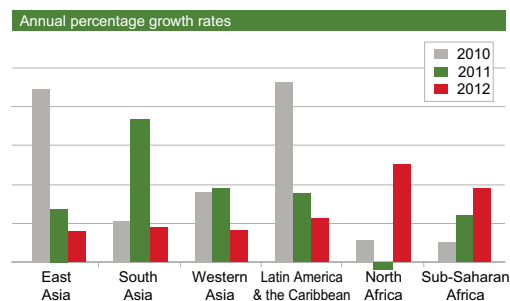
This Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification of 2012, the Listing Regulations of Stock Exchanges where the shares of the Company are listed, Bangladesh Bank guidelines and other applicable rules and regulations.

Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider relevant and important to ensure compliance, transparency and good governance practices. We believe the report will provide the insights of the Company's performance during the year under reporting.

GLOBAL ECONOMY 2012

The world economy weakened considerably in 2012. A growing number of developed economies, especially in Europe, have already fallen into a double-dip recession, while those facing sovereign debt distress moved even deeper into recession. Many developed economies are caught in downward spiraling dynamics from high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial fragility.

A significant political change has taken place in 2012, with presidential elections in some of the largest economies like China, Egypt, France, Mexico, Russia



and the United States. These leaders and their peers across the globe face a number of key challenges in the face of continuing economic uncertainty. Uncertainty continues to hamper business growth prospects.

Agreement on a series of tax rises in the United States pulled the economy back from the brink of the 'fiscal cliff', but tough negotiations on the debt ceiling and spending cuts remain. Deliberations also continue in the euro zone with the sovereign debt

crisis still far from resolved and splits developing between northern and southern states, and between those within and outside the single currency. Political deadlock and another round of elections in Japan is not helping recovery from the devastating tsunami and earthquake in 2011, and the economy has slipped back into recession.

Weaknesses in the major developed economies are at the root of the global economic slowdown. The World Economic Situation and Prospects (WESP) report of UN stresses that most of them, but particularly those in Europe, are trapped in a vicious cycle of high unemployment, financial sector fragility, heightened sovereign risks, fiscal austerity and low growth. Several European economies and the euro zone as a whole are already in recession, and euro zone unemployment increased further to a record high of almost 12 percent this year. Also, the US economy slowed significantly during 2012 and growth is expected to remain meager at 1.7 percent in 2013.

The economic woes in Europe, Japan and the United States are spilling over to developing countries through weaker demand for their exports and heightened volatility in capital flows and commodity prices. The larger developing economies also face home-grown problems, however, with some (including China) facing much weakened investment demand because of financing constraints in some sectors of the economy and excess production capacity elsewhere. Most low-income countries have held up relatively well so far, but are now also facing intensified adverse spillover effects from the slowdown in both developed and major middle-income countries.

Emerging economies are growing faster, but challenges remain. In China, the new leadership is expected to focus on avoiding the middle-income trap, which will mean sacrificing faster for more sustainable growth. Reforms to open up the Indian economy to foreign direct investment have met with stiff resistance and the high inflation rate persists. Signs of reform in Russia are tepid and the government budget remains highly reliant on the price of oil and gas.

Brazil has barely grown over the past 24 months, although interest and unemployment rates have dropped to record lows. The new administration in Mexico has targeted higher growth and greater security. Maritime disputes are threatening to upset relations in Southeast Asia, whilst the legacy of the Arab Spring is still reverberating across the Middle East and North Africa.

GLOBAL ECONOMIC OUTLOOK 2013

Growth of the world economy is expected to remain subdued in the coming two years. The global economy is expected to grow at 2.4 percent in 2013 and 3.2 percent in 2014, a significant downgrade from the UN's forecast of half a year ago.

The prospects for the next two years continue to be challenging, fraught with major uncertainties and

risks slanted towards the downside. The UN warned that a worsening of the euro area crisis, the 'fiscal cliff' in the United States and a hard landing in China could cause a new global recession. Each of these risks could cause global output losses of between 1 and 3 percent.

The UN report further assesses that present policy stances fall short of what is needed to spur economic recovery and address the jobs crisis. While policy efforts have been significant, especially in the euro zone, in trying to redress sovereign debt distress, the combination of fiscal austerity and expansionary monetary policies has had mixed success so far in calming financial markets and even less so in strengthening economic growth and job creation.

Observing that development aid is declining, the UN report notes that fiscal austerity in donor countries is not only detrimental to their own economic recovery, but certainly should not come at the expense of the development efforts of the poorest nations.

NORTH AMERICA

United States: The United States economy weakened notably during 2012, and growth prospects for 2013 and 2014 remain sluggish. On the up side, the beleaguered housing sector is showing some nascent signs of recovery, and further support is expected from the new round of quantitative easing recently launched by the Federal Reserve (Fed).

The unemployment rate stayed above 8 percent for the most part of 2012, but dropped to just below that level from September onwards. However, the labor participation rate is at a record low, while the shares of long-term unemployment reached historic highs of 40.6 percent.

The WESP report says that the lingering uncertainties about the fiscal stance continue to hold back business investment. External demand is also expected to remain weak. In the baseline outlook, growth of GDP in the United States is forecast to decelerate to 1.7 percent in 2013 from an already anaemic pace of 2.1 percent in 2012. Risks remain high for a much bleaker scenario, emanating from the "fiscal cliff," which would entail a drop in aggregate demand by as much as 4 percent of GDP during 2013 and 2014, as well as from the spillover effects of a further intensification of the euro area crisis and a possible hard landing of the Chinese economy and further weakening of other major developing economies.

Canada: Weak global demand and competition are putting a damper on exports, and housing moderation and fiscal consolidation are capping domestic demand. However, impressive hiring and stable domestic financial conditions is expected to achieve 1.8 percent GDP growth in 2013.

Mexico: GDP Growth Forecast of 3.6 percent in 2013 will be dependent on how well Mexico's Congress implements structural reforms, which may materialize in the second half of 2013.

SOUTH AMERICA

Brazil: Rising inflation and slowing growth results in GDP growth forecast of 3.1 percent in 2013, a cut by 0.3 percent. Power rationing is putting an upwards pressure on inflation, and fiscal policy measures are proving to be ineffective.

Argentina: Even though real GDP growth fell in 2012, due to monetary expansion and the depreciation of the peso, GDP is forecasted to grow at 3 percent in 2013.

Venezuela: Worries over President Chavez's health will cause a lot of uncertainty, and Venezuela will experience a macroeconomic deterioration, with a GDP growth estimation of 2 percent in 2013.

EUROPE

Several European economies are already in recession. In Germany, growth has slowed significantly, while France's economy is stagnating. A number of new policy initiatives have been taken by the euro area authorities in 2012, including the Outright Monetary Transactions (OMT) programme and steps towards greater fiscal integration and coordinated financial supervision and regulation, but there has been no significant initiative towards boosting growth in the short run or tackling the ever-mounting crisis in the labour markets.

In the United Nations baseline forecast, the euro area economy is expected to grow by only 0.3 percent in 2013 and 1.4 percent in 2014, a feeble recovery from the 0.5 percent decline in 2012. Because of the dynamics of the vicious circle, the risk for a much worse scenario remains high and could be triggered by deeper fiscal cuts and delayed implementation of the OMT program.

The unemployment rate continued to climb to a record high in the euro area during 2012, up by more than one percentage point from one year ago. Conditions are worse in Spain and Greece, where more than a quarter of the working population is without a job and more than half of the youth is unemployed. Only a few economies in the region, such as Austria, Germany, Luxembourg and the Netherlands, register low unemployment rates of about 5 percent. Unemployment rates in Central and Eastern Europe also edged up slightly in 2012, resulting from fiscal austerity and the economic slowdown in the euro area.

WESTERN EUROPE

France: France's economy has seen slight cyclical deterioration in the last quarter. But the Government also launched the Competitiveness Pact, a crucial labor reform deal that boosted business confidence and will likely offset the impact of the cyclical deterioration.

Italy: Elections uncertainty will weigh on investment decisions, and it's quite likely that Italy will need external financial assistance within the year, indicating a negative GDP growth forecast of -1.4 percent in 2013.

Directors' Report - continued

Spain: Even though Spain's fourth quarter GDP wasn't as bad as expected, weak domestic economic indicators combined with fiscal austerity mean that the recession will remain severe in 2013 with a negative GDP growth prediction for 2013 at -2.2 percent.

Greece: The country's financial position remains unstable. Only a major write-off in the euro area would make Greece's debt sustainable. Fiscal tightening will cost Greece around 5 percent in GDP in 2013.

Ireland: Expiring pharmaceutical patents added to Ireland's already declining industrial production towards the end of 2012. However, upwards revisions to the first three quarters indicate that Ireland's GDP will grow at 0.5 percent in 2013.

Portugal: Portugal's 2013 budget cuts will likely cause the country's GDP to continue to fall, and growth expectation is negative at -3.7 percent during 2013.

Netherlands: Hike in VAT in October caused Netherlands to go back into recession, and that the rising unemployment and falling home prices aren't helping any. Demand will also contract in 2013, however net exports will increase.

Belgium: Though business confidence is rebounding from its recent lows, fiscal tightening is putting a damper on domestic demand. The country's banking system remains a liability. Overall GDP growth forecast for 2013 is -0.3 percent.

UK: The economy faces persistent headwinds from private deleveraging, poor credit availability, structural export weakness and the EMU crisis, while fiscal drag is increasing this year. Rising deficits may even cause the UK to lose its AAA rating in 2013.

Switzerland: Swiss GDP growth will remain resilient at 1.4 percent in 2013, beating EMU averages. However, the SNB will keep interest rates at zero.

Sweden: Sweden's resilience is being tested by falling exports and rising unemployment, however, the country should be able to avoid recession. Domestic demand will remain weak, as consumers seem reluctant to spend despite sound household finances.

Denmark: Large pent-up household demand, public sector consumption and investment will revive the Danish economy. However, recovery will be weak as household will continue to deleverage after the housing bust with a growth forecast of 0.9 percent.

Norway: Norway's high oil receipts are cushioning it from recession indicating a GDP growth forecast of 3.1 percent in 2013.

EASTERN EUROPE

Russian Federation and the Commonwealth of Independent States: Economic growth in the Russian Federation and other countries of the

Commonwealth of Independent States (CIS) was robust in 2012, although it moderated in the second half of the year. Firm commodity prices, especially the prices of oil and natural gas, held up growth among energy-exporting economies, including the Russian Federation and Kazakhstan. In the outlook, GDP for the CIS is expected to grow by 3.8 percent in 2013, the same as in 2012.

Turkey: The overall growth picture for Turkey remains mixed, with inflation edging higher due to the CBT's unconventional and potentially unstable dovish monetary policy. Growth forecast for 2013 is 4 percent.

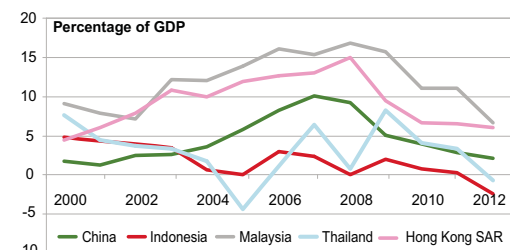
Poland: Weakening economic activity and slowing growth in the fourth quarter of 2012 caused GDP growth estimates of 1.3 percent in 2013. This was mostly because of weakening private consumption, low business investment and tight fiscal policy.

Australia: Resilient commodity prices combined with Chinese growth will boost Australia's economy, while a strong AUD will be a headwind. Overall, the GDP is expected to grow at steady pace of 2.4 percent.

ASIA

Japan: Japan's GDP is forecast to grow at 0.6 percent in 2013 and 0.8 percent in 2014, down from 1.5 percent in 2012. Economic growth in Japan in 2012 was up from a year ago, mainly driven by the reconstruction work and recovery from the earthquake-related disasters of 2011. The Japanese government took additional measures to stimulate private consumption. Exports faced strong headwinds from the slowdown in global demand and appreciation of the yen. According to the WESP report, Japan's economy is expected to slow as a result of the phasing out of incentives to private consumption and a new measure that increases the tax on consumption, reduces pension benefits and cuts government spending.

China: Though China's GDP rallied in second half of 2012, it is unlikely that it will hit 8 percent in the coming years. Policy easing and infrastructure investment will keep that number above the 7 percent mark. However, a declining working age will put downwards pressure on growth, as it will have profound impacts on labor costs and supply in the long run.



Indonesia: Rebounding coal and palm oil prices, which are good for Indonesia's economy, were more than offset by weakening oil and gas prices. In addition, the country faces an emerging risk from "policy paralysis" from the government, who seem reluctant to adjust fuel subsidies, and from monetary authorities who don't want to tighten policy. GDP growth estimation for 2013 is 6.1 percent

Korea: Growth estimates for Korea is cut by 0.2 percent for 2013, because of slower-than-expected growth momentum in the fourth quarter of 2012, which was due to sluggish exports and investments. However, the recovery will accelerate in second half of 2013, resulting in a GDP growth estimation of 3.2 percent.

India: Industry activity is volatile, inflation and PMI data seem to be stabilizing in India, and gold and oil will keep imports high with a GDP growth forecast in 2013 at 6.2 percent.

Bangladesh: Bangladesh economy showed resilience even during the global recession in the past. So the overall economy is expected to perform well although there will be some challenges including the political instability, inflation, slow investment environment and volatile capital market.

The World Bank has revised down its GDP growth forecast for Bangladesh to 5.8 percent due to reduced exports and low investment.

BANGLADESH ECONOMY

2012 was another challenging year for Bangladesh. Despite most of the economic indicators showed positive trend throughout the year the business of financial sector was affected significantly due to instability in the money market, volatile capital markets and inflation at the end.

A positive outlook on the economic front may fizzle out in the face of sluggish exports and risks of a further fall in demand in Europe and the US. The domestic political situation will be the main factor to set the course of the economy.

Inflation came down to a single-digit level, supported by the falling prices of rice amid increased production and the central bank's tight monetary policy.

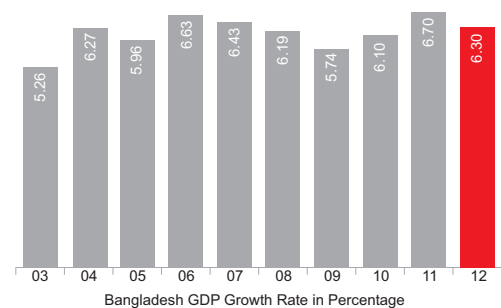
Remittance inflows were also faster compared to the preceding year, facilitating a refill in the foreign exchange reserves. The reserves exceeded \$13 billion mark, \$3 billion higher from a year ago.

Imports also dropped. And remittances, low import bills and higher fund release by donors helped the current account balance to return to the positive territory. However, sluggish exports continue and the uncertainty over political stability grows further.

Gross Domestic Product

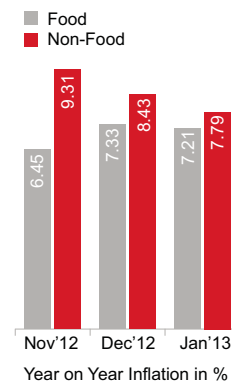
The Gross Domestic Product (GDP) in Bangladesh expanded 6.30 percent in 2012 from the previous

year. In the last decade, the country has recorded GDP growth rates above 5 percent due to development of micro credit, remittance inflows and garment industry. Although three fifths of Bangladeshis are employed in the agriculture sector, three quarters of exports revenues come from producing ready-made garments. The biggest obstacles to sustainable development in Bangladesh are overpopulation, poor infrastructure, corruption, political instability and a slow implementation of economic reforms.



Price & Inflation

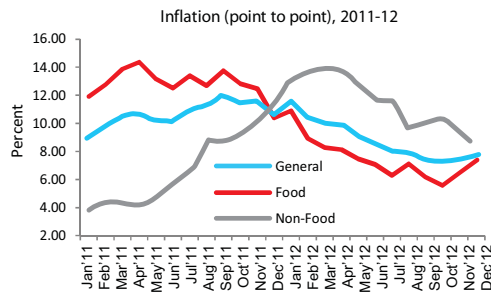
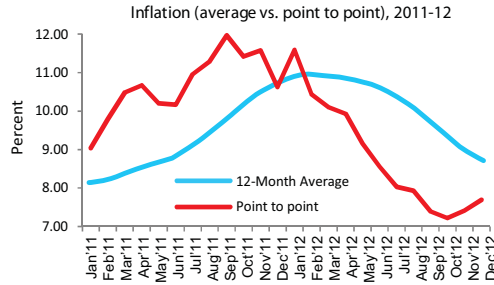
The 12 month average annual inflation rate declined by 1.96 percent to 8.74 percent in December, 2012 from 10.70 percent in December, 2011. Non-food inflation jumped to 11.45 percent in December, 2012 mainly because of price hike of electricity, house rent and other non-food items. In December, 2011, non-food inflation was 6.83 percent. Food inflation, however, came down to 7.43 percent in December, 2012 from 12.83 percent in December, 2011.



Inflation slowed, but considerable threats remain to achieving the current fiscal year's target. Inflation risks remain due to high remittance inflows in the first half of fiscal 2012-13, global commodity price trends

and the recent fuel price increases. The high remittance inflow is expected to put an upward pressure on asset prices and non-food inflation. The global food price remained at an elevated level. Wheat prices are expected to rise in the first half of 2013, which will have a knock-on impact on domestic price.

Directors' Report - continued



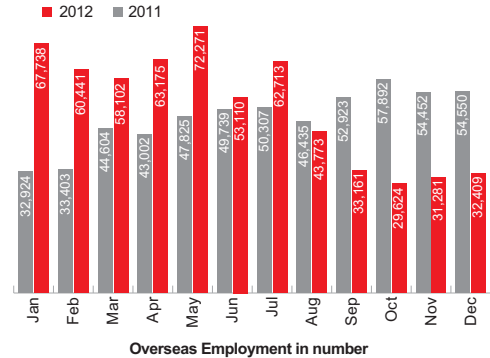
Overseas Employment

Overseas employment of Bangladesh migrant workers registered a drastic fall in recent months due to various types of restrictions imposed by major labor-importing countries, in particular the UAE, Oman and Saudi Arabia in recent years. But overall out-of-country jobs for Bangladeshi workers increase by 6.99% in 2012 compared to 2011. In 2012 total 6,07,798 Bangladeshi found jobs outside the country where as in 2011 was 5,68,056 which will increase the inflow of remittance on upcoming years.

Two major destination countries for Bangladeshi workers, Saudi Arabia and Malaysia, suspended recruiting large numbers of Bangladeshi workers. Singapore absorbed a total of 19,717 Bangladeshi workers during the period, a growth of 13.0% over the corresponding period of 2011.

However, Malaysia and Bangladesh signed a Memorandum of Understanding (MoU) on 26 Nov 2012 in Kuala Lumpur for official manpower export from Bangladesh. The Bureau of Manpower, Employment and Training (BMET) said that Bangladesh would start manpower export beginning from January 2013 and will send a total of 500,000 labours, 50,000 in the first batch in Malaysia.

Government is also trying to revive the employment situation in the oil-rich Middle East and send workers to emerging economies in Southeast Asia as well as to remote regions such as Australia, New Zealand, Europe, Latin America and Africa.



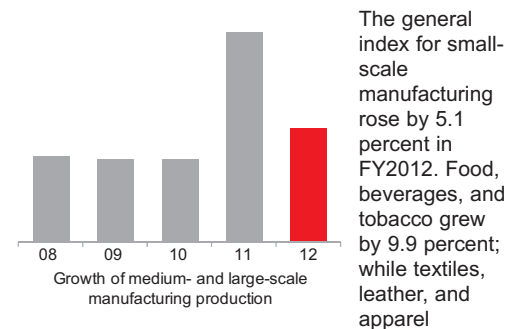
Agriculture

The production of domestic food grains during FY12 stood at 34.88 million metric tons (mmt), which exceeded the previous year's production of 34.51 mmt by 1.1 percent. For FY13, the DAE has set the target at 35.46 mmt where individual targets for aman, aus, boro and wheat were 13.30 mmt, 2.37 mmt, 18.76 mmt, and 1.03 mmt, respectively.

Industry

The share of the broad industrial sector in the country's GDP increased to 31.26 percent in FY12 from 30.37 percent in FY11. But for the glaring energy and infrastructural constraints, the sector could have occupied a higher share in GDP. While most of the country's industries faced the power problem, the broad industrial sector managed to grow by 9.47 percent in FY12, a respectable . percent points higher than the 8.20 percent growth in FY11.

The quantum index for medium- and large-scale manufacturing industries rose by 13.5 percent in FY2012. The major industrial group— jute, cotton, apparel, and leather—grew by 19.2 percent followed by chemicals, petroleum, and rubber production (7.5 percent) food, beverages, and tobacco (3.4 percent), fabricated metal products (8.6 percent), paper and paper products (4.9 percent), nonmetallic products (2.5 percent), Wood products, including furniture, declined (4.1 percent) and basic metal products (1.7 percent).

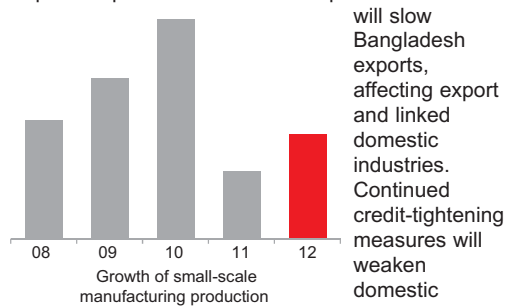


contracted by 0.5 percent. Metal products and machinery rose by 8.4 percent; chemicals, rubber,

Directors' Report - continued

and plastic by 3.1 percent; basic metal industries by 53.7 percent; paper, printing, and publishing by 8.6 percent; and other manufacturing industries by 55.7 percent. Nonmetallic products decreased by 3.7 percent, and the production of wood and wood products by 1.9 percent.

Subdued external and domestic demand will slow industry growth in FY2013. The unresolved sovereign debt crisis in the eurozone and uncertain US recovery, and their spillover effects on Bangladesh's other export destinations, including India, Japan, People's Republic of China and Republic of Korea

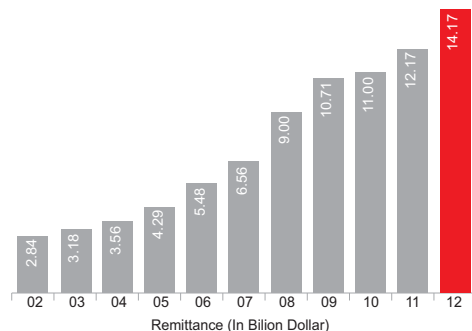


will slow Bangladesh exports, affecting export and linked domestic industries. Continued credit-tightening measures will weaken domestic demand. In addition, expected upward adjustment of power and gas prices will increase production costs. Industry sector growth is expected to be significantly lower than in FY2012.

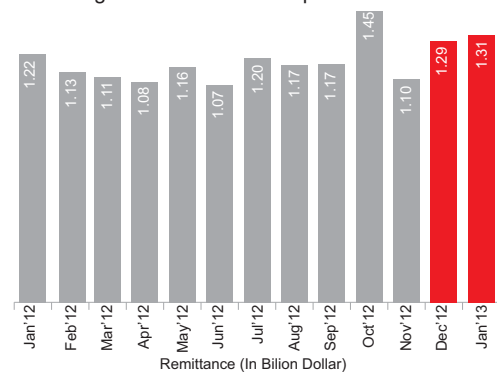
Services sector

As per the BBS estimate, the services sector recorded a slightly lower growth of 6.06 percent in FY12 compared to 6.22 percent in the previous fiscal. The lower growth was mainly due to the lower growth in agriculture and large-scale industry, and slower expansion in trade activities. There are indications that community & social services, and financial intermediation have perhaps recorded slower growth, while transport, real estate, storage & communication, wholesale & retail trade, education, public administration, and hotels & restaurants have done well. A much faster growth of the overall services sector is possible in the present fiscal if production in real sectors increases at a greater pace.

Remittance



Remittance reached \$14.17 billion setting a benchmark in 2012. Inward remittances grew 16.43 percent in 2012 from the previous year, when it accelerated 10 percent from 2010. Migrant workers remitted \$1.28 billion in December -- a 16.60 percent rise from the previous month. In the last 12 months, the number is the highest remittance inflow in a single month, according to data from Central bank. Central bank took all measures to send remittances quickly to the recipients. Central bank also monitored the forex market cautiously to save the recipients from being affected from the depreciation of the Taka.



In 2012, Bangladesh sent 6.07 lac workers to abroad for jobs while the number was 5.68 lac in 2011 that gives an indication that the remittance in the coming years will increase.

Balance of Trade

The country's trade deficit in the first half of the current financial year decreased by 34.13 percent compared with that of the same period of FY 2011-12 due mainly to negative import growth.

According to BB data, the import in July-December registered a negative growth of 6.69 percent to \$16.06 billion from \$17.21 billion during the corresponding period of FY 2011-12.

On the other hand, the country's exports increased by 6.47 percent to \$12.38 billion in July-December of the financial year from \$11.63 billion during the same period in FY 2011-12.

The trade deficit, the gap between export earning and import payment, decreased by 34.13 percent to \$3.67 billion in the first half of the financial year against \$5.58 billion in the same period of FY 2011-12.

A decreased import trend in capital machinery and industrial raw materials in the first six months of FY 2012-13 pushed a significant reduction in trade deficit. The BB data showed that the growth in the settlement of letters of credit for industrial raw materials and capital machinery had posted a negative growth of 5.30 percent and 23.68 percent respectively in July-December of FY 2012-13 compared with those of 16.19 percent and 31.87 percent growth in the corresponding period of FY 2011-12.

Directors' Report - continued

The BB data, however, showed that the import of food grains (rice and wheat) and petroleum had also decreased significantly in the period.

The country's export demand declined due to the existing economic turmoil in the USA and Western Europe. In Bangladesh, industrial raw materials are mainly imported for export-oriented industries. So, the import of the product maintained a declining trend in the last few months.

The BB data, showed that the service sector deficit in the first six months of FY 2012-13 increased by 29.45 percent to \$2.10 billion. In July to December of FY 2012-13, the country received \$55 million from the service sector but it paid \$1.08 billion. Transportation, travel, communication services, insurance and financial services, information and communications technology services, entertainment, culture and their related services are considered as service sector.

An increased trend in inward remittance has strengthened the current account balance in the first six months of this financial year. The current account balance in July-December stood at \$850 million against a negative figure of \$1,646 million in the same period of FY 2011-12, according to the BB statistics.

The foreign direct investment in the first half of FY 2012-13 increased by 7.45 percent to \$750 million year-on year while medium and long-term loan increased by 91.64 percent to \$1,054 million.

Bangladesh's export, particularly of apparel items, to the European countries may face a big challenge in the future if European Union and Vietnam sign a proposed free trade agreement.

The tariff preferences Bangladesh is enjoying on the EU market under GSP scheme may be eroded gradually and Vietnam may take away some market share of Bangladesh in the EU countries if the agreement is signed.

The EU was negotiating to sign the FTA with some other countries including India, Japan, Malaysia, Singapore and Indonesia. Some of these countries are beneficiary of GSP general preferences and compete in products like textiles, frozen foods, leather goods and agricultural products with the LDCs including Bangladesh. If all the FTAs under negotiation by the EU are concluded within 2013-2014, the countries may take hold of some market share from Bangladesh in the EU countries.

Foreign Reserve

The country's foreign exchange reserve in January, 2013 crossed \$13-billion mark for the first time due mainly to a slump in imports in the last few months, Bangladesh Bank's dollar buying spree and increasing remittance inflow. Because of the contractionary monetary policy taken by the Bangladesh Bank, the import growth during the first six months (July-December) of FY 2012-13 fell 8 percent allowing the country to save foreign currency. But, the country's industrial sector has suffered

heavily because of lower import of raw material and capital machinery.

BB data showed that the country's import bill payment in July-November of FY 2012-13 had registered a negative growth of 13.25 percent compared with of 60.82 percent growth in the corresponding period of the last financial year. LC settlements in the first five months of FY 2012-13 were \$13.34 billion against \$15.37 billion in the corresponding period of the FY 2011-12.

BB had purchased more than \$2 billion from the local commercial banks to keep the value of the greenbacks strong against the taka for encouraging the expatriate Bangladeshis and exporters.

Govt. borrowing from scheduled banks soars

The government borrowing from the commercial banks soared in the first half of the current fiscal year, although the overall borrowing decreased compared with that of the same period of the last fiscal year on a decreased borrowing from the Bangladesh Bank. BB data showed that the government borrowing had stood at Tk 7,926.29 crore in July-December of the FY 2012-13, down 49.28 percent from Tk 15,630.28 crore in the same period of the FY 2011-12.

The BB data, however, showed that the government borrowing from the scheduled banks in the first half of the FY 2012-13 increased to Tk 10,629.94 crore, up by 43.76 percent from Tk 7,394.14 crore in the same period of the FY 2011-12.

The credit growth in the private sector had declined due to the increased government borrowing from the scheduled banks. The falling private sector credit growth hampered the domestic investment sector, resulting in a sluggish situation in the employment generation.

Due to an increased government borrowing and contractionary monetary policy taken by the BB, the credit growth in the private sector decreased to 18.38 percent in October 2012 from that of 19.88 percent in the previous month, showed the BB data. The liquidity pressure in the scheduled banks had recently eased mainly due to a declining trend of opening and settlement of letters of credit.

Slow in investment

The advance-deposit ratio in the banking sector decreased significantly due to a lower disbursement of loan in the private sector. Besides, because of a lower import, the banks are now holding excess liquidity. According to the latest BB data, the ADR in the banking sector went down to 76.83 percent as on 6 December 2012 from 80.92 percent as on 12 April 2012.

Banks were now cautious to distribute the loan as the country's banking sector in the concluded year faced a number of challenges including Hallmark-Sonali Bank scam. The BB data showed that the ADR of the

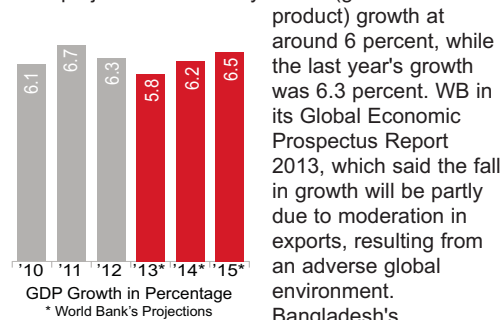
four state-owned banks had decreased to 71.19 percent as on December 6 from 75.21 percent as on April 12, 2012. The ADR of the local commercial banks declined to 79.54 percent as on December 6 from 84.31 percent as on April 12, 2012, showed the Bangladesh Bank data.

The decreased trend in the ADR of the foreign commercial banks also persisted in the period as the ratio of the banks declined to 68.84 percent from 70.79 percent. In the period, the ADR of the Islamic banks and the Islamic wing of the traditional banks also went down to 85.87 percent from 91.59 percent.

BANGLADESH ECONOMY OUTLOOK

The World Bank has cut its 2013 global growth outlook, blaming a slower-than-expected recovery in developed nations. In its twice-yearly Global Economic Prospects report, the bank said it expected world growth to be 2.4 percent this year, down on the 3 percent forecast in June.

Similarly, the World Bank has revised down its GDP growth forecast for Bangladesh to 5.8 percent due to slow exports and low investment. The global lender earlier projected the country's GDP (gross domestic



product) growth at around 6 percent, while the last year's growth was 6.3 percent. WB in its Global Economic Prospectus Report 2013, which said the fall in growth will be partly due to moderation in exports, resulting from an adverse global environment. Bangladesh's

compliance related image problems and trade logistics constraints are also affecting exports.

Private investment also appears to be still stagnating due to insufficient improvements in infrastructure, particularly roads; continuing gas shortages, and political uncertainties in the run up to national elections. The WB report said, although export performance weakened in 2012, domestic demand was supported by steady inflows of remittances and a relatively stable farm sector.

A fall in oil prices due to weaker than projected global growth would benefit current account position of the South Asian countries, including Bangladesh, and reduce the fiscal burden of fuel subsidies. But lower oil prices would also cut into migrant remittances if economic activity in the migrant destinations in the oil-exporting Gulf region were to slow and demand for migrant labour were to decline.

The WB said a further diversification of export markets and gains in market share will benefit Bangladesh, as growth is expected to pick up faster in North America and Asia compared with the near-stagnant Euro area in 2013.

Infrastructure and energy constraints could, however, slow further gains in competitiveness. Bangladesh's GDP growth is forecast to rise to 6.2 percent in fiscal 2013-14, as the global economy continues its slow path to a recovery, the WB said. The growth will pick up to 6.5 percent in 2014-15, it said.

The year 2013 will be challenging year partly because of political unrest and partly for the negative effect of global economic slowdown on exports. Delayed recovery in Eurozone, the main export market for Bangladeshi products, poses risk to quick recovery in exports.

The US economy has been doing well so far. But it is likely to fall in recession after the 'fiscal cliff comes into effect this year. As the fiscal cliff becomes effective, taxes in the US will increase and spending will be cut. It means individuals and companies will be hit by tax rises and reductions in government benefits. Under such a scenario, the demand for Bangladesh's garments in the US will come down.

Moreover, internal challenges would be increasing investments in infrastructure and improving climate. Conflict between major political parties might create a 'destructive political and social situation' in 2013. The banking scams and sluggish project implementation under the annual development programme might affect the cash flow to the economy.

All these will directly and indirectly affect the economy 2013. We are also worried about the negative effect on exports due to a delayed recovery in Europe and the US. A stable political environment will help the economy grow by tackling the negative impact of global economic slowdown.

Bangladesh's economy showed resilience even during the global recession in 2008. So, the overall economy will perform well although there will be some challenges. But all depends on political stability.

INDUSTRY PERFORMANCE AND OUTLOOK

Three key issues dominated the financial sector in the past year – slow investment environment due to global recession and contraction monetary policy, high interest rate environment, and volatile capital market throughout the year.

In operating terms, major operators in the sector made moderate progress, that was also the case of UCL. In financing business, loan loss provisions increased due to weak performance by the customers. At the same time, 2012 saw stabilization in investment volumes, which had contracted the year before, thanks to a slight rise in demand. This was at least in part attributable to central banks' policy to ease the money supply in the banking system. While the big financial institutions reported respectable net profits, the share of smaller institutions decreased significantly.

Capital market particularly the secondary market was somewhat unstable throughout the year. Total 14 IPOs came in the market in 2012. DSE General

Directors' Report - continued

Index lost 1038 points and closed at 4219 as against 5258 points at the last trading date of 2011. Total turnover was Tk. 1,001 billion in 2012 registering a decrease of 36 percent over last year. Market capitalization was US\$ 29,612 million as against US\$ 32,552 million of 2011.

While the recovery of the global economy over the last few months has brightened the prospects, our export business will be affected by the public debt problems encountered especially by several euro-area countries, and their lack of competitiveness, continued to weigh on market sentiment.

Together with the global recession, the financial sector in 2013 will greatly be impacted by the political uncertainty and forthcoming national election. These concerns have already spilled over into the financial markets – causing the capital market more sluggish and low demand for loan/leases. The financial sector continued to be only moderately profitable overall, recording single digit returns on equity for most part.

OPERATIONAL PERFORMANCE OF UCL GROUP

The financial sector including Union Capital passed another year of challenge in 2012. Liquidity constraint was quite acute in the first half of the year which restricted growth of loans and advances during 2012. Both money market and capital market remained unstable throughout the year. UCL met the challenges through focused marketing plan, diversified products and services, initiative towards a fully automated and modern system, improving the assets quality by strengthening the recovery of non-performing assets, emphasis on human resources development programs to upgrade the skill and knowledge of our personnel.

FINANCING AND INVESTMENT OPERATION

Union Capital always tried to be innovative while making any investment decision with a focus to identify and select emerging sectors for financing and maintaining quality portfolio. As a reflection of its corporate vision, the company always prefers the segmented business proposition which includes corporate, institutional clients and SMEs. SME financing is making a significant contribution to the country's economy but still there is an enormous gap between the sectors need and admittance to funds within reasonable cost. Keeping this in mind, UCL is offering tailored financial products for the growth of SME sectors. Overall investment was squeezed because of liquidity crunch and elevated interest rate throughout the year. On the top of everything, highest priority was given and relentless effort was made to recover loans/lease at utmost level and in which the company performed well.

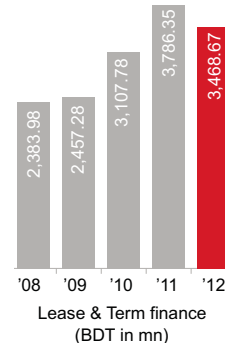
Diversified portfolio

Major financing activities of the company include Term Finance that represents 50.46 percent of total investment portfolio followed by lease finance (45.36 percent) and SME finance (4.18 percent).

Lease Finance

Lease financing is one of the major fund based activity of Union Capital. The Company offers full payout financial lease for financing capital machinery, equipment and vehicles. UCL provide services to customers of different segments include growing

companies, blue-chip companies and SMEs. Though as prudent business model the company has diversified its business in other business segments in the year 2012. In 2012, total lease finance added was Tk. 178.77 million. The investment under lease finance of the Company stands at Tk. 1875.50 million at the end of 2012.



Term Finance

Term finance continued to be a core product of UCL. It is both long term and short term in nature. Long-term finance is available for commercial, industrial, SME sectors for a period ranging from 12 to 60 months depending on the business nature and need. To provide liquidity comfort to corporate houses in emergency situation, the short-term finance is made under the different categories i.e. direct finance for working capital, work order finance, finance against term deposits etc. As pointed out by the Central Bank term finance by NBFIs are the alternate source of capital financing for the industrial growth in this Country. The Company's investment under term finance stands at Tk. 2086.50 million at the end of 2012.

Bridge/Equity Finance

Union Capital expanded its service range of bridge finance beyond the concept of investment banking. The Company provides bridge finance in anticipation of all types of immediate financing requirement ranging from term loan to IPO or equity investment. The investment under bridge finance was Tk. 250 million in 2012.

SME Finance

UCL provides a wide range of SME products to the potential clients under Bangladesh Bank Re-finance scheme. SME based financial products include, Women entrepreneur loan, Supplier loan, Medical loan, Education loan, Business expansion loan, Secured loan etc.

House Building Finance

The Company operating its House Building loan to corporate customer as well as Individuals for a period of 5-20 years. It is against purchase of Flat, Construction and Renovation of House Building.

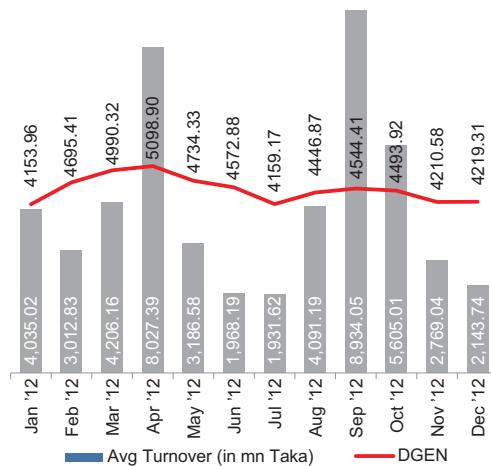
Fund Arrangement/Syndication

Sometimes financial requirement of customer become so huge that cannot be arranged from internal sources and also due to regulatory restrictions. In such situation required funds are being raised through syndication arrangements with other financial institutions and banks.

CAPITAL MARKET OPERATION

The year 2012 passed as another depressive year for investors, with key index DGEN losing 19.75 percent over the year. Following two consecutive losing years, DGEN is now 52.69 percent below from its peak value of 8,918.51 in 05 December 2010. Over 2012, the index lost 1,038.29 points, closing at 4,219.31 points. In the way between, DGEN bottomed on 06 February 2012 at a 27-month low of 3,616.24. Since there, it reversed and subsequently reached at 5502 points on 17 April 2012, which was the highest in 2012.

Turnover velocity ratio is a measure of liquidity of a capital market. In 2012 the turnover velocity ratio in DSE went down to 40.19 percent. DSE witnessed a significant fall of the ratio in last two years due to recent debacle in our capital market which is continuing in the year 2013. In comparison to other developed capital markets, our velocity ratio is lower, showing that the DSE has room to grow and has leveraged on the opportunities available as reflected by the improvements achieved in the last few years.



During the year of 2012, general index (DGEN) plunged by 1038 points which resulted in a fall of 19.75 percent. NBFI sector also followed the overall market as evidenced by its around 20 percent shrink in total capitalization. In line with the overall market and NBFI sector, market price of Union Capital Limited was quite volatile. UCL started its journey of 2012 on 01 January with the price of Tk. 63.80 in DSE and closed at Tk. 27.80 on 31 December 2012. The highest price was recorded at Tk. 66.70 on 04 January 2012 and lowest one was Tk. 25.60 which was close price of 10 December 2012.

In spite of this unfavorable situation, Union Capital worked hard to cope up and manage the risk prudently as it holds decades of experience in capital market operations. The Company provides a broad range of services to the corporate clients supporting them in raising long term funds from capital market. UCL's offering includes services in the area of merchant banking, portfolio management and stock brokerage.

IPO Management

UCL performs public issue management along with financial engineering and designing of capital structuring services for customers desiring to raise funds from capital market for BMRE and repayment of debts. During the year 2012, the Company signed a number of issue management contracts.

Underwriting

It is one of the core activities of merchant banking operation. As one of the major underwriter, during the year 2012, the Company entered into a good number of deals for underwriting shares for total amount of Tk. 2108 million.

Private Placement

UCL arranges private placement of debt and equity securities for companies seeking a wide range of corporate finance alternatives. During the period under reporting, the Company worked for a number of projects either in the capacity of an arranger or a subscriber of pre-IPO placements.

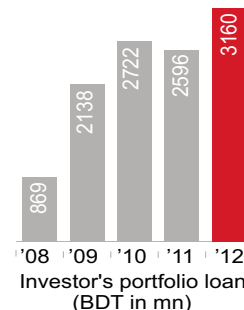
Corporate Financial and Advisory Services

UCL offers professional corporate financial services including customized, value added solutions for better corporate performance in terms of prolonged existence and steady growth. Project advisory services include systemic development of an idea into a plan, development of financial structure and preparing feasibility report.

Portfolio Management

UCL provides portfolio management services with a margin loan facility to its clients. The transaction of portfolio accounts was made at the discretion of the customers.

Margin Loan



UCL provides margin loan facilities to its portfolio customers for purchase of shares and securities. The amount of portfolio loan outstanding as on December 2012 was Tk. 3,160 million. The above amount represents the aggregate investors' portfolio loan extended to different

Directors' Report - continued

portfolio customers for purchasing shares listed in the stock exchanges against their deposit. Loans are fully secured by way of lien on shares purchased under margin loan account. UCL always maintained its loan ratio in a very just and reasonable way adjusting with the market situation without taking any excessive risk for both the company and its customers.

Stock Brokerage

UCL also offers stock brokerage services to local and foreign investors through its wholly owned subsidiary SES Company Limited - which has corporate memberships at the Dhaka & Chittagong stock exchanges and full service depository participant of CDBL. The market instability, lack of investors' confidence, non-participation of institutional investors and liquidity crunch resulted significant decrease in market turnover during 2012.

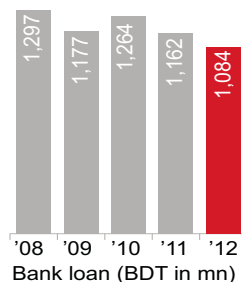
Investment in Share and Securities

UCL maintains its own portfolio for investment in listed companies shares and securities. These are fully diversified with different sectors of securities. The investment risk is being minimized through diversification and investing mostly in fundamentally strong securities. In 2012, the Company earned Tk. 43.08 million in the form of capital gain and dividend.

MONEY MARKET OPERATION

We experienced a tight money market situation in 2012. Managing borrowing cost, liquidity, balance sheet gap were the key challenges for the whole financial sectors. As a result, fund mobilization for incremental investment was adversely affected throughout the year. Treasury department worked hard to manage the liquidity required for business and debt servicing. UCL is constantly focusing to increase the deposit base as an effective tool for managing liquidity. This gives the Company a strong base to minimize the maturity risk and interest rate risk.

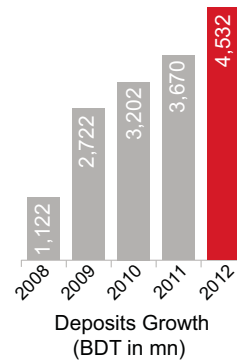
Banking Arrangements



The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks. In 2012 the Company obtained Tk. 550 million from banks against different form of borrowings to finance its operations and repaid Tk. 627.53 million as per terms and conditions of contracts. During the year due to liquidity crisis the cost of borrowing increased significantly. UCL also obtained Tk. 4.00 million from Bangladesh Bank under the SME Refinancing Schemes.

Deposit Mobilization

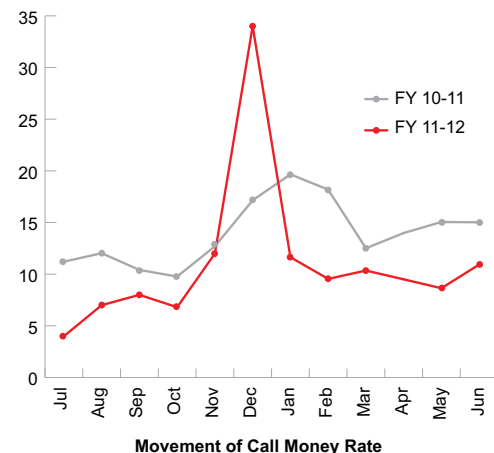
UCL mobilizes term deposits from corporate and individuals through its wide range of deposit schemes with different maturity options, monthly/quarterly/half-yearly/yearly income options, double/triple money options, monthly saving options etc. The deposits base of the Company continued to register a steady growth and stood at Tk. 4,532 million as on 31 December 2012 compared to Tk. 3,670 million of the previous year, registering growth of 23.48 percent.



The growth was made due to high standard products and services along with competitive interest rate offered to customers.

Call Money Transactions

As a financial Institution UCL actively participates in money market on a regular basis and has been dealing both borrowing and lending activities with different banks/financial institutions to manage its liquidity position in an effective way. UCL also maintains very high standard in money market operation and build up a strong reputation for itself.



BRANCH OPERATION

UCL provides services through its five offices geographically diversified in the areas namely Dhaka, Chittagong and Sylhet.

OPERATING RESULTS (CONSOLIDATED)

During 2012, the Company generated revenue Tk. 311.87 million, which concluded Profit from operation

Directors' Report - continued

Tk. 108.69 million. Net profit has decreased by 68.17 percent to Tk. 56.73 million. An amount of Tk. 51.96 million has been provided as provision for taxation in 2012. Earnings per share was Tk. 0.54 as against Tk. 1.70 (restated) last year. The weighted average number of ordinary shares outstanding during the year was 104.67 million (2011: 95.16 million). The financial results of the Company for the year 2012 with a comparison of 2011 are summarized below:

	(Taka in million except per share data)	
	2012	2011
Operating revenue	311.87	596.51
Operating expenses	118.00	107.37
Profit before tax	108.69	388.97
Provision for tax	51.96	210.70
Profit after tax	56.73	178.27
Earnings Per Share (EPS)	0.54	1.70

SIGNIFICANT DEVIATION IN OPERATING RESULTS

Operating profit during 2012 has decreased by 60.36 percent to Tk. 108.69 million (2011: Tk. 388.97 million). The underlying main reasons for such reduction are:

- volatile capital market throughout the year;
- Increased cost of fund;
- liquidity crisis,
- low interest income from stagnant investment in the current year compare to the previous year.

Further there is no significant deviation occurred between quarterly financial performance and annual financial statement other than the financial performance between 1st Quarter (Q₁) and 2nd Quarter (Q₂). Operating profit for Q₁ was Tk. 34.92 million, which concluded to Tk. 33.02 million at the end of Q₂ (including a loss Tk. 1.90 million in Q₂). The major contributor that impacted the financial performance of Q₂ was substantial provision made by the Company for doubtful loan/leases and diminution in the value of investment.

SUBSIDIARY COMPANIES

UCL has two fully owned subsidiary companies, namely, SES Company Limited – a corporate member of both Dhaka and Chittagong Stock Exchange; and UniCap Investments Limited – a full fledged merchant bank. UniCap Investments Limited was incorporated on 24 May 2011. We have applied to BSEC for transfer of licence currently held in the name of Union Capital Limited. We are yet to receive the approval on transfer from BSEC. During the year 2012, UCL has received Tk. 14.00 million from SES Company Limited and Tk. 8.00 million from UniCap Investments Limited as interim dividend. Separate audited financial statements of the subsidiary companies are given on pages 218 to 230 of this Annual Report.

IPO OF THE COMPANY

UCL floated its ordinary shares through IPO in the year 2007 and raised Tk. 75,000,000 at par. The net proceeds of IPO used for Company's operational activities i.e for investment in lease finance and term finance.

EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since the end of the year 2012 that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the following: On 28 February 2013, Union Capital announced 5 percent stock dividend (5 bonus shares for every 100 shares held). Details of the announced dividend declared during the financial year are disclosed in Note 54 of the Notes to the Financial Statements on page 213 of this report.

APPROPRIATIONS OF PROFIT (Based on separate F/S)

Taking into account the profit available for distribution after complying with the regulatory requirements, the Board recommended 5 percent stock dividend (5 bonus shares for every 100 shares held) for the year ended 31 December, 2012 for approval of Shareholders in the Fifteenth Annual General Meeting. The Board proposed the following appropriations:

	Taka in million
Profit after tax	54.81
Retained Earnings brought forward	1.63
Transfer from Dividend Equalization Reserve	7.00
Total Profit available for appropriation	63.44
Proposed Appropriation:	
Transfer to Statutory Reserve	10.96
Proposed Dividend (5 percent Stock)	52.34
Retained Earnings carried forward	0.14

TRANSFER FROM DIVIDEND EQUALIZATION RESERVE

While recommending the appropriation for the year 2012, the Board of Directors decided to transfer an amount of Tk. 7.00 million from the Dividend Equalization Reserve to Retained Earnings for distribution of dividend for the year 2012.

DIVIDEND

The Board of Directors in its meeting held on 28 February 2013 recommended 5 percent stock dividend i.e. 5 Ordinary Shares for every 100 shares held for the year 2012 to its shareholders for approval in this AGM.

ANNUAL GENERAL MEETING

The notice of the Fifteenth Annual General Meeting is given on page 235 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- Adoption of Directors' Report, Auditors Report and Audited Financial Statements;
- Declaration of dividend;
- Re-appointment of Directors;
- Appointment of Auditors;

Extra Ordinary Business

- Approval of appointment of the Independent Director.
- Approval of appointment of the Managing Director & CEO.

OBSERVANCE OF BAS, BFRS & APPLICABLE LAWS

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Institutions Act, 1993, and the Bangladesh Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A separate report on Directors' Responsibilities as to the preparation of financial statement is set out on page no 84 in this Annual Report.

ACCOUNTING POLICIES AND MAINTENANCE OF BOOKS OF ACCOUNTS

The Directors consider that in preparing the Financial Statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) have been followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

FAIRNESS OF THE ACCOUNTS

As per Companies Act, 1994, it is the responsibility of the Directors to prepare financial statements for each year to be presented before the shareholders in the Annual General Meeting. The financial statements and other financial information included in this report fairly present in all material respects, the financial conditions, results of operations, cash flows and changes in equity of the Company as of, and for, the year ended 31 December, 2012.

RISK MANAGEMENT

Risk is an exposure to a transaction that may result in a loss with some probability. In financial institutions, risk results from variations and fluctuations in assets, liabilities, incomes and outflows & inflows of cash etc. While the types and degree of risks an organization may be exposed to, depend upon a number of factors, it is assumed that generally FIs face Credit, Market, Liquidity, Operational, Compliance, Legal, Regulatory and Reputation risks as summarized below:

Credit risk

Credit risk is the risk of loss associated with an obligor's potential inability or unwillingness to fulfill their contractual obligations. Credit risk may arise from the risk of default of our customers.

Mitigation Measures

- Ensuring credit quality;
- Diversifying credit risks in transactions and portfolios;
- Using our credit risk rating and scoring systems;
- Pricing appropriately for the credit risk taken;
- Applying consistent credit risk exposure measurements;
- Mitigating credit risk through preventive controls;
- Ongoing credit risk monitoring and administration;
- Strong credit analysis to identify the risk;
- Clear loan/lease covenants;
- Effective credit control and monitoring processes;
- Prompt identification of early sign of deterioration;
- adequacy and realizability of collateral.

Market risk

Market risk is defined as the potential loss in value of the firm due to changes in market prices and rates including interest rates, credit spreads and share prices. Market risk has a direct impact on earnings and impacts the economic value of the company.

Mitigation measures

- A Risk Management Committee that meets on a regular interval;
- Daily reporting of valuation results to executive management;
- Strict adherence to UCL's internal policies such as the use of limits and management action triggers.

Liquidity risk

Liquidity risk is the risk that we may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet our commitments as they come due. The nature of financing services inherently exposes us to various

types of liquidity risk. The most common sources of liquidity risk arise from mismatches in the timing and value of cash inflows and outflows.

Mitigation measures

- Efficient Asset and Liability Committee that oversees liquidity management;
- Diversified sources of funding;
- Contingent funding plan;
- Effective cash flow planning.

Operational risk

Operational risk is the risk of loss or harm resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can result in direct or indirect financial loss, reputational impact, regulatory censure, or failure in the management of other risks such as credit or market risk.

Mitigation measures

- Effective background checks and thorough confirmation process on new hires;
- Competitive remuneration package and other hygiene factors to attract and retain the best talent;
- Enforcement of strong supervisory control;
- Zero tolerance to staff integrity issues and fraud;
- A fully fledged HR Department to cater for the training and development needs of staff;
- The introduction of a functional reporting structure to the operations job families to allow for effective supervisory control of the operations of UCL;
- Automation of our processes;
- Putting in place sound business continuity planning and disaster recovery programmes;
- Stepping up operational risk awareness training and programmes;
- Monitor and manage key risk indicators in processes/products/activities.

Regulatory risk

This is the risk whereby the procedures implemented by UCL to ensure compliance to relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective.

Mitigation measures

Proactive implementation of UCL's sound compliance programme that ensures compliance by all stakeholders to relevant laws and regulations. This includes continuous updates of UCL's rule books as well as training of all concerned to understand regulatory obligations and the consequence of non-compliance.

Reputation risk

Reputation risk can arise from a number of events and primarily occurs in connection with credit risk, regulatory, legal and operational risks. Operational failures and non-compliance with laws and regulations can have a significant reputational impact on us.

Mitigation measures

- We operate with integrity at all times in order to sustain a strong and positive reputation;
- Protecting our reputation is the responsibility of all our employees, including senior management and extends to all members of the Board.

OVERVIEW OF OTHER RISKS

In addition to the risks described in the Risk Management section, there are other risk factors, described below, which may adversely affect our businesses and financial results. The following discussion is not exhaustive as other factors could also adversely affect our results.

Government fiscal, monetary and other policies

Our businesses and earnings are affected by the fiscal, monetary or other policies that are adopted by the Government and Bangladesh Bank and various regulatory authorities. As well, such policies can adversely affect our clients which may increase the risk of default by such clients.

Level of competition

The competition for clients among financial services companies in the markets in which we operate is intense. Client loyalty and retention can be influenced by a number of factors, including services offered by our competitors, relative service levels, the prices and attributes of our products or services, our reputation and actions taken by our competitors. Banks are also offering similar services like leasing, capital market operations etc. Such competition could also reduce net interest income, fee revenue and adversely affect our earnings.

Ability to attract and to retain employees

Competition for qualified employees is intense within the financial services industry and from non-financial industries looking to recruit. Although our goal is to retain and attract qualified employees, there is no assurance that we will be able to do so.

Accuracy and completeness of information on clients and counterparties

When deciding to extend credit or enter into other transactions with clients, we may rely on information provided by or on behalf of clients including audited financial statements and other financial information. Our financial results could be adversely impacted if the financial statements and other financial

Directors' Report - continued

information relating to clients on whom we rely are materially misleading.

Environmental risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues. It arises from our business activities and our operations. For example, the environmental issues associated with our clients' purchase and sale of contaminated property or development of large-scale projects may give rise to credit and reputation risk. Operational and legal risks may arise from environmental issues at our different offices or data processing centers.

Failure to adequately manage environmental risk could adversely impact our results and/or significantly impact our reputation.

Other factors

Other factors that may affect actual results include changes in government trade policy, changes in accounting standards, including their effect on our accounting policies, estimates and judgments, the timely and successful development of new products and services, technological changes and our reliance on third parties to provide components of our business infrastructure, the failure of third parties to comply with their obligations to us, fraud by internal or external parties, the possible impact on our business from national or global economies, disruptions to public infrastructure, including transportation, communication, gas and power, conflicts and political instability and our success in anticipating and managing the associated risks.

A detailed report on risk management is given on pages 111 of this Annual Report.

CREDIT RATING

A credit rating is an assessment of the solvency or credit-worthiness of a company according to established credit review procedures. These ratings help investors analyze the risks associated with the company by providing detailed information of the ability of a company to meet their obligations. A rating is being continuously monitored. It enables investors to measure their investment risk. The company is rated by one of the leading independent rating agencies.

UCL has been rated by National Credit Ratings Ltd. and adjudged AA (Double A) in the long term and ST 2 in the Short term. The validity of the rating will expire on 13 March 2013. AA rating in the long term signifies UCL's strong capacity for timely servicing of financial obligations offering adequate safety. Institutions rated under this scale carry low credit risk.

INTERNAL CONTROL

The Board acknowledges its responsibilities for UCL's system of internal control and for reviewing its

adequacy and effectiveness. The system of internal control covers, inter alia, financial, operational, management information systems, organizational and compliance controls. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the reliability of financial reporting and financial statement preparation and presentation.

Further, because of changes in conditions, the effectiveness may vary over time. Our management, with the participation of the Chief Executive Officer, Chief Financial Officer and Chief of Internal Control & Compliance evaluated the effectiveness of our Internal Control. Detailed implementation of the system of internal control throughout the company has been delegated by the Board to the Executive Management and the department of ICC. These controls include financial controls that assist the Board in meeting its responsibilities for the integrity and accuracy of the company's accounting records. The Company's financial statements, prepared from these records, comply with the required laws and standards. A separate report on Internal Control is given on page 81 of this Annual Report

INFORMATION TECHNOLOGY

Now a day, Information & Communication technology (ICT) has become essential for financial institutions in ensuring smooth operation and providing efficient services. UCL has recognized this fact and adopted a comprehensive ICT Policy for its various aspects of operations. The Company's operation has grown significantly in terms of business volume, number of customers as well as diversified its client and product range. In line with this business growth, the challenges and risks of doing business have also grown manifold. Information Technology (IT) being one of the key facilitators of sound business growth and risk management, it is very important to have a robust, scalable and flexible IT platform. UCL holds a fully automated IT structure to support its operation which also produces better MIS for decision making, improve risk management and most importantly, delight its customers at every opportunity.

DIRECTORS' MEETING, ATTENDANCE & REMUNERATION

During the year ended 31 December 2012 a total eleven meetings were held. All of the Directors serving on the Board attended more than 82 percent of the aggregate of the total number of meetings of the Board of Directors. The attendance in the Board meetings by each Director is given in Annexure-I on page 78 of this Annual Report.

The Directors including the Independent Directors is not entitled to any remuneration other than fees for attending in the Board/Committee meetings. An

Directors' Report - continued

amount of Tk. 5,000 is paid to each director for attending each Board/Committee meetings. The details on remuneration paid to Directors including Independent Directors in 2012 is presented on page 95 of this Annual Report.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY

The Directors confirm that to the best of each Director's knowledge and belief:

- the financial statements, prepared in accordance with BFRS, give a true and fair view of the assets, liabilities, financial position and results of the Company, and
- the management report contained in the operational and financial review includes a fair review of the development and performance of the business and the position of the company, together with a description of principal risks and uncertainties that may face.

DIRECTORS' RESPONSIBILITIES OF PREPARATION OF FINANCIAL STATEMENTS

As per Companies Act 1994, the Directors are responsible for preparing the Annual Report and Company's financial statements in accordance with applicable laws and regulations. The Board confirms that the Financial Statements have been prepared according to BFRS and other applicable laws and regulations. A statement of the Directors' responsibility in relation to financial statements has been given on page 84 of this Annual Report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors in accordance with BSEC Notification dated 07 August 2012 confirm that:

- The financial statements prepared by the management of UCL present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied except for the changes disclosed in the financial statements in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- Bangladesh Accounting Standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored; and

- There are no significant doubts upon the Company's ability to continue as a going concern.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of last five years as required by BSEC is presented on page 42 of this Annual Report.

REGULARITY COMPLIANCE

UCL is well known for its regulatory compliance and has always followed applicable regulations rigorously. UCL has a dedicated compliance team for ensuring regulatory compliance across all the businesses and operations. They are responsible for identification and assessment and compliance related matters from a regulatory compliance perspective and monitoring and reporting. We ensure that these are periodically reviewed in line with the changing scenario and taking into account modifications if any in the regulatory guidelines.

EVALUATION OF QUARTERLY REPORTS

In order to improve disclosure related to the functioning of Board Audit Committees and to enhance the reliability and credibility of financial statements of listed companies the Bangladesh Securities and Exchange Commission (BSEC) requires the Audit Committee along with the Management of the Company to review the quarterly and half-yearly financial statements prior to placing the same before the Board for approval. The Audit Committee of UCL reviews the interim financial statements along with the Management before placing the same to the Board. The Charter of the Audit Committee clearly includes among others the function of reviewing the quarterly and half-yearly financial statements of the Company.

REPORT ON THE COMPLIANCE OF THE CONDITIONS OF BSEC'S NOTIFICATION OF 2012

As per BSEC Notification dated 07 August 2012, the Directors are required to report on the compliance on certain conditions in the Notification of August 2012. The Notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. The Directors confirm that we have complied with all the conditions stipulated in the Notification. A statement on the compliance with the conditions is given on page 102 of this Annual Report.

REPORT ON THE COMPLIANCE ON THE GUIDELINES OF BANGLADESH BANK

Bangladesh Bank has issued guidelines on certain issues for the NBFIs to be complied with. The Board of UCL confirms that we have complied with all the conditions of the guideline. A statement on the

Directors' Report - *continued*

compliance with the conditions is given on page 107 of this Annual Report.

CERTIFICATE FROM THE PRACTICING PROFESSIONAL ON THE COMPLIANCE OF CONDITIONS ON CORPORATE GOVERNANCE

As a measure of good corporate governance practice, and as required by BSEC, the Company has appointed S. F. Ahmed & Co., Chartered Accountants to conduct Audit on the compliance status of Union Capital Limited as to the conditions on the corporate governance as stipulated in BSEC Notification dated 7 August 2012. The professional firm is required to give a certificate after review on the practices by Union Capital Limited. S. F. Ahmed & Co., Chartered Accountants has given a compliance certificate for the year ended December 31, 2012 which is available on page 101 in the Annual Report. The Report confirms that the Company has complied with all the conditions stipulated in the BSEC Notification on Corporate Governance.

GOING CONCERN

Companies and other entities are experiencing the impact of difficult or uncertain economic conditions in varying degrees. The effects of such economic conditions may be significant in the area of financial reporting, in particular, the Directors' assessment of their company's ability to continue as a going concern.

Going concern is a fundamental principle underlying the preparation of the financial statements of a listed company. Bangladesh Accounting Standards require Directors to consider whether there are material uncertainties that would lead to significant doubt about a company's ability to continue for foreseeable period. BSEC requires the listed companies to make adequate disclosures in the financial report about the going concern of a listed company.

The financial statements of the Group and UCL have been prepared on a going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position and risk profile. In addition the Directors have considered the future projections of profitability, cash flows, asset quality, the outcome of various stress tests and capital resources in making their assessment. After assessment, the Directors are satisfied that the Company has adequate resources to continue its operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements. A separate report on going concern has been set out on page 109 of this Annual Report.

SUBSTANTIAL SHAREHOLDINGS

BSEC's Notification dated 7 August 2012 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in UCL. The shareholding status of all sponsor shareholders as on 31 December 2012 is given in Annexure-II, page 78 of this Report.

THE PATTERN OF SHAREHOLDINGS

The Authorized Capital of Union Capital Ltd. is Tk. 2,000,000,000 divided into 200,000,000 ordinary shares of Tk.10 each. The paid-up Capital of the Company is Tk. 1,046,755,490 divided into 104,675,549 ordinary shares of Tk. 10 each. The shareholding pattern of the Company as at December 31, 2012 is shown in Annexure-III, on page 79 of this report as per BSEC Notification of dated 7 August 2012. As per requirement of listing regulations, the distribution schedule of shareholdings of the Company as on 31 December 2012 is given under Annexure-IV on page 79 of this Annual Report.

DIRECTORS TO RETIRE AND RE-APPOINTMENT

As per Article 93 of the Articles of Association of the Company, the following Directors will retire in the Fifteenth Annual General Meeting and being eligible offered themselves for re-appointment:

Mr. M. A. Salam

Mr. M. Faizur Rahman

Mrs. Tajrina Sikder (Nominated by Palmal Garments Hosiery Limited)

Mr. N. H. Khan

The Companies Act, 1994 requires that any Director appointed by the Board since last Annual General Meeting shall retire in the next Annual General Meeting. Accordingly, Mr. Ziaul Hasan Siddiqui, Independent Director shall retire in the Fifteenth Annual General Meeting and eligible for re-appointment. BSEC's corporate governance guidelines also require that the appointment of independent Director be approved by the shareholders in the general meeting.

During the reporting period the Board also appointed/re-appointed the following Directors:

Mrs. Meherunnesa Haque

Mr. Nasir A. Choudhury

Mrs. Rumana Sharif (Nominated by EC Securities Ltd.)

Mr. Kazi Golam Samiur Rahman

Mr. Kazi Russel Mahbub (Nominated by Palmal Garments Hosiery Limited)

Full biographical details of the Company's Directors at the date of this report are given on pages 50 to 53 of this report.

APPOINTMENT OF MANAGING DIRECTOR & CEO

The Board of Directors of the Company in its meeting held on 20 May 2012 has appointed Mr. Md. Akter Hossain Sannamat FCA, FCS as Managing Director & CEO of the Company to which the Bangladesh Bank has given its consent. Mr. Sannamat joined the Company on 4 July 2012.

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

The Company reports including quarterly, half-yearly and Annual Reports and accounts were sent to shareholders in a timely and accurate manner, and meet with shareholders in the AGM where they are encouraged to ask questions about the performance,



strategy and future prospect of the Company. The Stakeholders have access to company information through the company's website and postal correspondence.

UCL complied with the

requirements for reporting and disclosure of information to the Shareholders and Stakeholders during the year. The Board reports included the nature and extent of its social, ethical, safety, health and environmental policies and practices. The outcome of every general meeting is announced to Shareholders and adopted by the Board of Directors.

STAKEHOLDER ENGAGEMENT

On-going stakeholder dialogue is very important for a successful business, as it enables us to understand financial, social and environmental impacts. We strive to engage with wide range of stakeholders as well as interested parties. UCL seeks to understand the views of a broad spectrum of stakeholders on CSR through direct stakeholder discussions. We identify our stakeholders through internal analysis and discussion, and review this process during the development of our strategic plan. We maintain regular contact with a number of key stakeholders - such as the regulators, our employees, consumer, fund providers, shareholders and the community where we do business - to get their views on key CSR issues related to our activities.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, it has been the vision of UCL to empower the community through socio-economic development of underprivileged and weaker sections. In its continued efforts to make a difference to the society at large, UCL intensified its

efforts further in this direction in 2012. Our social responsibility extends from our employees to customers and the communities in which we operate. Principles such as integrity in all we do and treating customers fairly as well as the areas of employee health, wellness and safety are critical dynamics that affect our overall effectiveness. We're working with our stakeholders to strengthen Bangladesh's sustainable future by supporting economic growth, giving back to our communities and being responsible to our environment. UCL Group supports a number of charities in the community where our employees and customers live and work. A separate report on CSR activities is given in the page 136 of this report.

CORPORATE GOVERNANCE

Sound and effective corporate governance has always been a priority for UCL. The Board of Directors and management of the UCL are committed to govern and maintain Company's operations effectively and efficiently within its regulatory environment. UCL's corporate governance policies are designed to strengthen the ability of the Board to effectively supervise management and enhance long-term shareholder value.

The Corporate Governance section in this Annual Report provides detailed information relating to the UCL's Corporate Governance practices.

HUMAN RESOURCE

Human Resource strategies have been a key component of UCL's overall efforts for business transformation and augmenting performance of its operational units. The prime objective of the HR function is to harness the employee potential for serving the customers better. Union Capital persistently reviews the existing human resource policies and implements effective management policies and practices to enrich its employees. We believe that our human resources are our competitive advantage in terms of their sincerity, experience and professional expertise. Considering this, we uncompromisingly take appropriate policy to recruit the best-suited persons for the right places, provide them adequate training facilities and implement programs to develop and retain high quality human resources. UCL carefully look into the motivational aspects, health and safety of its employees. A separate report on HR is given in page No. 147 of this report.

BUSINESS CONDUCT POLICY

The Board is responsible for the Group's Business Conduct Policy. The Group believes that integrity is a fundamental prerequisite for successful business relationships, both internally and externally. Reputation, trust and confidence are essential elements which we seek to protect and enhance to the benefit of all with whom we have a relationship. The

Directors' Report - *continued*

Group seeks to understand and meet its customers' needs, whilst seeking continuous improvement. Across the Group there are procedures in place which seek to underpin this approach. By so doing the Group aims to meet the needs of all stakeholders.

ENVIRONMENTAL INITIATIVES

As financial service provider, our impact on the environment is relatively less and indirect. Even though, we stay on the best practices in environmental issues. UCL has a commitment to long-term environmental sustainability. We are also committed to taking environmental issues into account when conducting its business activities. This includes operational measures to reduce our consumption of resources, as well as our contribution to climate protection. We also develop products and services that address our clients' financial needs, as well as environmental and social themes. It considers the clearance certificate from the regulators in time of providing financing facilities. Our environmental initiatives have been reported on page 142 of this Annual Report.

BUSINESS ETHICS

We believe that a Code of Conduct and Business Ethics provides a foundation for the stability and sustainable growth of UCL, and supports the Company's efforts in achieving its goals. UCL, therefore, encourages all Directors, Management team and all employees to conduct business and perform their duties in accordance with the Code of Conduct and Ethical principles. UCL has its own code of conduct and ethical principles. This Annual Report contains the ethical principles that we follow while discharging our duties.

CONTRIBUTION TO NATIONAL EXCHEQUER

Since inception Union Capital engaged in the development of country's financial and capital market. The Company is constantly emphasizing investment in sectors that contributes to the national economy. Union Capital deposits taxes regularly to the National Exchequer by way of collection of income taxes and VAT at sources from payments and also deposits of corporate income taxes. During the reporting period, the deposited amount was Tk.155.74 million. We also encourage our employees to participate in social and charitable programs. A detailed report on the contribution to national economy has been given on page 145 of the Annual Report.

AUDIT INFORMATION

The Directors who held office at the date of this Director's Report confirm that:

- So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

- The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

RELATED PARTY TRANSACTION

In the ordinary course of business a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24 : Related Party Disclosures. The Company extends loans/leases and takes deposits to/from related parties including its Directors and related companies. A statement on related party transactions along-with their basis has been disclosed on page 209 of this Annual Report.

APPOINTMENT OF AUDITORS

The Company's Auditors M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants will retire in the Fifteenth Annual General Meeting. Being eligible under Section 212 of the Company's Act, 1994 and the Financial Institutions Act, 1993, the Auditors have expressed their willingness to continue their office for the financial year 2013. The Auditors have completed their first year of audit and hence eligible for reappointment. The Board of Directors recommended for approval of the appointment of M/S. Hoda Vasi Chowdhury & Co. as Auditors of the Company for the year 2013 with the same fee of Tk. 130,000/- plus VAT.

FUTURE OUTLOOK

In 2012, our performance in both the financing and capital market operations has not been as we expected due to sluggish capital market, high interest rate and slow investment environment. Lack of investors' confidence and liquidity problem largely affected our capital market operations. On the other hand, high borrowing costs and contraction monetary policy has impacted our financing activities. Poor repayment performance of our borrowers and inability of our margin loan clients in fulfilling the equity shortfall in their loan accounts have also contributed to our poor performance.

2013 will be another challenging year for our economy and for UCL group as well. We will have to tackle a number of challenges ahead. The main challenges are maintenance of targeted GDP growth of 7.2 percent. Meantime, Finance Minister has given an indication for downward revision of targeted growth of GDP. There are a number of dynamics, both political and economic, which could significantly affect both the investment and capital markets. As recent turmoil in the political situation and market indices, customers remain concerned about industrial growth, capital market performance, liquidity condition, interest rates and inflation, all of which will inevitably determine markets' future directions. We are carefully monitoring economic conditions in Bangladesh as well as of the globe, where we are

Directors' Report - *continued*

getting mixed signals from the various economic indicators we follow. On an underlying basis, the business is still growing, albeit at a slower pace. While the business of capital market is uncertain and volatile in nature, at this stage we are hopping to make progress in 2013.

In addition, we recognize a number of more challenges, which includes increased competition, higher cost of fund, and slow recovery due to negative change in political and investment climate. We consider 2013 being the election year may be politically unstable and we have taken those factors into consideration while preparing the budget. Boosting up of investment is another challenge to sustaining private sector led economic growth. We are hopeful that private investment will increase in the 2013.

Because of involvement of banks in our core product i.e. leasing business, competitiveness in leasing has been intensified further. Some banks are also offering capital market related products like brokerage services, portfolio management etc. Moreover, banks are charging higher interest for NBFIs comparing to their other corporate clients.

Another big challenge for NBFIs is payment of tax on interest suspense account. Section 28 (3) of Income Tax Ordinance (ITO) 1984 allows all commercial banks and some other specialized banks to pay tax on 'interest on bad or doubtful loans' in the income year in which the interest is credited to its profit and loss account or in the year in which it is actually received, whichever is earlier. Because of non-inclusion of NBFIs in Section 28(3), we are to pay tax on interest suspense account despite such item is not a revenue item rather a balance sheet item. NBFIs are crediting interest on classified loans/leases on cash basis as permitted by Section 35 of ITO 1984. Unfortunately, tax authority is charging tax on our interest suspense account ignoring the application of Section 35. We are pursuing for inclusion of NBFIs in the Section 28(3) in the next budget proposal through trade bodies and other authorities.

High corporate tax on NBFIs is another challenge for us. The corporate tax rate for NBFIs is the same as banks. NBFIs are taxed at the rate of 42.5 percent.

After all, demand for our products and services are linked to the level of financial and capital market growth, together with socio-political condition. While financial products and capital market expected to remain dominant in the long run, we expect to see continued growth in demand for our products and services in the short-run as well, which will require further strengthening our existing services, specially as our clients move into more comfortable operating environment.

We have adequate capital and we have been accumulating a good size of quality portfolio and having diversity in our revenue and earnings streams. We are large enough to provide a full range of financial products and services but also small enough to adapt quickly to changing market conditions and clients' needs. Our presence in the market is growing steadily and we have improved our presence in all areas of operations. We have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry.

We are convinced of our ability to continue to thrive in all areas of our business backed by more than 15 years of experience and driven by the ambition to continue reaching new heights in performance. The strategy we developed in 2012 and updated in 2013 is working well. Building on our strength, we are confident that the company will be able to present better results before our shareholders in the years to come.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the co-operation and support received from the Government especially from Bangladesh Bank, Bangladesh Securities and Exchange Commission and Stock Exchanges.

We would like to express our sincere gratitude to all the cherished shareholders for their confidence and support to the Company. The Board places on record its appreciation for continued support provided by the esteemed customers, bankers, financial institutions and depositors. The Directors also acknowledge the hard work, dedication and commitment of the employees. Their enthusiasm and unstinting efforts have enabled the Company to grow better than before. We hope similar support from all of you that will underpin our continuous growth.

On behalf of the Board of Directors,

sd/-

Chowdhury Tanzim Karim
Chairman

Directors' Report - continued

Annexure - I

DIRECTORS' MEETING & ATTENDANCE

Name of the Directors	Nominated by	Total Meetings	Meeting Attended	% of attendance	Change during 2012
Chowdhury Tanzim Karim	EC Securities Ltd.	11	10	91	
Mrs. Rumana Sharif	EC Securities Ltd.	11	10	91	
Mr. Nadeem A. Chaudhury	Enrilco Limited	11	10	91	Resigned on 21 May
Mrs. Tajrina Sikder	Palmal Garments Hosiery Ltd.	11	9	82	
Mr. Kazi Russel Mahbub	Palmal Garments Hosiery Ltd.	6	1	17	Appointed on 21 May
Mr. M. Faizur Rahman	Self	11	10	91	
Mr. Nasir A. Choudhury	Self	6	6	100	Appointed on 21 May
Mrs. Meherunnesa Haque	Self	6	3	50	Appointed on 21 May
Mr. M.A. Salam	Self	11	6	55	
Kazi Golam Samiur Rahman	Self	6	6	100	Appointed on 21 May
Kazi Golam Rahman	Self	5	5	100	Resigned on 21 May
Mr. S.M.A.M. Reza	Self	5	4	80	Resigned on 21 May
Engr. M. A. Rashid	Self	2	2	100	Resigned on 23 February
Mr. M. Faisal Taher	Self	5	4	80	Resigned on 21 May
Ms. Fahima Tasnim Rashid	Self	3	3	100	Appointed on 23 February & Resigned on 21 May
Mr. N.H. Khan	Self	11	11	100	
Mr. Ziaul Hasan Siddiqui	Self	2	2	100	Appointed on 23 October

SHAREHOLDINGS OF SPONSOR SHAREHOLDERS

Annexure - II

Name of Sponsor Shareholders	% of Shareholding
Palmal Garments Hosiery Ltd.	9.73
EC Securities Ltd.	7.22
Mr. M. A. Salam	6.26
Mr. M. Faizur Rahman	4.94
Enrilco Limited	4.58
Mr. Nasir A. Choudhury	4.45
Kazi Golam Samiur Rahman	3.58
Engr. M. A. Rashid	3.01
Mrs. Khurshida Choudhury	2.77
Mrs. Meherunnesa Haque	2.02
Progati Shipping (Bangladesh) Ltd	1.44
Engr. M Abu Taher	1.43
Mr. SMAM Reza	1.05
Mrs. Tajrina Sikder	0.89
Mrs. Sabita Rezwana Rahman	0.83
Ms. Runa N. Alam	0.81
Fortuna Agro Fisheries	0.71
Ms. Rumana Sharif	0.21
Mrs. Asiya Rahman	0.03
Total	55.97

Annexure - III

PATTERN OF SHAREHOLDINGS

Sponsor Shareholders/Directors	No. of shares held	Percentage
Palmal Garments Hosiery Ltd.	10,185,863	9.73
EC Securities Ltd.	7,557,258	7.22
Mr. M. A. Salam	6,556,258	6.26
Mr. M. Faizur Rahman	5,166,327	4.94
Enrilco Limited	4,793,176	4.58
Mr. Nasir A. Choudhury	4,657,783	4.45
Kazi Golam Samiur Rahman	3,749,716	3.58
Engr. M. A. Rashid	3,150,000	3.01
Mrs. Khurshida Choudhury	2,899,466	2.77
Mrs. Meherunnesa Haque	2,119,327	2.02
Progati Shipping (Bangladesh) Ltd	1,511,451	1.44
Engr. M Abu Taher	1,497,001	1.43
Mr. SMAM Reza	1,095,138	1.05
Mrs. Tajrina Sikder	936,439	0.89
Mrs. Sabita Rezwana Rahman	864,864	0.83
Ms. Runa N. Alam	847,616	0.81
Fortuna Agro Fisheries	747,501	0.71
Ms. Rumana Sharif	215,926	0.21
Mrs. Asiya Rahman	36,036	0.03

Senior Executives

Managing Director & CEO	Nil
Company Secretary	Nil
Head of Finance	Nil
Head of Internal Audit	Nil

Other top five Executives

Mr. Abul Munim Khan	Nil
Mr. Mohammad Morshed Alam	Nil
Mr. Fazle Karim Murad	Nil
Mr. A. N. M. Golam Shabbir	Nil
Mr. Md. Israil Hossain	Nil

Shareholders Holding 10% or more voting right

Shareholders holding ten percent (10%) or more voting interest in the company	Nil
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Annexure - IV

RANGE OF SHAREHOLDINGS

The distribution schedule of shareholdings as on 31 December 2012 was as under:

Shareholding range	No. of shareholders	No. of shares	% of total
Less than 500	2,764	673,454	0.64
500 to 5,000	6,276	10,447,410	9.98
5,001 to 10,000	607	4,318,807	4.13
10,001 to 20,000	269	3,792,494	3.62
20,001 to 30,000	74	1,848,091	1.77
30,001 to 40,000	40	1,380,154	1.32
40,001 to 50,000	22	973,509	0.93
50,001 to 100,000	43	3,142,768	3.00
100,001 to 1,000,000	54	20,061,679	19.17
Over 1,000,000	16	58,037,183	55.44
Total	10,165	104,675,549	100.00

AUDIT COMMITTEE REPORT

Outlines how the Committee works

The responsibilities of the Audit Committee are set out in the Corporate Governance Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) and Internal Control & Compliance (ICC) guidelines of Bangladesh Bank. These responsibilities and compliance with appropriate governance are incorporated in the Committee Charter.

COMPOSITION OF THE COMMITTEE

All the non-executive directors of the Company with the exception of the Chairman of the Board, are eligible to serve on the Audit Committee. The Committee has five members with three members forming a quorum. The Chairman of the Committee is an Independent Director. UCL meets all the criteria set out by BSEC.

The Committee comprises of the following members as of the date of this report :

- Mr. N. H. Khan, Chairman & Independent Director
(Appointed on 31 December 2012)
- Mr. M. Faizur Rahman, Member
(Appointed on 31 December 2012)
- Mr. Nadeem A Choudhury, Member
(Appointed on 31 December 2012)
- Mrs. Tajrina Sikder, Member
(Appointed on 31 December 2012)
- Mr. Ziaul Hassan Siddiqui, Member & Independent Director
(Appointed on 31 December 2012)

Biographical details of the current members of the Committee are set out on pages 50 to 53. Members' fees are included in the table of Directors' remuneration on page 95 of this Annual Report.

The Chief Executive Officer, Chief Financial Officer, Chief of Internal Control & Compliance (ICC) and representatives of the external auditors are invited to attend the Committee Meetings.

INTERNAL AUDIT

Internal audit is an independent assurance function, as set out in the Risk Management Report of this annual report. The Head of Internal Control & Compliance has a functional reporting line to the Committee and an operational reporting line to the Chief Executive Officer. Further details on the internal audit function are contained in this report.

EXTERNAL AUDIT

The external auditors are Hoda Vasi Chowdhury & Co., Chartered Accountants - an Independent Correspondent Firm of Deloitte Touche Tohmatsu. Fees paid to the auditors are disclosed in Notes to the Financial Statements on page 204 of this Annual Report.

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

The key functions and responsibilities of the Committee as outlined in the Charter are to:

- assist the Board of Directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of its business;
- review the implementation of key accounting policies and financial reporting;
- evaluate the implementation of the internal control systems and the risk management process.
- review the adequacy of internal audit function;
- consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;
- review and approve the annual audit report;
- review the activities, resources and organizational structure of Internal Audit;
- contribute to the selection process for the appointment of the Head of Internal Audit;
- review the scope of work and audit plan;
- review Management Letters issued by external Auditors;
- review the Report on the annual audit of the company;
- consider the independence of the external auditor and any potential conflicts of interest;
- review the "Terms of Engagement" of the external auditor;
- discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;
- discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports;
- report on the conflict of interests;
- suspected or presumed fraud or irregularity or material defect in the internal control system;
- suspected infringement of laws, rules and regulations;

Audit Committee Report - *continued*

- oversee the financial reporting process;
- monitor choice of accounting policies and principles;
- review the annual financial statements before submission to the Board for approval;
- review the quarterly and half yearly financial statements;
- review the statement of significant related party transactions submitted by the management.

The Committee confirms that it regulates its affairs in compliance with its Charter and discharges its responsibilities as contained herein.

EFFECTIVENESS OF INTERNAL CONTROL

The Committee monitors the internal control for effectiveness and adherence to the risk management function for pragmatic and consistent application, as these form the foundation of successful risk management through the Risk Management Committee and the Department of ICC.

The risk management function places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all the key external stakeholders.

Having considered, analysed, reviewed and debated information provided by Management, internal audit and external audit, the Committee confirms that:

- the internal controls of the company has been effective in all material aspects throughout the year under review;
- these controls have ensured that the company's assets have been safeguarded;
- proper accounting records have been maintained;
- resources have been utilised efficiently; and
- the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their re-appointment in 2013.

ANNUAL REPORT

The Committee has overseen the annual reporting process, reviewed the report and has recommended for its publication.

ANNUAL FINANCIAL STATEMENTS

The Committee has:

- reviewed and discussed the audited annual financial statements included in this annual report with the external auditors, the Chief Executive Officer and the Chief Financial Officer;
- reviewed the external auditors' management letter and management's response thereto;
- reviewed adjustments resulting from external audit queries; and
- received and considered reports from the internal auditors.

ACTIVITIES OF THE COMMITTEE CARRIED OUT DURING 2012

The Audit Committee carried out among others the following activities during the period 2012 :

- reviewed the Audited Financial Statements For the year ended 31 December 2012 along with the auditors report thereon;
- reviewed the proposal of auditors for re-appointment and recommended the same to the Board;
- reviewed the BSEC Notification on revised corporate governance guidelines;
- reviewed the Bangladesh Bank Circular no. 13 dated October 26, 2011 on the formation of Board Audit Committee;
- reviewed the Inspection Reports of Bangladesh Bank on head office of UCL and its branch offices and management responses thereon;
- reviewed the departmental activities of the company;
- reviewed and discussed on the management structure of the company and its subsidiaries along with the weaknesses of the company;
- reviewed the report on the non-performing/default clients;
- reviewed the report on business operations;
- reviewed the revised and annual budget of the company;
- reviewed the management letter of the external auditors;
- reviewed the quarterly financial statement of the group;
- reviewed the overdue status of company's portfolio;
- reviewed the affairs of subsidiary companies.

The Committee concurs with and accepts the external auditors' report on the annual financial statements and has recommended the approval thereof to the Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

sd/-
N.H. Khan
Chairman
Audit Committee
28 February 2013

Report on

INTERNAL CONTROL

Describe the effectiveness of Internal Control system

Whilst the Board acknowledges that total elimination of risks is not possible, the system of internal controls that is in place is designed to manage risks in meeting the Group's business objectives. The system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

INTRODUCTION

The Board of Directors recognizes how important it is to maintain a sound system of internal control across the company to ensure good corporate governance as well as to safeguard shareholders' investments and the company's assets. The system of internal control that we have in place enables us to drive our business operations in a more efficient and effective manner, ensures sound financial reporting and control procedures, as well as compliance with the relevant laws and regulations.

As a listed issuer, we have an obligation, to ensure that a statement on the state of the company's internal control is included in this Annual Report. The following statement on internal control has been prepared in accordance with the regulatory requirements.

RESPONSIBILITY

The Board acknowledges that it has a responsibility for the Group's system of internal controls and for reviewing the adequacy and integrity thereof. Such a system covers not only financial controls but also controls relating to governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines as well as internal policies, processes and procedures.

The Board has established an ongoing process for identifying, evaluating, managing and reporting the significant risks that may affect the achievement of the Group's business objectives. This covers the period throughout the financial year under review and up to the date of this report.

Management continuously assists the Board in the implementation of approved policies and procedures on risk and control for application/adherence across the Group, and ensure that such policies and procedures are being continuously reviewed in order to meet the changing financial landscape.

Management continuously assists the Board in the implementation of approved policies and procedures on risk and control for application/adherence across the Group, and ensure that such policies and procedures are being continuously reviewed in order to meet the changing financial landscape.

KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the Group's system of internal controls include the following:

Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to

ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken.

This is all the more important given that the risks within the industry we operate in continually change and evolve. This process is regularly reviewed through its Risk Management Committee (RMC) which ensures the proper management of risks and takes the appropriate measures to mitigate any identified weaknesses in the control environment.

The Risk Management Committee provides oversight of the Group's overall risk management. In discharging its overall duties and responsibilities, the Risk Management Committee is supported by the Risk Management function which monitors and evaluates the effectiveness of the risk management system and operations on an ongoing basis.

Amongst the other committees set up in the Group to manage specific areas of risk are the Assets & Liabilities Management Committee (ALCO), Management Credit Committee and Basel II Implementation Committee.

In line with regulatory requirements and industry best practices, the Group has instilled the principle that risk management is a core responsibility of the respective business and operating units. This is enshrined in the risk management framework of the Group.

Internal Audit Function

The Internal Audit performs regular review of the Company's operational processes and system of internal controls. Internal Audit adopts a risk-based approach in determining the auditable units and frequency of audits. Audit plans are reviewed regularly.

The results of the audits conducted by Internal Audit are reported to the Audit Committee. The follow-up actions and the review of the status of actions taken as per the auditors' recommendations are carried out by the Management via the various Management Committee.

The Audit Committee hold regular meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities. The minutes of the meetings of the Audit Committee are subsequently tabled to the respective Boards for notation. The copy of the minutes of the meetings of the Audit Committee is also sent to the Bangladesh Bank regularly within the stipulated time.

Report on Internal Control - *continued*

Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report.

Group Compliance Framework

Compliance risk in UCL is defined as the risk of impairment to the Group's reputation and financial condition from failure to meet laws and regulations, internal policies and expectations of stakeholders.

The Group's state of compliance with laws, regulations and internal policies and procedures

are reported to Risk Management Committee. In addition, the Group has in place a reporting process wherein any incident affecting the reputation of the Group is escalated to the senior management immediate of the incident occurring. This escalation process ensures adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance in collaboration with the business and operating units, continuously assesses and recommends improvements to controls by carrying out root cause analysis on common incidences of non-compliance, negligence and fraud.

To mitigate compliance risk, briefings as well as various awareness and learning initiatives are conducted to ensure

continuous compliance with existing controls and to embed a compliance culture within the Group.

Board Committees

Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of references. These committees have the authority to examine and/or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required. The Board Committees are as follows:

- The Board Audit Committee; and
- The Executive Committee.

Management Committee (MC)

The Management Committee, comprising key management personnel of UCL and chaired by the Managing Director, manages the strategic direction and provides strategic guidance to the Functional Units. Being a forum where all strategic and operational matters are discussed, the MC meets regularly and special meetings are convened to discuss urgent issues.

Authority Limits

Delegation of authority including authorization limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

Internal Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and are made available to employees across the Group. These policies, procedures and processes are reviewed and updated to cater to changes in laws and regulations as well as changes to the business and operational environment. Furthermore, a review of the policies, procedures and processes are also carried out to ensure that appropriate controls are in place to manage operational risks.

There is clear procedure for investment appraisals including equity investment and capital expenditure.

Budgeting Process

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the Boards. The budget and business plans as well as strategic initiatives are discussed by the senior management and the Board at an annual business planning and budgetary session.

A reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management and reported to the Board.

Performance Review

Regular and comprehensive information is shared by the Management for monitoring of their performance against the strategic business plan approved by the Board, covering all key financial and operational indicators as well as key strategic initiatives undertaken by the Group during the year.

The Management Committee and the Board receive and review the monthly accounts and financial information reports at their monthly or regular meetings.

Human Capital Management

The Group acknowledges that one of the key constituents of any internal control system is its people and that our system of internal controls is dependent on the responsibility, integrity and judgement that people apply to their work.

Hence, the Group has in place policies and procedures that govern recruitment and appointment, performance management, talent management, succession planning, compensation and reward, learning Statement on Internal Control and human capital development as well as policies and procedures that govern discipline, termination and dismissal.

Code of Ethics and Conduct

The Code of Ethics and Conduct sets out the standards of good and ethical business practices, and aims to maintain confidence in the security and integrity of the business practices. It is a requirement that all employees of the Group understand and observe the Code.

DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Director' Report and the Financial Statements in accordance with BFRS and applicable laws and regulations.

The Companies Act, 1994, requires the Directors to prepare financial statements for each financial year. The Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the ICAB, Bangladesh Securities and Exchange Rules 1987 and the Listing Regulations of the Stock Exchanges. The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the ICAB; and
- prepare the consolidated financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Companies Act, 1994 requires directors to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. The Directors, having made appropriate enquiries, confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors have reviewed the budget and cash flow forecasts. On the basis of this review, and in the

light of the current financial position and existing borrowing facilities, the directors are satisfied that UCL is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

In compliance with the requirements of the BSEC's Notification dated 7 August 2012, the Directors are also required to disclose certain matters in their report. The Directors confirm that:

- Financial Statements present fairly its state of affairs, result of its operations, cash flows and changes in equity;
- proper books of account have been maintained;
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- BFRSs have followed in preparing Financial Statements and any departure has been adequately disclosed;
- the system of internal control is sound in design and effectively implemented and monitored;
- statement on company's ability to continue as a going concern has been disclosed;
- significant deviations from last year in operating results have been highlighted along with the reasons thereon has been disclosed;
- key operating and financial data of preceding five years have been summarized;
- the number of Board meetings held during the year and attendance by each Director has been disclosed;
- the pattern of shareholdings etc. has been disclosed;
- Industry outlook and possible future developments has been disclosed;
- segment-wise performance has been disclosed;
- risks and concerns has been disclosed;
- continuity of any extra-ordinary gain or loss has been disclosed;
- a statement of all related party transactions has been disclosed;
- significant variance occurs between quarterly financial performance and annual financial statements has been disclosed;
- remuneration to Directors including independent Directors has been disclosed;
- a brief resume, nature of Directors' expertise in specific areas, other directorship and the membership of committees of the Board of other companies given on pages 50 to 53 of this Annual Report.

Responsibility of CEO and CFO in respect of **FINANCIAL REPORTING**

We the following signatories certify that we have reviewed the accompanying consolidated financial statements of Union Capital Limited and to the best of our knowledge and belief:

1. the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
2. the financial statements together present a true and fair view of the Company's affairs and were prepared in accordance with the Financial Institutions Act 1993 and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

We further certify that to the best of our knowledge and belief there were no transactions entered into by the Company during the year, which are fraudulent, illegal, or violation of the Company's code of conduct.

sd/-
Md. Akter Hossain Sannamat FCA, FCS
Managing Director and CEO

Dhaka, 28 February 2013

sd/-
Mushfiq UI Quayoom
EVP & Chief Financial Officer

Report on INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of UCL is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by or under the supervision of, the Managing Director & CEO and the Chief Financial Officer and effected by the Board of Directors, the Management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with BFRS and other applicable rules and regulations. It includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions related to operations;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with BFRS and our receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of

any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated, under the supervision of and with the participation of the Managing Director & CEO, the Chief Financial Officer and the Chief of Internal Control & Compliance, the effectiveness of our internal control over financial reporting as of 31 December 2012.

Based on that evaluation, management concluded that, as of December 31, 2012, internal control over financial reporting was effective. Also, based on the results of our evaluation, management concluded that there were no material weaknesses that have been identified in internal control over financial reporting as of 31 December 2012.

Our internal control over financial reporting as of 31 December 2012 has been audited by Hoda Vasi Chwdhury & Co., Chartered Accountants, who also audited our Consolidated Financial Statements for the year ended 31 December 2012. The Auditor also assess the effectiveness of our internal control and determines the degree and extent of reliance on internal control system.

sd/-

Md. Akter Hossain Sannamat FCA, FCS
Managing Director and CEO

Dhaka, 28 February 2013

sd/-

Mushfiq UI Quayoom
EVP & Chief Financial Officer

Chairman's Statement on Corporate Governance

Describes UCL's approach to good governance practices

How we govern ourselves as a group is as important as anything else we do. Being an ethical company is about much more than simply adhering to the letter of the law. But it's an important step. We aim to achieve and maintain the highest standards of business integrity, ethics and professionalism across all of our activities.

The Board is accountable to the Company's shareholders for the good conduct of the Group's affairs. This report explains how the Group applies the Corporate Governance issued by the BSEC and Bangladesh Bank.

The Directors are committed to maintaining the highest standards of corporate governance, which they believe are fundamental in discharging their stewardship responsibilities.

The Board confirms that the Company has, throughout the period under review, complied with all provisions set out in corporate governance guidelines.

As part of its commitment to sustainable operations at every level, UCL Group operates within a clearly defined governance framework that defines all governance and compliance aspects of the

In today's marketplace of continually evolving regulatory and investor expectations, your Board has focused on corporate objectives and performance in the context of doing what is right and ethical. My fellow Directors have demonstrated a strong sense of integrity, corporate responsibility and a willingness to work hard on all issues.

Company. This framework includes governance structures that are strategically linked to performance management, thereby encouraging and enabling our business units to focus on key requirements.

The Board of Directors strongly believes in the importance of good Corporate Governance in maintaining Company's reputation and solid foundation. The Board will continue to ensure good Corporate Governance to provide the requisite leadership, policy,

strategy and internal controls in order to continue to deliver and sustain company's value propositions. This benefits our stakeholders while at the same time ensuring continuing momentum towards reaching UCL's aspirations to be a leading financial institution.

UCL is committed to the principles of excellence in corporate governance and ethics. This commitment is evidenced by the following practices that are in place at UCL Group :

- A Board with all non-executive members being independent of Management;
- Clear separation of the role of the Chairman of the Board and the Managing Director & CEO;
- The Audit Committee and Executive Committee comprises solely of Non-executive Directors;
- Inclusion of all the independent Directors in the Board Audit Committee;

- An Independent Director is in the Chair of the Audit Committee;
- A code of ethics and business conduct ;
- Maintaining the basic principles of Corporate Governance;
- Published Charter for the Board and all of its Committees;
- Certification from an independent professional on the compliance of the conditions of BSEC's Notification of 7 August 2012.
- A set of corporate values – integrity, trust, teamwork, openness, transparency, excellence and resilience – communicated to all employees;
- The members of the Board Audit Committee possesses knowledge on internal control, financial and administrative matters;
- The Audit Committee meets regularly with/without the presence of the Executive Management;
- An established system of internal control with appropriate check and balance;
- Ensure transparency in financial reporting and adequate disclosures;
- A firm commitment for creation of long-term shareholders' value.

For UCL, Corporate Governance is not a mere statement of compliance. We aim to achieve and maintain the highest standards of business integrity, ethics and professionalism across the Group.

We believe that good governance, in its broadest sense, is a competitive advantage. To maximize shareholders' value on a sustainable basis, principles of good governance must extend beyond the Board of Directors into every segment of business activities. Indeed, a foundation of ethics, integrity and good governance guides all of our activities across our diverse operations.

Thank you,

sd/-
Chowdhury Tanzim Karim
Chairman

CORPORATE GOVERNANCE

Describes Directors' approach to governance and how the Board works

We believe good governance depends on the exercise of sound, objective and independent judgement by the Board. The Board assesses the independence of Directors against legal and regulatory criteria. All Directors are Independent except for the Managing Director & CEO of the company who is an Ex-officio Director.

This report describes the Directors' approach to corporate governance and how the Board applies the Corporate Governance Guidelines.

We strive to earn and retain the trust of our shareholders through our high standards of corporate governance. We have strong oversight and regulations in place, and we work to embed those practices in our culture.

OVERVIEW

- Our core values guide the Board's oversight, its relationship with management and its accountability to shareholders;
- Our governance responsibilities are integral to our performance and long-term sustainability;
- Our corporate governance standards reflect emerging best practices and meet or exceed legal and regulatory requirements; and
- Proper governance is important to our shareholders, our customers, our employees, our communities – to UCL.

FOUNDATION FOR CORPORATE GOVERNANCE

UCL sees good corporate governance, risk management and internal control as key elements in a successful business and to maintain confidence among customers, shareholders, authorities and other stakeholders.

UCL defines corporate governance as the relationship between shareholders, executive management, employees, the various companies within the Group and other stakeholders. In a broader sense, it also means:

- how the vision, purpose and strategy are designed and communicated
- how the values are followed

- how goals are set and followed up
- how risks are managed
- how a corporate culture that supports company's commitment to customers and builds shareholder value is created.

Good corporate governance benefits both our customers and our shareholders, and is essential to our long-term business success. For this reason, we devote considerable time and resources to making sure that:

- our policies reflect our values and business goals;
- we have an effective corporate governance structure; and
- we are operating in a way that is open, honest and transparent.

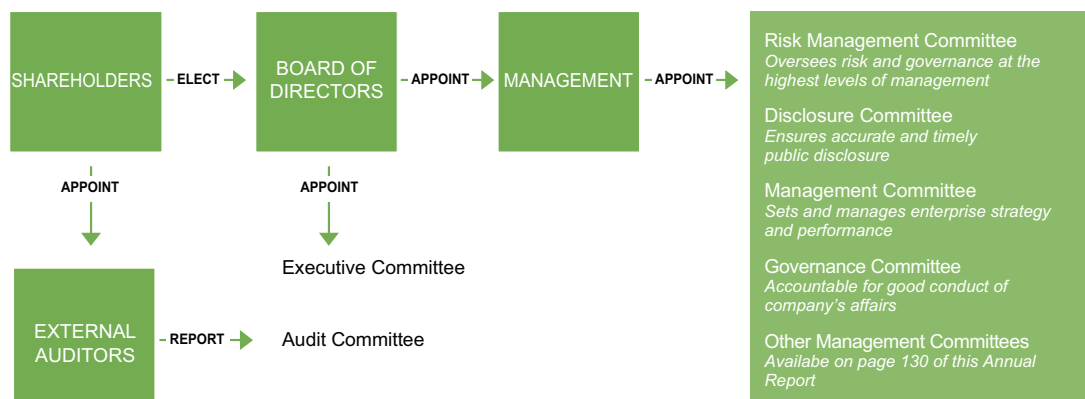
As part of our long-standing commitment to ethics and good corporate citizenship, our first step is always to comply with the laws and regulations that govern the way we market our products and services. We have a sound compliance practices that:

- are consistent with recommendations set forth by BSEC;
- seek to prevent, detect and resolve potential violations of law or company policy; and
- undergo regular assessment to make sure we are being responsive to our evolving business and associated compliance risks.

Our compliance practices is just one part of our overall commitment to operating ethically, openly and transparently. But we believe it's the right place to start.

OUR GOVERNANCE STRUCTURE

The Board and its Committees act independently.



CORPORATE GOVERNANCE FRAMEWORK

Our corporate governance policies and procedures form the basis of a sound corporate governance framework and refer to other documents that regulate certain aspects of corporate governance in greater detail.

Articles of Association (AoA): define the purpose of the business, the powers and duties of the Directors and the basic organizational framework.

Code of Conduct: defines the UCL's ethical values and professional standards that the Board and all employees are required to follow, including an emphasis that employees must adhere to all relevant laws, regulations, and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking.

Organizational Guidelines and Regulations: define the responsibilities and sphere of authority of the various bodies within the company, as well as the relevant reporting procedures.

Corporate Governance Guidelines: summarize certain principles promoting the function of the Board and its committees and the effective governance of the company.

Board of Directors Charter: outlines the organization and responsibilities of the Board.

Board Committee Charters: define the organization and responsibilities of the Committees.

As part of its commitment to sustainable operations at every level, UCL group operates within a governance framework that defines all governance and compliance aspects of the organization.

This governance framework entails far more than compliance with legislation, and has been developed with the aim of enabling UCL Group to attain a number of very clear objectives and goals, which include:

- Maximizing efficiency and profitability within acceptable risk parameters.
- Implementing group's strategy within defined compliance requirements.
- Adhering to correct and proper corporate behaviors.
- Balancing, within a framework of effective accountability, the interests of shareholders and other stakeholders who may be affected by the conduct of directors or executives of the group.
- Minimizing or avoiding conflicts of interest between the business interests of the group and personal interests of directors or executives.
- Disclosing matters that are material to the business of the group or the interests of stakeholders timely and accurately.
- Ensuring efficient and effective functioning of the Risk Management Framework.
- Complying in substance, not just in form, with the provisions of the Code of Corporate

Governance and regulations affecting the financial services industry.

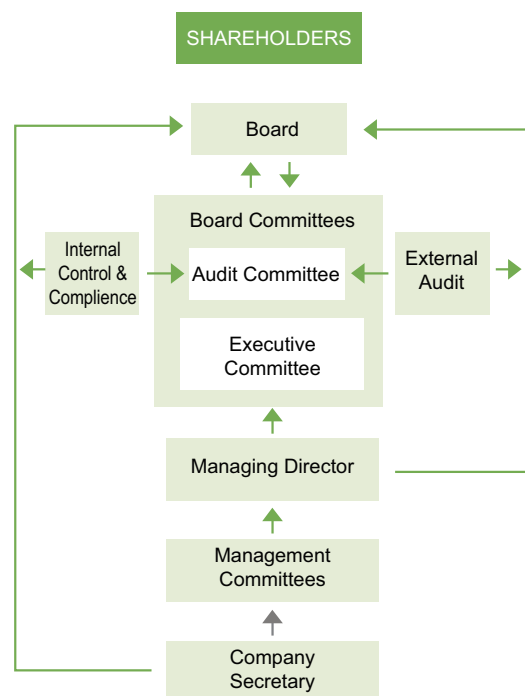
CORPORATE GOVERNANCE STATEMENT

The Board of UCL governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholders' value. The Board is committed to, and ensures that, the Management performs in accordance with the highest level of ethics and integrity. This statement outlines the main corporate governance practices employed by the Board of UCL in applying the Corporate Governance guidelines.

Corporate governance is the framework of rules, relationships, systems and processes within which and by which the operations of the group is exercised and controlled. It influences the setting and achievement of objectives of the Company, the monitoring and assessment of risk and the optimization of performance. There is no single model of good corporate governance. For UCL, best practice corporate governance has been adapted to the changing circumstances and will continue to evolve as those circumstances change.

GOVERNANCE MODEL

UCL's Governance Model conforms to the relevant regulatory requirements as well as best market practices. The Governance Model is in place to ensure it remains relevant and is able to meet future challenges.



COMPLYING WITH RULES AND REGULATIONS

We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group and our management and assists investors in their investment decisions.

We fully adhere to the principles set out in the BSEC and Bangladesh Bank Corporate Governance guidelines.

THE BOARD

lays solid foundations for management and oversight

The Board has a Charter which sets out the roles of the Board. The Board is responsible for setting the strategic direction of the Group and monitoring the implementation of that strategy by the Management, including:

- promoting ethical and responsible decision making;
- oversight of the Group, including its control and accountability systems;
- appointing and removing the CEO and Senior Executives;
- Executive management development and succession planning;
- input into and approval of corporate strategy;
- input into, and approval of the annual operating budget;
- approving and monitoring the progress of major capital expenditure and capital management;
- monitoring compliance with all legal, tax and regulatory obligations;
- reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- reviewing the effectiveness of the implementation of its risk management system;
- monitoring the performance of the Senior Executives and implementation of strategy and policies, ensuring appropriate resources are available;
- ensuring that the market and shareholders are fully informed of material developments; and
- appointment, reappointment or replacement of the external auditor.

The performance of senior executives is evaluated annually against pre-determined criteria. The Company has a delegation policy and framework in place which lays down the specific limits, financial and operational, within which management is authorized to operate.

THE AUDIT COMMITTEE

Safeguards the integrity of financial reporting

The Board has an Audit Committee which:

- comprises five non-executive Directors out of whom Mr. N. H. Khan and Mr. Ziaul Hasan Siddiqui are independent directors;
- is chaired by an Independent Director Mr. N. H. Khan who is considered to be best qualified to serve in this role and has knowledge of finance;
- has a Charter which is available on page 57 of this Annual Report;

○ consists of members who are financially literate; is responsible for assisting the Board in fulfilling its corporate governance responsibilities, particularly:

- the reliability and integrity of information for inclusion in Company's financial statements;
- compliance with legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
- the integrity of company's internal control framework; and
- safeguarding the independence of the external and internal auditors.

The engagement partner of the external audit firm is invited to attend each Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

CHARTER OF THE BOARD AND ITS COMMITTEES

The Board and its Committees have prescribed and delegated terms of reference may be found on pages 56 to 57 of this Annual Report.

THE CHAIRMAN

Responsible for leading the Board

There is a clear and effective division of accountability and responsibility between the roles of the Chairman and the Managing Director & CEO.

The Chairman is responsible for leading the Board and ensuring it performs in an effective manner.

The Chairman, presides over Board and General Meetings of the Company. He ensures that the Board is well informed and effective; that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board and the Company. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1994, and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

In furthermore thereto, the Chairman also has following responsibilities:

- to provide effective leadership in the determination of Company's strategy and in the achievement of the Company's objectives;
- to work with the Company Secretary to schedule Board and Committee meetings and ensure that Directors receive accurate, timely and clear information, in particular on the Company's and Group's performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sound advice in achieving the Company's objectives;
- to ensure that Board Committees are properly established and composed, with appropriate terms of reference;
- to ensure that all important agenda are appropriately discussed by the Board;
- to ensure the independence of the Board in discharging its duties;
- to ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines;
- to promote effective relationships and open communication between the Board and the Senior Management in relation to corporate governance and corporate performance;
- to ensure effective relationships are maintained with all major stakeholders.

THE MANAGING DIRECTOR & CEO

Responsible for day to day operations

While the Chairman leads the Board, the CEO has executive responsibility for the day to day operations and performance of the company.

The Managing Director & CEO who has extensive financial experience and knowledge (including corporate finance and business development), drives the Group's overall strategic growth towards achieving UCL's strategic vision and direction. He leads the Management in the execution of strategic initiatives. The distinct and separate duties and responsibilities of the Managing Director and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The Managing Director's integral role is to implement the policies and decisions of the Board, oversee the entity's operations as well as coordinate the development and execution of the corporate strategies. In addition thereto, he is also responsible for the following tasks:

- to put in place initiatives that will shape the corporate direction and values of the company towards the achievement of a "customer-centric" corporate culture and underpinned by the company's values;

- to ensure that the financial results are accurate and not misleading as well as to ensure that the financial management practices of the company are carried out with the highest standards of integrity and transparency for the benefit of all stakeholders;
- to ensure that the business and affairs of the Company are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- to oversee the internal control systems and the risk management processes and ensure these systemized processes are appropriate and effective;
- to maintain effective relationships between the Management, the Board and other stakeholders; and
- to develop and maintain strong communication and dialogue with the stakeholders.

In carrying out his tasks, the Managing Director is supported by a Management Committee (MC) which comprises the Managing Director as the Chairman, CFO and the Head of Operation & Marketing Department.

THE COMPANY SECRETARY

Serves the Board on company matters

The Company Secretary serves the Board on matters relating to the affairs of the Board and ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. The Company Secretary assists the Chairman and Directors in the conduct of meetings and their governance obligations and responsibilities as Directors of the Company. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees, the Senior Management and the regulators.

Apart from performing the duties and responsibilities of a Secretary to the Board, the Company Secretary also undertakes the following roles:

- ensures that the Board is kept well informed/ updated on legal/regulatory requirements that affects the duties and responsibilities of Directors;
- ensures that the relevant companies within the Group comply with its statutory obligations under relevant laws and regulations;
- provides guidance to Directors and Senior Management on various corporate affairs matters;
- assists in managing shareholder relations and resolving their enquires;
- manages relationship with the office of RJSC; Submit all statutory return to RJSC within stipulated time period; and
- acts as a custodian of the Group's statutory records.

INTERNAL CONTROL

The guidelines on internal control & compliance given by Bangladesh Bank recommend internal control practices for NBFIs to assist them in assessing the application of the principles and compliance with the provisions with regard to internal control.

The systems of internal control of the company are designed and operated to support the identification, evaluation and management of risks affecting the company. These include controls in relation to the financial reporting process and the preparation of consolidated accounts, but extend across all areas of operations. They are subject to continuous review as circumstances change and new risks emerge.

Key features of the systems of internal control are:

- the risk management system described in the section of risk management report;
- written policies and procedures within our businesses, which are detailed in policy manuals;
- clearly defined lines of accountability and delegation of authority;
- minimization of operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses;
- business continuity planning, including preventive and contingency measures, back-up capabilities;
- key policies employed in managing operating risk involve segregation of duties, transaction authorization, monitoring, financial and managerial review and comprehensive reporting and analysis against approved standards and budgets; and
- a treasury operating framework which establishes policies and manages liquidity and financial risks. ALCO that monitor these activities and compliance with the policies. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the Management Committee;

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, reviews of key financial controls, internal audit reviews and quality assurance, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations and reports to the Audit Committee by the external auditors.

INTERNAL AND EXTERNAL AUDITORS

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

Internal Audit

Our Internal Audit department comprises of a team of independent professionals headed by a Chartered Accountant Mr. Redwanur Rahman FCA reports directly to the Audit Committee.

Internal Audit performs an independent and objective assurance and consulting function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits. Its function also include independent assessment risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the Audit Committee.

Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

External auditors

Our statutory auditor is M/S Hoda Vasi Chowdhury & Co. They are also the auditor of one of our subsidiary SES Company Ltd.

Another subsidiary UniCap Investment Ltd. is audited by S. F. Ahmed & Co., Chartered Accountants.

ANNUAL GENERAL MEETING

Under Companies act law, the AGM must be held within nine months from the end of the financial year. Notice of an AGM, including agenda items and proposals submitted by the Board must be published at least 14 days prior to the meeting.

Shares only qualify for voting at an AGM if they are entered into the depository register with voting rights on record date fixed no later than 14 days prior to an AGM.

Convocation of shareholder meetings

An AGM is convened by the Board with 14 days' clear notice for ordinary/extra-ordinary resolutions. Twenty one days notice is required for passing special resolution.

Request to convene a meeting by the shareholders

Shareholders holding shares not less than one-tenth of the issued share capital of the company have the right to call an extra ordinary general meeting and request for a specific item be placed on the agenda and voted upon at the meeting. The Director shall, within 21 days from the date of deposit of the requisition for meeting by the shareholders, proceed duly to call a shareholders meeting.

Statutory quorums

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy.

Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- transaction of ordinary business done in an AGM;
- increase of paid up capital;
- consolidation or subdivision of shares;
- cancellation of unissued shares;

A consensus of at least two thirds of the votes represented is required for resolutions include:

- change provisions of the object clause;
- change the name of the company
- alter or add to its AoA;
- reduce share capital;
- make reserved capital;
- make director's liability unlimited;
- remove auditor before expiry of term;
- on court winding up;
- On voluntary winding up;

Notices of shareholders meeting

Notices to shareholders are made by publication in the daily newspapers. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules is published in two widely circulated newspapers in English and Bangla and sent to the stock exchanges and BSEC.

Timely and balanced disclosure

The Board has an established process to ensure accountability at a senior executive level for compliance with the continuous disclosure obligations of Bangladesh Bank, BSEC and listing rules. Executive management is required to communicate all matters of a material nature and which may require disclosure to regulators, to the Chairman, CEO or the Company Secretary.

The rights of shareholders

UCL promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. UCL communicates with the shareholders through AGM, EGM, the annual report and Company's web site. All of the Company's announcements to the market may be accessed through the Company's web site.

Shareholders are provided with the opportunity to question the Board concerning the operation of the Company at the Annual General Meeting. They are also afforded the opportunity to question the Company's auditors concerning matters related to the audit of the Company's financial statements at that meeting.

BOARD OF DIRECTORS

Board composition

The Directors determine the composition and size of the Board in accordance with Bangladesh Bank and BSEC's regulations. The regulators set upper and lower limits with the number of Directors not permitted to be less than five and more than twenty as per BSEC corporate governance guidelines while the minimum number is nine with a maximum limit of eleven as per Bangladesh Bank Regulations. The Board has determined that there shall be eleven Directors. The skills and experience of each Director and their period of office at the date of this Report are set out on pages 50 of the Annual Report.

Membership and qualifications

The Board currently consists of 11 members which is within the regulatory limit. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be educate enough to ensure an effective decision-making process.

To be a member of the Board of a listed company, a Director other than nominated and alternate Director must hold at least 2% of the outstanding shares of the company. The Independent Directors are also exempted from such requirement.

As of the AGM on 31 March 2013, Mr. M. A. Salam, Mr. M. Faizur Rahman, Mrs. Tajrina Sikder (Nominated by Palmal Garments Hosiery Limited) and Mr. N. H. Khan shall retire by rotation. Being eligible, the Board proposes them to be re-elected to the Board at the AGM.

Directors' knowledge and Experience

As a major financial services provider, the Board recognizes that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the company as a whole. Furthermore, being on the Board of a parent company, the Board Members are required to be responsive to the constantly changing financial landscape.

Our Directors bring on Board a wealth of knowledge and experience in business development, finance, legal, accounting, general management skills and the regulatory environment. A brief profile of each Member of the Board outlining their quantifications, experience and skills is presented on pages 50 to 53 of this Annual Report.

Directors' Independence

All the directors except the Managing Director are non-executive Directors and independent of the management. All Directors bring independent judgements to bear on their decisions.

The materiality thresholds used to assess directors independence are set out in the BSEC Notification on Corporate Governance dated 7 August 2012. The Managing Director & CEO is a Ex-officio member of the Board having no voting rights. The Board believes that the interests of the shareholders are best served by:

- the current composition of the Board which is regarded as balanced with a complementary range of skills and experience detailed in the Directors' profile on pages 50 to 53 of this Report; and
- the Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent judgements:

- a standard item on each Board Meeting agenda requires Directors to focus on and declare any conflicts of interest in addition to those already declared;
- Directors may seek the advice of independent experts, subject to the approval of the Board;
- all Directors must act at all times in the interests of the Company; and
- Directors meet as required independently of executive management.

Adoption of these measures ensures that the interests of shareholders, as a whole, are pursued and not jeopardized by a lack of independence.

Directors' Induction

During the year 2012 the following changes have been made in the Board of Directors :

Name	Change in 2012
Engr. M. A. Rashid	Retired on 23 Feb
Ms. Fahima Tasnim Rashid	Retired on 21 May
Kazi Golam Rahman	Retired on 21 May
Mr. S.M.A.M Reza	Retired on 21 May
Mr. M. Faisal Taher	Retired on 21 May
Kazi Golam Samiur Rahman	Appointed on 21 May
Kazi Russel Mahabub	Appointed on 21 May
Mrs. Meherunnesa Haque	Appointed on 21 May
Mr. Nasir A. Choudhury	Appointed on 21 May
Mr. Ziaul Hasan Siddiqui	Appointed on 21 May

Board Meetings

In 2012, the Board held 11 meetings in person. The Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Management Committee attend the meetings to ensure effective interaction with the Board. Minutes are kept of the proceedings and resolutions of the Board are sent to the Bangladesh Bank including the minutes of Board Committees.

Procedures of Board meetings

- The Board convene according to an agreed schedule to discuss business and other issues whenever considered necessary;
- The Chairman decides on the agenda based on proposals by the other members of the Board, the Managing Director & CEO, and the secretary to the Board;
- The Chairman convene a meeting to deal with a specific item, if requested by a member of the Board or the Managing Director & CEO;
- The Board deals with the reports of the Board committees, Credit committees and the Managing Director & CEO;
- Working papers are delivered to the members seven days before meetings.

Business of Board Meetings

The Board's agenda is managed to ensure that shareholder value and governance all play an appropriate part in its deliberations and judgements.

The Board delegates to management the day-to-day operation of the business, in accordance with appropriate risk parameters. The Board monitors compliance with policy and achievement against objectives, by holding management accountable for its activities through regular updates.

During the year ended 31 December 2012, the Board considered a wide range of issues, including:

- receiving proposal on financing business;
- receiving regular reports on the financial position of the company and the various businesses;
- receiving reports on the outstanding issues arises from earlier board meetings;

Corporate Governance - continued

- receiving reports on financing proposals approved by the management credit committee;
- approving the budget and long-term plan;
- approving interim and full-year results;
- discussing and approving corporate strategy;
- receiving reports from the Audit Committee and Executive Committee; and
- receiving reports on governance issues affecting the company;

Access to information

Directors may access all relevant information required to discharge their duties in addition to information provided in Board papers and regular presentations delivered by Executive Management on business performance and issues.

Directors' remuneration, attendance and committee membership

The members of the Board are encouraged to attend all meetings of the Board and the Committees on which they serve. The meeting attendance statistics for the Board and committee meetings are shown in the following tables.

Board

Name of Directors	Attendance	Fee	Remarks
Mr. Kazi Golam Rahman	4	20,000	Retired on 21 May '12
Mr. M. Faizur Rahman	10	50,000	
Engr. M. A. Rashid	2	10,000	Retired on 23 Feb '12
Mr. Nadeem A. Chaudhury	9	45,000	
Mrs. Tajrina Sikder	8	40,000	
Mr. S.M.A.M. Reza	4	20,000	Retired on 21 May '12
Mr. M. Faisal Taher	4	20,000	Retired on 21 May '12
Mr. N.H. Khan	10	50,000	
Chowdhury Tanzim Karim	9	45,000	
Mrs. Rumana Sharif	9	45,000	
Mr. M.A. Salam	6	30,000	
Ms. Fahima Tasnim Rashid	2	10,000	Retired on 21 May '12
Mr. Kazi Golam Samiur Rahman	6	30,000	Appointed on 21 May '12
Mr. Nasir A. Choudhury	6	30,000	Appointed on 21 May '12
Mrs. Meherunnesa Haque	3	15,000	
Mr. Ziaul Hasan Siddiqui	2	10,000	Appointed on 23 Oct '12
Mr. Kazi Russel Mahbub	1	5,000	Appointed on 21 May '12

Audit Committee

Name of Members	Attendance	Fee
Mr. N.H. Khan, Chairman	5	25,000
Mr. M. Faizur Rahman	5	25,000
Mr. Nadeem A. Chaudhury	4	20,000
Mrs. Tajrina Sikder	3	15,000
Mr. S.M.A.M. Reza	2	10,000

Executive Committee

Name of Members	Attendance	Fee
Mr. Nasir A. Choudhury, Chairman	4	20,000
M. Faizur Rahman	7	35,000
Engr. M. A. Rashid	2	10,000
Mr. M. Faisal Taher	4	20,000
Chowdhury Tanzim Karim	8	40,000
Mrs. Rumana Sharif	8	40,000
Mr. Kazi Golam Samiur Rahman	4	20,000

CONFLICTS OF INTEREST

The UCL does not condone any form of conflict of interest be it personal, financial or family interest that could in any way keep the individual from acting in the best interests of the company and which may compromise the interest of company, its shareholders and clients. To this end, all employees are required to refrain from any activity which may result in any conflict or potential conflict of interest. Any actual or potential conflict of interest must be reported to the Management as soon as it is recognized.

The Company has comprehensive procedures in place to deal with any situation where a Director has an actual or potential conflict of interest. Under these procedures members of the Board are required to:

- consider each conflict situation separately on its particular facts;
- consider the conflict situation in conjunction with the rest of their duties under the applicable rules and regulations; and
- keep appropriate records and Board minutes demonstrating any authorization granted by the Board for such conflict and the scope of any approvals given.

BASIC PRINCIPLES FORMING A GOOD BOARD

The Board is collectively responsible to the Company's shareholders for the long-term success of the Company and for its overall strategic direction, its values and its governance. It provides the leadership necessary for the Company to meet its business objectives whilst ensuring that a sound system of internal control and risk management is in place.

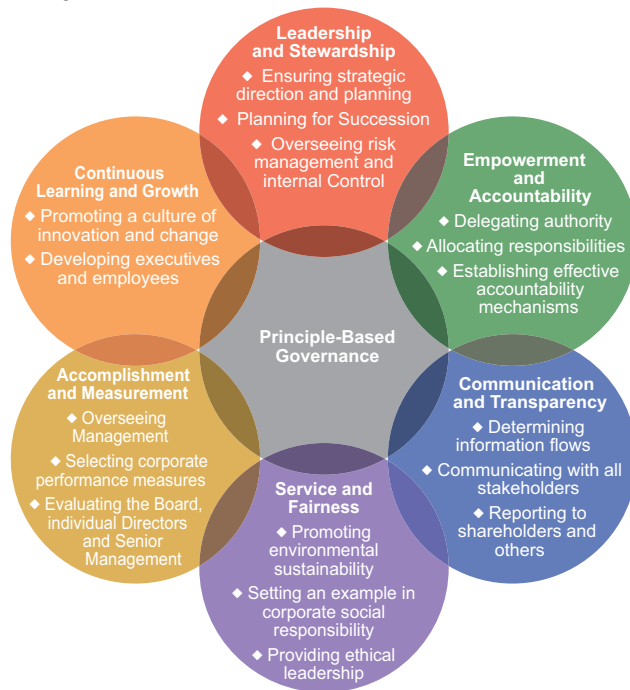
The Board is responsible for governing the business and affairs of the Company and for exercising all such powers pursuant to the Articles of Association of the Company. While carrying out their duties and responsibilities, the Board is committed to ensuring that the highest corporate governance standards are adhered to. The overall principal responsibilities of the Board are as follows:

- providing strategic leadership to the Company;
- reviewing, approving and monitoring the implementation of the strategic business plans and policies of the company;

Corporate Governance - continued

- ensuring the Company and Group maintain an effective system of internal controls and are able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for long-term business continuity.

The Board recognizes the importance of having the six basic principles as indicated below form a good governance Board:



CODE OF ETHICS AND BUSINESS CONDUCT

The Board promotes ethical and responsible decision making. UCL has in place a Code of Ethics and Business Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees in the performance of their duties and responsibilities.

The Code of Ethics enhance the standard of corporate governance and promote ethical conduct with a view to achieving the following objectives:

- to establish a uniform ethical standard emphasizing conduct free from conflicts of interest; and
- to uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines.

The code of ethics and business conduct deal with among others the following issues:

- compliance with laws and regulations
- unacceptable payments
- giving or receiving gifts
- protection of UCL assets
- proper accounting
- dealing with auditors
- unauthorized public statements
- conflict of Interest
- use of inside information
- UCL employee share trading policy

THE DISCLOSURE COMMITTEE

The disclosure committee consists of the Chief Executive officer, the CFO and Company Secretary and the Head of ICC. The function of the disclosure committee is to meet as and when required in order to assure compliance with the Disclosure and Transparency requirements and the Listing Rules, and to ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office and investor relations are clear so that the company is able to comply fully with its continuing obligations under the Disclosure requirements.

ETHICAL & COMPLIANCE STATEMENT

Commitment to meet the growing demand of compliance

OVERVIEW

As governance and regulatory requirements in the financial industry continues unabated, financial institutions are coming under intense pressure to implement good governance practices and manage compliance risk while pushing for improvements to the bottom-line. Compliance risk within the UCL Financial Group is defined as the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and the expectations of stakeholders.

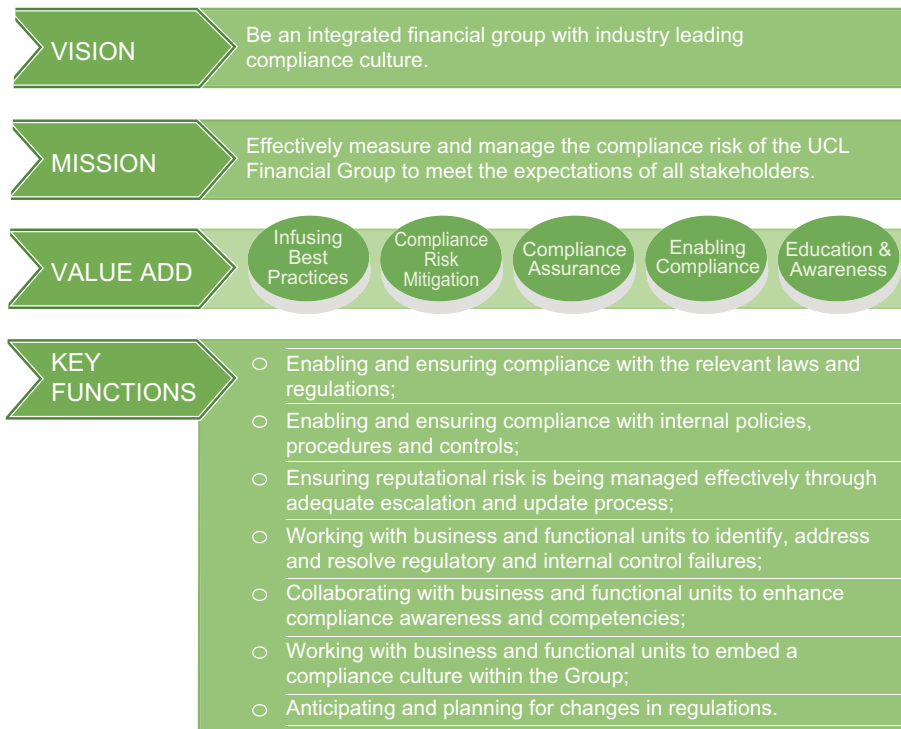
The Group upholds the adoption and infusion of good corporate governance principles and best practices as a basic tenet of running and growing its business. The compliance principles remain an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

COMPLIANCE RISK MANAGEMENT

The main aim of compliance risk management is to preserve the Group's reputation so that our competitive standing, reputation, brand and share value are not only maintained, but also enhanced. With a vision to be a financial group with industry leading compliance culture, the following are the Group's compliance objectives:

- to be the most compliant financial group;
- to enable business growth and compliance;
- to ensure zero-tolerance for regulatory breaches; and
- to minimism operational losses.

To achieve these objectives, the Group's underlying mission is to effectively measure and manage the compliance risk of the Group to meet the expectations of all stakeholders. Providing the foundation for this aspiration is the Group Compliance Framework, from which the building blocks of the compliance functions are shaped.



COMPLIANCE GOVERNANCE

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

The Compliance Division is responsible for developing and maintaining the Group Compliance Framework. This forms the foundation from which policies and procedures are designed to manage compliance risk.

Ethical & Compliance Statement - *continued*



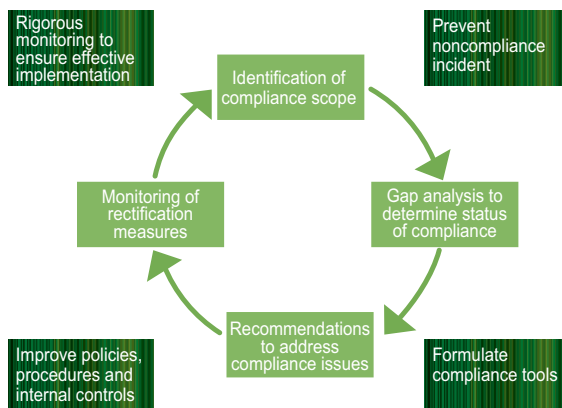
SCOPE OF COMPLIANCE

The scope of compliance covers the areas of credit, operations, anti-money laundering and terrorist financing (AML/TF), treasury, insurance, financing operations and investment management, including subsidiaries. The Internal Control team was set-up to assist in managing internal control compliance and risk issues. The team also assists in the identification of issues at ground level that may affect compliance and the escalation of the same. This also creates expertise at operational level for compliance processes.

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

COMPLIANCE LIFE CYCLE

Compliance activities are closely intertwined with compliance developments on the global front, existing legal & regulatory requirements as well as the Group's policies and procedures. The following diagram illustrates the compliance lifestyle and general approach taken by the Group in managing compliance risk.



The approach is derived from various compliance sources such as new regulations, sound practices, reports from relevant stakeholders as well as internal reviews conducted by the Compliance Division itself.



COMPLIANCE CHALLENGES

Against the backdrop of increasing regulatory requirements and pervasive threat of financial crime and fraud, traditional approaches to oversight are no longer adequate. Compliance initiatives are thus anchored upon providing a value proposition to our stakeholders.



KEY INITIATIVES

The year 2012 saw the Group introducing innovative services and new business models to meet the ever growing demands of customers and pressure to grow business. The strategies adopted to provide a value proposition to our stakeholders are as below:



Ethical & Compliance Statement - *continued*

Infusing Best Practices

A comprehensive set of policies and procedures that institutionalize right from wrong is integral in promoting a sound compliance culture. It is imperative that the Group develop overarching compliance policies along with procedures on how to comply with specific regulations. Among the key Compliance Policies emplaced are:

- Compliance Framework
- AML & TF Programme
- Incident Reporting, Management and Escalation Process
- Core Values
- Code of Ethics and Conduct
- Whistleblower Policy
- Insider Trading Policy

Continuous revisions are made to the Compliance Policies to ensure the Group keeps abreast of regulations, industry best practices and the changes evolving within the Group.

Compliance Assurance

The Group's state of compliance is provided for, through surveillance programmes. The respective Boards and Senior Management are apprised of the state of compliance through the submission of the Compliance Report. The Compliance Report encompasses compliance with statutory or regulatory requirements, compliance with internal policies and procedures, operational losses incurred, AML/TF measures, as well as root cause and trend analyses.

In addition, any incident affecting the reputation of the Group is escalated to the respective authority. This escalation process ensures adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance Risk Mitigation

Compliance risk mitigation is a key process in the entire Incident Reporting and Management Process. Incidences reports are duly reviewed to detect trends or commonalities so that losses and incidences of non-compliance, negligence or fraud can be managed proactively and minimized accordingly. Where applicable, preventive or corrective actions to be taken by staff are disseminated.

The Compliance Division continues to play an active role in integrating sound compliance risk management into the overall risk management strategy. Particular attention is paid to new business models or new processes that are introduced for the first time, either to the Group or to industry, to ensure that good internal controls and processes are inbuilt to avoid operational losses.

Enabling Compliance

Apart from working with respective business and operating units to ensure compliance with relevant laws and regulations, enabling compliance is another key function of Compliance. This is done by carrying out root cause analyses as well as preventive and corrective action recommendations. The analyses and recommendations include process or procedural changes that not only support compliance objectives but also enhance productivity and efficiency.

The Compliance Division embarked on issuing regulatory alerts on an as-and-when basis to enable and assist business and operating units to respond to regulatory requirements in a speedy manner. Where issues are related to regulatory compliance reminders are issued to relevant business or operating units to ensure that the Group provides necessary data and accurate information to them.

Education and Awareness

Effective knowledge management is a key challenge in ensuring that staff of the Group are aware of the risk issues surrounding their activities and are able to manage them accordingly in the course of carrying out their duties. To this end, Compliance Division has a plan to organize fraud awareness programs with an aim to increase awareness amongst staff on the various modus operandi of frauds and scams. Senior representatives from Bangladesh Bank will be invited to speak at our program and expected that they will share interesting anecdotes and provided insightful perspectives on fraud.

With the ultimate aim of embedding a compliance culture throughout the Group, the Compliance Division works with Internal Audit and Risk Management Department to carry out overall briefings. These briefings involve sharing common findings and experiences as well as advising on how to improve compliance and contain operational risk within the branches.

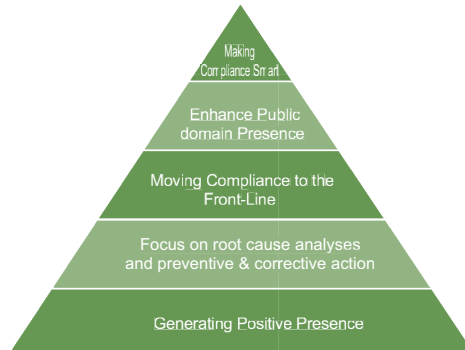
Continuous improvements would be made through training to ensure compliance policies are understood and practised by all staff.

Mindful that regulatory requirements and sound practices continue to increase and grow in complexity, education and creation of awareness remain a primary focus for the Group.

VALUE OF COMPLIANCE

The five-pronged strategy as detailed in the previous pages ultimately aims to protect the UCL brand value by achieving compliance excellence. Fundamental to achieving compliance excellence is the process of "making compliance smart" that is attained as follows:

Ethical & Compliance Statement - *continued*



As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies and the consolidation of the financial sector, the Group has never been more exposed to such a myriad of risks, not to mention larger sets of rules and regulations. Thus, “making compliance smart” becomes a critical determining factor in our journey towards compliance excellence.

In this regard, the Board and senior management within each respective entity have extended their fullest support and cooperation in moving compliance to the front-line. They have done this by establishing the tone from the top, which is quite simply, to comply with all laws and regulations and employ ethical behavior. All staff are aware that the Board and Management takes an uncompromising stance if such trust is breached.

The Group's focus on root cause analysis and preventive & corrective action to generate a positive presence has yielded greater compliance understanding. Growing in tandem with the understanding is the cooperation between the business and operating units and the Compliance Division with regard to managing compliance risk. The Compliance department is increasingly becoming a point-of reference and advisor for key strategic initiatives that the Group embarks on.

The effective penetration of a proper compliance culture into all business and operating units has

enhanced our public domain presence and facilitated early detection of compliance risk. This has resulted in quicker compliance risk mitigation actions being undertaken which in turn translate into a reduction of operational losses and a higher level of operational efficiency.

The Group recognizes that the strengthening of a compliance culture is the foundation for good compliance practices and it is imperative that this becomes an intrinsic trait of the Group. Not only it preserve the Group's integrity and reputation, it will also enhance our corporate image as a respectable organization and ultimately, increase brand and shareholder value.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING (AML/TF)

As one of the forerunners of the Government and Bangladesh Bank initiatives to prevent the financial system from being used for illicit and laundering activities, the Group has established the following processes and infrastructure:

- accountability of each level of employee for anti-money laundering detection and prevention;
- education and training in preventing and detecting money laundering; and
- extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions.

The AML/TF measures continue to focus on ensuring the effectiveness of reporting by all business and operating units to Compliance Division.

AML/TF self-compliance assessments continue to provide an avenue for the Compliance Division to gauge the understanding of business and operating units on AML/TF and act as tools to enhance future measures. In addition, various learning initiatives are offing to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

Professional Certificate on COMPLIANCE OF CONDITIONS ON CORPORATE GOVERNANCE

S. F. AHMED & CO
Chartered Accountants
— Established : 1958

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Certificate on the Compliance with Corporate Governance of Union Capital Limited

We have examined the compliance with Corporate Governance by Union Capital Limited (the Company) for the year ended 31 December 2012 as stipulated in Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of Bangladesh Securities and Exchange Commission.

The compliance with Corporate Governance is the responsibility of the Management of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Company for ensuring the compliance with Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Notification.

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

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 07 March 2013




S. F. AHMED & CO
Chartered Accountants

Report on Compliance of BSEC's Notification on corporate governance

In order to enhance corporate governance in the interest of investors and the capital market, Bangladesh Securities and Exchange Commission (BSEC) has issued a Notification No. SEC/CMRRCD/2006-158/134/ Admin/44 dated 07 August 2012 containing certain conditions to be complied with by the listed companies. Given below is the status on compliance of the BSEC's conditions by Union Capital Limited.

No.	Conditions	Compliance status		Remarks
		Complied	Not complied	
1	BOARD OF DIRECTORS			
1.1	Board size			
	The members of the Board shall not be less than 5 (five) & more than 20 (twenty)	√		
1.2	Independent Directors			
	1.2 (i) At least one fifth (1/5) of the Board Members shall be Independent Directors	√		
	1.2 (ii) Independent Directors who:			
	a. do not hold any share or hold less than one percent (1%) shares of the total paid-up shares of the company	√		
	b. are not a sponsor and do not have family relationship with any sponsor/Director/Shareholder who holds 1% or more shares of total paid-up shares of the company, and his/her family members should not hold mentioned shares of the company	√		
	c. do not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
	d. are not a member, Director or officer of any stock exchange	√		
	e. are not a shareholder, Director or officer of any member of stock exchange or an intermediary of the capital market	√		
	f. were not be a partner/executive during preceding 3 years of any statutory audit firm	√		
	g. were not be an independent director in more than 3 listed companies	√		
	h. have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a NBF	√		
	i. have not been convicted for a criminal offense involving moral turpitude	√		
	1.2 (iii) Independent Directors shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting	√		
	1.2 (iv) The post of Independent Directors can not remain vacant for more than 90 days	√		
	1.2 (v) The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	√		
	1.2 (vi) The tenure of office of an Independent Director shall be appointed for a period of 3 years and can be extended for 1 more term only	√		
	1.3 (i) Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance and can make meaningful contribution to business	√		
	1.3 (ii) He/she can be a business leader/corporate leader/bureaucrat/ university teacher with economics or business studies or law background/professionals like CA, CMA or CS, must have at least 12 years of corporate management/professional experiences	√		
	1.3 (iii) In special cases the above qualifications may be relaxed subject to prior approval			Not applicable
1.4	Chairman and CEO will be different individuals, The BOD should clearly define the role and responsibilities of the Chairman and CEO	√		

Compliance Report on BSEC's Notification - *continued*

No.	Conditions	Compliance status		Remarks
		Complied	Not complied	
1.5	The Directors' Report to Shareholders shall include:			
1.5 (i)	Industry outlook and possible future development in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance	√		
1.5 (iii)	Risk & Concerns	√		
1.5 (iv)	A discussion on cost of goods sold, gross profit margin and net profit margin	√		
1.5 (v)	Discussion on continuity of any Extra-ordinary gains or loss	√		
1.5 (vi)	Basis of related party transactions- a statement of all related party transactions should be disclosed in annual report	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments	√		
1.5 (viii)	An explanation if financial results deteriorate after the company goes for Initial Public Offering (IPO), Rights Offer, Direct Listing etc.			Not applicable
1.5 (ix)	If significant variance occurs between quarterly financial performance and annual financial statements the management shall explain about the variances on their annual report	√		
1.5 (x)	Remuneration to directors including independent directors	√		
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	√		
1.5 (xii)	Proper books of account of the company have been maintained.	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgement	√		
1.5 (xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS) Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	√		
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern. If the company is not considered to be a going concern, the fact along with reason thereof should be disclosed.	√		
1.5 (xvii)	Significant deviations from the last years operating results of the issuer company shall be highlighted and the reasons thereof should be explained	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summerized	√		
1.5 (xix)	If the company has not declared dividend (Cash or Stock) for the year, the reasons should be given			Not applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed	√		
1.5 (xxi)	The pattern of the shareholding shall be reported to disclose the aggregate number of shares held by:			
	a. Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
	b. Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details)	√		

Compliance Report on BSEC's Notification - *continued*

No.	Conditions	Compliance status		Remarks
		Complied	Not complied	
	c. Executives (top 5 salaried employees, other than Director, CEO, CFO, CS, Head of Internal Audit)	√		
	d. Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	√		
1.5 (xxii)	Company shall disclose the following information in case of appointment/re-appointment of a director:			
	a. A brief resume of the Director	√		
	b. Nature of his/her expertise in specific functional areas	√		
	c. Directorship in other companies and membership at Board Committees	√		
2	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)			
2.1	The company shall appoint a CFO, a Head of Internal Audit and a Company Secretary. Board of Directors should clearly define their respective roles, responsibilities and duties.	√		
2.2	The CFO and CS shall attend the Board meetings, they should not attend such part of Board meeting, which involves consideration of an agenda item relating to their personal matters	√		
3	AUDIT COMMITTEE			
3 (i)	Company shall have an Audit Committee as a sub-committee of the Board of Directors	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the Financial Statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	√		
3 (iii)	The Committee shall be responsible to the Board of Directors. The duties of the Committee shall be clearly set forth in writing	√		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Committee Shall be composed of at least 3 members of the Board	√		
3.1 (ii)	Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least one Independent Director	√		
3.1 (iii)	All members of the Committee should be 'financially literate' and at least one member shall have accounting or related financial management experiences	√		
3.1 (iv)	In any circumstances, where the Committee members become less than three, the Company will get 1 month time to fill up new Committee	√		
3.1 (v)	The Company secretary shall be the Secretary of the Committee	√		
3.1 (vi)	Quorum of the Audit Committee meeting shall not constitute without at least one independent director	√		
3.2	Chairman of the Audit Committee			
3.2 (i)	Board of Directors shall select one member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director	√		
3.2 (ii)	The Chairman of the Committee shall remain present in the AGM	√		

Compliance Report on BSEC's Notification - *continued*

No.	Conditions	Compliance status		Remarks
		Complied	Not complied	
3.3	Role of Audit Committee shall include:			
	3.3 (i) Oversee the financial reporting process	√		
	3.3 (ii) Monitor choice of accounting policies and principles	√		
	3.3 (iii) Monitor internal control risk management process	√		
	3.3 (iv) Oversee hiring and performance of external auditors	√		
	3.3 (v) Review along with the management the annual financial statements before submission to the Board for approval	√		
	3.3 (vi) Review along with the management the quarterly and half yearly FS before submission to the Board for approval	√		
	3.3 (vii) Review the adequacy of internal audit function	√		
	3.3 (viii) Review statement of significant related party transactions submitted by the management	√		
	3.3 (ix) Review Management Letters/Letter of Internal Control Weakness issued by statutory auditors	√		
	3.3 (x) When money is raised through IPO/RPO/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.			Not applicable
3.4	Reporting of the Audit Committee			
	3.4.1 (i) The committee shall report on its activities to the Board of Directors	√		
	3.4.1 (ii) a. Shall report to the Board of Directors on conflicts of interests	√		
	b. Shall report to the Board of Directors on suspected or presumed fraud or irregularity defect in internal control system	√		
	c. Shall report to the Board of Directors on suspected infringement of laws, including securities related laws, rules and regulations	√		
	d. Shall report to the Board of Directors on any other matters	√		
	3.4.2 If the Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Committee should report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 months from the date of first reporting to the Board of Directors, whichever is earlier			There was no such matters
3.5	A Report on the activities of the Audit committee, including any report made to the Board of Directors, should be disclosed in annual report under the signature of the Chairman of the Committee	√		
4	EXTERNAL/STATUTORY AUDITORS			
	The External auditors should not be engaged for the following services:			
	4 (i) appraisal or valuation	√		
	4 (ii) financial information systems design and implementation	√		
	4 (iii) book keeping or other services related to accounting records or FS	√		

Compliance Report on BSEC's Notification - *continued*

No.	Conditions	Compliance status		Remarks
		Complied	Not complied	
4 (iv)	broker-dealer services	√		
4 (v)	actuarial services	√		
4 (vi)	internal audit services	√		
4 (vii)	any other service that the Audit Committee determines	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of its client during the tenure of their audit assignment.	√		
5 SUBSIDIARY COMPANY				
5 (i)	Composition: Same as Holding Company	√		
5 (ii)	Independent Director: At least one Independent Director of holding company shall be in the Board of subsidiary company	√		
5 (iii)	Minutes of the Board meeting: The minutes of board meeting of the subsidiary company shall be placed for review at the following board meeting of holding company	√		
5 (iv)	The minutes of the respective board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
5 (v)	The Audit Committee of the holding company shall review the financial statements particularly the investments made by and of the subsidiary company	√		
6 DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)				
6	Both the CEO and CFO shall certify to the Board that			
6 (i)	they have reviewed annual Financial Statements and that to the best of their knowledge and belief :			
	a. those statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		
	b. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal, or violation of company's code of conduct	√		
7 REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE				
7 (i)	The directors of the company shall state, in prescribed format, in the directors' report whether the company has complied with these conditions	√		
7 (ii)	The company shall obtain a certificate from Chartered Accountant/Cost & Management Accountant/Chartered Secretary) regarding compliance of conditions of CG Guidelines that will be a part the annual report	√		

Compliance Report on Bangladesh Bank's guidelines on Corporate Governance

Bangladesh Bank issued a guideline on Corporate Governance by its DFIM Circular No. 7 dated 25 September 2007. The Board of Directors of Union Capital Limited has taken appropriate steps to

comply with the guidelines and implementation of the same. Status report on compliance with those guidelines is given below:

RESPONSIBILITIES AND AUTHORITIES OF BOARD OF DIRECTORS		Compliance status
A. Work-planning and strategic management		
i	The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make necessary amendment in the strategy on quarterly basis.	Complied
ii	The Board shall have its analytical review to be incorporated in the Annual Report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the annual general meeting.	Complied
iii	The Board will set the Key Performance Indicators (KPI) for the Managing Director/CEO and other senior executives and will evaluate on half-yearly/ yearly basis.	Complied
B. Formation of sub-committee		
	Executive Committee may be formed in combination with Directors (excluding any alternate Director) and management of the Company only for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities.	Complied
C. Financial management		
i.	Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
ii.	The Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/lease.	Complied
iii.	The Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget to the maximum extend.	Complied
iv.	The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures.	Complied
D. Loan/Lease/Investment		
i.	Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
ii.	No Director shall interfere on the approval of loan proposal associated with him. The Director concerned shall not give any opinion on that loan proposal.	Complied
E. Risk Management		
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied

Compliance Report on Bangladesh Bank's guidelines - *continued*

	Compliance status
F. Internal Control & Compliance A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team.	Complied
G. Human Resources Management The Board shall approve the policy on Human Resources Management and Service Rule. Chairman and Director of the Board shall not interfere on the administrative job in line with the approved Service Rule 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 Complied
H. Appointment of Managing Director and increase of salaries & allowances The Board shall appoint a competent Managing Director for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances.	Complied
I. Benefit to Chairman The Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
RESPONSIBILITIES AND DUTIES OF CHAIRMAN	
i. The Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power.	Complied
ii. The minutes of the Board meetings shall be signed by the Chairman.	Complied
iii. The Chairman shall sign-off the proposal for appointment of the Managing Director and increment of his salary & allowances.	Complied
RESPONSIBILITIES OF MANAGING DIRECTOR	
i. The Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management.	Complied
ii. The Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.	Complied
iii. All recruitment/promotion/training, except recruitment/promotion/training of DMD & GM equivalent position, shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company.	Complied
iv. The Managing Director may re-schedule job responsibilities of employees.	Complied
v. The Managing Director may take disciplinary actions against the employees except the DMD and GM or equivalent position.	Complied
vi. The Managing Director shall sign all the letters/statements relating to compliance of 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 Managing Director.	Complied

Report on GOING CONCERN

Reflects company's continuance
for the foreseeable future

Going concern assumption is a fundamental principle in the preparation of financial statements and hence it is the responsibility of the Directors to assess company's ability to continue as going concern that involves making appropriate inquiries of certain financial and operating matters.

OVERVIEW

Bangladesh Accounting Standard (BAS) 1 requires Management to make an assessment of an entity's ability to continue as a going concern. In other Financial Reporting Frameworks, there may be no explicit requirement for management to make a specific assessment of an entity's ability to continue as a going concern. Nevertheless, since the going concern assumption is a fundamental principle in the preparation of financial statements as per BAS 1, the preparation of the financial statements requires Management to assess UCL's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

BSEC's Notification dated 7 August 2012 requires the Directors of all the listed companies to report on its ability to continue as going concern. The Board of Directors of UCL makes annual assessment as to whether there exists any material uncertainties that may cast significant doubt about UCL's ability to continue as going concern.

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2012 is a period of twelve months from the date of approval of these financial statements (the period of assessment).

Our assessment regarding UCL's ability to continue as a going concern involves making a judgement, about inherently uncertain future outcomes of events or conditions. In judgement, Management has considered following factors that appeared to be relevant:

- The degree of uncertainty : Management confirms that during the period of assessment there was no such event or condition the outcome of which may increase any uncertainty about the continuance of UCL's business;
- Nature and size of business : UCL is engaged in financing and capital market operations. Considering the nature, size and complexity of business, Management is of the opinion that there was no such external factors that might affect management assessment while making judgement as to the continuance of UCL's business;
- Subsequent events: Subsequent events that were readily available at the time of judgement have been taken into account while making assessment as to the continuance UCL as a going concern.

Moreover, in making this assessment, the Directors considered the Group's business, profitability forecasts, cash flows, terms and conditions of borrowing facilities, governance and risk management practices, funding and capital plans including stress scenarios, together with a range of factors such as the outlook for the Bangladesh economy taking account of the impact of fiscal realignment measures, monetary policy and in particular the Directors have focussed on the matters set out below:

FINANCIAL MATTERS

- **Net current assets**
As on 31 December 2012, UCL has a positive net current assets for the year 2012 Tk. 409.74 million and Tk. 526.95 million for 2011 that signifies Company's ability to meet its short-term obligations from its short-term assets.
- **Debts with excellent repayment records**
At the close of 2012, the total fixed term borrowings of the Company were Tk. 1084.66 million. During the year we availed new credit facilities of Tk. 550.00 million and repaid Tk. 634.15 million to the lenders on due dates thereby enhancing lenders confidence on UCL.
- **Dependency on short term borrowings**
At the end of 2012, total short term borrowings of the Company were Tk. 897.10 million, representing only 10.40 percent of total liabilities that indicates UCL has less dependency on short term borrowings. UCL uses short term borrowings to meet only short term contingency requirements.
- **Consistent support by lenders**
UCL has been enjoying unparallel supports from banks and other lenders. We have a very good track record in repayment of our loan that gives a comfort to our lenders. We also enjoy a very good and competitive terms of borrowings from our lenders.
- **Positive operating cash flows**
Cash flow statement of the Company for the year ended 31 December 2012 shows a positive operating cash flows of Tk. 348.78 million that signifies UCL's ability to generate adequate cash flow from operating activities to meet its operating expenses.
- **Positive key financial ratios**
The Company has positive financial ratios as evident from financial summary given on page 42

Going concern - continued

of this Annual Report. Such positive financial ratios indicate Company's sound financial health and growth prospects.

- **Consistent payment of dividends**
The Company has been paying dividend consistently to its shareholders over many years. For the last three years the company has paid an average dividend of Tk. 33.33 per share of Tk. 10 each that reflects company's commitment to its shareholders for sustainable growth.
- **Credibility in payment of obligations**
The Company has an excellent track record in repayment of its loan liabilities. There was no such instances that UCL had requested to its lenders for rescheduling or extension of term of loan.
- **Operating performance growth**
UCL has a satisfactory growth in its operating performance. Company's total investment has increased from Tk. 8,462.50 million to Tk. 9,170.70 million, registering a growth of 8.37 percent over last year. Total consolidated operating revenue is Tk. 311.87 million and total profit after tax is 56.72 million. All those indicators confirm Company's continuance in foreseeable periods.
- **Timely disclosure of financial results**
UCL is committed to timely and transparent disclosure of financial results to its shareholders. We have taken a policy to disclose annual key financial results to the stakeholders within two months from the date of the closer of financial year.

OPERATING MATTERS

- **Expansion of business**
UCL has been continually expanding its operations through diversification to cater the diverse needs of its customers as well as for enhancing its earnings stream.
- **Corporate culture and employee satisfaction**
A good working environment is paramount to any company's success and the wellbeing of its employees. At UCL we strive to create a flexible and challenging framework that always attracts qualified candidates and encourages existing employees to continuously hone their skills and excel in their fields. There exists a very good corporate environment in the Company. UCL is an excellent work place with friendly environment. Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like home loan benefit, performance related bonus, gratuity, provident fund etc., which considered to be instrumental for employee satisfaction.

OTHER MATTERS

- **Maintenance of sufficient capital**
As on 31 December 2012, the Company's total consolidated equity stands at Tk. 1871.95 million. While the minimum paid-up capital as required by Bangladesh Bank is Tk. 1,000.00 million, Company's paid-up as on 31 December 2012 was Tk. 1,046.75 million. UCL would like to enhance its equity gradually following prudent dividend policy based on its profitability growth for long term sustainability of the company.
- **CAMEL Rating**
CAMEL rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of UCL. In that report, there was no adverse material observation of Bangladesh Bank on the activities of UCL.
- **Stress Test**
UCL passed the Bangladesh Bank stress test in December 2012 without any requirement for further additional capital. The Directors believe this satisfactorily addresses the capital risk.
- **Credit Rating**
UCL has been rated as AA in the long run and ST-2 for short term by National Credit Rating Company Ltd. that reflects very strong capacity for timely serving of financial obligations offering high safety. Such institutions carry very low risk. ST-2 reflects strong capacity for timely payment of financial commitments and carry lowest credit risk.
- **Changes in Government policy**
Management anticipates no significant change in legislation or government policy, which may materially affect the business of the Company.

CONCLUSION

The above matters may individually or collectively cast significant doubt about the going concern assumption for an entity. This listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists.

The Director's assessment of whether the company is a going concern entity involves making appropriate inquiries of all the above matters including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the above indications, which give reasonable assurance as to company's continuance as a going concern for the foreseeable future.

In this backdrop, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

Report on **RISK MANAGEMENT**

Describe how do we manage our risks

The importance of risk management cannot be overstated. This is a fundamental part of doing business that must be addressed appropriately for the company to be successful. Risks are just part of doing business and by having a procedure in place to deal with them does make a difference on their impact. Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an organization to measure and prioritize them and take the appropriate actions to reduce losses.

This risk management disclosure is made in line with best practices and premised on the commitment of the Board of Directors to adhere to sound corporate governance standards within the UCL Group. The report is aimed to provide relevant information to all stakeholders in an orderly and timely manner and thereby continue to boost the confidence of the market in UCL and its subsidiaries. Year on year, we have continued to strive at improving on the quality and scope of our risk management practice and transparent disclosures.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT PHILOSOPHY

The key elements of UCL's risk management philosophy are the following:

- UCL recognizes sound risk management to be the foundation of a long-lasting financial institution;
- UCL continues to adopt a integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions;
- risk officers are empowered to perform their duties professionally and independently without undue interference;
- risk management is governed by a set of policies that are clearly communicated;
- risk management is a shared responsibility. Therefore, UCL aims to build a shared perspective on risks that is grounded in consensus;
- there is a clear segregation of duties between operations and risk management functions;
- risk-related issues are taken into consideration in all business decisions. UCL shall continue to strive to maintain a conservative balance between risk and revenue considerations;

RISK CULTURE

- The Board and Management consciously promote a responsible approach to risk and ensure that the long-term survival and reputation of UCL are not jeopardised while expanding UCL market share.

- The responsibility for risk management in UCL is vested in the Board of Directors, which is implemented through the Executive Management.
- UCL pays attention to both quantifiable and unquantifiable risks.
- UCL management promotes awareness of risk and risk management across UCL.
- UCL avoids products, markets and businesses where it cannot objectively assess and manage the associated risks.

RISK APPETITE

UCL risk appetite is set at a level that minimises erosion of earnings or capital due to avoidable losses and trading books, or from frauds or operational inefficiencies. UCL appetite for risk is governed by the following:

- high-quality risk assets measured by three Key Performance Indicators:
 - i. ratio of non-performing loans to total loans;
 - ii. ratio of loan loss expenses to interest revenue; and
 - iii. ratio of loan loss provision to gross non-performing loans.

The broad objective is to be among the top NBFIs with respect to (i) and (ii) above and for (iii) maintain a ratio that ensures that there are adequate provisions for all non-performing assets based on their levels of classification.

- Diversification targets are set for the credit portfolio and limits are also set for aggregate large exposures.
- Financial and prudential ratios targets are pegged at a level more conservative than regulatory requirements and better than the average of the industry.
- UCL aims at minimising the following independent indicators of excessive appetite for risk:
 - i. exception reporting by ICC officers, auditors, regulators and external rating agencies;
 - ii. adverse publicity in press;
 - iii. frequent litigations;
 - iv. payment of fines and other regulatory penalties; and
 - v. above average level of staff and customer attrition.

Report on Risk Management - *continued*

UCL will not compromise its reputation through unethical, illegal and unprofessional conduct. UCL also maintains zero appetite for association with disreputable individuals and entities.

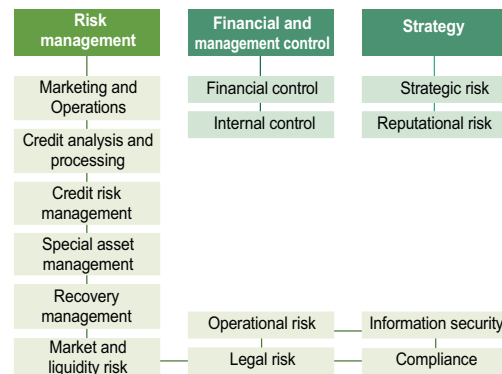
RISK MANAGEMENT PRINCIPLES

The following principles guide our management of risk:

- Effective balancing of risk and reward by aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.
- Shared responsibility for risk management as business segments are responsible for active management of their risks, with direction and oversight provided by risk management department and other business units.
- Business decisions are based on an understanding of risk as we perform rigorous assessment of risks in relationships, products, transactions and other business activities.
- Avoid activities that are not consistent with our Values, Code of Conduct or Policies, which contributes to the protection of our reputation.
- Proper focus on clients reduces our risks by knowing our clients and ensuring that all products and transactions are suitable for, and understood by our clients.
- Use of judgment and common sense in order to manage risk throughout the organization.

RISK MANAGEMENT OVERSIGHT

UCL risk management department provides central oversight of risk management across UCL and its subsidiaries to ensure that the full spectrum of risks facing UCL and the Group are properly identified, measured, monitored and controlled to minimise adverse outcomes. The department is, however, complemented by other departments in the management of certain important risks as illustrated below.



The Risk Management Department coordinates the monitoring and reporting of all risks across UCL and its subsidiaries. The department is headed by a skilled and competent Executive.

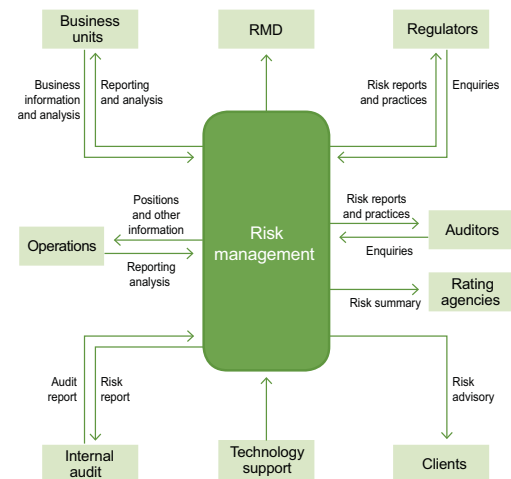
The Internal Control department is responsible for continuous independent verification of control measures to manage all risks across the Group.

Internal audit has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis. Internal audit also tests the adequacy of internal controls and makes appropriate recommendations where weaknesses are identified with the view of strengthening the Group's risk management framework.

- Sets policies and defines limits for other units in UCL.
- Performs risk monitoring and reporting, and provides framework for management of risk.
- Coordinates activities with internal audit to provide a holistic view of risks.
- Collaborates with information technology department to provide relevant automated credit information.

RELATIONSHIP OF RISK MANAGEMENT WITH OTHER UNITS

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

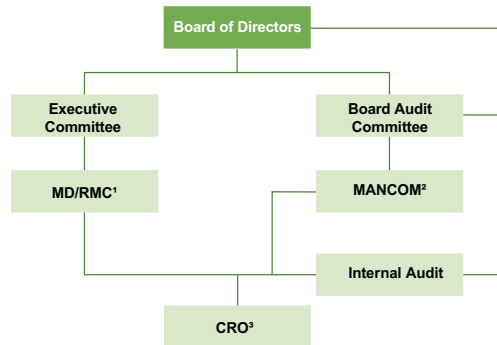


GOVERNANCE

Risk management governance framework

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

Report on Risk Management - *continued*



¹ Managing Director/Risk Management Committee.

² Management Committee.

³ Chief Risk Officer.

Roles and responsibilities

Board of Directors

- Approve risk strategy and policies.
- Ensure executive management takes steps necessary to monitor and control risks.
- Ensure that management maintains an appropriate system of internal control and reviews its effectiveness.
- Ensure risk strategy reflects the Group's tolerance for risk.
- Ensure the Group's overall credit risk exposure is maintained at prudent levels and consistent with the available capital.
- Review and approve changes/amendments to the risk management framework.
- Review and approve risk management procedures and control for new products and activities.
- Ensure that the Management as well as individuals responsible for credit risk management possess the requisite expertise and knowledge to accomplish the risk management function.
- Ensure that the Group implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk.
- Ensure that detailed policies and procedures for risk exposure creation, management and recovery are in place.

Board committees

The above responsibilities of the Board of Directors are discharged primarily by its two Committees namely:

- The Board Audit Committee; and
- The Board Executive Committee.

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for risk management and ensures through MANCOM.

Management Committee (MANCOM)

For all categories of risk, the Management Committee is responsible for formulating policies, monitoring implementation and reviewing risk reports for presentation to the Board/Board committees as well as implementing Board decisions across UCL.

To be more specific, the management of UCL and its subsidiaries is responsible for the following:

- implementation of risk strategy approved by the Board of Directors;
- developing policies and procedures for identifying, measuring and controlling risk;
- providing appropriate resources to evaluate and control risk;
- Appoint credit officers and delegate approval authorities to individuals and committees.
- reviewing risk reports on a regular and timely basis; and
- providing all reports required by the Board and its committees for the effective performance of risk management oversight functions.

Risk Management Committee (RMC)

It is the responsibility of this Committee to:

- establish and maintain an effective risk management environment in the Group;
- review proposals in respect of credit policies and standards and endorse them to the Board of Directors for approval;
- define the Group's risk and return preferences;
- monitor on an ongoing basis the Group's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance;
- define credit approval framework and assign credit approval limits in line with UCL policy;
- ensure compliance with UCL credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;
- approve credit facility requests within limits defined by UCL's credit policy, and within the statutory requirements set by the regulatory authorities;
- review and recommend to the Board and Executive Committee facilities beyond management approval limits;
- review monthly credit portfolio reports and assess portfolio performance;
- recommends exceptions/write-offs, waivers and discounts on non-performing credit facilities within specified limits.

INTERNAL CONTROL

Overview

Internal control in UCL refers to the overall operating framework of practices, systems, organisational structures, management philosophy, code of conduct, policies, procedures and actions, which exists in the Group and is designed to ensure:

- that essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against losses;
- the reliability of financial reporting and compliance;
- compliance with applicable laws and regulations including internal policies;
- systematic and orderly recording of transactions; and
- provision of reasonable assurance that undesired events will be prevented or detected and corrected.

UCL is committed to creating and maintaining a unique internal control environment that is capable of sustaining its current leadership position in the financial services industry.

Strategy and policy

UCL operates in an environment that is continuously exposed to uncertainties and change. Such risks may prevent the institution from achieving its strategic business objectives. To effectively manage these risks, UCL Group has put in place internal control measures that cover the company and its subsidiaries.

Effective IT control and revenue assurance

UCL has developed a framework for effective information technology (IT) controls. This essentially revolves around ensuring the integrity, security, efficiency and reliability, and compliance of UCL information systems and resources, including:

- management and administration of users/access control on UCL various application software to ensure proper user access rights are attached to each job role and to ensure reliability of access control mechanisms on the applications;
- monitoring and review of UCL processes, practices and procedures through a systematic and automated approach, crossing all departmental and functional boundaries, guaranteeing validity, completeness, accuracy and timeliness of financial data relating to UCL revenue. This includes interest income, interest expense, commissions, fees and management fees etc.;
- monitoring IT operations, databases, server hardware and server operating systems, network infrastructure and applications systems monitoring;
- reviewing all new systems end-to-end and coming up with technology-related risk and

vulnerabilities in the product, process or system being developed and advising mitigating controls.

Fraud management objectives

- Prevention of fraud occurrence or losses. Where prevention is not possible they should be promptly detected and mitigated.
- Prevent repeat of operational lapses and system defects that facilitate fraud incidents.
- Minimise other operational losses associated with fraud losses.
- Automation of fraud preventive measures.

Fraud management strategies

- Building fraud prevention and detection controls in processes and systems.
- Strict compliance with internal policy, regulatory and statutory requirements.
- Implementation of anti-fraud operational, supervisory and independent controls.
- Proactive management of financial and non-financial risks.
- Holding operators and supervisors personally responsible for fraud occurrence.
- Conducting root cause analysis of fraud occurrence.
- Automation of reconciliation activities.
- Risk-based departmental and independent control checklist for supervisors.
- Continuous awareness campaign on fraud learning points.
- Continuous control improvement measures.
- Improve anti-fraud operational control capacities among operations staff.
- Effective fraud escalation mechanism to all levels of management.
- Implementation of whistle-blowing policy.

Priorities for 2013

- Full implementation of the Bangladesh Bank Guidelines on ICC.
- Strengthening of internal controls consciousness in UCL through effective support and training to operators in their role as the first line of defence in risk management.
- Strengthening IT control and monitoring to ensure adequate controls built UCL software.

RISK MANAGEMENT DISCLOSURE

CREDIT RISK

Overview

Credit risk management verifies and manages the credit process from origination to collection. In

Report on Risk Management - *continued*

designing credit policies, due consideration is given to our commitment to:

- create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations;
- identify credit risk in each investment, loan or other activity of UCL;
- utilise appropriate tools to measure credit risk;
- adopt a risk-based approach for determining appropriate pricing for lending products and services;
- set acceptable risk parameters;
- maintain acceptable levels of credit risk for existing individual credit exposures;
- maintain acceptable levels of overall credit risk for our portfolio;
- coordinate credit risk management and other risks inherent in UCL business activities; and
- set remedial and recovery actions.

Philosophy

The following principles guide credit risk management across UCL. UCL shall:

- manage its risk asset portfolio to ensure that the risk of excessive concentration to any industry, sector or individual customer is minimised, as well as ensure portfolio flexibility and liquidity;
- ensure that exposures to any industry or customer are within the regulatory guidelines and internal policies;
- extend credit to only suitable and proven customers and never where there is any doubt as to their ethical standards and record;
- never extend credit where the source of repayment is unknown or speculative nor where the purpose of funds is undisclosed;
- never take a credit risk where ability of the customer to meet obligations is based on the most optimistic forecast of events;
- ensure that the primary source of repayment for each credit is from an identifiable cash flow of customers' normal business operations or other financial arrangements; the realisation of security remains a fall-back option;
- adopt a pricing model to ensure that higher risks are compensated by higher returns;
- ensure that the quantum of exposure and quality and value of collateral required are determined based on the risk profile of the customers;
- avoid all conflict of interest situations and report all insider-related credits to appropriate bodies; and
- ensure that there are consequences for non-compliance with UCL credit policies.

Responsibilities and functions of key stakeholders in the credit process

In line with company's philosophy to entrench sound corporate governance in its operations, the functions of the Credit Group are handled at different levels by five departments, namely:

- Operations and Marketing Department;
- Credit Analysis & Processing (CAP);
- Credit Risk Management (CRM);
- Recovery & Monitoring Department; and
- Special Assets Management (SAM).

Operations and Marketing Department is responsible for procurement of business and acts as a relationship manager.

Credit Analysis & Processing (CAP) is responsible for the appraisal of credit requests and processing to obtain requisite approvals in line with UC'sL policy.

Credit Risk Management (CRM) is responsible for the planning, monitoring and reporting of the credit portfolio. The monitoring of loans and portfolio as well as the reporting of these to Management and the Board remains the core responsibility of CRM. The department serves as the credit secretariat and manages the documentation and other credit process initiatives for the Company.

Recovery and Monitoring Department (RMD) is responsible independently follow up on customers with delinquent assets before the level of delinquency falls in the category of special assets that is till installments past due for less than 6 months.

Speical Assets Management (SAM) is responsible for the recovery of loans that are past due for 6 months or more and accounts written off from on-balance sheet. SAM will continue to liaise with recovery agents, legal department and outsourcing legal services to ensure effective recovery of bad loans.

Internal ratings scale

In measuring credit risk of loan and advances to customers, UCL reflects the following components:

- the character and capacity of the client;
- current exposures to the counterparty and its likely future development; and
- credit history of the counterparty and likely recovery ratio in case of default obligations – value of collateral and other ways out.

Customers Risk Rating system

In order to manage our credit risk, the management has developed a risk rating grids which will be implemented in due course. The risk rating grids have of nine risk buckets to provide a preset, objective basis for making credit decisions, with one additional bucket specifically included to categorise customers in default. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Report on Risk Management - continued

Description	Rating bucket			Range of scores	Prob.of default	Grade
Extremely low risk	AAA	1	1.00 – 1.99	90–100%	1%	Investment
Very low risk	AA	2	2.00 – 2.99	80–89%	1%	
Low risk	A	3	3.00 – 3.99	70–79%	1.5%	
Low risk	BBB	4	4.00 – 4.99	60–69%	2%	
Acceptable – moderately high risk	BB	5	5.00 – 5.99	50–59%	4%	Non-investment
High risk	B	6	6.00 – 6.99	40–49%	6%	
Very high risk	CCC	7	7.00 – 7.99	30–39%	9%	
Extremely high risk	CC	8	8.00 – 8.99	10–29%	13%	
High likelihood of default	C	9	9.00 – 9.99	0–9%	15%	Default
Default risk	D	10				
SMA	D				5%	
Sub-standard	D				20%	
Doubtful	D				50%	
Bad loss	D				100%	

Collateral Risk Rating (CRR)

- UCL shall not lend to non-investment grade customers without any form of collateral. Collaterals are rated from best to worst in order of liquidity, controllability and realisable value. The more liquid a collateral is, the lower the estimated portion of the exposure that may not be covered in the event of default. Therefore, for highly illiquid collaterals, a higher loss given default is assumed.

Risk limit control and mitigation policies

The industry and portfolio limits are set by the Board of Directors on the recommendation of the Management. Credit Risk Management monitors compliance with approved limits.

Portfolio limits

The process of setting the limits is as follows:

- UCL engages in a detailed portfolio plan. In drawing up the plan, UCL reviews the macro-economic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. UCL target loan portfolio is then distributed across acceptable target market industries.
- Aggregate large exposure limit of not more than 30% of company's equity. It may go beyond the limit with the permission of Bangladesh Bank.
- Sector exposure limit of not more than 20% of UCL loan portfolio.

Geographic limits

- Presently, UCL does not have any exposure to counterparties domiciled outside Bangladesh.

Single party limits

- Limits are imposed on loans to individual borrowers. UCL as a matter of policy does not lend above its regulatory lending limit, which is 30% of its shareholders' funds. The internal

guidance limit is, however, set at 25% to create a prudent buffer.

UCL also sets internal credit approval limits for various levels in the credit process and these are shown in the table below (amount in Taka):

Approval levels	Investment grade
Board of Directors	>10,000,000
Executive Committee	>5,000,000
Management Credit Committee	
Single Transaction	5,000,000
Multiple Transactions	7,500,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of the UCL demand. Exposure to credit risk is also managed through regular analysis of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Classification and provisioning policy

Provision is made in accordance with the Prudential Guidelines issued by Bangladesh Bank for each account that is not performing in accordance with the terms of the related facility as follows:

Classification	Past due obligation	Provision
Performing	2 months	1%
SMA	>2-5 months	5%
Sub-standard	>5-11 months	10%
Doubtful	>11-17 months	50%
Bad & Loss	>17 months	100%

Write-off and recoveries

After full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off:

- continued contact with customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;

- amount obtained from realisation of collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.
- Legal actions have been taken against customers for recovery.

All credit facility write-offs shall require endorsement at the Board level. Credit write-off approval shall be documented in writing.

Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

Portfolio ratios

Asset quality ratios

Non-performing accounts have been recognised, classified and provisions made as appropriate in line with the Bangladesh Bank Guidelines. Non-performing loans/total loans ratio for the period was mainly due to the recognition and classification of weak and impaired assets in the portfolio.

Non-performing exposures are defined as exposures with past due obligations >2 months. Loans move from performing status to SMA, sub-standard, doubtful and bad & loss, depending on objective criteria based on the number of months past due as shown in the previous table.

Credit Risk Management outlook

The Group will continue to pursue a moderate and sustainable loan growth strategy by optimally exploiting the economic developmental goals of the government vis-a-vis achieving its own strategic imperatives. It is expected that there would be increased demand for credit, while loan selection criteria will remain rigorous with pricing reflecting the risks being taken on such exposures for asset creation to make business sense.

In spite of the growth projections in 2013, asset quality will not be compromised and this would be ensured through the constant review of UCL's risk acceptance criteria. Therefore, credits will only be extended to suitable and proven customers. UCL will also continue to focus on the growth sectors of the economy through strategic portfolio planning, supported by sound risk identification, measurement, control, monitoring and reporting. There will also be an aggressive focus on recovery of delinquent assets.

The credit process will be enhanced to address prevailing challenges, while credit models will be subjected to periodic validation for the purpose of obtaining necessary assurances. Portfolio stress tests will be adopted as appropriate, to consider implications of scenarios that may seem relatively unlikely but could pose serious risks to the company if they crystallise.

We will continue to strengthen SME lending, credit analysis and credit monitoring through both internal and external trainings.

MARKET RISK

Overview

Market risk is the risk that the value of investment portfolio will decrease due to changes in market risk factors such as share prices, interest rates, etc.

It represents the potential for a negative impact on the balance sheet and income statement resulting from adverse changes in the value of investments and interest rates as a result of movements in market variables.

During the financial year, UCL was exposed to market risk in its trading and investing activities mainly as a result of:

- interest rate movements in response to market forces or as directly indicated by monetary policy pronouncements;
- share price movements in response to market forces.

Philosophy

The market risk management process in the UCL Group allows disciplined risk taking within a framework of risk appetite that enables UCL to enhance shareholder value while maintaining competitive advantage through effective utilisation of risk capital.

Our objective is to manage market risk exposures for optimal returns while maintaining a market profile consistent with our status in the financial services industry. Thus, UCL's market risk management policy ensures:

- management is responsible for the establishment of appropriate procedures and processes in implementing market risk policy and strategy;
- a group-wide market risk management process to which all risk-taking units are subjected;
- alignment of market risk management standards with best practices. Risk measurements are progressively based on modern techniques such as sensitivity, stress testing and scenario analysis;
- risk officers are empowered to perform their duties professionally without undue interference;
- UCL does not undertake any risk that cannot be managed, or risks that are not fully understood; and
- where UCL takes on any risk, full consideration is given to pronouncement, guidelines or policies.

Structure and framework

UCL ensures that all the market risk exposures are consistent with its business strategy and within the defined risk tolerance. UCL therefore manages market risk within:

Report on Risk Management - *continued*

- an overall market risk exposure maintained at levels consistent with the available capital; and
- a reliable methodology for identifying, measuring, controlling, monitoring and reporting market risk.

Governance

The Board of Directors provides oversight for the market risk management function through its Management Committee.

Management oversight is provided by the Assets & Liabilities Management Committee (ALCO).

The Board of Directors is responsible for:

- approval of market risk management framework, policies, strategies, guidelines and philosophy;
- approval of market risk-related limits for UCL.

The ALCO, made up of EVP (F&A) and other relevant department heads, is responsible for:

- reviewing policies relating to market risk management;
- recommending market risk policies to the Board;
- providing management oversight for the implementation of policies relating to interest rates and share prices' risks;
- reviewing market risk strategy;
- developing policies, procedures and systems for identifying, measuring, controlling and reporting market risks;
- evaluating market risk inherent in new products;
- ensuring compliance with statutory and regulatory requirements relating to market risks;
- recommending policies and guidelines for market risk measurement, management and reporting;
- ensuring that market risk management processes (including people, systems, operations, limits and controls) are in line with market risk framework;
- recommending policies for identifying, measuring, monitoring, controlling and reporting market risk; and
- recommending steps to protect UCL capital ratios from the effects of changes in market risk factors;

UCL also provides oversight for its subsidiaries that engage in trading in quoted equities. UCL does not trade in commodity and therefore is not exposed to commodity risk.

Policy and strategy

UCL has put in place a market risk management framework that provides the Board and Management with guidance on market risk management processes.

Stress testing

In recognition of the volatile market environment and the regulations that have had significant effect on market rates and prices, UCL augments other risk measures with stress testing to evaluate the potential impact of possible extreme movements in financial variables on portfolio values.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. Stress scenarios are regularly updated to reflect changes in risk profile and economic events.

The ALCO is responsible for reviewing stress exposures and where necessary, enforcing reductions in overall market risk exposure. The stress-testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Regular stress-test scenarios are applied to interest rates and share prices.

Outlook

The year 2012 was characterised by contraction monetary policy to keep a lid on inflationary pressure. We may see more of Bangladesh Bank's actions in combating liquidity in 2013 especially with the balanced monetary stance but the apex Bank is more likely to explore other indirect monetary policy tools in managing system liquidity.

We anticipate that fighting inflation will be a great challenge in 2013, taking into account the removal of fuel subsidies as well as the monetary policy. The capital market moved further decline in 2012. Small investors are showing preference for risk-free investment avenues over the highly volatile and risky shares due to the incessant raising of interest rate and partly as a result of the uncertainty in the economic environment engendered by the political confrontation which negatively affected the capital market. We are positive that the gains from the ongoing reforms in our capital market will be visible and lead to the growth and development of the market.

Bangladesh financial system is now relatively stable and well positioned to stimulate growth and development of the economy. The year 2013 is expected to be better as we are witnessing some positive signs since the beginning of the year.

LIQUIDITY RISK

Overview

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to meet the obligations at excessive cost. This risk arises from mismatches in the timing of cash flows.

Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot

Report on Risk Management - *continued*

be obtained at the expected terms and when required.

The objective of the Group's liquidity risk management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective.

Philosophy

UCL Group maintains an optimal level of liquidity through the active management of both assets and liabilities while complying with regulatory requirements and optimising returns.

The following principles guide liquidity risk management across UCL Group:

- a sound liquidity risk management framework that ensures maintenance of sufficient liquidity to withstand a range of stress events;
- a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a sound framework for projecting cash flows arising from assets and liabilities;
- a clear funding strategy that provides effective diversification in the sources and tenor of funding;
- ranking and prioritisation of funding sources by stability;
- a comprehensive contingency funding plan that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations.

Governance

The Board is primarily responsible for approval of liquidity risk management framework, policies, strategies, guidelines and philosophy;

The Assets & Liabilities Management Committee (ALCO), made up of the Managing Director & CEO, the Chief Financial Officer and other relevant divisional heads, is responsible for the following:

- review policies relating to liquidity risk management;
- recommendation of liquidity risk policies to the MANCOM;
- review liquidity risk strategy and recommendation of the same for Board approval;
- provision of management oversight on the implementation of policies relating to liquidity risk;
- monitoring liquidity risk inherent in the maturities mismatch of the assets and liabilities;
- development of policies, procedures and systems for identifying, measuring, controlling and reporting liquidity risks;
- ensuring compliance with statutory and regulatory requirements relating to liquidity risks;
- review and recommendations on liquidity risk-related limits for approvals; and

- approval of stress scenarios and contingency funding plan assumption.

Implementation of UCL market and liquidity risk management policies, procedures and systems is delegated to the Head of Treasury who reports to the ALCO/Chief Risk Officer.

UCL maintains a liquidity risk policy, which drives the level of liquidity risk exposures and determines business size and maturities.

Policies and procedures

The principal mechanism for implementing UCL liquidity policy is the maintenance of the liquid assets over and above the defined regulatory minimum.

The liquidity ratio is interpreted in conjunction with cash flow projection and liability concentration ratios to measure UCL's exposure to liquidity risk. The cash flow technique used is the maturity ladder, which assesses all UCL's cash inflows against its outflows to identify the potential for net shortfalls or net funding requirements.

UCL use of concentration ratios prevents it from relying on a limited number of depositors or funding sources.

Capital management

UCL's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and business environment in which it operates. It is Company's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, UCL maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

UCL's capital is divided into two tiers:

- Tier 1 capital comprises core equity including ordinary shares, statutory reserves and general reserves. Under provisions are deducted in arriving at tier 1 capital.
- Tier 2 capital comprises general provisions, minority and other interests in tier 2 capital and unrealised gains arising from the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties, if any.

Bangladesh Bank prescribed a minimum limit of 10 percent of total risk weighted assets as a measure of capital adequacy for NBFIs. The total risk weighted assets reflects only credit, market and operational risk.

UCL achieved a capital adequacy ratio of 13.55 percent at the end of the year. Current position is closely monitored by the Assets and Liabilities Management Committee.

Report on Risk Management - *continued*

Capital adequacy

	Dec 2012	Dec 2011
Capital adequacy ratio (%)	13.55	14.88

Capital composition:

(Figure in million)

	Dec 2012	Dec 2011
Tier 1		
Paid-up capital	1,046.76	951.60
Statutory reserves	254.07	243.11
Dividend equalization reserves	7.00	55.00
Non-controlling interest (insignificant)	-	-
Retained earnings	55.58	152.14
Total	1,363.41	1,401.84

Tier 2

General provision	145.57	142.05
Asset revaluation reserves	252.75	252.75
Total	398.32	394.80

Capital utilisation:

Qualifying risk weighted assets	11,645.29	11,363.78
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In June 2006, the Basel Committee on Banking Supervision published International convergence of Capital Measurement and Capital Standards, known as Basel II. Basel II is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Thereafter there have been several press releases by the committee aimed at increasing capital requirements and improving measurement of capital. Though there has been a regulatory requirement for NBFIs to comply Basel II requirements, UCL has made substantial progress in its Basel II compliance project. The successful conclusion will allow UCL's capital measurement to reflect credit, market and operational risk exposures on the assets of UCL.

Outlook

We have strengthened the Group's funding and liquidity risk management framework to boost our ability to closely watch liquidity requirements, enhance timely responses to liquidity events (changes in the mix of business we operate and the market environment), make best use of funding sources and minimise borrowing costs.

UCL expects to continue building on the goodwill in the coming years by maintaining a strong liquidity position that ensures financial obligations are met as and when due at minimal cost. Penetration of all customer segments will continue as a means of providing a stable, low-cost deposit base for UCL from well-diversified funding sources.

OPERATIONAL RISK

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in UCL is composed of the following risk types: operations risk, legal risk, regulatory compliance risk, technology, financial and environmental risk.

UCL recognises the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

Objectives

UCL is committed to the management of operational risks. UCL's operational risk management framework aims to:

- reduce losses arising from operational risk – a key role of operational risk management in UCL is to reduce losses from operational failure;
- improve performance measurement – improved understanding of its operational risk profile shall enable appropriate allocation of risk which would allow improved performance measurement and evaluation of activities;
- ensure better control of operations – UCL expects that increased understanding of risk activities within various business units will lead to improvements in the control of operations and the emergence of a more proactive operational risk management culture;
- provide early warning signals of deterioration in UCL internal control system; and
- raise awareness of operational risk in UCL from top to bottom through the implementation of an operational risk approach.

Philosophy and principles

The following philosophy and principles govern the management of operational risk in UCL:

- The Board of Directors has the responsibility for setting the operational risk strategy for UCL and its implementation.
- Operational risk in UCL is coordinated through a centralised operational risk management function.
- Ownership, management and accountability for operational risk is decentralised with business and functional units.
- UCL's operational risk management practices are in line with Basel II.
- UCL's operational risk management practices are subject to independent review by internal auditors.

Report on Risk Management - *continued*

- Operational risk management is governed by policies and procedures.
- Operational risk-related issues are taken into consideration in business decisions.
- Operational risk and loss events are reported to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling operational risks are being implemented by UCL.

Methodologies

In order to meet its operational risk management objectives, each business function within UCL is required to identify, assess, measure and control its operational risk in line with the policy.

Key operational risks

Major operational risks faced by UCL are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed. Analysis revealed that the quality of people and their integrity is a critical panacea to mitigating these key operational risks. As a result, UCL has adopted a competency-based recruitment policy in which attitude, skills and knowledge are considered before engaging any employee. Other key counter-measures put in place include:

- enhanced employee training;
- enhanced Know Your Customer (KYC) drive;
- job segregation; and
- imposition of stiff disciplinary measures of fraudulent staff.

Strategy

Failure to manage operational risk effectively often results in significant financial losses, regulatory fines, reputational damage, brand erosion or even the loss of licence, all of which directly impact shareholder value. Accordingly, UCL operational risk strategy aims to minimise the impact of operational risk on its shareholders' value. In more specific terms, our strategy is to:

- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimise the impact of unexpected events including related costs that support UCL long-term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of operational risk and thus minimise actual or potential losses. UCL recognises that some losses, such as operational errors, are inevitable and are normal business cost; but will ensure these costs are kept within acceptable levels and potential losses are minimised.

Governance

While the overall responsibility for operational risk management in UCL resides with the Board, the Management is responsibility of the day-to-day management.

To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- the overall governance owned by the Board through MANCOM;
- the approval of operational risk policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board and MANCOM;

The Board and Management Committees

The Board of Directors and the Management Committee have overall oversight function for operational risk management. It shall be their responsibility to ensure effective management of operational risk and adherence to the approved operational risk policies.

Board of Directors

The Board of Directors:

- sets operational risk strategy and direction in line with UCL corporate strategy;
- gives approval for operational risk management framework, policies and procedures; and
- ensures that senior management is performing its risk management responsibilities.

Management Committee (MANCOM)

UCL's MANCOM:

- ensures policies and procedures are developed for managing operational risk in products, activities, systems and processes;
- ensures that all levels of staff understand their responsibilities with respect to operational risk management;
- reviews risk profile and assesses potential impact on the activities of the Company or business units;
- ensures that staff are adequately trained and have access to the necessary resources; and
- ensures that UCL's operational policies and procedures promote the desired risk culture.

Risk Management Committee (RMC)

UCL's RMC:

- carries out the first-level review of operational risk policies and procedures;
- manages significant operational risks where they originate, within the business/function;
- ensures compliance with operational risk policies and procedures;

Report on Risk Management - *continued*

- ensures implementation of the real-time incident reporting process;
- continually promotes risk awareness throughout the company so that complacency does not set in; and
- assists the Management Committee in managing ongoing corporate governance issues.

Chief Risk Officer

- Leads the development and implementation of operational risk management.
- Develops operational risk management strategy, principles, framework and policy.
- Implements appropriate operational risk management processes and methodologies.
- Advises management and business units on risk management.
- Exercises supervisory responsibilities over operational risk management in addition to responsibility over market risk, credit risk and other key risk types.

Risk Management Function

The core responsibility of the Operational Risk Management function is the development and implementation of operational risk management across the Group.

This entails:

- drafting operational risk management policies, standards, processes and procedures;
- developing and driving implementation and maintenance of the operational risk management framework;
- developing tools, techniques, methodologies, risk frameworks, analysis, reports, communication and training;
- escalating high-priority issues to senior management and the Board; and
- liaising with external parties, e.g., regulators and external auditors, etc. on company's operational risk management practices.

The Business Units and support functions

The Business Units and support functions are the first line of defence in our operational risk management process. They own, manage and are accountable for the operational risks and controls in their respective areas. They have the following responsibilities:

- comply with Group operational risk-related policies, procedures, processes and tools in their areas.
- Assess risks and the effectiveness of controls in line with risk policies.
- operate and monitor a suitable system of control.
- Manage and review risk as part of day-to-day business activity.

- Identify, review and assess the inherent operational risks in the context of the existing control environment.
- Creates awareness of operational risk.
- maintain the operational risk framework for the division/control and support unit, ensuring that the data and analyses are timely, relevant and complete for reporting.
- Ensure potential operational risks in new businesses, products and services, and processes within their business units are identified and mitigated.

Outlook

UCL is on a journey to embed sound operational risk management practices, culture and environment beyond complying with regulatory requirements, but as a value driver that enhances and contributes to stakeholders' value, long-term existence and survival of the institution. To this end, a number of initiatives are currently ongoing that, will enhance the risk management culture and practices within the organisation and by extension, significantly reduce UCL's operational risk exposures and incidences. Some of these key initiatives are as follows:

- embed the culture of self assessment in all activities and across all levels in the group; and
- capacity building and increase employees' risk-awareness level and competence in managing risks.

INFORMATION SECURITY RISK

Overview

UCL, as part of its risk management strategy, aims to continuously implement best practices that would in turn ensure strong risk governance.

Business and security environments are constantly evolving. And hence new threats and vulnerabilities are emerging. Addressing these threats and ensuring no business disruption occurs becomes a challenge that organizations have to live with. It is now widely established that the best way to address information security concerns is through a combination of continuous monitoring, well defined risk measurement metrics/indices and an effective awareness programme.

Philosophy

The key elements of UCL's information security management philosophy are the following:

The Board

The Board and Management have the overall responsibility to ensure that all information assets within UCL are protected and adequately secured. These responsibilities include preserving the confidentiality, integrity and availability of all the physical and electronic information to ensure all

Report on Risk Management - *continued*

customer information receives adequate protection. In addition, it assures that UCL complies with all legal, regulatory, contractual and commercial requirements of information security.

Culture

UCL is committed to ensuring the confidentiality, integrity and availability of its customers' information through:

- identification of the value of information through appropriate risk assessments;
- understanding vulnerabilities and threats that the information assets may be exposed to; and
- appropriate management of information security risks for compliance with contractual and legal requirements.

Oversight

The Management Committee performs an oversight function spanning the entire information security organisation in UCL.

Its function also includes ensuring that detailed policies, procedures and standards are created, updated regularly and effectively communicated to stakeholders.

Governance

Board of Directors

The Board as well as the Management Committee and Chief Risk Officer are responsible for safeguarding UCL's information assets. Key responsibilities of the Board with respect to information security are:

- approving UCL overall information security framework and policy; and
- ensuring that UCL information security posture is maintained in line with its risk appetite and commensurate with the risks associated with information assets.

Management Committee (MANCOM)

Key responsibilities of the MANCOM with respect to information security are detailed below:

- Ensure that UCL implements an effective methodology for managing information security.
- Ensure that detailed policies, standards and procedures are created and effectively communicated within the organization.
- Assess the effectiveness of UCL's information security process.
- Provide the resources (human capital, financial, systems, etc.) required to implement security initiatives.
- Ensure risk assessments (procedural and technical) are performed and used to determine the level of protection accorded to information assets.

Chief Risk Officer

Key responsibilities of the Chief Risk officer with respect to information security are detailed below:

- Promote the effectiveness of information security within the organisation.
- Ensure security initiatives and activities are aligned with business objectives.
- Provide appropriate resources to control information-related risks.
- Escalate information security incidents to the MANCOM where necessary.

Internal Audit

To support the monitoring process without losing independence, the Internal Audit function and IT department's key responsibilities are:

- harmonise approaches used to evaluate information risk from a security perspective;
- harmonise checklists used to evaluate security vulnerabilities and threats;
- help shape the development of the monitoring process to ensure that all key issues are addressed;
- have access to the current situation of UCL as prepared by the IT Department; and
- audit the information security functions to ensure effectiveness.

Compliance

The Compliance function is to protect business growth and sustainability by ensuring compliance to regulation.

Internal Control

Internal Control:

- helps shape the development of the monitoring process to ensure all key issues are addressed; and
- monitors the transactions to ensure accuracy, integrity and completeness.

Information Technology Department

IT department is accountable for the secure storage and use of major information assets. Key responsibilities are as follows:

- Ensure that information assets are properly labelled.
- Monitor the security condition of information assets.
- Review staff logical access rights to systems and application.
- Review the department/branch operating procedure.
- Ensure implementation of information security controls.

- Ensure all staff receive information security awareness training before granting them access to information assets.

All UCL employees

All UCL employees are responsible for complying with the principles and policies of the information security policy where relevant to their jobs. They are responsible for maintaining the security of all information entrusted with them. Any employee failing to comply with the policies could be subject to disciplinary action, potentially including termination of employment.

COMPLIANCE RISK

Overview

The establishment of an independent compliance function in UCL is in line with best practices. The compliance function operates from head office to ensure compliance with established rules and regulations. Highlights of the scope of coverage of the compliance function include:

- regulatory compliance;
- Anti Money Laundering and Terrorist financing compliance (including Know Your Customer (KYC), Know Your Customers' Business (KYB) principles); and
- corporate governance compliance monitoring.

The objectives of the compliance function, as a part of an effective risk management, include the followings:

- assist and support line management to ensure that business is conducted in accordance with applicable statutory, regulatory and supervisory requirements.
- enable UCL to demonstrate that it is proper to undertake its business.
- maintain fairness in all UCL dealings.
- facilitate the management of compliance risks.
- prevent disciplinary action by regulators.

Philosophy

The Board approves the compliance framework and strategies and delegated to the management for compliance performance.

UCL compliance risks are centrally managed by an independent Compliance function. The Compliance risk management practices in UCL are subject to periodic reviews by the internal audit.

Strategy and priority

UCL remains committed to complying fully with applicable laws and regulations and to always act with care and due diligence. The risk of non-compliance with legal and regulatory requirements ranges from potential financial loss arising from

regulatory sanctions, loss of business as well as damage to the Group's reputation.

In ensuring compliance with laws and regulations, UCL has in place a compliance framework. The compliance function, under the leadership of the Chief Compliance Officer, ensures that statutory and regulatory requirements are adhered to and ensures that breaches are promptly reported.

While the primary responsibility for complying with regulatory requirements lies with all employees conducting particular transactions or activities to which regulation applies, the Management is accountable for compliance performance.

The current regulatory regime places much pressure on financial institutions to know their customers and implement processes for combating money laundering, as well as putting in place measures aimed at understanding regulations as they affect the financial services industry and the implication for non-compliance. In this regard, UCL has reviewed its guidelines relating to anti money laundering and terrorist financing, incorporating new guidelines for KYC/KYB.

Governance structure

The management of regulatory risk comprises ensuring compliance with all the statutory and regulatory requirements.

In line with best practice, the Compliance function is responsible for ensuring that UCL continuously manages its regulatory risk.

Regulatory risk is the risk that occurs when financial institutions do not comply with the applicable laws and regulations or supervisory requirements.

Responsibility for managing compliance with internal rules created by UCL itself lies with the Internal Control and Compliance functions. These are monitored as part of their normal duty of ensuring that an effective system of internal controls is maintained in UCL.

Certain internal rules are of such importance that the Management Committee (MANCOM) may require the involvement of the compliance function for effective implementation. The Compliance function is also, to that extent, responsible for monitoring compliance with internal rules, as determined by MANCOM from time to time.

The compliance function operates independently from the internal control and compliance functions. However, the department leverages on the Internal Control & Compliance infrastructure by administering compliance checklists on business units and branches through the independent control and normal audit procedures.

Roles and responsibilities

Roles and responsibilities for compliance are assigned to various functions as follows:

Report on Risk Management - *continued*

Board of Directors	Assumes overall accountability for compliance performance.
Managing Director & CEO	Provides demonstrable support to the Compliance officer with the development of a compliance culture.
MANCOM	Assume overall accountability for compliance within their Business Units.
Subsidiaries and their management teams	Assume overall accountability for compliance within their companies and their respective management is responsible for day-to-day compliance with regulations applicable to their business.
Department Heads and RMs	Responsible for day-to-day compliance with regulations applicable to area business.
Branch Managers	Branch Managers assume overall responsibility for compliance in their branches and are responsible for conducting periodic compliance reviews.
All employees	Responsible for familiarising themselves with the regulatory requirements applicable to their business and ensuring that all transactions and activities in which they are involved are carried out in accordance with those regulations.
Internal Control	Assists the Compliance function in the conduct of independent monitoring.
Internal Audit	Provides quality assurance for the Compliance function.
Chief Compliance Officer	Responsible for the development, communication, leadership and implementation of the compliance strategy, policy, structure and process.
External Audit	Reviews the compliance risk management process.

Responsibilities of the Chief Compliance Officer (CCO)

The CCO takes responsibility for compliance issues including its Business Unit. The CCO works closely with the Chief Risk Officer (CRO) in the performance of the following specific responsibilities:

- Assigns a sound compliance structure, process and advisory service in order to ensure line management's compliance with current laws, regulations and supervisory requirements.
- Reports non-compliance with laws, regulations and supervisory requirements to the Chief Executive Officer and the Board of Directors.
- Ensures, as far as possible, that no conflict of interest exists between the compliance function and other internal control functions.
- Establishes a compliance culture in UCL Group that contributes to the overall objective of prudent risk management.
- Establishes effective communication with line management in order to continuously monitor compliance with laws, regulations and supervisory requirements.
- Ensures that regulatory requirements are incorporated into operational procedures and manuals where appropriate.
- Makes recommendations whenever necessary to ensure that laws, regulations and regulatory requirements are being complied with.
- Establishes effective mechanisms for reporting and resolving non-compliance with laws, regulations or regulatory requirements.
- Ensures required training of compliance staff on technical knowledge of regulatory framework and associated risks.

- Compiles and maintains a comprehensive compliance manual for the Group.

Outlook

The regulatory environment has become even more dynamic in recent times. The policy on deposit collections comes with enormous challenges on the part of NBFIs. The challenge is in putting in place appropriate compliance risk management processes and procedures in knowing our customers and leveraging on our technology infrastructure to understand and manage the risk of transactions.

Current measures aimed at understanding regulations as they affect the industry and the implications for non-compliance are being continuously improved through process rejuvenation and revalidation, which is then communicated to all employees.

LEGAL RISK

Overview

Legal risk management is an integral part of UCL Risk Management Framework. UCL recognises that all aspects of its business activities are fraught with legal risks, the growth of which may not only outstrip its business growth. To this end, there is a dedicated Legal Services department with responsibility for the effective management of this portion of UCL overall risk profile.

Approach

At UCL, our approach to legal risk management is to:

- identify where and how things can and/or might go wrong from the legal perspective;
- determine the extent of any negative impact in the event of its crystallisation;

Report on Risk Management - *continued*

- identify and grade the risks and impact of the current controls;
- establish controls to reduce or eliminate the legal risks; and
- monitor the controls to ensure effectiveness.

In doing this, we continue to ensure that our policies and operational guidelines do not only provide the structure for the effective management and control of identifiable legal risks, but also bring UCL and its employees to a true appreciation of the legal constraints impacting on UCL business activities.

Governance

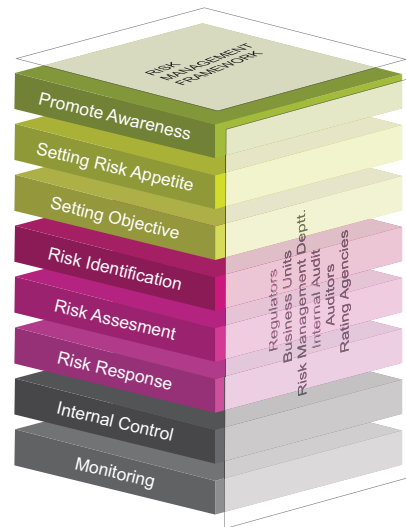
The legal department oversees UCL legal risk function and reports directly to the Managing Director and Chief Risk Officer. The department handles all the legal issues of UCL's claims against third parties and/or UCL's defence of claims against it. The unit monitors and manages UCL's litigation portfolio, including the evaluation, recommendation with external counsel interface.

This department is also responsible for the documentation and perfection of the various securities used to secure credit facilities extended to UCL customers.

Outlook

During the year, we will deepen the skills of our people in the areas of documentation, execution of

court decisions and the capacity of our branch offices and give it the needed impetus for its growing roles. Across all our operations, we will strive to optimise our operational efficiencies through the effective use of technology for reliable data and performance evaluation. We will seek to streamline our legal structure for greater efficiency.



SENIOR MANAGEMENT



Md. Akter H. Sannamat FCA, FCS

MD. AKTER H. SANAMAT FCA, FCS
Managing Director & CEO

With UCL since 04 July 2012

Born in January 1967

Nationality Bangladeshi

Committee Membership

Chairman
Management Committee
Credit Committee
Risk Management Committee
Asset-Liability Management Committee
Money Laundering Prevention Committee
Corporate Governance Committee
Ethics & Compliance Committee
BASELII Implementation Committee
HR & Compensation Committee

External Appointment

SES Company Limited, Director
UniCap Investments Limited, Director

Qualification & Experience

A dynamic and versatile management executive Mr. Sannamat in his outstanding 19 years of service life showed outstanding performance in diverse areas under different capacities. Prior to this, Mr. Sannamat was the Chief Consultant of AHKC, Chartered Accountants – an Exclusive Correspondent Firm of PKF International, UK and the Managing Director of Prime Finance and Investment Ltd. where he worked for more than 13 years.

Mr. Sannamat is a member of the Standing Committee on Financial Institution and Financial Services of DCCI. He is also a Member of Taxation & Corporate Law Committee of ICAB. Mr. Sannamat is a Member of the Panel of Experts of DSE and served as Member of Listing Committee as well as Trading Committee of CSE. He was the Member of the Executive Committee of Bangladesh Leasing & Finance Companies Association and Bangladesh Merchant Bankers Association.



Mushfiq Ul Quayoom

A Chartered Accountant Mr. Sannamat obtained his Honors and Master in Accounting from Dhaka University securing first class in all through his academic career. A Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Chartered Secretaries of Bangladesh (ICMB), Mr. Sannamat took part in various training courses, seminars, and workshops in the areas of capital market, risk management, good governance, auditing, credit, credit appraisal, secretarial practices etc. in home and abroad.

MUSHFIQ UL QUAYOOM

EVP & Company Secretary

With UCL since 01 June 1999

Born in November 1975

Nationality Bangladeshi

Committee Membership

Member
Management Committee (MANCOM)
Asset-Liability Management Committee
Credit Committee
Risk Management Committee
Money Laundering Prevention Committee
Corporate Governance Committee
Ethics & Compliance Committee
BASELII Implementation Committee
HR & Compensation Committee

External Appointment

SES Company Limited, Director
UniCap Investments Limited, Director

Qualification & Experience

Mr. Quayoom has in his credit 14 years of extensive experience in the financial and capital markets. He held a number of important positions and assignments during this tenure including as Managing Director (Current Charge) from December 2011 to June 2012. In July 2009, he was promoted to the rank of "Executive Vice President" with the



Abul Munim Khan

Finance, Treasury, Corporate Affairs, Board Secretariat, HR, Admin, ICT and Capital Market Operations reporting to him. He is also the Chief Financial Officer of the Company. He has been in charge of SES Company Limited, a wholly owned subsidiary, managing brokerage operations of UCL since March 2006. Prior to joining at UCL, he had served 4 years for S. F. Ahmed & Co. – a leading chartered accountancy and management consulting firm having association with Ernst & Young International Inc., USA. Mr. Quayoom is a post graduate in Accounting. He attended various trainings, workshops and seminars on capital market, financial product, special asset management, control and compliance etc. at home and abroad.

ABUL MUNIM KHAN

EVP & Head of Business

With UCL Since 18 October 2009

Born in February 1956

Nationality Bangladeshi

Committee Membership

Member
Management Committee (MANCOM),
Asset-Liability Management Committee
Credit Committee
Risk Management Committee
Money Laundering Prevention Committee
Corporate Governance Committee
Ethics & Compliance Committee
BASELII Implementation Committee
HR & Compensation Committee

External Appointment

Nil

Qualification & Experience

Mr. Khan is a qualified professional with an MBA degree from IBA-Dhaka and about 32 years of extensive exposure in Operations, Credit Admin, Credit Risk Management and Marketing both in Commercial (Conventional & Islamic)



Md. Morshed Alam



Fazle Karim Murad



Engr. A.N.M. Golam Shabbir FIEB



Mohammad Redwanur Rahman FCA

and Investment Banking. Mr. Khan is a self motivated individual who is market driven and result oriented having Credit & Marketing exposure both in UAE and Bangladesh. Attended various workshops/seminars & training courses on credit, marketing & change management issues at home & abroad.

MD. MORSHED ALAM

VP & Head of Credit Administration

With UCL since 01 Feb 2009

Born in June 1953

Nationality Bangladeshi

Committee Membership
Credit Committee, Member

External Appointment
Nil

Qualification & Experience

Mr. Alam received Bachelor-in-Commerce degree in the year 1973 and started his career as Banking Assistant in the then ANZ Grindlays and served in different positions viz. Manager-Accounts, Planning and Data Centre and led five of its branches as the Branch-In-Charge. In 2001 he joined BRAC Bank Limited as Branch Manager and played many key roles including Head of Branch Cluster. He then joined Union Capital Limited in 2009 and has been serving as the Head of Customer Service till the date. During his service period he got professional training both in home and abroad.

FAZLE KARIM MURAD

VP & Chief Risk Officer

With UCL since 01 June 2000

Born in October 1973

Nationality Bangladeshi

Committee Membership **Member**

Asset-Liability Management Committee
Credit Committee
Risk Management Committee
BASELII Implementation Committee

External Appointment
Nil

Qualification & Experience

Mr. Murad has completed M.Com (Marketing) from University of Dhaka and MBA major in finance from American International University Bangladesh (AIUB). He started his career with a promotional project namely HORECA of British American Tobacco in December 1998 as Project Leader and worked there for 6 months and then joined in a production house namely In-house Production in June 1999 and worked there for 9 months. In June 2000 joined UCL as Junior Associate and from that time working in different segment of lease and corporate finance department. In 2009 was promoted as Vice President of Lease and Corporate Finance Department as responsible in Marketing to Corporate and SME financing. Obtained various training/workshop/seminars at Home and abroad.

ENGR. A.N.M. GOLAM SHABBIR **FIEB**

VP & Head of ICT, HR & Admin

With UCL since 17 December 1998

Born in November 1970

Nationality Bangladeshi

Committee Membership
Member
HR & Compensation Committee

External Appointment
Nil

Qualification & Experience

Mr. Shabbir obtained his B. Sc. Engineering Degree in Electrical & Electronics Engineering from Khulna University of Engineering and Technology. He has a wide experience of over 14 years with NBF in various capacities and 03 years in different ICT vendors. Starting his career in Flora Limited, the then largest ICT vendor of the country, Mr. Shabbir also worked in UNICEF as LAN Consultant under employment of Flora Limited. Prior to joining at UCL Mr. Shabbir served as the Manager of Hardware & Network Division of Systematique Computing Limited (SYSCOM). Besides IT expertise, he is proficient in HRM and carrying full responsibilities of HR & Administration Department for over 07 years and presently holding the position of Head of HR & Administration Department along with ICT Department. He attended a number of seminars, workshops and trainings, relating to the ICT and HR & Administration issues, at home and abroad. Mr. Shabbir is a Fellow of Institute of Engineers Bangladesh.

MOHAMMAD REDWANUR RAHMAN **FCA**

VP & Head of ICC

With UCL since 14 February 2013

Born in December 1980

Nationality Bangladeshi

Committee Membership
Member
Corporate Governance Committee
Ethics & Compliance Committee

External Appointment
Nil

Qualification & Experience

Mr. Mohammad Redwanur Rahman is a fellow member of the Institute of Chartered Accountants of Bangladesh



Zafor Uddin Ahmed

(ICAB). He obtained his business degree from the University of Dhaka major in Accounting and Information Systems. After attaining University degree, Mr. Rahman did articleship in KPMG-Rahman Rahman Huq, Chartered Accountants, in the process of being a member of ICAB. Mr. Rahman started his career with American Life Insurance Company (ALICO), a subsidiary of MetLife, as Head of Internal Audit. Prior to his current assignment at UCL as Head of Internal Control and Compliance, he served LankaBangla Investments Limited as Chief Financial Officer. Mr. Rahman is member of several committees of ICAB, like, 'Member Services and Welfare Committee', 'Committee for Small and Medium Practitioners', etc. He also conducts class for professional students as a faculty member at ICAB.

ZAFOR UDDIN AHMED
AVP, Finance & Accounts

With UCL since 12 October 2009

Born in January 1979

Nationality Bangladeshi

Committee Membership
Member

Money Laundering Prevention Committee
Ethics & Compliance Committee
BASEL II Implementation Committee

External Appointment
Nil

Qualification & Experience

Mr. Zafor has completed Chartered Accountancy Course (CA-CC) from S.F. Ahmed & Co. (SFACO) - a technical assistance firm of Ernst & Young Inc., USA. During the tenure of his professional attachment with S.F. Ahmed & Co., he worked in the area of auditing,



Mohammad Shafi Uddin

accounting, taxation, valuation of assets and liabilities, share valuation, financial system design and implementation, institutional development and management consultancy of multinational and national enterprises, Banks, Financial Institutions (FIs), NGOs, Foreign aided projects, etc. He has partly passed in Professional Stage Application Level under the Institute of Chartered Accountants of Bangladesh (ICAB). Mr. Zafor is an M.Com in Accounting from National University. He has gained in the last 8 years and above job experience in finance and accounting covering financial management, planning, and administration and budgeting and auditing along with supervisory capability both in renowned financial institutions, group of industries etc. He has the clear idea about functions and major structure of financial statements of a FIs and in depth knowledge of Computerized Systems/EDW (Enterprise Data Warehouse) implementation experience and clear knowledge about Core Financial System, The Companies Act-1994, The Financial Institutions Act-1993, DFIM, BFIU, Statistics Department, Forex Reserve and Treasury Management Department, Deposit Accounts Bivag, Department of Banking Inspection-2 under Financial Institutions Inspection, SME and Special Programs Department & DOS circulars, CRR, SLR and Capital Adequacy Calculation under BASEL II, Stress Testing Report, Structural Liquidity Profile, adaption of first time IFRSs in a FIs, Deferred Tax etc. He has attended a good numbers of trainings both home and abroad.

MOHAMMAD SHAFI UDDIN

AVP & Branch In Charge, Chittagong

With UCL since 20 October 2010

Born in January 1973

Nationality Bangladeshi



Engr. Md. Israil Hossain FIEB

Committee Membership
Nil

External Appointment
Nil

Qualification & Experience

Mr. Shafi Uddin is an MSS (Economics) from Chittagong University. He has 12 years experience with Banks & NBFIs. Before joining in UCL, he was with Eastern bank Limited, ONE Bank Limited, Bank Asia Limited & The City Bank Limited and worked with Credit Administration Deptt & Credit Department.

ENGR. MD. ISRAIL HOSSAIN FIEB
AVP, Capital Market Operation

With UCL since October 2012

Born in November 1974

Nationality Bangladeshi

Committee Membership
Nil

External Appointment
Nil

Qualification & Experience

Mr. Hossain is an M.Sc in Computer Science and obtained his B. Sc. Engineering Degree in Mechanical Engineering from Bangladesh University of Engineering and Technology. He has more than 11 years of extensive experience in Capital Market both in Securities house and Merchant Banking operation. Before joining in UCL, he worked in Sonar Bangla Capital Management Ltd. as Head of Operations. He also served in BD Finance Securities Ltd. as AVP & Head of Operations and in Prime Finance & Investment Ltd. as Senior Manager.

MANAGEMENT COMMITTEES

Committee	Members	Major Responsibilities
Management Committee (MANCOM)	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member	The Management Committee is responsible for managing and conducting company's business as designated by the Board of Directors, or under specific resolution of the Board of Directors. It has the authority to manage the company's business according to set policies and plans.
Asset-Liability Management Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Abdul Munim Khan, Member Mushfiq UI Quayoom, Member Fazle Karim Murad, Member Mohammad Abu Zubayer Bhuiyan, Member	Responsible for managing various financial risks of the company such as market, interest rate and liquidity. The ALCO reviews market and credit portfolio risks, as well as interest rate risk inherent in the Company's balance sheet. It meets regularly to ensure that the level of interest rate exposures are within regulatory and internal limits, to maximize the company's net interest income, to ensure adequate liquidity and to maximize the return on the Company's capital.
Credit Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member Fazle Karim Murad, Member Morshed Alam Masood, Member	Oversee the credit and lending strategies and objectives of the Company and approve the financial proposals within the limit delegated by the Board. The Committee is also responsible to review all financing proposals before placing the same to the Executive Committee/Board.
Risk Management Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member Fazle Karim Murad, Member	Establish and maintain an effective risk management environment in the company; review proposals in respect of credit policies and endorse them to the Board of Directors for approval; review periodic credit portfolio reports and assess portfolio performance; ensure compliance with UCL credit policies and statutory requirements prescribed by the regulatory/supervisory authorities;
Money Laundering Prevention Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member Zafor Uddin Ahmed, Member Mohammad Abu Zubayer Bhuiyan, Member	Responsible for prevention of the use of company's products and services from money laundering; preventing from the damage of company's reputation by association with money launderers; ensuring that the company is complying with the relevant laws and regulations relating to anti-money laundering & Terrorist Financing.
Governance Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member Redwanur Rahman FCA, Member	Review and discuss the issues relating to good governance practices and ensure that the conditions and guidelines on corporate governance are complied with .

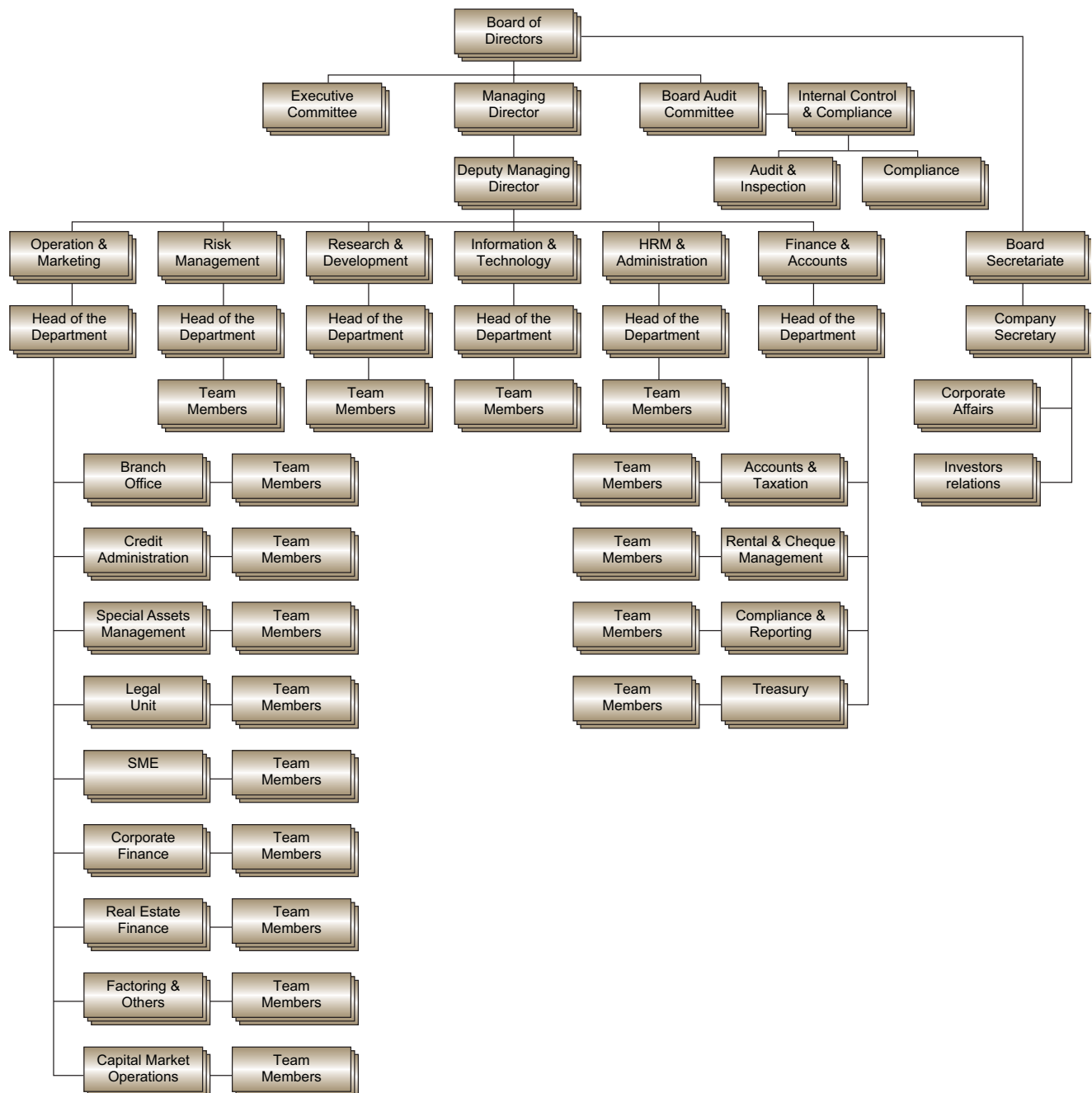
Management Committees - *continued*

Committee	Members	Major Responsibilities
Ethics & Compliance Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member Redwanur Rahman FCA, Member Zafor Uddin Ahmed, Member	Implement ethical business practices; Review whether the Company's business is conducted ethically and in socially responsible manner; Ensure whether the employees are complying with the code of business ethical principles and code of business conduct; Review and evaluate compliance of laws, rules and regulations.
Basel II Implementation Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member Fazle Karim Murad, Member Zafor Uddin Ahmed, Member	Responsible for the implementation of Basel Accord for NBFIs. Lay down the overall solution framework for Basel II compliance and prepare a clear and comprehensive implementation roadmap covering the various stage of implementation.
HR & Compensation Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member	Recommend the requirements of Management personnel for different sections of the company; Interview for selection, and recruitment of management cadre and take disciplinary action against them, if situation demands; Evaluate the performance of employees annually; Evaluate effectiveness of the HR Policy, Assess the workload, strength and weakness of the officers and executives.
Disclosure Committee	Md. Akter H. Sannamat FCA, FCS, Chairman Mushfiq UI Quayoom, Member Abul Munim Khan, Member Redwanur Rahman FCA, Member Zafor Uddin Ahmed, Member	Assure compliance with the disclosure and transparency requirements and the listing rules, and to ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office and investor relations are clear so that the company is able to comply fully with its continuing obligations under the disclosure requirements.

ORGANIZATION CHART

Illustrates the management structure of UCL

The Framework around which UCL is organized. It tells how the organization is put together and how it works.



SUSTAINABILITY DEVELOPMENT REPORT

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FRAMEWORK FOR RESPONSIBLE BUSINESS

Outlines how UCL achieves vision managing its business in a responsible way

We have a duty to deliver value to our shareholders and they too are essential to our long-term commercial success. This allows us to invest in the future to further benefit our customers, shareholders, employees, the environment and society as a whole, ensuring we have a successful and sustainable future.

Our Framework for Responsible Business defines the principles by which we manage the business, sets the context for corporate governance, and helps us take account of economic, environmental and social factors in our decisions. Our Framework is based on three business goals, which comprise a number of underlying values:

- Sustainable Growth.
- Profits with Responsibility.
- Investing in the Future.

SUSTAINABLE GROWTH

We are constantly looking to expand and grow our business by transferring our skills to new markets. Growth needs to be sustainable if we are to bring long-term value both to our shareholders and to others. So we must:

- Contribute to the economic growth of our country through the way in which we manage and invest in our business.
- Act with honesty and integrity as we undertake and develop our business.
- Protect the future of our business by proactively managing existing and future non-financial and environmental risks.
- Value our employees through inclusion.
- Employ the right number of people with the right skills for the work we have to do.
- Treat our employees fairly.
- Act in accordance with all laws and regulations.
- Respect human rights.

PROFITS WITH RESPONSIBILITY

For our business to be sustainable, we must be profitable. However, increasing our profitability at any cost is neither sustainable nor acceptable. We therefore have to be responsible in the way in which we generate our profits. So we must:

- Improve our efficiency without compromising the reliability and integrity of our operations.
- Maintain a sound system of internal financial control.
- Be efficient in our use of natural resources.
- Keep our waste to a minimum and increase the economic value of any waste we produce.
- Help protect the environment for future generations, including making our contribution to minimizing climate change.

- Safeguard each other and those who work with us by operating an healthy workplace and protect the safety of the public through the integrity of our operations.
- Help our employees balance work with their other commitments.
- Respect our customers by conducting our business in a professional manner.
- Be open and constructive in the dialogue we have with our stakeholders.

INVESTING IN THE FUTURE

As a responsible business, our commercial success enables us to invest in the future in a way that benefits our shareholders, our employees, the environment and society. This investment is a reflection of our desire to be a long-term business. So we:

- Seek to deliver progressively increasing returns for our shareholders.
- Enable others to contribute to economic growth by providing high-quality dependable services.
- Improve, where we can, the environmental status of the land on which we operate.
- Contribute to the development of new initiatives aimed at improving the environment and the quality of life.
- Develop our employees so that they can add value to the company, to themselves and to society.
- Recognize and reward our employees for the contribution they make.
- Encourage and support investment in the community through both the activities of our employees and our financial contributions, with an emphasis on developing partnerships.

Our Framework for Responsible Business was developed in 2012 applies to all of our operations with a view of achieving our aims as detailed below :

- We, at UCL, will be the foremost financial institution, delivering unparalleled safety, reliability and efficiency, vital to the wellbeing of our customers and communities.
- We are committed to being an innovative leader in financial sector and to safeguarding our environment for future generations.
- Our Framework for Responsible Business outlines how we will achieve these aims by managing our business in a responsible way. It

Framework for Responsible Business - *continued*

explains how we take account of environmental, economic and societal issues when we make our business decisions. Our Standards of Ethical Business Conduct, policies and public position statements support the framework.

- We intend to play a central role in tackling the challenges of energy security, climate change, and making energy affordable.
- We want UCL to be a company where people want to work and where they can develop to their full potential. We will support our employees with the right training, knowledge and resources. We will trust them to use their skills and expertise to do their jobs well. We will always make sure the safety and wellbeing of our employees, contract partners and the public are at the centre of everything we do.
- We are a long-term business and these are long-term commitments. We have a duty to deliver value to our shareholders and they too are essential to our long-term commercial success. This allows us to invest in the future to further

benefit our customers, shareholders, employees, the environment and society as a whole, ensuring we have a successful and sustainable future.

- We believe it is not acceptable to make a profit regardless of the effects this may have on the environment, society, our customers or our employees. Our reputation depends on our stakeholders being able to trust us and be confident in us. We will only retain our right to operate by working to the highest standards, by trusting our employees to do the right thing and by running our company responsibly and sustainably.
- We continually look to improve our performance and reputation as a responsible and sustainable company. To do this, we must make sure that we are open and honest with all our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

Serving as a responsible corporate citizen

We strive to take active responsibility for our daily choices that UCL faces: How should we best structure and govern our Company? How should we best serve our clients in terms of ethics, privacy and services? How should we attract the best talents and motivate our employees? How should we contribute to our communities in which we operate our business? How can we minimize the impact of our business activities on the environment? and How can we grow our company in a sustainable way?

VISION

UCL is committed to doing better for our clients, our investors, our employees and our communities through a focused approach to corporate responsibility. Our goals are to demonstrate integrity in our business practices and provide leadership in the workplace and the marketplace. We are committed to be a strong supporter of the communities in which we do business and to transparency in sustainability reporting practices.

STRUCTURE

At UCL, our whole company, every employee, is responsible for behaving responsibly, as outlined in our Code of Conduct. It is our duty as a corporate citizen to add value to the society while earning a profit for our shareholders. UCL group takes responsibility for the effects of their actions, both social and economic.

REPORTING

UCL has adopted a multi-pronged approach to reporting our corporate responsibility practices, sometimes called non-financial or sustainability reporting. We undertake a range of reporting activities geared to various stakeholder groups, with our website being our primary reporting medium.

OUR APPROACH

The corporate responsibility priorities are relatively new, yet they reflect aspects of this company that have been around for many years. Our journey to build the priorities considered:

- The Guiding Principles that provide a foundation for UCL's corporate values;
- The Leadership Profile as a standard of behaviour expected from our leaders;
- The multitude of stakeholder interactions keeping us connected to the needs and concerns of those we affect;
- An understanding of materiality to help us navigate and assess immediate and emerging social and environmental issues; and
- Finally, UCL's business strategy, which articulates the direction of UCL.

PRIORITIES

Taking all the above components, we crafted the following Corporate Responsibility priorities:

Be customer focused

- Treat customers fairly, and provide support in tough times;
- Be the financial institution of choice.

Build an extraordinary workplace

- Build a fair, diverse and inclusive workplace that reflects the communities we serve;
- Attract and retain talents and create opportunities for continued development.

Be an environmental leader

- Continuously improve our environmental footprint;
- Protect and enrich the natural environment;
- Manage the social and environmental risks of our lending and investment products.

Make an impact

- Contribute to the economic and social development of the community we serve;
- Be transparent about the way we conduct our business.

UCL AND ITS CUSTOMERS

Taking responsibility – to be customer-driven

Approach

We want to deliver legendary experiences that will inspire our customers to trust us with more of their business and recommend us to their friends and family. Every part of our business, and every employee, are measured on the contribution they make to our customers' experience with us. Our approach is to treat customers fairly, support them when they go through difficult times and consistently deliver on our goal to be a leading financial institution.

2013 Challenge

- Continuing economic uncertainty created financial difficulties for many customers.
- Maintaining our standard of customer service as we diversify our business.

The UCL culture has many elements: our drive to deliver exceptional customer service; our passion for the environment and for giving back to the communities we serve; and our determination to create a unique, diverse, respectful and safe workplace for our employees to grow and develop.

Corporate Social Responsibility - *continued*

- Balancing needs-based financing with targets for revenue growth.

Customer Experience

We evaluate our performance based on our customer satisfaction. This helps us to set targets and drive improvement. We exchange our views with customers to evaluate our performance in a number of areas, such as:

- showing we value our customers;
- listening carefully to understand our customers' concerns and questions;
- providing prompt responses to requests; and
- showing genuine interest in helping our customers.

A safe and secure business experience

Our customers tell us that it makes a big difference in their lives when they can have confidence in our system, the safety of their deposits. We are committed to managing our business in a way that reinforces their confidence and protects their fund and information. We do this through compliance with external regulations, as well as through a range of internal policies, including those that cover:

- our Code of Conduct and Ethics;
- anti-money laundering and terrorist financing; and
- information security and fraud protection.

Our Code of Conduct and Ethics

The Code provides a framework for how we interact with one another, our shareholders, customers and community. The Code addresses issues such as how to handle potential conflicts of interest and ensure confidentiality of information. Employees understand clearly that any irregular business conduct, including bribery, corruption or insider trading, will not be tolerated. Any breach is considered a serious offence, and employees must report any possible violations they witness.

As a responsible financial institution and corporate citizen, UCL together with its subsidiaries is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism – in every respect, without exception, and at all times. While reaching our business goals is critical to our success, equally important is the way we achieve them.

Anti-money laundering and terrorist financing

UCL is strongly committed to preventing the use of our financial services for money laundering and terrorist financing purposes.

Our Anti-Money Laundering Compliance develops and maintains policies, guidelines, training and risk assessment tools to help our employees protect UCL and our clients and to ensure

we are managing ever-evolving money laundering and terrorist financing risks.

Our controls in this area incorporated Know Your Customers rules required by Bangladesh Bank to ensure we properly identify our customers and protect against the illegal use of our products and services.

Information Security and Fraud Protection

UCL has a dedicated team of security and fraud-management professionals who oversee security standards to protect our systems and our customer information against unauthorized access and use. They continually assess our security programs to ensure our customers can place complete confidence in our facilities.

UCL has a sound technology risk-management and information security program in place to help keep confidential and private information secure and protected. This program helps protect UCL's internal systems from unauthorized access.

Transparent Product Information

We want to help our customers understand the financial products and services they avail. Our employees are trained to take sufficient time to explain issues and answer questions.

We make product information readily available in our different offices, as well as on our websites.

Responsible Marketing

UCL meets or exceeds the laws and regulations requiring us to disclose basic information about the financial products and services we offer. We ensure that our products and services meet genuine needs and that customers do not feel any undue pressure to buy unwanted products or services.

Promoting our products and services responsibly is also a fundamental obligation. UCL has programs and processes in place, to ensure adherence to laws and regulations related to marketing communications, which include advertising, promotion and sponsorship.

Inclusive investment

As a financial services provider we have a role to play in supporting access to financial services to help our customers. We provide a variety of special products for senior citizen, students/youth and low-income customers.

We offer a number of deposit options:

- For seniors, we offer monthly deposit scheme which features special profit rate.
- For student/young people, we offer monthly and periodical deposit schemes that features special and flexible rate of profit.
- We offer personal deposit scheme for unemployed and housewives that features deposits of small amount.

Helping small businesses contribute to our economy

In our economy, small businesses are the lifeblood for sustainable economic development and that's why UCL consistently stands besides these vital enterprises. Our support for small business includes access to financing, specialized services and advice and education.

Small business credit products are available at all UCL branches. To better assist small business customers who have complex credit needs, UCL seek to understand the unique needs of each business, offer proactive and innovative solutions, provide expert advice and help customers obtain the right products and services.

UCL AND ITS EMPLOYEES

Taking responsibility – to build an extraordinary workplace

Approach

We want our employees to feel engaged in what they do, empowered to make a difference, excited by opportunities to develop and grow to their full potential, and recognized for their unique contributions.

We aspire to be increasingly inclusive by identifying and eliminating barriers or biases. We celebrate and welcome difference and work to constantly improve our employees' experience.

The UCL culture has many elements: our drive to deliver exceptional customer service; our passion for the environment and for giving back to the communities we serve; and our determination to create a unique, diverse, respectful and safe workplace for our employees to grow and develop.

It doesn't happen overnight, and there are many steps along the way to building the workplace we want to see across UCL.

2013 Challenges

- We face a continuing challenge recruiting people with requisite skill and knowledge.
- Managers are looking for tools, training and increased cultural awareness to prepare them for the challenges of managing adverse workforce.

Employee Feedback

We track employee engagement through internal survey and open to every employee.

Entry and exit surveys are used to better understand how employees rate their experience of joining UCL or choosing to leave. Newly hired employees are asked to rate UCL on the hiring and recruiting process and if they felt supported during the first few months on the job. Questions that are in the list given below:

- | | | |
|--|------------------------------|-----------------------------|
| ○ I feel comfortable bringing work-related concerns to my manager. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| ○ My manager provides ongoing feedback that helps me improve my performance. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| ○ In the last 12 months, I have had opportunities to develop my skills and abilities. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| ○ I am able to achieve the balance I need between my personal life and my work life at UCL. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| ○ UCL is genuinely committed to the well-being of its employees. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| ○ UCL treats employees fairly regardless of their age, family/ marital status, gender or religion. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| ○ UCL takes a genuine interest in the well-being of community in which it does business. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Recruitment

Our recruitment activities are designed to make sure we're well positioned to meet our future business needs. Welcome to UCL is an orientation course for new employees. It introduces them to UCL culture through interviews with employees and executives about who we are, what we stand for and what makes UCL an extraordinary place to work.

We believe in open access to all internal career opportunities. Although UCL has a strong commitment to developing leaders from within, due to rapid growth and the increasing complexity of our business, we have hired external executive candidates with the specific skills we need.

Retention

UCL has a unique culture of working environment that would be reflected from the following table :

Employee Turnover (%)	2012	2011	2010
Voluntary	7.37	10.20	9.70
Retirement	-	-	-
TOTAL	7.37	10.20	9.70

Transitions

As part of our commitment to be a best run company, we look for ways to streamline our operations and simplify our processes so that we can improve the value and service we provide our customers. Sometimes these changes result in the consolidation or reassignment of work. To minimize the impact of these decisions on our employees, our practices are to:

- keep employees informed;

Corporate Social Responsibility - continued

- offer employees the opportunity to apply for other internal positions;
- make every effort to minimize the overall impact through natural attrition; and
- provide appropriate support, including employee training.

Compensation and Benefits

The objective of our compensation strategy is to attract, retain and motivate high-performing employees to produce long-term profitable growth. To achieve this, UCL's compensation includes base salary and performance incentives that are aligned with the company's strategy and business objectives and are competitive within our industry. We work to ensure a consistent approach to compensation across UCL that fosters a pay-for-performance culture. In 2012, we spent Tk. 40.76 million in employee compensation and benefits.

Compensation is designed to be fair and without discrimination and we ensure that it is competitive in the markets in which we compete.

Performance and Development

At the core of employee development at UCL is our Personal Performance & Development process. We encourage employees to take ownership of their careers and personal development and help managers prepare for personal development and career planning discussions. All managers and employees participate in year-end reviews.

Investment in Training and Development

(Figure in million Taka)	2012	2011
UCL's investment in training	272.00	183.00
Average number of days of training	1.97	3.3
Average hours of training per executive	4.4	8.5

Leadership Development

Building talent at UCL for today and tomorrow is critical to our future growth and is a key accountability for UCL executives and leaders at all levels. Business leaders complete an annual review to identify future leaders who are capable of taking on executive responsibilities.

Our CEO, the Senior Executive team and other leaders participate in and help facilitate UCL's leadership development programs.

Communication and Recognition

Open and direct communication is an evolving part of UCL's employee experience. We've learned, especially through organizational changes, that employees value getting the straight story from their managers and being able to talk openly about issues that concern them.

Recognition

To acknowledge and celebrate individual and team success we have a number of programs that include informal recognition and celebration events.

We are going to launch this year to formally celebrate Employee Appreciation Week to acknowledge the outstanding contributions UCL employees make every day through events and activities.

Employment Equity Policy

Our Employment Equity Policy states: UCL Group is committed to maintaining a workplace where the terms and conditions of employment are fair and non-discriminatory. It is the right of every employee to be treated with dignity and respect, within a work environment conducive to productivity, self-development and career advancement, regardless of race, colour, religion, age, sex, marital status etc.

Inclusive Workplace

We are committed to fostering an inclusive, accessible environment where all employees and customers feel valued, respected and supported. This means building a workforce that reflects the many different human facets of the communities we live in and serve, including cultures, languages, genders, ages, abilities and disabilities. We strive to create an environment where every employee has the opportunity to reach his or her potential.

While our key areas of focus continue to be important, over time employee feedback has identified four priorities that are common to all groups. These priorities shaped our thinking on diversity and inclusion in 2012. They are:

- recruitment : focus on reaching the broadest possible talent pools. We do this by building awareness and relationships amongst all employees;
- mentoring and networking : support all employees as they build knowledge, skills and capabilities that will help them succeed;
- talent management : ensure diversity and inclusion that are integrated into all aspects of resource planning, performance and development and personal career management; and
- training and development : embed diversity and inclusion principles into both formal and informal learning so that employees can understand and discuss key topics.

Whistleblower Program

UCL has recently developed a whistleblower program for employees. Employees can anonymously report any concerns regarding the integrity of UCL accounting, internal accounting controls or auditing matters, as well as any concerns relating to ethical or legal matters or any allegations of retaliation.

UCL AND ITS COMMUNITY

Taking responsibility – to make an impact

Approach

We strive to make a positive impact where we do business and where our customers and employees live and work. For us, that means contributing to the social and economic development of our communities in meaningful, long-lasting and innovative ways.

2013 Challenges

- Responding to local needs while maintaining a focus on our giving priorities.
- Multiple demands involving issues: in the area of education, for instance, UCL receives funding requests to support scholarships, contribution for helping distressed people, assistance for education of underprivileged and disabled children.

Our Strategy:

- Create opportunities for young people so they can fulfill their potential
- Work with communities in need, to build a more prosperous and inclusive future
- Protect and enhance the environment
- Engage our employees, customers and partners to make a difference together in our communities.

Our Priorities

Our community giving priorities are:

- Education;
- Creating opportunities for young people;
- Responding to Disasters;
- Volunteerism; and
- Civic Contributions.

We invest in community programs that support and promote each of these areas. In addition, we look for opportunities to invest in initiatives that support diversity across our giving priorities (e.g., financial assistance for disabled and underprivileged children).

Volunteerism. Philanthropy. Sound business practices and ethics. And a conservation-minded approach to protecting the environment. All are integral to UCL's culture of caring and form the foundation of our corporate social responsibility (CSR). Our commitment to a culture of caring means that by turning money into good works, we extend a helping hand to those who may be unable to care for themselves.



Education

Education are important to UCL. To make an impact in these areas, we work in partnership with community organizations to raise literacy levels with a focus on underserved community people.

Creating opportunities for young people

UCL strives to create opportunities for youth so they can develop educationally, socially and artistically in order to fulfill their potential. These are difficult economic times for many young people in our society, as well as the organizations that run or support youth services. We believe that makes it even more imperative for companies like UCL to play a role by creating opportunities for graduates through internships and employment.

Responding to Disasters

In the wake of devastating natural disasters in the past, UCL provided corporate funding and our employees raised money to support recovery efforts as well as provide support and comfort for those forced out of their homes. We pulled together to make a difference life for:

- flood affected people;
- victim of natural disasters like SIDOR, AILA etc.
- those affected by cold waves/havoc;

Volunteerism

UCL employees care and want to make a difference, so we look for programs in which our employees can also engage. We connect community organizations – which often consider human support as valuable an asset as financial support – with interested UCL employees. By volunteering, UCL employees are taking responsibility to help enrich the well-being of local communities. Volunteering also gives employees opportunities to build their skills, network and learn more about their communities.

Civic Contributions

UCL is a member of different industry associations that track and advocate on issues of interest to their membership, including the Dhaka Chamber of Commerce and Industry, Bangladesh Association of Publicly Listed Companies, The Institute of Bankers, Bangladesh.

UCL is also a member of Bangladesh Leasing and Finance Companies Association an apex body of financial institutions that serves common interest of member companies.

UCL & ITS ENVIRONMENT

Taking responsibility – to be an environmental leader

Our Approach

We equate a healthy environment with a healthy economy. The combined pressures of population growth and urbanization place growing demands on basic resources – such as energy, water, and land. These resources are becoming increasingly constrained, and costs are rising.

Just like our customers, employees, and community we are concerned about reducing our environmental

Corporate Social Responsibility - *continued*

impacts. How to manage the growth of a business, while reducing demands on scarce resources, is at the heart of responsible development. Whether through our financing activities, our products and services, or how we operate our facilities, this is top of mind for UCL.

2013 Challenges

- Achieving targets on paper reduction
- Increase environmental awareness and build employee engagement.
- Continuing to manage the environmental and social risks associated with financing activities.

Environmental Pillars

Our goal is to be an environmental sensitive. We have been building an environmental strategy that will be embedded within UCL's vision and mission. Our environmental strategy will reach across all aspects of our business and will be managed through:

- Reducing the environmental footprint of our business operations;
- Responsible financing;
- Engaging our environmental stakeholders in dialogue to promote understanding and solutions.

While there are many environmental issues that need attention, we concentrate our efforts on issues where we can be most effective. In response to feedback from customers, employees and other environmental stakeholders, we selected two areas to focus on: energy and paper.

Reducing UCL's Operational Footprint

We're committed to continuous improvement to lower UCL's operational footprint through:

- reducing energy use across UCL's business operations and fleet;

- reducing non-paper waste and e-waste; and
- reducing paper usage;

Responsible Financing

Our financing activities include loans, lease, project financing etc. Our goal is to make balanced, informed and transparent financing decisions. We work with our clients and stakeholders to proactively mitigate environmental and related social risks in our financing activities.

UCL is an investment bank and a nominal percentage of total investment involves clients operating in environmentally and socially sensitive industries such as power generation, automotive and chemicals.

UCL has developed the following policies that support responsible financing:

Protecting Biodiversity

UCL does not lend money for transactions that would result in the degradation of protected critical natural habitats.

Illegal and restricted business

We do not lend money for transactions that are directly related to the trade in or manufacturing of material for chemical or biological weapons or cluster bombs, tobacco etc.

Anti-Corruption

UCL applies anti-corruption and anti-fraud controls to activities that are known to be susceptible to criminal activity or have been designated as being at high risk for money laundering or terrorist financing.

Renewable Financing

UCL promotes energy diversity as a means of meeting the growing energy demand and supply gap. Financing of renewable projects is in the priority list of our investment.

We firmly believe that being a responsible business directly contributes to our financial success, creates value for our global stakeholders, serves as a primary business strategy and strengthens our position as a market leader. We are dedicated not only to meeting the needs of our clients and shareholders, but also serving as a responsible corporate citizen through support for the diverse communities and environments in which we live and work.



Distribution of blankets among the cold hit people



Distribution of education materials among the underprivileged students

ENVIRONMENT INITIATIVE

Putting partnership in action

New avenues and technologies are being pursued continuously for protection of the environment. Customers are encouraged to use environmental friendly machinery and equipments to minimize the impact on environment. Concessionary interest rate is offered to clients having certificates from department of environment, Government of Bangladesh.

A natural and clean environment, economical use of resources and respect for people's health and safety all these are getting increasing importance. In accordance with this, UCL is continuously working towards reducing consumption of energy, elimination of use of hazardous substances from its processes and minimizing waste generation. The emphasis is on minimizing paper transactions to the extent possible. One of the key targets for financing manufacturing companies is to reduce their carbon footprint.

The focus is on developing environmental portfolio. UCL is financing as demonstrated its responsibility as a socially responsible corporate.

UCL is continuously emphasizing on minimizing paper transactions to the extent possible. One of the key targets for financing our customers is to reduce their carbon footprint. The effectiveness of these initiatives is planning to be reviewed on certain intervals to ensure reduced impact on the environment.

Our regulator Bangladesh Bank has taken rigorous steps to encourage green banking in Bangladesh through the issuance of guidelines on green banking and Environmental Risk Management (ERM). It is encouraging banks and financial institutions in minimizing paper transactions and installing solar power system, opening up refinance line for solar energy, bio-gas and effluent treatment plant (ETP) at reduced interest rates. The central

bank introduced Tk 2.0 billion refinancing line for financing solar energy, biogas and effluent treatment plant (ETP) at only 5 percent interest rate.

WHAT WE DO

Building partnerships needed to address environmental problems is our priority. Environmental Initiative has a range of capabilities to address environmental issues. We conduct our work through conversation with our customers to address environmental issues. We have been placing importance more on environment compliant projects for financing.

OUR INTERACTIONS AS FINANCIAL INSTITUTION

On a more practical level, UCL interact with the environment in a number of ways:

- As investor - providing investment needed to achieve sustainable development.
- As innovator - developing products to encourage sustainable development - e.g. in energy efficiency.
- As powerful stakeholders - shareholders and lenders can exercise considerable influence over the management of UCL.
- As victim of environmental change - e.g. from climate change.

COMMITMENT FOR RESPONSIBLE INVESTMENT

There is growing interest from UCL in environmentally responsible investment, and this has led to the development of some progressive environmental investment initiatives as under:

Sustainable operations : From minimizing paper transactions to energy conservation in our offices, we are working to reduce our operational footprints on the environment.

Sustainable lending : We take environmental protection into account when making lending decisions. In corporate financing this means incorporating environmental due diligence into the lending process, which may include site visits, varification of client's environmental papers.

Green products and services : We will explore developing new products and services that respond to customers demand for sustainable choices like paperless statements.

Community activities : We are planning to generously support environmental organizations and projects initially in Dhaka city.

CORPORATE CULTURE

Key to sustainable growth

UCL's corporate culture centres on the common interests of the company and its customers by seeking to establish strong and long-term relationships between the two. Sustainability, in the context of human resources, means encouraging our employee to think about the longer term rather than just focusing on immediate goals. This applies in all contexts, from succession planning and talent management to the way we work with employee and community outside the Company.

Corporate culture has an immense impact on UCL's human resources, through knowledge acquisition, job development, training, communication and leading to job satisfaction. In this environment important is placed on effective management, a clear definition of responsibility, straightforward work processes with minimum bureaucracy. In this way UCL is able to serve its customer at its best helping them to achieve their goals.

BUSINESS PRINCIPLES

In order to ensure that our customers are getting the best possible service, We have organized the tenets of its culture into following business principles and these principles are undertaken by all UCL's operations.

Long-term relationships

UCL's main objective is to develop and maintain long-term relationships with its clients.

Their needs and interests are made a priority, since their success consequently fuels our success, thus establishing a common goal.

Teamwork

The best results are achieved only when the employees of UCL and its customers work together as a team. Effective cooperation and proper communication ensure quick and professional service and provides the basis for efficient teamwork.

Fun & flair

Business becomes a pleasure when an organization takes part in celebrating its clients' successes. Providing professional advice and achieving excellent results leads to shared enjoyment, underscoring company's commitment to its clients.

Trumping bureaucracy

Cutting bureaucracy enables employees to respond quick to its clients' needs. Short and straight lines of

communication, a clear definition of responsibility and the delegation of power provide the customers with sharp, quick and effective service.

Efficient decisions

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

Welcoming change

The business environment is constantly undergoing changes, bringing the company up against new challenges. In order to assist clients in gaining a competitive advantage, we need to keep ourselves abreast of changing business practices and seeks to implement changes ahead of the competition.

Identifying opportunities

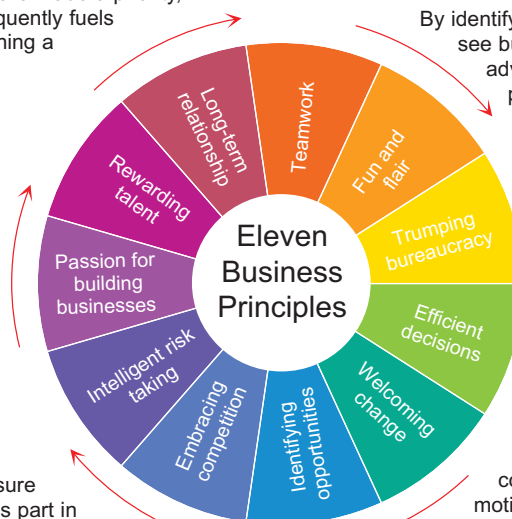
By identifying opportunities where others see business as usual, UCL is able to advise its clients effectively and provide them with exceptional choices. We are confident that our employees are able to perform this task by providing customers building their confidence and encouraging their initiative.

Embracing competition

Both UCL and its customers face intense competition in a rapidly changing business environment. However, we view competition as a powerful motivator, as a spur to keep our business ahead of the times and providing its customers with the best possible service in the industry.

Intelligent risk taking

UCL uses its expertise to advise its clients on the risks they face and enable them to make informed decisions. Up to date information and qualified



Corporate Culture- *continued*

personnel ensure intelligent risk assessment and decision-making.

Passion for building businesses

UCL is determined to build its customers businesses for the benefit of the Company and its customers. The best possible business results can be achieved through a strong and committed team of UCL through personnel and customers working in unison, focusing on the task at hand.

Rewarding talent

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

POLICIES FOR EMPLOYEE BEHAVIOUR

Discipline

- We will always put laws and social conventions before profits.
- We will act as ethical individuals and dignified citizens.
- We will not conceal damaging information about our company or ourselves, and will quickly make such information available to concerned parties.
- We will take a firm stand against antisocial forces, and refuse to have dealings with them.

Integrity

- We will act in good faith in order to win the trust of our customers.

- We value the maintenance of long-term relationships of trust with our customers, local communities, and our shareholders.
- We will be fair in our dealings and with our competition.

Harmony

- We will act through the cooperation of all our employees, who are united in their efforts to assess what is best for society.
- We value our connections with local communities as we aim to become a good corporate citizen.
- We will seek to achieve harmony between the natural environment and our work.

Diligence

- We will approach our work with an attitude of fortitude and austerity.
- We will continuously apply our originality and ingenuity to develop our productivity.
- We will immediately put good ideas into action.

Technical Improvement

- We will seek to hone our creativity, believing that innovation is the source of our competitiveness.
- We will aim to attain the sound technological level as we continuously improve our technology.
- We will actively seek to acquire new knowledge skills without the fear of making mistakes.



Contribution to NATIONAL ECONOMY

UCL's responsibilities to the development of the country as a whole

UCL is one of the major employer, taxpayer and financial services provider amongst the non-banking financial institutions. Our role in the economy is extensive. Our everyday business activities touch the financial lives of millions of people and businesses.

We recognize that Union Capital Limited has the corporate responsibilities to the development of the community and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our customers, shareholders, employees and the community where we do business.

OUR PRIORITIES

- Provide strong returns to shareholders
- Pay fair share of taxes
- Support small business and community economic development
- Foster innovation and entrepreneurship
- Purchase goods and services responsibly
- Create employment

Companies both large and small can help shape the economies of a community and country in which they do business, simply through their day-to-day business decisions and actions. Our ongoing objective is to make sure that UCL businesses are taking on only risks they understand and that are manageable within an acceptable level. Our most direct contribution comes through maintaining a strong business with solid earnings and profits. This allows us to pay our employees and lenders and depositors, contribute taxes and revenues to government and provide dividends to our shareholders. Our contribution to national economy is thus:

Providing financial products and services: As a financial service provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs. Based on the financials as on 31 December 2012, UCL has a total credit exposure with around 2,716 customers of Tk. 7,728.56 million. Such facilities were extended mostly for importation of

capital machineries and working capital and to portfolio investors as margin loan. UCL also manages IPOs of different companies to raise capital from the capital market. This is how UCL contributes to the industrialization and capital market development of Bangladesh and thus helping employment generation.

Paying fair share of taxes to Government: UCL contributes to the economy paying out fair share of taxes to Government. During the year 2012 the Company provided provision of Tk. 51.96 million for tax.

Creating employment: We make an economic impact by creating employment and a well-trained workforce. UCL and its subsidiary companies employed as many as 95 employees as on 31 December 2012. During the year 2012, UCL spent total Tk. 0.36 million for training and HR development. During the year 2012, UCL paid a total amount of Tk. 56.99 million as salaries and allowances to its employees (2011 : Tk. 46.06 million).

Maximizing shareholders' value: We recognize our fiduciary duty to our shareholders and seek to establish constructive relationships. We are focused on maximizing long-term shareholders' value through strong financial performance and returns, disciplined and profitable investments. Over the past many years, UCL has been paying a satisfactory dividend to its shareholders placing it among the top ranking non-banking financial institutions. For the last five years UCL paid dividend on an average more than 33 percent to its shareholders.

Taking environment initiatives: Sustainable economic growth and a healthy environment are inter linked. In this backdrop, we take supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard.

Supporting Community: We always agree in building prosperity by supporting a broad range of causes through donation and sponsorship. We encourage our employees to participate in social and charitable programs. As a part of its social responsibility, the Company contributes to various funds, gives support to flood affected people and to the people who were affected by the natural calamities.

UCL invests in sustainable economic development, and we are committed to contributing to the success

DIRECT ECONOMIC VALUE GENERATED IN 2012

(in millions Taka)

UCL's Total 2012 Revenue	Distributed Value	Economic Value Retained										
1,148.00	<table><tr><td>Operating costs*</td><td>971.50</td></tr><tr><td>Salaries and benefits</td><td>56.99</td></tr><tr><td>Taxes</td><td>51.96</td></tr><tr><td>Dividends</td><td>52.34</td></tr><tr><td>Community giving</td><td>1.07</td></tr></table>	Operating costs*	971.50	Salaries and benefits	56.99	Taxes	51.96	Dividends	52.34	Community giving	1.07	14.19
Operating costs*	971.50											
Salaries and benefits	56.99											
Taxes	51.96											
Dividends	52.34											
Community giving	1.07											

* Operating costs include interest expenses, provision and management expenses excluding salaries and benefits

Contribution to National Economy - *continued*

of people and businesses in the community in which we operate. We support stimulate economic growth by investing in programs that enable economic development with a social purpose. For instance, we support:

Society For Assistance to Hearing Impaired Children (SAHIC): SAHIC is a Non-Governmental Voluntary organization serves the unfortunate victims of hearing impaired children in Bangladesh. They provide pre-school education facility to the hearing impaired children of low income group. Union Capital Limited extends its financial support for this education program on regular basis.

Shirina Hamid Institute of Nursing: Shirina Hamid Institute of Nursing, a diploma medical technology institute offers Diploma in Nursing and Patient Care Technology, Laboratory Technology (Pathology) and Pharmacy Technology. Union Capital Limited provided financial support for purchasing Laptop and Multimedia Projector for the students of this institute.

Pre-School Education Program: Retired Police Officers' Welfare Association of Bangladesh has undertaken different social activities among which they set up a school and conduct education program for the poor, underprivileged children working at the Mess/Barrack of Rajarbagh Police Lines. Union Capital Limited widens financial assistance for the purchase of school books, bags, uniforms etc. for the students under this education program.

Blanket distribution: Because of the cold spell and dense fog, the normal life of poor people had been disrupted throughout the country in 2012. As a part of the Corporate Social Responsibility, Union Capital Limited extended its hand to protect a little of them from the cold havoc by distributing 2,000 pcs blankets in 03 different areas of Bangladesh.

Promoting growth of Small business: Small business is an important engine driving economic growth. Financing is essential for many small businesses to start, operate or grow, and UCL offers a host of credit solutions tailored to meet the needs of diverse businesses at various stages. We also strive to provide the best possible products, advice and expertise to help this sector prosper.

Inclusive growth : We believe we create best value for our shareholders by also bringing value to the community where we operate. Because our business is not separate from society but embedded within it, the success of UCL is inextricably linked to the wellbeing of the wider community. So along with creating jobs and paying taxes, we seek to stimulate local enterprise, to support economic development, to collaborate with governments and others on shared challenges and to help tackle the possible effects of our investment activities - all essential underpinnings of our ongoing success.



Hearing impaired students in class room



Underprivileged children in school dress

HUMAN RESOURCE REPORT

The strength for sustainable future

One of UCL's principal strengths is the quality and dedication of its employees and their shared sense of being part of a team. Their diverse vantage points and unique abilities create a broad range of skills and knowledge that underpin our work. In order for UCL to continue its steady growth, it is essential that it retains key employees and provides an attractive opportunity for new personnel.

The talented and highly motivated people who make up our workforce are key to our blueprint for building a sustainable and successful future. UCL strives to strengthen our reputation as a quality employer in the markets we do business.

OUR PRIORITIES

- Foster a culture of employee engagement
- Provide competitive compensation and total rewards
- Enable growth through training and development opportunities
- Respect diversity and promote inclusion

A CULTURE OF EMPLOYEE ENGAGEMENT

As our business and workforce grow and become more diverse, it's important that we continue fostering a strong sense of how we succeed together. We do this by making it easy for employees to understand the roles they play in fulfilling UCL's strategies, helping employees grow personally and professionally, and being committed to employee engagement.

We recognize that well-informed employees are more likely to align their actions with company goals.

We offer a challenging working environment where everyone feels valued and respected. We are committed to the principle of equal opportunities and we ensure that job applicants and employees do not face discrimination on the grounds of gender, marital status, race, ethnic origin, religious belief or age.

Employees have many opportunities to learn and ask questions about company goals, strategies and progress through meetings with senior management, regular formal communications and our extensive intranet.

We have a long history of listening and responding to our employees, and we regularly seek feedback and comments. We gather employee input on our progress in key areas including career development, performance enablement, employee engagement and workplace culture. By understanding employees' views, UCL can take action to address their needs and the company's priorities. This results in high levels of employee engagement and a strong commitment to clients.

DIVERSITY AND INCLUSION

UCL is a leader in valuing diversity. Our strength comes from a combination of what we have in common, like shared values and purpose, and what makes us different, like experiences and

perspectives. By bringing together those similarities and differences, we are able to break new ground and better serve our clients and communities.

We believe in creating an inclusive environment for our employees, where they can feel valued, respected and supported – a place where employees can develop their own unique abilities and realize their aspirations.

COMPETITIVE COMPENSATION AND TOTAL REWARDS

At the heart of an engaged workforce is a flexible, competitive and meaningful rewards program. Our program is based on an understanding of what employees value. It recognizes that flexibility and choice are the best response to meet our employees' diverse needs. Our comprehensive approach rewards employees for their skills and contributions by offering employees competitive compensation, benefits and a positive work environment.

GROWTH THROUGH TRAINING AND DEVELOPMENT

We aim to create a learning culture and provide opportunities for our employees to fully apply their knowledge and skills in the service of the company. We will help our employees to continue their development in the interests of the company and its objectives.

Employees expect ongoing career and learning opportunities to be a part of their total rewards program and our commitment to continuous employee growth and development helps ensure we meet the current and future needs of both our people and our clients. Employees also have access to the training resources they need to learn and grow through our in house learning opportunities.

RECRUITMENT

A great part of success in the financial services industry depends, more than anything else, on the know-how, experience, talent, and commitment of human capital. For UCL to continue to succeed, the company must be able to attract, develop and retain qualified people. UCL's employees should be able to benefit from its strong business principles, its fast-moving and entrepreneurial spirit, and the broad opportunity for individual and team success.

CAREERS AND DEVELOPMENT

The people of UCL are part of a culture of integrity and leadership, which they have an active role in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. High-quality employees are trained and fostered, with the goal of developing tomorrow's leaders.

Leadership is certainly among the strongest elements fostered by UCL seeking to demonstrate leadership both in the industry and in the society where it operates. In order to sustain this element of leadership, strong emphasis is placed on developing employees through in-house training programmes as well as by supporting and organizing educational opportunities outside UCL.

As a forward-looking enterprise, UCL strives to continually stimulate its employees to uphold the state of the art in their respective fields. In order to inspire trust and create added customer value, great emphasis is placed on maintaining employees' knowledge and skills through training, development and informative feedback. As in previous years, UCL placed great emphasis on training its managers and developing their leadership qualities. Moreover, the annual meeting with employees, play a central role in making sure that the strategy and objectives for each year are clearly communicated and executed. It is vitally important that those who drive company's success are fully informed of its vision, strategy, and focus for the year and know what kind of contribution is expected of them as individuals in order to achieve these.

JOB SATISFACTION AND RETENTION

A good workplace environment leads to greater job satisfaction, which works to everyone's benefit. General job satisfaction and commitment proved to be high compared to other companies. Morale at

UCL is high and new employees feel they are well received. Furthermore, employees feel their opinions count at work and are encouraged to express new ideas for improvements. Moreover, information flow is effective and company's objectives and visions are considered clear.

SALARIES AND BENEFITS

In addition to a monthly salary, bonuses are paid to those key employees and management who directly affect company's

performance. Bonus payments are subject to the individual's performance as well as company's profits.

COMMUNICATION

UCL places great emphasis on keeping employees informed about UCL's vision, strategy and focus.

Moreover, the company provides regular communication to its employees with information regarding current news, events and achievements.

The open flow of information within UCL is important in order to maintain efficient operations. Employee engagement is facilitated through corporate intranet.

Furthermore, the CEO and senior executives visits different offices of UCL which opens face-to-face dialogue between employees and senior management. Through these channels UCL supports a flat organizational structure and encourages collaboration throughout UCL.

EMPLOYEE MORALS

At UCL, employees stand for excellence in everything they do.

- they help our customers become the best in class.
- they foster creativity and innovation.
- they strive to constantly improve our professional skills.

At UCL, employees work with passion without obsession.

- they do our jobs with enthusiasm.
- they are proud of what they achieve together.
- they balance our customers', our colleagues', our own, and our investors' needs.

At UCL, employees walk our talk.

- they treat each other and our partners with trust, fairness, and respect.
- they honor our commitments and stand up for our beliefs.
- they speak with one voice internally and externally.

At UCL, employees feel responsible for their actions.

- they take care in all they do and are aware of possible outcomes and consequences.
- they take decisions and make results known.
- they share information openly in the interest of UCL.

At UCL, employees cross borders.

- they respect other opinions and discuss them openly.
- they support teamwork and the mutual exchange of knowledge and people regardless of cultures, genders, segments, and levels.

HUMAN RESOURCE STRATEGY

- Attract qualified personnel by creating a motivated workplace;
- Retain competent employees by creating a superior workplace;

A good working environment is paramount to any company's success and the wellbeing of its employees. At UCL we strive to create a flexible and challenging framework that always attracts top quality candidates and encourages existing employees to continuously hone their skills and excel in their fields.

Human Resources Report - continued

- Provide new employees with appropriate training from the outset;
- Encourage employees to maintain professional skills and give them the opportunity to develop and grow;
- Ensure maximum employees success - empower the individual, provide an opportunity to show initiative and command independent initiative;
- Maintain a spirit of ambition, efficient decision-making, flexibility and quick responses to changes;
- Create a strong management team;
- Sustain an environment that supports a balance between work and life;
- Ensure equal opportunities, with regard to employment, work facilities, assignments, training, job development and salaries;
- Align the interests of employees with the interests of the organization.

UCL continues to maintain a very satisfactory position in terms of people productivity. This is confirmed by the following indicators:

	2012	2011	2010
Total Employees	95	98	83
Net income per employee (BDT in million)	1.14	3.97	11.31
Operating revenue per employee (BDT in million)	12.08	12.33	20.73
Assets per employee (BDT in million)	110.48	100.94	100.88
Staff Strength	2012	2011	2010
Senior Management	9	9	3
Mid Level Management	43	44	6
Junior Level Management	22	23	57
Support Staff	21	22	17
Total	95	98	83

Age analysis of the employees as at 31 December

Age group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2012 Total	2011 Total
51-60	2	0	0	1	3	2
41-50	2	6	0	2	10	9
31-40	5	20	6	3	34	32
21-30	0	17	16	15	48	55
Total	9	43	22	21	95	98

Average age of the employees as at 31 December 2012 was 32.78 years (2011: 31.52)

Service analysis of the employees as at 31 December

Service group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2012 Total	2011 Total
Above 10	3	3	0	2	8	7
7 – 10	0	1	0	2	3	1
5 – 7	0	8	1	2	11	5
2 – 5	4	29	16	9	58	34
Below 2	2	2	5	6	15	51
Total	9	43	22	21	95	98

Average service life of the Employees as at 31 December 2012 was 4.0 years (2011: 3.1 years)

HUMAN RESOURCE ACCOUNTING

Quantitative information about the value of human resource

There are several areas in which non-monetary measurements may be evolved in accounting and human resource accounting is probably one of these. To make valuation of human resource objective and comparable there must be a universally acceptable method of valuation.

Human dimension is the key to organization's success. Several initiatives for development of human resources to meet new challenges in the competitive business environment have gained momentum. UCL acknowledges the value of its human assets who are committed to achieve excellence in all spheres. The Human resource profile given below in table shows that UCL has a mix of energetic youth and experienced seniors who harmonize the efforts to achieve the company's goals.

Age	21-30	31-40	41-50	>50	Total
No. of employees	48	34	10	3	95
Management cadre	3	11	7	2	23
Non-management cadre	32	18	1	0	51
Support Staff	15	3	2	1	21
Average age					33

Human resource, as it is a key to success, is considered as asset in many organizations and thus related expenditure is treated as investment. The cost of human resource comprises of both capital (asset) and revenue (expenses). This cost is classified into four main categories namely

- Acquisition cost - incurred to acquire the right employee for the job.
- Development (training) cost - incurred to enrich employees' skills help them to increase productivity and thus training cost are .
- Welfare cost - incurred to improve the quality of life i.e. to create a conducive working environment.
- Other cost - for instance employee's safety, ex-gratia, and incentives.

The acquisition cost includes the recruitment cost, selection cost and placement cost. Training cost comprises of

- formal training cost ○ on job training cost
- special training cost ○ development programs

Welfare cost comprises of medical expenditure, general and special allowance, canteen expenditure and other welfare expenditure.

Accounting Standard for Human Resource

International Accounting Standards (IAS) 38 defined intangible asset as "an intangible asset is an identifiable non-monetary asset without physical substance held for use in production or supply of goods or services, for rental or others or administrative purposes".

IAS 38 requires that for an asset to be recognized as intangible asset it should be identifiable in a way that it is possible to distinguish it from goodwill. In addition the enterprise should have sufficient control of the

asset in order to meet the definition of intangible asset. Based on this definition human resource is identifiable and possible to separate it from goodwill thus can be recognized as intangible asset.

According to IAS 38 an asset is considered separable if a firm could sell, rent, distribute or exchange the specific future benefit attributed to the asset without disposing of future economic benefits that flow from other asset in the same revenue activity. Though it is not possible to sell, rent, exchange or distribute human asset, when an employee is relied his duty it does not require disposing of future economic benefit that flow from other asset thus has some qualities of intangible assets. Furthermore IAS 38 states that for an intangible asset to be recorded at cost the following criteria must be met:

It is probable that future economic benefit attributed to the asset will flow to the firm.

Investment in human resource can be measured reliably based on cost incurred for recruitment, selection training and development. Though the employees can leave the organization at his own will unlike other asset it is probable that future economic benefit will be derived from the employees during the duration of his employment.

All this definition in IAS 38 indicates that it is possible to treat investment in human resource as asset by capitalizing cost related to human asset and recording it in the balance sheet.

Significance of HR Accounting

All the companies that furnish information about human resource value included such report as a separate report from the main financial statement i.e. the income statement and the balance sheet. This means that human resource accounting is not still considered as part of financial statement but additional materials for use by users of annual report. Thus human resource accounting is in need of further development in order for human resource data to receive equal weight like other items in the balance sheet and income statement. In order for human resource accounting to have significance and to be part of financial statement the value of human resource as computed by various company should be incorporated in the balance sheet.

Human resource accounting practice in Bangladesh

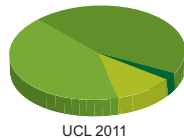
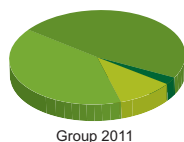
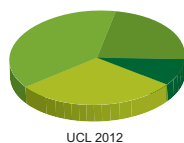
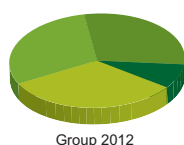
Bangladesh like many other countries has not given much consideration to issues related to human resource accounting. In Bangladesh this concept is struggling for acceptance and has not been introduced so far as a requirement. Neither the Companies Act nor the Regulators do require the listed companies to prepare HR Accounting to be attached in their annual report.

VALUE ADDED STATEMENT

A part of social responsibility accounting

Value added is a measure of the economic strength of a company and indicates how much additional value (wealth) has been created by UCL during the reporting period through utilization of its capacity, capital, manpower and other resources and how it has been distributed to the contributors of the value i.e the stakeholders (employees, lenders, shareholders, government etc.). Therefore, a value

added statement is regarded as a part of social responsibility accounting. It shows the wealth or value created and attributed to all stakeholders rather than just the shareholders. While the income statement reports on the income of shareholders, the value added statement (VAS) reports on the income earned by a large group of stakeholders, all the providers of capital plus employees and the government.



■ In payment to Employees
■ In payment to Capital Providers
■ In payment to Government
■ Expansion and business growth

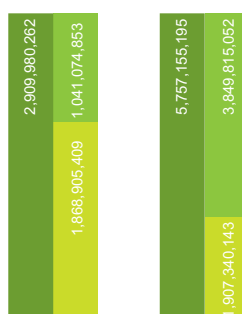
Figures in BDT	2012		2011	
	UCL	Group	UCL	Group
VALUE ADDED				
Net interest income	32,568,724	61,022,104	291,168,874	295,113,657
Fees earned including VAT	64,641,965	112,137,372	109,999,646	200,010,547
Investment income	52,010,889	43,080,943	12,819,043	12,879,430
Other income	93,258,472	95,636,803	149,735,507	88,507,933
Management expenses	(31,715,196)	(51,197,577)	(41,079,340)	(51,106,222)
Provision for doubtful losses	(74,033,089)	(85,192,189)	(100,174,773)	(100,174,773)
Total value created	136,731,766	175,487,456	422,468,957	445,230,572

DISTRIBUTION OF VALUE ADDED

In payment to Employees				
As salaries and allowances	40,760,057	56,999,062	46,055,458	46,055,458
In payment to Capital Providers				
Dividend to shareholders	52,337,775	52,337,775	177,761,447	178,275,541
In payment to Government				
Corporate tax	31,361,162	51,960,937	188,448,628	210,696,149
Expansion and business growth				
Retained income	2,470,108	4,387,017	-	-
Depreciation	9,802,664	9,802,666	10,203,424	10,203,424
Total distribution	136,731,766	175,487,456	422,468,957	445,230,572

MARKET VALUE ADDED

External performance indicator of value creation



■ Market value of shares
■ Book value of shares
■ Market value added

While Economic Value Added (EVA) measures internal performance, market value added (MVA) is a measure of external performance that indicate how the market has evaluated the company's performance in terms of market value of shares compared to book value of shares. MVA is the difference between the market value of equity of a company

and the book value of equity invested in the company. Market value added is one of the market indicators of value creation. MVA, and particularly any change in MVA, constitutes a more relevant measure of value than just developments in share price. A positive MVA indicates that the company could add value to shareholders wealth. The following statement indicates the MVA at the year ended on 31 December 2012 and 2011:

Figures in BDT	2012		2011	
	UCL	Group	UCL	Group
Market value of shares outstanding	2,909,980,262	2,909,980,262	5,757,155,195	5,757,155,195
Book value of shares outstanding	1,353,298,534	1,868,905,409	1,393,650,242	1,907,340,143
Market value added	1,556,681,728	1,041,074,853	4,363,504,953	3,849,815,052

ECONOMIC VALUE ADDED

Measures the wealth generation potential

Economic value added (EVA) is an overarching measure used to measure the wealth generation potential of the company. EVA is an internal management performance measure that compares net operating profit to total cost of capital. Economic value added (EVA) is also referred to as economic profit. The EVA is defined as:

EVA = Net operating profit – tax – Cost of capital

Economic Value Added (EVA) is important because it is used as an indicator of how profitable company projects are and it therefore serves as a reflection of management performance.

The idea behind EVA is that businesses are only truly profitable when they create wealth for their

shareholders, and the measure of this goes beyond calculating net income. Economic value added asserts that businesses should create returns at a rate above their cost of capital.

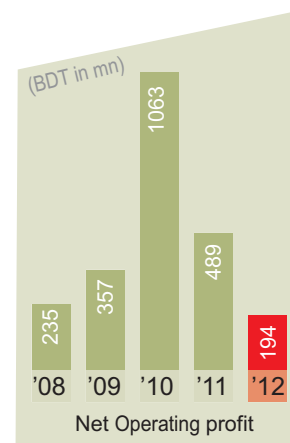
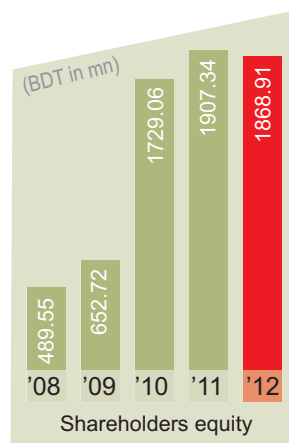
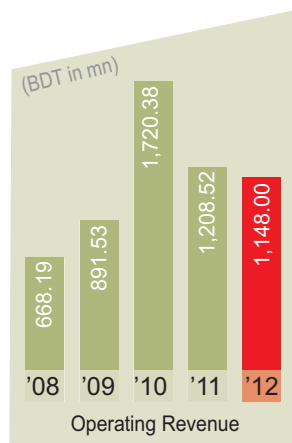
It succinctly summarizes how much and from where a company created wealth. It includes the balance sheet in the calculation and encourages managers to think about assets as well as expenses in their decisions.

It forces the company to shift away from managing its profits to managing its wealth by permitting the company to monitor and measure wealth generation. The following table indicates the EVA for the years from 2011 and 2012:

Figures in BDT	2012		2011	
	UCL	Group	UCL	Group
Economic value added (EVA)	(91,889,249)	(141,554,247)	75,903,056	14,491,556
Net operating profit	160,202,133	193,877,918	466,384,848	489,146,463
Provision for taxes	(31,361,162)	(51,960,937)	(188,448,628)	(210,696,149)
Net Operating Profit After Tax (NOPAT)	128,840,971	141,916,981	277,936,220	278,450,314
Shareholders' equity as on 31 December	1,353,298,534	1,868,905,409	1,393,650,242	1,907,340,143
Accumulated provision for doubtful losses	502,960,655	516,733,551	428,927,568	431,541,362
Average shareholders' equity	1,839,418,500	2,362,260,233	1,683,609,699	2,199,656,316
Cost of equity (%)	12.00	12.00	12.00	12.00
Cost of equity	220,730,220	283,471,228	202,033,164	263,958,758

Key ratios

EVA/Operating revenue (%)	-8.40	-12.33	6.45	1.20
EVA/Average shareholders' equity (%)	-5.00	-5.99	4.51	0.66
Net profit after tax/Operating revenue (%)	5.01	4.94	15.1	14.8



FINANCIAL STATEMENTS OF THE GROUP AND UCL

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Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Correspondent Firm to Deloitte Touche Tohmatsu

Auditors' Report
to the Shareholders of
Union Capital Limited and its subsidiaries

We have audited the accompanying consolidated financial statements of Union Capital Limited and its subsidiaries (the "Group") as well as the financial statements of Union Capital Limited ("the Company") which comprise the consolidated and the separate balance sheet as at 31 December 2012, profit and loss account, statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of the Group and the financial statements of the Company in accordance with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of these consolidated financial statements of the Group and the financial statements of the Company that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Company prepared in accordance with the Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the balance sheet of the Group and the Company as at 31 December 2012 and the results of their profit and loss account and their cash flows for the year then ended and comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.



We also report that

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- ii) in our opinion, proper books of account as required by law have been kept by the Group and the Company so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the consolidated balance sheet and consolidated profit and loss account of the Group and those of the Company together with annexed note 1 to 64 dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purposes of the Group and the Company's business;
- v) the consolidated financial position of the Group and those of the Company as at 31 December 2012 and their profit for the year then ended have been properly reflected in the consolidated financial statements of the Group and those of the Company, and these financial statements have been prepared in accordance with the generally accepted accounting principles;
- vi) the consolidated financial statements of the Group and those of the Company have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the Company;
- vii) adequate provisions have been made for leases and advances and other assets which are, in our opinion, doubtful of recovery;
- viii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- ix) the information and explanations required by us have been received and found satisfactory;
- x) the Company has complied with relevant laws pertaining to reserves and found satisfactory;
- xi) the consolidated financial statements of the Group and those of the Company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- xii) 80% of the risk weighted assets have been reviewed by us during the course of our audit and we have spent over 1,830 person hours;

Dhaka, 28 February 2013

Hoda Vasi Chowdhury & Co
Chartered Accountants



Consolidated Balance Sheet

as at 31 December

BAS 1.51(d), 1.113 & 1.38	(Figures in BDT)	Notes	2012	2011
PROPERTY AND ASSETS				
BAS 1.54 (i), 7.7	Cash			
	In hand (including foreign currencies)		21,100	41,100
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)		93,374,946	104,750,421
		4.a	93,396,046	104,791,521
BAS 1.54 (d)	Balance with other banks and financial institutions			
	In Bangladesh		196,546,299	278,873,852
	Outside Bangladesh		-	-
	Total balance with other banks and financial institutions	5.a	196,546,299	278,873,852
	Money at call and short notice		-	-
BAS 1.54 (d)	Investments			
	Government		-	-
	Others		1,442,144,605	1,227,610,559
	Total investments	6.a	1,442,144,605	1,227,610,559
BAS 1.54 (d)	Loans, advances and leases			
	Loans, advances and leases		7,728,556,206	7,234,894,761
	Bills purchased and discounted		-	-
		7.a	7,728,556,206	7,234,894,761
BAS 1.54 (a)	Fixed assets including land, building, furniture and fixtures	8.a	22,705,788	28,026,737
BAS 1.55	Other assets	9.a	1,011,995,781	1,018,337,269
	Non - business assets		-	-
	Total assets		10,495,344,725	9,892,534,699
LIABILITIES AND CAPITAL				
	Liabilities			
BAS 1.54 (m)	Borrowings from other banks, financial institutions and agents	10.a	1,989,439,426	2,143,482,821
BAS 1.54 (m)	Deposits and other accounts			
	Term deposits	11.a	4,321,421,786	3,571,482,776
	Other deposits	12	276,879,475	415,151,974
	Total deposits and other accounts		4,598,301,261	3,986,634,750
BAS 1.55	Other liabilities	13.a	2,038,698,629	1,855,076,985
	Total liabilities		8,626,439,316	7,985,194,556

Consolidated Balance Sheet - continued

Capital/shareholders' equity				
BAS 1.54 (r), 1.78 (e)	Paid up capital	14	1,046,755,490	951,595,900
BAS 1.54 (r), 1.78 (e)	Statutory reserve	15	254,068,611	243,107,034
BAS 1.54 (r), 1.78 (e)	Dividend equalization reserve		7,000,000	55,000,000
BAS 1.54 (r), 1.78 (e)	Revaluation reserve		505,500,000	505,500,000
BAS 1.54 (r), 1.78 (e)	Retained earnings	16.a	55,581,159	152,137,144
Total equity attributable to equity holders of the Company			1,868,905,260	1,907,340,078
Non-controlling interest			149	65
Total liabilities and shareholders' equity			10,495,344,725	9,892,534,699
Net assets value per share			17.85	18.22

BAS 1.55 OFF-BALANCE SHEET ITEMS

Contingent liabilities

Letters of guarantee	-	-
Irrevocable letters of credit	-	-
Other contingent liabilities	-	-
Total contingent liabilities	-	-

Other commitments

BAS 1.55	Undisbursed contracted loans, advances and leases	45	400,000,000	900,000,000
Total off-balance sheet items including contingent liabilities			400,000,000	900,000,000

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Auditors' report to the shareholders
see annexed report of date

Dhaka,
28 February 2013

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

BAS 1.51(d), 1.113 & 1.38	(Figures in BDT)	Notes	2012	2011
BFRS 7.20 (b)	Interest income	18.a	897,149,239	907,126,292
BFRS 7.20 (b)	Interest paid on deposits and borrowings etc.	19.a	(836,127,135)	(612,012,634)
BAS 1.85	Net interest income		61,022,104	295,113,658
BFRS 7.20 (b)	Investment income	20.a	43,080,943	12,879,430
BFRS 7.20 (c)	Fees, commission, exchange and brokerage	21.a	112,137,372	200,010,547
BAS 1.85	Other operating income	22.a	95,636,803	88,507,933
			250,855,118	301,397,910
	Total operating income (A)		311,877,222	596,511,568
BAS 1.104	Salaries and other employee benefits	23.a	53,039,062	38,872,877
BAS 1.97	Rent, taxes, insurance, electricity etc.	24.a	18,206,821	17,373,611
BAS 1.97	Legal expenses		248,891	65,870
BAS 1.97	Postage, stamp, telecommunication etc.	25.a	3,214,392	3,200,761
BAS 1.97	Stationery, printing, advertisements etc.	26.a	5,996,982	3,505,914
BAS 1.104	Managing Director's salary and fees		3,960,000	7,182,581
BAS 1.97	Directors' fees	28.a	755,000	1,000,000
BAS 1.97	Auditors' fees	29.a	306,750	293,250
BAS 1.97	Depreciation and repair of assets	30.a	11,773,704	12,548,262
BAS 1.97	Other expenses	31.a	20,497,703	23,321,979
BAS 1.85	Total operating expenses (B)		117,999,305	107,365,105
BAS 1.85	Profit before provision (C=A-B)		193,877,917	489,146,463
	Provision for loans, advances, leases and investment	13.1		
BAS 1.97	General provision		8,947,231	(26,481,181)
BAS 1.97	Specific provision		146,673,512	31,211,632
BAS 1.97	Provision for diminution in value of investment	13.2.a	(70,428,554)	95,444,322
	Total provision (D)		85,192,189	100,174,773
	Total profit before tax (C-D)		108,685,728	388,971,690
	Provision for taxation			
BAS 1.82 (d)	Current	13.4.a	53,217,334	213,302,956
BAS 1.82 (d)	Deferred		(1,256,397)	(2,606,807)
			51,960,937	210,696,149
BAS 1.82 (f)	Net profit after tax		56,724,791	178,275,541

Consolidated Profit and Loss Account - *continued*

BAS 1.83	Attributable to			
	Shareholders of the Company	56,724,772	178,275,541	
	Non-controlling interest	19	-	
	Appropriations			
	Statutory reserve	10,961,577	35,552,290	
	Retained surplus	45,763,195	142,723,251	
	Weighted average no. of outstanding share	104,675,549	104,675,549	
BAS 33.66	Earnings per share (par value Taka 10)	35.a	0.54	1.70

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Auditors' report to the shareholders
see annexed report of date

Dhaka,
28 February 2013

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Consolidated Cash Flow Statement

for the year ended 31 December

BAS 1.51(d) & 1.38	(Figures in BDT)	2012	2011
	A) Cash flows from operating activities:		
BAS 7.31	Interest receipts	897,149,239	874,810,071
BAS 7.31	Interest payments	(836,127,135)	(613,274,884)
BAS 7.14 (b)	Fee and commission receipts	112,137,372	200,010,547
BAS 7.31	Dividend receipts	17,314,431	3,299,901
BAS 7.14 (d)	Cash payments to employees	(56,999,062)	(46,055,458)
BAS 7.14 (c)	Cash payments to suppliers and management expenses	(29,389,235)	(27,857,265)
BAS 7.35	Income taxes paid	(155,740,065)	(277,310,093)
BAS 7.14 (b)	Receipts from other operating activities	95,690,723	88,507,933
BAS 7.14 (c)	Payments for other operating activities	(21,808,343)	(23,321,979)
	Cash generated before changes in operating assets and liabilities	22,227,925	178,808,773
	Increase/(decrease) in operating assets and liabilities		
	Statutory deposits	-	-
	Purchase of trading securities (treasury bills)	-	-
	Loans, advances and leases to banks and financial institutions	-	-
BAS 7.20 (a)	Loans, advances and leases to customers	(493,661,445)	(597,564,447)
BAS 7.20 (a)	Other assets	163,337,950	(228,412,006)
BAS 7.20 (a)	Deposits from banks and other financial institutions	1,020,000,000	(1,090,000,000)
BAS 7.20 (a)	Deposits from customers	(408,333,489)	1,643,118,867
	Other liabilities account of customers	-	-
	Trading liabilities	-	-
BAS 7.20 (a)	Other liabilities	45,212,124	(152,853,215)
	Cash generated from operating assets and liabilities	326,555,140	(425,710,801)
	Net cash generated from/(used) in operating activities	348,783,065	(246,902,028)
	B) Cash flows from investing activities:		
BAS 7.16 (d)	Proceeds from sale of securities	732,557,576	120,902,522
Bas 7.16 (c)	Payments for purchases of securities	(921,325,111)	(417,725,470)
BAS 7.16 (a)	Purchase of property, plant and equipment	(8,160,706)	(14,140,249)
BAS 7.16 (b)	Proceeds from sale of property, plant and equipment	3,625,069	15,000
	Net cash used in investing activities	(193,303,172)	(310,948,197)
	C) Cash flows from financing activities:		
BAS 7.31	Dividend paid	(95,159,590)	-
BAS 7.17 (c)	Receipts of long term loan	554,497,363	340,000,000
BAS 7.17 (d)	Repayment of long term loan	(634,147,839)	(432,531,900)
	Non-controlling interest	65	65
BAS 7.17 (d)	Net draw down/(payment) of short term loan	(74,392,919)	722,437,920
	Net cash generated from/(used) in financing activities	(249,202,920)	629,906,085
	D) Net (decrease)/increase in cash and cash equivalents (A+B+C)	(93,723,027)	72,055,860
	E) Effects of exchange rate changes on cash and cash equivalents	-	-
	F) Cash and cash equivalents at beginning of the year	383,665,372	311,609,512
	G) Cash and cash equivalents at end of the year (D+E+F)	289,942,345	383,665,372
BAS 7.45	Cash and cash equivalents at end of the year represents		
	Cash in hand (including foreign currencies)	21,100	41,100
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)	93,374,946	104,750,421
	Balance with other banks and financial institutions	196,546,299	278,873,851
		289,942,345	383,665,372
	Supplemental schedule for non-cash financing activities		
	Bonus share issued	95,159,590	407,826,810

Consolidated Statement of Changes in Equity

for the year ended 31 December

BAS 1.51 (d) (Figures in BDT)								
	Particulars	Paid up capital	Statutory reserve	Dividend equalization reserve	Revaluation reserve	Retained earnings	Non-controlling interest	Total
BAS 1.106 (d)	Balance as at 1 January 2012	951,595,900	243,107,034	55,000,000	505,500,000	152,137,144	65	1,907,340,143
BAS 1.106 (d)(i)	Net profit for the year 2012	-	-	-	-	56,724,772	19	56,724,791
	Non-controlling share capital	-	-	-	-	-	65	65
	Transfer to statutory reserve	-	10,961,577	-	-	(10,961,577)	-	-
	Transfer to retained earnings	-	-	(48,000,000)	-	48,000,000	-	-
BAS 1.107	Issuance of bonus share (2011)	95,159,590	-	-	-	(95,159,590)	-	-
BAS 1.107	Payment of cash dividend (year 2011)	-	-	-	-	(95,159,590)	-	(95,159,590)
	Balance as at 31 December 2012	1,046,755,490	254,068,611	7,000,000	505,500,000	55,581,159	149	1,868,905,409
BAS 1.106 (d)	Balance as at 1 January 2011	543,769,090	207,554,744	-	505,500,000	472,240,703	-	1,729,064,537
BAS 1.106 (d)(i)	Net profit for the year 2011	-	-	-	-	178,275,541	-	178,275,541
	Non-controlling share capital	-	-	-	-	-	65	65
	Transfer to statutory reserve	-	35,552,290	-	-	(35,552,290)	-	-
	Dividend equalization reserve	-	-	55,000,000	-	(55,000,000)	-	-
BAS 1.107	Issuance of bonus share (year 2010)	407,826,810	-	-	-	(407,826,810)	-	-
	Balance as at 31 December 2011	951,595,900	243,107,034	55,000,000	505,500,000	152,137,144	65	1,907,340,143

Balance Sheet

as at 31 December

BAS 1.51(d), 1.113 & 1.38	(Figures in BDT)	Notes	2012	2011
	PROPERTY AND ASSETS			
BAS 1.54 (i), 7.7	Cash			
	In hand (including foreign currencies)		20,000	40,000
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)		93,374,946	104,750,421
		4	93,394,946	104,790,421
BAS 1.54 (d)	Balance with other banks and financial institutions			
	In Bangladesh		131,275,753	133,666,486
	Outside Bangladesh		-	-
	Total balance with other banks and financial institutions	5	131,275,753	133,666,486
	Money at call and short notice		-	-
BAS 1.54 (d)	Investments			
	Government		-	-
	Others		522,393,455	340,608,245
	Total investments	6	522,393,455	340,608,245
BAS 1.54 (d)	Loans, advances and leases			
	Loans, advances and leases		7,318,213,456	6,871,099,750
	Bills purchased and discounted		-	-
	Total loans, advances and leases	7	7,318,213,456	6,871,099,750
BAS 1.54 (a)	Fixed assets including land, building, furniture and fixtures	8	22,705,788	28,026,735
BAS 1.55	Other assets	9	1,967,012,981	1,841,654,023
	Non - business assets		-	-
	Total assets		10,054,996,379	9,319,845,660
	LIABILITIES AND CAPITAL			
	Liabilities			
BAS 1.54 (m)	Borrowings from other banks, financial institutions and agents	10	1,989,439,426	2,143,482,821
BAS 1.54 (m)	Deposits and other accounts			
	Term deposits	11	4,532,440,286	3,670,482,776
	Other deposits	12	276,879,475	415,151,974
	Total deposits and other accounts		4,809,319,761	4,085,634,750
BAS 1.55	Other liabilities	13	1,902,938,657	1,697,077,847
	Total liabilities		8,701,697,844	7,926,195,418

Balance Sheet - *continued*

	(Figures in BDT)	Notes	2012	2011
	Capital/shareholders' equity			
BAS 1.54 (r), 1.78 (e)	Paid up capital	14	1,046,755,490	951,595,900
BAS 1.54 (r), 1.78 (e)	Statutory reserve	15	254,068,611	243,107,034
BAS 1.54 (r), 1.78 (e)	Dividend equalization reserve		7,000,000	55,000,000
BAS 1.54 (r), 1.78 (e)	Retained earnings	16	45,474,434	143,947,308
	Total shareholders' equity		1,353,298,535	1,393,650,242
	Total liabilities and shareholders' equity		10,054,996,379	9,319,845,660
	Net assets value per share		12.93	13.31

BAS 1.55 OFF-BALANCE SHEET ITEMS

Contingent liabilities

Letters of guarantee	-	-
Irrevocable letters of credit	-	-
Other contingent liabilities	-	-
Total contingent liabilities	-	-

BAS 1.55 Other commitments

Undisbursed contracted leases and loans	45	400,000,000	900,000,000
Total other commitments		400,000,000	900,000,000
Total off-balance sheet items including contingent liabilities		400,000,000	900,000,000

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Auditors' report to the shareholders
see annexed report of date

Dhaka,
28 February 2013

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Profit and Loss Account

for the year ended 31 December

BAS 1.51(d), 1.113 & 1.38	(Figures in BDT)	Notes	2012	2011
BFRS 7.20 (b)	Interest income	18	884,393,769	904,443,759
BFRS 7.20 (b)	Interest paid on deposits and borrowings etc.	19	(851,825,045)	(613,274,884)
BAS 1.85	Net interest income		32,568,724	291,168,875
BFRS 7.20 (b)	Investment income	20	52,010,889	12,819,043
BFRS 7.20 (c)	Fees, commission, exchange and brokerage	21	64,641,965	109,999,646
BAS 1.85	Other operating income	22	93,258,472	149,735,507
			209,911,326	272,554,196
	Total operating income (A)		242,480,050	563,723,071
BAS 1.104	Salaries and other employee benefits	23	36,800,057	38,872,877
BAS 1.97	Rent, taxes, insurance, electricity etc.	24	11,622,223	17,373,611
BAS 1.97	Legal expenses		248,891	65,870
BAS 1.97	Postage, stamp, telecommunication etc.	25	1,311,484	3,200,761
BAS 1.97	Stationery, printing, advertisements etc.	26	5,284,694	3,499,919
BAS 1.104	Managing Director's salary and fees	27	3,960,000	7,182,581
BAS 1.97	Directors' fees	28	755,000	945,000
BAS 1.97	Auditors' fees	29	151,500	138,000
BAS 1.97	Depreciation and repair of assets	30	11,034,444	12,548,262
BAS 1.97	Other expenses	31	11,109,624	13,511,342
BAS 1.85	Total operating expenses (B)		82,277,917	97,338,223
BAS 1.85	Profit before provision (C=A-B)		160,202,133	466,384,848
	Provision for loans, advances, leases and investment	13.1		
BAS 1.97	General provision		7,454,651	(26,481,181)
BAS 1.97	Specific provision		146,673,512	31,211,632
BAS 1.97	Provision for diminution in value of investment	13.2.1	(80,095,075)	95,444,322
	Total provision (D)		74,033,088	100,174,773
	Total profit before tax (C-D)		86,169,045	366,210,075
	Provision for taxation			
BAS 1.82 (d)	Current	13.4	32,617,559	191,055,435
BAS 1.82 (d)	Deferred		(1,256,397)	(2,606,807)
			31,361,162	188,448,628
BAS 1.82 (f)	Net profit after tax		54,807,883	177,761,447

Profit and Loss Account - *continued*

Appropriations

Statutory reserve	15	10,961,577	35,552,290
Retained surplus		43,846,306	142,209,157
Weighted average no. of outstanding share		104,675,549	104,675,549

BAS 33.66

Earnings per share (par value Taka 10)	35	0.52	1.70
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The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-	sd/-	sd/-	sd/-
Chairman	Director	Managing Director & CEO	Company Secretary

Auditors' report to the shareholders
see annexed report of date

Dhaka,
28 February 2013

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Profit and Loss Account

(Merchant Banking Operation)

for the year ended 31 December

BAS 1.51(d), 1.113 & 1.38	(Figures in BDT)	2012	2011
BFRS 7.20 (b)	Interest income	474,565,226	409,879,323
BFRS 7.20 (b)	Interest paid on deposits and borrowings etc.	(446,649,625)	(372,617,567)
BAS 1.85	Net interest income	27,915,601	37,261,756
BFRS 7.20 (b)	Investment income	-	-
BFRS 7.20 (c)	Fees, commission, exchange and brokerage	59,342,942	98,071,175
BAS 1.85	Other operating income	-	-
		59,342,942	98,071,175
	Total operating income (A)	87,258,543	135,332,931
BAS 1.104	Salaries and other employee benefits	3,681,006	3,960,931
BAS 1.97	Rent, taxes, insurance, electricity etc.	1,162,222	1,737,361
BAS 1.97	Legal expenses	24,889	13,889
BAS 1.97	Postage, stamp, telecommunication etc.	131,148	320,076
BAS 1.97	Stationery, printing, advertisements etc.	538,661	349,992
BAS 1.104	Managing Director's salary and fees	396,000	718,258
BAS 1.97	Directors' fees	75,500	94,500
BAS 1.97	Other expenses	1,231,110	1,262,785
BAS 1.85	Total operating expenses (B)	7,240,536	8,457,792
BAS 1.85	Profit before provision (C=A-B)	80,018,007	126,875,139
	Provision for loans, advances and leases		
BAS 1.97	General provision	5,610,193	(1,700,000)
BAS 1.97	Specific provision	-	-
BAS 1.97	Provision for diminution in value of investment		
	Total provision (D)	5,610,193	(1,700,000)
	Total profit before tax (C-D)	74,407,814	128,575,139

The annexed notes 1 to 64 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Auditors' report to the shareholders
see annexed report of date

Dhaka,
28 February 2013

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Cash Flow Statement

for the year ended 31 December

BAS 1.51(d) & 1.38	(Figures in BDT)	Notes	2012	2011
	A) Cash flows from operating activities:			
BAS 7.31	Interest receipts		884,393,769	870,864,567
BAS 7.31	Interest payments		(851,825,045)	(613,274,884)
BAS 7.14 (b)	Fee and commission receipts		64,641,965	109,999,646
BAS 7.31	Dividend receipts		27,777,698	3,239,514
BAS 7.14 (d)	Cash payments to employees		(40,760,057)	(46,055,458)
BAS 7.14 (c)	Cash payments to suppliers and management expenses		(20,605,572)	(27,641,019)
BAS 7.35	Income taxes paid		(140,138,404)	(252,142,641)
BAS 7.14 (b)	Receipts from other operating activities	33	93,312,392	149,736,227
BAS 7.14 (c)	Payments for other operating activities	34	(11,109,624)	(13,511,342)
	Cash generated before changes in operating assets and liabilities		5,687,122	181,214,610
	Increase/(decrease) in operating assets and liabilities			
	Statutory deposits		-	-
	Purchase of trading securities (treasury bills)		-	-
	Loans, advances and leases to banks and financial institutions		-	-
BAS 7.20 (a)	Loans, advances and leases to customers		(447,113,706)	(597,564,447)
BAS 7.20 (a)	Other assets	38	116,035,778	(670,596,073)
BAS 7.20 (a)	Deposits from banks and other financial institutions		1,020,000,000	(1,090,000,000)
BAS 7.20 (a)	Deposits from customers		(296,314,989)	1,732,709,998
	Other liabilities account of customers		-	-
	Trading liabilities		-	-
BAS 7.20 (a)	Other liabilities	37	99,210,163	(36,262,184)
	Cash generated from operating assets and liabilities		491,817,246	(661,712,706)
	Net cash generated from/(used) in operating activities		497,504,368	(480,498,096)
	B) Cash flows from investing activities:			
BAS 7.16 (d)	Proceeds from sale of securities		707,815,266	120,902,524
Bas 7.16 (c)	Payments for purchases of securities		(865,367,285)	(66,797,462)
BAS 7.16 (a)	Purchase of property, plant and equipment		(8,160,706)	(14,140,249)
BAS 7.16 (b)	Proceeds from sale of property, plant and equipment		3,625,069	15,000
	Investment in UniCap Investments Limited		(99,999,935)	(99,999,935)
	Net cash used in investing activities		(262,087,591)	(60,020,122)
	C) Cash flows from financing activities:			
BAS 7.31	Dividend paid		(95,159,590)	-
BAS 7.17 (c)	Receipts of long term loan		554,497,363	340,000,000
BAS 7.17 (d)	Repayment of long term loan		(634,147,839)	(432,531,900)
BAS 7.17 (d)	Net draw down/(payment) of short term loan		(74,392,919)	722,437,920
	Net cash generated from/(used) in financing activities		(249,202,985)	629,906,020
	D) Net (decrease)/increase in cash and cash equivalents (A+B+C)		(13,786,208)	89,387,802
	E) Effects of exchange rate changes on cash and cash equivalents		-	-
	F) Cash and cash equivalents at beginning of the year		238,456,907	149,069,105
	G) Cash and cash equivalents at end of the year (D+E+F)		224,670,699	238,456,907
BAS 7.45	Cash and cash equivalents at end of the year represents			
	Cash in hand (including foreign currencies)		20,000	40,000
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)		93,374,946	104,750,421
	Balance with other banks and financial institutions		131,275,753	133,666,486
	Total		224,670,699	238,456,907
	Supplemental schedule for non-cash financing activities:			
	Bonus share issued		95,159,590	407,826,810

Statement of Changes in Equity

for the year ended 31 December

BAS 1.51 (d)	(Figures in BDT)					
	Particulars	Paid up capital	Statutory reserve	Dividend equalization reserve	Retained earnings	Total
BAS 1.106 (d)	Balance as at 1 January 2012	951,595,900	243,107,034	55,000,000	143,947,308	1,393,650,242
BAS 1.106 (d)(i)	Net profit for the year 2012	-	-	-	54,807,883	54,807,883
	Transfer to statutory reserve	-	10,961,577	-	(10,961,577)	-
	Transfer to retained earnings	-	-	(48,000,000)	48,000,000	-
BAS 1.107	Issuance of bonus share (2011)	95,159,590	-	-	(95,159,590)	-
BAS 1.107	Payment of cash dividend (year 2011)	-	-	-	(95,159,590)	(95,159,590)
	Balance as at 31 December 2012	1,046,755,490	254,068,611	7,000,000	45,474,434	1,353,298,535
BAS 1.106 (d)	Balance as at 1 January 2011	543,769,090	207,554,744	-	464,564,961	1,215,888,795
BAS 1.106 (d)(i)	Net profit for the year 2011	-	-	-	177,761,447	177,761,447
	Transfer to statutory reserve	-	35,552,290	-	(35,552,290)	-
	Dividend equalization reserve	-	-	55,000,000	(55,000,000)	-
BAS 1.107	Issuance of bonus share (year 2010)	407,826,810	-	-	(407,826,810)	-
	Balance as at 31 December 2011	951,595,900	243,107,034	55,000,000	143,947,308	1,393,650,242

Statement of Liquidity Analysis

BAS 1.65 (Maturity of Assets and Liabilities)
BAS 1.51 (c) for the year ended 31 December

(Figures in BDT) Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total
Assets						
Cash in hand	20,000	-	-	-	-	20,000
Balance with Bangladesh Bank and its agent bank(s)	93,374,946	-	-	-	-	93,374,946
Balance with banks and other financial institutions	5,677,760	42,538,392	83,059,601	-	-	131,275,753
Money at call and short notice	-	-	-	-	-	-
Investments	-	78,359,018	444,034,437	-	-	522,393,455
Loans, advances and leases	935,522,235	527,922,989	4,351,322,533	914,622,668	588,823,031	7,318,213,456
Fixed assets including premises furniture and fixtures	-	-	-	-	22,705,788	22,705,788
Other assets	107,323,972	949,700	510,629,531	1,050,611,007	297,498,771	1,967,012,981
Non-business assets	-	-	-	-	-	-
Total assets (A)	1,141,918,913	649,770,099	5,389,046,102	1,965,233,675	909,027,590	10,054,996,379
Liabilities						
Borrowings from Bangladesh Bank, banks other financial institutions and agents	701,995,287	311,580,464	327,298,426	648,565,249	-	1,989,439,426
Deposits	378,196,161	-	4,084,917,123	68,577,002	750,000	4,532,440,286
Other deposits	20,019,110	2,150,000	11,076,570	240,961,392	2,672,403	276,879,475
Provision and other liabilities	35,351,723	331,200,000	965,094,857	561,263,930	10,028,147	1,902,938,657
Total liabilities (B)	1,135,562,281	644,930,464	5,388,386,976	1,519,367,573	13,450,550	8,701,697,844
Net liquidity gap (A - B)	6,356,632	4,839,635	659,126	445,866,102	895,577,040	1,353,298,535

Notes to the Financial Statements

for the year ended 31 December 2012

1. GENERAL INFORMATION

1.1 Domicile, legal form and country of incorporation

BAS 1.138 (a)

Union Capital Limited (the Company) was set up for the purpose of purchasing investment banking business of Bangladesh Branch Office of Peregrine Capital Limited, Hong Kong, along with all its specified assets and share capital of SES Company Limited, its related concern. This transaction was effected on 04 February 1998. From that date, the Company started to operate as Union Capital Limited - proposed.

Union Capital Limited was registered as a public limited company under the Companies Act 1994 with the Registrar of Joint Stock Companies of Bangladesh on 09 August 1998. On 12 August 1998, the Company obtained permission from Bangladesh Bank to operate as a non-banking financial institution under the Financial Institutions Act, 1993. The Company also registered as a full-fledged Merchant Banker with the Bangladesh Securities and Exchange Commission on 10 April 2002. The Company went for Initial Public Offering in May 2007 and listed its shares in both Dhaka Stock Exchange and Chittagong Stock Exchange in July 2007.

The registered office of the Company is located at Noor Tower (5th floor), 1/F Free School Street, 73 Sonargaon Road, Dhaka 1205. The operations of the Company are being carried out through its five (5) offices located in Dhaka, Chittagong and Sylhet.

1.2 Principal activities

BAS 1.138 (b)

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

Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, factoring and margin loan etc.

Fee based activities

Fee based activities include managing IPOs, underwriting of securities, portfolio management, corporate financial services.

Deposit schemes

The Company offers various deposit schemes to cater the deposit from the valued customers. Deposit schemes include Term deposit, Monthly income deposit, Double money deposit, Triple money deposit, Monthly saving scheme, Millionaire plus, Profit first deposit.

1.3 Information regarding subsidiary companies

As on 31 December 2012 Union Capital has two subsidiaries to include for preparation of consolidated financial statements as per Bangladesh Accounting Standard: 27 'Consolidated and Separate Financial Statements'. A brief description of the companies is described below:

1.3.1 SES Company Limited

SES Company Limited a wholly owned subsidiary of Union Capital Limited, is a private limited company registered under the Companies Act, 1994. The Company was incorporated in Bangladesh on 09 October 1995. The registered office of the company is situated at Noor Tower, 5th Floor, 1/F, Free School Street, 73, Sonargaon Road, Dhaka 1205. It is a member of Dhaka and Chittagong Stock Exchange and a depository participant of Central Depository of Bangladesh Limited (CDBL). Principal activities of the Company are to carry out all kinds of investment business in shares and stock, brokerage and dealing of securities. It also extends margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Union Capital owns 99.99% of the voting shares of SES Company Ltd and has control, it is a subsidiary. Out of five (5) directors, four (4) directors have been nominated by Union Capital to represent in the Board of the Company.

1.3.2 UniCap Investments Limited

UniCap Investments Limited a wholly owned subsidiary of Union Capital Limited was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-93014/11 dated 24 May 2011 as a public limited company under the Companies Act, 1994. The address of the Company's registered office is A-A Bhaban, 9th Floor, 23 Motijheel C/A, Dhaka-1000. Principal activities of the Company are to deliver a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. Union Capital holds 99.99 percent shares in the Company. Out of 13 (thirteen) directors, 3 (three) directors have been nominated from Union Capital to represent in the Board of the Company.

2 BASIS OF PREPARATION

BAS 1.112 (a)

The financial statements are prepared on the historical cost basis and therefore, did not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act 1993, the Companies Act, 1994, the Bangladesh Securities and Exchange Rules 1987 the Listing Rules of Dhaka Stock Exchange and Chittagong Stock Exchange, Guidelines from Bangladesh Bank, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

In the year 2009, Bangladesh Bank promulgated DFIM circular no.11 dated 23 December 2009 suggesting uniform presentation and disclosure requirement within the industry. As a result, we compromised with the usual presentation of the financial statements.

There are some areas where application of BAS and BFRS differs from the application suggested by the Bangladesh Bank through DFIM circulars. As Bangladesh Bank is our primary regulator; we are required to follow the guidelines of Bangladesh Bank. At the same time we are also required to follow the guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC). For mitigating presentation and disclosure conflict we prepared the financial statements following DFIM circulars and present separate disclosure where deviations exist.

2.1 Accounting estimates

BAS 1.125

Preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and provisions for loans/leases. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements

are not expected the result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.2 Risk and uncertainty for use of estimates

BAS 1.125

The preparation of financial statements in conformity with Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure requirements for contingent assets and liabilities during and the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.

In accordance with the guidelines as prescribed by BAS 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

Provisions

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are normally made for restructuring costs and legal claims.

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present obligation as a result of past events but is not recognized because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise legal claims under arbitration or court process in respect of which a liability is not likely to occur.

Contingent asset

A contingent asset is possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are never recognized, rather they are disclosed in the financial statements when they arise.

BAS 37.14

2.3 Statement of compliance

BAS 1.16

The financial statements of Union Capital Limited include the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and Notes to the Financial Statements. These financial statements are required to be prepared and presented within a framework of rules and guidelines - some mandatory and some recommendatory. The Companies Act, 1994 requires the production of the following as a part of the annual report:

- Board of Directors' report
- Auditors' report
- Balance sheet and
- Profit and loss account

In addition to the above, the Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires the production of a Cash Flow Statement and Statement of Changes in Shareholders' Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The Bangladesh

Securities and Exchange Commission (BSEC) regulates financial reporting practices of listed companies. Listed companies are required to comply with BSEC's accounting and disclosure requirements. The Rules 1987 as amended in 1997, requires listed companies to follow Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

These financial statements have been prepared and presented in accordance with the approved accounting and reporting standards as applicable in Bangladesh. Approved accounting standards comprise of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh. As of 31 December 2012 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Union Capital are as under:

SL No.	BAS/BFRS	Applicability
BAS 1	Presentation of Financial Statements (2008)	*
BAS 2	Inventories	N/A
BAS 7	Cash Flow Statements	Applied
BAS 8	Accounting Policies, Changes in accounting Estimates & Errors	Applied
BAS 10	Events after the Reporting period	Applied
BAS 11	Construction Contracts	N/A
BAS 12	Income Taxes	Applied
BAS 16	Property, Plant and Equipment	Applied
BAS 17	Leases	Applied
BAS 18	Revenue	Applied
BAS 19	Employee Benefits	Applied
BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	N/A
BAS 21	The Effects of changes in Foreign Exchange Rates	N/A
BAS 23	Borrowing Costs	Applied
BAS 24	Related Party Disclosures	Applied
BAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A
BAS 27	Consolidated and Separate Financial Statements	Applied
BAS 28	Investments in Associates	N/A
BAS 31	Interests in Joint Venture	N/A
BAS 32	Financial Instruments: Presentation	*
BAS 33	Earnings Per Share	Applied
BAS 34	Interim Financial Reporting	Applied
BAS 36	Impairment of Assets	Applied
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied
BAS 38	Intangible Assets	Applied

Notes to the Financial Statements - continued

BAS 39	Financial Instruments: Recognition and Measurement	*
BAS 40	Investment Property	N/A
BAS 41	Agriculture	N/A
BFRS 2	Share Base Payment	N/A
BFRS 3	Business Combination	N/A
BFRS 4	Insurance Contracts	N/A
BFRS 5	Non-current Assets Held for Sale and Discontinued Operation	N/A
BFRS 6	Exploration for and Evaluation of Mineral Resources	N/A
BFRS 7	Financial Instruments: Disclosures	*
BFRS 8	Operating Segments	Applied
BFRS 10	Consolidated Financial Statements	Applied
BFRS 11	Joint Arrangements	N/A
BFRS 12	Disclosure of Interests in Other Entities	N/A
BFRS 13	Fair Value Measurement	N/A

* As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note 3.30).
N/A = Not Applicable

2.4 Consistency

BAS 1.45
In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, Union Capital applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8. We however have applied the same accounting and valuation principles in 2012 as in financial statements for 2011.

2.5 Segments

BFRS 8.20
A segment is a distinguishable component of the Company that engaged in providing different types of products and services, which is subject to requirement by local regulatory authority. The Bangladesh Securities and Exchange Commission requires preparation of separate financials for Merchant Banking unit. Company's primary reporting segment is business division, which corresponds with the way the operating businesses are organized and managed within the Company.

The Company has two reportable segments on the date of the reporting namely, Merchant Banking Operations and Financing Operations. Merchant banking operations include managing IPOs, underwriting of securities, management of investor's portfolio and other financial advisory services. Operating results of merchant banking operation have been presented separately as well as consolidated

with that of the results of income from financing operations.

2.6 Basis of consolidation of operations of subsidiaries

BAS 27.12
The financial statements of the Company and its subsidiaries have been consolidated in accordance with Bangladesh Accounting Standard 27 "Consolidated and Separate Financial Statements". The consolidation of the financial statements has been made after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the Company and its subsidiaries are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Non-controlling Interest'. All assets and liabilities of the Company and of its subsidiaries are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiaries are shown separately in the consolidated balance sheet under the heading 'Non-controlling Interest'.

BAS 1.10(e)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Lease operations

BAS 17.31
Under BAS 17, lease operations are divided into finance leases and operating leases. Unlike operating lease, a finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title may or may not eventually be transferred.

BAS 17.8	Union Capital as a lessor
BAS 17.49 & 17.50	<p>Under finance leases, Union Capital recognizes the leased assets in the balance sheet as investment in lease assets at an amount equal to the net investment in the lease. The lease payments are broken down into the finance charge and the redemption payment. The redemption payment reduces the amount of the outstanding liability (net investment); the finance charge is treated as interest income. Interest and similar income is recognized on the basis of a constant, periodic rate of return relating to the net investment outstanding.</p> <p>In contrast, assets held under operating leases are recognized and valued using the same principles as, property, plant and equipment. Union Capital does not hold any property under operating lease.</p>
BAS 17.8	Union Capital as a Lessee
BAS 17.20	<p>Under finance lease, the asset is recognized as property, plant and equipment, and the obligation as a liability. Each asset is stated at the lower of the following two values: either the fair value of the lease asset at the inception of the lease or, the present value of the minimum lease payments which ever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.</p> <p>Lease payments relating to finance leases are broken down into two components: the finance charge and the redemption payment. The redemption payment reduces the residual liability and the finance charges are shown as interest expenses.</p>
BAS 1.119	<p>3.2 Term finance and other finance</p> <p>Such investments are stated at un-amortized amount. The recovery of principal amount is amortised and the carrying amount is adjusted with the principal recovery and stated at un amortized principal amount.</p> <p>Investments are classified as non-accrual when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Whenever a payment is 3 months past due, investments are classified as non accrual even if they are fully secured and collection efforts are reasonably expected to result in repayment within 6 months.</p> <p>When loans/leases are identified as non accrual, the recognition of accrued interest is discontinued and credited to interest suspense account. Interest received on non-accrual investments are credited to profit & loss account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.</p>

BAS 1.119	<p>3.3 Margin loan</p> <p>Union Capital extends margin loan to the portfolio investors at an agreed ratio (between investors deposit and loan amount) of purchased securities against the respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to change in market price of shares. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.</p>
BAS 24.12	<p>3.4 Investments in subsidiary</p> <p>A subsidiary is an entity in which the Company has control as per as shareholding (more than 50 percent) or voting right is concerned. As on the reporting date Union Capital have two subsidiary company named 'UniCap Investments Limited and SES Company Limited. Consolidated Financial statements have been prepared for subsidiary investment as per Bangladesh Accounting Standards: 27 'Consolidated and Separate Financial Statements'. Interest of the minority shown as minority interest as separate line item of the shareholders equity which includes share capital of minority portion as well as profit earned that goes to the non-controlling interest.</p>
3.5	<p>Investment in securities</p> <p>Investment in securities are classified broadly in two categories and accounted for as under:</p> <p>Investment in listed securities:</p> <p>Investments in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where cost is less than market price) as guided by Bangladesh Bank. Unrealized gain or losses are not recognized in the profit and loss account.</p> <p>Investment in unlisted securities:</p> <p>Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.</p>
3.6	<p>Receivables</p> <p>Accounts receivables</p> <p>The main item included rentals/installments due from the clients but not received. No such receivables are accounted for if the loans are classified as bad and loss. Receivables carry interest for the periods for which the delay continues in payments of the amounts due</p>

from the clients continues. Such interest is not recognized as income until it is received in cash. Receivables from clients are stated at their nominal value.

Other receivables

Others receivables includes mainly receivable from brokerage houses against sale of securities, accrued IDCP (Interest During Construction Period) and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3.7 Cash and cash equivalents

BAS 7.6

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, and balance with other banks and financial institutions.

3.8 Liquidity statement

BAS 1.65

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases-

- Balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- Investments are on the basis of their respective maturity.
- Leases, loans and advances are on the basis of their repayment schedule.
- Fixed assets are on the basis of their useful lives.
- Other assets are on the basis of their realization/amortization.
- Borrowings from other banks, financial institutions and agents are as per their maturity/repayment terms.
- Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- Provisions and other liabilities are on the basis of their payment / adjustments schedule.

3.9 Fixed assets including land, building, furniture and fixtures

BAS 16.73

Freehold assets

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipments are stated at cost less accumulated depreciation in compliance with

the Bangladesh Accounting Standards (BAS)-16: Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes if any.

BAS 23.13

Pre-operating expenses and borrowing costs

In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalised also include applicable borrowing cost considering the requirement of BAS 23: Borrowing Costs.

BAS 16.12

Subsequent expenditure

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable, that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the profit and loss account as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

BAS 16.67

Disposal of fixed assets including land, building, furniture and fixtures

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the profit and loss account, which is determined with reference to the net book value of the assets' and net sales proceeds.

BAS 16.73(b)

Depreciation on fixed assets including land, building, furniture and fixtures

Depreciation of an asset begins when the asset is available for use. Depreciation is provided for the period in use of the assets. Full month's depreciation has been charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Motor vehicles	20% per annum
Electric equipment	20% per annum
Furniture & fixtures	20% per annum
Office decoration	33% per annum
Mobile phone	20% per annum
Staff appliance	20% per annum

3.10 Intangible asset

Components

The main item included in intangible asset is software.

Basis of recognition

An Intangible asset shall only be recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with BAS 38: Intangible assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortization.

Subsequent expenditure

Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

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

3.11 Merchant Bank operation

As stipulated in the Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules 1996, the services of issue management, portfolio management, underwriting of shares and securities and advisory services fall under the purview of Merchant Banking operation. Accordingly, profit and loss account of Merchant Banking operation includes income under the heads stated above. Union Capital Limited has established separate company named "UniCap Investments Limited" for its Merchant Banking Operation as required by the Bangladesh Securities and Exchange Commission.

3.12 Bank loans

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on an accrued basis to profit and loss account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

3.13 Borrowing costs

All borrowing costs are recognized in the profit or loss account in the period in which they are incurred.

3.14 Accrued expenses and other payables

Liabilities are recognized for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal value.

3.15 Provision for doubtful losses

The provision for doubtful losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred but are not yet identifiable.

The provision is increased by the provision for doubtful losses, which is charged to profit and loss account, and decreased by the amount of write-offs, net of reverses.

The provision is determined based on management's identification and evaluation of problem accounts, estimated probable losses that exist on the remaining portfolio and on other factors including the composition and quality of the portfolio and changes in economic condition.

The provision is estimated based on two principles: 1. Bangladesh Accounting Standards (BAS) 37: Provisions, contingent liabilities and contingent assets, and 2. Bangladesh Bank guidelines. Methodology for measuring the appropriate level of the provision relies on several key elements, which include both quantitative and qualitative factors as set forth in the Bangladesh Bank guidelines. FID circular 08 dated August 03, 2002 and subsequent up-dictation by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

3.16 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. Company's liability for current tax is calculated using tax rates that have been enacted the balance sheet date.

b. Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary

differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

Deferred tax is calculated at the tax rates, which are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and Union Capital intends to settle its current tax assets and liabilities on a net basis.

3.17 Employees benefit plans

Union Capital offers a number of benefit plans which includes contributory provident fund and gratuity scheme.

a. Contributory provident fund

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by equal contribution from the Company and the employees. This fund is invested separately from the Company's assets.

b. Gratuity scheme

The Company operates a unfunded gratuity scheme (which is a defined benefit scheme as specified in BAS 19). Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service up to ten years of service, one and half months basic pay for every completed year of service up to fifteen years of service and two months basic pay for more than fifteen years of service. Full provision for gratuity has been made in the accounts for the existing based on their years of services with the Company. Gratuity amount is subject to a maximum ceiling of 50 (fifty) basic only.

c. Employee home loan scheme

To secure long-term commitment of deserving employees Union Capital introduced Home Loan Policy. An employee served the Company for continuous period of at least five years (in 3 years service with Union Capital) is entitled to avail loan to purchase residential apartment, purchase of land and construction of house thereon etc. Interest rate of the loan is 6 percent.

d. Employee car scheme

Union Capital provides car loan facility to the employee as per loan scheme. Company

provides full time car to the employees from the position of Executive Vice President.

e. Employee personal loan scheme

Union Capital provides personal loan facility to the employee as per loan scheme.

3.18 Branch accounting

The Company has four branches with no overseas branch as on 31 December 2012. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

3.19 Write off

Write off describes a reduction in recognised value. It refers to recognition of the reduced or zero value of an asset. Generally, it refers to an investment for which a return on the investment is now impossible or unlikely. The items potential return is thus canceled and removed from (written off) the Company's balance sheet.

Recovery against debts written off/provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties of advances there against or are considered recoverable.

3.20 Interest suspense account

Accrued interest on lease, term finance, real estate finance, hire purchase agreement classified as Special Mentioned Account (SMA), Sub-Standard (SS), Doubtful (DF) and Bad loan (BL) are not recognized as income rather transferred to interest suspense accounts as complied with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognised as income on cash basis.

3.21 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standard (BAS) 18: Revenue Recognition unless otherwise mentioned or otherwise guided by the separate BAS/BFRS.

a. Lease income

The excess of gross lease rentals receivable over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return is, however, differs in case of structured lease finance depending on the structure of the particular lease contract. Income is recognized when it is earned, i.e. income on due

BAS 1.78 (d)

BAS 18.29

BAS 18.35 (a)

BAS 18.30 (a)

installments on unclassified leases irrespective of whether received or not. Income is not taken into profit and loss account when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is accounted for on cash basis.

BAS 18.30 (a)

b. Income from term finance

Interest income on term finance is recognized on accrual basis. Installment comprises both interest and principal. Interest part of the installments that become receivable is recognized as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance are classified as SMA and above and kept in interest suspense account. Interest on classified term finances is accounted for on cash basis.

BAS 18.30 (a)

c. Income from real estate finance

Interest income from real estate finance is recognized on accrual basis. Interest portion of the installments that become receivable is recognized as income in the financial statements. Interest on such finance ceases to be taken into income when such finance is classified as SMA and above and kept in interest suspense account. Interest on classified finance is accounted for on cash basis.

BAS 18.30 (a)

d. Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

BAS 18.30 (a)

e. Income from secured term finance

Income from secured term finance is recognized on accrual basis.

BAS 18.30 (c)

f. Dividend income

Dividend on ordinary shares

Dividend income from ordinary shares is recognized when the shareholders' legal rights to receive payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting. Dividend declared but not received is recognized as deemed dividend.

BAS 18.30 (c)

Dividend on preference shares

Dividend from preference shares is recognized on cash basis.

BAS 18.20

g. Fee based income

Fee based income is recognized on accrual basis.

h. Gain on sale of securities

Capital gain on disposal of securities listed in the stock exchanges is recorded on realized basis. i.e. only when the securities are sold in the market. Unrealized capital gains are not accounted for in the profit and loss account.

3.22 Payment of dividend

BAS 1.107

Interim dividends are recognized when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders.

The proposed cash dividend not recognize as a liability in the balance sheet in accordance with the BAS 10: Events After the Balance Sheet date. Dividend payable to the Company's shareholders are recognized as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

BAS 1: Presentation of Financial Statements, also requires the dividend proposed after the balance sheet date but before the financial statements are authorized for issue, be disclosed in the notes to the financial statements. Accordingly, the Company has disclosed the same in the notes to the financial statements.

3.23 Impairment of assets

BAS 36.9

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Any impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

3.24 Related party transactions

BAS 24.17

All transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation models.

3.25 Statutory reserve

Financial Institutions Regulations 1994 requires NBFIs to transfer 20% of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, Union Capital Limited transfers 20% of net profit to statutory reserve before declaration of dividend.

3.26 Guarantee, commitments and contingencies

BAS 37.27

Corporate guarantee represents irrevocable assurance that the Company will make payments in the event that a client cannot meet its obligation to third parties. The term of this guarantee is for one year and renewable at the expiry of the term.

In the normal course of operations, the Company provides indemnifications, which are

often standard contractual terms to counter parties in transactions such as purchase agreements, service agreements, contract with employees and leasing transactions. This indemnification clause may require us to compensate the counter parties for cost incurred as a result of charges in laws and regulations or litigation claims that may be suffered by the counter party as a consequence of the transaction. The terms of these indemnifications clause vary based upon the contract.

3.27 Litigation

BAS 1.98 (f) The Company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for non-performance in loans/leases repayment and against various level of tax authority regarding some disputed tax issues. The Company, however, provides adequate provisions as per guidelines of Bangladesh Bank and BAS 37.

3.28 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with BAS 33: Earnings Per Share, which has been shown on the face of profit and loss account, and the computation of EPS is stated in the notes to the financial statements.

a. Basic earnings per share

BAS 33.10 This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

b. Diluted earnings per share

BAS 33.31 Diluted earnings per share reflects the potential dilution that could occur if additional ordinary shares are assumed to be issued under securities or contracts that entitle their holders to obtain ordinary shares in future, to the extent such entitlement is not subject to unresolved contingencies.

Effect of dilution to weighted average number of ordinary shares is given for potential ordinary shares. At 31 December 2012, there was no scope for dilution and hence no diluted EPS is required to be calculated.

c. Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

3.29 Uniform accounting policies

The financial statements of Union Capital Limited, SES Company Limited and UniCap Investments Limited have been prepared in accordance with the uniform principles of accounting.

3.30 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements

BAS 1.19 Bangladesh Bank is the prime regulatory body for all non-banking financial institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of BAS/BFRS. As such the Company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in note no. 62 and 63 of these financial statements.

3.31 Financial risk management

BAS 1.114 (d) (ii) The risk of the Company is defined as the possibility of losses, financial or otherwise. The risk management of the Company covers core risk areas of financing namely, credit risk, liquidity risk, market risk that includes interest rate risk and equity risk, operational risk and reputation risk arising from money laundering incidences. The Company's objective of the risk management is that it takes well calculative business risks while safeguarding its capital, financial resources and profitability from various risks. In this context, the Company took steps to implement Bangladesh Bank's guidelines and some of the best practices as under:

3.31.1 Credit risk

It arises mainly from lending, trade finance, leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Company. The failure may result from unwillingness of the counter party or decline in his/her financial condition. Therefore, the Company's credit risk management activities have been designed to address all these issues.

The Company has segregated duties of the officers/executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this

purpose, three separate units have been formed within the credit division. These are (a) Credit Risk Management Unit, (b) Credit Administration Unit and (c) Credit Monitoring and Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/strategy for lending operation, etc.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process starts at Corporate Division by the Relationship Manager/Officer and ends at Credit Risk Management Unit when it is approved/declined by the competent authority. Credit approval authority has been delegated to the Managing Director. Proposal beyond his delegation are approved/declined by the Executive Committee and/or the Board.

In determining Single borrower/Large loan limit, the instructions of Bangladesh Bank are strictly followed. Loans are classified as per Bangladesh Bank's guidelines.

3.31.2 Liquidity risk

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Company is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Treasury Department under an approved policy guidelines. Treasury front office is supported by a very structured back office. The liquidity management is monitored

by Asset Liability Committee (ALCO) on regular basis. A written contingency plan is in place to manage extreme situation.

3.31.3 Market risk

The exposure of market risk of the Company is restricted to interest rate risk and equity risk.

3.31.4 Interest rate risk

Interest rate risk may arise either from trading portfolio and non-trading portfolio. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and third funding cost. ALCO monitors the interest rate movement on regular basis.

3.31.5 Equity risk

Arise from movement in market value of equities. The risks are monitored by Merchant Banking Wing under a well designed policy framework. The market value of equities was higher than the cost prices.

3.31.6 Operational Risk

Appropriate internal control measures are in place, at UCL, to address operational risks. UCL has also established an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk. The function of ICCD is to constant vigilance against leakage of shareholders value by identify, assess, measure, manage and transfer operational risk resulting from inadequate or failed internal processes, people and system or from external events.

4 CASH

BAS 1.77	(Figures in BDT)	2012	2011
	In hand:		
	Local currency	20,000	40,000
	Foreign currencies	-	-
		20,000	40,000
	Balance with Bangladesh Bank:		
	Local currency	93,374,946	104,750,421
	Foreign currencies	-	-
		93,374,946	104,750,421
	Total	93,394,946	104,790,421

4.a CASH

BAS 1.77	(Figures in BDT)	2012	2011
	In hand:		
	Union Capital Ltd.	20,000	40,000
	SES Company Ltd.	1,100	1,100
	UniCap Investments Ltd.	-	-
	Total	21,100	41,100
	Balance with Bangladesh Bank:		
	Union Capital Ltd.	93,374,946	104,750,421
	SES Company Ltd.	-	-
	UniCap Investments Ltd.	-	-
	Balance at 31 December	93,396,046	104,791,521

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

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

4.1.1 Cash reserve requirement (CRR)

(Figures in BDT)	2012	2011
2.5% of total term deposits		
Required reserve	88,693,548	87,607,000
Actual reserve held	93,374,946	104,750,421
Surplus(deficit)	4,681,398	17,143,421

4.1.2 Statutory liquidity requirement (SLR)

5% of average liabilities		
Required reserve	181,411,274	180,197,000
Actual reserve held (note 4.1.4)	224,670,699	238,456,907
Surplus/(deficit)	43,259,425	58,259,907

4.1.3 Held for cash reserve requirement (CRR)

Balance with Bangladesh Bank and its agent bank(s)	93,374,946	104,750,421
Total	93,374,946	104,750,421

4.1.4 Held for statutory liquidity requirement (SLR)

Cash in hand	20,000	40,000
Balance with Bangladesh Bank and its agent bank(s) as per statement	93,374,946	104,750,421
Balance with other banks and financial institutions (note-5)	131,275,753	133,666,486
	224,670,699	238,456,907

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty cash expenses both for head office and branch offices. Under this system the Company along with its subsidiary, maintains imprest of Tk. 20,000 (year 2011 Taka 40,000). As per Bangladesh Bank guidelines, NBFIs cannot make any cash transaction except petty cash.

4.1.6 Balance with Bangladesh Bank & its agent bank

Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the cash reserve requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2012 there is no shortage in CRR.

5 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

BAS 1.77	This represents balance with various banks and financial institutions in Bangladesh. (Figures in BDT)		
		2012	2011
	Fixed deposit account		
	Shahjalal Islami Bank Limited, Dhaka Main Branch	20,000,000	20,000,000
	Social Islami Bank Limited, Babubazar Branch	50,000,000	-
	LankaBangla Finance Limited	5,000,000	-
	Prime Bank Limited, Motijheel Branch	8,059,601	7,273,930
		83,059,601	27,273,930
	Current account		
	Mutual Trust Bank Limited, Dilkusha Branch	85,198	30,194
	Southeast Bank Limited, Islamic Banking Branch	717,055	718,655
	Prime Bank Limited, Motijheel Branch	3,012,975	29,962
	The City Bank Limited, Principal Branch	184,106	185,145
	Standard Bank Limited, Dhanmondi Branch	225,067	146,911
	Shahjalal Islami Bank Limited, Dhaka Main Branch	1,133,288	1,135,738
	The Trust Bank Limited, Sena Kallayan Bhaban Branch	80,352	81,679
	BRAC Bank Ltd. Gulshan Branch	75,649	76,799
	Janata Bank Limited, Local Office	46,984	48,254
	Mercantile Bank Limited, Elephant Road Branch	38,225	39,725
	EXIM Bank (BD) Limited, Motijheel Branch	21,236	22,506
	AB Bank Limited, Karwan Bazar Branch	17,412	17,923
	Southeast Bank Limited, Principal Branch	9,232	10,382
	BASIC Bank Limited, Shantinagar Branch	1	1
	The Premier Bank Limited, Kawran Bazar Branch	4,721	5,871
	State Bank of India, Dhaka Office	-	5,104
	Social Islami Bank Ltd, Babubazar Branch	972	2,490
	Uttara Bank Limited, Local Office	23,548	410
	EXIM Bank (BD) Limited, Panthapath Branch	1,739	2,889
		5,677,760	2,560,638
	Short term deposit		
	HSBC, Dhaka Main Office	4,210,013	85,822,422
	HSBC, Dhaka Main Office	6,147,844	2,581,332
	HSBC, Dhaka Main Office	70,593	-
	Southeast Bank Limited, Islamic Banking Branch	1,875,255	1,791,412
	Bank Asia Limited, Corporate Branch	28,528,989	12,317,605
	Dhaka Bank Limited, Local Office	1,487,836	1,106,683
	Prime Bank Limited, Motijheel Branch	126,123	123,353
	National Bank Limited, Kawran Bazar Branch	91,739	89,111
		42,538,392	103,831,918
	Total	131,275,753	133,666,486

Fixed deposits are maintained with commercial banks and Non-bank financial institutions for maintaining statutory liquidity reserve as required by Bangladesh Bank. Bangladesh Bank regulations require to maintain statutory

liquidity reserve (SLR) @ 5% including the CRR of 2.5% on total liabilities, excluding loans from banks and financial institutions. Union Capital Limited maintains this reserve mostly in the form of deposits.

Notes to the Financial Statements - continued

(Figures in BDT)	2012	2011
Maturity wise grouping		
Up to 1 month	5,677,760	2,560,638
1 month to 3 months	42,538,392	103,831,918
3 months to 1 year	83,059,601	27,273,930
1 year to 5 years	-	-
More than 5 years	-	-
Total	131,275,753	133,666,486

5.a. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)

BAS 1.77	Union Capital Ltd.	131,275,753	133,666,486
	SES Company Ltd.	65,222,501	144,893,394
	UniCap Investments Ltd.	211,066,545	99,313,972
	Total	407,564,799	377,873,852
	Less: Inter-company transactions	211,018,500	99,000,000
	Balance at 31 December	196,546,299	278,873,852

6 INVESTMENTS

BAS 1.77	This represents investment made by the Company in listed securities. The investment is made up as under:		
	(Figures in BDT)	2012	2011
	Government securities	-	-
	Other investments (note 6.1)	522,393,455	340,608,245
	Total	522,393,455	340,608,245

6.1 Other investments

(Figures in BDT)

Ordinary share	No of Company	Market Value	2012	Cost 2011
Listed securities	58	341,167,753	522,393,455	340,608,245
Balance at 31 December	58	341,167,753	522,393,455	340,608,245

Listed securities:

Investments have been recorded at cost and adequate provision for diminution in value of investment as per Bangladesh Bank guidelines has been made. Market value of securities has been determined on the basis of the value of securities at the last trading date of the year (Last trading date for 2012 was 30 December).

Sector wise investment in listed securities at cost

(Figures in BDT)	2012	2011
Banking companies	54,752,208	48,152,930
Non Banking Financial Institutions	96,688,215	101,685,444
Insurance companies	41,702,414	5,503,760
Investment companies	86,431,816	75,046,526
Fuel & power	65,776,526	29,091,617
Manufacturing companies and others	177,042,276	81,127,968
Total investment at 31 December	522,393,455	340,608,245

The Company has a provision requirement of Tk 181,225,702 at 31 December 2012 due to the diminution of market value of equity investments as compared to cost (on portfolio basis). However, subsequently the Company has obtained a waiver from Bangladesh Bank to provide for the provision shortfall of Tk 144,980,562, calculated on the basis of

required provision and maintained provision of Tk 36,245,140 by 31 March 2013. Accordingly, no further provision has been made as at 31 December 2012. It may be mentioned that as per Bangladesh Bank stipulation, a financial institution is required to provide at least 20 percent of the required provision with in 31 December 2012.

BAS 1.61	Maturity wise grouping		
	(Figures in BDT)	2012	2011
	Up to 1 month	-	-
	1 month to 3 months	78,359,018	272,486,596
	3 months to 1 year	444,034,437	68,121,649
	1 year to 5 years	-	-
	More than 5 years	-	-
	Total	522,393,455	340,608,245

6.a INVESTMENTS (consolidated)

BAS 1.77	(Figures in BDT)	2012	2011
	Union Capital Ltd.	522,393,455	340,608,245
	SES Company Ltd.	919,751,150	887,002,314
	UniCap Investments Ltd.	-	-
	Balance as on 31 December	1,442,144,605	1,227,610,559

7 LOANS, ADVANCES AND LEASES

BAS 1.77	This represents loans, advances and leases financed fully in Bangladesh.		
	(Figures in BDT)	2012	2011
	Lease finance (note 7.1)	1,786,889,061	1,875,585,674
	Advance against lease finance (note 7.2)	88,607,133	78,025,960
	Term finance (note 7.3)	2,109,167,465	2,280,975,624
	Margin loan (note 7.4)	3,160,183,348	2,595,775,788
	Loan against deposits (note 7.5)	150,310,373	8,277,786
	Staff loan (note 7.6)	23,056,076	32,458,918
	Total	7,318,213,456	6,871,099,750

7.1 Lease finance

BAS 1.77	Principal outstanding (note 7.1.1)	1,285,487,716	1,475,025,543
	Accounts receivable	501,401,345	400,560,131
	Total	1,786,889,061	1,875,585,674

7.1.1 Principal outstanding

BAS 17.47 (b)	Gross rental receivables	1,762,323,130	2,003,635,169
	Unearned lease income	(476,835,414)	(528,609,626)
	Net investment	1,285,487,716	1,475,025,543

7.2 Advance against lease finance

These represent amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.

7.3 Term finance

BAS 1.77	(Figures in BDT)	2012	2011
	Principal outstanding (note 7.3.1)	1,944,265,362	2,225,020,521
	Accounts receivable	164,902,103	55,955,103
	Total	2,109,167,465	2,280,975,624

Term finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

7. 3.1 Movement of term finance (Principal outstanding) is made up as under:

(Figures in BDT)	2012	2011
Balance at 1 January	2,225,020,521	1,583,152,302
Investment during the year	667,157,007	696,312,350
Recovery during the year	(947,912,166)	(54,444,131)
Balance at 31 December	1,944,265,362	2,225,020,521

7. 4 Margin loan

BAS 1.77

This represents net disbursement of margin loan to the portfolio investors for purchasing shares listed in the stock exchange against their margin. Loans are fully secured by way of lien on shares purchased under margin loan account. Movements of margin loan as on 31 December 2012 and 2011 are as under :

(Figures in BDT)	2012	2011
Balance at 1 January	2,595,775,788	2,722,259,841
Investment during the year	672,290,894	878,490,096
Recovery during the year	(107,883,334)	(1,004,974,149)
Balance at 31 December	3,160,183,348	2,595,775,788

As per the minutes of the BSEC meeting on 19 February 2013, Merchant Banker and Brokerage houses have been allowed to optionally provide for shortfall between the margin lending exposure and portfolio pledged as security in 5 equal quarterly installments by 31 December 2013. Based on detailed review, the Company note that shortfall, if any on individual client's portfolio and margin lending exposure are temporary in nature and any potential shortfall is expected to be recouped in near future. Moreover, the Company has also continuing its recovery efforts by requesting those clients to bring in additional fund to cover shortfall.

Nevertheless, the Company is closely monitoring this matter and if it become obvious that additional provision is required it shall be fully provided for within the directives of the BSEC.

7. 5 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per Company's policy, Union Capital Limited finances to depositors up to 95% of TDR value. Interest is charged on such loan @ 3 percent above the interest offered on TDR.

Movement of loan against term deposit as on 31 December 2012 and 2011 are as under:

(Figures in BDT)	2012	2011
Balance at 1 January	8,277,786	3,275,947
Investment during the year	196,510,000	41,508,000
Recovery/adjustment during the year	(54,477,413)	(36,506,161)
Balance at 31 December	150,310,373	8,277,786

7. 6 Staff loan

BAS 1.77

Staff loan includes loan provided to the eligible employees as per Company's approved policy

Employees home loan	16,534,599	24,802,954
Employees car loan	4,250,366	6,105,490
Personal loan	2,271,111	1,550,474
Balance at 31 December	23,056,076	32,458,918

7. 7 Residual maturity grouping of loans, advances and leases

BAS 1.61

(Figures in BDT)	2012	2011
Repayable on demand	-	-
Upto 1 months	935,522,235	196,252,775
Not more than 3 months	527,922,989	217,732,287
3 months to 1 year	4,351,322,533	3,828,473,973
1 year to 5 years	914,622,668	2,490,161,780
More than 5 years	588,823,031	138,478,935
Total	7,318,213,456	6,871,099,750

7.8 Loans, advances and leases on the basis of significant concentration

BAS 1.77	a. Directors and their concerns	192,373,376	295,530,508
	b. Chief executive and other senior executives	23,056,076	32,458,918
	c. Customer groups	7,102,784,004	6,543,110,324
	Total	7,318,213,456	6,871,099,750

d. Details of large loans, advances and leases

As per Section 14 (1) (ga) of the Financial Institutions Act, 1993 a financial institution can not sanction any loans, advances and leases exceeding 30 percent of its capital (capital plus reserve) without permission from Bangladesh Bank. During the year 2012 Union Capital Limited has no such loan.

No. of clients	-	1
Amount of outstanding loans, advances and leases	-	370,865,883
Amount of classified loans, advances and leases	-	-
Measures taken for recovery	N/A	N/A
Total	-	370,865,884

e. Sector wise loans, advances and leases

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

Sector:

BAS 1.77	Trade and Commerce	251,209,582	306,791,709
	Industry		
	Garments and Knitwear	454,670,071	859,974,373
	Textile	530,789,304	374,375,563
	Jute and Jute Products	25,136,261	25,504,698
	Food Products and Processing Industry	312,793,324	304,755,143
	Plastic Industry	7,429,986	7,429,986
	Leather and Leather-Goods	-	-
	Iron, Still and Engineering	299,443,872	222,176,680
	Pharmaceuticals and Chemicals	124,262,980	114,366,813
	Cement and Allied Industry	23,334,267	102,396,698
	Telecommunication and Information Technology	9,072,849	51,909,497
	Paper, Printing and Packaging	149,333,446	169,543,304
	Glass, Glassware and Ceramic Industry	-	-
	Ship Manufacturing Industry	221,795,127	196,145,329
	Electronics and Electrical Products	27,522,507	22,754,054
	Power, Gas, Water and Sanitary Service	271,809,987	201,085,695
	Transport and Aviation	343,958,799	247,015,498
	Agriculture	-	-
	Housing	203,384,687	116,932,946
	Others:		
	Merchant Banking	3,160,183,348	2,595,775,788
	Margin Loan	-	-
	Others	902,083,059	952,165,976
	Grand total	7,318,213,456	6,871,099,750

7.9 Geographical location wise loans, advances and leases

BAS 1.77	(Figures in BDT)	2012	2011
	Dhaka Division	5,911,999,874	5,320,976,449
	Chittagong Division	1,320,629,064	1,426,297,106
	Rajshahi Division	23,790,238	67,085,960
	Khulna Division	36,658,019	31,235,536
	Sylhet Division	25,136,261	25,504,699
	Total	7,318,213,456	6,871,099,750

7. 10 Particulars of loans, advances and leases

BAS 1.112 (c)	SL	Particulars	2012	2011
	I.	Financing considered good in respect of which the Company is fully secured	4,345,148,883	4,707,218,271
	II.	Financing considered good in respect of which the Company is partially secured	1,462,165,589	933,403,966
	III.	Financing considered good against which the Company holds no security other than the debtors' personal guarantee	1,471,157,267	930,406,373
	IV.	Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	39,741,717	300,071,140
	V.	Financing adversely classified, provision not maintained there against	-	-
		Total	7,318,213,456	6,871,099,750
	VI.	Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons	23,056,076	32,458,918
	VII.	Financing due from companies or firms in which the directors of the Company have interest as directors, partners or managing agents or in case of private companies as members	192,373,376	295,530,508
	VIII.	Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Company or any of them either separately or jointly with any other person	23,056,076	32,458,918
	IX.	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Company have interest as directors, partners or managing agents or in case of private companies as members	192,373,376	295,530,508
	X.	Due from banking companies and other financial institutions	-	-
	XI.	Classified leases, loans and advances on which interest has not been charged	-	-
	A.	Increase/decrease of provision (specific)	146,673,512	45,872,095
		Amount of debts written off	-	-
		Amount realized against the debts previously written off	-	-
	B.	Provision kept against the debt classified as bad/loss at the date of balance sheet	389,063,433	242,389,921
	C.	Amount of interest creditable to the interest suspense account	292,318,016	195,156,647
	XII.	Cumulative amount of the written off loans/leases:		
		Opening balance	102,853	102,853
		Amount written off during the year	-	-
		Cumulative to date	102,853	102,853
		The amount of written off loans for which law suit filed	84,930	84,930

7. 11 Classification wise loans, advances and leases

BAS 1.77	(Figures in BDT)		2012	2011
	Unclassified :			
	Standard		5,688,777,213	5,979,169,895
	Special mention account		440,240,401	240,997,342
	Total		6,129,017,614	6,220,167,237
	Classified :			
	Sub-standard		307,544,457	61,260,100
	Doubtful		259,960,408	47,200,821
	Bad/loss		621,690,977	542,471,592
	Total		1,189,195,842	650,932,513
	Balance at 31 December		7,318,213,456	6,871,099,750

7.12 Particulars of required provision for loans, advances and leases

Required provision has been made on the overdue as per Bangladesh Bank guidelines. As per guidelines, provisions at the following rate have been made in the accounts depending on the overdue status.

Loans, advances and leases up to 5 years term	Classification status	Provision (%)
Up to 2 months	UC	1
3 to 5 months	SMA	5
6 to 11 months	SS	20
12 to 17 months	DF	50
18 months and above	BL	100
Loans, advances and leases exceeding 5 years term		
Up to 5 months	UC	1
6 to 11 months	SMA	5
12 to 17 months	SS	20
18 to 23 months	DF	50
24 months and above	BL	100

Required provision according to classification status is mentioned below:

(Figures in BDT)			2012	2011
Unclassified - general provision	Base for provision	Rate	Provision	Provision
Standard	5,688,777,213	1%	56,887,772	59,467,110
Special mention account (SMA)	410,801,929	5%	20,540,096	10,687,389
	6,099,579,142		77,427,868	70,154,499
Classified - specific provision				
Sub-standard	211,131,480	20%	42,226,296	4,014,810
Doubtful	160,062,008	50%	80,031,004	8,217,603
Bad/loss	266,806,133	100%	266,806,133	230,157,508
	637,999,621		389,063,433	242,389,921
Required provision for loans, advances and leases			466,491,301	312,544,420
Total provision maintained for loans, advances and leases			466,715,515	312,587,353
Excess provision for loans, advances and leases			224,216	42,933

7.a LOANS, ADVANCES AND LEASES (consolidated)

BAS 1.77

(Figures in BDT)		2012	2011
Union Capital Ltd.		7,318,213,456	6,871,099,750
SES Company Ltd.		410,342,750	363,795,011
UniCap Investments Ltd.		-	-
Balance as on 31 December		7,728,556,206	7,234,894,761

8 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

Cost:		
Furniture and fixtures	5,812,976	5,792,470
Office decoration	16,846,626	14,716,511
Electric equipment	22,653,803	22,033,035
Owned vehicles	1,542,500	4,012,500
Leased vehicles	8,760,000	7,260,000
Intangible assets (software)	1,381,631	1,293,231
Mobile phones	412,002	406,084
Staff appliances	41,329	41,329
Total cost	57,450,867	55,555,160
Less: Accumulated depreciation and amortization	34,745,079	27,528,425
Written down value at the end of the year	22,705,788	28,026,735

Details are shown in Annexure - A.

8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)

(Figures in BDT)	2012	2011
Union Capital Ltd.	22,705,788	28,026,735
SES Company Ltd.	-	2
UniCap Investments Ltd.	-	-
Balance as on 31 December	22,705,788	28,026,737

9 OTHER ASSETS

Income generating other assets:		
Investment in subsidiary (note 9.1)	297,498,771	197,498,836
Accrued interest	106,558,674	89,479,711
Others	490,151,040	388,627,770
Total	894,208,485	675,606,317
Non income generating other assets:		
Advance office rent	9,675,229	18,782,527
Advance to employees	912,200	494,007
Deposits with T & T, water etc.	37,500	37,500
Advance corporate tax	682,536,419	542,398,015
Receivable from brokerage houses against sale of Shares	28,665,990	245,696,093
Receivable from subsidiary company	314,074,305	280,000,000
Transfer price receivable	1,287,376	1,424,876
Deferred tax assets (note 9.2)	8,451,388	7,194,991
Others	27,164,089	70,019,697
Total	1,072,804,496	1,166,047,706
Balance at 31 December	1,967,012,981	1,841,654,023

Management considers all the other assets as good.

9.1.1 Investment in SES Company Limited

SES Company Limited, a private limited company incorporated in Bangladesh, is a wholly owned subsidiary of Union Capital Limited, the entire issued shares of which were acquired by the Company at a nominal value of Taka one (1) in 1998. During the year 2003, an amount of Taka 2,498,900 was invested in SES Company Limited against 24,989 ordinary shares of Taka 100 each. Further, in 2005, 2009 and 2010, Taka 10,000,000, Taka 35,000,000 and Taka 50,000,000 respectively were also invested in SES against allotment of 100,000, 350,000 and 500,000 ordinary shares of Taka 100 each.

9.1.2 Investment in UniCap Investments Ltd.

UniCap Investments Limited, a public limited company incorporated in Bangladesh, is a

wholly owned subsidiary of Union Capital Limited of which Union Capital Limited holds 99.99 percent share of the said Company. An aggregate amount of Taka 199,999,870 was invested in UniCap Investments Limited which includes Taka 99,999,935 and Taka 99,999,935 for the year 2011 and 212 respectively.

9.2 Deferred tax asset

Deferred tax has been calculated based on deductible taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base in accordance with the provision of Bangladesh Accounting Standard (BAS) 12 Income Taxes and under the guidelines of Bangladesh Bank DFIM circular no.07 dated 31 July 2011.

Assets:	Carring amount at balance sheet	Tax base	(Taxable)/deductible temporary difference
Fixed assets net of depreciation	22,705,788	32,563,261	9,857,473
Liabilities:			
Employee gratuity	10,028,147	-	10,028,147
Total	32,733,935	32,563,261	19,885,620
Applicable tax rate			42.50%
Deferred tax assets as on December 31,2012			8,451,388
Deferred tax assets as on December 31,2011			7,194,991
Deferred tax assets during the year 2012			1,256,397

9.a OTHER ASSETS (consolidated)

BAS 1.77	(Figures in BDT)	2012	2011
	Union Capital Ltd.	1,967,012,981	1,841,654,023
	SES Company Ltd.	132,470,251	275,918,533
	UniCap Investments Ltd.	5,126,181	1,262,250
	Total	2,104,609,413	2,118,834,806
	Less: Inter-company transactions	1,092,613,632	1,100,497,537
	Balance as on 31 December	1,011,995,781	1,018,337,269

10 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

BAS 1.77	(Figures in BDT)	2012	2011
	In Bangladesh		
	Secured long term loans:		
	Bank loan (note 10.1)	1,084,663,843	1,162,201,207
	Unsecured		
	Bangladesh Bank (Small Enterprise refinancing program-JICA) (note 10.2)	4,000,000	-
	Fund from Bangladesh Bank (note 10.3)	3,671,094	9,784,206
	Short term borrowing (note 10.4)	897,104,489	971,497,408
		904,775,583	981,281,614
		1,989,439,426	2,143,482,821
	Outside Bangladesh	-	-
	Total	1,989,439,426	2,143,482,821

10.1 Bank loan

BAS 1.77	This represents long term loan taken from different commercial banks, and is made up as under:		
	(Figures in BDT)	2012	2011
	Balance at 1 January	1,162,201,207	1,247,079,117
	Received during the year	550,000,000	340,000,000
	Repayment during the year	(627,537,364)	(424,877,910)
	Balance at 31 December	1,084,663,843	1,162,201,207

Loans are secured by way of first charge on all fixed and floating assets of the Company, ranking pari passu among all the lenders. The period of such loans ranges from three to five years.

10.1.1 Break up of bank loans:

	BASIC Bank Limited	66,505,124	96,130,334
	Mutual Trust Bank Limited	130,112,085	362,527,560
	Shahjalal Islami Bank Limited	345,907,220	231,249,861
	Standard Bank Limited	67,914,793	56,998,277
	State Bank of India	33,597,716	74,465,690
	Trust Bank Limited	72,901,919	138,742,842
	Social Islami Bank Limited	-	905,458
	United Commercial Bank Limited	88,582,065	126,290,069
	Uttara Bank Limited	279,142,921	74,891,116
	Total secured long term loans	1,084,663,843	1,162,201,207
	Unsecured long term loans		
	JICA fund	4,000,000	-
	Fund from Bangladesh Bank	3,671,094	9,784,206
	Total unsecured long term loans	7,671,094	9,784,206

10.2 SMESPD fund

BAS 1.77 Fund received from Japan International Cooperation Agency (JICA) through Bangladesh Bank. Details are as under:

(Figures in BDT)	2012	2011
Balance at 1 January	-	-
Received during the year	4,000,000	-
Repayment during the year	-	-
Balance at 31 December	4,000,000	-

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

10.3 Fund from Bangladesh Bank

BAS 1.77 This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to small & medium enterprises as well as agricultural projects. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

(Figures in BDT)	2012	2011
Balance at 1 January	9,784,206	17,438,197
Received during the year	497,363	817,916
Repayment during the year	(6,610,475)	(8,471,907)
Balance at 31 December	3,671,094	9,784,206

10.4 Short-term borrowings

BAS 1.77 This represents money at call and on short notice and bank overdraft availed to meet short-term fund requirements.

Money at call and on short notice

As on the reporting date Tk. 670,000,000 was received from different banks as money at call

and short notice. According to FID circular no. 05, dated June 08, 2005, non-banking financial institution can avail call money facility maximum upto 15% of its net assets. Based on the circular mentioned above, the maximum limit of call money for the Company was Tk. 870.78 million (calculated based on the half yearly report of 2012 of the Company).

Break up of short term borrowings:

(Figures in BDT)	2012	2011
10.4.1 Short term loans		
United Commercial Bank Limited	90,165,734	96,710,308
Shahjalal Islami Bank Limited	40,234,334	90,477,131
Mutual Trust Bank Limited	50,790,404	51,661,869
State Bank of India	45,914,017	132,648,100
Southeast Bank Limited	-	100,000,000
Total	227,104,489	471,497,408
10.4.2 Call Loans		
Bangladesh Development Bank Limited	50,000,000	-
BASIC Bank Limited	50,000,000	100,000,000
Delta Brac Housing Finance Corporation Limited	-	130,000,000
Midas Financing Limited	-	50,000,000
Pubali Bank Limited	40,000,000	100,000,000
Southeast Bank Limited	130,000,000	-
Standard Bank Limited	70,000,000	-
The City Bank Limited	230,000,000	-
United Commercial Bank Limited	100,000,000	-
United Leasing Company Limited	-	120,000,000
Total	670,000,000	500,000,000
Total short term borrowings	897,104,489	971,497,408

Notes to the Financial Statements - continued

(Figures in BDT)		2012	2011
10.4.3 Security against borrowings from other banks and financial institutions			
	Secured	1,084,663,843	1,162,201,207
	Unsecured	904,775,583	981,281,614
	Total	1,989,439,426	2,143,482,821
10.5 Maturity wise grouping			
BAS 1.61	Repayable on demand	670,000,000	500,000,000
	Up to 1 month	31,995,287	27,647,923
	1 month to 3 months	311,580,464	98,690,378
	3 months to 1 year	327,298,426	837,513,719
	1 year to 5 years	648,565,249	679,630,801
	More than 5 years	-	-
	Total	1,989,439,426	2,143,482,821
10.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated)			
BAS 1.77	Union Capital Limited	1,989,439,426	2,143,482,821
	SES Company Limited	314,000,000	280,000,000
	UniCap Investments Limited	74,305	-
	Total	2,303,513,731	2,423,482,821
	Less: Inter-company transactions	314,074,305	280,000,000
	Balance as on 31 December	1,989,439,426	2,143,482,821
11 TERM DEPOSIT			
BAS 1.77	This comprises interest bearing deposits from individuals and organizations for period ranging from 6 months to 10 years.		
	(Figures in BDT)		
		2012	2011
Banks and other financial institutions			
	Term deposit	1,220,000,000	200,000,000
Other institutions			
	Term deposit	2,690,670,605	2,944,971,791
Individuals			
	Term deposit	524,621,681	482,510,985
	Income deposit	97,100,000	43,000,000
	Monthly savings scheme	48,000	-
		621,769,681	525,510,985
	Total	4,532,440,286	3,670,482,776
Movements of deposits as on 31 December 2012 and 2011 are as under:			
	(Figures in BDT)	2012	2011
	Balance at 1 January	3,670,482,776	3,202,462,255
	Received/renewed during the year	2,912,876,052	2,754,441,243
	Repayment during the year	(2,050,918,542)	(2,286,420,722)
	Balance at 31 December	4,532,440,286	3,670,482,776
Maturity wise grouping			
BAS 1.61	Repayable on demand	-	-
	Repayable within 1 month	378,196,161	228,499,588
	1 month to 6 months	2,758,471,763	615,818,315
	6 months to 1 year	1,326,445,360	2,704,307,246
	1 year to 5 years	68,577,002	117,757,627
	5 years to 10 years	750,000	4,100,000
	More than 10 years	-	-
	Unclaimed deposits for 10 years or more	-	-
	Total	4,532,440,286	3,670,482,776

11.a TERM DEPOSITS (consolidated)

(Figures in BDT)	2012	2011
Union Capital Limited	4,532,440,286	3,670,482,776
SES Company Limited	-	-
UniCap Investments Limited	-	-
Total	4,532,440,286	3,670,482,776
Less: Inter-company transactions	211,018,500	99,000,000
Balance as on 31 December	4,321,421,786	3,571,482,776

12 OTHER DEPOSITS

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/installments or repaid at the end of term. This is made up as under:		
(Figures in BDT)	2012	2011
Balance at 1 January	415,451,973	240,462,499
Received during the year	866,790,226	668,130,840
Repayment during the year	(1,005,362,724)	(493,441,365)
Balance at 31 December	276,879,475	415,151,974
Breakup of other deposits on the basis of category of finance is as under:		
Lease advance	48,884,761	45,284,979
Term finance advance	44,623,908	202,451,472
Cash security	183,370,806	167,415,523
Balance as on 31 December	276,879,475	415,151,974
Advance and security deposit reduce the exposure with the clients and thereby reduce the risks. No interest is payable on advances while cash security deposits are interest bearing.		

13 OTHER LIABILITIES

(Figures in BDT)	2012	2011
Provision for loans, advances and leases (note 13.1)	466,715,515	312,587,353
Provision for diminution in value of investments (note 13.2)	36,245,140	116,340,214
Interest suspense (note 13.3)	292,318,016	195,156,647
Provision for tax (note 13.4)	776,289,286	743,671,727
Financial expenses payable (note 13.5)	282,192,313	251,638,171
Obligation under capital lease (note 13.6)	6,697,243	6,094,337
Excise duty	10,000	4,350
Withholding tax payable	1,094,284	1,038,743
VAT payable	348,301	157,552
Accrued expenses and other payable (note 13.7)	41,028,559	70,388,753
Total	1,902,938,657	1,697,077,847

13.1 Provision for leases, loans and advances

Management, on the basis of analysis of portfolio and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses. The provision is considered adequate to cover the possible future losses.

(Figures in BDT)	2012	2011
General provision on unclassified loans, advances and leases	77,651,703	70,197,053
Specific provision on classified loans, advances and leases	389,063,812	242,390,300
Provision as on 31 December	466,715,515	312,587,353

Notes to the Financial Statements - *continued*

Movement in general provision on unclassified loans/leases:

	(Figures in BDT)	2012	2011
BAS 37.84 (a)	Provision as on 1 January	70,197,053	96,678,234
BAS 37.84 (b)	Add: Provision made/(released) during the year	7,454,650	(26,481,181)
BAS 37.84 (a)	Provision as on 31 December	77,651,703	70,197,053

Movement in specific provision on classified loans/leases:

BAS 37.84 (a)	Provision as on 1 January	242,390,300	211,178,668
	Less: Fully provided debts written off during the year	-	-
	Add: Recoveries of amounts previously written off	-	-
	Add: Specific provision made during the year for other accounts	-	-
	Less: Provision no longer required	-	-
	Less: Adjustment for write off	-	-
BAS 37.84 (b)	Add: Net charge to profit and loss account	146,673,512	31,211,632
BAS 37.84 (a)	Provision as on 31 December	389,063,812	242,390,300
	Total	466,715,515	312,587,353

13.1.a Provision for loans, advances and leases (consolidated)

	(Figures in BDT)	2012	2011
	Union Capital Limited	466,715,515	312,587,353
	SES Company Limited	1,492,581	-
	UniCap Investments Limited	-	-
	Balance as on 31 December	468,208,096	312,587,353

13.2 Provision for diminution in value of investments

	(Figures in BDT)	2012	2011
BAS 37.84 (a)	Provision as on 1 January	116,340,214	20,895,892
	Add: Provision made/(released) during the year (note 13.2.1)	(80,095,074)	95,444,322
BAS 37.84 (a)	Provision as on 31 December	36,245,140	116,340,214

13.2.1 Allocation of provision for diminution in value of investments

	Listed securities	(80,095,074)	95,444,322
	Unlisted securities	-	-
	Total	(80,095,074)	95,444,322

13.2.a Provision for diminution in value of investments (consolidated)

BAS 1.77	Union Capital Limited	(80,095,074)	95,444,322
	SES Company Limited	9,666,520	-
	UniCap Investments Limited	-	-
	Balance as on 31 December	(70,428,554)	95,444,322

13.3 Interest suspense

BAS 37.84 (a)	Balance as on 1 January	195,156,647	212,858,807
BAS 37.84 (b)	Add: Transferred during the year	97,161,369	-
	Less:		
	Amount of interest suspense recovered	-	(17,702,160)
	Write off during the year	-	-
BAS 37.84 (a)	Balance as on 31 December	292,318,016	195,156,647

Notes to the Financial Statements - *continued*

Bangladesh Bank FID circular no. 3 of 2006 requires that interest on loans/leases classified as SMA and above will be credited to interest suspense account, instead of crediting the

same to income account. In accordance with the above circular interest on various facilities classified as SMA, SS, DF and BL, has been set-aside in this account.

13.3.1 Product wise interest suspense accounts

(Figures in BDT)	2012	2011
On lease finance	232,100,303	188,086,148
On term finance	60,217,713	7,070,499
	292,318,016	195,156,647

13.4 Provision for tax

Provision for tax comprises provision for current tax and provision for deferred tax as well.

liability as per applicable rate enacted by Finance Act 2012.

Provision for current tax

The Company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax

Tax on capital gain

The Government through Finance ACT 2010 imposed tax on capital gain from sale of listed companies shares @10 percent effective from 1st July 2010, which is considered in this report.

BAS 37.84 (a)	Balance at 1 January	743,671,727	552,616,292
BAS 37.84 (b)	Provision made during the year	32,617,559	191,055,435
	Transferred to/(from)	-	-
BAS 37.84 (a)	Balance at 31 December	776,289,286	743,671,727

While estimating the current income tax for the year ended 31 December 2012, the Company has considered certain types of allowances made during the year as an admissible expense for income tax in current period.

Shortfall, if any between the current tax and tax ultimately payable by the Company shall be charged to the profit and loss at the time of final settlement.

13.4.a Provision for current tax (consolidated)

BAS 1.77	(Figures in BDT)	2012	2011
	Union Capital Ltd.	776,289,286	743,671,727
	SES Company Ltd.	102,496,989	87,725,539
	UniCap Investments Ltd.	6,022,846	194,521
	Balance as on 31 December	884,809,121	831,591,787

13.5 Financial expenses

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

13.6 Obligation under capital lease

This represents fixed assets acquired under capital lease. Lease rentals are payable on monthly basis which include principal

repayment and financial charges as per repayment schedule. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise it.

(Figures in BDT)	2012			2011
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Principal outstanding
More than one year	6,177,480	1,573,261	4,604,219	2,249,375
Within one year	3,022,380	929,356	2,093,024	3,844,962
Total	9,199,860	2,502,617	6,697,243	6,094,337

13.7 Accrued expenses and other payable

(Figures in BDT)	2012	2011
Portfolio investment fund (note 13.7.1)	29,156,274	58,833,936
Management expenses	11,872,285	11,554,817
Others payables	-	-
Balance as on 31 December	41,028,559	70,388,753

Portfolio investment fund

This represents fund of portfolio investors deposited with Union Capital for investment in different listed securities at investors' discretion as per regulation 30 of the Bangladesh Securities and Exchange Commission (Merchant Bankers & Portfolio Manager) Regulations, 1996.

13.7.1 Portfolio investors' fund

This represents the balance of deposits made with the Company by the portfolio investors to take margin loan and buy marketable securities. The balance of fund has been arrived at as follows:

(Figures in BDT)	2012	2011
Deposit made by the portfolio investors for purchases of securities	2,656,806,351	3,494,166,763
Margin loan extended for purchase of securities	3,160,183,348	2,595,775,788
Total	5,816,989,699	6,089,942,551
Less: Investment in securities	5,253,925,257	5,523,226,118
Interest and other charges	533,908,168	507,882,497
Total	5,787,833,425	6,031,108,615
Balance of fund at the end of the year	29,156,274	58,833,936

13.a OTHER LIABILITIES (consolidated)

(Figures in BDT)	2012	2011
Union Capital Limited	1,902,938,657	1,697,077,847
SES Company Limited	602,720,173	780,745,818
UniCap Investments Limited	14,154,651	252,021
Total	2,519,813,482	2,478,075,680
Less: Inter-company transactions	481,114,852	622,998,701
Balance as on 31 December	2,038,698,629	1,855,076,985

14 SHARE CAPITAL

As at 31 December 2012, a total of 104,675,549 (FY 2011: 95,159,590) ordinary shares of Tk.10 each were issued, subscribed and fully paid up. Details are as follows:

Authorized capital

(Figures in BDT)	2012	2011
200,000,000 Ordinary shares of Tk. 10 each	2,000,000,000	2,000,000,000
Issued, subscribed and paid up capital:		
95,159,590 Ordinary shares of Tk.10 each	951,595,900	543,769,090
9,515,959 Bonus shares	95,159,590	407,826,810
Total 104,675,549	1,046,755,490	951,595,900

Pattern of shareholdings

Directors/ Executives	Represented by	No. of shares held	Percentage
Enrilco Limited	Mr. Nadeem A. Chaudhury	4,793,176	4.58
Palmal Garments Hosiery Ltd.	Mrs. Tajrina Sikder	10,185,863	9.73
Palmal Garments Hosiery Ltd.	Mr. Kazi Russel Mahbub		
EC Securities Ltd.	Mr. Chowdhury Tanzim Karim	7,557,258	7.22
EC Securities Ltd.	Mrs. Rumana Sharif		
Mr. M. A. Salam	Self	6,556,258	6.26
Mr. M. Faizur Rahman	Self	5,166,327	4.94
Mr. Nasir A. Choudhury	Self	4,657,783	4.45
Mrs. Meherunnesa Haque	Self	2,119,327	2.02
Mr. Kazi Golam Samiur Rahman	Self	3,749,716	3.58
Mr. N. H. Khan, Independent Director	Self	Nil	Nil
Mr. Ziaul Hasan Siddiqui, Independent Director	Self	Nil	Nil
Md. Akter H. Sannamat FCA, FCS, Managing Director & CEO	N/A	Nil	Nil
Mr. Mushfiq UI Quayoom, CFO	N/A	Nil	Nil

Composition of shareholdings

Composition of shareholdings as on 31 December 2012 was under:

	No. of Shareholders		No. of Shares		Percentage	
	2012	2011	2012	2011	2012	2011
Sponsors (Institutions)	5	5	247,952,490	225,411,380	23.69	23.69
Sponsors (Individuals)	14	15	337,918,970	330,809,240	32.28	34.76
General Public (Institutions)	272	333	173,739,330	160,680,680	16.60	16.89
General Public (Individuals)	9,874	9404	287,144,700	234,694,600	27.43	24.66
Total	10,165	9,757	1,046,755,490	951,595,900	100	100

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2012 was as under:

	No. of shareholders		No. of Shares		Percentage	
Shareholding range	2012	2011	2012	2011	2012	2011
Less than 500 shares	2,764	3,269	673,454	1,202,780	0.64	1.26
500 to 5,000 shares	6,276	5,619	10,447,410	9,901,880	9.98	10.41
5,001 to 10,000 shares	607	476	4,318,807	3,474,884	4.13	3.65
10,001 to 20,000 shares	269	189	3,792,494	2,740,088	3.62	2.88
20,001 to 30,000 shares	74	58	1,848,091	1,476,413	1.77	1.55
30,001 to 40,000 shares	40	37	1,380,154	1,319,364	1.32	1.39
40,001 to 50,000 shares	22	17	973,509	757,275	0.93	0.80
50,001 to 100,000 shares	43	30	3,142,768	2,098,481	3.00	2.21
100,001 to 1,000,000 shares	54	45	20,061,679	14,505,002	19.17	15.24
Over 1,000,000 shares	16	17	58,037,183	57,683,423	55.44	60.62
Total	10,165	9,757	104,675,549	95,159,590	100	100

Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no 05 dated 4 July 2011 of Bangladesh Bank that a financial institutions to have a minimum paid up capital of Tk. 1,000 million. Moreover, as per DFIM circular

no. 14 dated 28 December 2011 the financial institutions are required to follow the prudential guidelines on Capital Adequacy and Market Discipline (CAMD) from 01 January 2012. Details are as under:

Notes to the Financial Statements - *continued*

(Figures in BDT)	2012	2011
Solo basis		
Core capital (Tier-1)		
Paid up capital	1,046,755,490	951,595,900
Share premium	-	-
Statutory reserves	254,068,611	243,107,034
General reserves	-	-
Dividend equalization reserves	7,000,000	55,000,000
Retained earnings	45,474,434	143,947,308
Sub-Total	1,353,298,534	1,393,650,242
Supplimentary capital (Tier-2)		
General provision (unclassified loans upto specified limit+SMA + Off balance sheet exp.)	137,523,436	127,814,877
Asset revaluation reserves up to 50%	-	-
Revaluation reserve for securities upto 45%	-	-
All other preference shares	-	-
Other (if any item approved by Bangladesh Bank)	-	-
Sub-total	137,523,436	127,814,877
Total eligible capital (A)	1,490,821,971	1,521,465,119
Total risk weighted assets (RWA) (B)	11,001,874,911	10,225,190,151
Required capital based on risk weighted assets (10% of B) (C)	1,100,187,491	1,022,519,015
Capital surplus (A-C)	390,634,480	498,946,104
Capital adequacy ratio (%) (A/B*100)	13.55	14.88
Consolidated basis		
Core capital (Tier-1)		
Paid up capital	1,046,755,490	951,595,900
Share premium	-	-
Statutory reserves	254,068,611	243,107,034
General reserves	-	-
Dividend equalization reserves	7,000,000	55,000,000
Non-controlling interest	149	65
Retained earnings	55,581,159	152,137,144
Sub-total	1,363,405,409	1,401,840,143
Supplimentary capital (Tier-2)		
General provision (unclassified loans upto specified limit+SMA + Off balance sheet exp.)	145,566,139	142,047,231
Asset revaluation reserves up to 50%	252,750,000	252,750,000
Revaluation reserve for securities upto 45%	-	-
All other preference shares	-	-
Other (if any item approved by Bangladesh Bank)	-	-
Sub-total	398,316,139	394,797,231
Total eligible capital (A)	1,761,721,548	1,796,637,374
Total risk weighted assets (RWA) (B)	11,645,291,102	11,363,778,474
Required capital based on risk weighted assets (10% of B) (C)	1,164,529,110	1,136,377,847
Capital surplus (A-C)	597,192,437	660,259,526
Capital adequacy ratio (%) (A/B*100)	15.13	15.81

Notes to the Financial Statements - *continued*

15 STATUTORY RESERVE

(Figures in BDT)	2012	2011
Balance as on 1 January	243,107,034	207,554,744
Add: Transferred from profit during the year	10,961,577	35,552,290
Balance as on 31 December	254,068,611	243,107,034

16 RETAINED EARNINGS

(Figures in BDT)	2012	2011
Balance as on 1 January	143,947,308	464,564,961
Less: Issuance of bonus shares (2011)	(95,159,590)	(407,826,810)
Less: Payment of cash dividend (Year 2011)	(95,159,590)	-
Add: Transfer from dividend equalization reserve	48,000,000	-
Add: Profit after tax for the year	54,807,883	177,761,447
Less: Transferred to dividend equalization reserve	-	(55,000,000)
Less: Transferred to statutory reserve	(10,961,577)	(35,552,290)
Balance as on 31 December	45,474,434	143,947,308

16.a RETAINED EARNINGS (Consolidated)

(Figures in BDT)	2012	2011
Balance as on 1 January	152,137,144	472,240,703
Less: Issuance of bonus shares (2011)	(95,159,590)	(407,826,810)
Less: Payment of cash dividend (Year 2011)	(95,159,590)	-
Add: Transfer from dividend equalization reserve	48,000,000	-
Add: Profit after tax for the year	56,724,791	178,275,541
Less: Transferred to dividend equalization reserve	-	(55,000,000)
Less: Transferred to statutory reserve	(10,961,577)	(35,552,290)
Balance as on 31 December	55,581,178	152,137,144

17 INCOME STATEMENT

(Figures in BDT)	2012	2011
Income:		
Interest, discount and similar income (note 18)	884,393,769	904,443,759
Dividend income (note 20)	27,777,698	3,239,514
Fees, commission, exchange and brokerage (note 21)	64,641,965	109,999,646
Gains less losses arising from investment in securities (note 20)	24,233,191	9,579,529
Other operating income (note 21)	93,258,472	149,735,507
Total	1,094,305,095	1,176,997,955
Expenses:		
Interest paid on deposits, borrowings etc. (Note 19)	851,825,045	613,274,884
Losses on leases, loans, advances and investments	74,033,088	100,174,773
Administrative expenses (note 17.1)	60,133,849	71,278,619
Depreciation and impairment on banking assets	11,034,444	12,548,262
Other operating expenses	11,109,624	13,511,342
Total	1,008,136,050	810,787,880

Notes to the Financial Statements - *continued*

17.1 Administrative expenses

BAS 1.97	(Figures in BDT)	2012	2011
	Salary and allowances (note 23)	36,800,057	38,872,877
	Rent, taxes, insurance, electricity, etc (note 24)	11,622,223	17,373,611
	Legal expenses	248,891	65,870
	Postage, stamp, telecommunication, etc (note 25)	1,311,484	3,200,761
	Stationery, printings, advertisements, etc (note 26)	5,284,694	3,499,919
	Managing Director's salary and allowances (note 27)	3,960,000	7,182,581
	Directors' fees (note 28)	755,000	945,000
	Auditors' fees (note 29)	151,500	138,000
	Total	60,133,849	71,278,619

18 INTEREST INCOME

BAS 18.35 (b)	(Figures in BDT)	2012	2011
	Income from lease finance	129,736,508	215,625,443
	Income from term finance	278,445,109	276,901,812
	Income from margin loan	474,565,226	409,879,323
	Income form other finance	1,646,926	2,037,181
	Total	884,393,769	904,443,759

18.a INTEREST INCOME (Consolidated)

BAS 1.97

(Figures in BDT)		
Union Capital Limited	884,393,769	904,443,759
SES Company Limited	72,455,269	70,746,777
UniCap Investments Limited	-	-
Total	956,849,038	975,190,536
Less: Inter-company transactions	59,699,799	68,064,244
Balance as on 31 December	897,149,239	907,126,292

19 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.

BAS 1.97	(Figures in BDT)		
	Interest on bank loan	155,865,018	143,154,844
	Interest on JICA fund	37,222	-
	Interest on fund from Bangladesh Bank	460,141	817,917
	Interest on term deposits	535,876,705	401,276,094
	Interest on money at call & short notice	139,439,570	52,100,764
	Interest on cash security deposit	18,113,496	14,886,422
	Interest on obligation under capital leases	715,515	459,479
	Bank charges	1,317,378	579,364
	Total	851,825,045	613,274,884

Allocation of the above expenses is as under:

Financing operation	405,175,420	240,657,318
Merchant banking operation (a)	446,649,625	372,617,566
Total	851,825,045	613,274,884

(a) Interest paid on deposits, borrowings etc have been allocated to Merchant Banking Unit applying the weighted average rate of borrowed fund on the basis of daily usage of fund used for margin loan provided to the portfolio investors.

19.a INTEREST PAID ON DEPOSITS, BORROWINGS, ETC. (consolidated)

BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	851,825,045	613,274,884
	SES Company Limited	59,699,799	68,064,244
	UniCap Investments Limited	-	-
	Total	911,524,844	681,339,128
	Less: Inter-company transactions	75,397,709	69,326,494
	Balance as on 31 December	836,127,135	612,012,634

20 INCOME FROM INVESTMENT

BAS 18.35 (b)	(Figures in BDT)	2012	2011
	Capital gain on sale of securities (note 20.1)	24,233,191	9,579,529
	Dividend income	27,777,698	3,239,514
	Total	52,010,889	12,819,043

20.1 Capital gain on sale of securities

BAS 1.97	(Figures in BDT)	2012	2011
	Gain on sales of shares	51,251,025	19,460,607
	Loss on sales of shares	(27,017,834)	(9,881,078)
	Net gain from sale of securities	24,233,191	9,579,529

20.a INCOME FROM INVESTMENT (consolidated)

BAS 1.97

(Figures in BDT)	2012	2011
Union Capital Limited	52,010,889	12,819,043
SES Company Limited	13,070,054	60,387
UniCap Investments Limited	-	-
Total	65,080,943	12,879,430
Less: Inter-company transactions	22,000,000	-
Balance as on 31 December	43,080,943	12,879,430

21 FEES, COMMISSIONS, EXCHANGE AND BROKERAGE

BAS 18.35 (b)	(Figures in BDT)	2012	2011
	Issue management fee (a)	1,775,000	2,465,000
	Underwriting commission (b)	3,524,023	9,397,322
	Portfolio management fee and other charges (c)	59,342,942	98,071,174
	Advisory service fee and charges	-	66,150
	Total	64,641,965	109,999,646
Allocation of the above income is as under:			
Financing operation	5,299,023	11,928,472	
Merchant banking operation	59,342,942	98,071,174	
Total	64,641,965	109,999,646	

a. Issue management fee includes fees received by the Company during the year for managing initial public offerings (IPO), rights issues etc.

b. Underwriting commissions includes commission received from Public issues for underwriting of the issued securities. Underwriting commission is determined as per rules of the Bangladesh Securities and Exchange Commission.

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

21.a FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)

BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	64,641,965	109,999,646
	SES Company Limited	47,495,407	90,010,901
	UniCap Investments Limited	-	-
	Balance as on 31 December	112,137,372	200,010,547

22 OTHER OPERATING INCOME

BAS 18.35 (b)	(Figures in BDT)	2012	2011
	Service charge-SES Company Ltd	-	63,413,037
	Delinquent interest, IDCP etc.	40,723,276	64,514,144
	Renewals and proceeds	857,102	956,394
	Interest on deposits	8,986,643	3,791,776
	Gain/(loss) on sale of fixed assets	(53,920)	(720)
	Others	42,745,371	17,060,876
	Total	93,258,472	149,735,507
	Allocation of the above income is as under:		
	Financing operation	93,258,472	149,735,507
	Merchant banking operation	-	-
	Balance as on 31 December	93,258,472	149,735,507

22.a OTHER OPERATING INCOME (consolidated)

BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	93,258,472	149,735,507
	SES Company Limited	2,378,331	2,185,463
	UniCap Investments Limited	15,697,910	1,262,250
	Total	111,334,713	153,183,220
	Less: Inter-company transactions	15,697,910	64,675,287
	Balance as on 31 December	95,636,803	88,507,933

23 SALARIES AND OTHER EMPLOYEE BENEFITS

BAS 1.104	(Figures in BDT)	2012	2011
	Salaries & allowances (a)	32,183,684	34,822,565
	Festival and incentive bonus	4,616,373	4,050,312
	Balance as on 31 December	36,800,057	38,872,877

Salaries and allowances include contribution to approved provident fund and gratuity fund amounting to Tk.4,939,241 and Tk. 1,616,538 respectively.

23.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)

BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	36,800,057	38,872,877
	SES Company Limited	16,239,005	-
	UniCap Investments Limited	-	-
	Balance as on 31 December	53,039,062	38,872,877

24 RENT, TAXES, INSURANCE, ELECTRICITY etc.

BAS 1.97	(Figures in BDT)	2012	2011
	Office rent, rates and taxes	9,750,804	15,311,981
	Insurance	223,089	230,450
	Power and electricity	1,648,330	1,831,180
	Balance as on 31 December	11,622,223	17,373,611

24.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)

BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	11,622,223	17,373,611
	SES Company Limited	6,584,598	-
	UniCap Investments Limited	-	-
	Balance as on 31 December	18,206,821	17,373,611

25 POSTAGE, STAMP, TELECOMMUNICATION etc.

BAS 1.97	(Figures in BDT)	2012	2011
	Postage	134,182	188,378
	Telegram, telex, fax and e-mail	561,323	2,468,066
	Telephone - office	615,979	544,317
	Balance as on 31 December	1,311,484	3,200,761

25.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)

BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	1,311,484	3,200,761
	SES Company Limited	1,902,908	-
	UniCap Investments Limited	-	-
	Balance as on 31 December	3,214,392	3,200,761

26 STATIONERY, PRINTING, ADVERTISEMENTS etc.

BAS 1.97	(Figures in BDT)	2012	2011
	Printing and stationery	709,234	658,031
	Advertisement and publicity	4,575,460	2,841,888
	Balance as on 31 December	5,284,694	3,499,919

26.a STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)

BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	5,284,694	3,499,919
	SES Company Limited	712,288	-
	UniCap Investments Limited	-	5,995
	Balance as on 31 December	5,996,982	3,505,914

27 MANAGING DIRECTOR'S SALARY AND FEES

3,960,000 **7,182,581**

In addition to remuneration, he is also provided with company's cars and cell phone.

28 DIRECTORS' FEES

The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by the Bangladesh Bank. As per Bangladesh Bank

circular, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 5,000 for attending each meeting. Details are as under:

Notes to the Financial Statements - *continued*

	(Figures in BDT)	2012	2011
	Total board meetings (nos.)	11	14
	Total board audit committee meetings (nos.)	5	4
	Total board executive committee meetings (nos.)	9	10
	Total fees paid	755,000	945,000
	Total members of the board (nos.)	11	11
	Quorum for board meeting (nos.)	5	5
	Average number of Directors present in the board meetings (nos.)	9.27	10
	Quorum for board audit committee Meeting (nos.)	2	2
	Average no. of Directors present in the audit committee meetings (nos.)	3.8	3.5
	Quorum for board executive committee Meeting (nos.)	2	2
	Average no. of Directors present in the executive committee meetings (nos.)	4.11	3.5
28.a	DIRECTORS' FEES (consolidated)		
BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	755,000	945,000
	SES Company Limited	-	-
	UniCap Investments Limited	-	55,000
	Balance as on 31 December	755,000	1,000,000
29	AUDITORS FEE		
BAS 1.97	(Figures in BDT)	2012	2011
	Auditors' fee	130,000	120,000
	VAT on audit fee	21,500	18,000
	Balance as on 31 December	151,500	138,000
29.a	AUDITORS FEE (consolidated)		
BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	151,500	138,000
	SES Company Limited	97,750	97,750
	UniCap Investments Limited	57,500	57,500
	Balance as on 31 December	306,750	293,250
30	DEPRECIATION AND REPAIR OF ASSETS		
BAS 1.104	(Figures in BDT)	2012	2011
	Depreciation of fixed assets-freehold	8,160,857	9,132,072
	Depreciation of fixed assets-leasehold vehicle	1,394,068	836,668
	Amortization of intangible assets	247,739	234,684
	Repairs and maintenance	1,231,780	2,344,838
	Balance as on 31 December	11,034,444	12,548,262
30.a	DEPRECIATION AND REPAIR OF ASSETS (consolidated)		
BAS 1.97	(Figures in BDT)	2012	2011
	Union Capital Limited	11,034,444	12,548,262
	SES Company Limited	739,260	-
	UniCap Investments Limited	-	-
	Balance as on 31 December	11,773,704	12,548,262

31 OTHER EXPENSES

	(Figures in BDT)	2012	2011
BAS 1.97	HR development	140,774	213,017
	Travelling and conveyance	4,139,493	4,242,988
	Motor vehicle expenses	1,021,571	1,382,939
	Subscription and fees	1,724,111	2,975,445
	Books, magazines, newspapers, etc	30,201	25,761
	AGM expenses (note 31.1)	3,094,753	2,556,884
	Entertainment and public relation & others	958,721	1,707,328
	Donation	-	406,980
	Balance as on 31 December	11,109,624	13,511,342

31.1 AGM expenses

	(Figures in BDT)	2012	2011
BAS 1.97	Rent for venue	36,317	130,000
	Printing of annual report and database	2,160,054	1,510,000
	Publication of notice	126,242	70,875
	Entertainment	705,000	705,000
	Others	67,140	141,009
	Balance as on 31 December	3,094,753	2,556,884

31.a OTHER EXPENSES (consolidated)

	(Figures in BDT)	2012	2011
BAS 1.97	Union Capital Limited	11,109,624	13,511,342
	SES Company Limited	9,289,868	72,598,641
	UniCap Investments Limited	98,211	625,033
	Total	20,497,703	86,735,016
	Less: Inter-company transactions	-	63,413,037
	Balance as on 31 December	20,497,703	23,321,979

32 MANAGEMENT EXPENSES

Management expenses include salaries, other employee benefits and proportionate other management expenses. It is determined on the basis of proportionate operating revenue of Merchant Banking Unit.

33 RECEIPTS FROM OTHER OPERATING ACTIVITIES

	(Figures in BDT)	2012	2011
BAS 1.97	Service charge-SES Company Ltd	-	63,413,037
	Delinquent interest, IDCP etc.	40,723,276	64,514,144
	Renewals and proceeds	857,102	956,394
	Interest on deposits	8,986,643	3,791,776
	Others	42,745,371	17,060,876
	Balance as on 31 December	93,312,392	149,736,227

34 PAYMENTS FOR OTHER OPERATING ACTIVITIES

	(Figures in BDT)	2012	2011
BAS 1.97	HR development	140,774	213,017
	Travelling and conveyance	4,139,493	4,242,988
	Motor vehicle expenses	1,021,571	1,382,939
	Subscription and fees	1,724,111	2,975,445
	Books, magazines, newspapers, etc	30,201	25,761
	AGM expenses (note 31.1)	3,094,753	2,556,884
	Entertainment and public relation & others	958,721	1,707,328
	Donation	-	406,980
	Balance as on 31 December	11,109,624	13,511,342

35 EARNINGS PER SHARE

BAS 33.70 Earnings Per Share (EPS) is calculated in accordance with Bangladesh Accounting Standard 33: Earnings Per Share, which has been shown on the face of profit and loss account.

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of Tk. 54,807,883 (2011: Tk. 177,761,447) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2012 of 104,675,549 (2011: 95,159,590)

Profits attributable to ordinary shareholders

(Figures in BDT)

	2012	2011
Net profit for the year	54,807,883	177,761,447

Weighted average number of ordinary shares

Ordinary shares at 1 January	95,159,590	54,376,909
Bonus shares issued	9,515,959	40,782,681
Weighted average number of ordinary shares at 31 December	104,675,549	95,159,590
Restated weighted average number of ordinary shares	104,675,549	104,675,549

Earnings per share	0.52	1.87
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Earnings per share (restated)	0.52	1.70
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Diluted earnings per share

The dilutive effect relates to the average number of potential ordinary share held under option of convertibility. There was no such

dilutive potential ordinary share during the year 2012 and hence no diluted earnings per share is required to be calculated.

35.a EARNINGS PER SHARE (consolidated)**Profits attributable to ordinary shareholders**

(Figures in BDT)

	2012	2011
Net profit for the year (consolidated)	56,724,772	178,275,541

Weighted average number of ordinary shares

Ordinary shares at 1 January	95,159,590	54,376,909
Bonus shares issued	9,515,959	40,782,681
Weighted average number of ordinary shares at 31 December	104,675,549	95,159,590
Restated weighted average number of ordinary shares	104,675,549	104,675,549

Earnings per share- consolidated	0.54	1.87
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Earnings per share- consolidated (restated)	0.54	1.70
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36 OPERATING SEGMENT REPORT

(Figures in BDT)

			2012
Revenue and profit	Core Business	Merchant Banking	Total
External revenue			
Net Interest Income	4,653,123	27,915,601	32,568,724
Investment Income	52,010,889	-	52,010,889
Fees, commission, exchange and brokerage	5,299,023	59,342,942	64,641,965
Other operating Income	93,258,472	-	93,258,472
Inter-segment revenue	-	-	-
Total segment revenue	155,221,507	87,258,543	242,480,050
Other operating expenses	65,234,717	7,240,536	72,475,253
Major non-cash expenses:			
Depreciation	9,802,664	-	9,802,664
Provision for future losses	68,422,895	5,610,193	74,033,088
	143,460,276	12,850,729	156,311,005
Reportable segment profit before tax	11,761,231	74,407,814	86,169,045

Notes to the Financial Statements - continued

(Figures in BDT)			2011
Revenue and profit	Core Business	Merchant Banking	Total
External revenue			
Net Interest Income	253,907,119	37,261,756	291,168,875
Investment Income	12,819,043	-	12,819,043
Fees, commission, exchange and brokerage	11,928,471	98,071,175	109,999,646
Other operating Income	149,735,507		149,735,507
Inter-segment revenue	-	-	-
Total segment revenue	428,390,140	135,332,931	563,723,071
Other operating expenses	78,677,007	8,457,792	87,134,799
Major non-cash expenses:			
Depreciation	10,203,424	-	10,203,424
Provision for future losses	101,874,773	(1,700,000)	100,174,773
	190,755,204	6,757,792	197,512,996
Reportable segment profit before tax	237,634,936	128,575,139	366,210,075

Segment assets and liabilities

The necessary information regarding assets and liabilities of operating segments is not separable and individually identifiable for this purpose. For this reason the assets and liabilities of the respective segments is has not been presented here.

36.a OPERATING SEGMENT REPORT (consolidated)

(Figures in BDT)				2012
Revenue and profit	Core Business	Merchant Banking	Subsidiary	Total
External revenue				
Net Interest Income	20,351,033	27,915,601	12,755,470	61,022,104
Investment Income	30,010,889	-	13,070,054	43,080,943
Fees, commission, exchange and brokerage	5,299,023	59,342,942	47,495,407	112,137,372
Other operating Income	93,258,472	-	2,378,331	95,636,803
Inter-segment revenue	-	-	-	-
Total segment revenue	148,919,417	87,258,543	75,699,262	311,877,222
Other operating expenses	65,234,717	7,240,536	35,721,386	108,196,639
Major non-cash expenses:				
Depreciation	9,802,664	-	2	9,802,666
Provision for future losses	68,422,895	5,610,193	11,159,101	85,192,189
	143,460,276	12,850,729	46,880,489	203,191,494
Reportable segment profit before tax	5,459,141	74,407,814	28,818,773	108,685,728

(Figures in BDT)				2011
Revenue and profit	Core Business	Merchant Banking	Subsidiary	Total
External revenue				
Net Interest Income	253,907,119	37,261,756	3,944,783	295,113,658
Investment Income	11,177,866	-	1,701,564	12,879,430
Fees, commission, exchange and brokerage	11,928,471	98,071,175	90,010,901	200,010,547
Other operating Income	87,963,646	-	544,287	88,507,933
Inter-segment revenue	-	-	-	-
Total segment revenue	364,977,102	135,332,931	96,201,535	596,511,568
Other operating expenses	78,677,006	8,457,792	10,026,883	97,161,681
Major non-cash expenses:				
Depreciation	10,203,424	-	-	10,203,424
Provision for future losses	101,874,773	(1,700,000)	-	100,174,773
	190,755,203	6,757,792	10,026,883	207,539,878
Reportable segment profit before tax	174,221,899	128,575,139	86,174,652	388,971,690

Segment assets and liabilities

The necessary information regarding assets and liabilities of operating segments in not separable and individually identifiable for this purpose. For this reason the assets and liabilities of the respective segments is has not been presented here.

37 AVERAGE EFFECTIVE TAX RATE

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

(Figures in BDT)	2012	2011
Tax expenses	31,361,162	188,448,628
Accounting profit before tax	86,169,045	366,210,075
Average effective tax rate	36.39%	51.46%

37.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per Bangladesh Accounting Standard 12 Income Taxes.

(Figures in BDT)	2012	2011
Tax expenses	51,960,937	210,696,149
Accounting profit before tax	108,685,728	388,971,690
Average effective tax rate	47.81%	54.17%

38 INCREASE/(DECREASE) IN OTHER LIABILITIES.

(Figures in BDT)	2012	2011
Interest suspense	97,161,369	(17,702,160)
Financial expenses payable	30,554,142	3,980,555
Obligation under capital lease	602,906	6,094,337
Excise duty	5,650	(2,113)
Withholding tax payable	55,541	(301,788)
VAT payable	190,750	(192,812)
Accrued expenses and other payable	(29,360,195)	(28,138,203)
Balance as on 31 December	99,210,163	(36,262,184)

39 (INCREASE)/DECREASE IN OTHER ASSETS

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

(Figures in BDT)	2012	2011
Accrued interest	(17,078,963)	(1,895,576)
Advance office rent	9,107,298	2,185,429
Advance to employees	(418,193)	(20,375,222)
Receivable from brokerage houses against sale of Shares	217,030,103	(245,696,093)
Receivable from subsidiary company	(34,074,305)	(394,363,283)
Transfer price receivable	137,500	43,000
Others	(58,667,662)	(10,494,328)
Balance as on 31 December	116,035,778	(670,596,073)

40 MARKET CAPITALISATION AND SHARE PRICE

Market capitalization of the Company, which is the number of ordinary shares in issued, multiplied by the market value of a share. Total number of ordinary shares outstanding as at 31 December 2012 was 104,675,549 and the market value per share of last trading day (30 December 2012) was Tk. 27.80 in DSE. Thus market capitalization based on DSE value was Tk. 2,910 million.

Market for Union Capital's ordinary shares

Union Capital ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'UNIONCAP'. The following table indicated the high and low prices for shares of Union Capital, as reported by DSE and CSE.

		DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	66.70	37.00	66.80	36.90
	Second quarter	61.40	34.80	60.50	34.80
	Third quarter	35.90	27.90	35.70	27.90
	Fourth quarter	33.60	25.60	33.60	25.20
No. of shareholders	There were 10,165 shareholders as per share register as on 31 December 2012.				

41 RELATED PARTY TRANSACTIONS

BAS 24.12, 24.17

Union Capital in normal course of business carried out a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases to related parties including its directors and related companies. At 31 December 2012, related party loans/leases was Tk. 192.37 million representing 14.19 percent of shareholders equity. These related party loans/leases were

made at the competitive terms including interest rates and collateral requirements, as those offered to other customers of similar credentials. During 2012, there were no loans/leases to related parties that were charged off.

Union Capital also takes deposits from its related parties. The rates on deposits offered to them also similar to those offered to other depositors. Total on-balance sheet exposure with the related parties as at 31 December 2012 was as under:

Name of the related party	Relationship	Nature of transaction	2012	2011
Mr. Chowdhury Tanzim Karim	Director	Term deposit	(3,000,000)	-
Green Delta Insurance Company Limited	Common Directors	Term deposit	(107,866,362)	-
Kazi Golam Samiur Rahman	Director	Term deposit	(3,100,000)	-
Mrs. Meherunnesa Haque	Director	Term deposit	(20,000,000)	(20,000,000)
Mr. N. H. Khan	Independent Director	Term deposit	(1,000,000)	-
UniCap Investments Limited	Subsidiary Company	Term deposit	(211,018,500)	(99,000,000)
Popular Life Insurance Company Ltd.	Common Directors	Term deposit	-	(551,342,213)
Peoples Life Insurance Company Ltd.	Common Directors	Term deposit	-	(10,000,000)
Dr. Sabita Rezwana Rahman	Shareholder	Term deposit	(11,013,950)	(11,514,131)
Kazi Golam Rahman	Shareholder	Term deposit	(6,141,725)	(4,000,000)
Mr. Nasir A. Choudhury	Director	Term deposit	-	(15,000,000)
Green Delta Insurance Company Limited	Common Directors	Lease finance	30,394,522	20,273,970
Barisal Power Company Limited	Common Directors	Term finance	137,807,200	150,271,399
Palmal Knitwear Factory Ltd.	Common Directors	Term finance	-	43,885,009
NKK Knitwear Ltd.	Common Directors	Term finance	-	52,662,022
Barnali Fabrics Ltd.	Shareholder	Lease finance	11,628,519	12,777,958
Fortuna Agro Fisheries Ltd.	Shareholder	Term finance	11,102,843	9,655,252
Mr. M. A. Salam	Director	Lease finance	688,920	3,609,749
Mr. M. Faizur Rahman	Director	Lease finance	273,718	1,763,600
Mr. Nadeem A. Chaudhury	Director	Lease finance	477,654	631,549
SES Company Limited	Subsidiary Company	Inter-company	740,779,406	656,040,358
UniCap Investments Limited	Subsidiary Company	Inter-company	74,305	-
Total			570,086,550	240,714,522

42 PARTICULARS OF THE DIRECTORS

Sl. No.	Name of the Directors/ shareholding company	Represented by	Designation	Present address	% of shares as at 31/12/2012
1	EC Securities Ltd.	Mr. Chowdhury Tanzim Karim	Chairman	East Coast Center, SWG-8 Gulshan Avenue, Dhaka 1212	7.22
2	EC Securities Ltd.	Mrs. Rumana Sharif	Director	East Coast Center SWG-8, Gulshan Avenue, Dhaka 1212	
3	Palmal Garments Hosiery Ltd.	Mrs. Tajrina Sikder	Director	House # 2/B, Road # 29 Gulshan - 1, Dhaka-1212	9.73
4	Palmal Garments Hosiery Ltd.	Kazi Russel Mahbub	Director	House # 2/B, Road # 29 Gulshan - 1, Dhaka-1212	
5	Enrilco Limited	Mr. Nadeem A. Chaudhury	Director	3/21, Barokot House, Iqbal Road Asad Avenue, Mohammadpur, Dhaka	4.58
6	Mr. M. Faizur Rahman	Self	Director	House no. 33, Road no. 12 Baridhara, Dhaka	4.94
7	Mr. M. A. Salam	Self	Director	House # 336, Road # 23 New DOHS, Mohakhali, Dhaka	6.26
8	Mrs. Meherunnesa Haque	Self	Director	House no.73, Road no.7/A Dhanmondi R/A, Dhaka 1205	2.02
9	Kazi Golam Samiur Rahman	Self	Director	Royal Concord, Apt # 604, House # 54 Road # 84, Gulshan -2, Dhaka 1212	3.58
10	Mr. Nasir A. Choudhury	Self	Director	House # 5, Road # 82 Gulshan-2, Dhaka	4.45
11	Mr. N. H. Khan	Self	Independent Director	A-2, House # 59, Road # 28 Gulshan - 1, Dhaka	-
12	Mr. Ziaul Hasan Siddiqui	Self	Independent Director	6-C-1, Baily Heights 2 New Ratan Colony, New Baily Road PO: Shantinagar, Ramna, Dhaka 1217	-

43 DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

SN	Name of the Directors	Designation	Entities where they have interest
1	Mr. Chowdhury Tanzim Karim	Chairman	1. UniCap Investments Limited 2. SES Company Limited
2	Mrs. Rumana Sharif	Director	1. Pubali Bank Ltd.
3	Mrs. Tajrina Sikder	Director	1. Amazon Garments Ltd. 2. Palmal Garments Hosiery Ltd. 3. NKK Knitwear Ltd. 4. Max Speed Plastic Ltd. 5. Designer Line (Pvt.) Ltd. 6. Palmal Garments Washing Ltd. 7. The Dacca Dyeing Garments Ltd. 8. MNK Apparels Ltd. 9. South Bridge Real Estate Ltd. 10. UniCap Investments Limited
4	Mr. Kazi Russel Mahbub	Director	N/A
5	Mr. Nadeem A. Chaudhury	Director	1. Enrilco Limited 2. Green Delta Securities Ltd. 3. Green Delta Capital Ltd.
6	Mr. M. Faizur Rahman	Director	1. Asian Servayors Ltd. 2. Credit Rating Agency of Bangladesh Ltd. 3. Pubali Bank Ltd. 4. Tiger Tours Ltd.
7	Mr. M. A. Salam	Director	1. SAS Holdings Ltd. 2. Ekushey Television Ltd. 3. South Asia Energy Ltd. 4. Sand Bangla Ltd. 5. SAS Fashion Wear Ltd. 6. Semisam Intr. Ltd. 7. American Super Speciality Hospital Ltd. 8. Bangladesh Mine & Energy Ltd. 9. News Corp. Publications Ltd. 10. Barisal Power Company Ltd.

Notes to the Financial Statements - *continued*

8	Mrs. Meherunnesa Haque	Director	1. Palmal Garments Ltd. 3. Palmal Styles Ltd. 5. Palmal Packaging Ltd. 7. NKK Sweaters Ltd. 9. Pragati Metalex (Pvt) Ltd. 11. Palmal Garments Hosiery Ltd. 12. Palmal Knitwear Factory Ltd. 13. Palmal Garments Washing Ltd. 14. The Dacca Dyeing Garments Ltd. 15. UniCap Investments Limited	2. Amazon Garments Ltd. 4. NKK Knitwear Ltd. 6. Palmal Dresses Ltd. 8. Al-Hamra Garments Ltd. 10. Pragati Fashionwear Ltd.
9	Mr. Kazi Golam Samiur Rahman	Director	N/A	
10	Mr. Nasir A. Choudhury	Director	1. Nascom (Pvt.) Ltd. 3. Green Delta Securities Ltd. 5. Progressive Life Ins. Co. Ltd. 7. DBH Finance Corporation Ltd.	2. United Hospital Ltd. 4. Green Delta Capital Ltd. 6. Green Delta Ins. Co. Ltd.
11	Mr. N. H. Khan	Independent Director	1. SES Company Limited	2. Green Delta Ins. Co. Ltd.
12	Mr. Ziaul Hasan Siddiqui	Independent Director	1. UniCap Investments Limited	

44 DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition of audit committee

The audit committee consists of the following directors of the Board:

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. N. H. Khan	Independent Director	Chairman	Post Graduate from University of Dhaka
Mr. M. Faizur Rahman	Director	Member	Graduate from University of Dhaka
Mr. Nadeem A. Chaudhury	Director	Member	Graduate in Civil Engineering
Mrs. Tajrina Sikder	Director	Member	Graduate from ABAC University of Thailand
Mr. Ziaul Hasan Siddiqui	Independent Director	Member	Post Graduate from University of Dhaka

Audit Committee meetings held during the year

Sl. No	Meeting no.	Meeting date
1	13 no. Audit committee meeting	20-Feb-12
2	14 no. Audit committee meeting	17-Apr-12
3	15 no. Audit committee meeting	28-Jul-12
4	16 no. Audit committee meeting	21-Oct-12
5	17 no. Audit committee meeting	31-Dec-12

The committee discussed the following issues during the year

- Reviewed the draft financial statements for the year ended 31 December 2011
- Reviewed the Credit Risk and Internal Control & Compliance Risk management procedure
- Recommendation to the Board for appointment of auditors and fixation of their remuneration
- Reviewed the tax status of the Company
- Reviewed the monthly financial statements
- Reviewed and discussed the inspection report of Bangladesh Bank and management's reply thereon
- Reviewed the systems of internal control and its reporting procedure
- Reviewed quarterly operation report of the Company for the year 2012
- Reviewed Departmental Control Function Checklist etc.
- Reviewed the credit rating reporting done by National Credit Ratings Ltd. (NCR)
- Appointment of Auditor for the year 2012

45 BUSINESS COMMITMENTS

The Company makes various commitments in the normal course of business. No material losses are anticipated as a result of these transactions. These business commitments are quantified below:

(Figures in BDT)	2012	2011
Lease and term finance commitments outstanding at 31 December	400,000,000	900,000,000
Real estate finance commitments outstanding at 31 December	-	-
Car loan commitments outstanding at 31 December	-	-
	400,000,000	900,000,000

46 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided for at 31 December 2012. There was no material capital expenditure authorised by the Board but not contracted for at 31 December 2012.

47 UNACKNOWLEDGED DEBT

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

48 DURING THE YEAR THE COMPANY CONTRACTED AND DISBURSED THE FOLLOWING AMOUNTS

	2012		2011	
	Contracts/ Sanctions	Disbursements	Contracts/ Sanctions	Disbursements
Lease and term finance	1,106,400,000	1,047,440,007	2,200,000,000	1,408,272,970
Real estate finance	-	-	-	-
Car loan	-	-	-	-
	1,106,400,000	1,047,440,007	2,200,000,000	1,408,272,970

49 LEGAL PROCEEDINGS

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/ installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

50 BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2012, 11 (eleven) board meetings were held. As on 31 December 2012, there were 10 members in the Board, excluding two Independent Directors and the Managing Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

51 NUMBER OF EMPLOYEES

A total number of 95 employees (including subsidiary), including 21 sub staffs were employed in Union Capital Limited as of 31 December 2012. All the employees received salary of Tk. 36,000 and above per annum during the year 2012.

52 REPORTING CURRENCY AND LEVEL OF PRECISION

BAS 1.51 (d)

The figures in the financial statements represent Bangladesh currency (Taka), which has been rounded off to the nearest Taka.

53 IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value.

Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

54 EVENTS AFTER THE BALANCE SHEET DATE

BAS 10.21

Dividend for the year 2012

The Board of the Directors in its 174th meeting held on 28 February 2013 recommended 5 percent stock dividend i.e. 5 shares of every 100 shares hold for the year ended 31 December 2012 subject to approval of Bangladesh Bank. This will be placed to the shareholders in the ensuing 15th Annual General Meeting (AGM) for approval of shareholders.

Transfer from dividend equalisation reserve

The Board of the Directors in its 174th meeting held on 28 February 2013 decided to transfer an amount of Taka 7,000,000 from DER to retained earnings for utilization in payment of dividend for the year 2012.

As per BAS 10 : Events after the Balance Sheet Date, dividend declared after the Balance sheet date has been classified as liability at the balance sheet date as the proposed dividend does not constitute present obligation under BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

55 FOREIGN CURRENCY EXPOSURE PROFILE

BAS 21

There were no foreign currency monetary assets or liabilities that would give rise to gains or losses in the profit and loss account.

56 COMPARATIVE FIGURES

BAS 1.38

Comparative information has been disclosed in respect of the year 2011 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2011 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

57 FINANCIAL HIGHLIGHTS

Key financial highlights of the Company are annexed as Annexure-C.

58 GEOGRAPHICAL AREA OF OPERATION

BFRS 8.33

Union Capital is currently operating in Chittagong and Sylhet along with its other branches at Gulshan and Motijheel in Dhaka.

59 INTERIM FINANCIAL STATEMENTS

BAS 34.5

Union Capital publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission.

60 RESTRICTION ON PAYMENT OF CASH DIVIDEND

As per DFIM letter no. DFIM(C)1054/01/2013-68 dated 21 January 2013 of Bangladesh Bank that the financial institution cannot declare any cash dividend until the deficit amount of provision as on 31 December 2012 is adjusted.

61 CHANGES IN AND DISAGREEMENT WITH AUDITORS

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

62 DEPARTURE FORM BAS 1

BAS 1.19

According to DFIM circular no. 11 dated 23 December 2009 there is no scope to use the name or include Statement of Financial Position and Other Comprehensive Income. As such the Company does not use the captioned and also not prepare the same.

63 DEPARTURE FORM BAS 39

BAS 1.19

The requirement of DFIM circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39. As per BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year end is to be taken to profit and loss account or revaluation reserve respectively. Union Capital Limited followed the guidelines of Bangladesh Bank circular under which investment in both quoted and unquoted shares were recognized at cost and required provision has been made for the losses arising from diminution in value of investment.

64 APPROVAL OF THE FINANCIAL STATEMENTS

BAS 10.17

These financial statements were authorized for issue by the Board of Directors of the Company on 28 February 2013.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Schedule of fixed assets

as at 31 December 2012

Particulars	BAS 16.73		COST		BAS 16.73 (e)(i)		DEPRECIATION			BAS 16.73 (e)(vii)		BAS 16.73 (d)	
	Balance as at 1 January 2012	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2012	Rate of depreciation	Balance as at 1 January 2012	Charged during the year	Disposal/ adjustment during the year	Balance as at 31 December 2012	Written Down Value as at 31-12-2012			
Freehold assets:													
Furniture and fixtures	5,792,470	20,506	-	5,812,976	20%	2,768,305	1,124,277	-	3,892,582	1,920,394			
Office decoration	14,716,511	2,130,115	-	16,846,626	33%	9,172,914	3,397,379	-	12,570,293	4,276,333			
Electrical equipment	22,033,035	876,768	256,000	22,653,803	20%	10,547,186	3,661,384	133,927	14,074,643	8,579,160			
Owned vehicles	4,012,500	-	2,470,000	1,542,500	20%	3,148,003	(41,170)	1,564,333	1,542,500	-			
Software	1,293,231	88,400	-	1,381,631	20%	658,898	247,739	-	906,637	474,994			
Mobile phone	406,084	44,917	38,999	412,002	20%	355,125	18,987	12,350	361,762	50,240			
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3			
Leasehold assets:													
Leased vehicles	7,260,000	5,000,000	3,500,000	8,760,000	20%	836,668	1,394,068	875,400	1,355,336	7,404,664			
As at 31 December 2012	55,555,160	8,160,706	6,264,999	57,450,867		27,528,425	9,802,664	2,586,010	34,745,079	22,705,788			
As at 31 December 2011	41,608,117	14,140,249	193,206	55,555,160		17,502,487	10,203,424	177,486	27,528,425	28,026,735			

Consolidated Schedule of fixed assets

as at 31 December 2012

Particulars	BAS 16.73			COST			DEPRECIATION			BAS 16.73 (e)(vii)		BAS 16.73 (d)	
	Balance as at 1 January 2012	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2012	Rate of depreciation	Balance as at 1 January 2012	Charged during the year	Disposal/ adjustment during the year	Balance as at 31 December 2012	Written Down Value as at 31-12-2012			
Freehold assets:													
Furniture and fixtures	5,844,828	20,506	-	5,865,334	20%	2,820,661	1,124,278	-	3,944,939	1,920,395			
Office decoration	14,716,511	2,130,115	-	16,846,626	33%	9,172,914	3,397,380	-	12,570,294	4,276,332			
Electrical equipment	22,033,035	876,768	256,000	22,653,803	20%	10,547,186	3,661,384	133,927	14,074,643	8,579,160			
Owned vehicles	4,012,500	-	2,470,000	1,542,500	20%	3,148,003	(41,170)	1,564,333	1,542,500	-			
Software	1,423,231	88,400	-	1,511,631	20%	788,897	247,740	-	1,036,637	474,994			
Mobile Phone	406,084	44,917	38,999	412,002	20%	355,125	18,987	12,350	361,762	50,240			
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3			
Leasehold assets:													
Leased vehicles	7,260,000	5,000,000	3,500,000	8,760,000	20%	836,668	1,394,068	875,400	1,355,336	7,404,664			
As at 31 December 2012	55,737,518	8,160,706	6,264,999	57,633,225		27,710,780	9,802,667	2,586,010	34,927,437	22,705,788			
As at 31 December 2011	41,790,475	14,140,249	193,206	55,737,518		17,684,842	10,203,424	177,486	27,710,780	28,026,737			

Highlights

(as per Bangladesh Bank Guidelines)

Sl. No	Particulars	2012	2011
1	Paid-up capital	1,046.76	951.60
2	Total capital	1,490.82	1,521.47
3	Capital surplus	390.63	498.95
4	Total assets	10,055.00	9,319.85
5	Total deposits	4,809.32	4,085.63
6	Total loans, advances and leases	7,318.21	6,871.10
7	Total contingent liabilities and commitments	400	400
8	Credit deposit ratio	1.52	1.68
9	Percentage of classified loans against total loans, advances and leases	15.55%	9.52%
10	Profit after tax and provision	54.81	177.76
11	Amount of classified loans during current year	538.26	61.73
12	Provisions kept against classified loans	389.06	242.39
13	Provision surplus against classified loan	-	-
14	Cost of fund	15.50%	14.48%
15	Interest earnings assets	7,671.22	8,289.72
16	Non-interest earnings assets	2,383.78	1,030.13
17	Return on investment (ROI)	12.05%	3.53%
18	Return on assets (ROA)	0.55%	1.91%
19	Income from investment	52.01	12.82
20	Earnings per share (restated :2011)	0.52	1.70
21	Net income per share (restated:2011)	0.52	1.70
22	Price earnings ratio	53.09	32.39

Financial Statements of Subsidiary Companies

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SES Company Limited

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UniCap Investments Limited

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Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Correspondent Firm to Deloitte Touche Tohmatsu

Auditors' Report
to the Shareholders of
SES Company Limited

We have audited the accompanying financial statements of SES Company Limited (the "Company") which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations.

We also report that

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- the Company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account; and
- the expenditure incurred was for the purpose of the Company's operations.

Dhaka, 24 February 2013

Hoda Vasi Chowdhury
Hoda Vasi Chowdhury & Co
Chartered Accountants

HVC

SES Company Limited

Statement of Financial Position

as at 31 December

(Figures in BDT)	Notes	2012	2011
Shareholders' equity		611,067,579	610,864,544
Share capital	4	100,000,000	100,000,000
Revaluation reserve	5	507,500,000	507,500,000
Retained earnings		3,567,579	3,364,544
Long term loan	6	314,000,000	280,000,000
Total capital employed		925,067,570	890,864,544
Non-current assets		919,751,150	887,002,317
Membership of stock exchanges	7	518,500,000	518,500,000
Investment in listed securities	8	401,251,150	368,502,315
Property, plant & equipments	9	-	1
Intangible assets	10	-	1
Current assets		608,036,602	884,840,545
Advances, deposits and prepayments	11	105,870,238	91,799,598
Margin loan to clients	12	410,342,750	363,795,011
Receivable from stock exchanges	13	25,890,864	284,341,504
Other receivables	14	709,149	9,939
Cash and cash equivalents	15	65,223,601	144,894,493
Current liabilities		602,720,173	880,978,318
Payable to clients	16	57,278,796	316,662,446
Payable to stock exchanges	17	1,073,395	100,232,508
Accruals and payables	18	1,091,587	3,488,118
Short term loan	19	426,779,406	372,869,707
Dividend payable (interim)	20	14,000,000	-
Provision for current tax	21	102,496,989	87,725,539
Net current assets		5,316,429	3,862,227
Total assets		925,067,578	890,864,544

The annexed notes 1-31 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director

Auditor's Report to the Shareholder's of SES Company Limited
See annexed report of date

Dhaka
24 February 2013

sd/-
Hoda Vasi Showdhury & Co.
Chartered Accountants

SES Company Limited

Statement of Comprehensive Income

for the year ended 31 December

(Figures in BDT)	Notes	2012	2011
OPERATING INCOME		133,493,131	161,301,964
Brokerage commission	22	47,495,407	90,010,900
Capital gain from investment in share		1,533,319	-
Interest on margin Loan	23	72,455,269	70,746,777
Dividend income		11,536,736	60,387
Other operating income	24	472,400	483,900
OPERATING EXPENSES		93,359,545	139,059,071
Financial expenses	25	57,793,868	66,362,679
Laga and howla charges	26	4,049,332	6,950,487
Management expenses	27	31,516,345	65,745,905
OPERATING PROFIT		40,133,586	22,242,893
Provision for doubtful losses	12.1	1,492,581	-
Profit before tax		38,641,005	22,242,893
Provision for current tax		14,771,450	22,053,000
Net profit after tax		23,869,555	189,893
Other comprehensive income			
Net change in fair value for sale financial assets		(9,666,520)	-
Total comprehensive income		14,203,035	189,893
Earnings per share (EPS) of Tk. 100 each	28	23.87	0.19

The annexed notes 1-31 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director

Auditor's Report to the Shareholder's of SES Company Limited
See annexed report of date

Dhaka
24 February 2013

sd/-
Hoda Vasi Showdhury & Co.
Chartered Accountants

SES Company Limited

Statement of cash flows

for the year ended 31 December

(Figures in BDT)	2012	2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	38,641,005	22,242,893
Adjustment for items not involving movement of cash:		
Depreciation and amortization	2	-
Provision for doubtful losses	1,492,581	-
Profit after adjustment	40,133,588	22,242,893
Changes in working capital components:		
Increase in margin loan to clients	(48,040,319)	(83,911,530)
Increase in other receivables	(699,210)	(3,101)
Decrease in receivable from stock exchanges	258,450,641	1,144,837,440
Increase in advance income tax	(14,070,640)	(25,167,452)
Decrease in payable to clients	(259,383,651)	142,353,849
Decrease in payable to stock exchanges	(99,159,113)	(1,211,711,373)
Increase of short term loan	53,909,699	116,672,451
Decrease in withholding tax & VAT	(3,141,876)	3,198,492
Increase in liabilities for expenses	745,345	(2,615,778)
Cash (used in)/generated from operating activities	(71,255,536)	105,895,891
Income tax paid	-	-
Net cash (used in)/generated from operating activities	(71,255,536)	105,895,891
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investment in FDR	-	-
Investment in securities	(42,415,356)	(353,541,804)
Net cash used in investing activities	(42,415,356)	(353,541,804)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from long term loan	104,000,000	280,000,000
Repayment of long term loan	(70,000,000)	(50,000,000)
Net cash from financing activities	34,000,000	230,000,000
D. Net cash inflow from total activities (A+B+C)	(79,670,892)	(17,645,913)
E. Opening cash and cash equivalents	144,894,493	162,540,406
F. Closing cash and cash equivalents (D+E)	65,223,601	144,894,493

SES Company Limited

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT) Particulars	Share Capital	Revaluation Reserve	Statement of Comprehensive income	Retained Earnings	Total
For 2012					
Balance at 1 January	100,000,000	507,500,000	-	3,364,544	610,864,544
Net Profit for the year	-	-	23,869,555	-	23,869,555
Transfer to retained earnings	-	-	(23,869,555)	23,869,555	-
Net change in fair value for sale financial assets	-	-	-	(9,666,520)	(9,666,520)
Interim cash dividend	-	-	-	(14,000,000)	(14,000,000)
Balance at 31 December	100,000,000	507,500,000	-	3,567,578	611,067,578
For 2011					
Balance at 1 January	100,000,000	507,500,000	-	3,174,651	610,674,651
Net profit for the year	-	-	189,893	-	-
Transfer to retained earnings	-	-	(189,893)	189,893	189,893
Balance at 31 December	100,000,000	507,500,000	-	3,364,544	610,864,544

SES Company Limited

Notes to the financial statements

For the year ended 31 December 2012

1 COMPANY AND ITS ACTIVITIES

1.1 Legal status of the Company

SES Company Limited ("the Company") was incorporated with the Registrar of Joint Stock Companies and Firms vide registration no.C-29454(742)/95 dated 9 October 1995 under the Companies Act, 1994 as a private limited company. The registered office of the Company situated at Noor Tower, 5th Floor, 1/F, Free School Street, 73, Sonargaon Road, Dhaka-1205, Bangladesh.

1.2 Principal activities of the Company

Principal activities of the Company is to carry out business of investments in shares and brokerage and dealing of securities under the license from the Bangladesh Securities and Exchange Commission. The Company having membership at both Dhaka and Chittagong Stock Exchange Limited (membership number 163 and 082 respectively) and also full service depository participant of CDBL.

As a Stock Broker and Stock Dealer, the Company cater services to the institutional and individual investors for trading of securities under Bangladesh Securities and Exchange Commission (Stock-Dealer, Stock-Broker & Authorized Representative) Rules 2000 and to extend margin loan facilities to the investors under Margin Rules 1999.

2 BASIS OF PREPARATION

2.1 Components of the financial Statements

The financial statements have been prepared with due consideration of Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards. The financial statements comprises of the following as complied with Bangladesh Accounting Standards 1:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash flows
- Notes to Financial Statements

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for

investments in stock exchanges which are measured at fair value.

2.4 Functional and presentational currency

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

2.5 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The most significant areas where estimates and judgements have been made are on valuation of investments and taxation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.6 Going concern basis

The company has adequate resources to continue in the operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing business and operations.

2.7 Reporting period

Financial statements of the Company consistently cover one calendar year from 1st January to 31 December.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Revenue recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise the revenue during the year and in accordance with the Bangladesh Accounting Standard (BAS) 18 "Revenue Recognition".

Brokerage commission is recognized as income when trades are executed. Interest on margin loan is recognized on accrual basis. Such income is calculated on

daily margin loan balance of the respective parties. Income is recognized on monthly basis.

Dividend income is recognized when right to receive payment is established. Capital gain or loss on sale of securities is accounted for only when shares are sold in market and gain is realized or loss is incurred.

3.2 Earnings per share

The Company calculates its earnings per share (EPS) in accordance with BAS 33: Earnings Per Share, which has been shown on the face of profit and loss statement, and the computation of EPS is stated in note 28.

3.3 Property, plant and equipment

3.3.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

3.3.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss account as incurred.

3.3.3 Depreciation

Depreciation is charged to property, plant and equipment on a straight line basis at rates varying from 10% to 25% in order to write them off over their useful economic life.

3.4 Intangible assets

3.4.1 Recognition and measurement

Computer software acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation.

3.4.2 Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

3.4.3 Amortisation of intangible assets

Intangible assets are amortised at the rate of 33% on straight line method.

3.5 Investment in stock exchanges for membership

Investments for membership are initially recognized at cost and are subsequently remeasured at fair value based on quoted bid prices. Surplus arising from changes in the fair

value of investment for membership are transferred to revaluation reserve account.

3.6 Investment in listed securities

Investment in quoted shares and unquoted shares are initially recognized at cost plus transaction costs that are directly attributable to acquisition of shares. After initial recognition investment in quoted shares has been revalued at cost at reporting date.

Required provision has been made for impairment when the market value of investments fall below the cost.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institution and short term liquid investments that are readily convertible to known amount of cash and that are subject to insignificant risk of change in value.

3.8 Laga, howla and CDBL charges

The charges of stock exchanges booked on daily basis as per trading after receiving the trading note and Central Depository Bangladesh Ltd. (CDBL) booked on monthly basis, after receiving the bill from CDBL.

3.9 Borrowing Costs

Borrowing cost is charged to profit and loss account as per Bangladesh Accounting Standard 23: Borrowing Cost.

3.10 Bad debt

3.10.1 Provision for bad debts

The Company creates provision for doubtful debts on yearly basis considering collection during the year and value of shares held as security.

3.10.2 Recovery of bad debts

Any recovery is adjusted with the provision for bad debts in the period of recovery.

3.11 Related party disclosure

As per BAS - 24: Related Party Disclosure, parties are considered to be related if one has the ability to control or exercise significant influence over other in making financial and operating decisions. Related party disclosures are given in note 30.

3.12 Taxation

Provision for tax is assessed under section 82C of the Income Tax Ordinance (ITO) 1984 on income from Company's normal course of business and at 37.5% on the Company's income from other sources. Under Section 82C, income tax deducted under certain Sections of the ITO is treated as final discharge of tax liabilities from that source.

Auditors' Report to the Shareholders of UniCap Investments Limited

We have audited the accompanying financial statements of UniCap Investments Limited (the company), which comprises the statement of financial position (balance sheet) as at 31 December 2012, statement of comprehensive income (profit and loss statement), statement of cash flows and statement of changes in equity for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards, the Companies Act 1994 and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

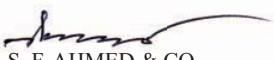
In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards, give a true and fair view of the state of the company's affairs as at 31 December 2012 and of the results its operations and its cash flows for the year then ended and comply with the requirements of Companies Act 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- c) the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 24 February 2013




S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Statement of Financial Position

as at 31 December

(Figures in BDT)	Notes	2012	2011
SOURCES OF FUND			
Share capital	3	200,000,000	100,000,000
Retained earnings		2,038,076	324,201
Shareholders' equity		202,038,076	100,324,201
Long -Term Liabilities		-	-
Total Capital Employed		202,038,076	100,324,201
APPLICATIONS OF FUND			
Non-Current Assets		-	-
Current Assets			
Cash and cash equivalents	4	211,066,545	99,313,972
Interest receivable on term deposit	7	3,595,160	1,262,250
Advance income tax		1,531,021	-
Total Current Assets		216,192,726	100,576,222
Current Liabilities			
Accrued expenses	5	57,500	57,500
Accounts payable		74,305	-
Dividend payable - interim	6	8,000,000	-
Provision for taxation		6,022,845	194,521
Total current liabilities		14,154,650	252,021
Net Current Assets		202,038,076	100,324,201
Total Assets		202,038,076	100,324,201

See annexed notes

sd/-
Chairman

sd/-
Director

sd/-
Director

Signed in terms of our report of even date annexed

Dhaka
24 February 2013

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

UniCap Investments Limited

Statement of Comprehensive Income

For the year ended 31 December

(Figures in BDT)	Notes	2012	2011
INCOME			
Interest income	7	15,697,910	1,262,250
Total income		15,697,910	1,262,250
EXPENSES			
Preliminary expenses		-	518,425
Bank charge		15,440	-
Director's fee		-	55,000
Subscription and fees		79,771	85,000
Printing and stationery		-	5,995
Audit fee		57,500	57,500
Other expenses		3,000	21,608
Total expenses		155,711	743,528
Profit before tax		15,542,199	518,722
Provision for taxation		5,828,324	194,521
Net profit after tax		9,713,875	324,201
Other comprehensive income		-	-
Total comprehensive income		9,713,875	324,201
Earnings Per Share (EPS)		0.49	0.03

See annexed notes

sd/-
Chairman

sd/-
Director

sd/-
Director

Signed in terms of our report of even date annexed

Dhaka
24 February 2013

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

UniCap Investments Limited

Statement of Cash Flows

For the year ended 31 December

(Figures in BDT)

	2012	2011
A. Cash flow from operating activities		
Interest income	15,697,910	1,262,250
Payment for expenses	(155,711)	(743,528)
Advance payment of tax	(1,531,021)	-
	14,011,178	518,722
Changes in operating activities:		
Increase in accounts receivable	(2,332,910)	(1,262,250)
Increase in accrued expenses	-	57,500
Increase in accounts payable	74,305	-
	(2,258,605)	(1,204,750)
Net cash from/(used in) operating activities	11,752,573	(686,028)
B. Cash flow from investing activities		
Net cash from/(used in) investing activities	-	-
C. Cash flow from financing activities		
Issue of share capital	100,000,000	100,000,000
Net cash from financing activities	100,000,000	100,000,000
D. Net charges in cash and cash equivalents (A+B+C)	111,752,573	99,313,972
E. Opening cash and cash equivalents	99,313,972	-
F. Closing cash and cash equivalents (D+E)	211,066,545	99,313,972

UniCap Investments Limited

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT) Particulars	Share Capital	Statement of Comprehensive income	Retained Earnings	Total
Balance at 01 January 2012	100,000,000		324,201	100,324,201
Share issued during the year	100,000,000			100,000,000
Net profit for the year	-	9,713,875	-	9,713,875
Transfer to retained earnings	-	(9,713,875)	9,713,875	-
Interim cash dividend	-	-	(8,000,000)	(8,000,000)
Balance at 31 December 2012	200,000,000	-	2,038,076	202,038,076

Balance at 01 January 2011	-	-	-	-
Share issued during the year	100,000,000	-	-	100,000,000
Net profit for the period	-	324,201	-	324,201
Transfer to retained earnings	-	(324,201)	324,201	-
Balance at 31 December 2011	100,000,000	-	324,201	100,324,201

UniCap Investments Limited

Notes to the financial statements

For the year ended 31 December 2012

1. REPORTING ENTITY

UniCap Investments Limited (the Company), a subsidiary of Union Capital Limited is a public company limited by shares was incorporated in Bangladesh on 24 May 2011 vide certificate of incorporation no. C-93014/11 under the Companies Act 1994. The registered office of the Company is situated at A-A Bhaban, 23 Motijheel Commercial Area, Dhaka 1000.

Nature of business

UniCap Investments Limited delivers a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statement

The financial statements of UniCap Investments Limited include the Statement of Financial Position (Balance Sheet), Statement of Comprehensive Income (Profit and Loss Statement), Statement of Cash Flows, Changes in Equity and notes to the accounts. These financial statements have been prepared under the historical cost convention on a going concern basis in accordance with Bangladesh Accounting Standards (BAS)/ Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations 1996.

2.2 Provision for taxation

Provision for current income tax is made at the rate of 37.5% on the accounting profit of the Company without considering taxable allowances and disallowances.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and fixed deposits which are held and are available for use by the Company.

2.4 Currency

The amounts in the Financial Statements have been rounded off to the nearest Taka.

2.5 Cash Flow Statements

The net cash flow from operating activities is determined for the year under direct method as per BAS-7.

2.6 Events after reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting period are reflected in the financial statements. Events after the reporting period that are not adjusting event are disclosed in the note when material.

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

SHAREHOLDERS ADDITIONAL INFORMATION

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LETTER OF INVITATION FROM THE CHAIRMAN

I extend a warm invitation to you to attend in the 15th Annual General Meeting of Union Capital Limited to be held on 31 March 2013 at 11:00 am at LGED Auditorium, Agargaon, Dhaka. Included in this document are the following:

- The Notice of the Annual General Meeting setting out the businesses to be transacted;
- Annexure I to the Notice of the Annual General Meeting setting out explanatory notes regarding proxies and resolutions as well as important notes about the Annual General Meeting;
- A form of proxy.

The agenda as set out in the notice will be put to the shareholders for approval. This is to ensure an exact reflection of the views of the shareholders.

I would like to remind the shareholders of their right to raise questions, at the Annual General Meeting. As it is not always possible to answer every question raised at the annual general meeting, and to ensure that all matters of particular interest to shareholders are covered, shareholders may use the attached question form to raise questions in advance. From these question forms the most relevant and important topics will be assessed and I will endeavour to address these at the annual general meeting. This advance notice of relevant questions will, of course, not prevent any shareholder from raising questions, at the appropriate time, during the meeting.

The question form can be forwarded to the Company Secretary, Union Capital Limited, Noor tower, 73 Sonargoan Road, Dhaka-1205, to be received no later than 06:00 pm on Thursday, 28 March 2013, or handed in at the time of registering attendance at the Annual General Meeting, should the first option not have been chosen.

Yours faithfully,

Chowdhury Tanzim Karim
Chairman
Dhaka, 14 March 2013

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

QUESTION FORM FOR ANNUAL GENERAL MEETING

Name of shareholder

Address

Contact details

Telephone

Fax

Email

Questions

NOTICE OF 15TH ANNUAL GENERAL MEETING



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

Notice is hereby given to the shareholders recorded in the Depository Register of Union Capital Limited on 11 March 2013, that the 15th annual general meeting of the Company will be held on **Sunday, the 31 March 2013** at 11:00 am at the LGED Auditorium, Agargaon, Dhaka to deal with the following businesses in the manner required by the Companies Act, 1994:

- AGM 13-15-01 : To receive and adopt the audited financial statements of the Company as of and for the year ended 31 December 2012 together with the reports of the Auditors and Directors thereon;
- AGM 13-15-02 : To declare dividend for the year 2012;
- AGM 13-15-03 : To re-appoint Directors;
- AGM 13-15-04 : To appoint the external Auditors of the Company for the year 2013 and fixation of their remuneration;
- AGM 13-15-05 : To approve the appointment of Independent Director; and
- AGM 13-15-06 : To approve the appointment of the Managing Director & CEO.

By order of the Board,

sd/-

Mushfiq UI Quayoom
EVP & Company Secretary
Dhaka, 14 March 2013

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

NOTES :

1. 11 March 2013 is the 'RECORD DATE' to determine the shareholders' entitlement to the dividend and their eligibility to attend and vote at the meeting.
2. The Board of Directors recommended 5 percent stock dividend for the year 2012 subject to the approval of Bangladesh Bank.
3. A member eligible to attend and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote or abstain from voting in his/her/its/their stead. The Proxy Form duly completed and stamped must be deposited at the Registered Office of the Company no later than 48 hours before the time appointed for holding the meeting.
4. Members are requested to notify change of address, if any, through their respective Depository Participants well in advance.
5. Annual Report, Attendance Slip and Proxy Form along with the Notice will be sent to all the Members by Courier Service/Post. The Members may also collect the Proxy Form from the Registered Office of the Company.

Explanatory notes to the notice of AGM

ITEM ONE

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

In terms of the Companies Act, 1994, the Directors are required to present to the shareholders at the annual general meeting the annual financial statements, incorporating the Directors' Report and Auditors' Report, for the year ended 31 December 2012. The Directors' Report, the Financial Statements and the Auditors Report for the year ended 31 December 2012 are contained in this Annual Report.

ITEM TWO

DECLARATION OF DIVIDEND

The Board of Directors in its meeting held on 28 February 2013 recommended 5 percent stock dividend that is 5 shares for every 100 shares held for the year 2012 subject to the approval of Bangladesh Bank and the shareholders in the Annual General Meeting. The dividend will be paid to the shareholders' whose name appeared in the Depository Register of Shareholders at the close of business on 11 March 2013 being the Record Date. Bonus shares, if approved, will be transferred to the respective BO Account of the shareholders within April 2013.

ITEM THREE

RE-APPOINTMENT OF DIRECTORS OF THE COMPANY

In terms of the Company's Articles of Association one-third of the Directors are required to retire at each annual general meeting and may make themselves available for re-election. Accordingly, Mr. M. A. Salam, Mr. M. Faizur Rahman, Mrs. Tajrina Sikder and Mr. N. H. Khan will retire by rotation and being eligible offered themselves for re-appointment.

Moreover, as per Regulation 86 of the Companies Act, 1993 any Director appointed by the Board during the period since the last annual general meeting is required to retire and is eligible for election at the next annual general meeting. Accordingly, Mr. Ziaul Hasan Siddiqui who was appointed by the Board during the year as Independent Director shall retire in the 15th Annual General Meeting and eligible for re-appointment. Biographical details of the Directors of the Company retiring at the AGM are set out on pages 50 to 53 of this Annual Report.

ITEM FOUR

RE-APPOINTMENT OF EXTERNAL AUDITORS

The Financial Institutions Act, 1993 stipulated that an auditor of a Financial Institution cannot be appointed for more than three consecutive years. M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants has completed their first year of audit and hence eligible for re-appointment. The Audit Committee proposes for re-appointment of existing auditor M/S. Hoda Vasi Chowdhury & Co. for the year 2013 to hold office from the conclusion of the 15th annual general meeting until the conclusion of the next annual general meeting of Union Capital Limited.

Section 210(10) of the Companies Act, 1994 gives authority to the shareholders of Union Capital Limited to fix the remuneration of the auditors (proposed to be re-appointed). The auditors' remuneration for audit services paid to the auditors for the financial year ended 31 December 2012 amounted to Tk. 130,000/- plus VAT. On recommendation of the Audit Committee, the Board in its meeting held on 28 February 2013 recommended for re-appointment of the existing Auditors at a remuneration of Tk. 130,000/- plus VAT.

ITEM FIVE

APPOINTMENT OF INDEPENDENT DIRECTOR

As per BSEC's Notification of 7 August 2012, the appointment of Independent Director should be approved by the shareholders in the annual general meeting. Mr. Ziaul Hasan Siddiqui was appointed by the Board on 23 October 2012 as Independent Director in compliance with the condition of BSEC's notification. The shareholders are now required to approve the appointment of the Independent Director.

ITEM SIX

APPOINTMENT OF THE MANAGING DIRECTOR AND CEO

As per Section 109 of the Companies Act, 1994 the appointment of the Managing Director is required to be approved by the shareholders in the shareholders meeting. Mr. Md. Akter Hossain Sannamat FCA, FCS was appointed as Managing Director and CEO of the Company. Mr. Sannamat joined this Company on 4 July 2012. Bangladesh Bank has already given its consent to the appointment. The shareholders are now required to approve the appointment of the Managing Director.

FORM OF PROXY



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

For use by shareholders of Union Capital Limited who on the record date of 11 March 2013, are entitled to exercise any voting rights in relation to the resolutions to be proposed at the annual general meeting to be held on 31 March 2013, at 11:00 am at the LGED Auditorium, Agargaon, Dhaka or at any adjournment thereof.

Should a shareholder not wish to attend the annual general meeting in person, such shareholder may provide his/her nominee with his/her voting instruction and such nominee will complete all necessary documentation and action same in order to attend and vote at the annual general meeting.

I/We _____

of (address) _____

being the holder(s) of _____ ordinary shares in the company, appoint Mr. _____

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of passing ordinary resolutions to be proposed thereat or at any adjournment thereof, and to vote for and/or against such resolutions and/or to abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

Agendum	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
AGM 13-15-01 : To receive and adopt the audited financial statements of the Company as of and for the year ended 31 December 2012 together with the reports of the Auditors and Directors thereon;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 13-15-02 : To declare dividend for the year 2012;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 13-15-03 : To re-appoint Directors;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 13-15-04 : To appoint the external Auditors of the Company for the year 2013 and fixation of their remuneration;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 13-15-05 : To approve the appointment of Independent Director;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 13-15-06 : To approve the appointment of the Managing Director & CEO.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

A proxy may not delegate his/her/their authority to any other person. This form of proxy will lapse and cease to be a force and effect immediately after the annual general meeting of the Company to be held on 31 March 2013 at 11:00 am at the LGED Auditorium, Agargaon, Dhaka or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) _____ on (date) _____ 2013

Signature _____

Assisted by me _____

(where applicable)

Please read the notes given on next page.

NOTES TO FORM OF PROXY

SUMMARY OF RIGHTS OF A SHAREHOLDERS TO BE REPRESENTED BY PROXY AS CONTAINED IN SECTION 85 OF THE COMPANIES ACT 1994 AND NOTES TO FORM OF PROXY

- 1 Each holder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, participate in, speak and vote or abstain from voting in place of that holder at the annual general meeting.
- 2 A proxy appointment must be in writing, dated and signed by the holder appointing the proxy.
- 3 A holder's instructions to the proxy have to be indicated by the insertion of the relevant number of votes exercisable by that holder in the appropriate box provided. Failure to comply with this will be deemed to vote in favour of the ordinary resolutions at the annual general meeting.
- 4 A holder or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such holder or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the holder or his/her proxy is entitled.
- 5 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the Company Secretary. Examples of satisfactory identification include a valid National ID card, a valid driving licence or a valid passport.
- 6 Any alterations or corrections to this form of proxy must be initialled by the authorized signatory/ signatories.
- 7 The completion and lodging of this form of proxy will not preclude the original shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such holder wish to do so, in which case this proxy will be suspended accordingly.
- 8 Form of proxy have to be lodged with or posted to the Company Secretary, Union Capital Limited, Noor Tower, 73 Sonargoan Road, Dhaka-1205 before a proxy may exercise any voting rights of a holder at the annual general meeting. The form of proxy is requested to be received no later than 6:00 pm on 28 March 2013.
- 9 Holders attending the annual general meeting will be afforded the opportunity of putting questions to the Directors and Management. A question form has been included in this report on page 233 for this purpose.

FINANCIAL CALENDAR 2012

UCL Group prides itself on supplying stakeholders with updated information on a regular basis. This information can be found at www.unicap-bd.com under Investor Relations.

2011	Dec	Financial year-end - 31 December;
2012	Jan	
	Feb	Annual results and announcement of final dividend on 23 February for 2011;
	Mar	Notice of 14th AGM; Publications and posting of 2011 Annual Reports; 14th Annual General Meeting held on 29 March;
	Apr	Final dividend payment; First-quarter Business Results;
	May	
	Jun	
	Jul	Half-year Business Results;
	Aug	
	Sept	
	Oct	Third-quarter Business Results;
	Nov	
	Dec	Financial year-end - 31 December
2013	Jan	
	Feb	Annual results and announcement of final dividend on 28 February for 2012;
	Mar	Notice of 15th AGM; Publications and posting of Annual Reports; 15th Annual General Meeting;
	Apr	Final dividend payment (expected)
	May	First-quarter Business Results (expected)

ANNUAL GENERAL MEETING

UCL's annual general shareholders' meeting will be held on Sunday, 31 March 2013, at 11:00 am
Venue: LGED Auditorium, Agargaon, Dhaka.

DISTRIBUTION POLICY

All reports are available in English and can be downloaded at www.unicap-bd.com.

In line with UCL's initiatives on sustainability we have condensed our printed annual report. This report has been distributed to current shareholders.

Shareholders, the public and investors may request a printed copy of this version via email at investorsrelation@unicap-bd.com.

CONTENT OF THE REPORT

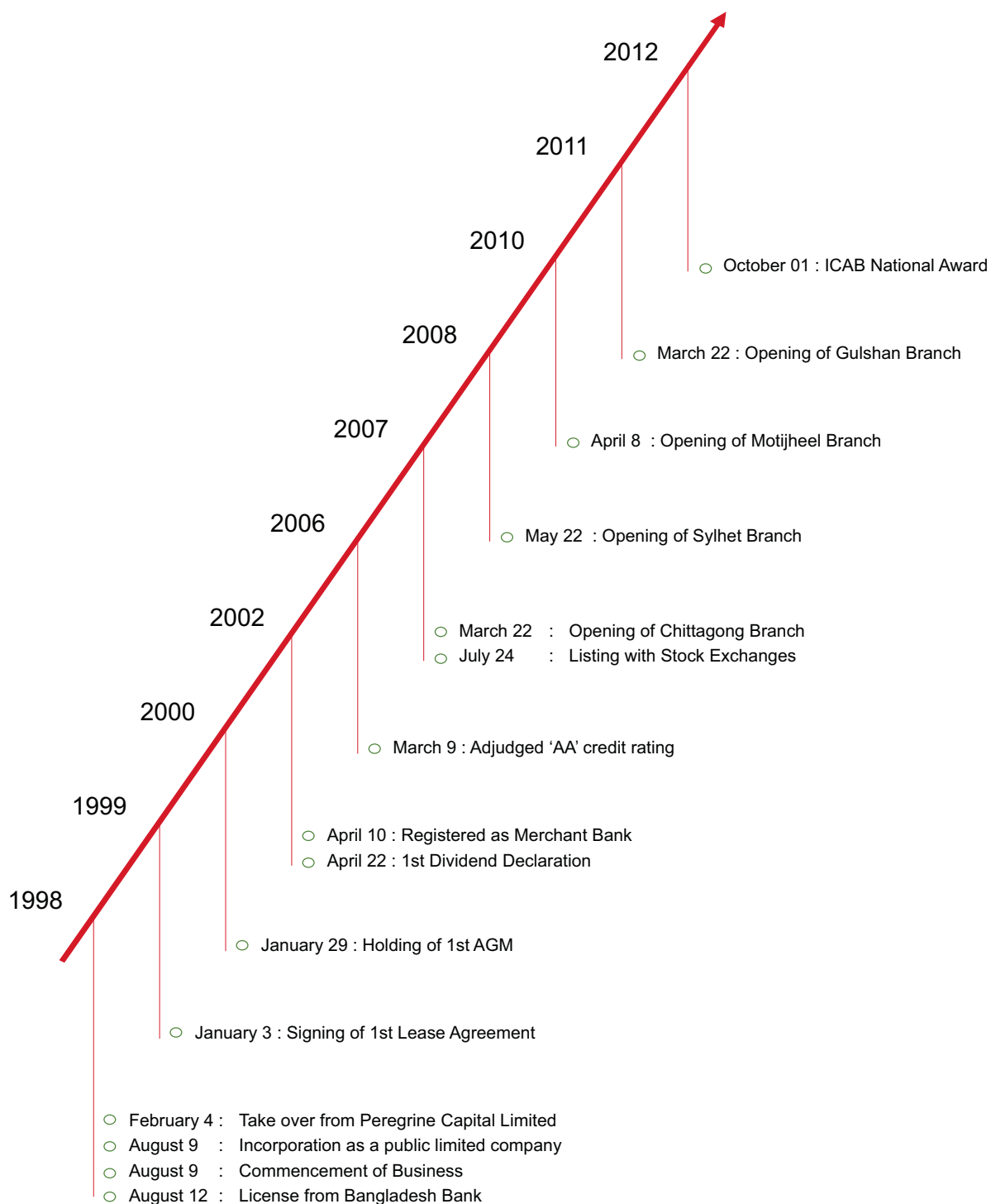
This annual report is targeted primarily at our current shareholders and potential investors. It has been prepared to assist all our stakeholders in making an informed assessment of the UCL's ongoing ability to create and sustain value. The following information is available online at www.unicap-bd.com.

INVESTOR RELATIONS

Name Md. Abu Zubayar Bhuiyan
Department of Corporate Affairs
Tel: +88 02 9662888
Email: investorsrelation@unicap-bd.com

COMPANY MILESTONES

The progress markers



REDRESSAL OF INVESTORS COMPLAINT

The voice of investors

Investor complaints constitute an important voice of Investor, and this policy details complaint handling through a structured grievance redressal framework. Complaint redressal is supported by a review mechanism, to minimize the recurrence of similar issues in future.

INVESTORS REDRESSAL POLICY

We at UCL Group believe that Investor service is an important imperative for sustained business growth and we want to ensure that our Investors receive exemplary service across different areas of operations of the Group. Prompt and efficient service is essential to retaining existing relationships and Investor satisfaction is critical to UCL. Investor complaints constitute an important voice of Investor, and this policy details complaint handling through a structured grievance redressal framework. Complaint redressal is supported by a review mechanism, to minimize the recurrence of similar issues in future. UCL follows the following principles:

- Investors must be treated fairly at all times;
- Complaints raised by Investors must be dealt with courtesy and in a timely manner;
- Investors are informed of avenues to raise their complaints within the organization,
- Complaints are treated efficiently and fairly;
- UCL employees work in good faith and without prejudice, towards the interests of the Investors.

- Audit & Compliance Department will obtain all information available on the complaint which is considered necessary for a proper investigation. Look into all the necessary information and resolve the as soon as possible.
- UCL must resolve investor complaint within seven days of the receipt of the same expect the complicated case.
- A serious complaint must be referred to the CEO and even to Directors of the Company if so warrants.
- The Compliance Officer of the Company shall review the investor complaint register on weekly basis to find out whether complaint has been resolved within time or not.

HOW DO WE REDRESS INVESTOR COMPLAINTS

- The company has a designated investor grievances email id investorsrelation@unicap-bd.com on which an investor can make a complaint.
- An Investor can make a written complaint through letter also.
- The Company maintains investor grievance register in which full detail of every written complaint shall enter.
- Designated person shall login to look after the investor grievances on daily basis.
- The full detail of the written complaint must be passed to the concerned department and inform the compliance officer of the company as soon as it is received.
- A letter or mail must be written to all the investor who have submitted written complaints by the designated person or Compliance Officer acknowledging receipt of the complaint and informing them it will be dealt with.

OTHER USEFUL INFORMATION FOR SHAREHOLDERS

CAPITAL FORMATION HISTORY

The history of raising of share capital of UCL is given below:

Time line	Mode of raising capital	No. of shares	Amount in Taka
09 August 1998	As per MOA & AOA	5,050,000	50,500,000
26 June 2004	20% Bonus Share	1,010,000	10,100,000
27 July 2004	Rights Share	1,683,335	16,833,350
28 December 2004	Rights Share	5,526,235	55,262,350
17 February 2005	Rights Share	318,067	3,180,670
19 March 2005	Right Shares	118,066	1,180,660
28 May 2005	18% Bonus Share	2,388,523	23,885,230
28 May 2006	20% Bonus Share	3,218,846	32,188,460
24 July 2007	Initial Public Offer	7,500,000	75,000,000
23 July 2008	30% Bonus Share	8,043,922	80,439,220
17 May 2009	20% Bonus Share	6,971,398	69,713,980
19 May 2010	30% Bonus Share	12,548,517	125,485,170
3 May 2011	75% Bonus Share	40,782,681	407,826,810
8 April 2012	10% Bonus Share	9,515,959	95,159,590
End of the year		104,675,549	1,046,755,490

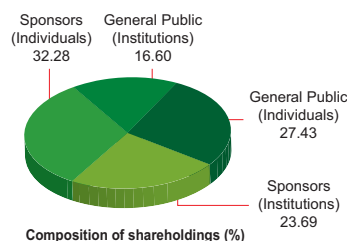
KEY SHARE INFORMATION

(As on 31 December)	2012	2011	2010
Total no. of shareholders	10,165	9,757	5,309
Share price (Taka)	27.8	60.5	246.8
No. of outstanding shares	104,675,549	95,159,590	54,376,909
Market Capitalization (in million)	2,909.98	5,757.16	13,420.22

SHAREHOLDERS

At the end of 2012, there were 10,165 shareholders in UCL as against 9,757 shareholders at the end of 2011. The Sponsor Shareholders hold 58,587,146 shares of Tk.10 each which represent 55.97 percent of the total paid up shares of the Company.

COMPOSITION OF SHAREHOLDINGS



Other Useful Information for Shareholders - *continued*

LEGAL FORM

Public Limited Company incorporated in Bangladesh on 9 August 1998 under Companies Act 1994 and listed with Dhaka and Chittagong Stock Exchange

COMPANY REGISTRATION NUMBER

C-36021(321)/98 Dated 9 August 1998

BANGLADESH BANK LICENSE NUMBER

FID(L) / 19 Dated 12 August 1998

REGISTERED AND CORPORATE OFFICE

Noor Tower
73 Sonargaon Road, Dhaka 1205, Bangladesh
Tel: +880 (2) 966 2888, Fax: +880 (2) 861 6878
Email: mailbox@unicap-bd.com

CORPORATE WEBSITE

www.unicap-bd.com

BRANCH OFFICES

Main Branch

Noor Tower
73 Sonargaon Road
Dhaka 1205, Bangladesh
Tel: +880 (2) 966 2888
Fax: +880 (2) 861 6878

Chittagong Branch

Ayub Trade Centre
1269/B Sk. Mujib Road, Agrabad C/A
Chittagong 4100, Bangladesh
Tel: +880 (31) 251 3353 - 54
Fax: +880 (31) 251 3356

Sylhet Branch

Bengal Shopping Complex
Sobhanighat, Mehendibagh
Bishaw Road
Sylhet 3100, Bangladesh
Tel: +880 (821) 283 1523 - 26
Fax: +880 (821) 283 1522

Motijheel Branch

A-A Bhaban, 23 Motijheel C/A
Dhaka 1000, Bangladesh
Tel: +880 (2) 951 5946 - 55
Fax: +880 (2) 716 8357

Gulshan Branch

Richmond Concord
68 Gulshan Avenue
Dhaka 1212, Bangladesh
Tel: +880 (2) 882 0366
Fax: +880 (2) 882 5740

AUDITORS

Hoda Vasi Chowdhury & Co.
Chartered Accountants
BTMC Bhaban, 7-9 Karwan Bazar C.A
Dhaka-1215, Bangladesh

LEGAL ADVISOR

A Hossain & Associates
3/B Outer Circular Road
Moghbazar, Dhaka.

Hasan & Associates
65-66 Motijheel C/A
Dhaka-1000.

STOCK BROKER

SES Company Limited
(Membership DSE-163; CSE-82)

TAX CONSULTANTS

K. M. Hasan & Co.
Chartered Accountants
Hometown Apartment
87 New Eskaton Road, Dhaka-1000

Rouf & Associates
DCCI Building, Room 305
65-66 Motijheel C.A, Dhaka-1000

STOCK LISTING

Bourse	Symbol	Date of listing
DSE	UNIONCAP	24 July 2007
CSE	UNIONCAP	24 July 2007

PRINCIPAL BANKERS

HSBC Limited
State Bank of India
Bank Asia Limited

SUBSIDIARY COMPANY

SES Company Limited
UniCap Investments Limited

INVESTORS INQUIRIES

Department of Corporate Affairs
Phone: +880 (2) 966 2888
E mail: investorsrelation@unicap-bd.com

MEMBERSHIPS

Bangladesh Leasing & Finance Companies Association
The Institute of Bankers, Bangladesh (IBB)
Dhaka Chamber of Commerce and Industry (DCCI)
Bangladesh Association of Publicly Listed Companies
Bangladesh Merchant Bankers Association (BMBA)
Federation of Bangladesh Chamber of Commerce and Industry (FBCCI)

DEFINITIONS

Interpret the hieroglyphics

We would not always be able to avoid technical terms, but we can explain them, and if there are any open question, answer them personally.

BANGLADESH FINANCIAL REPORTING STANDARDS

Bangladesh Financial Reporting Standards (BFRS) means those standards adopted by the ICAB. UCL's consolidated financial results are prepared in accordance with BFRS.

BANK RATE

The rate at which Bangladesh Bank discounts approved securities, treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.

BASEL CAPITAL ACCORD

The new Basel Capital Accord (Basel II) of the Bank for International Settlements is an improved capital adequacy framework accomplished by closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

BUSINESS RISK

Business risk arises from the specific business activities of a company and the effects these could have on its earnings.

BOOK VALUE PER SHARE

Book value of shareholders equity divided by the number of ordinary shares outstanding.

CAPITAL ADEQUACY RATIO

The capital adequacy of UCL is measured in terms of the Bangladesh Bank requirements. The ratio is calculated by dividing the primary (Tier 1) and secondary (Tier 2) capital by the risk-weighted assets.

CAMEL RATING

It is a measure for examining a financial institution or bank - the five things to examine are:

- Capital adequacy
- Asset quality
- Management quality
- Earnings
- Liquidity

CASH RESERVE REQUIREMENT (CRR)

CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFIs is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honor another predetermined financial obligation.

COLLATERAL

Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.

CONTINGENT LIABILITIES

A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date

CORE (TIER 1) CAPITAL

Core capital consists of issued ordinary share capital and retained earnings and reserves, less regulatory deductions.

DEFAULT RISK

The risk that a client may be unable to make payments of rentals/installments on time.

DEFAULTED ADVANCE

Any advance or group of advances that has triggered relevant definition of default criteria for that portfolio that is in line with Bangladesh Bank regulations relating to NBFIs.

DEFERRED TAXATION ASSETS

Deferred taxation assets are the amounts of income taxation recoverable in future periods in respect of:

- deductible temporary differences arising due to differences between the taxation and accounting treatment of transactions; and
- the carrying forward of unused taxation losses.

Definitions - *continued*

DEFERRED TAXATION LIABILITIES

Deferred taxation liabilities are the amounts of income taxation payable in future periods due to differences between the taxation and accounting treatment of transactions.

DEFINITION OF DEFAULT

At a minimum, a default is deemed to have occurred where a loan is overdue for more than 150 days.

DIVERSIFICATION

Distribution of investments among various sectors and geographic region to minimize risk.

EARNING ASSETS

Those assets of a bank or financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.

EARNINGS PER SHARE

Basic earnings BASIS

Income attributable to equity holders for the period divided by the weighted average number of ordinary shares in issue during the period.

Fully diluted BASIS

The relevant earnings figure is adjusted for the assumed adjustments to income that would have been earned on the issue of shares issued from dilutive instruments. The resultant earnings are divided by the weighted average number of ordinary shares and other dilutive instruments (ie potential ordinary shares) outstanding at the period end, assuming they had been in issue for the period.

EFFICIENCY RATIO (COST-TO-INCOME RATIO)

Total expenses as a percentage of income from normal operations (net interest income plus non-interest revenue).

EQUITY RATIO/CAPITAL RATIO

Indicator showing the relation of equity to total assets.

FAIR VALUE

The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

FAILING TO PROPERLY MANAGE REGULATORY RISK

Failing to properly manage regulatory risk may result in regulatory sanctions being imposed, and could harm our reputation.

FISCAL YEAR (FY)

FY means the fiscal year commencing from 1 July ending on 30 June.

FREE FLOAT SHARES

The ordinary shares of the company which are free for trading in the stock exchanges. Shares on which there is no restriction or lock-in condition for transfer or sale imposed by the regulatory authorities are considered as free float shares. Sponsors shares of a listed company are locked-in for 3 years from the date of publication of prospectus.

GOING CONCERN

The ability of a concern to continue its operation for a foreseeable future.

IMPAIRMENT OF LOANS AND ADVANCES

Impairment of loans and advances arises where there is objective evidence that the group will not be able to collect an amount due. The impairment is the difference between the carrying amount and the estimated recoverable amount.

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the potential for loss if Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments.

MARKET CAPITALIZATION

The Company's closing share price multiplied by the number of shares in issue.

MARKET RISK

Market risk is the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

NET ASSET VALUE PER SHARE

Total equity attributable to equity holders of the company divided by the number of shares in issue, shares held by group entities.

NET INTEREST INCOME

The difference between interest earned on assets (such as loans and securities) and interest incurred on liabilities (such as deposits and subordinated indebtedness).

Definitions - *continued*

NET INTEREST MARGIN

Net interest margin as a percentage of average assets.

NON-PERFORMING ASSETS

Consists of total sum of non-accrual loans/leases, experiencing 6 months or more delinquent. A loan/lease is considered non-performing when the total or a part thereof is past due for 6 months or more even if the finance is well secured and in the process of collection.

NON-ACCRUAL LOANS/LEASES

A loan/lease is automatically classified as a non-accrual when it is past due for 3 months or more and no matter the Management is confident about its collectibility of the entire amount at the time when a loan/lease is placed on non-accrual status. A loan/lease is generally returned to accrual status when the loan/lease is less than 3 months past due and the Company has reasonable assurance that the loan will be fully collectible and is in the process of collection.

OPERATIONAL RISK

Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

PROXY

A proxy is a written document authorizing the person named therein to attend and vote at a meeting for and in place of the Original Shareholder.

PROVISION FOR DOUBTFUL DEBTS

The amount of revenue charged to profit and loss account to absorb losses inherent in the investment portfolio. The provision is increased by the allowances for loans/leases which is charged against current year's operating results.

RECORD DATE

The date fixed by the Board at least 14 days before the date of Annual General Meeting to determine the eligibility of shareholders to attend and vote at the meeting and the right to current dividend.

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

REPO RATE

The rate at which Bangladesh Bank lends money to banks.

RETURN ON AVERAGE ASSETS

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing profit before tax by its total average assets.

RETURN ON AVERAGE EQUITY

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the outstanding shareholders money. Calculated by dividing net profit after tax by average shareholders equity.

RETURN ON AVERAGE INVESTMENT

A performance measure used to evaluate the efficiency of investment or to compare the efficiency of a number of different investments. To calculate ROI, profit before tax is divided by the cost of the average investment.

REVERSE REPO RATE

The rate at which banks park surplus liquidity with Bangladesh bank.

REGULATORY RISK

Regulatory risk is the risk of not complying with regulatory requirements, regulatory changes or regulators' expectations.

RETURN ON EQUITY (ROE)

Net income, less preferred share dividends and premium on redemptions, expressed as a percentage of average common shareholders' equity.

RISK MANAGEMENT

The process of identifying the level of risk an entity wants, measuring the level of risk the entity has, taking actions that bring the actual level of risk to the desired level of risk and monitoring the actual level of risk so that it continues to be aligned with the desired level of risk.

RISK-WEIGHTED ASSETS

Risk-weighted assets (RWA) are determined by applying risk weights to balance sheet assets and off-balance-sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance-sheet financial instrument is regulated by Bangladesh Bank regulations in the respective countries of the other banking licences.

SEGMENTAL REPORTING

OPERATIONAL SEGMENT

A distinguishable component of the group, based on the market on which each business area focuses, that is subject to risks and returns that are different from those of other operating segments.

GEOGRAPHICAL SEGMENT

A distinguishable component of the group that is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments.

STATUTORY LIQUIDITY RATIO (SLR)

Bangladesh Bank requires a non-bank financial institution to maintain liquid reserve @ 5% with banks/financial institutions on its total liabilities excluding funds from banks/financial institutions. This includes 2.5% of CRR.

SMALL AND MEDIUM ENTERPRISES

This asset class covers all exposures to small and medium enterprises (SME) that are classified as corporate and retail based on criteria prescribed by the Regulator.

SUBSIDIARY COMPANY

A Company is a subsidiary of another company, if the parent company holds more than 50% of the nominal shares and controls the composition of its Board of Directors.

THIN MARKET

The stock market where there are very few bids to buy and few offers to sell any shares, so the price is distorted.

TIER 2 CAPITAL

It is the supplementary capital made up of general provision, 50 percent of revaluation reserve for fixed assets, 45 percent of revaluation reserve for securities and preference shares less regulatory deductions.

UNREALIZED CAPITAL GAINS

Capital gains that reflect the price appreciation of currently held unsold shares; such gains are not accounted for until realized.

WEIGHTED AVERAGE NUMBER OF SHARES

The number of shares in issue increased by shares issued during the period, weighted on a time basis for the period during which they participated in the income of the group, less shares held by group entities, weighted on a time basis for the period during which the entities held these shares.

These definitions should be read in conjunction with the group's accounting policies, which also clarify certain terms used.

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A reference for quick view

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DISCLAIMER

UCL Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as forward-looking statements.

Forward-looking statements are not statements of fact, but statements by the management of UCL Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements. The risks and uncertainties inherent in the forward-looking statements are contained in this document.



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