

2014 Annual Report



SME FINANCE
an imperative to sustainability of financial institutions

SME Finance

an imperative to sustainability of FIs

In today's emerging economy, building a sustainable financial institution is always difficult especially for financial institutions. Running a financial institution is harder than ever. Leaders of financial institutions are facing with critical and manifold challenges in finding new and better ways to increase top-line revenues, improve margins and strengthen balance sheet.

In our small economy more than eighty-five banks and FIs are competing across industries for the same pool of customers narrowing rapidly the scope for FIs to "lose their lunch" as a wave of convergence rapidly changes the conventional competitive landscape for FIs. Thus, the financial services landscape is undergoing a fundamental change. Wider moves to drive competition may create opportunities for FIs to tap into the SMEs.

The importance of SMEs in our economy cannot be overlooked as they form a major chunk in the economic activity. The Bangladeshi SME market is growing rapidly and the entrepreneurs are making better progress than ever and hence for FIs, the SME market still represents a enormous growth opportunity. SME sector in Bangladesh accounts for more than 25 percent of GDP, 40 percent of employment, 80 percent of industrial jobs, and 25 percent of the total labor force. They also make a significant contribution to exports. Uniquely, SMEs are also geographically widely distributed. So they offer a good prospect for geographic diversification of the economy.

Considering the growth potential, FI must consider SME financing as a road to its sustainable growth provided that real SME client selection shall remain the cornerstone for success.



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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: UniCap Securities Limited and UniCap Investments Limited. Both the subsidiaries are providing capital market services while UCL is a non-banking financial institution that 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 16 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 7 branch offices located in Dhaka, Chittagong, Sylhet, Gazipur and Narsingdi.

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.

UCL is a publicly traded company listed on both the Dhaka and Chittagong Stock Exchange.

UCL is a highly focused business with strong management and a clearly defined business plan creating value and delivering shareholder return from core operating business.

UCL is a diversified company that creates value and delivers shareholder returns from core operating business.

Our focus, core competency and competitive advantage is driven by our team's depth of knowledge, experience and hands-on expertise.



THE GROUP SERVICES

- Different deposit schemes
- Corporate 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 (NBF)
- UniCap Securities Limited (a member of DSE and CSE)
- UniCap Investments Limited (Full fledged merchant bank)



BUSINESS FOCUS

- Local Market
- Access to major areas of investment services
- Building strong investment portfolio
- Deliver legendary customer experiences
- Be an extraordinary place to work
- Operate with excellence
- Take only risks that we understand and can manage
- Enhance our brand image
- Increase shareholder value



BUSINESS LOCATION

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

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.

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.



We have a clear vision and deliverable strategy underpinned by our values ...which provide the opportunity to generate excellent return.

VISION

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

Our vision is to become a leading and sustainable financial institution providing integrated financial services that reflects its principles and values by aligning with our mission giving special focus on enhancing value through our continuing efforts to provide higher levels of products quality and customer service with excellence in performance and good governance for our stakeholders.



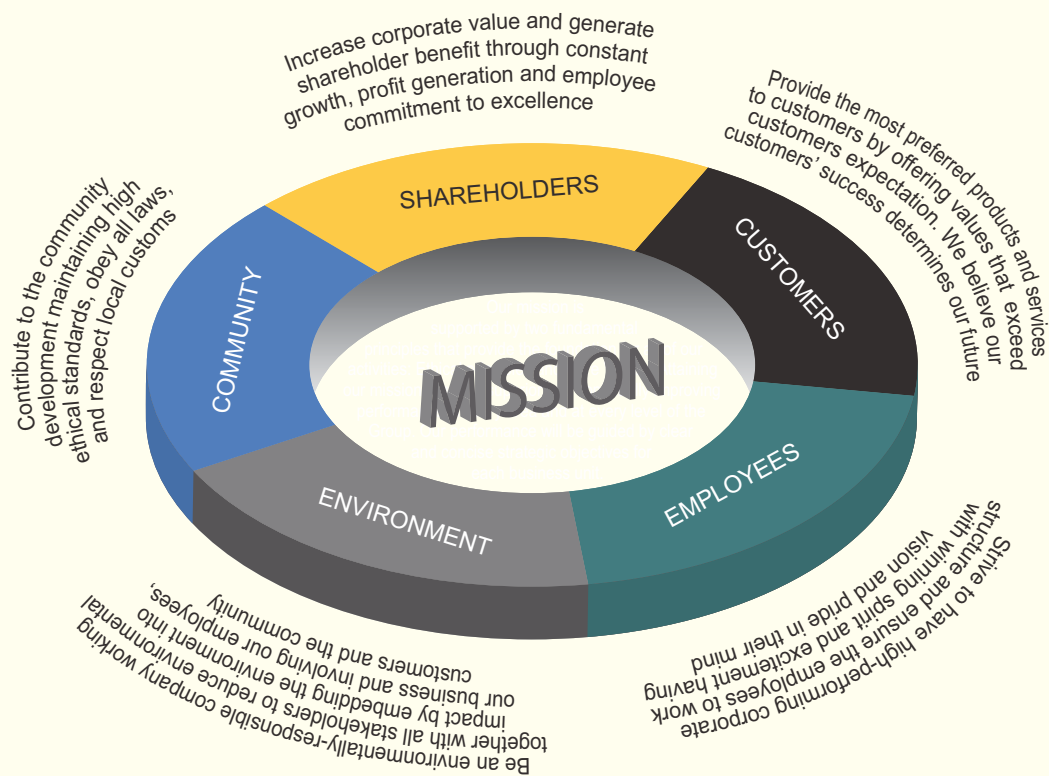
...We shall measure our success by the success of our Customers, Employees, Depositors and Shareholders.



MISSION

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

Our mission is to be the best run, customer-focused and integrated financial institution with a unique and inclusive employee culture. 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.



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.

GOALS

General statements of what business intends to achieve

UCL's operations are governed not only by the Company's business concept, but also by the financial goals established with regard to growth, profitability and return. By achieving or exceeding these goals, UCL creates the necessary scope for its continued development, as well as generating increased value for its shareholders in the form of an annual dividend and by boosting the value of the Company.

Grow revenue faster than the market. Build on good performance in improving cash flow. Execute well and with predictability. The goal is to have an average annual investment growth rate of at least 25 percent that was established based on the company's growth over a period of three years and an assessment of its future prospects.

The goal is to have an operating margin (EBIT) of 35 percent measured over a business cycle. The profitability goal was established based on historical margins and the company's growth ambitions.

The benchmark value states that as a provider of financial services, UCL should make significant investments in operating assets and human resource that will generate value by improving the operating performance and provide the best return.

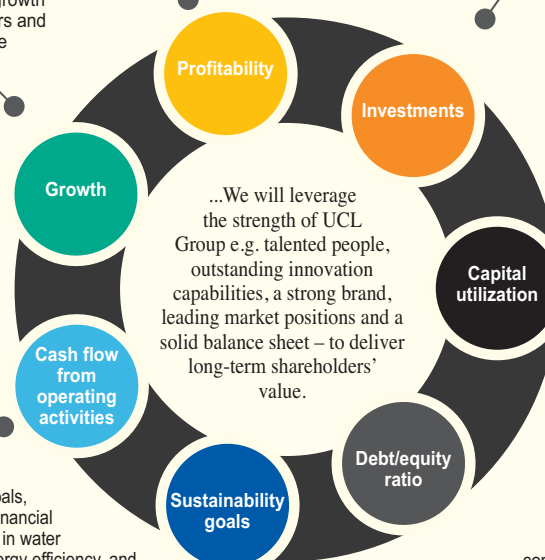
Cash flow from operating activities is to amount to 20 percent of operational revenue. This value is lower than the goal for the operating margin, since organic growth normally requires an increase in borrowings. In addition, taxes are paid in an amount corresponding to approximately 35 percent of earnings before tax.

In addition to its financial goals, UCL has a number of non-financial goals, including a reduction in water consumption, increased energy efficiency, and a reduction in greenhouse gas emissions. We want to make a positive impact through partnership, initiatives and supporting the charitable efforts in our community.

...We will leverage the strength 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.

The goal is to have a return on capital employed of at least 5 percent. This level was set taking into account the relatively low level of capital tied up in non-operating assets.

In the long term, the debt/equity ratio, meaning the fund UCL borrows in relation to the carrying amount of shareholders' equity, is to be less than eight percent. Although the ratio may exceed this level in connection with aggressive investment activities, this should be viewed as merely temporary, since deposits, surplus of operating cash flow and earnings are expected to offset this effect.



...Very good is not good enough, Excellence is our goal.

CORE VALUES

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

Our values highlight what is important to us, what makes us distinctive and what it's like to work at UCL. They describe how we do things when we are at our best. We believe our strength is rooted in our seven core values. They determine the way in which we interpret and respond to business opportunities and challenges. They shape the culture and define the character of our company. They guide how we behave and make decisions.

INTEGRITY

We act with integrity. We act consistently based on a set of values, ethical standards and principles. We conduct all our activities with fairness, honesty and integrity.

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 create a caring, engaged and enabled work environment that recognizes both individual and team contributions in pursuit of high performance. We believe that a good team in an entrepreneurial environment results in achieving UCL's vision.

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.

EXCELLENCE

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

...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.

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.

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.

...Our values and standards are the basis of our success. They always have been. They always will be. They shape the culture and define the character of our company. They guide how we behave and make decisions.

STRATEGIC OBJECTIVES

More precise and detailed statements of the goals

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, we have chosen to give priority to the following overall strategic objectives that create the foundation for strong growth and focus on continuous value enhancement.

INTENDING TO RANK AMONG THE TOP IN MARKETS WHERE WE DO BUSINESS

We offer leading services in the fields of financial markets. Our products facilitate solving both short term and long-term funding requirements. 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, 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 leading financial institutions.

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 our 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 give 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.



... 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 re-engineering, fund re-structuring, exploring diverse funding sources, etc.

... 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.

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 threshold 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 UniCap Securities 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 11 of this report, 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 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.

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.



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.

BUSINESS PRINCIPLES

The roadmap on how UCL operates and why we make our decision

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.

EXECUTE MAGNIFICENTLY

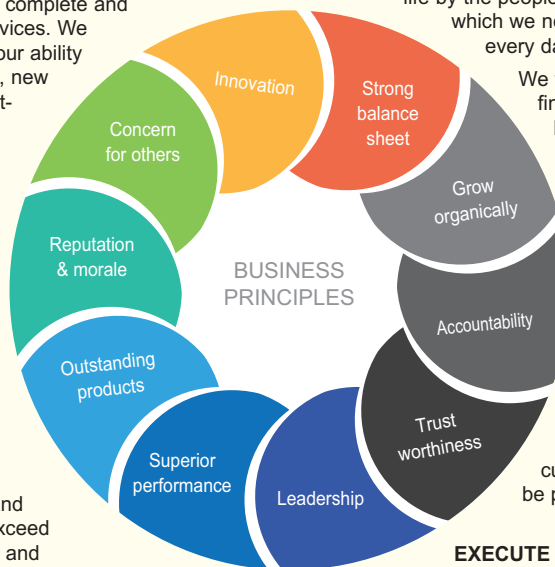
Create strong brands that carry a commitment of quality and integrity

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.

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



... 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.

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.

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 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

...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.

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.

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.

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

...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.

ETHICAL PRINCIPLES

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

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.

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.
- 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.
- 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 customers' personal and financial information as required by law.

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 property.
- We safeguard company's tangible and intangible assets.
- Company's 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.

...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.

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

- ☐ Lease Finance
- ☐ Term Finance
- ☐ SME Finance
- ☐ Project Finance
- ☐ Corporate Finance
- ☐ Syndication Finance
- ☐ Apartment Finance
- ☐ Bridge Finance
- ☐ Car Finance
- ☐ Student Finance
- ☐ Professionals Loan
- ☐ Venture Capital
- ☐ Real Estate Finance
- ☐ Unsecure Personal Loan
- ☐ New Entrepreneur Finance
- ☐ Women Entrepreneur Finance
- ☐ Construction & Renovation Finance

DEPOSIT PRODUCTS

- ☐ Fixed Term Deposit
- ☐ Monthly Income Deposit
- ☐ Periodic Income Deposit
- ☐ Double Money Deposit
- ☐ Triple Money Deposit
- ☐ Cumulative Income Deposit
- ☐ Millionaire Plus (MPlus)
- ☐ Marriage Deposit
- ☐ Monthly Saving Scheme (MSS)
- ☐ Profit First Deposit
- ☐ Home Planning Deposit
- ☐ Education Deposit
- ☐ Women Entrepreneur Deposit
- ☐ Widow / Senior Citizen Deposit

CAPITAL MARKET SERVICES

- | | |
|--|--|
| <input type="checkbox"/> IPO Management | <input type="checkbox"/> Rights Issue Management |
| <input type="checkbox"/> Underwriting | <input type="checkbox"/> Portfolio Management |
| <input type="checkbox"/> Margin Loan | <input type="checkbox"/> Pre-IPO Placement |
| <input type="checkbox"/> Share Trading | <input type="checkbox"/> Investment Management |
| <input type="checkbox"/> Corporate Restructuring | <input type="checkbox"/> Corporate Advisory Services |
| <input type="checkbox"/> Equity Investment | <input type="checkbox"/> Fund Raising |

BUSINESS REVIEW

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Letter from
THE CHAIRMAN



2014 saw Union Capital to deliver on solid growth in its investment portfolio, increased profitability and containment of non-performing assets despite a tough economic backdrop.

I extend a warm and gracious welcome to all our valued shareholders at the 17th Annual General Meeting of the Union Capital Limited. I feel greatly honored and privileged in taking this opportunity to report to our respected shareholders after being reappointed as the Chairman of the Board of Directors.

2014 witnessed the aftermath of the political instability that prevailed during the last quarter of 2013. The major challenges that manifested for the bank/financial sector due to the disruption in economic activities in the preceding year were as follows: (i) alarming rise of non-performing assets; (ii) fall in the demand for private credit; and (iii) continued instability in the capital market.

I am pleased to announce that Union Capital Limited prevailed against all odds and succeeded in delivering notable growth in its investment and profitability. Some of the highlights of the performance in 2014 are as under:

- Net profit before tax for 2014 was Tk. 448.49 million, registering a growth of almost 115 percent over previous year. The operating profit also reflected a strong increase of 50.08 percent year on year. The net profit after tax was Tk. 199.99 million registering a growth of 41.07 percent over last year.
- The overall investment portfolio of the Company increased by 31.12 percent, which was made possible due to change in our business focus and relentless efforts of our dedicated management team. The Board and Management exerted maximum level of due diligence while approving any investment proposal. As always, I would like to assure our stakeholders that the formidable investment growth has not come at the cost of compromising with the quality of our portfolio.
- The percentage of Non-performing Loan stood at 8.85 percent at the end of 2013. Due to concerted and passionate derive of our management team there has been a noteworthy improvement in recovery of classified loans. Moreover, due to the considerable upsurge in our investment portfolio and writing-off of selective non-performing assets, the aggregate percentage of Non-performing loan at the close of 2014 we could maintain the same at a better position at 8.51 percent.

Despite the aforementioned challenges faced, UCL nevertheless prevailed through concerted

team effort of all our employees under the prudent leadership of our Managing Director & CEO, Md. Akter H. Sannamat FCA, FCS. The members of our management team carried out their assigned responsibilities with utmost sincerity and dedication. It fills me with pride to find that our employees are passionate about what they do and are dedicated to the Company's sustainable growth.

The goodwill and market reputation of UCL attained new heights and I firmly believe that it has become one of the most dependable financial institutions. My appreciation goes to all employees in the UCL Group who in their own way, are shaping the UCL of the future. UCL continued to achieve a number of awards and recognitions in home and abroad in 2014:

- Adjudged "First Runner-up" by SAFA in the Financial Services Sector in recognition of UCL's Best Presented Annual Report 2013. SAFA is an apex body of the institutes of Professional Accountants in SAARC countries and evaluates every year a very few selected listed companies for its excellence in corporate reporting.
- Received Second Prize in ICAB Best Presented Annual Reports 2013 in the Financial Services Sector.
- Secured SME Banking Award as the "Small Entrepreneurs' Friendly NBFI of the Year 2014" jointly organized by Bangladesh Bank and SME Foundation.
- Secured ICSB National Bronze Award, 2013 for Corporate Governance Excellence in Non-Banking Financial Institution and Insurance category.

These awards are recognitions of UCL's commitment to excellence in financial and corporate disclosure and adherence to best practices in all areas of corporate reporting. UCL's corporate reporting practices have continued to evolve, keeping in pace with the ever-increasing expectations of our investors and stakeholders for greater transparency.

As part of its initiative to achieve sustainable growth, UCL has increased its focus on investing in the SME sector of the economy. Not only is SME financing rewarding in many aspects for lenders, it is also a meaningful contribution to the development of our economy. As part of our strategic business plan, our priority was to ensure

quality clientele focusing lower cost of fund through availing various refinancing scheme from Bangladesh Bank, which includes refinancing under JICA for SME finance, Women Entrepreneur finance, agricultural finance and green business finance etc. In 2014, UCL was ranked on the top in the list amongst NBFIs that has availed the highest amount of fund under different refinancing schemes.

Good governance plays a significant role in ensuring that UCL remains a successful and sustainable company. I would like to thank my fellow Directors for their prudent guidance to, and supervision of, the management. A key element of this is ensuring that the Board has the right mix of individual non-executive Directors with the experience and expertise, and who are timely provided with the relevant information.

In 2014, Mr. N.H. Khan, one of our Non-Executive Independent Directors, has retired from the Board who also served as the Chairman of the Board Audit Committee. Mr. Khan has served as an Independent Director for two consecutive terms of six years and thus not eligible for reappointment as per BSEC Corporate Governance Guidelines. We profoundly acknowledge his distinguished service and dedication embodying our values of integrity and commitment. His exemplifying sincerity, dedication and guidance has inspired us.

On the other hand, I would also like to welcome Mr. Md. Abdul Karim, newly appointed Independent Director - a retired secretary to the Government of Bangladesh having a distinguished and immaculate career record. Detailed biography of Mr. Karim is given on page 57 of this Annual Report.

Effective engagement with the Shareholders and UCL Management is an important part of my role as Chairman. In this respect, I was pleased to meet a number of shareholders at last year's Annual General Meeting (AGM), and look forward to once again meeting many of you at this year's AGM. I am also, of course, available throughout the year to meet our larger shareholders on an individual basis.

Whilst UCL faced significant challenges in 2014, we continued to make strong progress towards achieving our long-term goals and in delivering diverse products and services to our customers. Whilst economic uncertainties remain and some of our markets will take time to recover, I believe that the key enablers of our strategy, together with our ongoing investment and restructuring of functional areas will support the continued growth of UCL in the years ahead.

In closing, let me express appreciation to my Board Members for their continued wise stewardship and strategic guidance. I would also like to thank them for their commitment and for giving their time generously over and beyond scheduled Board discussions. I also express my appreciation to our team of talented employees for their passion, loyalty and dedication, and to our customers and partners for their continued support.

I take this opportunity to thank our regulators Bangladesh Bank and Bangladesh Securities and Exchange Commission and Stock Exchanges for their continued guidance and support extended to us.

I conclude by reiterating my appreciation to all the shareholders of the Company who have taken the time to attend the Annual General Meeting in person. The suggestions, advice and constructive criticism offered by our shareholders at the general meetings have always proved to be immensely helpful. I eagerly look forward to receiving your thoughtful inputs at this 17th Annual General Meeting that will help us to drive the Company towards excellence.

sd/-

Chowdhury Tanzim Karim

Chairman

25 February 2015

Letter from the MANAGING DIRECTOR & CEO



...gaining momentum
towards sustainable
shareholder value

We have had a challenging year in 2014 marked by slow investment growth, somewhat unstable capital market, intensified competition, increasing pressure from customers for rate reduction and political uncertainty. However, improving fundamentals, especially giving more focus on our strategy throughout the year, we could maintain the growth momentum. UCL has managed well despite the challenges and our strategy of diversifying business mix, both on the liabilities as well as the assets side of our balance sheet, has helped deliver another year of consistent performance. The core revenue streams of UCL have contributed solidly across businesses and we have continued to improve operating efficiency and manage costs through capacity building and process improvements. Moreover, we did well by fostering an ownership culture, placing our clients at the center of everything we do.

OVERVIEW

The 2014 financial year has been challenging, yet rewarding. UCL delivered comparatively better results than last year, underpinned by the continued focus on operational efficiencies, delivering better-than-expected business and satisfactory recovery of non-performing loans/leases. Cost containment and margin improvement remained challenging, especially in light of the continued pressures in NBFIs environment and sustained weak credit growth and slow capital market environment. The challenge has been intensified further due to political uncertainty. In these circumstances, we at UCL has every reason to be pleased with our performance. We had strong growth; we increased our earnings and we strengthened our financial stability.

UCL's operating revenue rose 46.57 percent to Tk. 888.71 million. Operating profit increased by 50.08 percent to Tk. 696.69 million and the net profit strengthened further to 41.07 percent. We have created a sound basis for continued success through constantly increased market presence, innovation and product diversification, awesome recovery of non-performing loans and consistent efforts for enhancing revenues through cost-efficiency approach across all processes.

In 2014, we continued to work harder to differentiate ourselves from our competitors with new strategies that enabled us to outperform the competition and to further expand market shares in the industry. Along with the focus on diversifying our earning streams, we have taken measures to strengthen our service streamlining our organizational structures. Efficient and effective structures as well as the right people in key positions are central factors for success in a competitive market. In line with our new departmental structure, we have engaged qualified management team in each department. They are responsible for implementing UCL's strategy in their respective operating areas.

Much can be done to enhance our current and future competitiveness. More emphasize in product innovation is needed to differentiate us from peer institutions, expansion in high-growth markets should be accelerated, and more focused marketing efforts will all help us towards that goal. We also have to relentlessly drive for improving recovery position.

DOING MORE FOR OUR CUSTOMERS

We aim to deliver service to our every customer every day better than before. When we do that well, we win more business, we grow, we improve our performance and we have the ability to do even more for our customers.

Exceptional service and great products are catalyst to every success of a financial institution. Our SME product has been gaining momentum since last year. With the building of the SME platform completed in 2013, our efforts in 2014 were focused on acquiring new customers and on increasing market share across the markets we operate in. Total SME investment rose 249.28 percent to Tk. 2,324.54 million in 2014, exceeding the target we set for the year.

During the year, we continued to strengthen our operating systems and streamline our processes for SME finance, which are instrumental to our success. We enhanced our credit process by building internal

programs to approve small and mid-sized exposures with a clear set of parameters. The programs have reduced the time taken to assess and approve credit applications. We incorporated technology into our efforts to improve customer experience. This has reduced further the time taken for clients to get approval of facility compared to the industry average. Bangladesh Bank and SME Foundation has jointly recognized our efforts in 2014, naming us a "The Best SME Entrepreneur Friendly NBFIs of the year 2014" for outstanding contribution in SME sector.

FOCUS ON OUR STRATEGY

During the year, we refined our strategies to nurture and grow our core businesses and advance our investment growth. To support the delivery of our strategy, our focus is to grow shareholder value and transform UCL into a superior financial institution by:

- Delivering revenue growth through investment in organic drivers, including expansion in high-growth markets;
- Enhancing margins through a relentless drive for operational improvement across all our businesses;
- Developing smarter ways of working and having the best people;
- Promoting a culture of responsibility in everything we do;
- Generating strong operating cash-flows with better balance sheet management; and
- Building a sustainable investment portfolio fostering appropriate risk management culture and improving operational efficiency.

As we look ahead, we will continue to pursue the same strategy that has served us well in last year. This is what will drive results and progress.

GREAT TEAM

Despite ongoing challenges across our industry, I feel good about what we've accomplished and how we're positioned. There are many reasons why. That's how our team has worked hard to meet our customers' needs and serve our stakeholders well.

Having the right people with the right skills is the critical to the successful implementation of our strategy. The next is relentless efforts. We always value the power of talented employee, trained by inspired leadership, all driving hard towards achieving our goals - What always separate the 'best' from others is the people they employ and how they inspire and reward them.

We have a great team who have been involved in the cutting edge of delivering value added services. Our challenge now is to inspire our people with a vision that we can really become a truly leading financial institution, the very best to cater the needs of our market where we operate. This will help building sustainable institution and slowly, but gradually, make us a lure for the most talented people around.

Providing a secured working place for our employees to work was my priority and I am pleased to report that we have made further progress in improving the confidence of our employees. An impressive outcome given the significant progress the Company has already

made in recent times. Some of our accomplishments in 2014 include:

- The addition of nearly 447 new clients
- Deposit growth of more than 36 percent
- Loan growth of more than 37 percent
- Earnings growth of more than 34 percent
- Return on Equity of more than 11 percent
- Received SAFA and ICAB National Award for best presented Annual Reports.
- Received ICSB National Award for Corporate Governance Excellence.

ETHICAL LEADERSHIP IS EMBEDDED IN OUR CULTURE

The success of any organization requires more than just a sound business strategy. I am personally committed to ensuring that ethical leadership continues to be embedded in our culture across our organization. UCL's culture is a key element to our success. It has roots in the fundamental values we've held for many years – things like putting customers first and always acting with respect and integrity. It also encompasses our strengths, including a strong balance sheet, prudent risk management and a continuing focus on cost control.

Building on our competitive advantages and proven strengths, we're constantly building the right culture, people and capabilities to deliver superior value to our clients, shareholders, employees and communities.

I want to pay tribute to our great team in UCL for their tremendous efforts and contributions. By any measure, UCL's accomplishments were remarkable. Their continuing commitment and hard work are the cornerstones of our success.

GOING FORWARD

2014 was a year of difficulties but important decisions that involved streamlining our Company where appropriate, while adding resources and capabilities opportunistically, all with a clear focus on "Building a Better UCL" and positioning the Company for growth: our number one priority for 2015.

After the conclusion of extensive restructuring measures and the successful strategic refocusing, UCL is well positioned now to benefit from diversified operations, strong balance sheet, and holistic approach in recovery of non-performing assets. We have a strong capital base, lean cost structures, innovation capability, diversified products. We have an incredibly diverse talented group of people in this company who are committed to create and deliver continuous value to our customers, our shareholders, and society. These success factors should allow us to realize realistic and sustainable profit growth over the medium and long-term in a normalized market environment.

While progressive regulatory changes, prolonged sluggish capital market, political uncertainty, slow credit growth, poor recovery environment, and increasing competition will pose some challenges for financial sector, we see opportunities. We're committed to delivering the right strategy, business mix, culture and people to drive continued growth and take advantage of changes in the marketplace. I have every confidence that UCL's unique

culture will remain intact, and that it will evolve and strengthen over time to meet the challenges in the years ahead. UCL has an outstanding management team. Moreover, the investments we made in recent years are reaping strong results. We are expanding our operations across multiple customer segments and business lines. Our strategy will remain unchanged. We will work with our customers across the country, leveraging on our branch operations by driving customer acquisition and offering innovative holistic solutions.

Regulatory relationships are critical in this and any environment. We continue to work closely with our regulators to ensure we have the proper controls in place because we know long-term success only comes through doing business the right way.

Looking ahead, we will continue on our profitable growth path. Our growth agenda must be supported by an equally tireless pursuit of operational excellence. Enhanced customer service and upgraded quality should differentiate our competitive edge to help support cost benefits. We will continue to strive to improve our operational excellence through investment in training and development and honoring our core values. We have everything in place and we will continue to execute.

CLOSING REMARKS

Before I close this letter, I would like to make few comments. As you will know, my employment contract of three years with UCL will expire on 3rd July of this year. UCL is a wonderful company full of talented and dedicated people and it has been a real privilege to have been serving the Company as Managing Director & CEO for almost three years. During that time, the management team and I, under the leadership of our great Chairman, have continued the transformation of UCL into a sustainable and one of the leading financial institutions. I have greatly enjoyed my time at UCL which is in no small part due to the support I have received from my colleagues. The Company is now in excellent shape and I am very pleased to inform you that whoever comes to join in my position would be able to lead the excellent team and under whom the company will continue to thrive.

As a final point, I would like to thank my revered colleagues who supported me and worked hard with passion, tremendous commitment, intensive and constructive teamwork in these challenging times to reach our corporate goals in 2014. This dedication is also honored by our customers and business partners, whom I would like to thank for their cooperation and confidence. I would also like to thank the Members of our Board for their valuable and supportive guidance and the efficient handling of business issues. In conclusion, I would like to thank you, our shareholders, for your continuing trust in UCL during the past year. I look to the future with optimism, and I invite you to join us on this course.

sd/-

Md. Akter Hossain Sannamat FCA, FCS
Managing Director & CEO
22 February 2015

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 93 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 2014. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2014. Unless otherwise indicated, all amounts are stated in Bangladesh Taka and have been derived

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WHO WE ARE

Established in 1998, Union Capital Limited 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, UniCap Securities 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 7 offices located in Dhaka, Chittagong, Sylhet, Gazipur and Narsingdi.

from financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Circulars issued by Bangladesh Bank, the Securities and Exchange Rules 1987, the Companies Act 1994 and other applicable regulatory requirements.

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

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UCL is a publicly traded Company listed in both the Dhaka and Chittagong Stock Exchange.

UCL's business planning process is rigorous and considers the prevailing economic conditions, customers' growing needs and the opportunities available across our lines of businesses. 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. UCL focuses

on helping its customers and giving them confidence that they are making the right financial choices. It also drives the employees to deliver their best in all endeavors. 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, our shareholders, regulators, lenders and the society as a whole which we operate in.

OUR PRIORITIES IN 2015

- Drive quality earnings growth across all of our businesses by focusing on industry leading customer experience and enhancing operating efficiency;
- Accelerate the growth of our businesses by helping our broad range of customers' needs, particularly in SME segment addressing environmental risk while making new business relationships;
- 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;
- Become the employer of choice.

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 not limited to, comments with respect to our objectives and priorities for 2015 and beyond.

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

- our strategies, objectives, goals or business plans;
- our future economic performance or prospects;
- the probable 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 the followings but not limited to:

- general economic and market conditions of Bangladesh;
- strength of the regional and global economy;
- degree of competition in the business areas in which we operate;
- changes in laws or in supervisory regulations, guidelines including additional capital requirements, strict monitoring about interest rate and liquidity requirements and guidance;
- accuracy and completeness of the information we obtain with respect to our customers;
- changes to our credit ratings;
- general political environment;
- performance of our capital market;
- ability to maintain sufficient liquidity;
- ability to repay the liabilities as and when they fall due;
- 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;
- compliance with legal and regulatory requirements 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 actual performance.

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

Forward-
looking
Statement

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 126 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 prevailing in the country as well as global economy. 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 our investments. Political instability also affects 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 deterioration in economy 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 deteriorate the asset quality and require an increase in the provision for doubtful losses resulting in lower profitability.

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, monetary and fiscal policy may cause changes in the value of Company's investments and portfolios. UCL has implemented risk management methods to mitigate and control these factors 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 and inadequacy in design of policies, procedures. 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, Bangladesh Securities and Exchange Commission, the Companies Act 1994, the Financial Institution Act 1993, the Income Tax Ordinance 1984, other applicable laws and regulations. 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 materially 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. Actions by the 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 BAS/BFRS

We did not adopt any new significant accounting policies during the year 2014. The following standards, interpretations and amendments thereto 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:

**Changes in
Accounting
Policies
and
BAS/BFRS**

| Pronouncement | Nature of change | Effective date | Impact |
|---|--|--|--|
| Amendment IAS 16, PPE and IAS 38, Intangible assets | The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. | Financial periods beginning on or after 1 January 2016 | The Group is assessing the impact of adopting the amended IAS 16 and IAS 38 |
| Amendment IAS 16: Property, Plant & Equipment | The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. | Financial periods beginning on or after 1 January 2016 | This has no impact on the Group's financial reporting |
| Amendments to IAS 19: Employee benefits | The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. | Financial periods beginning on or after 1 January 2016 | This has no impact on the Group's financial reporting |
| Amendments to IAS 27: Separate Financial Statements | The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. | Financial periods beginning on or after 1 January 2016 | This has no impact on the Group's financial reporting since it has no joint venture or associate |
| Amendments to IAS 28: Investment in Associates & Joint Ventures | The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. | Financial periods beginning on or after 1 January 2016 | This has no impact on the Group's financial reporting since it has no joint venture or associate |
| Amendment to IAS 34: Interim Financial Reporting | This amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. | Financial periods beginning on or after 1 January 2016 | The Group is assessing the impact of adopting the amended IAS 34 |
| Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations | In the case of a disposal plan that is intended to be achieved by means of an initial public offering (IPO), but where the prospectus has not been approved by the securities regulator. | Financial periods beginning on or after 1 January 2016 | The Group is assessing the impact of adopting the amended IFRS 5 |
| Amendment to IFRS 10: Consolidated Financial Statements | The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. | Financial periods beginning on or after 1 January 2016 | This has no impact on the Group's financial reporting |
| Amendment to IFRS 11: Joint Arrangement | The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. | Financial periods beginning on or after 1 January 2016 | This has no impact on the Group's financial reporting |
| Amendment to IFRS 12: Disclosure of Interests in Other Entities | The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. | Financial periods beginning on or after 1 January 2016 | This has no impact on the Group's financial reporting |

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 31 December 2014 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 31 December 2014, our disclosure controls and procedures are adequate, appropriate and effective both in terms of design, implementation and monitoring.

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 BAS/BFRS and the requirements of Bangladesh Bank and Bangladesh Securities and Exchange Commission and other applicable laws and regulations.

Management is responsible for designing, establishing and maintaining adequate internal control systems 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 BAS/BFRS and the requirements of Bangladesh Bank, 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 appropriate and effective as at 31 December 2014.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2014 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 amendments in BASs/BFRSs did not change the 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 UniCap Securities 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;
- Audit/certification services on compliance of corporate governance; and
- Any other service that the Audit Committee determines.

The auditors are paid an amount of Tk. 140,000 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. The auditors are paid Tk. 50,000 net of VAT for the audit services. The certification on the compliance by Union Capital Limited of the conditions on corporate governance as stipulated in and required by BSEC's notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 is done by Ahmed Zaker & Co., Chartered Accountants.

2014 FINANCIAL PERFORMANCE AND FINANCIAL CONDITION REVIEW

Challenges in 2014

- Economic slowdown;
- Political instability;
- 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.

Major Financial indicators of 2014

Major performance indicators in 2014 were as under:

- Investment increased to Tk. 16,227.71 million from Tk. 12,376.35 million registering a noteworthy growth of 31.12 percent;
- Consolidated net profit for the year was Tk. 199.99 million as against Tk. 141.76 million of 2013 with a remarkable growth of 41.07 percent;
- Customers Deposit increased by 36.60 percent to Tk. 10,705.44 million from Tk. 7,836.86 million of 2013;
- Shareholders' equity decreases to Tk. 1,807.18 million from Tk. 2,010.67 million of 2013 with a negative growth of 10.12 percent. While net profit

after tax has increased by 41.07 percent, shareholders' fund has decreased by 10.12 percent mainly due to adjustment of Tk. 403.48 million against revaluation reserve of UniCap Securities Ltd., a stock brokerage house and wholly owned subsidiary of Union Capital, resulted from diminution in the value of membership after demutualisation of Dhaka Stock Exchange Ltd.

- Operating revenue increased to Tk. 2,231.06 million from Tk. 1,663.80 million representing growth of 34.09 percent over last year;
- Earnings per share increased to Tk. 1.65 as against Tk. 1.29 of 2013.

REVIEW OF OPERATING PERFORMANCE

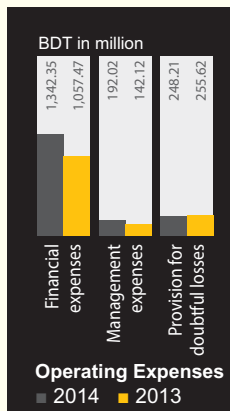
Summary of Profit and Loss Account

| (Figures in million Taka) | | % of increase/ (decrease) | |
|---------------------------|-----------------|------------------------------|---|
| 2014 | 2013 | | For the year ended 31 December |
| 1,939.97 | 1,428.77 | 35.78 | Revenue from loans, advances and leases |
| 260.87 | 192.75 | 35.34 | Revenue from Capital Market activities |
| 30.22 | 33.08 | (8.65) | Other operating income |
| 2,231.06 | 1,663.80 | 34.09 | Total revenue |
| 1,342.35 | 1,057.47 | 26.94 | Financial expenses |
| 192.02 | 142.12 | 35.11 | Management expenses |
| 248.21 | 255.62 | (2.90) | Provision for doubtful losses |
| 1,782.58 | 1,455.21 | 22.50 | Total expenses |
| 448.49 | 208.59 | 115.01 | Profit before tax |
| 248.50 | 66.83 | 271.84 | Provision for taxation |
| 199.99 | 141.76 | 41.07 | Net profit after tax |

Revenue from loans, advances and leases

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

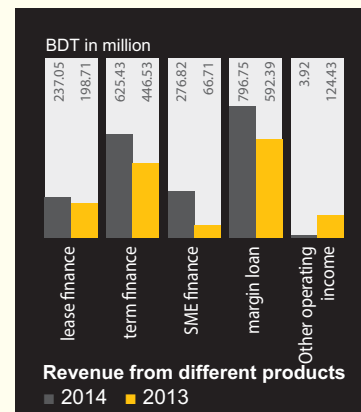
| 2014 | | 2013 | | (Figures in million Taka) |
|-----------------|---------------|-----------------|---------------|---------------------------|
| Amount | % | Amount | % | |
| 237.05 | 12.22 | 198.71 | 13.91 | Income from lease finance |
| 625.43 | 32.24 | 446.53 | 31.25 | Income from term finance |
| 276.82 | 14.27 | 66.71 | 4.67 | Income from SME finance |
| 796.75 | 41.07 | 592.39 | 41.46 | Income from margin loan |
| 3.92 | 0.20 | 124.43 | 8.71 | Other operating income |
| 1,939.97 | 100.00 | 1,428.77 | 100.00 | Total |



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 87.00 percent of total revenue earned by the Company during 2014 (2013: 85.87 percent). Income from loans, advances and leases increased by 35.78 percent i.e. Tk. 511.20 million in 2014 compared with 2013 due to 37.82 percent growth in performing book as well as significant recovery from classified portfolio.

Operating Expenses

| (Figures in million Taka) | | % of | |
|---------------------------|-----------------|--------------|-------------------------------|
| 2014 | 2013 | increase | |
| 1,342.35 | 1,057.47 | 26.94 | Financial expenses |
| 192.02 | 142.12 | 35.11 | Management expenses |
| 248.21 | 255.62 | (2.90) | Provision for doubtful losses |
| 1,782.58 | 1,455.21 | 22.50 | Total expenses |



Financial expenses

In 2014 financial expenses has increased by 26.94 percent due to increase in volume of customer deposits by 36.60 percent and tight money market environment. UCL pays interest on funds mobilized from different sources like deposits from individuals and institutions, loan from banks/FIs, call loan and security deposits from customers. Interest rates vary depending on the nature and tenure of sources of funds. Interest expenses consist of 75.30 percent of total expenses (2013: 72.67 percent). In 2014 financial expenses were 60.17 percent of total operating revenue (2013: 63.57 percent). The ratio of financial expenses decreased in 2014 mainly due to significant increase (increased to Tk. 645.23 million from Tk. 94.40 million with growth of 583.51 percent) in low cost bearing borrowings from Bangladesh Bank under re-finance schemes.

Management expenses

Management expenses include salaries and allowances, office rent, promotional expenses,

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 increased by 35.11 percent to Tk. 192.02 million in 2014 (2013: Tk. 142.12 million) mainly due to increase in salary and allowances for new head count, office rent for new branches and promotional expenses. During 2014, management expense was 8.61 percent of total revenue as against 8.58 percent in 2013.

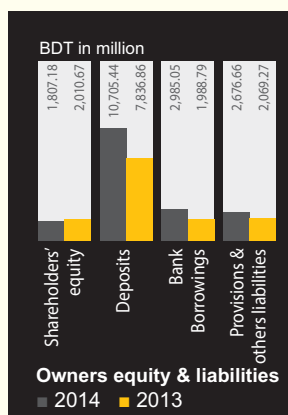
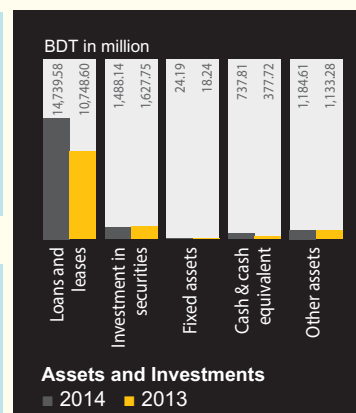
Provision for doubtful losses

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission. During the year total provision of Tk. 248.21 million has been provided compared to Tk. 255.62 million in 2013

FINANCIAL CONDITION REVIEW

(Figures in million Taka) % of increase/
2014 2013 (decrease)

| | | | Assets and Investments |
|---|------------------|--------------|---|
| 14,739.58 | 10,748.60 | 37.13 | Loans, advances and leases |
| 1,488.14 | 1,627.75 | (8.58) | Investment in securities |
| 24.19 | 18.24 | 32.58 | Fixed assets |
| 737.81 | 377.72 | 95.33 | Cash & cash equivalent |
| 1,184.61 | 1,133.28 | 4.53 | Other assets |
| 18,174.32 | 13,905.59 | 30.70 | Assets and investments |
| Shareholders' equity and liabilities | | | |
| 1,807.18 | 2,010.67 | (10.12) | Shareholders' equity |
| 10,705.44 | 7,836.86 | 36.60 | Deposits |
| 2,985.05 | 1,988.79 | 50.09 | Borrowings from banks and NBFIs |
| 2,676.66 | 2,069.27 | 29.35 | Provisions and others liabilities |
| 18,174.32 | 13,905.59 | 30.70 | Shareholders' equity & liabilities |



Shareholders' equity decreases to Tk. 1,807.18 million from Tk. 2,010.67 million of 2013 with a negative growth of 10.12 percent. While net profit after tax has increased by 41.07 percent, shareholders' fund has decreased by 10.12 percent mainly due to adjustment of Tk. 403.48 million against revaluation reserve of UniCap Securities Ltd., a stock brokerage house and wholly owned subsidiary of Union Capital, resulted from diminution in the value of membership after demutualisation of Dhaka Stock Exchange Ltd.

Loans, advances and leases

Total outstanding balance of loans, advances and leases at 31 December 2014 were Tk. 14,739.58 million which is 37.13 percent higher than last year (2013: Tk. 10,748.60 million). Outstanding balance of loans, advances and leases as on 31 December 2014 and 2013 was as under:

| Amount | 2014 % | Amount | 2013 % | (Figures in million Taka) |
|------------------|---------------|------------------|---------------|---------------------------|
| 3,084.35 | 20.93 | 1,951.48 | 18.16 | Lease finance |
| 6,451.34 | 43.77 | 4,135.15 | 38.47 | Term finance |
| 5,073.87 | 34.42 | 4,507.67 | 41.94 | Margin loan |
| 130.02 | 0.88 | 154.30 | 1.44 | Other finance |
| 14,739.58 | 100.00 | 10,748.60 | 100.00 | Total |

In 2014, our total loans, advances and leases increased by 37.13 percent compared to 2013 mainly due to increase in term loan and lease finance by 56.67 percent. In 2014 we focused more on loans to SME sector keeping the quality of portfolio in corporate segment with a special drive 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.

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 continuously

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/FIs, 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 liquidity support as far as fund management is concerned. Based on the net assets as of 31 December 2014, UCL can borrow from call money market to the tune of Tk.1,651.45 million. A statement of liquidity profile 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:

MATURITY PATTERN OF LOANS, ADVANCES AND LEASES

Maturity
pattern of
Assets and
Liabilities

| Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Above 5 years | Total | (Figures in million Taka) |
|------------------|-----------------|-----------------|-----------------|------------------|------------------|---------------------------|
| 216.37 | 493.50 | 647.71 | 1,480.01 | 246.75 | 3,084.35 | Lease finance |
| 516.11 | 1,032.21 | 3,240.28 | 680.17 | 982.57 | 6,451.34 | Term finance |
| 710.00 | 1,015.00 | 2,638.41 | 710.46 | - | 5,073.87 | Margin loan |
| 12.70 | 37.02 | 44.43 | 11.64 | - | 105.79 | Loan against deposits |
| 1.21 | 2.43 | 4.84 | 13.32 | 2.43 | 24.23 | Staff loan |
| 1,456.39 | 2,580.16 | 6,576.67 | 2,895.60 | 1,231.75 | 14,739.58 | Total |

MATURITY PATTERN OF BORROWINGS AND OTHER LIABILITIES

| Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Above 5 years | Total | (Figures in million Taka) |
|------------------|---------------|----------------|-----------------|------------------|-----------------|---------------------------|
| 31.48 | 98.68 | 382.52 | 763.95 | - | 1,276.63 | Bank loan |
| 3.12 | 6.20 | 15.51 | 37.17 | - | 62.00 | SMESPD Fund |
| 29.13 | 58.33 | 145.79 | 349.98 | - | 583.23 | Fund from Bangladesh Bank |
| 1,021.54 | 11.95 | 25.42 | 4.28 | - | 1,063.19 | Short term loan |
| 1,085.26 | 175.16 | 569.24 | 1,155.38 | - | 2,985.04 | Total |

Investment in shares

Union Capital Limited invested in diversified listed securities with highest investment in manufacturing companies representing 54.64 percent of total investment followed by fuel & power companies (31.72 percent) and insurance companies (13.64 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 diversified investment mostly in fundamentally strong securities. The market value of the securities at 31 December 2014 was Tk. 389.61 million (2013: Tk. 228.49 million). The following table shows the concentration of investment in major sectors of listed securities as at 31 December 2014 and 2013:

| 2014 | | 2013 | | (Figures in million Taka) |
|---------------|---------------|---------------|---------------|------------------------------------|
| Amount | % | Amount | % | |
| - | - | 24.66 | 7.15 | Bank companies |
| - | - | 56.16 | 16.29 | Non Banking Financial Institution |
| 53.79 | 13.64 | 68.25 | 19.80 | Insurance companies |
| - | - | 79.47 | 23.05 | Investment companies |
| 125.03 | 31.72 | - | - | Fuel and power |
| 215.40 | 54.64 | 116.18 | 33.70 | Manufacturing companies and others |
| 394.22 | 100.00 | 344.72 | 100.00 | Total |

Performance of Capital Market

We could not perform well in 2014 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 throughout the year resulted from many factors including political instability, lack of investors' confidence, liquidity problem, lack of co-ordinations among the regulators etc.

In 2014, DSE Broad Index DSEX gained only 13.5 percent. Over 2014, the DSEX gain only 578.81 points, closed at 4,864.96. DSEX reached its highest at 5334.04 on October 12, 2014. 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.

The DSE 30 Index (DS30) which comprises of the BLUE-Chip stocks clocked at its highest point at 2,002 on October 15, 2014 while the lowest level of DS30 was recorded at 1,478.38 on January 01, 2014 and the year end closing was 1,803.06.

NBFI sector also followed the overall market as evidenced by its around 2.16 percent growth in total capitalization. In line with the overall market and NBFI sector, market price of Union Capital Limited started its journey on January 01, 2014 with the price of Tk. 33.80 in DSE and closed at Tk. 21.20 on 30 December 2014. The highest price was recorded at Tk. 35.00 on January 23, 2014 and the lowest was Tk. 18.00 on September 02, 2014.

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

| 2012 | 2013 | 2014 | 2013 VS 2014 % Change | |
|-------|----------|----------|--------------------------|--|
| 238 | 238 | 238 | - | Total Trading Days |
| 1,001 | 952.74 | 1188.52 | 24.75 | Total Turnover value (BDT in Billion) |
| 4,206 | 4,003.12 | 4,993.79 | 24.75 | Daily Average Turnover value (BDT million) |
| 2,404 | 2,648 | 3,259.25 | 23.08 | Market Capitalization (BDT in Billion) |
| 515 | 529 | 546 | 3.21 | Total Number of Listed Securities |
| 14 | 14 | 17 | 21.43 | Total Newly Listed Securities |

Non-performing loans, advances & leases

Loans, advances & leases are classified as non-performing when it is marked as substandard category or worse even if there exist no reasonable doubts as to collectivity. Bangladesh Bank's guidelines are strictly followed for determining the classification of loans, advances and leases. Interest accrued against overdue rental/installments of classified loans, advances and leases are not taken into profit and loss account rather kept in interest suspense account.

Moreover, interest accrued against overdue rentals of loans, advances and leases falling under the category of 'Special Mention Account (SMA)' accounts are also transferred to interest suspense account instead of crediting the same to profit and loss account as per Bangladesh Bank's guidelines.

Non-performing assets of Union Capital Limited as of 31 December 2014 and 2013 were as follows:

(Figures in million Taka)

| Outstanding amount | NPL | 2014 NPL (%) | Outstanding amount | NPL | 2013 NPL (%) | |
|--------------------|-----------------|-----------------|--------------------|---------------|-----------------|--------------------|
| 11,841.66 | 1,161.78 | 8.13 | 10,304.63 | 920.01 | 8.11 | Loan/Lease finance |
| 2,324.54 | 54.61 | 0.38 | 883.54 | 16.50 | 0.15 | SME finance |
| 130.02 | - | - | 154.30 | - | - | Other finance |
| 14,296.22 | 1,216.39 | 8.51 | 11,342.47 | 936.51 | 8.26 | Total |

Rate of non-performing loans, advances and leases was 8.51 percent in 2014 as against 8.26 percent of 2013, an increase of 0.25 percent. Adequate provision has been made against the classified loan accounts as per Bangladesh Bank guidelines. UCL's recovery policy is in place and there has been a rigorous monitoring process to recover the classified loan/lease including litigation. The Management has been continuously following up the status of litigation

and possible outcomes in liaison with external and internal lawyers on order to strengthen recovery.

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 2014 and 2013:

| (BDT in million) | 2014 | | | | | 2013 | | | | |
|---------------------------|-------------------|-------------------|---------------|-----------------|---------------|-------------------|-------------------|---------------|---------------|---------------|
| | Provision for NPL | Interest suspense | Total | NPL | % of Coverage | Provision for NPL | Interest suspense | Total | NPL | % of Coverage |
| Lease finance | 145.34 | 153.48 | 298.82 | 605.60 | 49.34 | 165.99 | 135.84 | 301.83 | 683.40 | 44.17 |
| Term finance | 238.91 | 102.37 | 341.28 | 610.79 | 55.88 | 48.31 | 38.86 | 87.17 | 253.11 | 34.44 |
| Real estate finance | - | - | - | - | - | - | - | - | - | - |
| Margin loan | - | - | - | - | - | - | - | - | - | - |
| Loan against term deposit | - | - | - | - | - | - | - | - | - | - |
| Total | 384.25 | 255.85 | 640.10 | 1,216.39 | 52.62 | 214.30 | 174.70 | 389.00 | 936.51 | 41.54 |

Union Capital has maintained total provision of Tk. 384.25 million against loans, advances and leases as of 31 December 2014 compared to Tk 418.33 million of last year. Although the amount of classified loan/lease has increased in 2014, the provision against loan/lease has decreased mainly due to write off of bad/loss account with significant exposure. Management's periodic evaluation of the adequacy of the provision 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 has also taken the qualitative aspects while classifying an account.

We always adhere to the principle 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 than showing as income in the profit & loss account when installments fall overdue for 3 months or more, in case of loan/lease with tenure of less or equal 5 years and 6 months or more, in case of loan/lease with maturity of more than 5 years. Base for provision is made after deducting interest suspense and value of eligible security (considered 50 percent of market value of the security in case of mortgage of land, building and shares and 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 has increased. As at 31 December 2014 coverage was 52.62 percent compared to 41.54 percent of 2013 and we believe coverage will gradually increase as the company maintains adequate provision as per guidelines of Bangladesh Bank. Moreover, since the company focused more on collateral securities while sanctioning credit facilities, the ratio of coverage will increase further in future.

Management has taken adequate measures to reduce the rate of classified loans, advances and leases 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, 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 loans, advances and leases 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, Special Asset Management (SAM) under the direct supervision of the Managing Director & CEO 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 Special Asset Management 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;
- 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 subject to our target regulatory capital ratios and internal assessment of required capital;
- is consistent with our targeted credit ratings;
- underpins our business strategies;
- is in line with our growth potentials; and
- builds depositors' confidence and long-term shareholder value.

Capital Management Framework

The principal 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 framework 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 provides senior management oversight, and also reviews and discusses capital policies, issues and action items that arise in the execution of our strategy.

2014 Regulatory Capital Review

Regulatory capital requirements for UCL are currently determined on the basis of guidelines of 'Capital Adequacy and Market Disciplines (CAMD)', commonly known as Basel II accord issued by Bangladesh Bank. UCL's capital adequacy is determined based on risk weighted assets (RWA) in our portfolio. UCL's total consolidated RWA were Tk. 14,316.28 million at 31 December 2014, up from Tk. 12,013.87 million in 2013. The table below provides a breakdown of our RWA by risk type.

Risk-Weighted Assets (Consolidated)

BDT in millions

| 2014 | 2013 | As at 31 December |
|------------------|------------------|-------------------|
| 12,629.48 | 10,923.25 | Credit risk |
| 779.20 | 456.97 | Market risk |
| 907.60 | 633.65 | Operational risk |
| 14,316.28 | 12,013.87 | Total RWA |

Basel II Regulatory Capital (in million Taka)

| | | |
|-----------------|-----------------|---------------------------------|
| 1,705.15 | 1,505.17 | Tier 1 Capital |
| 218.62 | 377.45 | Tier 2 Capital |
| 1,923.77 | 1,882.62 | Total regulatory capital |

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.1,705.15 million as at 31 December 2014 compared to that of last year with a steady growth of 13.29 percent.

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 provision for credit losses. Deductions from Tier 2 capital primarily relate to our investments in subsidiaries. UCL does not have any subordinated debt. Total regulatory capital as of 31 December 2014 was Tk. 1,923.77 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 2014.

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 measurements. The ratios are as under:

| 2014 | 2013 | As at 31 December |
|-------|-------|---------------------------------------|
| 11.91 | 12.53 | The Equity Ratio/Tier 1 Capital Ratio |
| 1.53 | 3.14 | Tier 2 Capital Ratio |
| 13.44 | 15.67 | Total Capital Ratio |
| 1.34 | 1.57 | Capital to Assets multiple |

The Equity Ratio reflects shareholders' equity divided by RWA. The Tier 1 Capital Ratio reflects Tier 1 capital divided by RWA. Total Capital Ratio reflects total capital divided by RWA. Total Capital Ratio of Union Capital Limited was 13.44 percent against the minimum capital adequacy ratio of 10 percent as per Bangladesh Bank guidelines. Therefore, the Company has surplus capital of 3.44 percent over the minimum rate of regulatory capital as per Basel II accord.

Borrowings from other banks and financial institutions

Total outstanding loan from banks and other financial institutions as at 31 December 2014 was Tk.2,985.04 million compared to Tk. 1,988.79 million in 2013. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2014, a total loan of Tk. 572.28 million was repaid. In addition, an amount of TK. 112.64 million was paid as interest.

Union Capital has been enjoying credit facility from Bangladesh Bank for SME financing, women entrepreneur finance and received JICA fund under the refinancing scheme. During 2014 UCL received loan of Tk. 637.48 million from Bangladesh Bank under re-finance scheme.

Treasury Operation

In order to minimize the asset-liability mismatch, UCL always strives for mobilizing funds for longer term perspective. In the current money market scenario it is difficult to mobilize 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 2014, an amount of Tk. 3,285.05 million has been received as

term deposits from various sources which was Tk. 3,311.07 million in 2013. As at 31 December 2014, total outstanding amount of term deposit was Tk.9,695.59 million compared to Tk. 7,658.53 million in 2013. Interest amounting to Tk. 1,271.24 million was paid on term deposits during the year 2014 as against Tk. 990.84 million in 2013. The Company offers different deposit products which is available on page 18 of this report.

CASH FLOWS ANALYSIS

Union capital prepares its cash flow statement in line with the format 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 5.68 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 always maintaining the CRR and SLR as prescribed by Bangladesh Bank.

Cash flow from operating activities

Union Capital maintained a positive net cash flow from its operating activities during the year 2014. 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. 110.11 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 were Tk. 212.51 million mainly due to investment in listed securities. During the year, a total amount of Tk. 4,953.65 million (2013: Tk. 1,547.62 million) has been invested for purchase of listed securities while total sale of securities was Tk. 4,757.61 million (2013: Tk. 1,304.31 million). Moreover, UCL invested Tk. 17.11 million in acquisition of fixed assets for its new branches as well as newly recruited employees.

Cash flow from financing activities

Net cash flow from financing activities shows a net cash inflow that means the money borrowed from banks and financial institutions was more than the money repaid to banks and financial institutions. During the year a total amount Tk. 1,040.80 million was borrowed as fresh loans from banks and financial institutions while an amount of Tk. 572.28 million was repaid to banks and financial institutions.

SEGMENT ANALYSIS

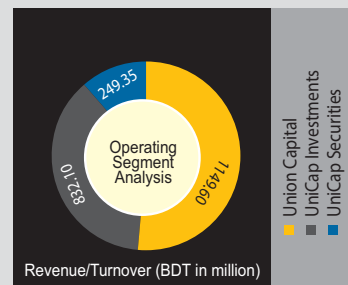
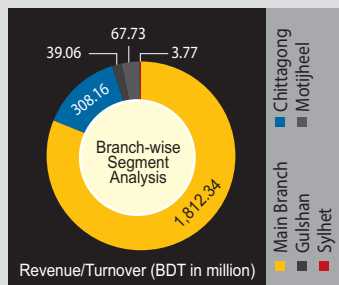
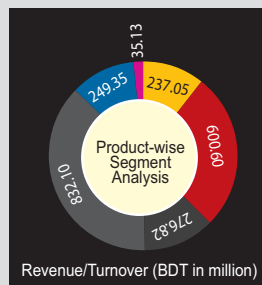
Product-wise Segment

| Particulars | Lease | Term Finance | SME | Merchant Banking | Brokerage House | Others | Total |
|------------------|--------|--------------|--------|------------------|-----------------|--------|----------|
| Revenue/Turnover | 237.05 | 600.60 | 276.82 | 832.10 | 249.35 | 35.13 | 2,231.05 |
| Operating Profit | 74.03 | 187.55 | 86.44 | 259.84 | 77.87 | 10.97 | 696.70 |

Branch-wise Segment

| Particulars | Main Branch | Chittagong | Gulshan | Motijheel | Sylhet | Total |
|--------------------|-------------|------------|---------|-----------|--------|----------|
| Revenue/Turnover | 1,812.34 | 308.16 | 39.06 | 67.73 | 3.77 | 2,231.06 |
| Interest paid | 1,035.73 | 220.48 | 28.29 | 54.18 | 3.66 | 1,342.34 |
| Operating Expenses | 173.88 | 8.53 | 3.24 | 6.27 | 0.89 | 192.01 |
| Operating Profit | 602.73 | 79.15 | 7.52 | 7.28 | 0.02 | 696.70 |
| Net Segment Assets | 1,681.63 | 95.10 | 9.08 | 13.31 | 8.06 | 1,807.18 |

Segment information



SUMMARY OF 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 insufficient and ineffective.

Impact on business

Non-compliance with regulatory risk 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 license by the regulatory bodies.

Risk mitigation methodology

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

Non-compliance with reputational risk could result in loss of correspondent banking relationship, loss of investors' confidence, significant financial loss; occasioned by damage to UCL's image as a result of negative publicity and eventual loss of business.

Risk mitigation methodology

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 earning assets;

- Financial loss due to increased provisions and charges on impaired assets;
- Could lead to impairment of shareholders' funds.

Risk mitigation methodology

- 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 earning 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.

Risk mitigation methodology

Adherence to portfolio limits as has been set by the Sectoral Investment Policy approved by the Board 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.

Risk mitigation methodology

- 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.

Risk mitigation methodology

- Significant investments are approved by the Board and all others by the Board Executive Committee and the Credit Committee;
- Experienced executives in the respective business units;
- Supervision by the parent company's Directors nominated to act as Directors of the subsidiaries;
- Portfolio selection and diversification strategies.

Liquidity risk

Impact on business

Could lead to insolvency and eventual reputational risk.

Risk mitigation methodology

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

Risk mitigation methodology

- 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.
- Implementation of National Integrity Strategy as a part of uplifting the morale, ethics, integrity of the employees.

Operations risk

The risk for UCL to incur financial loss as a result of inadequacies or failures in operational 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, failure of disaster recovery systems 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.

Risk mitigation methodology

- 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.

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.

Impact on business

This could result in financial loss to the UCL in the form of non-repayment of loans by the borrowers due to discontinuation of business operations involving environmentally hazardous activities.

Risk mitigation methodology

We have a robust risk assessment procedure at appraisal stage in case of any credit facility to any borrower involving any activities that is detrimental to the environment. UCL never extend any credit facility to environmentally hazardous operations. We have adopted Environmental Risk Management (ERM) policy and implemented the same in the appraisal of all loan/lease, where applicable. We have also adopted green banking policy that we follow in all of our business 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.

Risk mitigation methodology

- 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.

Risk mitigation methodology

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

Risk mitigation methodology

- 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

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.

Risk mitigation methodology

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.

Risk mitigation methodology

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, Risk Management Forum, Risk Analysis Unit 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 to our regulators on our activities on certain intervals; some are regularly, some are weekly, monthly, quarterly, half-yearly, yearly 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 as an unsafe and unsound practice and may result in the imposition of penalties by Bangladesh Bank. The company is required to submit periodic reports/statements 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 are required to submit to Bangladesh Bank, BSEC and Stock Exchanges are given below:

| Reporting Type | Frequency |
|---|--------------|
| Schedule of Bangladesh Bank Reporting | |
| Statement of shareholding information | Half-yearly |
| Statement of re-schedulement of lease/loan | Monthly |
| Statement of write off of lease/loan | Monthly |
| CIB return | Monthly |
| Statement of business activities | Quarterly |
| Statement of industrial loan | Quarterly |
| Statement on 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 |
| Risk management paper | Monthly |
| Report on national integrity strategy | Quarterly |
| Call money transactions | Daily |
| Report on product and services | Yearly |
| Report on green banking | Quarterly |
| NBDC return | Monthly |
| Statement of net assets | Half-yearly |
| Schedule of fees/charges/commission | Half-yearly |
| Inter-bank transaction matrix | Monthly |
| Statement of corporate social responsibility | Half-yearly |
| Classification of leases & loans | Quarterly |
| Sector wise investment | Quarterly |
| Capital adequacy & market disciplines (BASEL II) | Quarterly |
| Stress testing | Quarterly |
| 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 monitoring | |
| refinance scheme for women entrepreneur | Quarterly |
| Statement of SME target report | Yearly |
| Report on integrated supervision system | Monthly |
| Statement of asset & liability and profit & loss | Quarterly |

Reporting to BSEC

| | |
|--------------------------------|-------------|
| Quarterly financial statements | 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 | Quarterly |
| Quarterly financial statements | Quarterly |
| Half-yearly report | Half-yearly |
| Shareholding position | Monthly |
| Statement of free float shareholding | Monthly |
| Annual report | Annually |

RECENT LEGISLATIONS

During the year 2014, Bangladesh Bank has issued certain guidelines which inter alia include as under:

- Bangladesh Bank has issued a revised circular for all NBFIs regarding opening new branches in Dhaka and outside Dhaka. As per the revised circular, the ratio of branches between Dhaka and outside Dhaka is 1:2 (earlier the ratio was 2:1).
- Bangladesh Bank has issued a revised circular for all NBFIs regarding regulatory capital where 10% of the revaluation reserve for equity instrument will be treated as Tier-II capital (earlier it was not allowed to be included in Tier-II capital).
- A new reporting is required to be submitted to Bangladesh Bank by NBFIs on Integrity Supervision System monthly basis.
- Bangladesh Bank has instructed Non Banking Financial Institutions to submit a report on Assets & Liabilities and Profit & Loss quarterly basis.
- Bangladesh Bank has issued a circular to banks/FIs to report on customer service and complaint management on monthly basis.

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

- BSEC has issued a checklist regarding appointment of Independent Director for Commission's clearance/approval on appointment of Independent Director.
- BSEC has withdrawn the time bar (selling of share within 30 days after declaration) of the placement holder (other than Sponsor Shareholder/Directors and persons holding 5% or more shares) from the sale or otherwise dispose off.
- BSEC has issued a Notification regarding holding of Annual General Meeting (AGM) of a listed company that the AGM of the company shall be held within the city, town or locality in which the

registered office of the company is situated and approval from the BSEC will be required in case of holding such AGM at any other place.

- BSEC has issued a Notification dated 18 December 2014 imposing the following conditions:
 - No company shall take any share money deposit before getting approval from BSEC.
 - Shares transferred by sponsor or director within preceding twelve months of application shall be in lock-in period of three years from the date of prospectus.
- BSEC has issued a Notification that it may conduct special audit of banks/FIs and insurance companies with the permission from their primary regulators.
- BSEC has extended time up to 31 December 2015 for making provision for unrealized loss against shares (own portfolio) of brokers/dealers and unrealized loss on margin loan extended by the merchant bankers.

As per the Finance Act 2014, there have been certain changes in income tax regime which inter alia include as under:

- NBR issued a circular letter dated 26 October 2014 where it has been mentioned that banks/FIs will deduct withholding tax at the rate of 10 percent if the depositor has 12 digit E-TIN otherwise tax will be withheld at the rate of 15 percent.
- The allowable limit of perquisite has been revised from Tk. 250,000 to Tk. 350,000.
- The Company has to pay office rent through cross cheque or bank transfer otherwise the amount paid the company will be disallowed by the Income Tax Authority.
- Profit earned from share trading on Dhaka and Chittagong Stock Exchange by company tax payer will be subject to 10% of tax at source and this will be treated as final settlement of tax.
- Cash dividend of individual investors will be taxed at source @10% subject to availability of 12 digit E-TIN otherwise tax rate will be 15%.
- Maximum limit of Corporate Social Responsibility (CSR) will be Tk. 12 crore for which the company will get tax rebate.

COMPETITION

UCL 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 Seventeenth Annual General Meeting will be held on 31 March 2015. 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 249 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 Seventeenth 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 newspapers, one in English and the other in Bangla. Shareholders have 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/her 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 2014 was 157 including 20 support staff. Management considers relation amongst its employees is satisfactory. The list of senior executives of UCL group is given below:

| Name | Age on 31 Dec 2014 (years) | Executive since | Present Position |
|-------------------------------------|-------------------------------|-----------------|------------------------------|
| Md. Akter Hossain Sannamat FCA, FCS | 48 | Jul 2012 | Managing Director & CEO |
| Abul Munim Khan | 59 | Oct 2009 | SEVP & Head of Business |
| Tauhidul Ashraf FCS | 36 | Aug 2013 | SVP & Company Secretary |
| Md. Abdul Bareque | 61 | Nov 2013 | SVP & Chief Risk Officer |
| A. N. M. Golam Sabbir | 44 | Dec 1998 | VP & Head of ICT, HRM |
| Fazle Karim Murad | 41 | Jun 2000 | VP, Corporate Finance |
| Md. Forhad Hossain ACA | 35 | Sep 2013 | VP & Chief Financial Officer |
| Mohammad Shafi Uddin | 42 | Oct 2010 | VP, In-charge Chittagong Br. |
| Raihan Uddin Ahammad ACA | 31 | Sep 2013 | AVP & Head of ICC |
| Md. Shohidul Islam | 50 | Nov 2010 | AVP & Head of SME |
| Humayun Rashid | 40 | Jan 2015 | AVP, CRM |
| Shah Md. Julker Nine Sarker | 31 | Apr 2010 | AVP, ICT |
| Md. Rakibul Islam | 52 | Aug 2010 | Senior Manager |
| Mohammad Balayet Hossain | 33 | May 2010 | Senior Manager |
| Md. Kohinoor Hossain | 37 | Aug 2013 | Senior Manager |
| Md. Moinul Islam Bhuiyan | 34 | Nov 2006 | Senior Manager |
| Md. Sayful Islam | 38 | Jan 2014 | Senior Manager |
| Deenesh Kumar Raha | 32 | Dec 2013 | Manager |
| Jumaratul Banna | 28 | Dec 2013 | Manager |
| Asif Raihan Chowdhury | 29 | Jan 2014 | Manager |
| Mohammed Zakir Hossain | 36 | Nov 2002 | Manager |
| Md. Rafiqul Islam | 36 | Jul 2013 | Manager |
| Md. Mostafa Awal | 34 | Nov 2013 | Manager |
| Subrata Basak | 30 | Mar 2014 | Manager |

OPERATIONAL HUB

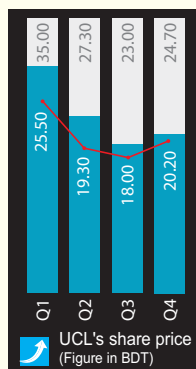
The corporate head office of UCL is located at 73 Sonargaon Road, Dhaka. We provide financial services from our 7 offices including 6 branch offices located in Dhaka, Chittagong, Sylhet, Gazipur and Narsingdi. We conduct our merchant banking operations and securities trading activities through our subsidiary 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 Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Stock Exchanges where the shares of the Company are traded.

MARKET FOR UCL'S ORDINARY SHARES

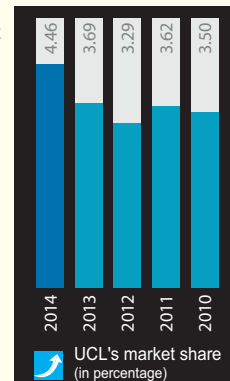
The ordinary shares of UCL are traded on the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. under the symbol of 'UNIONCAP'. The following table indicates the high and low prices for the shares of Union Capital, as reported by DSE during each quarter end of 2014:



UCL'S MARKET SHARE IN INDUSTRY

Across our business group, UCL offers a complete range of financial services to help our customers achieve their goals. We provide strategic advice, lend money, raise capital, help manage funds and extend supports and hold leadership position in all of our major business areas. UCL believes in product innovativeness. As a part of it, UCL always delivers tailor-made financial products to meet appropriate and diverse needs of our customers and innovates new financial products for existing and future customers. For our diversified and complete range of financial services, market share of UCL has been increasing day by day.

As per the latest report of Bangladesh Leasing and Finance Companies Association (BLFCA), which was prepared on the basis of data of 2013, UCL's market share in the industry was 3.69 percent (10th position). BLFCA has prepared the report by compiling data of 25 Non-bank Financial Institutions operating in Bangladesh out of 31 in total. As on 30 September 2014 market share of UCL stands at 4.79 percent (7th position), based on published data of the same 25 Non-bank Financial Institutions.



Awards & Recognition

... Union Capital Limited has received many awards in last couple of years. Winning such wonderful achievements has always been very exciting and prestigious milestone. It is a testament to the quality of our report, transparency, compliance, good governance practices in our operations and adequate, timely & fair disclosures to the stakeholders. We dedicate these triumphs to our Customers, Depositors, Shareholders, Regulators and other Stakeholders.



in 2014



in 2013



in 2014

Five-years FINANCIAL SUMMARY

As of and for the year ended 31 December

(BDT in million except ratios and per share data)

| 2014 | 2013 | 2012 | 2011 | 2010 | OPERATING PERFORMANCE |
|----------|----------|----------|----------|----------|--------------------------|
| 2,231.06 | 1,663.80 | 1,148.00 | 1,208.52 | 1,720.38 | Operating revenue |
| 888.71 | 606.33 | 311.88 | 596.51 | 1,232.55 | Operating income |
| 448.49 | 208.59 | 108.69 | 388.97 | 938.78 | Profit before tax |
| 199.99 | 141.76 | 56.72 | 178.28 | 570.85 | Net profit after tax |
| 1.65 | 1.17 | 0.54 | 1.70 | 10.50 | Earnings per share (EPS) |

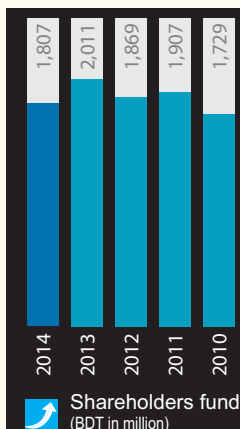
| STATEMENT OF FINANCIAL POSITION | | | | | |
|---------------------------------|-----------|-----------|----------|----------|-------------------------------|
| 6,599.54 | 9,276.15 | 7,367.60 | 6,478.45 | 5,475.16 | Current assets |
| 18,174.32 | 13,905.59 | 10,495.34 | 9,892.53 | 8,373.22 | Total assets |
| 24.19 | 18.24 | 22.71 | 28.03 | 24.11 | Property, plant and equipment |
| 298.39 | 812.56 | 409.74 | 526.95 | 837.92 | Net current assets |
| 9,307.48 | 3,751.19 | 1,668.58 | 2,033.69 | 2,006.91 | Long term liabilities |
| 6,301.15 | 8,463.59 | 6,957.86 | 5,951.50 | 4,637.24 | Current liabilities |
| 16,367.15 | 11,894.92 | 8,626.44 | 7,985.19 | 6,644.15 | Total liabilities |
| 1,807.18 | 2,010.67 | 1,868.91 | 1,907.34 | 1,729.06 | Shareholders' fund |
| 11,873.17 | 5,441.99 | 3,537.48 | 3,941.03 | 3,735.98 | Capital employed |

| PROFITABILITY AND OTHER FINANCIAL RATIOS | | | | | |
|--|----------|--------|----------|----------|---|
| 46.41 | 42.44 | 27.17 | 49.36 | 71.64 | Gross operating margin ratio (%) |
| 1,799.25 | 1,275.48 | 954.62 | 1,011.19 | 1,433.16 | Earning before interest, depreciation and tax |
| 12.82 | 26.82 | 51.48 | 32.35 | 23.50 | Price earnings ratio (Times) |
| 1.05 | 1.10 | 1.06 | 1.09 | 1.18 | Current ratio (Times) |
| 10.48 | 7.31 | 3.07 | 9.87 | 25.13 | Return on capital employed (%) |
| 0.76 | 0.55 | 0.89 | 1.07 | 1.16 | Debt/Equity (Times) |
| 1.67 | 1.54 | 1.01 | 1.06 | 1.19 | Financial expense coverage (Times) |
| 8.96 | 8.52 | 4.94 | 14.75 | 33.18 | Net profit margin (%) |
| 10.00 | 10.00 | 5.00 | 20.00 | 75.00 | Rate of dividend (%) |
| 8.96 | 8.52 | 10.28 | 8.88 | 9.88 | Operating expense to operating revenue (%) |

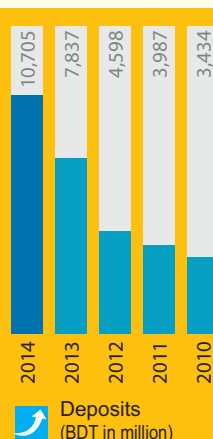
| BUSINESS RATIOS | | | | | |
|-----------------|-------|-------|-------|-------|---|
| 5.97 | 5.13 | 6.19 | 6.62 | 5.83 | Statutory liquidity reserve ratio (%) |
| 2.79 | 2.67 | 2.63 | 2.99 | 2.95 | Cash reserve ratio (%) |
| 3.88 | 3.47 | 0.58 | 2.98 | 2.84 | Net interest income as a % of working funds |
| 21.61 | 23.31 | 37.84 | 18.00 | 13.79 | Cost/Income ratio (%) |
| 1.25 | 1.01 | 0.56 | 1.95 | 7.89 | Return on average assets (%) |
| 14.95 | 18.29 | 17.85 | 20.04 | 31.80 | Net asset value per share |
| 1.27 | 1.12 | 1.14 | 3.97 | 11.31 | Profit per employee |
| 13.44 | 15.67 | 13.55 | 14.88 | 20.51 | Capital adequacy ratio (%) |
| 6.03 | 5.65 | 2.97 | 6.03 | 14.72 | Operating profit as a percentage of working funds |
| 1.65 | 1.29 | 1.08 | 0.94 | 1.40 | Dividend cover ratio (Times) |
| 8.51 | 8.26 | 15.55 | 9.25 | 9.25 | Non-Performing Loans to Total Loans (%) |

| EQUITY STATISTICS | | | | | |
|-------------------|----------|----------|----------|-----------|-----------------------|
| 2,000.00 | 2,000.00 | 2,000.00 | 2,000.00 | 2,000.00 | Authorized capital |
| 1,209.01 | 1,099.09 | 1,046.76 | 951.60 | 543.77 | Paid up share capital |
| 120.90 | 109.91 | 104.68 | 95.16 | 54.38 | Number of shares |
| 1,807.18 | 2,010.67 | 1,868.91 | 1,907.34 | 1,729.06 | Shareholders' equity |
| 21.20 | 34.60 | 27.80 | 60.50 | 246.80 | Year end market price |
| 2,563.08 | 3,802.86 | 2,909.98 | 5,757.16 | 13,420.22 | Market capitalization |
| 755.90 | 1,792.19 | 1,041.07 | 3,849.82 | 11,691.16 | Market value addition |

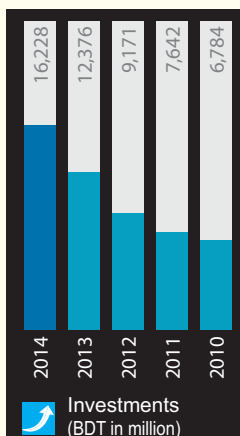
Graphical data of BUSINESS PERFORMANCE



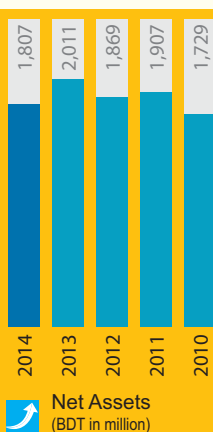
While net profit after tax has increased by 41.07 percent, shareholders' fund has decreased by 10.12 percent mainly due to adjustment of Tk. 403.48 million against revaluation reserve of UniCap Securities Ltd., a stock brokerage house and wholly owned subsidiary of Union Capital, resulted from diminution in the value of membership after demutualisation of Dhaka Stock Exchange Ltd.



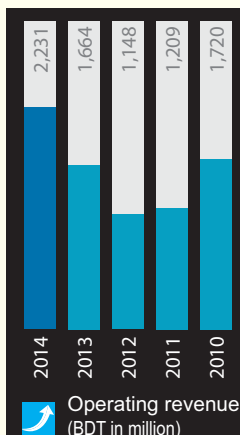
During the year 2014, deposits grew more than 36 percent to Tk. 10,705.44 million from Tk. 7,836.86 million of 2013, reflecting continued increase in investment and less dependency on bank borrowings.



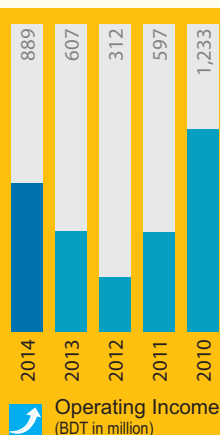
In 2014, investment registered a growth of 31.12 percent to Tk. 16,227.71 million as against Tk. 12,376.35 million of 2013. Investment growth reflects an increase in our loan portfolio as we have given more focus on SME finance in anticipation of higher margin.



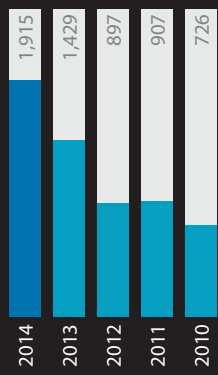
The net asset has decreased in 2014 by 10.12 percent mainly due to adjustment of Tk. 403.48 million against revaluation reserve of UniCap Securities Ltd., a stock brokerage house and wholly owned subsidiary of Union Capital, resulted from diminution in the value of membership after demutualisation of Dhaka Stock Exchange Ltd.




In 2014, operating revenue grew 34.61 percent to Tk. 2,231.06 million from Tk. 1,663.80 million of 2013. This is a result of significant increase in solid loan portfolio and notable recovery from default customers.

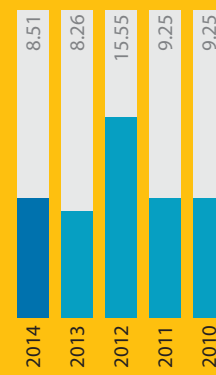


In 2014, operating income grew more than 47 percent to Tk. 888.71 million from Tk. 606.33 million of 2013. This significant growth in operating profits are the result of both continued growth of investment portfolio and efficient fund management.



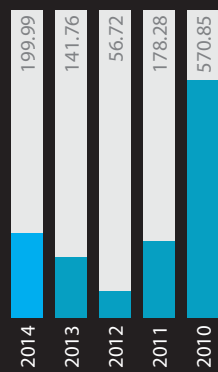
 **Interest Income**
(BDT in million)

In 2014, interest income grew more than 34 percent to Tk. 1,915 million from Tk. 1,429 million of 2013 due to significant increase in new investment portfolio as well as substantial amount of recovery of non-performing loans.



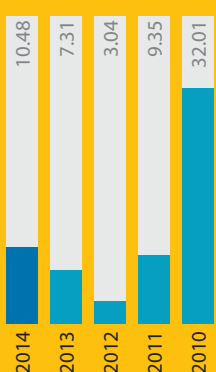
 **Rate of NPL**
(in percentage)


Despite slow recovery environment and low demand for credit, UCL could maintain the NPL rate at 8.51 percent slightly higher than 2013. The NPL rate of 2013 has been restated at 8.26 percent from 8.85 as a result of reclassification of loan/leases of comparative year. Moreover, the down gradation of few loan/lease accounts on the basis of qualitative judgement has impacted on such increase.



 **Net profit**
(BDT in million)


In 2014, our net profits are the result of both continued and solid growth of investment portfolio and our vigorous drive to bolster the bottom line figure through harvesting the classified loans.



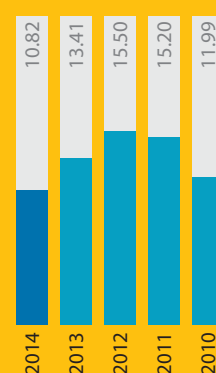
 **Return on shareholders fund**
(in percentage)


Another key measure of overall performance, our return on equity, grew more than 43.37 percent reflecting continued increase in net interest income and recovery of default loans.



 **Earnings per share**
(BDT in million)

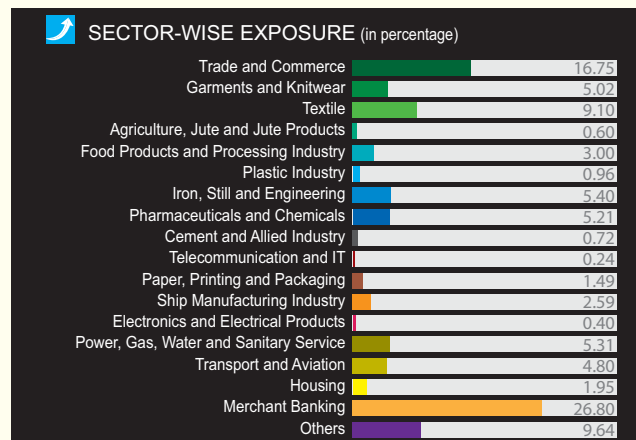
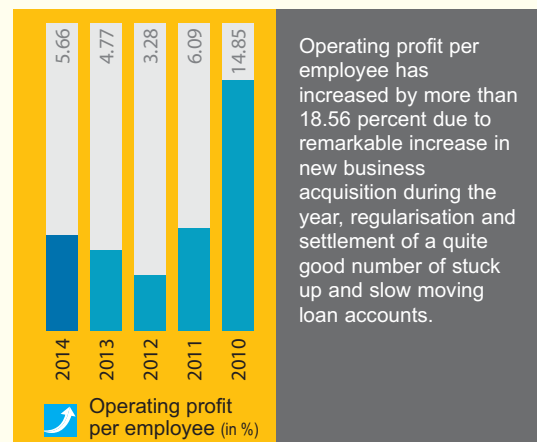
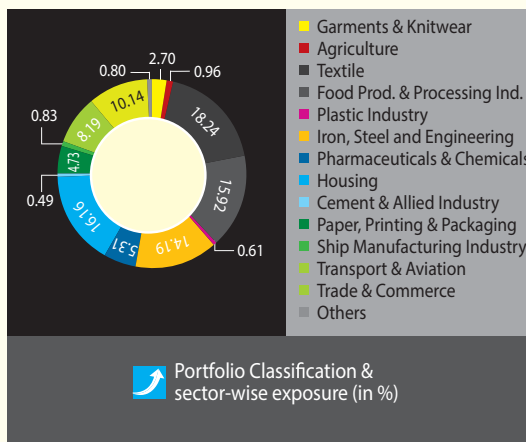
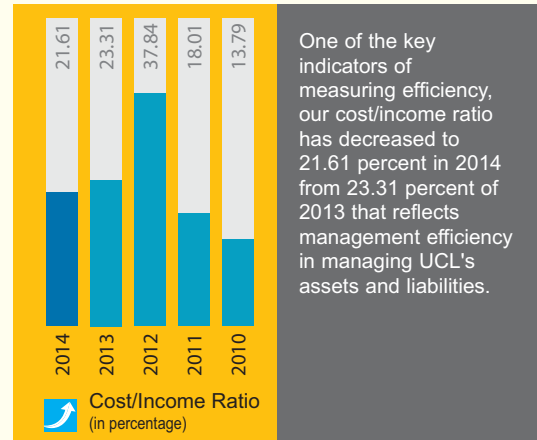
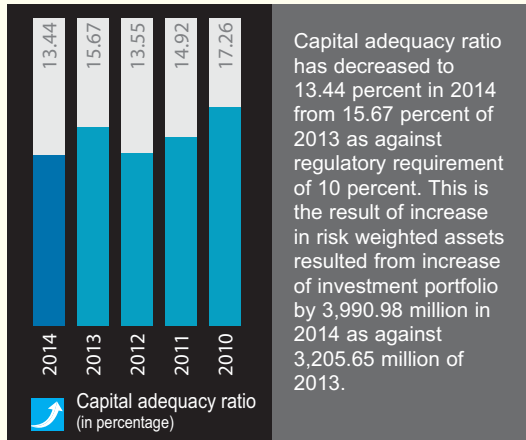
As one of the key measure of overall performance of UCL, our EPS has increased by more than 28 percent due to diversified earning streams and increased efficiency in different operational areas.



 **Cost of Fund**
(in percentage)

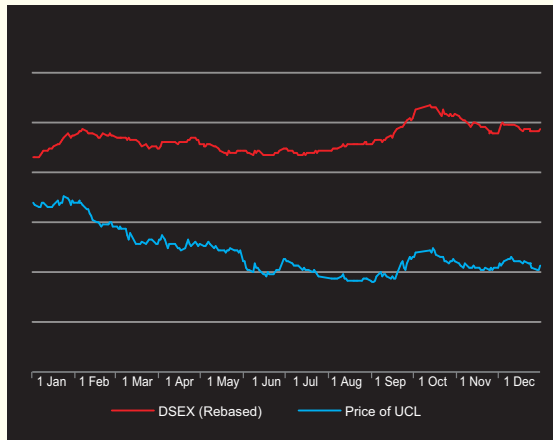
Cost of fund has decreased significantly by 2.59 percent mainly for efficient fund management and recovery of stuck up loans. Refinancing from Bangladesh Bank to the tune of Tk. 637.48 million has also led to reduction of cost of fund.

Graphical Data of Business Performance



The Company has the highest exposure of 26.80 percent in merchant banking sector followed by trade and commerce sector (16.75 percent), others sector (9.64 percent), textile sector (9.10 percent), iron, steel and engineering sector (5.40 percent) and so on. The management has been trying to keep the investments well balanced within the sectors considering the concentration risk and profitability.

STOCK PERFORMANCE

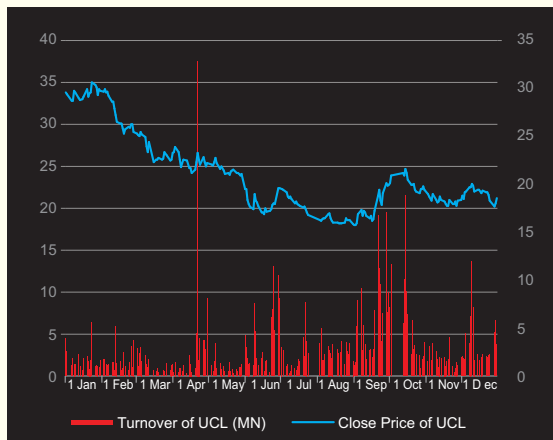
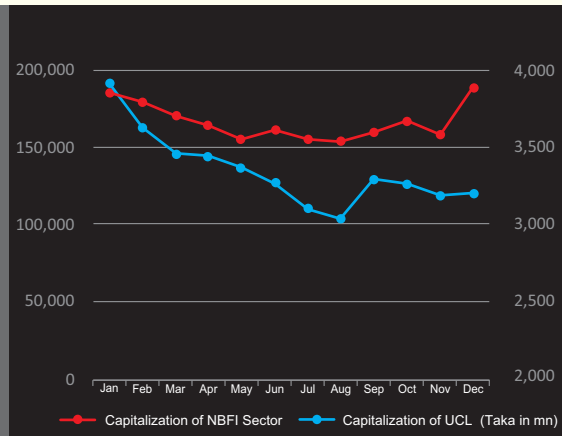


Movement in UCL's share price

DSEX started its journey with 4286.15 from 01 January 2014 while UCL's share price was Tk. 33.80. DSEX reached to its peak value of 5334.04 on 12 October 2014 when UCL's share price was Tk. 24.20. At the end of the year 2014, DSEX increased to 4864.96 when the UCL's share price was 21.20

UCL's market capitalization

There was a direct relation between the share price of UCL and that of the NBFI sector for the year 2014 though there was an inverse relationship at the month of December 2014. In the month of December 2014, the market capitalization of UCL was unchanged where as the market capitalization of NBFI increased. The highest market capitalization of UCL was Tk. 4,110.61 million at the end of January 2014 while it was Tk. 179,603.73 million for the NBFI sector at the end of December 2014.



UCL's share turnover

There was a direct relation between the share price of UCL and its trade volume. UCL's share price has increased with the increase of the demand of its shares. In 2014, the highest turnover of UCL's share was Tk. 32.85 million on 22 April 2014 while the lowest turnover was 0.09 million on 23 March 2014. As on that dates the share price of UCL was Tk. 26.60 and Tk. 25.80 respectively.

2014 SOCIAL INDICATORS

OF UNION CAPITAL LIMITED

| STAFFING LEVEL | 2014 | 2013 |
|-------------------------|------------|-----------|
| Management Cadre | 31 | 32 |
| Non Management Cadre | 62 | 44 |
| Support Staff | 20 | 13 |
| Total Work force | 113 | 89 |
| Male | 97 | 79 |
| Female | 16 | 10 |

AVERAGE AGE OF EMPLOYEES

| | | |
|----------------------|-------|-------|
| Management Cadre | 37.52 | 32.16 |
| Non-management Cadre | 30.67 | 29.56 |
| Support Staff | 32.21 | 31.11 |

SALARY & ALLOWANCE (IN MILLION TAKA)

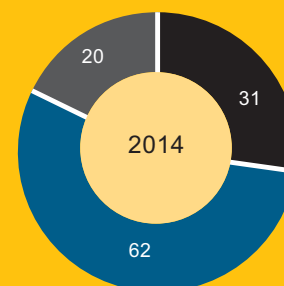
| | | |
|----------------|-------|-------|
| Total Salary | 61.77 | 58.46 |
| MD's Salary | 7.92 | 7.08 |
| Other Benefits | 5.85 | 6.51 |

CHANGE IN STAFFING LEVEL

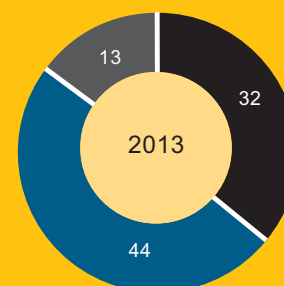
| | | |
|-----------------------------|-----|----|
| Total employee at beginning | 81 | 51 |
| Recruitment during year | 48 | 48 |
| Departure | | |
| Retirement | - | 2 |
| Resignation | 16 | 8 |
| Total employee at closing | 113 | 89 |

TRAINING

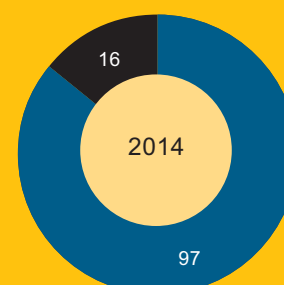
| | | |
|--|------|-------|
| Average number of days in training per employee | 0.96 | 0.33 |
| % of employees who participated in at least one | 100 | 31.46 |
| No. of employees who participated in at least one training program during the year | 91 | 28 |
| No. of training programs participated by employees during the year | 48 | 21 |



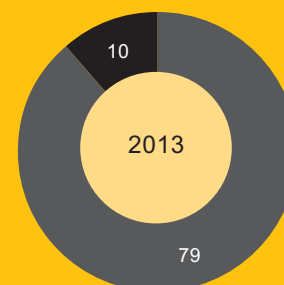
Total work force (in number)



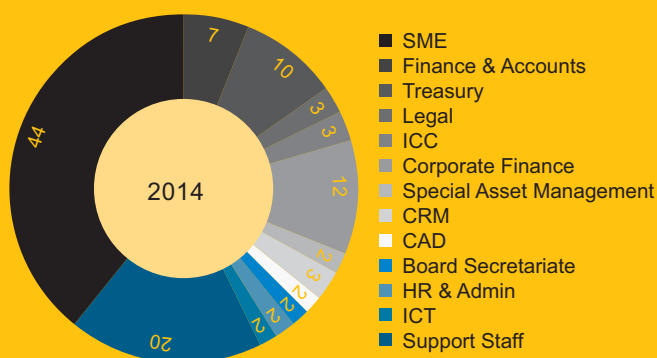
Total work force (in number)



Gender wise employee (in number)



Gender wise employee (in number)



Department wise employee (in number)

2015 KEY PRIORITIES

Outlines important actions for achieving strategic goals

At the beginning of year 2014, 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 2015. 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.

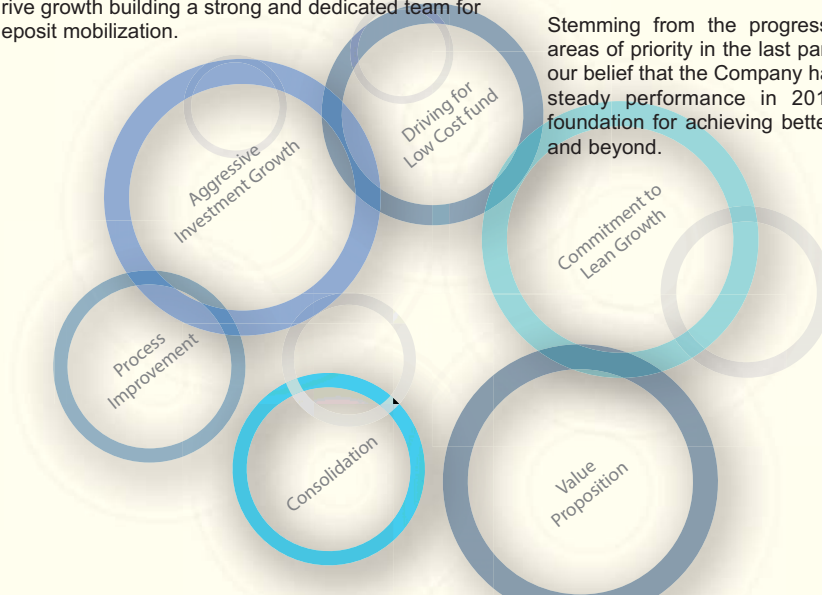
COMMITMENT TO LEAN GROWTH

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 2013, it is our belief that the Company has delivered a solid and steady performance in 2014 and laid a strong foundation for achieving better performance in 2015 and beyond.



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.

GOVERNANCE AND RISK MANAGEMENT

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BOARD OF DIRECTORS

Who governs the company

The Board is responsible for the strategic direction and ultimate control of the company according to its Memorandum & Articles of Association and the Board Charter.



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

Green Banking Committee, Chairman
Executive Committee

External Appointment
Chairman

UniCap Securities Limited
UniCap Investments Limited

Qualification & Experience

Mr. Chowdhury 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 L.L.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.



M. FAIZUR RAHMAN
Director

First appointment to the Board
28 May 2002

Born in May 1939

Nationality Bangladeshi

Committee Membership

Audit Committee
Executive Committee

External Appointment
Chairman & Managing Director
Asian Surveyors Limited

Director

UniCap Securities 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.



NASIR A. CHOUDHURY
Director

First appointment to the Board
22 April 2002

Born in December 1946

Nationality Bangladeshi

Committee Membership

Executive Committee, Chairman
Green Banking Committee

External Appointment

Director
DBH Finance Corporation Limited
Progressive Life Insurance Co. Limited
United Hospital Limited
NASCOM (PVT) Limited

Chairman

Green Delta Securities Limited
Green Delta Capital Limited.

Advisor

Green Delta Insurance Company Limited

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 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.



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
Green Banking Committee

External Appointment

Director

Enrilco Limited
Green Delta Securities Limited
Green Delta Capital Limited

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.



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
Green Banking Committee

External Appointment

Director

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

Qualification & Experience

Mrs. Tajrina Sikder 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 15 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 a 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.



CAPT. MINHAZUR REZA CHOWDHURY

Director

(Nominated by EC Securities Ltd.)

First appointment to the Board

9 February 2014

Born in December 1975

Nationality Bangladeshi

Committee Membership

Executive Committee

External Appointment

General Manager

East Coast Shipping Lines Limited

Qualification & Experience

Bachelor of Nautical Science, Master Mariner (Nautical), Associate Fellow of Nautical Institute (AFNI), UK

Master Mariner with over 15 years experience in safe operations and commanding of ocean going vessels particularly container, multipurpose general cargo/bulk carrier and tanker. Currently, working as General Manager for three years at EC Bulk Carriers Limited and East Coast Shipping Lines Limited.



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 Limited

Palmal Garments Limited

Palmal Knitwear Factory Limited

Palmal Garments Washing Limited

Palmal Styles Limited

Palmal Packaging Limited

Palmal Dresses Limited

N.K.K. Knitwear Limited

N.K.K. Sweaters Limited

Pragati Fashionwear Limited

Pragati Metalex (Pvt) Limited

Al-Hamra Garments Limited

Amazan Garments Limited

The Dacca Dyeing Garments Limited

UniCap Securities Limited

UniCap Investments Limited

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 Limited. 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

(Nominated by Palmal Garments Hosiery Ltd.)

First appointment to the Board

21 May 2012

Born in October 1971

Nationality Bangladeshi

Committee Membership Nil

External Appointment

Chairman

Flora Accessories Limited

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.



ZIAUL HASAN SIDDIQUI
Independent Director

First appointment to the Board
23 October 2012

Born in February 1953

Nationality Bangladeshi

Committee Membership

Audit Committee, Green Banking Committee and Executive Committee

External Appointment

Director

UniCap Investments Limited, UniCap Securities Limited, Summit Power Ltd., Summit Uttaranchal Power Co. Ltd., Summit Purbanchal Power Co. Ltd., Summit Narayangonj Power Co. Ltd.

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.



MOHAMMAD NURUN NABI FCA
Independent Director

First appointment to the Board
9 February 2014

Born in April 1948

Nationality Bangladeshi

Committee Membership

Audit Committee, Chairman

External Appointment

Chairman

Skeftech Limited
Krishi Biplob Limited
Shikarpur Horticulture Limited
Debonair Limited
Orbitex Limited
AZWA Developments Limited

Director

ACNABIN Associates Limited
Dinajpur Super Meat Products Limited
Intercontinental Business Limited
Shine Embroidery Limited
WIN WIN Setabgonj Auto Bricks Industries Limited
AMTRAS Limited
SAARC Business Associate of Home Based Workers (SABAH) Bangladesh Health & Education for less Privileged People (HELP)

Qualification & Experience

He is a Bachelor of Science from Karachi University and a fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). He has more than forty years of experience in his exchequer in local and foreign organizations at different responsible capacity.



MD. ABDUL KARIM
Independent Director

First appointment to the Board
29 December 2014

Born in September 1952

Nationality Bangladeshi

Committee Membership Nil

External Appointment

Director: UniCap Securities Limited

Independent Director

Green Delta Insurance Company Limited

Qualification & Experience

Mr. Karim, a retired high official of the Government of Bangladesh, did his Master of Science with Honors in Chemistry. Later he obtained Master of Social Science degree in Development Administration from the University of Birmingham. He started his career in 1979 as a member of BCS (Administration) Cadre and finally became the Principal Secretary to the Govt. Prior to that, he was Secretary to the Govt. in the Ministry of Home Affairs, Commerce, Fisheries & Live Stock, Communications (Bridges Division) and Finance (International Resources Division). Presently he is serving as the Managing Director of Palli Karma-Sahayak Foundation (PKSF) that provides fund to various microfinance Institutions (MFIs) for poverty alleviation program. Besides, he is a guest speaker of various institutes/academies like Bangladesh Military Academy, Bangladesh Naval Academy, National Defence College, Bangladesh Public Administration Training Centre, North South University, etc. He is a member of various associations and clubs including University of Birmingham Alumni Association, University of Chittagong Alumni Association, Bangladesh Chemical Society, Rotary Club of Dhaka Buriganga, Dhaka Club, Kurmitola Golf Club etc. He has travelled in many countries of the world. Mr. Karim is President of Bangladesh Table Tennis Federation, Secretary General of South East Asian Co-operation (SEACO) Foundation and former President of Bangladesh Scouts.

BOARD STRUCTURE

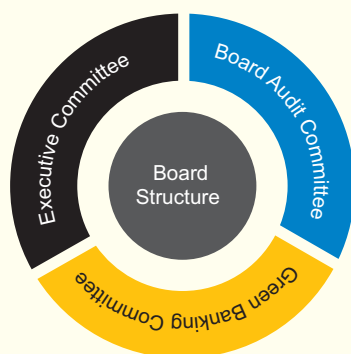
& ITS OPERATION

The governing authority of UCL

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 three committees as under:

- Board Audit Committee
- Executive Committee
- Green Banking Committee



SIZE OF THE BOARD

The Board of UCL comprises of twelve members including three Independent Directors. 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 excluding Independent Directors. As per BSEC's Notification, a listed company should have Independent Director of at least one-fifth of total Directors. As per Articles of Association of the Company the Managing Director is an Ex-officio Director.

COMPOSITION OF THE BOARD

The Board of UCL comprises of the following:

Non-executive Directors

Nine (out of whom five are Nominated Directors)

Independent Directors

Three

Executive Director

One (The Managing Director)

NON-EXECUTIVE DIRECTOR

There are nine 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 ON THE BOARD

There are three Independent Directors on the Board. 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 has already been appointed as Independent Director of three listed company.

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.

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 Directors holds any position of profit and receives 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 the Board Committees is given in their biographies on pages 54 to 57 of this Annual Report.

SUB-COMMITTEE

The Board has three sub-committees namely Board Audit Committee, Executive Committee and Green Banking Committee. The Board Audit Committee comprises of five non-executive Directors. The

Executive Committee is also consisted of five non-executive Directors. The Green Banking Committee consists 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 60 to 61 of this Annual Report.

BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2014, the Board met fourteen 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 roles & responsibilities of the Board and its Committees

Charter of the Board

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.

CHARTER OF THE 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 AUDIT COMMITTEE

The Audit Committee, within the delegated authority and in fulfilling the regulatory requirements has the following terms of reference (TOR):

A. 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.

B. 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.

C. 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.

D. 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.

E. 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.

F. 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.

CHARTER OF THE EXECUTIVE COMMITTEE

The Executive Committee, in fulfilling its purpose, will:

- Guide the Management in achieving the organization's vision/mission;
- Review implementation of the business policy;
- Approve credit proposals upto Tk. 50 million for each customer;
- review credit proposals prepared by the management and recommend to the Board where the amount exceeds Tk. 50 million;
- review the proposals relating to write off loan/leases and recommend to the Board for consideration.

CHARTER OF THE GREEN BANKING COMMITTEE

- Formulate a Green Banking policy;
- Guide and advise the green banking unit/cell to prepare an in-house green banking guide;
- Ensure regular training on in-house green banking activities for creating green banking awareness within the company;
- Ensure incorporation of environmental risk in core risks management;
- Ensure environmental due diligence applied as part of environment risk management before making investment decision;
- Ensure allocation of fund in the annual budget for green banking investment and proper utilization of climate risk fund; and
- Find avenues for innovation of new green banking products and green marketing.

DIRECTORS' REPORT

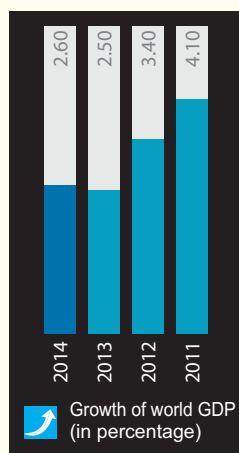
DEAR SHAREHOLDERS,

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 2014 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved these on 4 March 2015.

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 DSE & CSE, Financial Institutions Act, 1993, Bangladesh Bank guidelines and other applicable rules and regulations. Relevant disclosures and explanations relating to certain issues that 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 2014

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less dynamic than in the past. The world economy has come through out 2014 without a major disaster.



But it hasn't been a terribly good year. Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outcomes over the past several years. Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013 against a forecasted growth of 3.6 percent. It was a year of "yet another transition".

While activity in the United States and the United Kingdom has gathered momentum as labor markets heal and monetary policy remains extremely accommodative. The recovery has been sputtering in the Euro Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand. This year, one of the events did make itself felt: the crisis in Ukraine. Ukraine itself was affected and so was Russia due to Western sanctions. The sanctions

also appear to have hit Germany whose exports to Russia fell sharply. At the same time, demand for oil has weakened due to the slowdown in China and the persistent sluggishness of the Eurozone and Japan. Despite sliding marginally in the last week of 2014, the Dow Jones and S&P 500 also finished the year with solid gains of 7.5 percent and 11.4 percent respectively. The Stoxx Europe ended 2014 with 4.36 percent gain despite political uncertainty surrounding the markets. Japanese equities also finished higher as the Nikkei rose by 7.12 percent. Emerging markets had a dismal year 2014 falling 4.63 percent. The Shanghai Comp soared 52.87 percent making it the best performing market, followed by Sensex 30 rising 30 percent for the year.

USA

The US economy grew at its fastest pace in four years in 2014, outpacing all of the other major developed countries as consumers gained confidence helped by sinking oil prices. But a slowdown in the fourth quarter bared some of the persistent challenges - like the strong dollar - to locking the world's largest economy into higher gear. While the halving of fuel prices clearly gave American consumers the power to spend more at the end of the year, businesses slowed investment and the government cut back on spending, especially for defense, dragging down momentum. Apart from a temporary contraction at the beginning of 2014, growths have been above potential since mid-2013 and in the third quarter of 2014 reached its fastest pace since 2003. US GDP growth for 2014 overall finished in the moderate range of 2.4 percent held down by the weather-related blip in the first quarter when GDP contracted by 2.1 percent. The recovery has been supported by highly accommodative monetary policy, which bolstered capital market valuations, and easing fiscal consolidation. Improving labor markets have been marked by robust job creation and gradually increasing, though still modest, wage growth. Additionally, in recent months, unemployment has slipped below 6 percent for the first time since July 2008. For last year as a whole, the economy generated 2.95 million new jobs, the strongest annual showing since 1999. Additional workers on payrolls will provide a boost to consumer spending.

CANADA

Real GDP grew more rapidly in the third quarter than anticipated in October, driven by further solid gains in household spending and exports, and a rebound in business investment. In the fourth quarter, real GDP is estimated to have grown by about 2.5 percent. Inflation in Canada has remained close to the 2 percent target in recent quarters. Core inflation has been temporarily boosted by some sector-specific factors and the pass-through effects of the depreciation in the Canadian dollar, which provide an offset to disinflationary pressures from slack in the economy and the effects of competition in the retail sector. The large decline in oil prices will weigh

significantly on the Canadian economy. In addition, Canada's weakening terms of trade will have an adverse impact on income and wealth, with implications for consumption and public finances. The negative impact of lower oil prices will be gradually mitigated by stronger U.S. growth, the weaker Canadian dollar and the beneficial impact of lower oil prices on global economic growth.

BRAZIL

Brazil, protracted declines in commodity prices, weak growth in major trading partners, severe droughts in agricultural areas, election uncertainty, and contracting investment have contributed to a steep decline in growth. The central bank has raised interest rates to fight inflation and credit conditions have tightened but inflation remained above target. Therefore, growth in Brazil remained weak and GDP growth was 1 percent in 2014. The depreciations of the Brazilian real (20.1 percent nominal, 12.2 percent real) were especially deep, largely because of investor concerns about macroeconomic imbalances. In the medium term, however, structural impediments to growth, such as poor infrastructure and cumbersome tax and labor regulations, will continue to subdue growth.

JAPAN

In Japan, at 0.2 percent, growth in 2014 fell significantly short of expectations as the economy struggled to recover from a sales tax increase in April 2014, and, until mid-2014, exports remained subdued despite a weak yen. This export weakness reflected soft global demand, the relocation of production facilities overseas and rising cost of energy imports since the shutdown of nuclear reactors. While unemployment is low, labor force participation remains below pre-crisis levels, and real wage growth is subdued. Japan had a setback after an increase in the tax on consumer spending. The Japanese government has enormous debts, so there was a reason for it, but the economic consequences have led the government to delay the next tax rise it was planning.

CHINA

China has adopted measures aimed at containing financial vulnerabilities and unwinding excess capacity (including in construction, shipping, and renewable energy sectors) and, at the same time, stemming a slowdown. Actions to rein in credit growth have slowed the real estate market and investment while dampening growth, especially in early 2014. To reach its growth target, the government subsequently implemented a series of targeted stimulus measures. These included support for new public infrastructure and housing projects, tax relief to small and medium-sized enterprises, and targeted cuts in the banks' required reserves. In addition, benchmark deposit and lending rates were cut in November 2014 for the first time since 2012. As the authorities have balanced the competing goals of reducing vulnerabilities with supporting growth, the medium-term growth outlook has been revised downwards.

RUSSIA

GDP in Russian Federation slowed further to 0.7 percent in 2014. Tensions with Ukraine, sanctions, and falling crude oil prices interacted with a structural slowdown, although a depreciating ruble and increased public spending supported exports and industrial production in the final quarter of 2014 after a sharp contraction in mid-2014. Capital flight and the loss of access to international capital markets by Russian banks and corporates under sanctions led to over 75 percent depreciation of the ruble against the U.S. dollar between January and mid-December 2014 despite repeated interest rate hikes and interventions in the currency markets by the central bank. Rising inflation was exacerbated by the retaliatory sanctions that Russia imposed on the imports of a range of food items. In turn, rising prices have had adverse effects on household real income and consumer spending in Russia.

INDIA

Economic activity in South Asia began to revive in 2014 as India, the largest economy in the South Asian region, emerged from two years of modest growth. Growth in India is projected at 6.4 percent against 5.6 percent in 2014. In India, a slow economic recovery is underway, helped by a sharp slide in inflation to multiyear lows and improving export momentum in line with rising demand from the US, a major trading partner. With the reform agenda building momentum and current account vulnerabilities considerably diminished compared to 2013, currency and equity markets came under some pressure but were less affected than other emerging market peers during an episode of global financial volatility in December 2014. The improvement follows a sharp slowdown in the previous two years—to the weakest growth in nearly a quarter of a century—during which high inflation and a perception of policy paralysis had depressed domestic investment, while growing macroeconomic imbalances increased vulnerability to volatility in global financial markets.

UNITED KINGDOM

The UK economy delivered a surprise comeback in 2014. Growth is now running at the fastest pace in four years, and activity in 2014 outpaced all the other major industrialized countries. UK activity also looks slightly more balanced. Private sector hiring has been strong, more than offsetting the contraction in public sector jobs. Cuts in public spending have not derailed the recovery and business investment has rebounded.

In UK, the recovery has gained momentum, supported by robust housing markets and expanding credit. Growth reached 2.6 percent in 2014 and is expected to be above potential until 2016, despite slowing net exports partly as a result of weak euro area demand. Inflation was significantly below target in 2014 partly due to continued low oil prices and should remain so until 2015. However, subdued wage growth, low inflation, and spillovers from weak activity in the rest of Europe may delay the first rate hike.

FRANCE

France's economy failed to grow in the first two quarters of 2014 but then subsequently did manage sluggish growth in Q3. Even then, GDP was only 0.4 percent higher for Q3 2014 compared to Q3 2013. In 2015, a weakened euro will help stimulate exports to outside the Eurozone. In addition, sharply lower energy costs as well as expansionary monetary policy and structural reforms will also seek to contribute to the economy. However, the level of unemployment remains problematic, which at 9.9 percent is high for a Eurozone economy.

SWITZERLAND

Switzerland's economy advanced by 1.9 percent boosted by private & public consumption and exports. The biggest positive contribution came from healthcare and transport consumption. The strongest, positive contribution to growth by far came from exports of chemical/pharmaceutical products. On the production side, the manufacturing sector as well as healthcare and social security provided the strongest contributions to GDP growth. Healthcare and social security accounted for the largest growth by 2.1 percent, while the catering and hotel sector reported a rise of 1.3 percent.

GERMANY

Germany achieved economic growth at the start of 2014 with 0.8 percent GDP growth for Q1 but unfortunately this growth dwindled in Q2 and Q3. This can be attributed partially to reduced demand from emerging economies as well as diminished economic activity from Eurozone trading partners. In Q3 2014, government expenditure reached an all time high of 128.7 billion Euros. Growth of GDP was 1.5 percent in 2014 due to expansionary fiscal and monetary policy.

ITALY

Italy's economy contracted throughout 2014 but real GDP improved to -0.4 percent from -1.9 percent in 2013 but it is expected to return to positive growth in 2015. This growth will primarily be assisted by the expansionary monetary policy executed by the ECB and the depreciating euro boosting exports. Fiscal consolidation has been put on hold to avoid slowing economic recovery, but will be necessary in the future to reduce Italy's very high public debt ratio. Unemployment also remains a major challenge for Italy as in 2014 it was recorded at 12.4 percent; almost double the OECD average of 7.3 percent.

SUB-SAHARAN AFRICA

The region expanded moderately in 2014 but the pace of expansion was slower in many of the larger economies (Angola, Ghana, Kenya, and South Africa) as a result of subdued global demand, soft commodity prices, weak foreign direct investment flows, low business confidence, and capacity shortages, especially infrastructure constraints. The Ebola epidemic has severely disrupted activity in Guinea, Liberia, and Sierra Leone. Economic losses in these countries, however, should begin diminish as

effective containment strategies are put in place. Regional spillovers from Ebola should then remain modest. The sharp oil price decline will benefit oil importing countries but adversely affect several countries in Sub-Saharan Africa that are oil exporters. Large fiscal and current account deficits persist in Ghana, Kenya, and South Africa. South Africa is exposed to potential capital outflows, due to its reliance on portfolio investment. Public investment in infrastructure and mining, improved agricultural production, and buoyant service sectors are expected to continue to support growth in the region.

MIDDLE EAST AND NORTH AFRICA

Growth in the developing countries of the Middle East and North Africa recovered in 2014 to 1.2 percent. The preceding year had been marked by domestic and regional turmoil, weak external demand, and stagnant activity. Improvements in confidence (Arab Republic of Egypt, Tunisia), manufacturing and exports (Egypt, Morocco), as well as a bottoming out of oil production, contributed to the pick-up in growth. This modest upturn, however, remains fragile, and output still languishes well below the regions potential. Security challenges and/or resulting spillovers in several countries are a key source of instability, with security risks affecting an estimated 20 percent of regional GDP (Iraq, Jordan, Lebanon, Libya, Syrian Arab Republic, Republic of Yemen), and political transition affecting another 20 percent (Egypt, Tunisia). Fiscal and external accounts remain weak, even in countries that have received exceptional official support from the high-income Gulf Cooperation Council (GCC) countries. In oil-importing developing countries, economic activity appears to be picking up as a weak first quarter was followed by a rebound in the second and third quarters. However, it was fragile and uneven.

GLOBAL ECONOMIC OUTLOOK IN 2015

The World Economic Outlook has lowered the global growth prediction for 2015 from 3.9 percent to 3.8 percent. Growth projection for both advanced and emerging economies has been down scaled because of their slower than expected rate of recovery from the post crisis stage. However, in a comparative scenario, the global outlook portrays a slightly encouraging picture for the world since its output growth is expected to rise from 3.3 percent in 2014 to 3.8 percent in 2015.

Several major forces are driving the global outlook. These are soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity and help offset some of the headwinds to growth in oil-importing developing economies. However, it will dampen growth prospects for oil-exporting countries, with significant regional repercussions.

Risks to the global outlook remain tilted downwards. Financial conditions could become volatile as high-income economies tighten monetary policy on diverging timelines. Rapid reassessment of risk could also be triggered by a spike in geopolitical tensions,

bouts of volatility in commodity markets, or financial stress in major emerging market economies. The United States will continue to grow, but the expansionary phase will show signs of maturing, causing a moderation in profitability, joined by a variety of cost pressures. European economies have more scope to recover, but there are dark clouds from slowing exports to emerging markets, especially hurting Germany's growth engine, and a dysfunctional policy environment to tackle deflationary pressures. China will continue its "soft fall" as government stimuli will have less effect and monetary policy will become tighter. Other major emerging markets will continue to grow, but growth will vary, depending on the pace of reforms. New geographies for growth, such as Africa and parts of Asia, offer opportunities to build sustainable growth models, but they also bring challenges on economic, legal, and institutional fronts.

US: Moderately Positive

The US economy appears to have entered a period of "self-sustaining" growth, but governments in other major economies need to do more to stimulate demand. A number of factors support the recovery. Housing market conditions have improved while declining oil prices are boosting real household incomes, maintaining private consumption as the main source of growth in 2015. Investment rates are expected to increase but remain below pre-crisis levels, while a strong dollar will dampen net exports and low oil prices affect negatively capital expenditure in the energy sector. The two GDP components where growth will most likely be constrained going forward are government spending and exports. This positive outlook is further bolstered by the increase in business investment and employment. These developments bode well for a strong 2015. The downside risks stem from conditions outside the United States - the growing weakness of some of the major trading partners and escalating geo-political tensions.

The Eurozone: An escape from the time loop in 2015

Since the financial crisis started more than seven years ago, each New Year brought hopes for a strong recovery, but they never materialized. Investments have recovered much slower in the Eurozone than in other parts of the world after the financial crisis. In fact, they have never really recovered, but they are still substantially below the level in 2007. In 2015, similar to 2014, the economic recovery will crucially hinge on investment activity. Quantitative easing, a low euro, and cheap oil provide modest upsides for an otherwise sluggish European economy. The continued disinflationary environment has led the European Central Bank to launch a large program of quantitative easing of at least 1.1 trillion euro, which includes government bond purchasing for the first time.

While consumption in the Eurozone can be expected to increase slowly, and exports should be supported by higher world demand than in 2014, corporate investments are the most important area to monitor

for positive and negative surprises. Despite significant downside risks, the Euro Area is projected to grow at 1.6 percent in 2015, almost double that of 2014. Modest recovery in domestic consumption is a likely source of growth as labor markets improve.

The sluggish labor market, together with stalling consumer confidence, will slow domestic demand, despite lower oil prices. However, the depreciation of the euro provides an upside to European exports. It is starting to boost growth in new orders for capital goods.

China: Disorderly slowdown?

It is increasingly clear that China's economic growth in 2014 was at its slowest since 1990. What is not clear is what happens next. Although a low-probability scenario, China's carefully managed slowdown could turn into a disorderly unwinding of financial sector vulnerabilities. It could also include a sharp correction in the real estate market, which currently accounts for a sizable proportion of local government revenues. For 2015, soft oil prices are expected to boost activity and reduce the need for additional policy stimulus. Growth is expected to slow below 7 percent by 2017 from 7.4 percent in 2014, broadly in line with the objectives of the current five-year plan. Reflecting excess capacity, weakening domestic demand, and reduced import costs, inflation is expected to remain below the central bank's indicative ceiling of 3 percent.

Sub-Saharan Africa will maintain growth

Regional GDP growth is projected to remain steady at 4.6 percent in 2015 and rise gradually to 5.1 percent in 2017 supported by sustained infrastructure investment, increased agricultural production, and expanding service sectors. Commodity prices and capital inflows are expected to provide less support, with demand and economic activity in emerging markets remaining subdued. FDI flows are projected to remain flat in 2015 and sovereign bond issuance will slow as global financial conditions gradually tighten. Sub-Saharan Africa would nevertheless remain one of the fastest growing regions. In the baseline forecast, growth remains robust in most low-income countries, by virtue of infrastructure investment and agriculture expansion, although soft commodity prices dampen activity in commodity exporters. South Africa is expected to experience slow but steady economic growth, helped by improving labor relations, gradually increasing net exports, and reforms to alleviate bottlenecks in the energy sector. Remittances are projected to rise by 5 percent annually during 2015–17. A range of idiosyncratic risks includes the Ebola epidemic, expansionary fiscal policy and currency weaknesses, and the precarious security situation in a number of countries.

Other emerging markets

In some EME oil exporters, the large decline in oil prices has spurred significant financial market turmoil, which has led to capital outflows, large increases in sovereign spreads, and significant currency depreciation and volatility in foreign exchange markets. This turmoil has been particularly

acute in Russia, where low oil prices have compounded existing challenges from economic sanctions. There is a risk that financial market turbulence could spread to other oil-exporting nations and even to other EMEs, dampening their prospects for economic growth. Geopolitical risks are expected to remain high, although related risks of global oil market disruptions have been downgraded in view of ample net flow supply.

Prospects for the least developed countries

For least developed countries as a whole, growth is expected to remain around 6 percent in 2015. Soft commodity prices, especially for oil exporters, as well as weak growth in the Euro Area, an important trading partner for West Africa, are expected to hold back growth in many least developed countries. However, strong government consumption and investment growth is expected to mitigate these headwinds. Some fragile states should see increased growth in 2015 as the Ebola epidemic abates, security improves, and peace building efforts progress. In numerous African LDCs, such as Angola, Liberia, Sierra Leone, the United Republic of Tanzania, and Zambia, investment in the natural resource sector will drive growth in 2015.

Middle East and North Africa inherent internal risks

Growth in the developing countries of the region is projected to pick up gradually helped by a rebound in oil production among oil exporters and a modest recovery among oil importing economies. Egypt, Jordan, and, to lesser extent, Lebanon and Tunisia, appear to be entering a steady recovery from a period of heightened volatility and uncertainty. Other countries in the region, such as Iraq, Libya, and, the Republic of Yemen continue to be affected adversely by security challenges. In the baseline scenario, only limited improvement is expected in the political uncertainty and lack of security that has plagued the region for the past four years. As a result, although growth is expected to pick up, the recovery is not sufficient to make deep inroads into spare capacity and unemployment. The outlook is subject to significant downside risks that are mostly internal to the region. External risks are also tilted to the downside. A weaker than expected recovery in the Euro Area could reduce exports, tourism, remittances, and capital flows in North Africa. In addition, sharply tightening or persistently volatile global financial conditions could raise risk premia for developing countries, raising borrowing costs and at the same time lowering FDI.

OVERVIEW OF BANGLADESH ECONOMY IN 2014

Bangladesh has maintained an impressive track record on growth and development. In the past decade, the economy has grown at nearly 6 percent per year, and human development went hand-in-hand with economic growth. Despite widespread political demonstrations in Bangladesh ahead of national elections in January 2014, gross domestic product (GDP) growth in year 2014 registered at 6.12 percent despite many odds. The strong performance came

from higher public investment and strong exports. Strong expansion in exports outweighed a more moderate rise in imports to narrow the trade deficit in FY2014. Workers' remittances declined slightly but were sufficient to offset the trade deficit and push the current account to a surplus equal to 1.0 percent of GDP. The economy has benefitted from inflows of remittances, a strong performance in textile exports and government structural reforms. Inflation rate stood at 6.11 percent by December, 2014 which was 7.35 percent in 2013. Lowering international oil prices and a favorable exchange rate as well as prudent monetary management were some of the prominent features of the year 2014.

Despite a lower trade deficit, the current account surplus narrowed in FY 14 because of a decline in remittances and an increase in services account deficit. Further noticeable was inflation's slow but steady descent, which helped expedite consumption and investment decisions. Imports in FY2014 mounted to USD 37 billion. Exports, however, waited until the very last time of the year to show that trend.

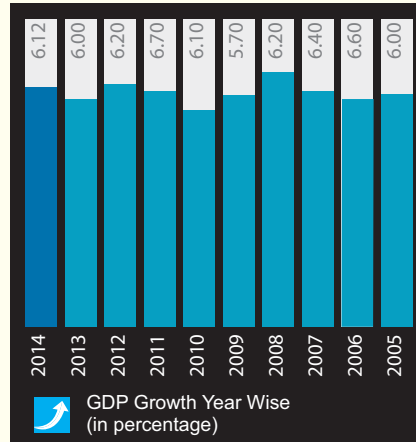
Remittances amounted to USD 14.2 billion in FY2014, foreign reserves amount to USD 22.32 billion - enough to cover seven months' imports. The surplus in balance of payment increased from US\$5.1 billion in FY13 to US\$5.5 billion in 2014, creating an excess supply of foreign exchange. The real exchange rate appreciated by 8.5 percent in FY14 relative to FY13 due to small (2.7 percent) nominal appreciation and higher domestic inflation relative to international inflation.

The overall economy faced many obstructions especially the real estate sector. Construction was slow and many apartments remained unsold. The aftermath of 2013's mayhem created some degree of uncertainty in investment. Nevertheless, investment began to accelerate around the end of 2014. The last period of 2014 marked a new momentum in consumer and business confidence. Imports and exports reflected an upward trend. There remain some aspects of economic discomfort that include non-performing loans, excess liquidity, and some irregularities at the branch level of banking. So did remittances, and importantly, foreign currency reserves registered a new record. Per capita income rose from 1044 dollars in FY2013 to 1190 dollars in FY2014. Further noticeable was inflation's slow but steady descent, which helped expedite consumption and investment decisions. The agriculture, industry, and services, are performing well. Industrial growth has been faster than others as expected. The trend analysis shows 8 percent plus growth for industry and around 4 percent growth for agriculture. Services, being the largest sector (more than 50 percent), grows at 6 percent.

GDP Growth

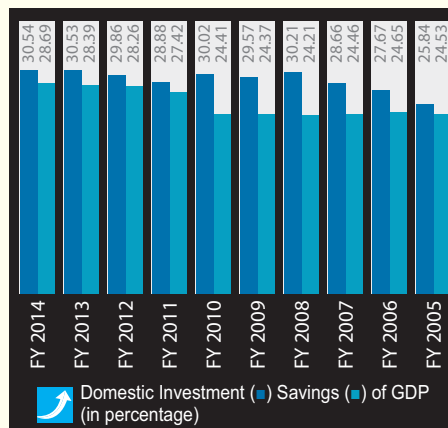
In the past decade, the economy has grown at nearly 6 percent per year, and human development went hand-in-hand with economic growth. Poverty dropped by nearly a third, coupled with increased life expectancy, literacy, and per capita food intake. More than 15 million Bangladeshis have moved out of poverty since 1992. While poverty reduction in both

urban and rural areas has been remarkable, the absolute number of people living below the poverty line remains significant. While the population growth rate has declined, the labor force is growing rapidly.



Overall Economic Performance

The overall macroeconomic performance was satisfactory in the year 2014 and conveyed mixed signals. Most financial indicators displayed remarkable progress. However, some opportunities for improving infrastructure and revenue mobilization still remained. The aftermath of 2013's mayhem created some degree of uncertainty in investment. Nevertheless, investment began to accelerate



around the end of 2014. Excess liquidity of the dollar and taka in the local market began to evaporate, suggesting a revival of trade and commerce. Imports and exports reflected an upward trend. So did remittances, and importantly, foreign currency reserves registered a new record. The economy achieved a respectable 6.12 percent growth rate against all political odds. Per capita income rose from 1044 dollars in FY2013 to 1190 dollars in FY2014. Industrial growth has been faster than others as expected. The trend analysis shows 8 percent plus growth for industry and around 4 percent growth for agriculture. Services, being the largest sector (more than 50 percent), grows at 6

percent on the trend. The share of investment in GDP is around 29 percent. Investment continues its upward move with a slow trajectory, reaching only 28.7 percent of GDP in 2014 but we require at least 34 percent investment as the portion of GDP subject to our present productivity of capital. The investment through the saving certificate increased by 16.41 percent in last November compare to the same period in 2013. It leads an automatic reduction of government borrowing from the commercial banks. One may recall that political confrontation which was often accompanied by violence also constrained economic activities in FY2014, contributing to a slowing down in the pace of economic growth. To a large extent, macroeconomic stability was maintained. At the same time, enhanced public investment, stable exchange rate, increased forex reserve, signs of revitalized export and import growth and contained inflation suggested macroeconomic stability as the FY2014 moved towards the finishing line. Balance of payment situation remained within the comfort zone.

Agriculture Sector

The agriculture sector has done well especially in crop production. Agricultural growth during 2014 was on track, aided by favorable weather, reasonably good functioning of agricultural input market and improved prices. Developments in the fisheries and livestock sectors were normal, backed by steady demand. The contribution of the agriculture sector to the GDP has dropped in the outgoing FY2014 to 16.33 percent from 16.78 percent in the previous year.

Except for jute, all other major crops registered strong production growth figures. Overall paddy production was 1.5 percent higher compared to 2013. Upsurge in production was observed in case of maize (34.8 percent), wheat (3.8 percent), potato (4.0 percent) and onion (18.8 percent) (Figure 2.1). Curiously, in the face of depleted public food stock in 2013, a large growth in the import of rice and wheat was observed in 2014. During 2014, about 29.9 lac metric tons of food grains were imported, which was 58.4 percent higher than FY2013. On the flip side, despite having a good domestic production growth, the public sector heavily relied on imported sources for food stock. In spite of this, food stock at the end of FY2014 stood at 11.5 lac MT which was about 3.5 lac MT lower than the closing stock of FY2014. But, last year due to the major disruptions, many segments of the transport sector including transport, retail trade and others faced difficulties in doing business.

Industry Sector

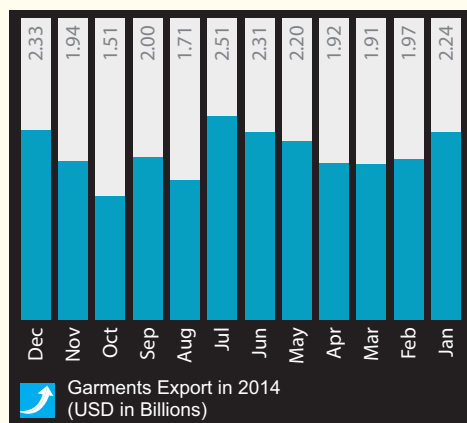
The share of the industrial sector to the GDP has enhanced in the current fiscal registering at 29.61 percent, a 0.61 percentage points up from the last FY2013. The share of the industrial sector has been increasing over the years in Bangladesh which is encouraging for the country's economic growth and employment opportunities. Among the industrial sector, the manufacturing sub-sector has done well in its input to GDP as it has recorded a 19.45 percent contribution in the current fiscal from 19 percent in the last FY2013.

In manufacturing, export growth has been almost non-existent in the first quarter of this fiscal year. If the entire calendar year 2014 is considered, from January to December, we see that export growth has decreased gradually. This is mainly due to the garments exports. The international market recovery was not as much as we had expected, particularly in the European market. In the American market we also experienced some problems leading to negative growth in those markets. Several garments companies had to be closed down. All these resulted in the low growth in the export sector. In the manufacturing sector, hence, the growth has to come from domestic markets. Since there was stability in the domestic market, with no major disruptions, domestic manufacturing did not perform as badly as export based manufacturing.

Compliance in Garments sector and its future prospects

As is known, following the Rana Plaza tragedy, several national and international initiatives were taken to ensure safety and security of workers and to improve overall compliance situation in the RMG industry. Both ACCORD and ALLIANCE have completed their initial phase of inspection with Accord completing inspection of 1106 factories by September, 2014 and ALLIANCE 601 factories.

30 factories have been closed because of safety concerns and several thousand workers being affected. How the laid off workers are to be supported has been a contentious issue and policymakers ought to look into their compensation, rehabilitation and reemployment concerns. Exporters also pointed out that their cost to ensure compliance issues have increased significantly. Production capacity had to be reduced to adjust to compliance requirements. However, exporters are also hopeful that once the necessary adjustments are done, buyers who left Bangladesh will return and order placements will grow.



Getting the fund to carry out the remedial actions in the factories has remained a challenge. At the Dhaka Apparel Summit held by the BGMEA, experts have estimated that USD 3.0 billion would be required to ensure workplace safety and environment related

compliance. According to some estimates, even a minimum compliance assurance would require a factory to spend about 0.3 million USD which would mean that a sum of about one billion dollar for the industry. As regards future prospects of the RMG exports, the signals are mixed. BGMEA figures indicate that UD (utilization rate) has declined by (-) 7.8 percent during July-November in FY2015 over the corresponding period of FY2014. BGMEA issued 25,125 UDs during July to November period of FY2015 against 27,329 UDs of the same months in FY2014.

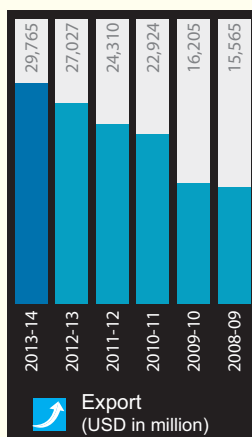
On the other hand, import of textile fabrics and accessories are robust. Import of these during July-October of FY2015 over the corresponding period of FY2014 has increased by 8.3 percent. Import under back-to-back L/Cs increased by 11.0 percent. Import of textile machineries has also increased significantly, by 49.0 percent, during the above-mentioned period. A review of import trends of raw materials, L/C figures, import of machineries, emerging demand-side scenario, order placement, buyers' perspectives gives the signal that there will be some upturn in apparels exports in the coming months. However, this is not likely to be enough to raise growth rates to the required 16.0 percent over the next months to enable the average growth of apparels to reach the target rate of 10.0 percent in FY2015. On the other hand, once the current adjustments and remedial measures are in place, 'Brand Bangladesh' will hopefully regain its momentum in the next fiscal year.

Services Sector

Surprisingly, all the Services sector components were found to register higher growth in FY2014. The services sector registered a growth of 5.9 percent, slightly more than 5.8 percent in fiscal 2013-14. Share of service sector to the country's Gross Domestic Product (GDP) has marked a steep fall since the financial year 2010-11 as its contribution to the outgoing fiscal year has plummeted further. The share of the service sector to the country's GDP at constant price has fallen by 0.17 percentage points to 54.05 percent in the outgoing financial year (FY) 2014 from 54.22 percent of the previous FY 2013. Among the service sector, the share of the financial institutional services sub-sector to the GDP has reached to 3.39 percent in the current fiscal from 3.30 percent in the last FY2013. The contribution of the real estate, renting and other business sub-sector has also dropped significantly to 6.95 percent in the outgoing fiscal year from 7.07 percent in the last fiscal year.

Export

Exports lost momentum because of a limping global economy and the transition in the garment sector. It is encouraging to note that the leather and footwear sector has crossed the \$ 1-billion mark in exports in 2014. It is expected that the pharmaceuticals sector will follow suit. Export earnings registered a growth rate of 11.7 percent, nearly missing the target of 12.9 percent growth set out for FY2014. Indeed, export



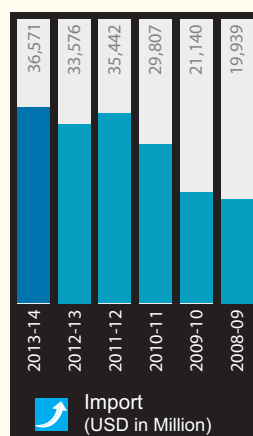
performance was showing robust trends, and was above the target level, for the first ten months of FY2014. It was in the last two months, that export earnings recorded a lowly 5.5 percent growth.

Imports

Import has also been higher at 15 percent in fiscal 2014-15, compared to 8.9 percent a year ago. On the payment side,

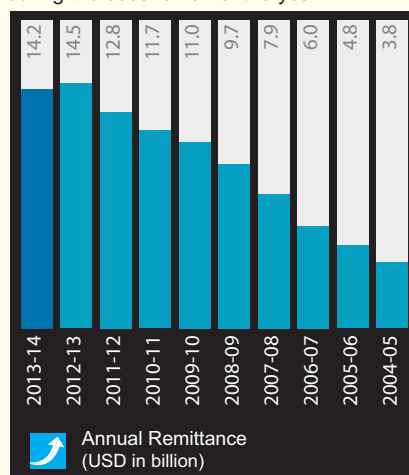
import payments increased by 8.9 percent in

FY2014. It may be noted that total import payments increased only by 1.6 percent during Q2 (Oct-Dec) and 3.3 percent during Q4 (Apr-Jun) of FY2014, indicating some volatility. Import payments during July-November 2014 stood higher by USD 635.10 million or 3.86 percent to USD 17,100.40 million against USD 16,465.30 million during the same period of the preceding year.



Remittance

Remittance growth in FY2014 became negative of 1.6 percent against larger growth of 12.6 percent in FY2013 though this growth did faster to 5.6 percent during the second half of the year

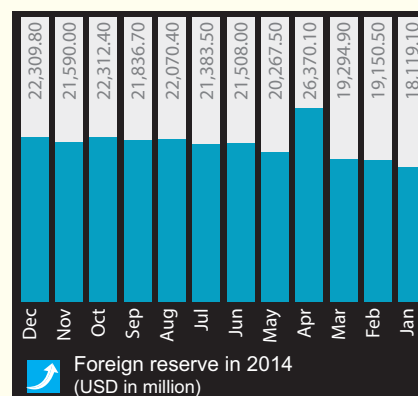


compared to the corresponding period of FY2013. In December 2014 remittances went up by 5.36 percent and stood at USD 1,275.06 million compared to the

same month of the previous year. Actually, the slow-down in remittance in FY 2014 was primarily a function of a 36 percent drop in the number of workers migrating in FY2013 due to a host of factors like change in Akama particularly in Saudi Arabia, G-G agreement regarding manpower migration especially in Malaysia, political uncertainty in Bangladesh as well. As the above factors appear to have waned in FY2014, remittance growth is likely to have usual momentum in this fiscal year 2015.

External Trade and the Balance of Payments

During the second half of 2014, BoP position was not in the comfort zone as was the case in FY2013. The current account balance of the country, in July-October in 2014, was in the negative terrain due to flat export earnings growth and robust import payments which resulted in significantly higher trade deficit. Export earnings during July-November could register only a meagre 0.9 percent growth in 2015. Growth of export earnings from RMG (0.4 percent) was lower than the average export growth figures, while export growth performance of non-RMG group (3.1 percent) was only marginally better. Overall

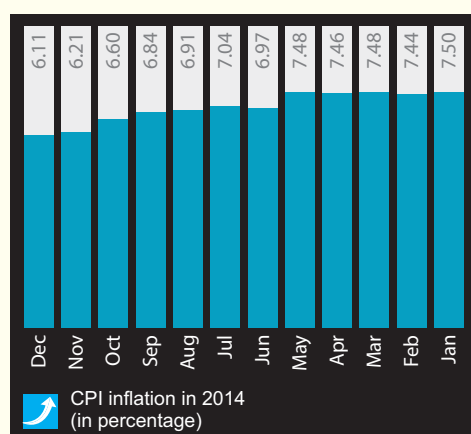


import payments during July-October of FY2014 had increased by 14.7 percent. The surge in import payments was largely contributed by import payment for intermediate goods and capital goods which contributed about 60.5 percent and 32.7 percent respectively of the incremental import payments. Remittance inflow growth was also strong (11.4 percent in July-November 2014); however, this was inadequate to tackle the growing import payments and the consequent deficit in the trade account. However thanks to positive financial account balance (USD 2,885 million) during the first four months of 2014, overall balance continued to remain positive and strong with a surplus of USD 1,246 million. As a result, foreign exchange reserves continued to increase and reached USD 22.3 billion on 30 December 2014.

Inflation

The 12-month average inflation based on the consumer price index (CPI) maintained a declining trend during the last six months and came down to 6.99 percent in December 2014 from 7.28 percent in

July 2014 mainly because of declining food prices. Inflation was driven 68 percent by food and 32 percent by nonfood items. Average food inflation moderated to 7.92 percent in December 2014 from 8.55 percent in July 2014 while average nonfood inflation edged up to 5.60 percent from 5.41 percent over the same period of time. The ADB said average inflation will slow down to 6.5 percent from 7.4 percent a year ago, mainly due to easing supply constraints, a better crop outlook, large stock of food grains and a supportive monetary policy. It said lower food prices on the international market and stable oil prices will contribute to a fall in the inflation rate. Inflation rate stood at 6.11 percent by December, 2014 which was 7.35 percent in December, 2013.



Point to point general inflation rate continued to decline due to the lower food inflation and reached to 6.11 percent in December 2014 from 6.21 percent in November 2014. However, non-food inflation picked up to 6.48 percent in December 2014 from 5.84 percent in November 2014. Twelve month average general inflation fell to 6.99 percent, reflecting the declining pattern of point to point inflation of last six month. The uncertainties in the Middle East, however, may continue to persist and oil prices are therefore likely to remain volatile. On the other hand global food prices have also declined by about 10 percent over the past six months.

Private Sector Investment

Private investment declined for the second consecutive year from 22.5 percent in FY2012 to 21.8 percent in FY2013 and then to 21.4 percent of GDP in FY2014. The last quarter (Q4) data also suggests that private investment continued to remain sluggish during this period of FY2014. Growth of credit to the private sector stood at 12.3 percent at the end of June 2014 as against the target of 16.5 percent. The sluggish investment demand was also demonstrated by the augmented excess liquidity in the banking system. At the end of FY 2014, the banks had about Tk. 143,398 crore as investible liquidity which was about Tk. 63,957 crore higher than the matched figure recorded at the end of June 2013. On the other hand, public investment has increased by 0.7 percentage points to 7.3 percent of GDP in FY2014. Due to infrastructure constraints

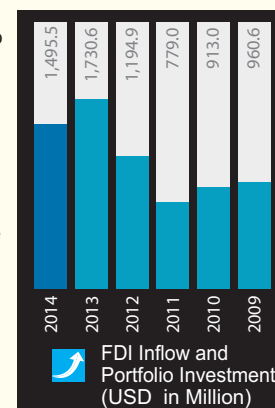
such as inadequate supply of power and inability to mobilize resources and political unrest could dampen investor confidence and economic activities further.

Political turbulence and lack of adequate infrastructure and energy are the major impediments to investment and foreign investment in particular. Despite these limitations our investment-GDP ratio is 29 percent which is close to India's and Sri Lanka's and almost double than Pakistan's. The investment-GDP ratio has to be raised to almost 35 percent to earn growth rates between 7 and 8 percent if the incremental capital output ratio (ICOR) is assumed to lie between 4.5 -5.0.

Foreign Direct Investment and portfolio Investment

FDI inflow in FY2014 has yet to pick up after facing an adverse situation in the second half of 2013.

During July-October, 2014, FDI inflow was to the tune of USD 463 million which is mere 5.6 percent higher compared to the same period of the last year. This rise took place over the negative growth examined in the same period of 2013 (-16.6 percent). Unlike FDI, foreign portfolio investment has registered a significant rise over the same comparable periods (53.4 percent). Due to weak institutional structure and poor governance in the capital market,



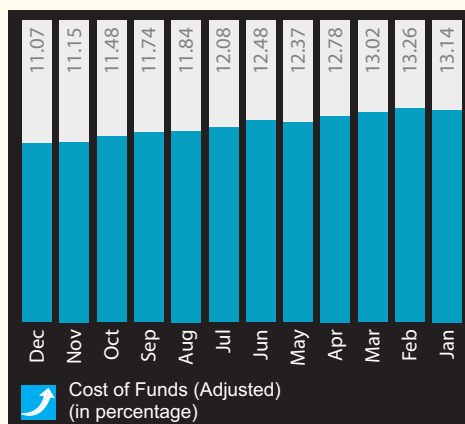
movements in major indices in the stock exchanges often failed to reflect actual economic scenario. A part of FDI during July-November, 2014 was directed to different EPZs which was to the tune of USD 142 million. This FDI has been concentrated mainly in Chittagong, Karnaphully and Dhaka EPZs because of the relative advantages in terms of location, infrastructure and logistics. However, existing EPZs are increasingly facing constraints to accommodate new investment due to lack of adequate land and other infrastructural facilities. In view of this, foreign investors have started to take interest in other EPZs such as Mongla, Adamjee, Ishwardi and Uttara EPZs. But infrastructure, logistics, housing for workers and other facilities need to be improved in these EPZs to attract and accommodate more FDI.

NBFI's PERFORMANCE IN 2014

The country experienced manifold challenges in 2014 which include political unrests, volatility in capital market, the widening gap between deposit and lending rates, labour unrest in garments & textile sector, record high NPL ratio, operation of some more banks in the financial market, increase in interest rate of government securities etc. In the year 2014, the Central Bank made a transition from a cautiously restrained monetary stance aimed at

curbing credit growth and preserving external stability to a more balanced policy to ensure sufficient credit envelop to attain targeted real GDP growth while a careful consideration to combating inflation.

This year the banks have somewhat scaled down their investment size because of NPL and other factors. In 2014 Bangladesh Bank gave the banks some type of leverage in terms of rescheduling till June. But after that the NPL amount began to rise and the banks reined back their investment size. Performance of major indicators of this sector reflecting a movement of the risk weighted capital asset ratio, the gross NPL ratio and the net NPL ratio, ROE for all NBFIs mostly remained at a comparable level relative to the closing figures of the previous financial year. The gross NPL ratio and the net NPL ratio of overall banking sector significantly increased and the risk weighted capital asset ratio declined to some extent during this year. Another aspect was that due to low investments, the credit growth was very slow. In addition, most NBFIs went for deposit mobilization in 2014. The



big institutions as well as the small ones have opted for this methodology. Bangladesh Bank has allowed NBFIs to keep fixed deposits for three months. The minimum period for term deposits was six months previously. The spread between average advances and deposits rates increased to 5.17 percent in November 2014 from 5.09 percent in October 2014 due to larger fall in weighted average deposit rate than weighted average lending rate. The weighted average call money rate rose to 7.93 percent in December 2014.

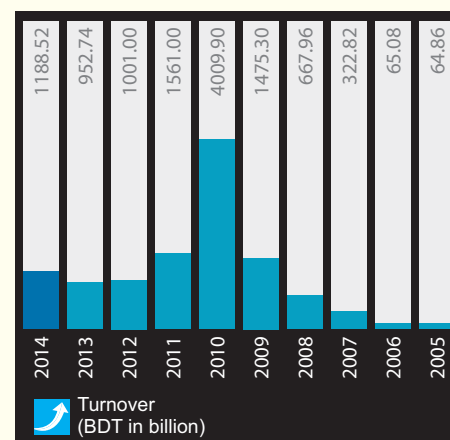
CAPITAL MARKET IN 2014

The Capital market of Bangladesh completed the year, 2014 with more stability. In the year of 2014 the index, trade and market capitalization increased a lot in 2014 than 2013. In 2014, the market capitalization increased by 23 percent. On the first day of 2014, the DSE broad index DESX was 4,286.15 and closed at 4,864.96 on December 30, 2014. DESX rose by almost 13.5 percent throughout the year. Market P/E remained stable over the year 2014 and it started with 15.14 and ended with 17.77. In 2014, twenty

companies collected the capital of Tk.1,263 crore through IPO and nine companies have collected the capital of Tk. 2,063 crore through right issue. In case



of foreign investment, the year 2014 touched the new milestone overcoming all the records of the past. The total foreign investment was 6,600 crore taka of which 6,010 crore was bought and 1,990 crore was sold. The capital market of the country will go forward with this new days, new possibilities. BSEC got the 'A' category certificate from IOSCO and at this the foreign investors become inspired for the investment. On December 11, 2014 Dhaka Stock Exchange launched automated ultramodern trading software DSE X-stream INET Matching Engine and DSE Flex TP Order Management System (OMS). The launching of this software is another historical event in the Capital Market. The lot size will be of single security and for this reason the problem of odd lot will be no more. The trading volume of DSE started with taka 4,119.74 million from January 01, 2014 and ended with taka 2,654.10 million as on December 30, 2014. It reached its peak value of taka 12,885.54 million as on September 18, 2014 within this year. The lowest trade volume was taka 1368.93 million as on December 11, 2014. A declining trade volume was observed at the end of the year 2014 where as the DSEX was at its lowest 4,286.15 as on January 01, 2014 and at its highest 5,334.04 as on October 12, 2014.



BANGLADESH ECONOMY OUTLOOK

For FY2015, growth is now projected at 6.4 percent, as a revival in worker remittances is expected to bolster private consumption, while private sector investment will pick up on greater political stability. Moreover, the government will continue its efforts to step up project implementation. Price pressures are expected to soften with easing supply constraints, a better crop outlook, supportive monetary policy, and large public stocks of food grain. Lower international food and oil prices will also contribute. While a larger trade deficit is projected for FY2015, remittances are expected to grow by 7.0 percent, continuing the revival of inflows seen in the second half of the FY2014. The lifting of a ban on the hiring of Bangladeshis in Saudi Arabia will help boost remittances and the current account. With higher remittances, the current account is now projected to post a surplus equal to 1.5 percent of GDP, rather than the 1.5 percent deficit projected earlier. Moreover, improving labor force participation and productivity will help to release the potential of the economy. Exploiting the potential of regional cooperation and making trade policy more conducive to a deepening and diversification of exports will also play a vital role in the growth process.

HIGHLIGHTS ON FINANCIAL PERFORMANCE

Key operating and financial data of last preceding 5 (five) years is shown under the heading of Operational Highlights and Financial Highlights in the page no 46 of this Annual Report.

OPERATIONAL PERFORMANCE OF UCL GROUP

In 2014 the financial sector including Union Capital passed another year of challenge. National economy faced a difficult time because of hartal, blockade, political instability and high NPL rate. The total economy was adversely affected as a result of hartal and blockade. Exporters incurred a huge losses as they could not make shipment of goods due to shutdown and road blockade. Global economic recession did have spillover impact on the Bangladesh economy. The 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 slow due to political uncertainty and lack of confidence of entrepreneur 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 59.36 percent of total investment portfolio followed by lease finance (15.40 percent) and SME finance (14.02 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 provides services to customers of different segments include growing companies, blue-chip companies and SMEs. Though as prudent business model the company has diversified its investment in other business segments in the year 2014. In 2014, total lease finance added was Tk. 1,132.87 million. The investment under lease finance of the Company stands at Tk. 3,084.35 million at the end of 2014.

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. 6,451.34 million at the end of 2014.

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.

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

In 2014, the Capital market of Bangladesh, was more stable than 2013. DSE broad index DESX started at 4,286.15 point and closed at 4,864.96 point on December 30, 2014. DESX rose by almost 13.5 percent throughout the year. DSEX's lowest point was 4,286.15 and highest point was 5,334.04 which mean there was fluctuation of almost 1,048 points. The daily average market turnover was BDT 4,993.78 million in 2014. In line with the overall market and NBFI sector, market price of Union Capital Limited was quite stable, UCL started its journey of 2014 on January 01, 2014 with the price of Tk. 33.80 in DSE and closed at Tk 21.20 on December 31, 2014. The highest price was recorded at Tk. 35.00 on January 23, 2014 and lowest one was Tk. 18.00 which was close price of September 02, 2014.

Union Capital Limited always works 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 services in the area of merchant banking, portfolio management and stock brokerage through its subsidiaries namely UniCap Investments Limited and UniCap Securities Limited.

IPO Management

UCL performs public issue management along with financial engineering and designing of capital structuring services for customers desiring to raise fund from capital market for BMRE and repayment of debt. During the year 2014, the Company did not sign any issue management contracts. There are two prospectus submitted to BSEC for its approval.

Underwriting

It is one of the core activities of merchant banking operation. As one of the major underwriter, during the year 2014, the Company entered into a good number of deals for underwriting shares for total amount of Tk 627.55 million.

Private Placement

UCL arrange the private placement of the 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 placement.

Corporate Financial and Advisory Services

UCL offer 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 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 both at the discretion of the customer and the company.

Margin Loan

UCL provides margin loan facilities through its Subsidiary namely UniCap Investments Limited to its portfolio customer for purchase of shares and securities. The amount of portfolio loan outstanding as on December 2014 was Tk 5,073.87 million. The above amount represent the aggregate investors portfolio loan extended to different portfolio customers for purchasing shares listed in the stock exchanges against their deposit. Loans are fully secured by way of lien on share purchased under margin loan account. UCL always maintained its loan ratio in 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 UniCap Securities Ltd-which has corporate memberships at the Dhaka & Chittagong stock exchanges and full service depository participant of CDBL. The market stability, investor's confidence, participant of institutional investors & foreign investors and availability of liquidity resulted significant increase in the market turnover during 2014.

Investment in Share and Securities

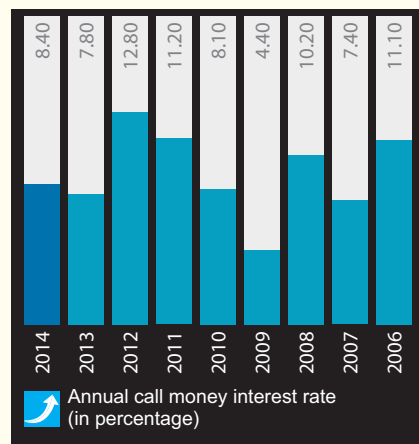
UCL maintains its own portfolio for investment in listed companies shares and securities. These are fully diversified with different sector of securities. The investment risk is being minimized through diversification and investing mostly in fundamentally strong securities. In 2014 the company earned Tk 71.83 million in the form of capital gain and dividend.

MONEY MARKET OPERATION

In the year 2014, the Central Bank made a cautiously restrained monetary stance aimed at curbing credit growth and preserving external stability to a more balanced policy to ensure sufficient credit envelop to attain targeted real GDP growth while a careful consideration to combating inflation.

The liquidity position of all banks (except SPBs as they are exempted from the compliance of SLR by Government rule) improved at the end of June 2014

and stood at 716.61 billion compared to 456.76 billion in June 2013 showing an easing of the money market. At the retail level deposit rates have decreased gradually in FY 2012-13 reflecting a liquidity surplus in the market however lending rates have behaved downward stickier with slight downward shift. Central Bank continued its reform activities this year with a core focus on ensuring financial stability of the Banks, Non-bank Financial Institutions (NBFIs) and Micro Finance Institution (MFIs) operating in the market.



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 2014 the Company obtained Tk. 750.36 million from banks against different form of borrowings to finance its operations and repaid Tk. 472.09 million as per terms and conditions of contracts. UCL also obtained Tk. 722.30 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. 10,705.44 million as on 31 December 2014 compared to Tk. 7,836.86 million of the previous year, registering growth of 36.60 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.

OPERATIONAL HUB

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

OPERATING RESULTS (CONSOLIDATED)

During 2014, the Company generated revenue of Tk. 2,231.06 million, which concluded profit from operation of Tk. 696.69 million. Net profit has increased by 41.07 percent to Tk. 199.99 million. An amount of Tk. 248.50 million has been provided as provision for taxation in 2014. Earnings per share was Tk. 1.65 as against Tk.1.29 of last year. The weighted average number of ordinary shares outstanding during the year was 120.90 million (2013: 109.91 million). The financial results of the Company for the year 2014 with a comparison of 2013 are summarized below:

(Taka in million except per share data)

| Particular | 2014 | 2013 |
|--------------------------|--------|--------|
| Operating revenue | 888.71 | 606.33 |
| Operating expenses | 192.02 | 142.12 |
| Profit before tax | 448.49 | 208.59 |
| Provision for tax | 248.50 | 66.83 |
| Profit after tax | 199.99 | 141.76 |
| Earnings Per Share (EPS) | 1.65 | 1.29 |

SIGNIFICANT DEVIATION IN OPERATING RESULTS

Operating profit during 2014 has increased by 50.08 percent to Tk. 696.69 million (2013: Tk. 464.21 million). The underlying main reasons for such increase are:

- Significant improvement in recovery from stuck up loans/leases;
- Efficient investment in the volatile capital market throughout the year;
- Decrease of cost of fund;
- Focus on SME finance;
- Stable money market scenario compared to the previous year;

SUBSIDIARY COMPANIES

UCL has two fully owned subsidiary companies, namely, UniCap Securities 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. During the year 2014, UCL did not receive any dividend from the Subsidiary Companies. Separate audited financial statements of the subsidiary companies are given on pages 235 to 247 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 was 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 2014 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:

DECLARATION OF DIVIDEND

The Board of Directors in its 200th meeting held on 4 March 2015, recommended 10 percent stock dividend for the year ended on 31 December 2014 subject to approval of Bangladesh Bank and the shareholders at 17th Annual General Meeting scheduled to be held on 31 March 2015. Details of the dividend declared during the financial year are disclosed in Note 53 of the Notes to the Financial Statements on page 230 of this annual report.

ISSUANCE OF PREFERENCE SHARE

The Board of Directors of Union Capital Limited in its Meeting held on 18 December 2013 decided to issue Non-Convertible Preference Share of Tk. 500.00 million to strengthen the Tier II capital of the Company subject to the approval of the shareholders and the Regulatory Authorities. Thereafter, we got shareholders' approval in the Sixteenth Annual General Meeting held on 31 March 2014 under the same terms and conditions as recommended by the Board. Subsequently, we applied to Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank for their consents and we got the consent from both the Regulators on 9 December 2014 and 12 February 2015 respectively. Major features of issuance of the Preference Share are as under:

| Subject | Terms and conditions |
|--------------------------------------|--|
| Nature of Preference Share | Non-convertible Preference Share |
| Size of Fund | Tk. 500 million |
| Tenure of issue | 5 years |
| Mode of placement | Private Placement |
| Efforts & Arrangement fees | Tk. 1.50 million (inclusive of VAT) |
| Principal redemption | The subscription amount of the Preference Share shall be payable in five equal installment i.e. 20 percent after the end of each anniversary |
| Accumulation | In case of non-payment of dividend in any year, dividend shall be accumulated at existing dividend rate + 1.50% increase over the existing rate, if the company fails to pay the dividend within 30 days from the date of closing of each university. |
| Principal redemption | The subscription amount of the Preference Share shall be payable in five equal installment i.e. @ 20% after the end of each university. |
| Issue Manager | Green Delta Capital Limited |
| Mode of payment to the Issue Manager | 01. 25% of the total effort and arrangement fee will be paid to the issue Manager at the time of signing of issue Management Agreement. 02. Balance 75 percent of the total effort & arrangement fee will be paid to the Issue Manager immediately after raising of total fund. |

Other major conditions imposed by Bangladesh Bank

- A list of preference shareholders stating the number of shareholding to be submitted to Bangladesh Bank within 15 days of closing of subscription.
- Union Capital shall ensure that the investment in preference share must not exceed 10 percent of the capital of investors, in the cases where investor is bank or financial institution.
- During the tenure, no credit facility shall be extended to the preference shareholder or its related parties against the pledge of the preference share.
- Separate Explanatory Notes should be added with the issued Preference Share at the time of preparing Balance Sheet.

- A statement of preference share to be submitted to Bangladesh Bank with the statement of capital adequacy.
- The preference share must be fully paid up.
- Bangladesh Bank shall have the right to impose any condition on this preference share under section 18(g) of the Financial Institution Act 1993.

Other major conditions imposed by Bangladesh Securities and Exchange Commission

- No company and /or its sponsors, directors, employees or appointed agents shall approach to or take share money deposit from any person, other than existing shareholders, for subscribing shares of the company, before obtaining consent for raising of capital from Bangladesh Securities and Exchange Commission (BSEC) complying applicable securities laws.

- Financial statements shall be prepared in accordance with International Accounting Standards (IAS) and audit thereof shall be conducted in accordance with the International Standards on Auditing (ISA), as adopted in Bangladesh. The financial statements shall be audited within 120 days from the date of ending of the financial year.
- A copy of audited financial statements and a copy of annual report and the minutes of AGM shall be submitted to the Commission within fourteen days of the completion of the audit or holding of the AGM as the case may be.
- If there is any FDI or external debt, the issuer shall report it to Bangladesh Bank.

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 10 percent stock dividend for the year ended 31 December, 2014 for approval of Bangladesh Bank and the Shareholders in the Seventeenth Annual General Meeting. The Board proposed the following appropriations:

| | Taka in million |
|--|-----------------|
| Profit after tax | 210.09 |
| Retained Earnings brought forward | 1.22 |
| Total Profit available for appropriation | 211.31 |
| Proposed appropriation: | |
| Transfer to Statutory Reserve | 42.02 |
| Proposed Dividend | 120.90 |
| Retained Earnings carried forward | 48.39 |

ANNUAL GENERAL MEETING

The notice of the Seventeenth Annual General Meeting is given on page 250 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- Receive and adopt the Directors' Report, Auditors Report and Audited Financial Statements for the year 2014;
- Declaration of dividend for the year 2014;
- Re-appointment of the Directors;
- Appointment of the Auditors;
- Appointment of the Independent Directors;

Special Business Nil

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. 92 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, 2014.

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, Environment 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, foreign exchange, commodity price and equity 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 departmental head 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 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 page 126 to 142 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" in the long term and ST -1 in the Short term. The validity of the rating will expire on 16 March 2015. 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 89 of this Annual Report.

INFORMATION TECHNOLOGY

The emergence of a global economy, transformation of industrial economies, transformation of the business enterprise, and the emergence of digital firm make information systems essential in business today. In many businesses, survival and the ability to achieve strategic business goals is difficult without extensive use of information technology. Keeping pace with the developed world, the financial sector of Bangladesh is becoming increasingly inclined towards digitization. Now a days, 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, 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. Recently UCL automated its loan appraisal process through a workflow driven system to ensure optimum control and paperless operation in line with Bangladesh Bank's green banking initiatives. Additionally, UCL installed a robust online Human Resource Management Software for efficient management of payroll, PF, gratuity, leave and other relevant information of the employees of the Company.

DIRECTORS' MEETING, ATTENDANCE & REMUNERATION

During the year ended 31 December 2014 a total fourteen meetings were held. All of the Directors serving on the Board attended more than 82.98 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 85 of this Annual Report. The Directors including the Independent Directors are not entitled to any remuneration other than fees for attending in the Board/Committee meetings. An amount of Tk. 5,000 is paid to each director for attending each Board/Committee meeting. The details on remuneration paid to Directors in 2014 is presented on page 106 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 92 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 46 of this Annual Report.

REGULATORY 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 Committee 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 116 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 guidelines. A statement on the compliance with the conditions is given on page 121 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 Ahmed Zakir & Co., Chartered Accountants, 45, Shaheed Syed Nazrul Islam, Bijoy Nagar, Dhaka 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. Ahmed Zakir & Co., Chartered Accountants, 45 Shaheed Syed Nazrul Islam, Bijoy Nagar, Dhaka has given a compliance certificate for the year ended December 31, 2014 which is available on page 115 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 the 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 123 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 2014 is given in Annexure-II, page 85 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. 1,209,002,580 divided into 120,900,258 ordinary shares of Tk.10 each. The shareholding pattern of the Company as at December 31, 2014 is shown in Annexure-III, on page 86 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 2014 is given under Annexure-IV on page 86 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 Seventeenth Annual General Meeting and being eligible offered themselves for re-appointment:

- Kazi Russel Mahbub, Director
- Ziaul Hasan Siddiqui, Independent Director
- Capt. Minhazur Reza Chowdhury, Director
- Mohammad Nurun Nabi FCA, Independent Director

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. Md. Abdul Karim, Independent Director shall retire in the Seventeenth Annual General Meeting and eligible for re-appointment:

Full biographical details of the Company's Directors at the date of this report are given on pages 54 to 57 of this report.

COMMUNICATION, PUBLIC DISCLOSURE OBLIGATIONS AND STAKEHOLDER RELATIONS

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial

information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group

We endeavor to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimize the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

Our primary stakeholders include employees, shareholders, government, regulatory bodies, clients, depositors, suppliers, rating agencies, the media, and the community. The Board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all our stakeholders and building lasting relationships with them. As a requirement of our Corporate structure, we comply with the disclosure obligations contained in the applicable listing rules of exchanges on which our shares are listed and with any public disclosure obligations as required by BFRS, BSEC and BB. We also recognize that from time to time we are required to adhere to public disclosure requirements by SAFA.

The Investor Relations division has day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial and ICC Department, ensures that we meet our public disclosure obligations.

The processes we have adopted to ensure that we comply with all public disclosure obligations are set out below:

- Significant announcements are released directly to BSEC. Announcements are released almost simultaneously to stock exchanges, where our shares are listed thereby ensuring fair treatment of all stakeholders. Copies of these announcements are placed on our website www.unicap-bd.com as soon as possible following confirmation of release on the relevant authorities.
- We maintain a comprehensive investor relations website, which ensures that all stakeholders readily have access to historical and current information
- All shareholders are encouraged to attend the annual general meeting and to raise issues and participate in discussions on items included in the notice of the meeting. The meeting enables the Board to communicate with shareholders and for shareholders to ask questions in person. The chairmen of the Board, Directors and the Managing Director attend the meeting to respond to relevant questions. All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all shareholders. We propose a separate resolution on each substantially separate issue and do not bundle resolutions together inappropriately. All resolutions are determined on a voting. Shareholders are requested to approve our report and accounts and our business.

STAKEHOLDERS ENGAGEMENT

Stakeholders trust is of particular importance in the financial services industry. To cultivate trusting relationships with our broad spectrum of stakeholders, we are committed to engaging them in a variety of ways.

We believe engagement is fundamental to creating value for all our stakeholders: it assists in identifying issues that are material and may otherwise have an impact (negative or positive) on their wellbeing. We also believe that engaging with our stakeholders promotes the principles of balance, comparability, reliability, accuracy and transparency of our reporting, both internally and externally. UCL has a wide range of stakeholders that include any person or organisation that may interact with, or have an interest in, UCL and include customers, employees, lenders, suppliers, shareholders, communities, governments, etc.

We aim to provide meaningful and transparent communications to meet the needs of all stakeholder groups and present information to them in the most appropriate format. These formats include annual report. Following the launch of our corporate website, we have continued to develop and update the contents and make those available to our stakeholders.

We communicate with our stakeholders throughout the year and engagement is integrated into our business decision-making processes. This 360-degree dialogue is essential in providing all parties with a rounded view of all material issues and helps all to shape their actions and strategies to move forward on these matters.

CORPORATE SOCIAL RESPONSIBILITY

UCL's Corporate Social Responsibility efforts continue to grow along with our business, creating positive change in our communities and deepening those connections among our employees, customers, neighbors, and other partners.

Being a responsible business is integral to our success and that of the customers, clients, shareholders and communities we serve around the country. Corporate social responsibility is embedded in our values and informs how we conduct business, develop products and services and deliver on our goals and commitments.

Our CSR report demonstrates how our business practices and operations impact our local communities. 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 153 of this report.

CORPORATE GOVERNANCE

The Board of Directors and management of the Company are committed to strong corporate governance and believe it is a vital component for the

effective and efficient operation and future success of the Company. Good corporate governance demonstrates the Board's ability to independently direct and evaluate the performance of the Company's management, as well as that of the Board members themselves. This is achieved through a well-qualified Board, a strong relationship between the Board and senior management, and strong governance practices and procedures.

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory transparency. Commitment to UCL's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to, attain – as far as possible – a company that is well governed and well managed.

The main emphasis is on the Board of Directors in its role as the main decision-making body in UCL's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. The Corporate Governance section in this Annual Report provides detailed information relating to the UCL's Corporate Governance practices.

HUMAN RESOURCE

In today's businesses, the right approach and management of the company's employees can greatly affect the company's overall performance. Starting from right staffing to maintaining performing employees, HR management is key in developing not only the employees, but the whole organization itself. Developing not only management but also its employees is significant. To keep up with competition, employees are given with a number of reasons to stay with the company, and do their jobs exemplary well. Their continuous growth, the right compensation and benefits, and work-life balance are ensured that motivate employees to perform better, producing better results for the customers and ultimately, the company.

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. 165 of this report.

BUSINESS CONDUCT POLICY

We have built a strong company that is well regarded around the country. Everyday, our actions, promises, ethics and attitudes reflect on UCL as a whole and each of the other employees with whom we work. At all times, we will strive to operate in a manner that protects employee safety and health.

We offer sustainable solutions to environmental problems in the fields of energy and waste management, and our businesses are heavily regulated and scrutinized. We are committed to fostering an ethos of environmental responsibility that goes beyond compliance, and our environmental policies rest on the core principles i.e. compliance, conservation, qualification and commitment.

We are an equal opportunity employer. We have and will continue to recruit, select, train, promote, compensate, transfer, discipline and take all other personnel actions without regard to race, color, religion, gender, age, marital status, or any other characteristic protected by applicable law.

As a publicly traded company, we disclose a great deal of information publicly and are responsible to ensure that this information is accurate and complete. It is essential that our books, records and accounts accurately, fairly and in reasonable detail reflect the transactions related to our business so that our financial statements are fairly presented in all material respects, and all other information we publicly disclose, and the reports we file with the Bangladesh Securities and Exchange Commission, do not contain any material misstatement or omission.

ENVIRONMENTAL INITIATIVES

As financial service provider, our impact on the environment is relatively less and indirect. We're working to reduce our environmental impact by embedding the environment into our business – and by involving our employees, our customers, and our communities. 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.

We're concentrating our efforts on issues where we can be most effective. Based on input from our customers, employees, and community we have selected 3 areas of focus for operations: responsible paper use, energy and emissions, engaging our employees and communities. Our environmental initiatives have been reported on page 159 of this Annual Report.

CODE OF CONDUCT AND BUSINESS ETHICS

UCL's code of conduct applies to everyone who is employed by our company. Each of us is accountable for upholding the highest ethical standards as we execute our responsibilities. Managers and leaders are also responsible for establishing and nurturing a culture in which employees feel fully empowered, supported and obligated to do the right thing.

The Code is based on our company's Core Values. The Code of Ethics provides the guidance we need to translate our values into action as we compete in the marketplace and engage with customers, clients, shareholders, and each other.

As we work together to achieve our goals, it is equally important that we commit to one another that we will always do business and grow the right way - with the honesty, integrity and fair dealing that our Code of Ethics and our Core Values require.

CONTRIBUTION TO NATIONAL ECONOMY

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.

As a financial service provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs. UCL contributes to the economy paying out fair share of taxes to Government. 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. 98.88 million.

We make an economic impact by creating employment and a well-trained workforce. 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. UCL invests in sustainable economic development, and we are committed to contributing to the success 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.

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 162 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 226 of this Annual Report.

APPOINTMENT OF AUDITORS

The Financial Institutions Act, 1993 and BSEC's order dated 27 July 2011 stipulated that an Auditor of a Financial Institution can not be appointed for more than three consecutive years. Moreover, section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants have completed their third year as statutory auditors of the company and hence not eligible for re-appointment. M/S. S. F. Ahmed & Co., Chartered Accountants, House-51, Road-9, Block-F, Banani, Dhaka have expressed their willingness to become the statutory auditor of the company for the year 2015. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to appoint M/S. S. F. Ahmed & Co., Chartered Accountants as the external auditor of the Company for the year 2015 with an audit fee of BDT 140,000 plus VAT. The Board in its meeting held on 4 March 2015 recommended the shareholders to appoint M/S. S. F. Ahmed & Co., Chartered Accountants at a remuneration of BDT 140,000 plus VAT for the year 2015 subject to approval of Bangladesh Bank.

FUTURE OUTLOOK

2015 is expected to be another challenging year for our economy and UCL group as well. Bangladesh has to tackle a number of challenges mainly maintenance of targeted GDP growth of 7.3 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. We are carefully monitoring economic conditions in Bangladesh where we are getting mixed signals from the various economic indicators. On an underlying basis, the business is still growing of course at a slower rate. While the business of capital market is uncertain and volatile in nature, at this stage we are hopping to make progress in 2015. In addition, we recognize a number of more challenges, which includes increased competition, and slow recovery due to adverse political and investment climate. Because of involvement of banks in 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. NBFIs are taxed at the rate of 42.5 percent. It is likely that the rate may be reduced to some extent as announced by the Finance Minister. 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 are quite large in terms of providing a full range of financial services. 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 confident that we have the right team and the

strategy in place to achieve our goal. While there has certainly been a challenging few years for UCL, we feel good about where we are going.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the co-operation and support received 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 in the Company. The Board also places on record its appreciation for continued support provided by the esteemed customers, bankers, financial institutions, regulators 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

Annexure - I

DIRECTORS' MEETING & ATTENDANCE

| Name of the Directors | Nominated by | Total Meetings | Meeting Attended | % of Attendance | Change During 2013 |
|-------------------------------|--|----------------|------------------|-----------------|--------------------|
| Chowdhury Tanzim Karim | EC Securities Ltd. | 14 | 14 | 100 | Continuing |
| M. Faizur Rahman | Self | 14 | 13 | 92.86 | Continuing |
| Nasir A. Choudhury | Self | 14 | 12 | 85.71 | Continuing |
| Nadeem A. Chaudhury | Enrilco Limited | 14 | 11 | 78.57 | Continuing |
| Kazi Golam Rahman | Alternate Director of Kazi Golam Samiur Rahman | 3 | 3 | 100 | Continuing |
| Meherunnesa Haque | Self | 14 | 6 | 42.86 | Continuing |
| Capt. Minhazur Reza Chowdhury | EC Securities Ltd. | 12 | 9 | 75.00 | Continuing |
| Kazi Russel Mahbub | Palmal Garments Hosiery Ltd. | 14 | 4 | 28.57 | Continuing |
| Ziaul Hasan Siddiqui | Self | 14 | 8 | 57.14 | Continuing |
| Mohammad Nurun Nabi | Self | 12 | 10 | 83.33 | Continuing |
| Tajrina Sikder | Palmal Garments Hosiery Ltd. | 14 | 9 | 64.29 | Continuing |
| Abdul Karim | Self | - | - | - | Continuing |

Annexure - II

SUBSTANTIAL SHAREHOLDINGS AND OF SPONSOR SHAREHOLDERS

| Name of Sponsor Shareholders | % of Shareholding |
|-----------------------------------|-------------------|
| Palmal Garments Hosiery Ltd. | 9.73 |
| EC Securities Ltd. | 7.22 |
| M. A. Salam | 6.26 |
| M. Faizur Rahman | 4.75 |
| Enrilco Limited | 4.58 |
| Nasir A. Choudhury | 4.45 |
| Kazi Golam Samiur Rahman | 3.58 |
| Engr. M. A. Rashid | 2.61 |
| Khurshida Choudhury | 2.77 |
| Meherunnesa Haque | 2.02 |
| Progati Shipping (Bangladesh) Ltd | 1.44 |
| Engr. M Abu Taher | 1.39 |
| SMAM Reza | 0.96 |
| Tajrina Sikder | 0.80 |
| Sabita Rezwana Rahman | 0.83 |
| Runa N. Alam | 0.81 |
| Fortuna Agro Fisheries | 0.71 |
| Rumana Sharif | 0.21 |
| Asiya Rahman | 0.03 |
| Total | 55.15 |

Disclosure of
Share Capital

Annexure - III

PATTERN OF SHAREHOLDINGS

Disclosure of
Share Capital

| Sponsor Shareholders/Directors | No. of shares held | Percentage |
|-----------------------------------|-----------------------|------------|
| Palmal Garments Hosiery Ltd. | 11,764,671 | 9.73 |
| EC Securities Ltd. | 8,728,632 | 7.22 |
| M. A. Salam | 7,572,477 | 6.26 |
| M. Faizur Rahman | 5,747,107 | 4.75 |
| Enrilco Limited | 5,536,117 | 4.58 |
| Nasir A. Choudhury | 5,379,739 | 4.45 |
| Kazi Golam Samiur Rahman | 4,330,921 | 3.58 |
| Engr. M. A. Rashid | 3,150,000 | 2.61 |
| Khurshida Choudhury | 3,348,882 | 2.77 |
| Meherunnesa Haque | 2,447,821 | 2.02 |
| Progati Shipping (Bangladesh) Ltd | 1,745,723 | 1.44 |
| Engr. M Abu Taher | 1,685,036 | 1.39 |
| SMAM Reza | 1,154,883 | 0.96 |
| Tajrina Sikder | 971,586 | 0.80 |
| Sabita Rezwana Rahman | 998,917 | 0.83 |
| Runa N. Alam | 978,995 | 0.81 |
| Fortuna Agro Fisheries | 863,363 | 0.71 |
| Rumana Sharif | 249,394 | 0.21 |
| Asiya Rahman | 41,620 | 0.03 |

Shareholding
of Directors
and Senior
Executives

Senior Executives

| | |
|-------------------------|-----|
| Managing Director & CEO | Nil |
| Company Secretary | Nil |
| Chief Financial Officer | Nil |
| Head of Internal Audit | Nil |

Other top five Executives

| | |
|------------------------|-----|
| Abul Munim Khan | Nil |
| Abdul Bareque | Nil |
| Fazle Karim Murad | Nil |
| A. N. M. Golam Shabbir | Nil |
| Mohammad Shafi Uddin | Nil |

Shareholders Holding 10% or more voting right

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

Annexure - IV

RANGE OF SHAREHOLDINGS

The distribution schedule of shareholdings as on 31 December 2014 was as under:

Distribution of
Shareholdings

| Shareholding range | No. of shareholders | No. of shares | % of total |
|----------------------|---------------------|--------------------|---------------|
| Less than 500 | 3,587 | 592,310 | 0.49 |
| 501 to 5,000 | 4,920 | 8,468,292 | 7.00 |
| 5,001 to 10,000 | 519 | 3,634,858 | 3.01 |
| 10,001 to 20,000 | 279 | 3,791,420 | 3.14 |
| 20,001 to 30,000 | 95 | 2,331,214 | 1.93 |
| 30,001 to 40,000 | 33 | 1,146,710 | 0.95 |
| 40,001 to 50,000 | 32 | 1,427,078 | 1.18 |
| 50,001 to 100,000 | 48 | 3,248,525 | 2.69 |
| 100,001 to 1,000,000 | 52 | 19,530,336 | 16.15 |
| Over 1,000,000 | 21 | 66,729,515 | 63.46 |
| Total | 9,586 | 120,900,258 | 100.00 |

AUDIT COMMITTEE REPORT

Outlines how the Committee works

An audit committee is a selected number of members of a company's board of directors whose responsibilities include helping auditors remain independent of management. The Board Audit Committee was formed in compliance with Bangladesh Bank guidelines and Bangladesh Securities and Exchange Commission (BSEC) notification on Corporate Governance with a view to provide independent oversight of the Company's financial reporting, non-financial corporate disclosure, effectiveness of internal control system etc. as set out in the Committee Charter.

OBJECTIVE OF THE COMMITTEE

By effectively carrying out its functions and responsibilities, the audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls, and that the outside auditors, through their own review, objectively assess the company's financial reporting practices. The objective of the committee is to assist the Board in fulfilling its corporate governance responsibilities, particularly:

The Board Audit Committee was formed in compliance with Bangladesh Bank guidelines and Bangladesh Securities and Exchange Commission (BSEC) notification on Corporate Governance with a view to provide independent oversight of the Company's financial reporting, non-financial corporate disclosure, effectiveness of internal control system etc. as set out in the Committee Charter.

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee consists of five members all of whom are non-executive Directors of the Company with the exception of the Chairman of the Board appointed by the Board of Directors. In order to fulfill a quorum, at least three members of the committee must be present in the meeting. The appointment of an Independent Director is ratified by the shareholders in the AGM. An Independent Director is in the Chair of the Audit Committee.

In compliance with Section 3.2 (i) of the latest Corporate Governance Notification issued by the BSEC on 07 August 2012, the Board Audit Committee was reformed on 31 December 2012. The Committee comprises of the following members as of the date of this report:

- Mohammad Nurun Nabi FCA (appointed on 9 February 2014)
- M. Faizur Rahman (appointed on 31 December 2012)
- Nadeem A. Chaudhury (appointed on 31 December 2012)
- Tajrina Sikder (appointed on 31 December 2012)
- Ziaul Hasan Siddiqui (appointed on 31 December 2012)

Biographical details of the current members of the Committee are set out on page 54 to 57; Members' fees are included in the table of remuneration of the audit committee members on page 106 of the Report.

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

- 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;
- safeguarding the independence of the external and internal auditors;
- ensuring that the management has selected accounting policies that are in line with applicable accounting standards; and
- Review interim financial releases i.e., quarterly and half yearly unaudited financial statements and recommend the same to the Board of Directors for approval.

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.

CHAIRMAN OF THE AUDIT COMMITTEE

The committee is chaired by a non-executive Independent Director Mohammad Nurun Nabi FCA who is considered to be best qualified to serve in this role and has knowledge of finance. Mr. Mohammad Nurun Nabi FCA is a Bachelor of Science from Karachi University and a fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). He has more than 40 years of experience in his exchequer in local and foreign organizations at different responsible capacity. The biography of Mohammad Nurun Nabi FCA is given on page 57 of this Annual Report.

Non-executive
Directors in
Audit
Committee

Appointment
and
composition
of Audit
Committee

AUDIT COMMITTEE CHARTER

To assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the UCL's financial statements, (2) UCL's compliance with legal and regulatory requirements, (3) the External Auditor's qualifications and independence, (4) evaluate the operating effectiveness of internal control system and (5) the performance of UCL's internal audit function and independent auditors. The audit committee will also conduct the functions that regulatory rules require to be done.

A) Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Recommend to the Board regarding appointment, compensation and oversee the work of the external auditors appointed by UCL to conduct the annual audit. The Auditors will report to the audit committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the company's external audit firm.
- Retain independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next Committee meeting.

B) 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.

C) 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.

D) 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.

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

ACTIVITIES OF THE COMMITTEE CARRIED OUT IN THE YEAR 2014:

The audit Committee carried out among others the following activities in the year 2014:

- reviewed both the consolidated and separate audited financial statements for the year ended 31 December 2014 along with the auditors' report thereon;
- reviewed the proposal of auditors for re-appointment and recommended the same to the Board;
- 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 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 audit report on the financial statements and has recommended for 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.

Mohammad Nurun Nabi FCA
Chairman, Audit Committee
4 March 2015

Report on INTERNAL CONTROL

Describes the effectiveness of Internal Control system

INTRODUCTION

A sound internal control system has always been one of the most important matters for any organization. The better the internal control system better the performance of the Company. The Board of Directors recognizes the importance of a sound internal control system with a view to ensuring good corporate governance practice thereby safeguard the 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 not only to comply with the regulatory requirements but also to articulate the practical internal control effectiveness to the existing and potential stakeholders.

RESPONSIBILITY

The Board of Directors acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Guidance for Directors of Public Listed Companies, the Board is pleased to present the Statement on Internal Control of the Group.

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such system of internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Company's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. The system of internal control covers risk management and financial, organisational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

While the 'tone at the top' is set by the Board, it is the role of management to implement the policies adopted by the Board. In fulfilling its responsibilities, management identify and evaluate the risks faced by the Company – for consideration by the Board - and design, implement and monitor an appropriate system of internal control.

DESCRIPTION ON THE INTERNAL CONTROL SYSTEM

Control Environment

The control environment sets the tone of an organisation, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organises and develops its people; and the attention and direction provided by the Board of directors.

Identification and Evaluation of Risks and Control Objectives

Naturally the Company faces a variety of risks from various sources that are assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change. Mechanisms are needed to identify and deal with the special risks associated with change.

Control Activities

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions have been taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

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.

Information and Communication Processes

Pertinent information must be identified, captured and communicated in a form and time frame that enables people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication must also occur in a broader sense, flowing down, across and up the organisation. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

Processes for Monitoring the Effectiveness of Internal Control System

Internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the Board.

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 RMC provides oversight of the Group's overall risk management. In discharging its overall duties and responsibilities, the RMC 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 enriched 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 auditor are reported to the Board 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 various management committees.

The Audit Committee holds 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 Bangladesh Bank regularly within the stipulated time.

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 RMC. 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 immediately after the occurrence of the incident. The escalation process ensures the adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance in collaboration with the business operating units continuously assesses and recommends improvements to control 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:

- Audit Committee;
- Executive Committee; and
- Green Banking 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 judgment 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.

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 54 to 57 of this Annual Report.

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.

Responsibility of the 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:

- the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
- the financial statements together present a true and fair view of the Company's affairs and are 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, 25 February 2015

sd/-

Md. Forhad Hossain ACA
VP & Chief Financial Officer

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Sets out the responsibility of the management in establishing adequate 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 IFRS as adopted by ICAB 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 IFRS as adopted by ICAB 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 Head of Internal Control & Compliance, the effectiveness of our internal control over financial reporting as of 31 December 2014.

Based on that evaluation, management concluded that, as of December 31, 2014, 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 2014

Our internal control over financial reporting as of 31 December 2014 has been audited by Hoda Vasi Chowdhury & Co., Chartered Accountants, who also audited our Consolidated Financial Statements for the year ended 31 December 2014. 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, 25 February 2015

sd/-

Md. Forhad Hossain ACA
VP & 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 Company.

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, Executive Committee and Green Banking Committee comprises solely of Non-executive Directors;
- Inclusion of 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;

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,

Chowdhury Tanzim Karim
Chairman

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.

CORPORATE GOVERNANCE

Describes Directors' approach to governance and how it works

Corporate governance describes how rights and responsibilities are distributed among corporate bodies according to applicable laws, rules and internal processes. Corporate governance also defines the decision-making systems and structure through which owners directly or indirectly control a company.

This statement outlines the key aspects of UCL's corporate governance framework. The Board has consistently placed great importance on good corporate governance practices, which it believes is vital to the Company's well-being. The Board has adopted a comprehensive framework of Corporate Governance Guidelines, designed to properly balance performance and conformance. This enables UCL to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and practices of the Company comply with notification of Bangladesh Securities and Exchange Commission on "Corporate Governance", dated 07 August 2012, and as amended on 21 July 2013 as well as the "Guideline on Corporate Governance" issued by Bangladesh Bank vide DFIM Circular no. 7 dated 25 September 2007.

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.

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 the 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 are just one part of our overall commitment to operating ethically, openly and transparently. But we believe it's the right place to start.

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): Defines 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

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.

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: Defines the responsibilities and sphere of authority of the various bodies within the company, as well as the relevant reporting procedures.

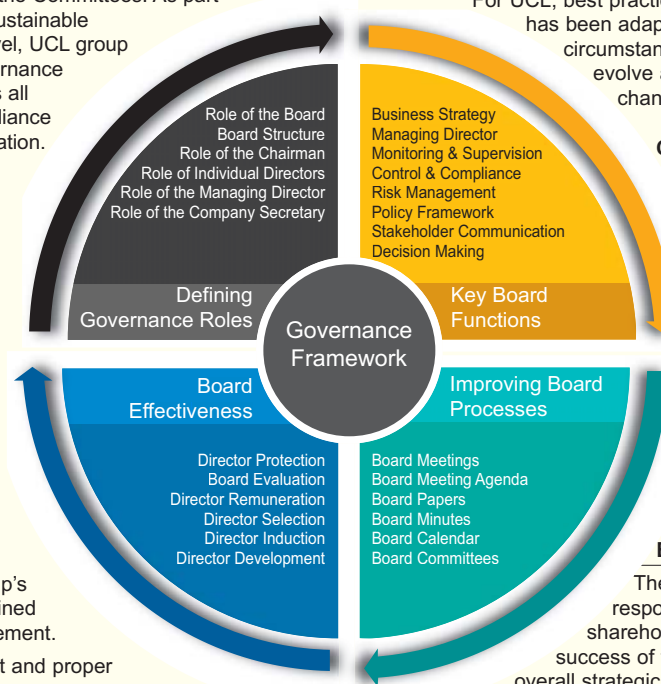
Corporate Governance Guidelines: Summarizes certain principles promoting the function of the Board and its committees and the effective governance of the company.

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 requirement.
- 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.

CORPORATE 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.

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:

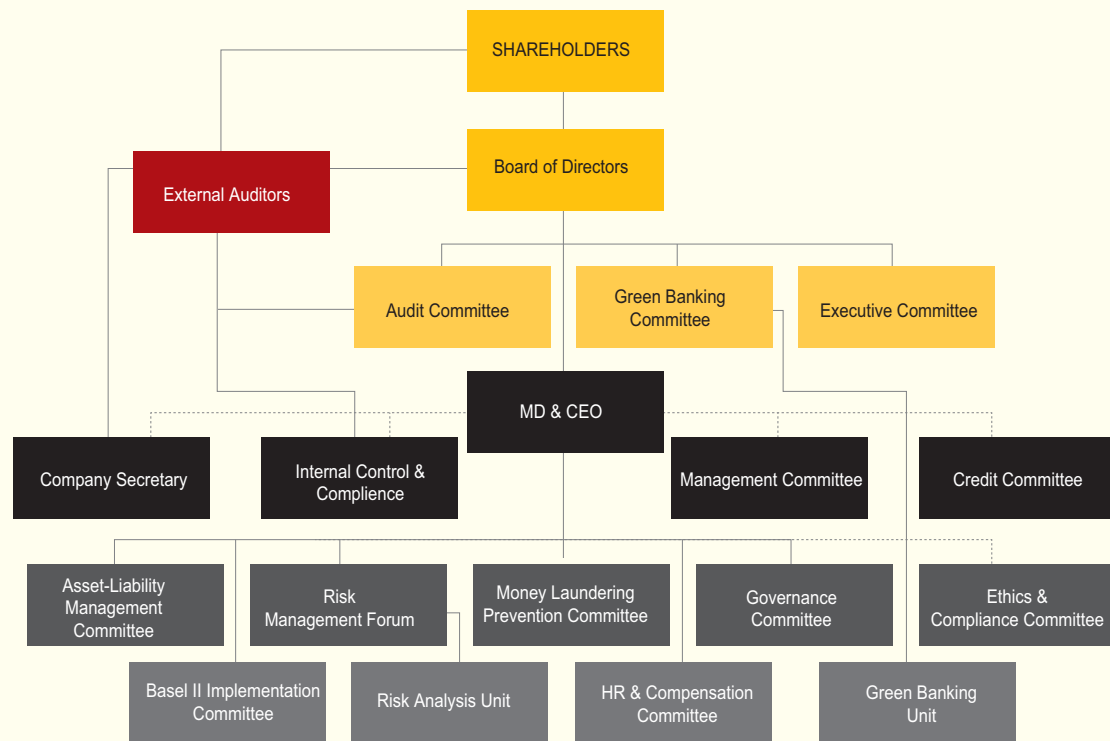
- providing strategic leadership to the Company;
- reviewing, approving and monitoring the implementation of the strategic business plans and policies of the company;

- 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.

OUR GOVERNANCE STRUCTURE

The Board and its Committees are independent of Management. The following chart gives the picture of our corporate governance structure:



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.

POLICY ON APPOINTMENT OF DIRECTORS

The Directors are appointed as per the rules and regulations set forth in the Companies Act, 1994, the Financial Institutions Act, 1993 and Bangladesh Securities and Exchange Commission's (BSEC) guidelines on Corporate Governance.

To be a member of the Board of a listed company, a Director other than nominated and alternate Director must hold at least 2 percent of the outstanding shares of the company. The Independent Directors are exempted from such requirement.

As per the Companies Act, 1994, 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. As per the Central Bank's guideline, a Director may be appointed for a period of three years and the term may be extended by another term of three years. 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.

SIZE OF THE BOARD

The Board of UCL comprises of nine members excluding the three 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.

Representation
of Non-executive
Directors**REPRESENTATION & COMPOSITION OF THE BOARD**

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 excluding the Independent Directors and the Managing Director. The skills and experience of each Director and their period of office at the date of this report are set out on pages 54 to 57 of the annual report.

The Board of UCL comprises of the following:

Non-executive Directors

Nine out of whom five are nominated Directors

Independent Directors

Three

Executive Director

One (The Managing Director & CEO)

Chairman of the Company is a non-executive Director and independent of CEO

NON EXECUTIVE DIRECTOR

All the Directors except the CEO are the 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 AND BOARD'S CONSENT THEREOF

There are three Independent Directors in the Board representing one-fourth of the total Directors. As per the BSEC guideline on Corporate Governance at least one fifth of the total Directors should be Independent Directors. 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 cannot be appointed as Independent Director who have already been appointed as Independent Director of three listed companies.

Disclosure on
Directors'
Independence**DIVISION OF POWERS AND RESPONSIBILITIES**

The management and control of UCL is divided among the shareholders (at the General Meeting), the Board of

Directors and the Managing Director & CEO, pursuant to the provisions of the external framework, regulatory authorities, the Articles of Association and the internal instructions set forth by the Board of Directors.

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.

Chairman's
independence
and his
responsibility**Responsibility of the Chairman**

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.

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.

SCHEME FOR ANNUAL APPRAISAL OF THE BOARD'S PERFORMANCE

Being the representative of the shareholders, the Board is responsible to the shareholders for the overall performance of the company along with the management.

However, there is no such annual appraisal scheme for the performance of the non-executive members of the Board. The non-executive Directors of the Board will only get fees for attending Board and Committee Meetings as prescribed by the central bank.

POLICY ON TRAINING OF DIRECTORS

Policy on Training

The Board of Directors of UCL is well-balanced having professional and industry knowledge to put forward the Company to the desired level of success. During the year under review no such training program has been organized for the Directors. We are aware that IFC is conducting such training for the Directors of different listed companies. We recognize the importance of the program of such training for the overall development of the Company to ensure best corporate governance practices.

REPORT ON COMPLIANCE WITH THE BEST PRACTICES ON CORPORATE GOVERNANCE

The Chairman of the Company on behalf of the Board of Directors issues a report on compliance with the best practices on Corporate Governance. The report is reviewed by the External Auditors. The certificate of the External Auditors is given on page 115 of this Annual report. The report of the Chairman is also given on page 95 of this report.

MEMBERSHIP AND QUALIFICATION OF THE DIRECTORS

The Board currently consists of twelve 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 adequate enough to ensure an effective decision-making process.

DIRECTORS KNOWLEDGE AND EXPERIENCE

Directors knowledge & expertise

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.

DIRECTORS KNOWLEDGE AND EXPERTISE IN FINANCE AND ACCOUNTING

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 54 to 57 of this annual report.

DIRECTORS' INDEPENDENCE

Disclosure of independence of Non-executive Directors

All the Directors except the Managing Director are non-executive Directors and independent of the management. All Directors bring independent judgments 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 an 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 page 98 of this annual 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 judgments:

- 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' RETIREMENT AND REAPPOINTMENT

As per The Companies Act 1994, 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.

NUMBER OF MEETINGS OF THE BOARD AND THE PARTICIPATION OF EACH DIRECTOR

In 2014, the Board held 14 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. The details of the attendance of the Directors is given on page 106 of this annual report.

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.

BOARD MEETINGS PROCEDURE

- 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 usually delivered to the members five days before meetings.

BUSINESS OF THE BOARD MEETINGS

The Board's agenda is managed to ensure that shareholder value and governance all play an appropriate part in its deliberations and judgments.

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 2014, 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;
- 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 to 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.

THE MANAGING DIRECTOR & CEO

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.

POLICY ON ANNUAL EVALUATION OF THE CEO BY THE BOARD

Since the CEO is responsible for daily operation of the Company, the annual performance of the CEO is measured through following key performance indicators:

- Meet the annual budgetary targets of the Company as approved by the Board;
- Maximize the shareholders value through achieving desired Return on Asset (ROA), Return on Investments (ROI) and Return on Equity (ROE) as set by the Board;
- Enhance the Earnings Per Share (EPS) to a competitive level in the industry;
- Sustainable growth of investment and revenue for the Company as set by the Board;
- Gradual reduction of cost to income ratio of the Company;
- Gradual reduction of the non-performing asset (NPA);
- Improvement of the overall CAMELS Rating.

**Evaluation
of the
Managing
Director
& CEO**

THE COMPANY SECRETARY

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. He assists the Chairman and Directors in the conduct of meetings and their governance obligations and responsibilities as Directors of the Company. He 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 enquiries;
- 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.

**The CEO
and his
Responsibility**

THE AUDIT COMMITTEE

Objective of the Committee

The objective of the committee is to 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;
- safeguarding the independence of the external and internal auditors;
- ensuring that the management has selected accounting policies that are in line will applicable accounting standards; and
- Review interim financial releases i.e., quarterly and half yearly unaudited financial statements and recommend the same to the Board of Directors for approval.

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.

Appointment and Composition of Audit Committee

The Audit Committee is a sub-committee of the Board of Directors. The committee assists the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company as well as ensures that the operating effectiveness of the internal control system is adequate. The committee is directly responsible to the Board of Directors.

The Audit Committee comprises of five non-executive Directors out of whom Mohammad Nurun Nabi FCA and Ziaul Hasan Siddiqui are independent Directors.

Chairman of the Audit Committee

The committee is chaired by a non-executive Independent Director Mohammad Nurun Nabi FCA who is considered to be best qualified to serve in this role and has knowledge of finance. The biography of Mohammad Nurun Nabi FCA is given on page 57 of this annual report.

Qualification and Expertise of the Members of the Audit Committee

The Committee is chaired by an Independent Director Mohammad Nurun Nabi FCA who is considered best qualified to serve in this role and has expert knowledge of finance and accounts. Mohammad Nurun Nabi FCA is a Bachelor of Science from Karachi University and a fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). He has more than forty years of experience in his exchequer in local and foreign organizations at different responsible capacity. On the other hand Ziaul Hassan Siddiqui holds more than 35 years of extensive and versatile experience under different capacities including Deputy Governor of Bangladesh Bank 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. All the members of the Audit Committee are diversified and knowledgeable in different areas of business and administration. Biography of the audit committee members is given on page 54 to 57 of this annual report.

ROLE OF THE AUDIT COMMITTEE

The Committee, within the delegated authority and in fulfilling the regulatory requirements play the following roles:

A) 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.

B) 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.

C) 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.

D) Relationship with the External Audit

- 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.

AUDIT COMMITTEE INVOLVEMENT IN SELECTION OF APPROPRIATE ACCOUNTING POLICIES

As per the BSEC guideline on Corporate Governance, The Audit Committee shall assist the Board of Directors

Number of non-executive Directors in Audit Committee

Qualification of the member of Audit Committee

The Audit Committee and its role

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.

The Board delegates the responsibility to the Audit Committee to select the appropriate accounting policies that are in line with applicable accounting standards as applicable and adopted by the ICAB, Bangladesh Securities and Exchange rules 1987 and the Listing Regulations of the Stock exchanges. After selecting the appropriate accounting policies, the Audit Committee recommends the Board regarding adoption of the selected accounting policies. The Board thereafter approves the selected accounting policies for adoption to ensure the true and fair view of the state of the affairs of the company.

AUDIT COMMITTEE INVOLVEMENT IN REVIEW OF EXTERNAL AUDIT FUNCTION

The audit committee reviews the following audit functions of the external audit:

- review the scope of work and audit plan;
- review Management Letters issued by external auditors;
- review the report on the annual audit of UCL;
- consider the independence of the external auditor and any potential conflicts of interest;
- review the "Terms of engagement" of the external auditor.

AUDIT COMMITTEE AND COMPLIANCE WITH LAWS AND REGULATIONS

UCL being a part of the financial industry in Bangladesh required complying with applicable laws and regulations. There are several regulatory authorities including the central bank who are the related parties of the company's operation and performance. The Audit Committee monitors and ensures the Board that the company complies with all the applicable laws, rules and regulations of various regulatory authorities.

AUDIT COMMITTEE ON INVOLVEMENT IN THE REVIEW OF ANNUAL AND INTERIM FINANCIAL RELEASES

As per the Corporate Governance guideline of the BSEC, the Audit Committee is required to review along with the management, the quarterly and half yearly and annual financial statements before submission to the board for approval. In compliance with the BSEC's guideline on Corporate Governance, the Audit Committee reviews the interim and annual financial statement whether audited and/or unaudited and places the same before the Board for approval.

ACCESS OF THE HEAD OF INTERNAL AUDIT TO THE COMMITTEE

The Head of Internal Control and Compliance is appointed by the Audit Committee and directly report to the Boards/Audit Committee and the CEO where needed.

NUMBER OF MEETINGS AND ATTENDANCE BY MEMBERS OF AUDIT COMMITTEE

In 2014, the Audit Committee held 7 meetings in person. Details of Audit Committee meetings and attendance of Audit Committee members is given on page 106 of this Annual Report.

ACTIVITIES OF THE AUDIT COMMITTEE

The committee discussed the following business matters during the year under review:

- Reviewed the draft consolidated financial statements for the year ended 31 December 2013 along with auditor's report thereon and recommended it to the Board of Directors for consideration;
- Reviewed the internal control functions and recommended before the Board for enhancement of the activities streamlining operational risk;
- Reviewed with the senior management of the Company's policies and procedures to prevent illegal or unethical activities, key accounting policies and procedures, internal controls, significant areas of risk, legal or regulatory matters that may have an impact on the financial statements, and any other matters that may affect financial reporting;
- Reviewed the reports submitted by the Internal Control and Compliance Department and advised management for timely implementation and follow up;
- Recommended to the Board for appointment of auditors for the year 2014 and fixation of their remuneration;
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2013;
- Reviewed the quarterly, half yearly financial statements for the year 2014;
- Reviewed the inspection report of Bangladesh Bank for the year 2013 and management response thereon; and
- Reviewed quarterly operation report of the Company for the year 2014.

INTERNAL CONTROL AND RISK MANAGEMENT

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.

KEY FEATURES OF THE SYSTEMS OF INTERNAL CONTROL

- 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 Raihan Uddin Ahammad ACA 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 AUDIT

Our statutory auditor is M/S Hoda Vasi Chowdhury & Co. They are also the auditor of one of our subsidiary, UniCap Securities Limited. Another subsidiary, UniCap Investment Limited is audited by M/S S. F. Ahmed & Co., Chartered Accountants.

DIRECTORS RESPONSIBILITY TO ESTABLISH APPROPRIATE SYSTEM OF INTERNAL CONTROL

The Board of Directors acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Guidance for Directors of Public Listed Companies, the Board is pleased to present the Statement on Internal Control of the Group.

The Board affirms its overall responsibility for the Group's system of internal control and risk management,

and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such system of internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Company's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses.

REVIEW THE ADEQUACY OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control covers risk management and financial, organizational, operational and compliance controls. The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

MANAGEMENT AND MITIGATION OF THE RISKS

Disclosure on risk management is covered in details in the risk management section of this report from page 126 to 142 This risk management disclosure has been 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.

ETHICS AND COMPLIANCE

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 which is communicated to all the employees This annual report contains the ethical principles that we follow while discharging our duties.

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.

A) Integrity

The UCL Financial group along with its Directors and employees:

- act in good faith in order to win the trust of customers.

- value the maintenance of long-term relationships of trust with customers, local communities, and shareholders.
- fair in dealings and with competition.

B) Conflict of Interest

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.

DISCLOSURE OF STATEMENT OF ETHICAL PRINCIPLES AND VALUES

The Code of ethics enhances the standard of corporate governance and promotes 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

COMMUNICATION OF ETHICS AND BUSINESS PRACTICE TO THE EMPLOYEES

UCL has in place a Code of ethics and Business Conduct applicable for all employees. The code of ethics and business conduct is communicated to every employee in the induction training after joining UCL. The Board and the Management confirms that the ethics and business principles are communicated to employees to ensure the best ethical practice within the company.

BOARDS COMMITMENT TO ESTABLISHING HIGH LEVEL OF ETHICS AND COMPLIANCE

The Board believes 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. Therefore, UCL's Board is committed to establish high level of ethics and compliance in the organization to ensure safe and ethical business practice in the financial industry.

COMPLIANCE WITH RULES, REGULATIONS AND LAWS

UCL Financial Group is in compliance to all the rules and regulations as promulgated by the appropriate regulatory authorities from time to time. Detailed disclosure on Ethics and Compliance has been covered in pages 111 to 114 of this report.

REMUNERATION COMMITTEE

As per the guideline of the central bank the Board can have the following committees:

- Audit Committee;
- Executive Committee; and
- Green Banking Committee.

Therefore UCL has no remuneration committee comprised of the Board Members. However, there is a HR and Compensation Committee for employees of the Company.

COMPOSITION OF THE HR & REMUNERATION COMMITTEE

The compensation committee comprises 4 members headed by the CEO. Other members of the committee are Abul Munim Khan, Senior Executive Vice President and Head of Business, Tauhidul Ashraf FCS, Senior Vice President and Company Secretary and A.N.M. Golam Shabbir, Vice President and Head of Admin and HR.

CHARTER OF THE MANAGEMENT REMUNERATION COMMITTEE

- recommend the requirements of management personnel for different sections of the company;
- interview for selection;
- recruitment of management cadre;
- take disciplinary action against convicted employees, 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; and
- recommend the Board any change in the HR & Compensation policy for approval.

POLICY WITH REGARD TO REMUNERATION

A. Directors

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. As per the central bank's guideline, maximum amount of Tk. 5,000 can be paid to each Director for attending each Board/Committee meeting.

B. Managing Director and CEO

The Board will appoint the CEO of the company. As per guidelines of the central bank, approval of the central bank to be obtained for the appointment of the CEO along with the remuneration and other benefits.

C. Senior Management

The Board reserves the right to recruit and decide the remuneration benefit of the top management employees. The CEO has been given with the authority by Bangladesh Bank to recruit and decide remuneration benefit of the mid and lower level management in line with the industry best practice.

NUMBER OF MEETING AND WORKS PERFORMED BY MANAGEMENT REMUNERATION COMMITTEE

The committee sits once in every three months. In 2014, the committee held 4 meetings in person. The

management remuneration committee activities during the year under review are as under:

- reviewed the existing pay scale to compare UCL's pay scale with industry benchmark;
- proposed and recommended the Board for revision of old pay scale;
- introduced a new pay scale in line with industry benchmark;
- significant changes made in the company's service rules for employees; and
- conducted induction training for the newly recruited employees of the company.

REMUNERATION TO THE DIRECTORS

Number of Meetings and Directors Remuneration

| Sl no. | Name | Status with the Company | Status with the Committee | Meeting Attendance | Fee |
|--------|-------------------------------|-------------------------|---------------------------|--------------------|--------|
| 1 | Chowdhury Tanzim Karim | Chairman | Chairman | 14/14 | 70,000 |
| 2 | M. Faizur Rahman | Director | Member | 13/14 | 65,000 |
| 3 | Nasir A. Choudhury | Director | Member | 12/14 | 60,000 |
| 4 | Nadeem A. Chaudhury | Director | Member | 11/14 | 55,000 |
| 5 | Tajrina Sikder | Director | Member | 9/14 | 45,000 |
| 6 | Kazi Golam Rahman | Alternate Director | Member | 3/3 | 15,000 |
| 7 | Meherunnesa Haque | Director | Member | 6/14 | 30,000 |
| 8 | Capt. Minhazur Reza Chowdhury | Director | Member | 9/12 | 45,000 |
| 9 | Kazi Russel Mahbub | Director | Member | 4/14 | 20,000 |
| 10 | Ziaul Hasan Siddiqui | Independent Director | Member | 8/14 | 40,000 |
| 11 | Mohammad Nurun Nabi | Independent Director | Member | 10/12 | 50,000 |
| 12 | Md. Abdul Karim | Independent Director | Member | -/- | - |

Remuneration to the Audit Committee

Number of Meetings and Remuneration to members of Audit Committee

| | | | | | |
|---|----------------------|----------------------|----------|-----|--------|
| 1 | Mohammad Nurun Nabi | Independent Director | Chairman | 4/5 | 20,000 |
| 2 | M. Faizur Rahman | Director | Member | 7/7 | 35,000 |
| 3 | Nadeem A. Chaudhury | Director | Member | 6/7 | 30,000 |
| 4 | Tajrina Sikder | Director | Member | 3/7 | 15,000 |
| 5 | Ziaul Hasan Siddiqui | Independent Director | Member | 4/7 | 20,000 |

Remuneration to the Executive Committee

| | | | | | |
|---|-------------------------------|----------------------|----------|-------|--------|
| 1 | Nasir A. Choudhury | Director | Chairman | 8/10 | 40,000 |
| 2 | Chowdhury Tanzim Karim | Chairman | Member | 9/10 | 45,000 |
| 3 | M. Faizur Rahman | Director | Member | 10/10 | 45,000 |
| 4 | Capt. Minhazur Reza Chowdhury | Director | Member | 7/9 | 35,000 |
| 5 | Ziaul Hasan Siddiqui | Independent Director | Member | 2/7 | 10,000 |

REMUNERATION OF MANAGING DIRECTOR & CEO

Remuneration to CEO

The total remuneration of the CEO was BDT 7,920,000 for the year under review that includes all benefits as approved by the central bank of Bangladesh.

REMUNERATION OF THE SENIOR MANAGEMENT

Remuneration to Senior Management

Employees in the rank of Assistant Vice President and above are considered as the senior management. In 2014, total senior management employees were 9 in number with a total remuneration of BDT 20,383,567.

STATEMENT FROM THE AUDIT COMMITTEE ON INTERNAL CONTROL

The audit committee assists the Board in reviewing and maintaining internal controls, the management of risk and our compliance with the law and regulation. It monitors and reviews the effectiveness of the Group's internal audit function.

It also assesses the integrity of all public financial statements before their submission to the Board, ensuring we present a fair assessment of the Company's ongoing position and prospects.

**Statement
of Audit
Committee
on Internal
Control**

Any changes in accounting policies are authorized by the committee, which also reviews the objectivity and effectiveness of our external auditors every year.

The committee oversees the Company's internal code of conduct and monitors our whistle-blowing procedures, through which employees may, in confidence, raise concerns about possible improprieties in areas of financial reporting, financial control and other ethical matters.

The committee is regularly updated on accounting and legislative changes through briefing papers from the Internal Control & Compliance Department, the Management and others.

HUMAN CAPITAL

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.

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.

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.

Careers and Developments

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.

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.

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.

ANTI FRAUD PROGRAM

Our anti-fraud program outlines UCL's attitude to, and position on, fraud and sets out responsibilities for its detection and prevention. It establishes guidelines for preventing, detecting and dealing with fraud. It gives a clear message to employees and stakeholders about conduct that will not be tolerated by UCL.

Fundamental Elements of an Effective Anti-fraud Program

- Creating and maintaining a culture of honesty;
- Evaluating the risk of fraud and implementing the processes, procedures and controls necessary to mitigate those risks; and
- Developing an appropriate oversight process.

Common example of Fraud and Fraudulent Behavior

- Rank personal gain over corporate interests;
- Misappropriation of assets, embezzlement and theft;
- Payment or receipt of bribes, kickbacks or other inappropriate payments;
- Participation in fraudulent transactions;
- Deceptive, misleading or false statements about corporate transactions;
- Forgery or alteration of accounting record or vouchers;
- Failing to keep confidential trade secrets of the Company.

- Non-disclosure of material information needed for an informed investment decision; and
- Other fraud behaviors causing loss to the Company interests.

UCL's Focus on Anti Fraud Program

UCL is committed to creating a culture of honesty and high ethics inside out of the company to clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong set of core values that provides the foundation for employees as to how UCL conducts its business. It also allows the company to develop an ethical framework that covers

1. Fraudulent financial reporting,
2. Misappropriation of assets, and
3. corruption as well as other issues.

Directors and officers set the "tone at the top" for ethical behavior within the company. Management shows its employees through words and actions that dishonest or unethical behavior will not be tolerated, even if the result of the action benefits the company. All employees are treated equally, regardless of their position.

Anti-fraud program aim to outline UCL's commitment to:

- Take appropriate measures to prevent and deter fraud;
- Introduce and maintain necessary procedures to detect fraud;
- Encourage employees to report any suspicions action;
- Investigate all instances of suspected fraud;
- Take appropriate disciplinary, civil or criminal proceedings;
- Report all suspected fraud to the appropriate authorities.

Employees Code of Conduct

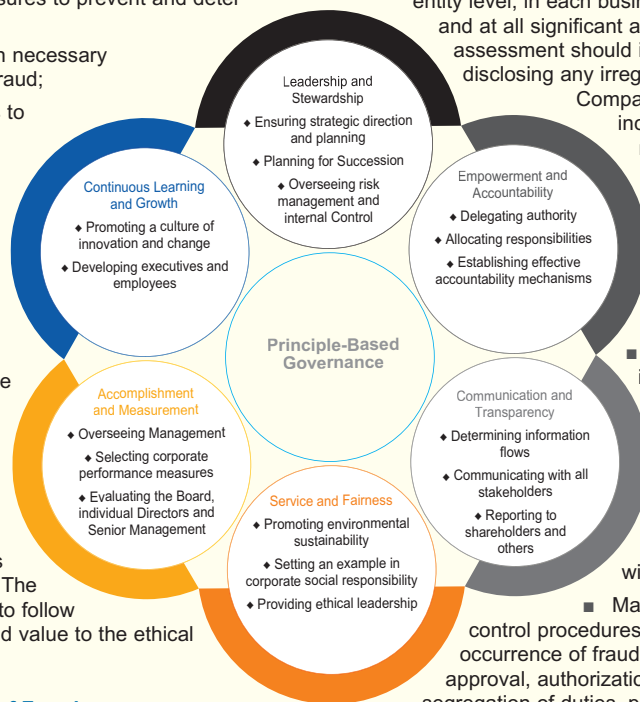
All the employees of UCL have been given with the code of conduct during his induction to the company. The employees are instructed to follow the ethical principles to add value to the ethical practice of the company.

Prevention and Control of Fraud

All Head of the Departments of UCL advocates to the subordinates of the respective department to develop a corporate culture of honesty and integrity. Besides it is the duty of each departmental head to assess the risk of fraud arising in the normal course of operations of his department and establishes controls and procedures designed to eliminate the likelihood of fraud. The senior management of UCL receives, investigates, reports and recommends a remedial course of action in respect to suspected or voiced concerns of fraud or fraudulent behavior.

UCL promotes a regular corporate culture of honesty and integrity through the following actions and activities:

- Top Management lead by example in complying with this Anti-Fraud Program;
- Regularly communicate the Company's message of honesty and integrity with employees of the Company through the Employees Code of Conduct and other written and verbal presentations of the principles underlying this Anti-Fraud Program;
- Conduct periodic meetings to ensure employees attend trainings regarding business ethics and the related laws and regulations;
- Notify all direct or indirect interest parties, including external parties (customers, suppliers, supervision authorities and shareholders) regarding this Anti-Fraud Program and the obligation of the employees to comply therewith;
- Notify employees and external parties of the opportunity and procedures for reporting wrong doings and dishonest behavior;
- In connection with the Company's risk management assessment process, UCL Management identify and assess the importance and possibility of fraud risk at entity level, in each business operational level and at all significant accounts levels. The assessment should include a report disclosing any irregularities in the Company's financial reports, incidents involving misappropriation of company assets, improper income or expenditures and a fraud risk assessment in respect of senior management of the Company;
- Periodic reports issued by the Head of each Department to the ICC Department. ICC Department then issue to the Audit Committee regarding the operations of this Anti-Fraud Program within each Department;
- Management establishes control procedures to reduce the potential occurrence of fraud through protective approval, authorization and audit checks, segregation of duties, periodic compliance reviews; and
- Management performs customary background checks (education, work experience and criminal records) for individuals being considered for employment or for promotion to positions of trust. Formal written documents for background checks shall be retained and filed in employee's record.



Creating Positive Work Environment

Importance of positive work environment is beyond explanation. In absence of a positive work environment,

there are ample opportunities for employee morale, which can affect an employee's attitude about committing fraudulent activities against the company's interest. UCL recognizes the importance of a positive work environment. The Board delegated the authority to the top management of the company to ensuring a positive work environment with a view to minimizing the risk of probable fraud. The CEO conducts a regular monthly meeting with all the employees where the floor is open for all to speak out and report any irregularities directly to the CEO. The management also discuss on different issues regarding company's working environment in the meeting.

Oversight and Responsibilities of Establishing Anti Fraud Measures

The Internal Control and Compliance (ICC) Department is primary responsible for preventing, monitoring and rectifying fraud and potentially fraudulent behavior. The Head of ICC is independent of the management with direct reporting to the Audit Committee. The Internal Audit Department gradually establishing and regularly monitoring procedures and controls designed to assess, prevent and remediate fraud and fraudulent behavior. If necessary, all the departmental heads will report regarding the implementation of this Anti-Fraud Policy to the ICC Department, which will then be reviewed and summary of findings will be reported to the Audit Committee depending the nature of the fraud.

Mitigating Fraud Risks

Once risk areas are identified by management, UCL Management evaluates the adequacy of existing internal control activities and determines if further controls or changes to existing controls are required to reduce or eliminate the risk. Although there may be high risk fraud indicators in certain instances, other compensating measures may exist to mitigate the weakness in controls. It may be possible to reduce or eliminate certain fraud risks by making changes to the entity's activities and processes.

Hot Line Reporting of Fraudulent Behavior and/or Suspicious Activities

The Internal Control and Compliance (ICC) Department is the focal point to report any type of fraudulent behavior or suspicious activity within the organization. The ICC Department maintains reliable communications channels (Direct telephone and e-mail) allowing for the anonymous reporting of actual or suspected instances of fraud or fraudulent behavior committed by any employees. Complaints and concerns relating to instances of actual or suspected instances of fraud or fraudulent behavior or questionable accounting, internal control or auditing matters shall be reportable through the established channels of communications and may be reported on an anonymous basis.

For the people external to the company has also been given with the opportunity to report any type of fraudulent/suspicious activities through the company's website. In this case the focal contact person is the Company Secretary. Email address of the Company Secretary along with direct telephone number has been published in the company's website.

WHISTLE BLOWER SYSTEM

Employees are usually the first to notice if Company's procedures are not followed. All our employees have an obligation to report any suspicion or knowledge of breaches of the Company's policies to the head of Internal Control & Compliance. The reports are then passed on to the Audit Committee and the Board of Directors. UCL values a free flow of information. To ensure that critical information is not withheld, all reports and questions received through the whistleblower system are treated confidentially.

UCL recognizes that the decision to report a concern about suspected fraud or fraudulent behavior could be a difficult. Employees are often the first to realize that there is something seriously wrong within the Company. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Company. They may also fear revenges, harassment or victimization. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion. UCL encourages and enables employees, staff and external parties to raise serious concerns within the Company rather than overlooking a problem or blowing the whistle to the authorities including the Central Bank.

UCL will protect employees and ensure that they are treated with respect, and we do not accept reprisals against such employees. Individuals are encouraged to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered and investigated at the discretion of UCL.

COMMUNICATION TO 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 under review. 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.

ANNUAL GENERAL MEETING

Under the Companies Act 1994, 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 the 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 extraordinary 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 communicants with the shareholders through AGM,

EGM, the annual report and Company's website. All of the Company's announcements to the market may be accessed through the Company's website.

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.

CONTRIBUTION TO ENVIRONMENT AND SOCIETY

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.

The central 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 refinancing scheme for financing solar energy, bio-gas and effluent treatment plant (ETP) at only 5 percent interest rate.

UCL is committed to doing better for our clients, our investors, our employees and our communities through a focused approach to corporate responsibility. UCL's goals are to demonstrate integrity in business practices and provide leadership in the workplace and the marketplace. UCL is committed to be a strong supporter of the communities in which we do business and to transparency in sustainability reporting practices.

THE DISCLOSURE COMMITTEE

The disclosure committee consists of the Chief Executive Officer, the CFO, 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.

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.

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.

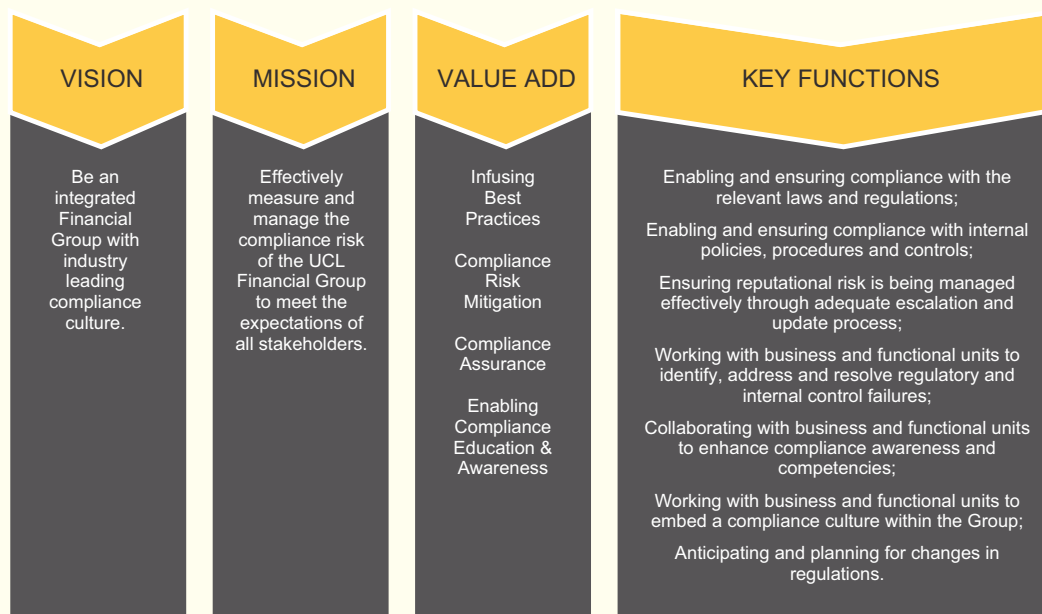
The Group upholds the adoption and infusion of good corporate governance principles and best practices as a basic tenet of running and growing its business. The compliance principles remain an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

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 minimise 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.



SCOPE OF COMPLIANCE

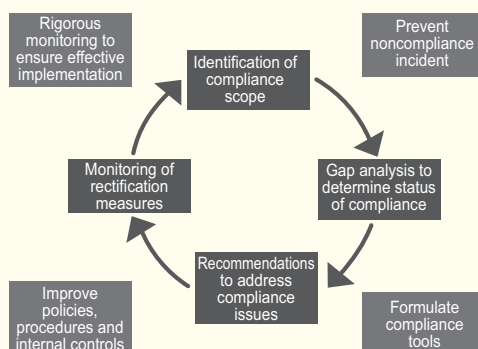
The scope of compliance covers the areas of credit, operations, anti-money laundering and combat financing for terrorism (AML/CFT), treasury, insurance, financing operations and investment management, including subsidiaries. The Internal Control team was set-up to assist in managing internal control 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 SOURCES

- Laws and regulations
- Group's policies and procedures
- Sound industry practices
- Internal compliance review
- Internal audit reports
- Group risk assessment
- Regulators' reports or dialogues

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.

CHALLENGES

- Recalibrate functions to focus on compliance;
- Focus resources on value-adding initiatives;
- Re-validate best practices periodically;
- Use expertise to enhance knowledge and awareness in the Group;
- Continue to build good and valuable controls to avoid operational losses;
- Provide meaningful compliance assurance;
- Continuous surveillance on key risk areas;
- Strive to improve processes to enable compliance.

KEY INITIATIVES

The year 2014 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:

COMPLIANCE VALUE

- Enabling Compliance
- Infusing Best Practices
- Compliance Assurance
- Education and Awareness
- Compliance Risk Mitigation

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 & CFT 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/CFT 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. Incidence 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 Central 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:

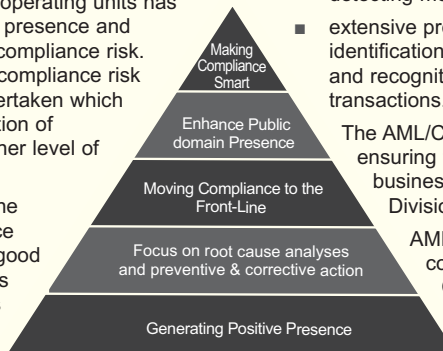
As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies and the consolidation of the financial sector, the Group has never been more exposed to such a myriad of risks, not to mention larger sets of rules and regulations. 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 Central Bank initiatives to prevent the financial system from being used for illicit and laundering activities, the Group has established the following processes and infrastructure:

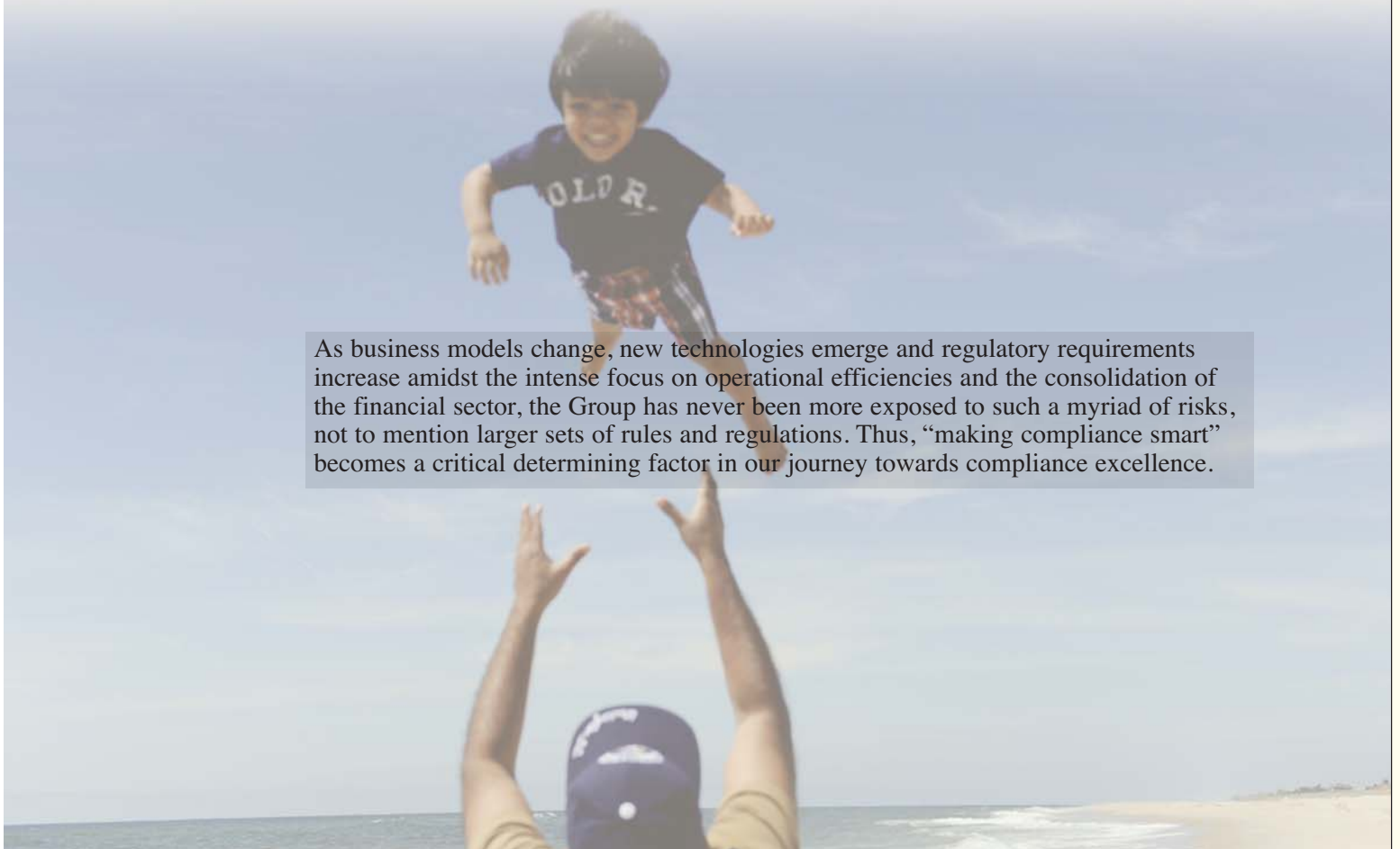
- accountability of each level of employee for anti-money laundering detection and prevention;
- education and training in preventing and detecting money laundering; and
- extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions.

The AML/CFT measures continue to focus on ensuring the effectiveness of reporting by all business and operating units to Compliance Division.

AML/CFT self-compliance assessments continue to provide an avenue for the Compliance Division to gauge the understanding of business and operating units on AML/CFT and act as tools to enhance future

measures. In addition, various learning initiatives are offering to raise awareness among employees on the important role that they play in ensuring the Group does not become a conduit for money laundering.

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.



Professional Certificate on COMPLIANCE WITH CONDITIONS ON CORPORATE GOVERNANCE



AHMED ZAKER & Co. CHARTERED ACCOUNTANTS



A MEMBER FIRM OF KINGSTON SOREL INTERNATIONAL, DEVONSHIRE HOUSE, 60, GOSWELL ROAD, LONDON EC1M 7AD

Certificate on Compliance of Conditions of Corporate Governance

To the Shareholders of **Union Capital Limited**

We have examined the compliance with Corporate Governance of Union Capital Limited for the year ended 31 December 2014 as stipulated in notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 under section 2CC of the Securities & Exchange Ordinance 1969.

The compliance with the said conditions of Corporate Governance Guidelines of Bangladesh Securities & Exchange Commission (BSEC) and reporting the status thereof is the responsibility of the management of the Company. Our responsibility is to provide a certificate about whether the Company is in compliance with the said conditions of Corporate Governance based on our examination. Our examination for the purpose of issuing this certificate was limited to the procedures including implementation thereof as adopted by the Company for ensuring the compliance of the conditions of Corporate Governance and correct reporting of the status of the compliance on the attached statement on the basis of evidence gathered and representation received. It is neither an audit nor an expression of opinion on the financial statements of the Company.

To the best of our information and according to the explanations given to us we certify that Union Capital Limited has complied with the Conditions of Corporate Governance stipulated in the above mentioned BSEC's notification dated 07 August 2012.

Dhaka,
March 05, 2015



AKM Mohitul Haq FCA
Partner
Ahmed Zaker & Co.
Chartered Accountants

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BRANCH OFFICE : ● 304, Sk. Mujib Road, Agrabad C/A, Chittagong. Tel : 880-31-712258, 728332

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 (as amended) containing certain conditions to be complied with by the listed companies. Given below is the compliance status on 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 NBFI | √ | | |
| | 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 | √ | | |
| | Attachment Bio-data/CV of Independent Director is attached | √ | | |

| No. | Conditions | Compliance status | | Remarks |
|-------------|---|-------------------|--------------|----------------|
| | | Complied | Not complied | |
| 1.4 | Chairman and CEO will be different individuals, The BOD should clearly define the role and responsibilities of the Chairman and CEO | √ | | |
| 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) | √ | | |

| 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 ares | √ | | |
| | 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 | √ | | |

| 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 or material 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 service or fairness opinion | √ | | |
| | 4 (ii) financial information systems design and implementation | √ | | |
| | 4 (iii) book keeping or other services related to accounting records or Financial Statements | √ | | |

Compliance Report on BSEC's Notification

| 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. | √ | | |
| 4 (ix) | Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7. | √ | | |
| 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 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 vide 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. Formulation 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 |
| F. Internal Control & Compliance | |
| An Audit Committee 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 |

| Compliance status | |
|---|----------|
| 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. | Complied |
| Only the authority for the appointment and promotion of the managing Director/Deputy Managing Director/General Manager and other equivalent position shall lie with the Board in compliance with the policy and service rule. No Director shall be included in any executive Committee formed for the purpose of appointment and promotion of others. | Complied |
| H. Appointment of 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 AND DUTIES OF MANAGING DIRECTR | |
| 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 polices and guidelines. However, departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by managing director. | Complied |

GOING CONCERN

Reflects UCL's continuance for the foreseeable future

A company is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations for at least the next 12 months from the end of the reporting period i.e. financial year end.

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: Presentation of Financial Statements requires management to make an assessment of an entity's ability to continue as a going concern each time the financial report is approved for issuance. In other Financial Reporting Frameworks, there may be no explicit requirement for the 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 Company's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.

Bangladesh Securities and Exchange Commission's Notification dated 7 August 2012 requires the Directors of all the listed companies to report on its ability to continue as a going concern. The Board of Directors of UCL makes annual assessment as to whether there exists any material uncertainty that may cast significant doubt about UCL's ability to continue as a going concern and to make adequate disclosures in the financial reporting if such uncertainties are identified.

The time period that the Directors have considered in assessing the appropriateness of the use of going concern basis in preparing the financial statements for the year ended 31 December 2014 is a period of twelve months from the date of approval of the issuance of these financial statements (the period of assessment).

A detailed analysis supporting a company's going concern status may not be required if the company has a history of profitable operations; there is little concern about it continuing to be profitable and it has ready access to required financial resources.

However, in a difficult or uncertain economic environment it may become harder to support the going concern assumption without performing such a detailed analysis.

Our assessment regarding UCL's ability to continue as a going concern involves making a judgment, about inherently uncertain future outcomes of events or conditions. In judgment, 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 extent of business, Management is of the opinion that there was no such external factors that might affect management assessment while making judgment as to the continuance of UCL's business.

Consistency of assessment

UCL is well aware that the assessment that was made in the last going concern assessment may not remain valid for the current assessment.

Subsequent events

Subsequent events that were readily available at the time of judgment 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, regulatory compliance and in particular the Directors have focused on the matters set out below:

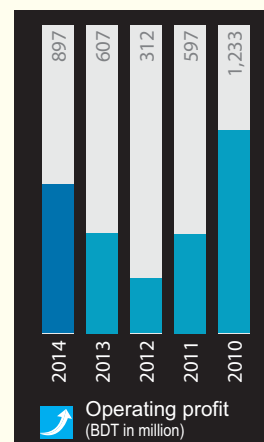
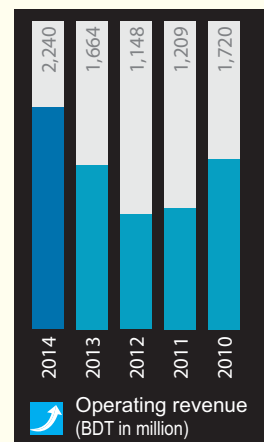
FINANCIAL MATTERS

Net assets or net current assets position

As at 31 December 2014, UCL has positive net current assets of Tk. 298.39 million as against Tk. 812.56 million of 2013 which signifies that the Company has sufficient liquid resources to meet its short-term obligations from its short-term assets.

Debts with excellent repayment records

At the end of 2014, the total fixed term borrowings of the Company were Tk. 1,252.93 million compared to Tk. 974.66 million of prior year. During the year we availed new credit facilities of Tk. 1,338.34 million and repaid Tk. 558.74 million to the lenders on due date thereby enhancing lenders confidence in UCL.



Dependency on short term borrowings

At the end of 2014, total short term borrowings of the Company were Tk. 876.73 million compared to Tk. 882.74 of prior year representing only 5.62 percent of total liabilities that indicates UCL has less

dependency on short term borrowings. UCL utilizes short term borrowings to meet only short term contingency requirements in order to avoid maturity mismatch.

Consistent support by the lenders and depositors

UCL has been enjoying unparalleled supports from banks, other lenders and depositors. We have a very good track record in repayment of our loan that gives a comfort to our lenders. We have also been enjoying a very good and competitive terms of borrowings from our lenders. Moreover, our depositors, both institutions and individuals, have showed their trust and confidence in UCL while placing deposits to us. In 2014 we have mobilized deposits of Tk. 7,556.36 million and encashed Tk. 5,519.30 million with a remarkable net growth of 26.60% compared to 2013.

Positive operating cash flows

Cash flow statement of the Company for the year ended 31 December 2014 shows positive operating cash flows of Tk. 110.11 million that signifies UCL's ability to generate adequate cash flow from operating activities to meet its operating expenses.

Positive key financial ratios

The financial ratios are the testimony of the financial health of a Company. UCL's positive financial ratios as evident from financial summary given on page 46 of this Annual Report show that ratios are improving gradually as well as 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 five years the Company has paid an average dividend of Tk. 2.40 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

instance that UCL has requested its lenders for rescheduling or extension of term of loans.

Operating performance growth

UCL has a satisfactory growth in its operating performance. The Company's total investment has increased from Tk. 12,376.35 million to Tk. 16,227.71 million registering a steady growth of 37.13 percent over last year. Total consolidated operating revenue is Tk. 888.71 million with a notable growth of 46.57 percent and total profit after tax is 199.99 million which registered a growth of 41.07 percent. All those indicators reaffirm the Company's continuance in foreseeable periods.

Timely disclosure of financial results

As required by the regulations, UCL is committed to and has been publishing its financial results timely and making transparent disclosure to its shareholders. We have been publishing our financial statements on quarterly, half yearly and yearly basis in the national dailies as well as in the Company's website as a part of regulatory compliance which helps the investors, depositors, customers, shareholders and other stakeholders in making economic decision.

OPERATING MATTERS

Expansion of business

UCL has been continually expanding its operations through diversification to cater the manifold needs of its customers as well as for enhancing its earnings stream. The market share of UCL, in terms of industry loans/leases, as of 30 September 2014 has increased to 4.46 percent from 3.69 percent as of 31 December 2013 which is a evidence of its business expansion, customer satisfaction resulting in value addition to the stakeholders.

Corporate culture and employee satisfaction

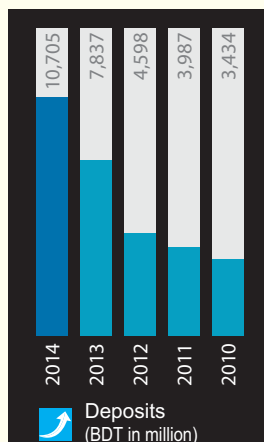
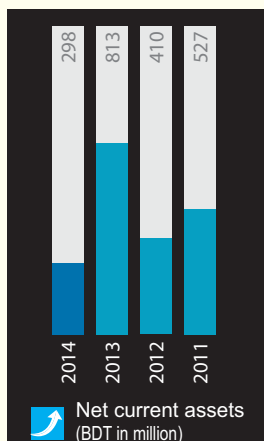
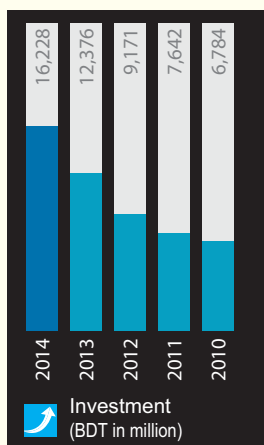
UCL's aspiration is to be the employer of choice. A good working environment is of paramount importance to any company's continuance, sustainability and the wellbeing of its employees. At UCL we strive to create a flexible and challenging framework that always attracts qualified aspirant and encourages existing employees to continuously hone their skills and excel in their fields. There exists a very good corporate environment in the Company.

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, car loan benefit, performance related bonus, gratuity, provident fund etc., which are considered to be instrumental for employee satisfaction.

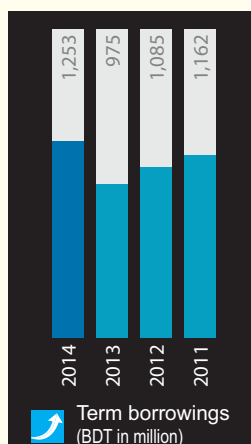
OTHER MATTERS

Maintenance of sufficient capital

As at 31 December 2014, the Company's total consolidated equity stands at Tk. 1,807.18 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 2014 was Tk. 1,209.00



million. UCL would like to enhance its equity gradually following prudent dividend policy and issuance of preference shares based on its profitability growth for long term sustainability of the company.

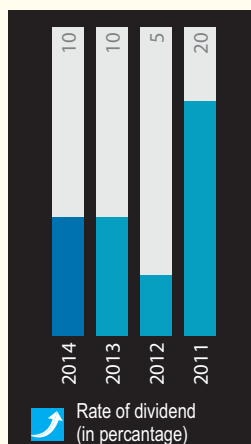
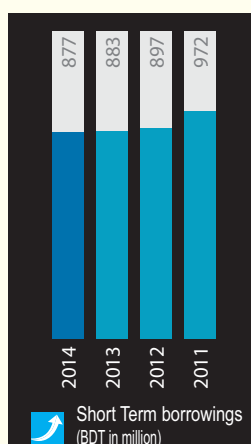


CAMELS Rating

CAMELS 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 instead the some of the parameters are improving gradually as evidenced by Bangladesh Bank's CAMELS rating.

Stress Test

As required by Bangladesh Bank, non-bank financial institutions have been performing a stress testing exercise as per the prescribed framework to proactively manage risks, particularly credit risks, interest rate risk, market risk, concentration risk etc. which focuses on sensitivity and scenario analysis. UCL has rigorously implemented the stress testing framework of Bangladesh Bank and as at 31 December 2014, the position of the Company has improved as a result of the initiative to enhance the collateral security as well as persuading the customers to get credit rating. We believe that the position will improve significantly in 2015 after we have issued preference share to the tune of Tk. 500 million. The consent of the proposal of issuance of preference share has been accorded by the regulators and we hope to complete it within March 2015.



Credit Rating

UCL has improved its credit rating to AA from AA- in the long run and to ST-1 from ST-2 for short term rated by National Credit Rating Company Ltd. that reflects very strong capacity for timely serving of financial obligations and offering high level of financial safety. As such UCL is exposed to very lower risk. ST-1 reflects strong capacity for timely payment of financial commitments and carry lowest credit risk.

Changes in Government policy

Management anticipates no significant changes in the legislation or government policy, which may materially affect the business of the Company.

Regulatory compliance

UCL has established an independent compliance function in line with the best practices to ensure strict compliance with laws, rules, regulations issued by the regulators and policies, processes, procedures approved by the Board of Directors.

Product innovation and sustainability

UCL always strives for tailor made product innovation, customer satisfaction, value addition to the shareholders, carrying out environmental initiatives, conducting our work through conversation with our customers to address environmental issue which altogether ensure the sustainability.

Awards and recognition

Winning award is always inspiring. In 2014 UCL has won SME Entrepreneur Friendly NBF of 2014 awarded by Bangladesh Bank and SME Foundation in recognition of our contribution to the SME sector. Moreover, during the year, the Company has won First Runner Up award by SAFA, Second Prize by ICAB for best presented annual report. Moreover, ICSB has accorded Bronze award for Corporate Governance Excellence. These reflects the recognitions of UCL's transparent disclosure of financial results, practicing corporate governance, integrity, fairness and ethics in all spheres of our operational activities.

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 Directors' 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 the 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 for the foreseeable future.

RISK MANAGEMENT

Describe how we manage our risks

UCL assumes risks as an integral part of the business activities that its business model entails. The Company's risk profile reflects several types of risk, the most important being credit risk; market risk; liquidity risk; operational risk; and insurance risk. UCL intends to meet the highest and latest standards and recommendations for NBFIs' risk management in order to support its business model. The Company, therefore, devotes considerable resources to developing and maintaining procedures and tools to fulfill this ambition.

UCL's risk management is based on guidelines, policies and instructions set forth by the Board of Directors. On the basis of the Board of Directors' general instructions, the Company has prepared specific instructions on risk management for the individual business units. These instructions are used as the basis for business and control procedures, among other things, at the units.

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 an integrated approach to risk management and, therefore, brings all risks together under one or a limited number of oversight functions;
- UCL follows the conservative approach to measure the risk;
- 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; and
- 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's market share.

- The responsibility of 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's risk appetite is set at a level that minimizes erosion of earnings or capital due to avoidable losses and trading books, or from frauds or operational inefficiencies. UCL's appetite for risk is governed by the following:

- high-quality risk assets measured by five Key Performance Indicators:
 - i. ratio of non-performing loans to total loans;
 - ii. ratio of loan loss expenses to interest revenue;
 - iii. ratio of loan loss provision to gross non-performing loans;
 - iv. ratios of large loan to total exposure; and
 - v. percentage of concentration risk.
- Diversification targets are set for the credit portfolio and limits are also set for aggregate large exposures.
- Financial and prudential ratio targets are pegged at a level more conservative than regulatory requirements and better than the industry average.
- UCL aims at minimising the following independent indicators of excessive appetite for risk:

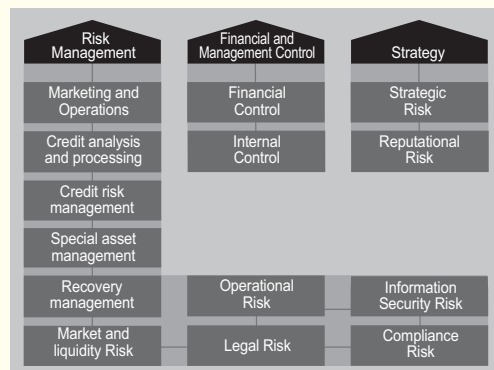
The importance of risk management cannot be overstated. This is a fundamental part of doing business that must be addressed appropriately for the company to be successful. Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an organization to measure and prioritize them and take the appropriate actions to reduce losses.

- 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;
- v. above average level of staff and customer attrition;
- vi. Internal and external frauds; and
- vii. Suspicious transaction of the customers.

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 OVERSIGHT

UCL's Risk Management Department provides central oversight of risk management across UCL to ensure that the full spectrum of risks facing UCL and the Group are properly identified, measured, monitored and controlled to minimize 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. The department is headed by a skilled and competent Executive.

The Internal Control & Compliance 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. Its functions are as under:

- 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; and
- Collaborates with information technology department to provide relevant automated credit information.

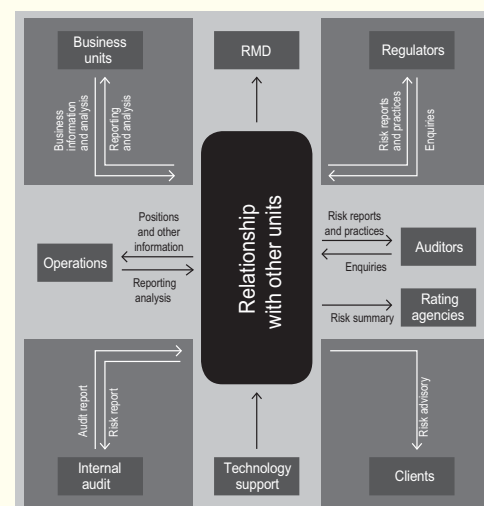
RISK MANAGEMENT PRINCIPLES

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 in 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; and
- Use of clear communication line for risk reporting with maximum cooperation from the Chief Risk Officer and effective monitoring of every department helps manage risks throughout the organization.

RELATIONSHIP OF RISK MANAGEMENT WITH OTHER UNITS

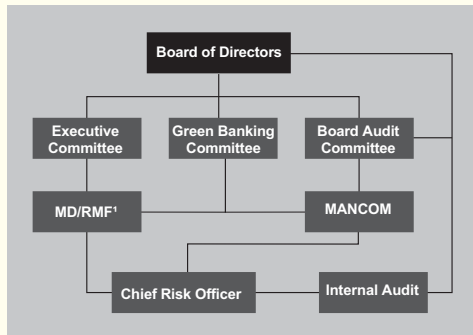
The relationships between the Risk Management Department (RMD) and other sections of the Group are highlighted below:



GOVERNANCE

Risk management governance framework

UCL's risk management governance framework is outlined in the diagram below:



¹ Managing Director/Risk Management Forum

ROLES AND RESPONSIBILITIES

Board of Directors

- Approve risk strategy and policies.
- Ensure executive management takes necessary steps 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 possesses 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:

- Audit Committee
- Executive Committee and
- Green Banking Committee.

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for risk management and ensures through RMF.

Risk Management Forum (RMF)

For all categories of risk, the Risk Management Forum 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. The Forum comprises of Heads of Business, SME, Accounts, HR & ICT, ICC and Treasury and is headed by the Chief Risk Officer. To be more specific, the Forum is responsible for the following:

- Designing overall risk management strategy of UCL.
- Communicating views of the Board and management regarding risk management culture and risk appetite all over UCL.
- Developing policies and procedures for identifying, measuring and controlling risk;
- Reviewing market conditions, identifying external threats and providing recommendations on course of actions
- Allocating appropriate resources to evaluate and control risk;
- Implementation of risk strategy approved by the Board of Directors;
- Appointing credit officers and delegate approval authorities to individuals and committees.
- Reviewing risk reports on a regular and timely basis;
- Monitoring the prescribed threshold limits of risk appetite set by the regulators and UCL itself and report on compliance.
- Developing, testing, and observing the use of models to measure and monitor risk as well as MIS to support risk management function of UCL.
- Highlighting the key portfolios and deficiencies on timely manner and reporting these analyses to the Managing Director as well as the Board of Directors with specific recommendations and suggestions.
- Providing all reports required by the Board and its committees for the effective performance of risk management oversight functions.
- Holding monthly meetings of the Forum to discuss findings on Risk Management Paper (RMP) submitted by RAU and plan necessary precautionary measures to mitigate risks.

Risk Analysis Unit (RAU)

The Risk Analysis Unit acts as secretariat of the Risk Management Forum (RMF). The Unit is independent of rating transactions, or setting/working to achieve any target imposed by UCL. In more details the responsibilities of this Unit includes:

- Identifying and analysing all sorts of risks appropriately, timely and quantifying those risks and their exposure to material loss.
- Maintaining and monitoring an effective risk management environment in the Group and collecting all relevant data of risk indicators

from different models and MIS and assessing the quality, completeness, and correctness of those data.

- Reviewing proposals in respect of credit policies and standards and endorsing them to the Risk Management Forum for approval by the Board.
- Monitoring on an ongoing basis the Group's risk quality and performance by reviewing periodic credit portfolio reports and assessing portfolio performance.
- Defining credit approval framework and assigning credit approval limits in line with UCL policy.
- Reporting to RMF on compliance of UCL's credit policies with statutory requirements prescribed by the regulatory/supervisory authorities.
- Conducting periodic Stress Testing.
- Collecting data/information from different departments and preparing Risk Management Paper (RMP) on a monthly basis for submission to the Bangladesh Bank where the risks associated in conducting business are highlighted, analyzed, and recommendations put forward for discussion and approval by the RMF.
- Preparing the report on the "Product/Service Risk Management" for submission to the Bangladesh Bank as per instruction given in the guidelines on Product & Services of Financial Institutions in Bangladesh.

INTERNAL CONTROL

Overview

Internal control in UCL refers to the overall operating framework of practices, systems, organizational 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's 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 reviewing UCL's 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 repetition of operational lapses and system defects that facilitate occurrence of fraud.
- Minimize other operational losses associated with fraud.
- 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 2015

- 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 defense in risk management.
- Strengthening IT supervision and monitoring to ensure adequate control over UCL's software.

RISK MANAGEMENT REPORTING

In compliance with the issue of Bangladesh Bank Circular No DFIM 1 April 2013, UCL have started submitting its Risk Management Paper (RMP) every month from the month of April 2013 to the Department of Financial Institutions & Markets (DFIM) of Bangladesh Bank. According to the circular UCL have formed the Risk Analysis Unit (RAU) which is responsible for constructing the Risk Management Paper of every month and submission to the Risk Management Forum (RMF). The Forum which is formed by the Departmental Heads of Business, Accounts, SME, HR & ICT, ICC, Treasury and headed by the Chief Risk Officer meets every month to discuss on the Risk Management Paper in hand and formulate policies to mitigate the risks affecting the organization. The meeting minutes, resolution and soft copy in the form of a CD are attached with the RMP of the month and submitted to DFIM of Bangladesh Bank.

The Risk Management Paper emphasize on the following risks affecting UCL:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Information Security Risk
- Compliance Risk
- Legal Risk
- Reputational Risk
- Money Laundering Risk
- Environmental Risk

The report identifies, analyses, and measures how each of the above categories of risks affect UCL and quantifies the risk of material loss as a result. The Paper also goes on to provide recommendations on how UCL can draw precautionary measures and mitigate the risks facing the business.

The Risk Analysis Unit (RAU) responsible for formulating the report draws on operational information from all departments of UCL based on which risks affecting the organisation are identified, analysed and measured. The RAU uses various analytical tools and mathematical models to measure risks and incorporate them into the Risk Management Paper (RMP). The

recommendations are drawn from discussions with the relevant departments and analysis of the market, economy and financial and operational strength of the company.

The Risk Management Forum (RMF) headed by the Chief Risk Officer of UCL meets by the 20th of every month with the Risk Management Paper of the past month in hand and discusses and develops policies on risk management for the times ahead. The Forum believes that it is imperative to address all the matters of risks that face the organization and the use of management expertise and a proactive approach with regards to risk management as a defense mechanism to ensure that UCL's growing portfolio is strengthened from the core and compliment its values to create a sustainable future for all the stakeholders.

RISK MANAGEMENT DISCLOSURE

CREDIT RISK

Overview

Credit risk management verifies and manages the credit process from origination to collection. In 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 minimized, 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 noncompliance 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 the following departments, namely:

- Marketing Department;
- Operations Department;
- Credit Risk Management (CRM);
- Legal Department;
- Internal Control and Compliance (ICC) Department
- Recovery & Monitoring Department; and
- Special Assets Management (SAM) Department

Marketing Department is responsible for procurement of business and acts as a relationship manager.

Operations Department is responsible for the appraisal of credit requests and processing to obtain requisite approvals in line with UCL's 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 following 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.

Special 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. ICC oversees the overall compliance issues before disbursement of any facility.

Internal ratings scale

In measuring credit risk of loan and advances to customers, UCL reflects the following components:

- 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 grade system. The risk rating grades have 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:

| Description | Rating bucket | Range of scores | Prob.of default | Grade |
|-----------------------------------|---------------|-----------------|-----------------|-------|
| Extremely low risk | AAA 1 | 1.00 – 1.99 | 90–100% | 1% |
| 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% |
| 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 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 realizable 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 macroeconomic 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 single/group exposure limit of not more than 30 percent 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 counter parties 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 percent of its shareholders' funds. The internal guidance limit is, however, set at 25 percent 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 | Over 50,000,000 |
| Executive Committee | Upto 50,000,000 |
| Credit Committee | Upto 10,000,000 |

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 | >3-6 months | 5 |
| Sub-standard | >6-12 months | 20 |
| Doubtful | >12-18 months | 50 |
| Bad & Loss | >18 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 realization of collateral security leaves a balance of the debt; or
- it is apparent 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 recognized as income on a cash basis only.

Portfolio ratios

Asset quality ratios

Non-performing accounts have been recognized, classified and provisions made as appropriate in line with the Bangladesh Bank Guidelines. Rate of non-performing loans/lease for the period was 8.51 percent 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 >3 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 development 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 2015, 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 crystallize.

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 utilization 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 equity market risk 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:

- 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 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 2014 was characterized by contracting monetary policy to keep a lid on inflationary pressure. We may see more of Bangladesh Bank's actions in combating liquidity in 2015 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 2015, taking into account the removal of fuel subsidies as well as the monetary policy. The capital market moved into further decline in 2014. Small investors are showing preference for risk-free investment avenues over the highly volatile and risky shares due to the incessant rising 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 2015 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 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 optimizing 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;
- ensure proper matching the liquidity profile;
- monitor 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;
- ensure 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's 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 helps preventing 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 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, general reserves and retained earnings. 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. Total risk weighted assets reflects only credit, market and operational risk.

UCL achieved a capital adequacy ratio of 13.44 percent at the end of the year 2014. Current position is closely monitored by the Assets and Liabilities

Management Committee.

(Figure in million)

Dec 2014 Dec 2013

| 13.44 | 15.67 | Capital adequacy ratio (%) |
|-------|-------|----------------------------|
|-------|-------|----------------------------|

Capital composition:

Tier 1

| | | |
|-----------------|-----------------|--|
| 1,209.00 | 1099.09 | Paid-up capital |
| 323.84 | 281.82 | Statutory reserves |
| - | - | Non-controlling interest (insignificant) |
| 172.31 | 124.25 | Retained earnings |
| 1,705.15 | 1,505.17 | Total |

Tier 2

| | | |
|---------------|---------------|----------------------------|
| 167.61 | 124.70 | General provision |
| 51.01 | 252.75 | Asset revaluation reserves |
| 218.62 | 377.45 | Total |

Capital utilisation:

| | | |
|-----------|-----------|---------------------------------|
| 14,316.28 | 12,013.89 | Qualifying risk weighted assets |
|-----------|-----------|---------------------------------|

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 minimize 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, technological risk, 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.
- improve the information system and take necessary action to mitigate the system failure and security;
- ensure employment practices and work place safety;
- ensure prevention of damaging physical assets.

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 centralized operational risk management function.
- Ownership, management and accountability for operational risk is decentralized 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.
- 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 are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed and acted upon. 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 countermeasures put in place include:

- enhanced employee training;
- enhanced Know Your Customer (KYC) drive;
- job segregation; and
- imposition of stiff disciplinary measures for 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 license, all of which directly impact shareholders' value. Accordingly, UCL's operational risk strategy aims to minimize 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;
- minimize the impact of unexpected events including related costs that support UCL's long term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of operational risk and thus minimize actual or potential losses. UCL recognizes that some losses, such as operational errors, are inevitable and are normal business costs; but will ensure these costs are kept within acceptable levels and potential losses are minimized.

Governance

While the overall responsibility for operational risk management in UCL resides with the Board, the Management is responsible for the day-to-day management of such risks.

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 the 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's 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 level of staffs 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 staffs 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 Forum (RMF)

UCL's RMF:

- 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;
- ensures implementation of the real-time incident reporting process;
- continually promotes risk awareness throughout the company so that complacency does not set in;
- 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 defense 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.
- Create 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 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 base 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 UCL implements an effective methodology for managing information security.
- Ensure 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 organization.
- 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:

- harmonize approaches used to evaluate information risk from a security perspective;
- harmonize 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

- 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 labeled.
- 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 staffs 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 to 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 noncompliance 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 encompasses 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. 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:

| Authority | Role |
|---|---|
| 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. |
| RMF | Designing overall risk management strategy of the Company and responsible for communicating views of the board and senior management regarding the risk management culture and risk appetite all over the Company. |
| 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 staffs 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's 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's 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 crystallization;
- 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's 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 defense 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 have deepened 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 optimize 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.

REPUTATIONAL RISK

Overview

It is a threat or danger to the good name or standing of a business or entity; Reputational risk can occur through a number of ways: directly as the result of the actions of the company itself; indirectly due to the actions of an employee or employees; or tangentially through other peripheral parties, such as joint venture partners or suppliers. In addition to having good governance practices and transparency, companies also need to be socially responsible and environmentally conscious to avoid reputational risk.

Reputational Risk factors

There are different factors affecting the reputation of the company which is given below:

- Penalty imposed by Bangladesh Bank;
- Penalty imposed by BSEC and other regulators;
- Negative media coverage

- Complainants;
- Cheque dishonor etc.

Governance

Protecting reputation is clearly a top issue for companies. Traditional risk management is challenged to address reputational risk in two fundamental ways. First, traditional risk management has historically been focused inward, on the workings of the organization, where the main risks involve producing a product in a reasonable fashion, such as using the right materials and producing the product with sufficient quality-all things that tend to happen either within an organization or within an organization's control.

Reputation, however, is shaped outside the organization. Being able to measure and monitor that risk is critical, which is another reason traditional approaches often won't work because the tools and analyses are so different. When organization have a reputational risk problem, it usually involves the media and what its customers, employees and other stakeholders are staying in the public domain. So this kind of risk is at an event level these days, not the company level. And traditional risk management doesn't focus on that nor does it offer the tools to address it.

Outlook

Our Risk Management Committee is responsible for:

- Ensure the compliances of regulators;
- Focus more on the role that plays in the strategy compliance;
- Treat the reputational risk as Strategic risk;
- More emphasis given on media coverage.

MONEY LAUNDERING RISK

Overview

Money Laundering is the process by which proceed from a illegal or criminal activity are disguised to conceal their illicit origins. It has a major impact on a country's economy as a whole. Both money laundering and terrorist financing can weaken individual financial institution, and they are also a threat to the overall financial sectors' reputation. Business of Financial Institutions regulated by the Money Laundering Rules & Regulations must assess the risk which could be used for money laundering including terrorist financing.

Philosophy

- Identify the money laundering risks that are relevant to the business;
- Carry out a detailed risk assessment of the business, focusing on customer behavior, delivery channels and so on;
- Design and put in place controls to manage and combat the impact of these risks;
- Monitor & control to improve the business efficiency;
- Keep records of what we did and why we did it.

Strategy

- Strengthening the legal framework;
- Structural improvement and capacity building in tracing out methods, techniques and channels of money laundering and terrorist financing;

Risk Management

- Enhancing compliance status to the controlling authorities;
- Stemming the illicit outflows and inflows of fund;
- More focus will be given on KYC/KYB;
- Improving transparency in financial reporting on AML/CFT issues;
- Arranging awareness program for the customers;
- Conducting employees training program;

Compliance

- Maintain complete and correct information with regard to the identity of the customers during the operation of the customers;
- Preserve previous records of transactions of any customer's account for at least 5(five) years from the date of closure;
- Provide information to Bangladesh Bank from time to time on its demand; and
- Report suspicious transaction or attempt of such transaction to Bangladesh Bank.

ENVIRONMENT RISK

Overview

Environmental risk is an actual or potential threat or adverse effects on living species through effluents, emissions, wastes, resource depletion, pollutions, natural hazards etc. of an organization's activities. Now a days, environmental risk is a big factor for labour intensive industries. Presently compliance with environmental regulations is one of the big conditions of buyers. Environmental risk can have serious negative effect on an organization's financial well being and its ability to achieve its business objectives. Existing and forthcoming legislation and regulations as well as governance and accounting trends of environmental risk and liability can influence an organization's financial performance, reputation and brand, cash flow and shareholders' value.

Philosophy

The following philosophy governs the management of environmental risk in UCL:

- management has the responsibility for setting the environmental risk strategy for UCL and its implementation;
- awareness has developed among the field officers and operations to identify the risk;
- risk officers are empowered to perform their duties without undue interference;
- environmental risk-related issues are taken into consideration in business decisions;
- it is complied as a regulatory compliance; and
- this risk is focused on managing risks and not on avoiding risks.

Strategy

- integration of Environmental Risk Management in the credit policies and procedures;

- building awareness and providing constant training and capacity building of the staff relevant to Environmental Risk Management;
- examine the environmental issues and concerns associated with potential business activities proposed for financing;
- identify, evaluate and manage the environmental risks and the associated financial implications arising from these issues and concerns,
- enhance the credit risk appraisal process;
- identify high, moderate and low environment risk before sanctioning the finance facilities.

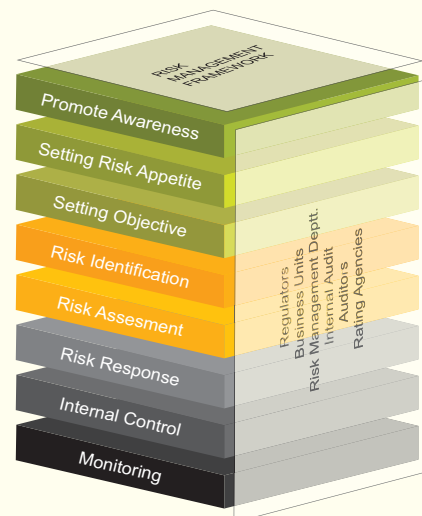
Governance

Board/Management ensures compliance of environmental risk at the time of sanctioning finance facility. UCL introduced the environmental risk rating system to ascertain High, Moderate and Low risk. Select industrial manufacturing sector through identifying the environmental risk.

Outlook

The regulatory environment has become even more dynamic in recent times. To make comply with regulatory requirements and also minimize the risk we follow the principles:

- Integration of Environmental Risk Management in the credit policies and procedures;
- Review the completed due-diligence checklist and the EnvRR;
- Building awareness and providing constant training and capacity building to environmental risk management to the relevant officers; and
- Adoption of a value adding approach to Environmental Risk Management with the potential borrower and aim to facilitate the borrower in addressing environmental issues that could lead to risks.



SENIOR MANAGEMENT

Who leads the company and drives our strategy



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, ALM Committee, Money Laundering Prevention Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASELII Implementation Committee, HR & Compensation Committee and Disclosure Committee.

External Appointment

Director, UniCap Investments Limited
Council Member, Institute of Bankers, Bangladesh
Member, Standing Committee, Financial Institutions & Capital Market and Services of DCCI
Member, Panel of Experts, DSE
Member, Executive Committee, BLFCA
Vice President, Bangladesh Merchant Bankers Association

Qualification & Experience

A dynamic and versatile management executive Mr. Sannamat in his outstanding 21 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.

A Chartered Accountant, Mr. Sannamat obtained his Honors and Master in Accounting securing first class from Dhaka University. A Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Chartered Secretaries of Bangladesh (ICSB), 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.



ABUL MUNIM KHAN
SEVP & Head of Business

With UCL Since 18 October 2009

Born in February 1956

Nationality Bangladeshi

Committee Membership

Member

Management Committee, Credit Committee, Risk Management Forum, Ethics & Compliance Committee, BASELII Implementation Committee and HR & Compensation Committee

External Appointment Nil

Qualification & Experience

Mr. Khan is a qualified professional with an MBA degree from IBA, Dhaka University and about 34 years of extensive exposure in Operations, Credit Admin, Credit Risk Management and Marketing both in Commercial (Conventional & Islamic) 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.



TAUHIDUL ASHRAF FCS
SVP & Company Secretary

With UCL Since 22 August 2013

Born in September 1978

Nationality Bangladeshi

Committee Membership

Member

Management Committee, Credit Committee, Asset-Liability Management Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASELII Implementation Committee, HR & Compensation Committee and Disclosure Committee

External Appointment Nil

Qualification & Experience

Mr. Tauhidul Ashraf has 14 years of extensive experience in Bank, NBFIs, Insurance & Group of Companies in Senior positions. Mr. Ashraf is a qualified Chartered Secretary. Prior to his joining, he served in H.R. Textile Mills Ltd., Northern General Insurance Co. Ltd., S. Alam Group of Industries, First Security Islami Bank Ltd., Prime Finance & Investments Ltd. and Aman Group under different capacities. He possesses versatile knowledge in the areas of Corporate Affairs, Administration, Share Management, Capital Market Operation etc.

A Fellow Member of the Institute of Chartered Secretaries of Bangladesh, Mr. Ashraf was the Member Secretary of Dhaka Regional Chapter of ICSB for two consecutive sessions. He attended a number of training courses and seminars in home and abroad on Core Risk Management, Internal Audit & Control and Corporate Governance, the role of Company Secretary etc.



ABDUL BAREQUE
SVP & Chief Risk Officer

With UCL since 11 Nov 2013

Born in September 1953

Nationality Bangladeshi

Committee Membership

Member

Credit Committee, Asset-Liability Management Committee, Money Laundering Prevention Committee, Risk Management Forum, Ethics & Compliance Committee

External Appointment Nil

Qualification & Experience

Mr. Bareque obtained MSS(Economics) degree under Dhaka University, Post Graduate Diploma in Bank Management (PGDBM) from BIBM and Banking Diploma(both part) from Institute of Bankers of Bangladesh. He has vast experience in banking arena. He served in Bangladesh Bank for about 33 years in different departments in different positions lastly as Deputy General Manager. Prior to joining here Mr. Bareque served in Japan Bangladesh Group as Executive Director and lastly in ICB Islamic Bank Limited as Special Project Adviser of ICCD. Mr. Bareque served as a Faculty Member of Bangladesh Bank Training Academy for about 5 years. He conducted many sessions for the direct recruited officers of Bangladesh Bank and also for others Banks and NBFIs. He attended many sessions of different Training Academies of different Banks and also in different NBFIs as Guest Speaker. When he was in Bangladesh Bank he looked after the supervision works of NBFIs for about 5 years. Mr. Bareque attended a number of trainings, workshops and 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

Management Committee (MANCOM), Corporate Governance Committee, Ethics & Compliance Committee, HR & Compensation Committee and Disclosure 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 16 years with NBFIs 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.



FAZLE KARIM MURAD
VP, Corporate Finance

With UCL since 01 June 2000

Born in October 1973

Nationality Bangladeshi

Committee Membership

Member

Asset-Liability Management Committee, Credit Committee, Money Laundering Prevention 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 he joined UCL as Junior Associate and from that time working in different segment of lease and corporate finance department. In 2009 he 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.



MOHAMMAD SHAFI UDDIN
VP & Branch In Charge, Chittagong

With UCL Since 20 October 2010

Born in January 1973

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience

Mr. Shafi Uddin is an MSS (Economics) from Chittagong University. He has 14 years experience with Banks & NBFI. Before joining 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.



MD. FORHAD HOSSAIN ACA
VP & CFO

With UCL Since 4 September 2013

Born in October 1979

Nationality Bangladeshi

Committee Membership

Member
Management Committee (MANCOM), Asset-Liability Management Committee, Corporate Governance Committee, BASELII Implementation Committee, Risk Management Forum and Disclosure Committee

External Appointment Nil

Qualification & Experience

Mr. Md. Forhad Hossain ACA is an Associate Member of the Institute of Chartered Accountants of Bangladesh (ICAB). Mr. Forhad has completed his BBA and MBA from University of Dhaka major in Accounting and Information Systems. He has completed articleship from KPMG Rahman Rahman Huq, Chartered Accountants, a member firm of KPMG International in the process of being a member of ICAB. Mr. Hossain started his career with Warid Telecom International Bangladesh Limited as internal auditor. Prior to his current assignment at Union Capital Limited, he served IPDC of Bangladesh Limited as Senior Manager, Finance & Accounts.



RAIHAN UDDIN AHAMMAD ACA
AVP & Head of ICC

With UCL Since 1 September 2013

Born in September 1983

Nationality Bangladeshi

Committee Membership

Member
Corporate Governance Committee, Risk Management Forum, Money Laundering Prevention Committee, and Disclosure Committee

External Appointment

Nil

Qualification & Experience

Mr. Raihan Uddin Ahammad is an associate member of the Institute of Chartered Accountant of Bangladesh (ICAB). He obtained his business degree from the University of Dhaka. After obtaining business degree from University, Mr. Raihan joined in Rahman Rahman Huq, Chartered Accountant (A member firm of the KPMG International). Prior to his current assignment as the Head of ICC at UCL, he served STS Group as Finance Manager more than 2 years. Mr. Raihan is also a faculty member of the ICAB conducts class for professional students at ICAB.

Senior Management



MD. SHOHIDUL ISLAM
AVP & Head of SME

With UCL Since 01 November 2010

Born in March 1965

Nationality Bangladeshi

Committee Membership
Member
Credit Committee

External Appointment Nil

Qualification & Experience

Mr. Shohidul has completed MSS (Political Science) from University of Rajshahi. He started his career with BRAC NGO in October 1991 as a Programme Organizer (Education programme, Credit and MELA Programme) and worked there up to May 2001. There after he joined BRAC BANK as Senior Officer in SME Department and worked there from June 2001 to October 2010 in various capacities and his last position was Business Development Manager (FAVP). Mr. Shohidul joined in UCL on 1st November 2010 as Manager & Head of SME and presently holding the position of Assistant Vice President. Mr. Shohidul received various training/ workshop/seminars from home and abroad.



HUMAYUN RASHID MBA
AVP, Credit Risk Management

With UCL Since 01 January 2015

Born in March 1975

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience

Mr. Humayun Rashid has 14 years of extensive experience in Bank and NBFIs. Mr. Rashid is an MBA in Marketing from Southeastern University, U.K. He joined Union Capital Limited on 1st January, 2015 as AVP at CRM Department. Prior to his joining, he served in Prime Finance & Investment Limited as Head of CAD, Prime Bank and Bank Asia under different capacities. He attended various training /workshops at Bangladesh Bank, BIBM and different training organization of Bangladesh.



S M JULKER NINE SARKER
AVP, Information & Communication Technology

With UCL Since 19 April 2010

Born in June 1984

Nationality Bangladeshi

Committee Membership
Member
Money Laundering Prevention Committee
Central Compliance Unit (CCU)

External Appointment Nil

Qualification & Experience

Mr. Julker Nine completed his B. Sc. in Computer Engineering from American International University, Bangladesh. Later he has also completed his MBA Degree in Management Science from the same university, where he was a gold medalist. He has a vast experience of over 9 years with different NBFIs and Software Development Organizations. He has specialization in the field of Information Technology, IT Project Management, and System Analysis & Design. Prior to joining UCL, He worked for SSD-Tech, a renowned multinational IT company, as Project Manager and BIFC as Head of IT. He has experience of working with British American Tobacco, Malaysia for software project management. Besides, he has successfully designed and implemented several softwares for various operational purpose.

MANAGEMENT COMMITTEES

The Authority of Management Team responsible for execution of delegated responsibilities

MANAGEMENT COMMITTEE (MANCOM)

Members

Md. Akter H. Sannamat FCA, FCS, Chairman
Abul Munim Khan, Member
Tauhidul Ashraf FCS, Member
Engr. A. N. M. GolamShabbir, Member
Md. Forhad Hossain ACA, Member

Major Responsibilities:

- 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.
- Review the recommendations of the committees other than Board Committees and takes initiative for implementation of the committee decisions.
- It has the authority to manage the company's business according to set policies and plans.

Works done in 2014

- Reviewed the comprehensive inspection report of Bangladesh Bank and took necessary steps to implement recommendations thereof;
- The Committee decided to relocate Gulshan branch and took necessary steps for such relocation.
- The Committee principally agreed to conduct various training programs for the officers and took necessary steps to execute the training programs.

CREDIT COMMITTEE

Members

Md. Akter H. Sannamat FCA, FCS, Chairman
Abul Munim Khan, Member
Tauhidul Ashraf FCS, Member
Abdul Bareque, Member
Fazle Karim Murad, Member
Md. Shohidul Islam, Member

Major Responsibilities

- 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.

Works done in 2014

- Reviewed terms and conditions of the finance proposal placed before the Committee for approval.
- Approved more than 550 credit appraisals in 2014 amounting Tk. 6.5 billion.
- Reviewed interest rate subsequent to the disbursement as and when necessary.

RISK MANAGEMENT FORUM

Members

Abdul Bareque, Chief Risk Officer
Abul Munim Khan, Member
Engr. A. N. M. GolamShabbir, Member
Md. Forhad Hossain ACA, Member
Raihan Uddin Ahammad ACA, Member
Subrata Basak, Member
Moinul Islam Bhuiyan, Member
Md. Tarique Aziz, Member Secretary

Major Responsibilities

- Establish and maintain an effective risk management environment in the company;
- Developing policies and procedures for identifying, measuring and controlling risk;
- Reviewing market condition, identifying external threats and providing recommendation on course of actions.
- Holding monthly meetings of the forum to discuss findings on Risk Management Paper (RMP) submitted by Risk Analysis Unit (RAU) and plan necessary precaution measures to mitigate risks.

Works done in 2014

- Reviewed and analyzed necessary documents under each risk category.
- Identified and measured how each of the risk categories affects UCL and quantifies the risk of material loss as a result.
- Recommended how UCL can draw precautionary measures and mitigate the risk facing the business.

HR & REMUNERATION COMMITTEE

Members

Md. Akter H. Sannamat FCA, FCS, Chairman
Abul Munim Khan, Member
Tauhidul Ashraf FCS, Member
Engr. A. N. M. Golam Shabbir, Member

Major Responsibilities

- Recommend the requirements of Management personnel for different sections of the company.
- Interview for selection, and recruitment of management cadre
- Take disciplinary action against convicted officers, if necessary.
- Evaluate the performance of employees annually.
- Evaluate effectiveness of the HR Policy.
- Assess the workload, strength and weakness of the officers and executives.
- Review the Service Rules & Regulations and Code of Conduct of the Company on regular basis and recommend necessary changes, if necessary.

Works done in 2014

- Reviewed the existing employee benefit schemes and compared with the industry benchmark.
- Restructured the pay structure and recommended the revised pay structure before the Board for approval.
- Introduced eligibility criteria for recruitment employees of different categories.
- Introduced employee motor bike policy approved by the Board to increase efficiency of the employee with aim of reducing and controlling conveyance cost.

BASEL II IMPLEMENTATION COMMITTEE

Members

Md. Akter H. Sannamat FCA, FCS, Chairman
Abul Munim Khan, Member
Tauhidul Ashraf FCS, Member
Fazle Karim Murad, Member
Md. Forhad Hossain ACA, Member

Major Responsibilities

- 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.

Works done in 2014

- Reviewed quarterly Basel II report of the company submitted to Central Bank.
- While sanction, recommended credit committee about customers having better credit rating.
- Recommended security based loan for improvement of capital adequacy ratio to the credit committee.
- Participated in adoption of the dividend policy where cash outflow has been streamlined restricting the payout ratio to increase the capital base of UCL.

ASSET-LIABILITY MANAGEMENT COMMITTEE

| Members | Major Responsibilities | Works done in 2014 |
|--|---|--|
| Md. Akter H. Sannamat FCA, FCS, Chairman Abdul Munim Khan, Member Tauhidul Ashraf FCS, Member Abdul Bareque, Member Fazle Karim Murad, Member Md. Forhad Hossain ACA, Member Subrata Basak, Member | <ul style="list-style-type: none">■ Responsible for managing various financial risks of the company such as market, interest rate and liquidity.■ Reviews market and credit portfolio risks, as well as interest rate risk inherent in the Company's balance sheet.■ Meets regularly to ensure that the level of interest rate exposures is 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. | <ul style="list-style-type: none">■ Reviewed interest rate on term deposit on monthly basis and adjusted the rate in accordance with market trend;■ Reviewed liquidity mismatch of asset-liabilities;■ Reviewed cost of fund and base rate on monthly basis;■ Reviewed requirement of CRR and SLR and actual amount maintained against the requirement. |

MONEY LAUNDERING PREVENTION COMMITTEE

| Members | Major Responsibilities | Works done in 2014 |
|---|--|---|
| Abul Munim Khan, CAMLCO Abdul Bareque, Member Fazle Karim Murad, Member Md. Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member Shah Md. Julker Nine Sarker, Member Subrata Basak, Member | <ul style="list-style-type: none">■ Develop an effective anti money laundering system for prevention of the use of company's products and services from money laundering.■ Ensuring compliance with all the relevant rules and regulations pertaining anti money laundering■ Conduct Central Compliance Unit (CCU) meeting at regular interval and discuss issues raised by the BAMLCO and advise the Management to take necessary actions to mitigate the issues addressed by the BAMLCO. | <ul style="list-style-type: none">■ Arranged five (5) comprehensive training programs on AML/CFT in 2014 with a view to creating awareness on AML/CFT risks.■ Conducted CCU Meetings at regular interval where important matters regarding AML/CFT have been addressed.■ Attended all the conferences held during the year on AML/CFT arranged by the central bank. |

CORPORATE GOVERNANCE COMMITTEE

| Members | Major Responsibilities | Works done in 2014 |
|---|--|---|
| Md. Akter H. Sannamat FCA, FCS, Chairman Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member Md. Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member | <ul style="list-style-type: none">■ Review and discuss the issues relating to good governance practices and ensure that the conditions and guidelines on corporate governance are complied with.■ Monitor emerging corporate governance trends and oversee and evaluate the Company's corporate governance policies and programs and recommend to the Board such changes as the Committee believes desirable. | <ul style="list-style-type: none">■ Reviewed the charter of various Board Committees and placed management recommendations before Board for review.■ Reviewed the charter of various management committees.■ Reviews existing corporate governance structure and compliance with the BSEC and Central Bank's Corporate Governance guidelines. |

ETHICS & COMPLIANCE COMMITTEE

| Members | Major Responsibilities | Works done in 2014 |
|--|---|--|
| Engr. A. N. M. Golam Shabbir, Focal Point Abul Munim Khan, Member Tauhidul Ashraf FCS, Member Abdul Bareque, Member Md. Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member | <ul style="list-style-type: none">■ Ensure whether the employees are complying with the ethical principles and code of business conduct.■ Review and evaluate compliance of laws, rules and regulations.■ Identification of areas of improvement and planning of training for development of ethical practices.■ Analysis of existing laws, rules and regulations and identification of problems and making recommendation for solving those problems.■ Developing job evaluation guidelines and rewarding the performers with integrity, implementation of e-governance system.■ Review whether the Company's business is conducted ethically and in socially responsible manner. | <ul style="list-style-type: none">■ Conducted Ethical Committee meeting monthly basis.■ Introduced complaint/suggestions box for customers at Head Office as well as in the Branch offices for lodging complaints and suggestions for improvement.■ Introduced complaint/suggestions box for employees at Head Office as well as in the Branch offices.■ Arranged various in-house training sessions with aim to creating awareness among the employees regarding ethical practice.■ Attended Corporate Memory Management System (CMMS) training arranged by central bank. |

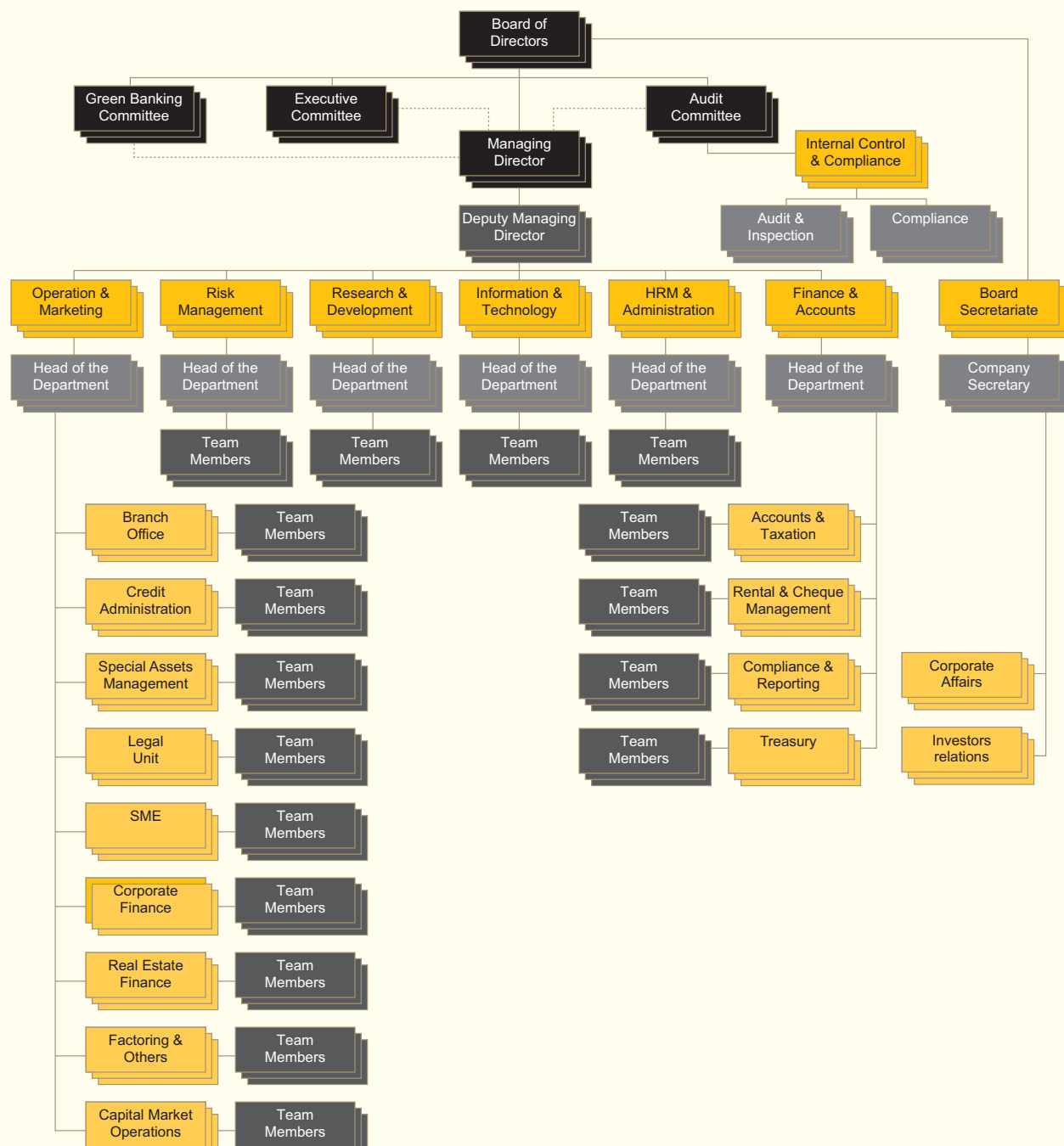
DISCLOSURE COMMITTEE

| Members | Major Responsibilities | Works done in 2014 |
|--|--|--|
| Md. Akter H. Sannamat FCA, FCS, Chairman Abul Munim Khan, Member Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member Md. Forhad Hossain ACA, Member Raihan Uddin Ahammad ACA, Member | <ul style="list-style-type: none">■ Assure compliance with the disclosure and transparency requirements and the listing rules.■ 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. | <ul style="list-style-type: none">■ Reviewed the contents of the Annual Report for the year ended 31 December 2013 to ensure appropriate disclosures has been made.■ Placed the financial statements for the year ended 31 December 2013 before the Audit Committee & Board for review. |

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 believe that our success is directly linked to the sustainability of our communities and the environment. We also believe that actions speak louder than words, by establishing green initiatives within our organization we hope to do our part to create an even brighter future for our organization and the communities we serve. When we think about Green, we think about three R's: Reduce, Reuse and Recycle. This is the first step of living green.

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

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.



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.

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 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 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.



We must act keeping the environment in mind meaning to be conscious of all the things we do on a daily basis. All of our actions affect others lives on the Earth, including other human beings. It's important to think before we act.

CORPORATE SOCIAL RESPONSIBILITY

Serving as a responsible corporate citizen

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.

2015 Challenge

- Continuing economic uncertainty created financial difficulties for many customers.
- Maintaining our standard of customer service as we diversify our business.
- 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 and other controls 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 as 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 website.

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 avail 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

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?

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 seeks to understand the unique needs of each business, offers proactive and innovative solutions, provide expert advice and helps 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.

2015 Challenges

- We face a continuing challenge in 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 are 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. | Yes | No |
| ■ My manager provides ongoing feedback that helps me to improve my performance. | Yes | No |
| ■ In the last 12 months, I have had opportunities to develop my skills and abilities. | Yes | No |
| ■ I am able to achieve the balance I need between my personal life and my work life at UCL. | Yes | No |
| ■ UCL is genuinely committed to the well-being of its employees. | Yes | No |
| ■ UCL treats employees fairly regardless of their age, family/ marital status, gender or religion. | Yes | No |
| ■ UCL takes a genuine interest in the well-being of community in which it does business. | Yes | 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 (%) | Voluntary | | Retirement | |
|-----------------------|-----------|------|------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| Sr. Management | - | 1.01 | - | 1.01 |
| Mid. Management | 3.87 | 3.03 | - | - |
| Jr. Management | 7.75 | 4.04 | - | - |
| Support Staff | 0.77 | - | - | 1.01 |
| Total | 12.39 | 8.08 | - | 2.02 |

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

...UCL culture has many elements: our drive to deliver exceptional customer service; our determination to create a unique, diverse, respectful and safe workplace for our employees to grow and develop.

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;
- 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 2014, we spent Tk. 105.36 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 except hour/days) | 2014 | 2013 |
|---|------|------|
| UCL's investment in training | 0.26 | 0.10 |
| Average number of days of training | 1.87 | 1.38 |
| Average hours of training per executive | 4.67 | 6.19 |

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 2014. 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 implemented 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.

2015 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; and
- 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).

Education

Education is 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 provided 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 associations that track and advocate on issues of interest to their membership, including the Dhaka Chamber of Commerce and Industry, Bangladesh Association of

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.

Publicly Listed Companies, The Institute of Bankers, Bangladesh.

UCL is also a member of Bangladesh Leasing and Finance Companies Association (BLFCA), 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 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.

2015 Challenges

- Achieving targets on paper reduction
- Increasing environmental awareness and building 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 Group 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.

ENVIRONMENT INITIATIVE

Reducing our environmental footprint for better Bangladesh

UCL's approach to the environment is based on four pillars that embed the environment across our business:

- Reducing the environmental footprint of our business operations;
- Responsible financing that includes proactive engagement of environmental and related social risks;
- Developing green products and service options for our customers; and
- Engaging employees and communities to raise environmental awareness and make an impact.

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.

OUR POLICY

- Provide a safe and healthy workplace and ensure that personnel are properly trained and have appropriate safety and emergency equipment.
- Be an environmentally responsible neighbor in the communities where we operate, and act promptly and responsibly to correct incidents or conditions that endanger health, safety, or the environment.
- Conserve natural resources by reusing and recycling materials, purchasing recycled materials, and using recyclable packaging and other materials.
- Finance those customers producing products that are safe for their intended use, efficient in their use of energy, protective of the environment, and that can be reused, recycled or disposed of safely.
- Ensure the responsible use of energy throughout our business, including conserving energy, improving energy efficiency, and giving preference to renewable over non-renewable energy sources when feasible.
- Participate in efforts to improve environmental protection and share appropriate pollution prevention technology, knowledge and methods.
- Meet or exceed all applicable government requirements and voluntary requirements to which UCL operates.

- Strive to continually improve UCL's Environmental management system and performance, and annually issue progress reports to the stakeholders.
- Conduct rigorous audits and self-assessments of UCL's compliance with this policy, measure progress of UCL's environmental affairs performance, and report periodically to the Board of Directors.

Every employee is expected to follow this policy and to report any environmental, health, or safety concern to the management. Managers are expected to take prompt action.

OUR PRACTICES

On a more practical level, UCL interacts 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.

ACTIVITIES UNDERTAKEN

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, verification 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.

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.

CORPORATE CULTURE

Putting partnership in action

Corporate culture is considered to be a significant source of value in companies, as what distinguishes them among their interest groups. Employees are always at the base of this culture. At UCL, over 100 employees are one of the great leverages for creating a culture that enables us to build sustainable relations with clients, employees, shareholders and investors, communities and strategic partners.

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.

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.

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.

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.

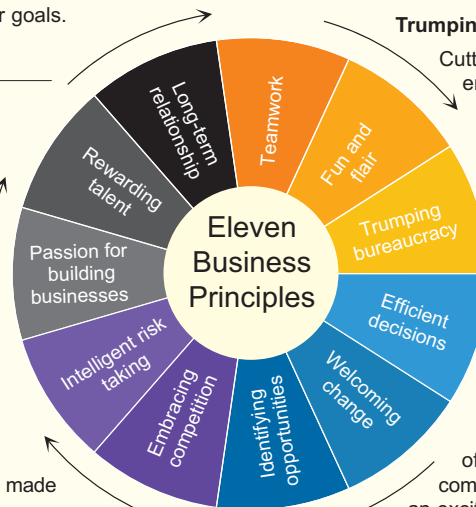
Efficient decisions

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.



UCL's corporate culture is based on simplicity, openness and caring. Maintaining the commitment, focus and motivation of UCL's employees requires their understanding of the Company's purpose and values.

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 building customers 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 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 and 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 employers, taxpayers and financial services providers amongst the non-banking financial institutions in Bangladesh. Our role in the economy is extensive in terms of employment generation, tax payment, contribution to the underprivileged people, protection of environment and serving the society. Our everyday business activities touch the 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

UCL is one of the major employers, taxpayers and financial services providers amongst the non-banking financial institutions in Bangladesh. Our role in the economy is extensive. Our everyday business activities touch the financial lives of millions of people and businesses.

relationship with and delivers value for our customers, shareholders, employees, government and the community where we do businesses.

OUR PRIORITIES

- Provide strong returns to shareholders;
- Pay fair share of taxes;
- Support small businesses and community economic development;
- Foster innovation and entrepreneurship;
- Empower Small and Medium Entrepreneurs;
- Empower Women Entrepreneurs;
- Finance to untapped people;
- Purchase goods and services responsibly;
- Create employment;
- Protect the environment;
- Enhance the market share; and
- Help build nation.

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 services provider, UCL contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs which have become keys to economic growth of the country and without opening up of the financial sector to semi urban and rural areas, the projected growth of the economy will not be achievable. UCL has given strong focus in SME area which is evident from the growth rate achieved during the year. Like last year UCL is also committed

to remain focused in SME sector in 2015. Based on the financials as on 31 December 2014, UCL has a total credit exposure with around 3,564 customers of Tk.14,739.58 million. Such facilities were extended mostly for importation of capital machineries, business expansion and working capital. UCL group 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. Also the Company has mobilized term deposits of Tk. 10,705.44 million from 566 depositors helping them build up savings for investment in national economy.

PAYING FAIR SHARE OF TAXES TO GOVERNMENT

UCL contributes to the economy paying out fair share of taxes to Government exchequer in collection of revenues. The Company deducts withholding taxes and VAT at source from payment of interest on term deposits, products and services, salary & allowances to employees and deposits the same to the

DIRECT ECONOMIC VALUE GENERATED IN 2014

(Taka in million)

| UCL's Total revenue | Distributed Value | Economic Value Retained |
|---------------------|-----------------------|-------------------------|
| 2,231.06 | Operating cost | 1,668.90 |
| | Salaries and benefits | 105.36 |
| | Taxes | 248.50 |
| | Dividends | 109.91 |
| | Community giving | 1.42 |
| | | 96.97 |

* Operating costs include interest expenses, provision and management expenses excluding salaries and benefits

government exchequer within prescribed time. Besides this the Company pays tax on its various earnings i.e. income tax on its income as well as VAT on its fee based income. During the year 2014 the Company collected, withheld and deposited tax, VAT and excise duty at source to the tune of Tk. 98.88 million, collected and deposited VAT and excise duty of Tk. 5.11 million. In 2014 the Company also paid advance tax of Tk. 51.32 million by way of deposit to government exchequer and tax withheld on the income of the Company.

CREATING EMPLOYMENT

We make an economic impact by creating employment and a well-trained human resources. UCL and its subsidiary companies employed as many as 155 employees as on 31 December 2014. We believe that the human resources act as the catalyst behind the development, success and future sustainability. The Human resources of the Company is guided by a robust HR Policy, attractive work place, competitive pay band and rewarding career opportunities transforming human resources in to human capital. During the year 2014, UCL spent total Tk. 0.26 million for training and HR development and paid a total amount of Tk. 105.36 million as salaries and allowances to its employees (2013: Tk. 72.05 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 24 percent to its shareholders i.e. Tk. 2.40 per share of Tk. 10.00 each.

TAKING ENVIRONMENT INITIATIVES

Sustainable development, economic growth and a healthy environment are inter-linked. In this backdrop, we play a supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard. In this regard, we have adopted Green Banking Policy and formed a Committee for its implementation in all of our operational activities. Moreover, we have been performing 'Environment Risk Management (ERM)' in all loan/lease proposals where ERM is to be performed particularly finance proposal to such businesses houses where environment issue is very critical such as manufacturing sectors.

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 in the form of cash, warm cloth distribution, 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 of people and businesses in the community in which we operate. We support to 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 serving 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. Union Capital Limited, under its CSR activities, has become the "Foster-partnership" to sponsor the annual education expenses of Tk. 360,000/- (Taka three lac sixty thousand only) for the 20 (twenty) hearing impaired children of the "Rosi-Flower Integrated Pre-School for Hearing Impaired Children"



Pre-School Education Program: Retired Police Officers' Welfare Association of Bangladesh has

Contribution to National Economy

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. In 2014 the Company has given Tk. 270,000 for the purchase of school bags, books, uniforms etc. for the students.



uniforms etc. for the students under this education program. In 2014 the Company has given Tk. 270,000 for the purchase of school bags, books, uniforms etc. for the students.

Blanket distribution: Because of the cold spell and dense fog, the normal life of poor people had been disrupted throughout the country in 2014. 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 600 pcs blankets in 3 different areas of Bangladesh.



Promoting growth of Small business: Small business is an important engine driving the 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, financial services, advice and expertise to help this sector prosper.



Contribution to Liberation War Museum: In recognition of the sacrifice made by the greatest son of the land at the time of liberation of Bangladesh, the government of Bangladesh has taken an initiative to build a Liberation War Museum as a token of its responsibilities to pay homage to them and also for the learning institution of the next generations. UCL is very much blessed to be a part of it and has given Tk. 500,000 for this splendid endeavor.

INCLUSIVE GROWTH

We believe we create best value for our shareholders by also bringing value to the community wherein we operate. Because our business is not isolated 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 aimed at increasing productivity and incomes of the poor in several low income occupations which will continue as important sources of employment. This way we, UCL group, grow with our shareholders, customers, lenders, employees, other stakeholders and the society as a whole.

...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.

Report on HUMAN RESOURCE

The strength for sustainable future

We are accountable to our clients and it is essential that the employee we employ recognize the importance of this. Employee that are motivated, reliable, well trained and committed deliver superior service levels and we look for these characteristics during the recruitment process. Our employee engagement levels are the highest we have ever experienced.

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. 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.

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 monthly 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.

We aim to retain our employees through constantly nurturing them and develop their skills by acknowledging their strengths

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.

& weaknesses. We maintain an effective management through ongoing, two-way discussion between a manager and employee about performance, priorities and challenges. At UCL, employee self-evaluation process is a preliminary step for employee development. It is a vital activity that can be essential in assessing their need for development through training, counseling etc.

At UCL, rather than simply being the "recipient" of feedback from their reporting supervisors, the employee is given a voice, and can inform or shape their own career paths. This active participation helps them to be more engaged with both their performance and the assessment process overall.

Even for managers who work closely with their employees, it's not always possible to see the full picture and understand all the factors that affect employee performance. Having the employee complete a self-assessment allows the manager to spot their employee's strengths and weaknesses from the employee's perspective, as well as training needs/desires.

A development program that includes employee self-appraisals, formalizes a two-way dialogue, avoiding top down assessment that often serve to discourage or disengage employees. It can also help to entrench this vital two-way dialogue in the organization's management culture. At UCL we greatly value employee point of view and do our best to shape up their career. Such a practice of employee development through self-evaluation process is shown below:

| | Excellent | Good | Satisfactory | Poor | Very Poor |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Ambitious (Hard working, aspiring) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Broadminded (Open-minded, tolerant, accepting) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Capable (Competent, effective) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Cheerful (Light-hearted, joyful, happy) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Courageous (brave, standing up for your beliefs) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Dependable (Reliable, trustworthy, responsible) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Forgiving (Willing to pardon others) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Friendly (Pleasant, warm, outgoing, good-natured) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Helpful (Working for the welfare of others) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Honest (Sincere, truthful) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Imaginative (Daring, creative, original) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Independent (Self-reliant, self-sufficient) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Intellectual (Intelligent, reflective, knowledgeable) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Logical (Consistent, rational, realistic) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Loving (Affectionate, tender) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Obedient (Dutiful, respectful) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Organized (Clean, Neat, tidy) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Polite (Courteous, well-mannered, respectful) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Self-confident (Self-assured, poised, self-aware) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Self-controlled (Restrained, self-disciplined) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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 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.

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.

At UCL, employees cross borders.

- they respect others' 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;
- 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:

| | 2014 | 2013 | 2012 | 2011 |
|---|--------|--------|--------|--------|
| Total Employee | 113 | 89 | 95 | 98 |
| Net income per employee (BDT in million) | 1.86 | 1.56 | 1.14 | 3.97 |
| Operating revenue per employee (BDT in million) | 17.00 | 18.98 | 12.08 | 12.33 |
| Assets per employee (BDT in million) | 153.19 | 146.69 | 110.48 | 100.94 |

| Staff Strength | 2014 | 2013 | 2012 | 2011 |
|-------------------------|------------|-----------|-----------|-----------|
| Senior Management | 10 | 10 | 9 | 9 |
| Mid Level Management | 21 | 22 | 43 | 44 |
| Junior Level Management | 62 | 44 | 22 | 23 |
| Support Staff | 20 | 13 | 21 | 22 |
| Total | 113 | 89 | 95 | 98 |

Age analysis of the employees as at 31 December

| Age group Year | Senior Management | Mid level Management | Junior level Management | Support Staff | 2014 Total | 2013 Total |
|-------------------|----------------------|-------------------------|----------------------------|------------------|---------------|---------------|
| 51-60 | 2 | 1 | 0 | 2 | 5 | 3 |
| 41-50 | 5 | 1 | 1 | 2 | 9 | 7 |
| 31-40 | 3 | 12 | 31 | 7 | 53 | 39 |
| 21-30 | - | 7 | 30 | 9 | 46 | 40 |
| Total | 10 | 21 | 62 | 20 | 113 | 89 |

Average age of the employees as at 31 December 2014 was 32.82 years (2013 : 30.72)

Service analysis of the employees as at 31 December

| Service group Year | Senior Management | Mid level Management | Junior level Management | Support Staff | 2014 Total | 2013 Total |
|-----------------------|----------------------|-------------------------|----------------------------|------------------|---------------|---------------|
| Above 10 | 2 | 1 | 0 | 1 | 4 | 5 |
| 7-10 | - | 1 | 0 | 2 | 3 | 4 |
| 5-7 | 1 | - | 3 | 1 | 5 | 6 |
| 2-5 | 3 | 8 | 3 | 6 | 20 | 23 |
| Below 2 | 4 | 11 | 56 | 10 | 81 | 51 |
| Total | 10 | 21 | 62 | 20 | 113 | 89 |

Average service life of the employees as at 31 December 2014 was 2.34 years (2013 : 2.73)

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 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 range (in years) | 21-30 | 31-40 | 41-50 | >50 | Total |
|----------------------|-------|-------|-------|-----|-------|
| No. of Employees | 46 | 53 | 9 | 5 | 113 |
| Management Cadre | 7 | 15 | 6 | 3 | 31 |
| Non Management Cadre | 30 | 31 | 1 | - | 62 |
| Support Staff | 9 | 7 | 2 | 2 | 20 |
| Average age | 32.87 | | | | |

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.
- 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 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.

PEOPLE AND LEADERSHIP

The strength of UCL



We drive for results and improvements. We take ownership of our behavior and responsibility to perform both individually and in teams.



Welcome ceremony of CEO of UniCap Securities Ltd.



Farewell program of an Independent Director



Awareness Program for
SME Customers

FLASH OF A FEW EVENTFUL MEMORIES



Awareness Program for
Women Entrepreneurs



Welcome ceremony of new employees



Training program on AML & Terrorist Financing



Receiving ICAB National Award from Honorable Finance Minister



New Year Celebration



Participation in SME Fair



Annual Picnic 2014



Celebrating employee birthday



Opening of Madhobdi Branch, Narsingdi

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 the company during the reporting period through utilization of its capacity, capital, manpower and other resources and how it has been distributed among the contributors of the value i.e. the stakeholders (employees, lenders, shareholders, government etc.). Therefore, a value added statement (VAS) 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 statements reports on the income of shareholders, the value added statement reports on the income earned by a large group of stakeholders, all the providers of capital plus employees and the government.

(Figures in million BDT)

| 2014 | 2013 |
|------|-----------|
| UCL | UCL Group |

VALUE ADDED

| | | | | |
|---------------|---------------|---------------|---------------|-------------------------------|
| 559.02 | 572.57 | 365.27 | 371.31 | Net interest income |
| 25.05 | 214.09 | 86.15 | 174.55 | Fees earned including VAT |
| (16.42) | 71.83 | 12.20 | 27.39 | Investment income |
| 26.50 | 30.23 | 30.14 | 33.08 | Other income |
| (41.83) | (78.24) | (37.18) | (60.27) | Management expenses |
| (95.58) | (248.21) | (222.98) | (255.62) | Provision for doubtful losses |
| 456.75 | 562.26 | 233.60 | 290.44 | TOTAL VALUE ADDED |

DISTRIBUTION OF VALUE ADDED

| DISTRIBUTION OF VALUE ADDED | | | | | | | | |
|-----------------------------|-------|--------|-------|--------|-------|--------|-------|---------------------------------|
| 2014 | | | | 2013 | | | | |
| UCL | | Group | | UCL | | Group | | |
| Total | % | Total | % | Total | % | Total | % | |
| | | | | | | | | In payment to Employees |
| 75.54 | 16.54 | 105.36 | 18.74 | 52.93 | 22.66 | 72.05 | 24.81 | As salaries and allowances |
| | | | | | | | | In payment to Capital Providers |
| 120.90 | 26.47 | 120.90 | 21.50 | 109.91 | 47.05 | 109.91 | 37.84 | As Dividend to shareholders |
| | | | | | | | | In payment to Government |
| 163.89 | 35.88 | 248.50 | 44.20 | 32.50 | 13.91 | 66.83 | 23.01 | As Corporate tax |
| | | | | | | | | Expansion and business growth |
| 89.19 | 19.53 | 79.09 | 14.07 | 28.83 | 12.34 | 31.85 | 10.97 | Retained income |
| 7.23 | 1.58 | 8.41 | 1.50 | 9.42 | 4.03 | 9.80 | 3.38 | Depreciation |
| 456.75 | 100 | 562.26 | 100 | 233.60 | 100 | 290.44 | 100 | TOTAL DISTRIBUTION |

...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.

MARKET VALUE ADDED

External performance indicator of value creation

While Economic Value Added (EVA) measures internal performance, Market Value Added (MVA) is a measure of external performance that indicates how the market has evaluated the Company's performance in terms of market value of share 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. The following statement indicates the MVA as at 31 December 2014 compared to the MVA of prior year:

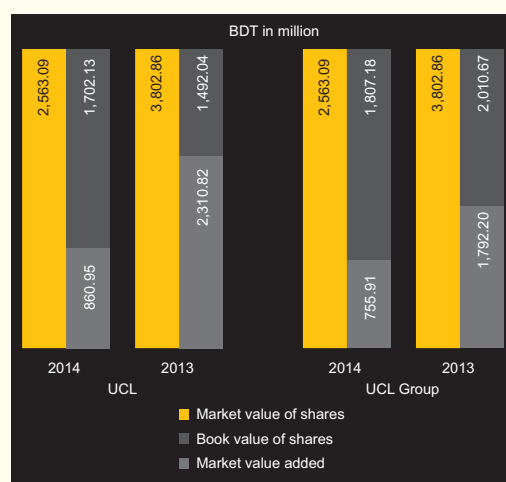
(Figures in million BDT)

2014

| UCL | UCL Group | |
|---------------|---------------|-------------------------------------|
| 2,563.09 | 2,563.09 | Market value of shares outstanding |
| 1,702.13 | 1,807.18 | Book value of the share outstanding |
| 860.95 | 755.91 | MARKET VALUE ADDED |

2013

| UCL | UCL Group | |
|-----------------|-----------------|-------------------------------------|
| 3,802.86 | 3,802.86 | Market value of shares outstanding |
| 1,492.04 | 2,010.67 | Book value of the share outstanding |
| 2,310.82 | 1,792.20 | MARKET VALUE ADDED |



...The higher the MVA, the better. A high MVA indicates the Company has created substantial wealth for the shareholders. Negative MVA means that the value of the actions and investments of managements is less than the value of the capital contributed to the Company by the capital markets. This means that wealth or value has been destroyed.

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 is also referred to as economic profit. The EVA is defined as:

EVA = Net operating profit after tax minus cost of capital

Economic value added 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 summarises 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 that economy 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 2014 and 2013:

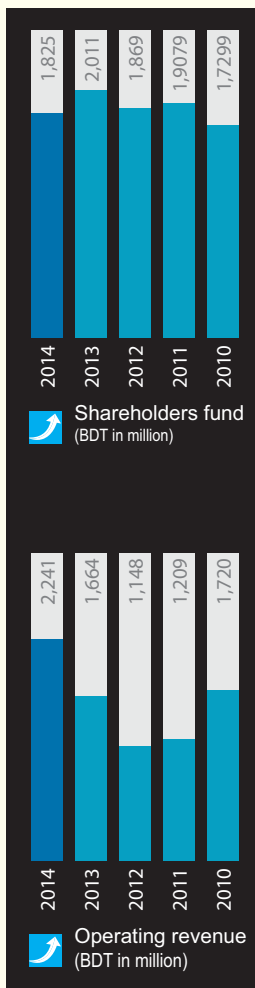
(Figures in Million BDT)

| 2014 | | 2013 | | |
|---------------|---------------|---------------|---------------|---|
| UCL | UCL Group | UCL | UCL Group | |
| 94.85 | 196.21 | 169.23 | 134.93 | Economic Value Added (EVA) |
| 469.56 | 696.69 | 394.22 | 464.21 | Net operating profit |
| (163.89) | (248.50) | (32.50) | (66.83) | Provision for taxes |
| 305.67 | 448.19 | 361.72 | 397.38 | Net Operating Profit After Tax (NOPAT) |
| 1,702.13 | 1,807.18 | 1,492.04 | 2,010.67 | Shareholders' equity as on 31 December |
| 388.86 | 625.21 | 441.58 | 488.04 | Accumulated provision for doubtful losses |
| 1,597.09 | 1,908.92 | 1,422.67 | 1,939.79 | Average shareholders' equity |
| 13.20 | 13.20 | 13.53 | 13.53 | Cost of equity (%)* |
| 210.82 | 251.98 | 192.49 | 262.45 | Cost of equity |

Key ratios

| | | | | |
|-------|-------|-------|------|--|
| 4.94 | 8.79 | 10.67 | 8.11 | EVA/Operating revenue (%) |
| 5.94 | 10.28 | 11.90 | 6.96 | EVA/Average shareholders' equity (%) |
| 10.94 | 8.96 | 8.75 | 8.52 | Net profit after tax/Operating revenue (%) |

* Based on weighted average rate of Sanchay Patra issued by the Bangladesh Government plus 2% risk premium



...EVA succinctly summarises 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.

FINANCIAL STATEMENTS OF THE GROUP AND UCL

IN THIS SECTION

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Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Auditor's Report to the Shareholders of Union Capital Limited

We have audited the accompanying consolidated financial statements of Union Capital Limited and its subsidiaries (the "Group") as well as the separate financial statements of Union Capital Limited ("the Company") which comprise the consolidated and the separate balance sheet as at 31 December 2014, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Financial Reporting Standards (BFRS) as explained in note 2, the Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange rules 1987 and other applicable laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements of the Group and the separate financial statements of the Company 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 consolidated financial statements of the Group and the separate 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 separate financial statements of the Company. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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.

Basis for Qualified Opinion

While consolidating the financial statements of the Group, it has been observed that the auditors of UniCap Investments Limited, one of the subsidiaries of the Group, have qualified their opinion referring to note 27 of its financial statements. It appears from that note, the subsidiary has created provision of Tk. 165,000,000 equivalent to @ 23% against margin loan, on the basis of net negative equity of Tk. 717,551,651 instead of gross negative equity. Had the subsidiary provided provision on gross negative equity, there would have been a requirement of further provision of Tk. 256,197,413. Furthermore, the same subsidiary has also

HVZ

recognized interest income arising from total margin loan portfolio, comprising both negative and positive equity balances.

Qualified Opinion

In our opinion, except for the effects of the matters described above, the consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2014, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2 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:

- 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 Group and the Company so far as it appeared from our examination of those books;
- c) the consolidated balance sheet and profit and loss account of the Group and those of the Company together with annexed notes dealt with by the report are in agreement with the books of account and returns;
- d) the expenditure incurred was for the purposes of the Group's and the Company's business;
- e) the consolidated and separate financial statement of the Group and Company respectively have been drawn up in conformity with the rules and regulations issued by the Bangladesh Bank;
- f) adequate provisions have been made for leases and advances and other assets which are, in our opinion, considered to be doubtful of recovery;
- g) the consolidated financial statements of the Group and those of the Company conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- h) the records and the statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- i) the information and explanations required by us have been received and found satisfactory;
- j) the Company has complied with relevant laws pertaining to maintenance of capital and reserves;
- k) the Company has followed the instruction issued by the Bangladesh Bank in the matters of lease/advance classification, provisioning and suspension of interest; and
- l) we have spent approximately 1,750 person hours during the audit and covered more than 80% of the risk weighted assets of the Group and the Company as at 31 December 2014.

Dhaka, 4 March 2015

Hoda Vasi Chowdhury & Co
Chartered Accountants

HVC

Consolidated Balance Sheet

as at 31 December

(Figures in BDT)

| | 2014 | 2013 | Notes | PROPERTY AND ASSETS |
|---|-----------------------|-----------------------|------------|---|
| BAS 1.51 (d), 1.113 & 1.38 BAS 1.54 (i), 7.7 | | | | Cash |
| | 94,000 | 82,910 | | In hand (including foreign currencies) |
| | 153,053,421 | 108,450,437 | | Balance with Bangladesh Bank and its agent bank (including foreign currencies) |
| | 153,147,421 | 108,533,347 | 4.a | |
| BAS 1.54 (d) | | | | Balance with other banks and financial institutions |
| | 584,665,127 | 269,184,538 | | In Bangladesh |
| | - | - | | Outside Bangladesh |
| | 584,665,127 | 269,184,538 | 5.a | |
| | - | - | | Money at call and short notice |
| BAS 1.54 (d) | | | | Investments |
| | - | - | | Government |
| | 1,488,135,388 | 1,627,749,003 | | Others |
| | 1,488,135,388 | 1,627,749,003 | 6.a | Total investments |
| BAS 1.54 (d) | | | | Loans, advances and leases |
| | 14,739,579,044 | 10,748,602,289 | | Loans, advances and leases |
| | - | - | | Bills purchased and discounted |
| | 14,739,579,044 | 10,748,602,289 | 7.a | |
| BAS 1.54 (a) | 24,186,716 | 18,243,065 | 8.a | Fixed assets including land, building, furniture and fixtures |
| BAS 1.55 | 1,184,609,203 | 1,133,276,763 | 9.a | Other assets |
| | 18,174,322,899 | 13,905,589,006 | | TOTAL ASSETS |

LIABILITIES AND CAPITAL

| | | | | |
|--------------|-----------------------|-----------------------|------|--|
| | | | | Liabilities |
| BAS 1.54 (m) | 2,985,042,753 | 1,988,792,036 | 10.a | Borrowings from other banks, financial institutions and agents |
| BAS 1.54 (m) | | | | Deposits and other accounts |
| | 9,695,588,734 | 7,374,991,783 | 11.a | Term deposits |
| | 1,009,852,850 | 461,863,431 | 12 | Other deposits |
| | 10,705,441,584 | 7,836,855,214 | | Total deposits and other accounts |
| BAS 1.55 | 2,676,662,004 | 2,069,276,350 | 13.a | Other liabilities |
| | 16,367,146,340 | 11,894,923,599 | | Total liabilities |

Consolidated Balance Sheet

(Figures in BDT)

| 2014 | 2013 | Notes | | |
|-----------------------|-----------------------|-------|---|------------------------|
| | | | Shareholders' equity | |
| 1,209,002,586 | 1,099,093,260 | 14 | Paid up capital | BAS 1.54 (r), 1.78 (e) |
| 323,835,724 | 281,817,425 | 15 | Statutory reserve | BAS 1.54 (r), 1.78 (e) |
| 102,024,360 | 505,500,000 | | Revaluation reserve | BAS 1.54 (r), 1.78 (e) |
| 172,313,739 | 124,254,553 | 16.a | Retained earnings | BAS 1.54 (r), 1.78 (e) |
| 1,807,176,409 | 2,010,665,237 | | Total equity attributable to equity holders of the Company | BAS 1.54 (r), 1.78 (e) |
| 149 | 170 | | Non-controlling interest | |
| 18,174,322,899 | 13,905,589,006 | | TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | |

| OFF-BALANCE SHEET ITEMS | | | | |
|--------------------------------|--------------------|----|---|----------|
| | | | Contingent liabilities | BAS 1.55 |
| - | - | | Letters of guarantee | |
| - | - | | Irrevocable letters of credit | |
| - | - | | Other contingent liabilities | |
| - | - | | Total contingent liabilities | |
| | | | Other commitments | |
| 936,000,000 | 986,200,000 | 45 | Undisbursed contracted loans, advances and leases | BAS 1.55 |
| 936,000,000 | 986,200,000 | | TOTAL OFF BALANCE SHEET ITEMS | |
| 14.95 | 16.63 | | Net assets value per share (Year 2013: Restated) | |

The annexed notes 1 to 62 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,
4 March 2015

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

| (Figures in BDT) | | | | |
|---------------------------|--------------------|--------------------|--------|---|
| | 2014 | 2013 | Notes | |
| BAS 1.51(d), 1.113 & 1.38 | | | | |
| BFRS 7.20 (b) | 1,914,919,640 | 1,428,774,949 | 18.a | Interest income |
| BFRS 7.20 (b) | (1,342,351,271) | (1,057,469,365) | 19.a | Interest paid on deposits and borrowings etc. |
| BAS 1.85 | 572,568,369 | 371,305,584 | | Net interest income |
| BFRS 7.20 (b) | 71,828,356 | 27,394,754 | 20.a | Investment income |
| BFRS 7.20 (c) | 214,085,792 | 174,552,634 | 21.a | Fees, commissions, exchange and brokerage |
| BAS 1.85 | 30,226,665 | 33,079,076 | 22.a | Other operating income |
| | 888,709,182 | 606,332,049 | | Total operating income |
| BAS 1.104 | 97,444,653 | 64,970,210 | 23.a | Salaries and other employee benefits |
| BAS 1.97 | 25,373,808 | 18,679,585 | 24.a | Rent, taxes, insurance, electricity etc. |
| BAS 1.97 | 832,018 | 804,662 | | Legal expenses |
| BAS 1.97 | 3,525,415 | 3,323,908 | 25.a | Postage, stamp, telecommunication etc. |
| BAS 1.97 | 10,541,211 | 7,933,556 | 26.a | Stationery, printing, advertisements etc. |
| BAS 1.104 | 7,920,000 | 7,080,000 | 27 | Managing Director's salary and fees |
| BAS 1.97 | 1,598,000 | 1,111,500 | 28.a | Directors' fees |
| BAS 1.97 | 327,750 | 304,750 | 29.a | Auditors' fees |
| BAS 1.97 | 9,802,768 | 10,997,948 | 30.a | Depreciation and repair of assets |
| BAS 1.97 | 34,649,736 | 26,912,497 | 31.a | Other expenses |
| BAS 1.85 | 192,015,359 | 142,118,616 | | Total operating expenses |
| BAS 1.85 | 696,693,823 | 464,213,432 | | Profit before provision |
| | | | | Provision for loans, advances, leases and investment |
| BAS 1.97 | 188,120,423 | 134,982,012 | 13.1.a | General provision |
| BAS 1.97 | 66,188,524 | 109,589,808 | 13.1.b | Specific provision |
| BAS 1.97 | (6,103,370) | 11,051,020 | 13.2.a | Provision for diminution in value of investments |
| | 248,205,576 | 255,622,840 | | Total provision |
| | 448,488,247 | 208,590,592 | | Total profit before tax |
| | | | | Provision for taxation |
| BAS 1.82 (d) | 247,563,918 | 69,093,869 | 13.4.a | Current tax |
| BAS 1.82 (d) | 937,537 | (2,263,275) | 9.2 | Deferred tax |
| | 248,501,455 | 66,830,594 | | |
| BAS 1.82 (f) | 199,986,792 | 141,759,998 | | Net profit after tax |

Consolidated Profit and Loss Account

(Figures in BDT)

| 2014 | 2013 | Notes | |
|--------------------|--------------------|-------------|--|
| | | | Attributable to |
| 199,986,813 | 141,759,977 | | Shareholders of the Company |
| (21) | 21 | | Non-controlling interest |
| | | | Appropriations |
| 42,018,299 | 27,748,814 | | Statutory reserve |
| 157,968,513 | 114,011,163 | | Retained surplus |
| 120,900,259 | 120,900,259 | | Weighted average no. of outstanding share |
| 1.65 | 1.17 | 34.a | Earnings per share (2013 Restated) |

BAS 1.83

BAS 33.66

The annexed notes 1 to 62 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,
4 March 2015

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Consolidated Cash Flow Statement

for the year ended 31 December

| | | (Figures in BDT) | | |
|--------------------|----------------------|----------------------|------|--|
| | | 2014 | 2013 | Cash flows from operating activities |
| BAS 1.51(d) & 1.38 | | | | |
| BAS 7.31 | 1,868,155,282 | 1,425,820,639 | | Interest receipts |
| BAS 7.31 | (1,287,211,361) | (867,464,132) | | Interest payments |
| BAS 7.14 (b) | 214,085,792 | 165,359,485 | | Fee and commission receipts |
| BAS 7.31 | 27,815,308 | 5,328,264 | | Dividend receipts |
| BAS 7.14 (d) | (101,833,000) | (70,457,940) | | Cash payments to employees |
| BAS 7.14 (c) | (36,863,059) | (27,599,515) | | Cash payments to suppliers and management expenses |
| BAS 7.35 | (83,737,493) | (49,775,041) | | Income taxes paid |
| BAS 7.14 (b) | 30,250,930 | 34,780,120 | | Receipts from other operating activities |
| BAS 7.14 (c) | (37,407,504) | (29,133,409) | | Payments for other operating activities |
| | 593,254,895 | 586,858,471 | | Cash generated before changes in operating assets and liabilities |
| | | | | 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) | (6,106,650,839) | (3,238,805,906) | | Loans, advances and leases to customers |
| BAS 7.20 (a) | 2,226,832,935 | (61,786,054) | | Other assets |
| BAS 7.20 (a) | 1,094,000,000 | 2,586,000,000 | | Deposits from banks and other financial institutions |
| BAS 7.20 (a) | 2,191,052,715 | 652,553,953 | | Deposits from customers |
| | - | - | | Other liabilities account of customers |
| | - | - | | Trading liabilities |
| BAS 7.20 (a) | 111,616,160 | (188,021,931) | | Other liabilities |
| | (483,149,029) | (250,059,938) | | Cash generated from operating assets and liabilities |
| | 110,105,865 | 336,798,533 | | Net cash generated from/(used) in operating activities |
| | | | | Cash flows from investing activities |
| BAS 7.16 (d) | 4,757,613,295 | 1,304,312,320 | | Proceeds from sale of securities |
| Bas 7.16 (c) | (4,953,647,482) | (1,547,623,571) | | Payments for purchases of securities |
| BAS 7.16 (a) | (17,107,260) | (5,119,344) | | Purchase of property, plant and equipment |
| BAS 7.16 (b) | 628,062 | 54,993 | | Proceeds from sale of property, plant and equipment |
| | (212,513,385) | (248,375,603) | | Net cash used in investing activities |
| | | | | Cash flows from financing activities |
| BAS 7.31 | - | - | | Dividend paid |
| BAS 7.17 (c) | 1,040,797,636 | 589,910,000 | | Receipts of long term loan |
| BAS 7.17 (d) | (572,282,467) | (576,192,275) | | Repayment of long term loan |
| | - | - | | Non-controlling interest |
| BAS 7.17 (d) | (6,012,987) | (14,365,116) | | Net draw down/(payment) of short term loan |
| | 462,502,182 | (647,391) | | Net cash generated from/(used) in financing activities |
| | 360,094,662 | 87,775,540 | | Net (decrease)/increase in cash and cash equivalents |
| | - | - | | Effects of exchange rate changes on cash and cash equivalents |
| | 377,717,885 | 289,942,345 | | Cash and cash equivalents at beginning of the year |
| | 737,812,548 | 377,717,885 | | Cash and cash equivalents at end of the year |
| | | | | Cash and cash equivalents at end of the year represents |
| BAS 7.45 | 94,000 | 82,910 | | Cash in hand |
| | 153,053,421 | 108,450,437 | | Balance with Bangladesh Bank and its agent bank |
| | 584,665,127 | 269,184,538 | | Balance with other banks and financial institutions |
| | 737,812,548 | 377,717,885 | | |
| | | | | Supplemental schedule for non-cash financing activities |
| | 109,909,326 | 52,337,770 | | Bonus share issued |

Consolidated Statement of Changes in Equity

for the year ended 31 December

| (Figures in BDT) | | | | | | | | | |
|----------------------|--------------------|-------------------------------|---------------------|--------------------|--------------------------|----------------------|---------------------------------------|------------------|--|
| Paid up capital | Statutory reserve | Dividend equalization reserve | Revaluation reserve | Retained earnings | Non-controlling interest | Total | Particulars | | |
| 1,099,093,260 | 281,817,425 | - | 505,500,000 | 124,254,553 | 170 | 2,010,665,406 | Balance as at 1 January 2014 | BAS 1.51 (d) | |
| - | - | - | - | 199,986,813 | (21) | 199,986,792 | Net profit for the year 2014 | BAS 1.106 (d) | |
| - | 42,018,299 | - | - | (42,018,299) | - | - | Transfer to statutory reserve | BAS 1.106 (d)(i) | |
| - | - | - | - | - | - | - | Transfer to retained earnings | | |
| 109,909,326 | - | - | - | (109,909,326) | - | - | Issuance of bonus share (year 2013) | | |
| - | - | - | (403,475,640) | - | - | (403,475,640) | Fair value adjustment | BAS 1.107 | |
| 1,209,002,586 | 323,835,724 | - | 102,024,360 | 172,313,739 | 149 | 1,807,176,558 | Balance as at 31 December 2014 | | |
| 1,046,755,490 | 254,068,611 | 7,000,000 | 505,500,000 | 55,581,160 | 149 | 1,868,905,409 | Balance as at 1 January 2013 | BAS 1.106 (d) | |
| - | - | - | - | 141,759,977 | 21 | 141,759,998 | Net profit for the year 2013 | BAS 1.106 (d)(i) | |
| - | - | - | - | - | - | - | Non-controlling share capital | | |
| - | 27,748,814 | - | - | (27,748,814) | - | - | Transfer to statutory reserve | | |
| - | - | (7,000,000) | - | 7,000,000 | - | - | Dividend equalization reserve | | |
| 52,337,770 | - | - | - | (52,337,770) | - | - | Issuance of bonus share (year 2012) | BAS 1.107 | |
| - | - | - | - | - | - | - | Payment of cash dividend (year 2012) | | |
| 1,099,093,260 | 281,817,425 | - | 505,500,000 | 124,254,553 | 170 | 2,010,665,406 | Balance as at 31 December 2013 | BAS 1.107 | |

Union Capital Limited

Balance Sheet

as at 31 December

(Figures in BDT)

| BAS 1.51(d), 1.113 & 1.38 | 2014 | 2013 | Notes | |
|---------------------------|-----------------------|-----------------------|-----------|---|
| BAS 1.38 | | | | PROPERTY AND ASSETS |
| | | | | Cash |
| BAS 1.54 (i), 7.7 | 59,000 | 62,910 | | In hand (including foreign currencies) |
| | 153,053,421 | 108,450,437 | | Balance with Bangladesh Bank and its agent bank (including foreign currencies) |
| | 153,112,421 | 108,513,347 | 4 | Total |
| | | | | |
| BAS 1.54 (d) | | | | Balance with other banks and financial institutions |
| | 436,665,949 | 257,811,308 | | In Bangladesh |
| | - | - | | Outside Bangladesh |
| | 436,665,949 | 257,811,308 | 5 | Total balance with other banks and financial institutions |
| | - | - | | Money at call and short notice |
| | | | | Investments |
| BAS 1.54 (d) | - | - | | Government |
| | 394,219,407 | 344,721,150 | | Others |
| | 394,219,407 | 344,721,150 | 6 | Total investments |
| | | | | |
| BAS 1.54 (d) | | | | Loans, advances and leases |
| | 14,296,223,795 | 11,342,466,602 | | Loans, advances and leases |
| | - | - | | Bills purchased and discounted |
| | 14,296,223,795 | 11,342,466,602 | 7 | Total loans, advances and leases |
| | | | | |
| BAS 1.54 (a) | 16,221,475 | 16,481,629 | 8 | Fixed assets including land, building, furniture and fixtures |
| BAS 1.55 | 2,014,326,544 | 1,636,837,719 | 9 | Other assets |
| | 17,310,769,590 | 13,706,831,756 | | TOTAL ASSETS |
| | | | | |
| | | | | LIABILITIES AND CAPITAL |
| | | | | Liabilities |
| BAS 1.54 (m) | 2,798,583,601 | 1,988,792,036 | 10 | Borrowings from other banks, financial institutions and agents |
| | | | | |
| BAS 1.54 (m) | | | | Deposits and other accounts |
| | 9,695,588,734 | 7,658,525,439 | 11 | Term deposits |
| | 1,009,852,850 | 461,863,431 | 12 | Other deposits |
| | 10,705,441,584 | 8,120,388,870 | | Total deposits and other accounts |
| | | | | |
| BAS 1.55 | 2,104,610,311 | 2,105,608,249 | 13 | Other liabilities |
| | 15,608,635,496 | 12,214,789,154 | | Total liabilities |

Balance Sheet

(Figures in BDT)

| 2014 | 2013 | Notes | | |
|-----------------------|-----------------------|-------|--|------------------------|
| | | | Shareholders' equity | |
| 1,209,002,586 | 1,099,093,260 | 14 | Paid up capital | BAS 1.54 (r), 1.78 (e) |
| 323,835,724 | 281,817,425 | 15 | Statutory reserve | BAS 1.54 (r), 1.78 (e) |
| 169,295,784 | 111,131,917 | 16 | Retained earnings | BAS 1.54 (r), 1.78 (e) |
| 1,702,134,094 | 1,492,042,601 | | Total shareholders' equity | BAS 1.54 (r), 1.78 (e) |
| 17,310,769,590 | 13,706,831,756 | | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | |
| | | | OFF-BALANCE SHEET ITEMS | |
| | | | Contingent liabilities | BAS 1.55 |
| - | - | | Letters of guarantee | |
| - | - | | Irrevocable letters of credit | |
| - | - | | Other contingent liabilities | |
| | | | Other commitments | |
| 936,000,000 | 986,200,000 | 44 | Undisbursed contracted loans, advances and leases | BAS 1.55 |
| 936,000,000 | 986,200,000 | | TOTAL OFF BALANCE SHEET ITEMS | |
| | | | | |
| 14.08 | 12.34 | | Net assets value per share (2013: Restated) | |
| | | | | |

The annexed notes 1 to 62 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,
4 March 2015

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Union Capital Limited

Profit and Loss Account

for the year ended 31 December

(Figures in BDT)

| | 2014 | 2013 | Notes | |
|---------------------------|--------------------|--------------------|-------|--|
| BAS 1.51(d), 1.113 & 1.38 | | | | |
| BFRS 7.20 (b) | 1,885,400,419 | 1,457,870,872 | 18 | Interest income |
| BFRS 7.20 (b) | (1,326,377,588) | (1,092,604,443) | 19 | Interest paid on deposits and borrowings etc. |
| BAS 1.85 | 559,022,831 | 365,266,429 | | Net interest income |
| BFRS 7.20 (b) | (16,417,214) | 12,204,398 | 20 | Investment income |
| BFRS 7.20 (c) | 25,047,360 | 86,145,176 | 21 | Fees, commissions, exchange and brokerage |
| BAS 1.85 | 26,498,812 | 30,142,813 | 22 | Other operating income |
| | 594,151,788 | 493,758,817 | | Total operating income |
| BAS 1.104 | 67,617,751 | 45,853,150 | 23 | Salaries and other employee benefits |
| BAS 1.97 | 12,961,211 | 11,907,949 | 24 | Rent, taxes, insurance, electricity etc. |
| BAS 1.97 | 471,689 | 483,458 | | Legal expenses |
| BAS 1.97 | 1,729,927 | 1,879,692 | 25 | Postage, stamp, telecommunication etc. |
| BAS 1.97 | 9,599,010 | 7,839,930 | 26 | Stationery, printing, advertisements etc. |
| BAS 1.104 | 7,920,000 | 7,080,000 | 27 | Managing Director's salary and fees |
| BAS 1.97 | 1,000,000 | 985,000 | 28 | Directors' fees |
| BAS 1.97 | 172,500 | 149,500 | 29 | Auditors' fees |
| BAS 1.97 | 8,313,355 | 10,530,850 | 30 | Depreciation and repair of assets |
| BAS 1.97 | 14,809,366 | 12,831,373 | 31 | Other expenses |
| BAS 1.85 | 124,594,807 | 99,540,902 | | Total operating expenses |
| BAS 1.85 | 469,556,981 | 394,217,914 | | Profit before provision |
| | | | | Provision for loans, advances, leases and investments |
| BAS 1.97 | 48,028,127 | 126,384,997 | 13.1 | General provision |
| BAS 1.97 | 66,188,524 | 109,589,808 | 13.1 | Specific provision |
| BAS 1.97 | (18,637,882) | (12,998,089) | 13.2 | Provision for diminution in value of investments |
| | 95,578,769 | 222,976,716 | | Total provision |
| | 373,978,212 | 171,241,198 | | Total profit before tax |
| | | | | Provision for taxation |
| BAS 1.82 (d) | 162,949,182 | 34,760,406 | 13.4 | Current tax |
| BAS 1.82 (d) | 937,537 | (2,263,275) | 9.2 | Deferred taxax |
| | 163,886,719 | 32,497,131 | | |
| BAS 1.82 (f) | 210,091,493 | 138,744,068 | | Net profit after tax |

Profit and Loss Account

(Figures in BDT)

| 2014 | 2013 | Notes | |
|--------------------|--------------------|-----------|--|
| | | | Appropriations |
| 42,018,299 | 27,748,814 | 15 | Statutory reserve |
| 168,073,195 | 110,995,254 | | Retained surplus |
| 120,900,259 | 120,900,259 | | Weighted average no. of outstanding share |
| 1.74 | 1.15 | 35 | Earnings per share (2013: Restated) |

BAS 33.66

The annexed notes 1 to 62 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,
4 March 2015

sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Union Capital Limited

Cash Flow Statement

for the year ended 31 December

(Figures in BDT)

| | 2014 | 2013 | Notes | Cash flows from operating activities |
|---------------------------|----------------------|----------------------|-------|--|
| BAS 1.51(d), 1.113 & 1.38 | 1,838,636,060 | 1,392,281,356 | | Interest receipts |
| BAS 7.31 | (1,271,237,678) | (990,844,191) | | Interest payments |
| BAS 7.14 (b) | 25,047,360 | 76,952,027 | | Fee and commission receipts |
| BAS 7.31 | 4,357,970 | 35,970,012 | | Dividend receipts |
| BAS 7.14 (d) | (72,006,098) | (51,340,880) | | Cash payments to employees |
| BAS 7.14 (c) | (25,409,970) | (23,138,737) | | Cash payments to suppliers and management expenses |
| BAS 7.35 | (51,315,865) | (22,658,128) | | Income taxes paid |
| BAS 7.14 (b) | 26,523,077 | 31,843,857 | 32 | Receipts from other operating activities |
| BAS 7.14 (c) | (14,809,366) | (12,831,373) | 33 | Payments for other operating activities |
| | 459,785,491 | 436,233,944 | | Cash generated before changes in operating assets & liabilities |
| | | | | 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) | (3,709,286,148) | (3,769,583,983) | | Loans, advances and leases to customers |
| BAS 7.20 (a) | (23,860,949) | (342,975,678) | 38 | Other assets |
| BAS 7.20 (a) | 1,094,000,000 | 2,586,000,000 | | Deposits from banks and other financial institutions |
| BAS 7.20 (a) | 2,191,052,715 | 725,069,108 | | Deposits from customers |
| | - | - | | Other liabilities account of customers |
| | - | - | | Trading liabilities |
| BAS 7.20 (a) | 19,767,033 | 464,521,502 | 37 | Other liabilities |
| | (428,327,349) | (336,969,051) | | Cash generated from operating assets and liabilities |
| | 31,458,142 | 99,264,894 | | Net cash generated from/(used) in operating activities |
| | | | | Cash flows from investing activities |
| BAS 7.16 (d) | 2,479,022,556 | 1,292,827,020 | | Proceeds from sale of securities |
| BAS 7.16 (c) | (2,558,149,997) | (1,196,627,183) | | Payments for purchases of securities |
| BAS 7.16 (a) | (5,502,394) | (3,218,377) | | Purchase of property, plant and equipment |
| BAS 7.16 (b) | 582,380 | 54,993 | | Proceeds from sale of property, plant and equipment |
| | - | (50,000,000) | | Investment in UniCap Investments Limited |
| | (84,047,455) | 43,036,452 | | Net cash used in investing activities |
| | | | | Cash flows from financing activities |
| BAS 7.31 | - | - | | Dividend paid |
| BAS 7.17 (c) | 840,797,636 | 589,910,000 | | Receipts of long term loan |
| BAS 7.17 (d) | (558,741,621) | (576,192,275) | | Repayment of long term loan |
| BAS 7.17 (d) | (6,012,987) | (14,365,116) | | Net draw down/(payment) of short term loan |
| | 276,043,028 | (647,391) | | Net cash generated from/(used) in financing activities |
| | 223,453,715 | 141,653,955 | | Net (decrease)/increase in cash and cash equivalents |
| | - | - | | Effects of exchange rate changes on cash and cash equivalents |
| | 366,324,655 | 224,670,699 | | Cash and cash equivalents at beginning of the year |
| | 589,778,370 | 366,324,655 | | Cash and cash equivalents at end of the year |
| | | | | Cash and cash equivalents at end of the year represents |
| BAS 7.45 | 59,000 | 62,910 | | Cash in hand |
| | 153,053,421 | 108,450,437 | | Balance with Bangladesh Bank and its agent bank |
| | 436,665,949 | 257,811,308 | | Balance with other banks and financial institutions |
| | 589,778,370 | 366,324,655 | | Total |
| | | | | Supplemental schedule for non-cash financing activities |
| | 109,909,326 | 52,337,770 | | Bonus share issued |

Union Capital Limited

Statement of Changes in Equity

for the year ended 31 December

| (Figures in BDT) | | | | | | |
|----------------------|--------------------|-------------------------------|--------------------|----------------------|---------------------------------------|------------------|
| Paid up capital | Statutory reserve | Dividend equalization reserve | Retained earnings | Total | Particulars | |
| 1,099,093,260 | 281,817,425 | - | 111,131,917 | 1,492,042,601 | Balance as at 1 January 2014 | BAS 1.51 (d) |
| - | - | - | 210,091,493 | 210,091,493 | Net profit for the year 2014 | BAS 1.106 (d) |
| - | 42,018,299 | - | (42,018,299) | - | Transfer to statutory reserve | BAS 1.106 (d)(i) |
| | | - | - | | Transfer to retained earnings | |
| 109,909,326 | - | - | (109,909,326) | - | Issuance of bonus share (year 2013) | BAS 1.107 |
| 1,209,002,586 | 323,835,724 | - | 169,295,784 | 1,702,134,093 | Balance as at 31 December 2014 | |
| 1,046,755,490 | 254,068,611 | 7,000,000 | 45,474,433 | 1,353,298,534 | Balance as at 1 January 2013 | BAS 1.106 (d) |
| - | - | - | 138,744,068 | 138,744,068 | Net profit for the year 2013 | BAS 1.106 (d)(i) |
| - | 27,748,814 | - | (27,748,814) | - | Transfer to statutory reserve | |
| - | - | (7,000,000) | 7,000,000 | - | Transfer to retained earnings | |
| 52,337,770 | - | - | (52,337,770) | - | Issuance of bonus share (year 2012) | BAS 1.107 |
| 1,099,093,260 | 281,817,425 | - | 111,131,917 | 1,492,042,601 | Balance as at 31 December 2013 | |

Union Capital Limited

Statement of Liquidity Analysis

BAS 1.65 BAS 1.51 (c)

(Maturity of Assets and Liabilities)
as at 31 December 2014

| (Figures in BDT) Up to 1 month | 1-3 months | 3-12 months | 1-5 years | above 5 years | Total | Particulars |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|---|
| Assets | | | | | | |
| 59,000 | - | - | - | - | 59,000 | Cash in hand |
| 153,053,421 | - | - | - | - | 153,053,421 | Balance with Bangladesh Bank and its agent bank(s) |
| 54,588,098 | 272,160,000 | 109,917,851 | - | - | 436,665,949 | Balance with banks and other financial institutions |
| - | - | - | - | - | - | Money at call and short notice |
| 98,554,852 | 98,554,852 | 197,109,704 | - | - | 394,219,407 | Investments |
| 505,123,854 | 885,059,374 | 3,610,684,734 | 8,267,610,384 | 1,027,745,449 | 14,296,223,795 | Loans, advances and leases |
| - | - | - | - | 16,221,475 | 16,221,475 | Fixed assets including premises, furniture and fixtures |
| 195,057,545 | 124,560,254 | 295,055,630 | 1,127,252,402 | 272,400,713 | 2,014,326,544 | Other assets |
| 1,006,436,769 | 1,380,334,480 | 4,212,767,919 | 9,394,862,786 | 1,316,367,637 | 17,310,769,590 | Total assets |
| Liabilities | | | | | | |
| 797,245,500 | 263,655,000 | 525,649,500 | 1,184,349,090 | 27,684,511 | 2,798,583,601 | Borrowings from banks and financial institutions |
| 215,450,174 | 788,684,981 | 2,970,259,075 | 5,597,049,876 | 124,144,628 | 9,695,588,734 | Deposits |
| 15,565,086 | 61,315,019 | 330,201,213 | 582,965,813 | 19,805,719 | 1,009,852,850 | Other deposits |
| 12,525,236 | 45,025,125 | 275,575,126 | 1,142,545,126 | 628,939,698 | 2,104,610,311 | Provision and other liabilities |
| 1,040,785,996 | 1,158,680,125 | 4,101,684,914 | 8,506,909,905 | 800,574,556 | 15,608,635,496 | Total liabilities |
| (34,349,227) | 221,654,355 | 111,083,005 | 887,952,881 | 515,793,080 | 1,702,134,094 | Net liquidity gap |

Notes to the Financial Statements

as at and for the year ended 31 December 2014

BAS 1.10 (e)

BAS 1.51 (c)

Domicile,
legal form and
country of
incorporation

BAS 1.138 (a)

1. GENERAL INFORMATION

1.1 Domicile, legal form and country of incorporation

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), 73 Sonargaon Road, Dhaka 1205. The operations of the Company is being carried out through its 7 (seven) offices located in Dhaka, Gazipur, Narshingdi, Chittagong and Sylhet.

1.2 Principal activities

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 2014 Union Capital has two subsidiaries to include for preparation of consolidated financial statements as per Bangladesh Accounting Standard (BAS) 27: Consolidated and Separate

Financial Statements. A brief description of the subsidiaries is described below:

1.3.1 UniCap Securities Limited

UniCap Securities Limited (formerly SES Company Limited) is a private limited company registered under the Companies Act, 1994. The Company was incorporated in Bangladesh on 09 October 1995. The Company has changed its name to UniCap Securities Limited on 21 October 2013 and the registered office of the Company is situated at Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 1, Dhaka 1212. 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 UniCap Securities Limited and has control, it is a subsidiary. The Board of UniCap Securities Limited consists of 12 (twelve) Directors and all the Directors are nominated by Union Capital Limited to represent in the Board of the Company.

1.3.2 UniCap Investments Limited

UniCap Investments 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 is 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% shares in the Company. Out of 9 (nine) Directors, 2 (two) Directors have been nominated from Union Capital Limited to represent in the Board of the Company.

Earlier Merchant Banking operations were carried out by Union Capital Limited and as advised by the Bangladesh Securities and Exchange Commission (BSEC), the Company formed a separate subsidiary named 'UniCap Investments Limited' for its Merchant Banking Operation. The Company applied to the BSEC to transfer the merchant banking license of Union Capital Limited in the name of UniCap Investments Limited. BSEC has approved transfer of the license of Union Capital Limited in the name of UniCap Investments Limited on 30 December 2013 and from 1 January 2014 the operation of merchant banking has been operated in the name of UniCap Investments Limited.

2 BASIS OF PREPARATION

BAS 1.112 (a)

The financial statements are prepared on the historical cost basis and therefore, do 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 Limited and Chittagong Stock Exchange Limited, 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 issued DFIM circular no.11 dated 23 December 2009 suggesting uniform presentation and disclosure requirements within the industry. As a result, we compromised with the usual presentation of the financial statements.

There are some areas where application of BASs and BFRSs differs from the application suggested by Bangladesh Bank through different 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 Bangladesh Securities and Exchange Commission (BSEC). For mitigating presentation and disclosure conflict we prepare the financial statements following Bangladesh Bank's circulars and present separate disclosure where deviations exist.

2.1 Reporting period

BAS 1.125

The financial statements of the Company consistently cover one calendar year from 1 January to 31 December.

2.2 Directors' responsibility statement

BAS 1.125

The Board of Directors takes the responsibility for the preparation and presentation of these consolidated and separate financial statements.

2.3 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.

2.4 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.

BAS 37.14

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.

2.5 Statement of compliance

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)

BAS 1.16

**Compliance
with
IAS/IFRS**

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) of Bangladesh regulates financial reporting practices of listed companies. Listed companies are required to comply with BSEC's accounting and disclosure requirements. The Bangladesh Securities and Exchange 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 2014 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Union Capital Limited are as under:

| SL No. | BAS/BFRS | Applicability |
|---------|--|---------------|
| BAS 1 | Presentation of Financial Statements | * |
| BAS 2 | Inventories | N/A |
| BAS 7 | Statement of Cash Flows | 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 | Applied |
| 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 |
| BAS 39 | Financial Instruments: Recognition and Measurement | * |
| BAS 40 | Investment Property | N/A |
| BAS 41 | Agriculture | N/A |
| BFRS 2 | Share-based Payment | N/A |
| BFRS 3 | Business Combinations | 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 3.28).

N/A = Not Applicable

BAS 1.45

2.6 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, Union Capital Limited 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 2014 as in financial statements for 2013.

BFRS 8.20

2.7 Operating Segments

A segment is a distinguishable component of the Company that engaged in providing different types of products and services including revenues and expenses that relate to transactions with the Company's other components whose performances are regularly reviewed by the management. In this context the Company has identified three operating segments of the Group which comprise core financing business, UniCap Investments Limited and UniCap Securities Limited. Operating results of the reportable segments are disclosed in note no. 35 in compliance with Bangladesh Financial Reporting Standard (BFRS) 8: *Operating Segments*.

BAS 27.12

2.8 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries have been consolidated in accordance with Bangladesh Accounting Standard (BAS) 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'.

2.9 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason the Directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the Company provide sufficient funds to meet the present requirements of its existing businesses and operations.

3 SIGNIFICANT ACCOUNTING POLICIES BAS 1.10(e)

3.1 Operating and Finance Lease BAS 17.31

As per Bangladesh Accounting Standard (BAS) 17: *Leases*, 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.

Union Capital Limited as a lessor

Under finance leases, Union Capital Limited 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.

In contrast, assets held under operating leases are recognized and valued using the same principles as property, plant and equipment. Union Capital Limited does not hold any property under operating lease.

Operating and Finance Lease

Union Capital Limited as a Lessee

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 whichever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.

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.

3.2 Term finance and other finance

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 an amortized principal amount.

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.

When loans/leases are identified as non accrual, the amount of accrued interest is 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.

3.3 Investments in subsidiary

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 has two subsidiary companies namely, UniCap Investments Limited and UniCap Securities 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

BAS 17.8

BAS 17.49 & 17.50

BAS 17.8

BAS 17.33

BAS 1.119

BAS 24.12

minority portion as well as profit earned that goes to the non-controlling interest.

3.4 Investment in securities

Investment in securities are classified broadly in two categories and accounted for as under:

Valuation of investment in listed securities

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.

Valuation of investment in unlisted securities

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.

3.5 Receivables

Accounts receivables

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 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.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, and balance with other banks and financial institutions.

3.7 Liquidity statement

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.

3.8 Fixed assets including land, building, furniture and fixtures

Valuation of 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.

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*.

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.

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.

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

Valuation of
Investment /
Assets

BAS 7.6

BAS 1.65

BAS 16.73

BAS 23.13

BAS 16.12

BAS 16.67

BAS 16.73(b)

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 |

BAS 38.8 3.9 Intangible asset

Components

The main item included in intangible asset is software.

BAS 38.24 Valuation of Intangible assets

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.

BAS 38.72 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.

BAS 38.97 Amortization

Intangible asset is valued at amortized cost and written down within 5 to 10 years.

BAS 39.43 3.10 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.

BAS 23.9 3.11 Borrowing costs

All borrowing costs are recognized in the profit or loss account in the period in which they are incurred.

BAS 39.43 3.12 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.

BAS 37.14 3.13 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 Standard (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.

3.14 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 expenses 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

As per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*, 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.

3.15 Employees benefit plans

Union Capital offers a number of benefit plans which amongst others include 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 an unfunded gratuity scheme (which is a defined benefit scheme as specified in BAS 19: *Employee Benefits*). 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 employees based on their years of service 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 the Company introduced Home Loan Policy. An employee who is in service for a continuous period of at least five years (in 3 years service with Union Capital) is entitled to avail home loan to purchase residential apartment, purchase land and construction of house thereon etc. Interest rate of the loan is 6 percent per annum.

d. Employee car scheme

The Company provides car loan facility to the employees as per loan scheme. The Company provides full time car facility to the employees from the position of Executive Vice President.

e. Employee personal loan scheme

Union Capital provides personal loan facility to the employees as per loan scheme.

3.16 Branch accounting

The Company has 6 (six) branches with no overseas branch as on 31 December 2014. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

3.17 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 item's potential return is thus canceled and removed ("written off") from 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.

3.18 Interest suspense account

Accrued interest on lease finance, term finance, real estate finance, hire purchase agreement classified as Special Mention Account (SMA), Sub-Standard (SS), Doubtful (DF) and Bad & Loss (BL) are not recognized as income rather transferred to interest suspense accounts in compliance with Bangladesh Bank guidelines. Recovery of overdue credited to

interest suspense account is recognised as income on cash basis.

3.19 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standard (BAS) 18: *Revenue* unless otherwise mentioned or otherwise guided by the separate BASs/BFRSs.

a. Lease income

The excess of gross lease rentals 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 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 recognized on cash basis.

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 recognized as income on cash basis.

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 recognized as income on cash basis.

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.

e. Income from secured term finance

Income from secured term finance is recognized on accrual basis.

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 18.29

BAS 18.35 (a)

BAS 18.30 (a)

BAS 18.30 (a)

BAS 18.30 (a)

BAS 18.30 (a)

BAS 18.30 (a)

BAS 18.30 (c)

Dividend on preference shares : Dividend from preference shares is recognized on cash basis.

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 cash 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.

3.20 Event after the reporting period

Proposed dividend

The proposed dividend is not recognized as a liability in the balance sheet in accordance with Bangladesh Accounting Standard (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.

Bangladesh Accounting Standard (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.

All material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed in note 53.

3.21 Impairment of assets

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, if any, are recognized in the profit and loss account.

3.22 Related party transactions

As per Bangladesh Accounting Standard (BAS) 24: *Related Party Disclosures*, parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. All transactions involving related parties arising in normal course of business are conducted at arm's length basis at normal commercial rates on the same terms and conditions as third party transactions using valuation models.

3.23 Statutory reserve

Financial Institutions Regulations 1994 requires Non-bank Financial Institutions to transfer 20 percent 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, the Company transferred 20 percent of its net profit to statutory reserve before declaration of dividend.

3.24 Guarantee, commitments and contingencies

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.

3.25 Litigation

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.

3.26 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

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

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 2014, 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.

BAS 27.28

3.27 Uniform accounting policies

The financial statements of Union Capital Limited, UniCap Securities Limited and UniCap Investments Limited have been prepared in accordance with the uniform principles of accounting.

BAS 1.19

3.28 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements

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. 60 and 61 of these financial statements.

BAS 1.114 (d) (ii)

3.29 Financial risk management

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:

3.29.1 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.

3.29.2 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.

3.29.3 Market risk

The exposure of market risk of the Company is restricted to interest rate risk and equity risk.

3.29.4 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.

3.29.5 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.

3.29.6 Operational Risk

Appropriate internal control measures are in place at Union Capital to address operational risks. The Company 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 identifying, assessing, measuring, managing and transferring operational risk resulting from inadequate or failed internal control processes, people and system or from external events.

3.29.6 Information technology risk

The Company has appropriate policy, procedures in place to mitigate the risk of failing to develop, implement or operate UCL's technology platforms and

solutions to meet stakeholders' requirements. Also the Company has built resilience into its network platform through the installation of a back-up link, disaster recovery plan, executing service level agreement with the vendor.

3.29.8 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 e.g. 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. The Company has a robust risk assessment procedure at appraisal stage in case of any credit facility to any borrower involving any activities that is detrimental to the environment. The Company has also adopted Environmental Risk Management (ERM) policy and implemented the same in all of its business activities.

3.30 Basel II and its implementation

Basel II accords are the international standards for creating regulations about how much capital is needed to put aside to guard against the various types of financial and operational risks that the Financial Institutions face.

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Capital Adequacy and Market Discipline (CAMD)' have been introduced by Bangladesh Bank from 01 January 2012 regarding Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR), and Disclosure requirement as stated in the guidelines to be followed by all financial institutions for the purpose of statutory compliance. In line with the requirement of the guidelines, the Company has already formed BASEL Implementation Unit (BIU) to ensure timely implementation of BASEL II accord. Calculation of CAR and MCR are detailed out in note no. 14.

Cash, Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

BAS 1.77

(Figures in BDT)

2014 2013

4 CASH

| | | |
|--------------------|--------------------|-------------------------------------|
| 59,000 | 62,910 | In hand |
| - | - | Local currency |
| | | Foreign currencies |
| 59,000 | 62,910 | |
| | | Balance with Bangladesh Bank |
| 153,053,421 | 108,450,437 | Local currency |
| - | - | Foreign currencies |
| 153,053,421 | 108,450,437 | |
| 153,112,421 | 108,513,347 | Total |

BAS 1.77

4.a CASH (Consolidated)

| | | |
|--------------------|--------------------|-------------------------------------|
| | | In hand |
| 59,000 | 62,910 | Union Capital Ltd. |
| 25,000 | 20,000 | UniCap Securities Ltd. |
| 10,000 | - | UniCap Investments Ltd. |
| 94,000 | 82,910 | |
| | | Balance with Bangladesh Bank |
| 153,053,421 | 108,450,437 | Union Capital Ltd. |
| - | - | UniCap Securities Ltd. |
| - | - | UniCap Investments Ltd. |
| 153,053,421 | 108,450,437 | |
| 153,147,421 | 108,533,347 | Total |

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)

| | | |
|-------------------|------------------|------------------------------------|
| | | 2.5% of total term deposits |
| 140,165,443 | 105,345,688 | Required reserve |
| 156,298,210 | 112,515,981 | Actual reserve held |
| 16,132,767 | 7,170,293 | Surplus(deficit) |

4.1.2 Statutory liquidity reserve (SLR)

(Figures in BDT)

| 2014 | 2013 | 5% of average liabilities |
|-------------------|------------------|---------------------------|
| 297,435,955 | 217,159,650 | Required reserve |
| 355,426,670 | 222,888,301 | Actual reserve held |
| 57,990,715 | 5,728,651 | Surplus/(deficit) |

4.1.3 Held for cash reserve requirement (CRR)

| | | |
|-------------|-------------|--|
| 153,053,421 | 108,450,437 | Balance with Bangladesh Bank and its agent bank(s) |
|-------------|-------------|--|

4.1.4 Held for statutory liquidity reserve (SLR)

| | | |
|--------------------|--------------------|---|
| 59,000 | 62,910 | Cash in hand |
| 153,053,421 | 108,450,437 | Balance with Bangladesh Bank & its agent bank(s) as per statement |
| 436,665,949 | 257,811,308 | Balance with other banks and financial institutions (note-5) |
| 589,778,370 | 366,324,655 | |

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. 59,000 (2013: Tk. 62,910). 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 2014 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.

| Balance with other banks and financial institutions | Fixed deposit account | |
|---|-----------------------|-------------------|
| | 2014 | 2013 |
| | 6,311,551 | 5,663,750 |
| | 100,000,000 | - |
| | 9,917,851 | 8,965,289 |
| | 50,000,000 | - |
| | 22,160,000 | 20,000,000 |
| | 200,000,000 | 50,000,000 |
| | 388,389,402 | 84,629,039 |
| | Current account | |
| | 2014 | 2013 |
| | 16,281 | 16,884 |
| | 1 | 1 |
| | 73,109 | 74,499 |
| | - | 19,966 |
| | - | 45,714 |
| | 396,813 | 212,176 |
| | - | 42 |
| | - | 126,014 |
| | 453 | 453 |
| | - | 282 |
| | 714,055 | 715,555 |
| | - | 432,001 |
| | 81,098 | 287,687 |
| | - | 183,065 |
| | - | 78,736 |
| | 21,008 | 22,278 |
| | 1,302,819 | 2,215,353 |

(Figures in BDT)

| 2014 | 2013 | Short term deposit |
|--------------------|--------------------|--|
| 7,879,798 | 20,488,119 | HSBC, Dhaka Main Office |
| - | 28,421,657 | HSBC, Dhaka Main Office |
| 70,593 | 70,593 | HSBC, Dhaka Main Office |
| 2,008,060 | 1,957,895 | Southeast Bank Limited, Islamic Banking Branch |
| 19,207,253 | 93,211,305 | Bank Asia Limited, Corporate Branch |
| 5,790,249 | 3,888,824 | Dhaka Bank Limited, Local Office |
| - | 128,969 | Prime Bank Limited, Motijheel Branch |
| 4,700,975 | - | Dutch Bangla Bank Limited, Kawran Bazar Branch |
| 933,684 | 22,799,555 | Mutual Trust Bank Limited, Principal Branch |
| 6,383,117 | - | Jamuna Bank Limited, Sonargaon Road Branch |
| 46,973,729 | 170,966,917 | |
| 436,665,949 | 257,811,308 | Total |

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.

| Maturity wise grouping | | |
|------------------------|--------------------|---|
| 1,302,819 | 2,215,353 | On demand |
| 53,285,279 | 176,630,667 | Up to 1 month |
| 272,160,000 | - | Over 1 month but not more than 3 months |
| 109,917,851 | 8,965,289 | Over 3 months but not more than 1 year |
| - | - | Over 1 year but not more than 5 years |
| - | - | Over 5 years |
| 436,665,949 | 187,811,308 | Total |

5.a. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)

BAS 1.77

| | | |
|--------------------|--------------------|----------------------------------|
| 436,665,949 | 257,811,308 | Union Capital Ltd. |
| 104,253,224 | 6,295,686 | UniCap Securities Ltd. |
| 43,745,954 | 288,611,200 | UniCap Investments Ltd. |
| 584,665,127 | 552,718,194 | Total |
| - | 283,533,656 | Less: Inter-company transactions |
| 584,665,127 | 269,184,538 | Balance at 31 December |

6 INVESTMENTS

BAS 1.77

The investment is made up as under:

| | | | |
|---|--------------------|--------------------|------------------------------|
| Investments in Government securities and others | - | - | Government securities |
| | 394,219,407 | 344,721,150 | Other investments (note 6.1) |
| | 394,219,407 | 344,721,150 | Total |

This represents investment made by the Company in listed securities.

6.1 Other investments

(Figures in BDT)

| Ordinary share | No of Company | Market Value | 2014 | Cost 2013 |
|-------------------------------|---------------|--------------------|--------------------|--------------------|
| Listed securities | 12 | 389,610,249 | 394,219,407 | 344,721,150 |
| Balance at 31 December | 12 | 389,610,249 | 394,219,407 | 344,721,150 |

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 2014 was 30 December).

Sector wise investment in listed securities at cost

(Figures in BDT)

| 2014 | 2013 | |
|--------------------|--------------------|------------------------------------|
| - | 24,661,438 | Banking companies |
| - | 56,155,890 | Non Banking Financial Institutions |
| 53,786,714 | 68,252,252 | Insurance companies |
| - | 79,467,851 | Investment companies |
| 125,031,846 | - | Fuel & power |
| 215,400,847 | 116,183,719 | Manufacturing companies and others |
| 394,219,407 | 344,721,150 | Total |

Maturity wise grouping

BAS 1.61

| | | |
|--------------------|--------------------|---|
| 98,554,852 | - | Up to 1 month |
| 98,554,852 | 78,359,018 | Over 1 month but not more than 3 months |
| 197,109,704 | 444,034,437 | Over 3 months but not more than 1 year |
| - | - | Over 1 year but not more than 5 years |
| - | - | Over 5 years |
| 394,219,407 | 522,393,455 | Total |

6.a INVESTMENTS (consolidated)

BAS 1.77

| | | |
|----------------------|----------------------|-------------------------------|
| 394,219,407 | 344,721,150 | Union Capital Ltd. |
| 577,494,937 | 956,797,108 | UniCap Securities Ltd. |
| 516,421,044 | 326,230,745 | UniCap Investments Ltd. |
| 1,488,135,388 | 1,627,749,003 | Balance at 31 December |

7 LOANS, ADVANCES AND LEASES

BAS 1.77

This represents loans, advances and leases financed fully in Bangladesh.

Details of
loans,
advances
and leases

| | | |
|-----------------------|-----------------------|--|
| 3,038,510,420 | 1,907,028,019 | Lease finance (note 7.1) |
| 45,838,797 | 44,454,378 | Advance against lease finance (note 7.2) |
| 6,451,344,029 | 4,135,154,108 | Term finance (note 7.3) |
| 4,633,434,097 | 1,105,528,955 | Loan to subsidiaries |
| - | 3,996,002,533 | Margin loan (note 7.4) |
| 105,786,000 | 132,541,767 | Loan against deposits (note 7.5) |
| 21,310,452 | 21,756,841 | Staff loan (note 7.6) |
| 14,296,223,795 | 11,342,466,602 | Total |

7. 1 Lease finance

BAS 1.77

| | | |
|----------------------|----------------------|------------------------------------|
| 2,687,790,015 | 1,515,710,803 | Principal outstanding (note 7.1.1) |
| 350,720,405 | 391,317,216 | Accounts receivable |
| 3,038,510,420 | 1,907,028,019 | Total |

7. 1.1 Principal outstanding

BAS 17.47 (b)

| | | |
|----------------------|----------------------|--------------------------|
| 3,603,466,616 | 2,126,658,169 | Gross rental receivables |
| (915,676,601) | (610,947,366) | Unearned lease income |
| 2,687,790,015 | 1,515,710,803 | Net investment |

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.

| | | |
|-------------------|-------------------|--------------------------------|
| 44,454,378 | 88,607,133 | Balance at 1 January |
| 1,734,598,510 | 677,650,400 | Add: Disbursed during the year |
| (1,733,214,091) | (721,803,155) | Less: Executed during the year |
| 45,838,797 | 44,454,378 | Balance at 31 December |

7. 3 Term finance

(Figures in BDT)

| 2014 | 2013 | |
|----------------------|----------------------|------------------------------------|
| 6,179,957,783 | 3,951,129,032 | Principal outstanding (note 7.3.1) |
| 271,386,246 | 184,025,077 | Accounts receivable |
| 6,451,344,029 | 4,135,154,108 | Total |

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:

| | | |
|----------------------|----------------------|----------------------------------|
| 3,951,129,032 | 1,944,265,362 | Balance at 1 January |
| 3,665,203,698 | 2,903,654,500 | Add : Investment during the year |
| (1,436,374,947) | (896,790,830) | Less: Recovery during the year |
| 6,179,957,783 | 3,951,129,032 | Balance at 31 December |

7. 4 Margin loan

This represents net disbursement of margin loan to the portfolio investors for purchasing shares listed in the stock exchanges against their margin. Loans are fully secured by way of lien on shares purchased under margin loan account.

Movements of margin loan is made up as under:

| | | |
|-----------------|----------------------|----------------------------------|
| 3,996,002,533 | 3,160,183,348 | Balance at 1 January |
| - | 1,058,005,127 | Add : Investment during the year |
| - | (222,185,942) | Less: Recovery during the year |
| (3,996,002,533) | - | Less: Transferred to subsidiary |
| - | 3,996,002,533 | Balance at 31 December |

Earlier Merchant Banking operations were carried out by the Company and as per Bangladesh Securities and Exchange Commission (BSEC) Directive the Company formed a separate subsidiary named 'UniCap Investments Limited' for its Merchant Banking Operations. The Company applied to the BSEC to transfer its merchant banking license in the name of UniCap Investments Limited. BSEC has approved the transfer of the license of Union Capital Limited in the name of UniCap Investments Limited on 30 December 2013 and on 1 January 2014 the margin loan has been transferred to its wholly owned subsidiary, UniCap Investments Limited.

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 percent of TDR value. Interest is charged on such loan @ 2 percent above the interest offered on TDR.

Movement of loan against term deposit is as under:

| | | |
|--------------------|--------------------|---------------------------------|
| 132,541,767 | 150,310,373 | Balance at 1 January |
| 117,935,000 | 117,557,000 | Add :Investment during the year |
| (144,690,768) | (135,325,606) | Less: Recovery during the year |
| 105,786,000 | 132,541,767 | Balance at 31 December |

7. 6 Staff loan

Staff loan includes loan provided to the eligible employees as per Company's approved policy

| | | |
|-------------------|-------------------|-------------------------------|
| 12,623,433 | 16,588,762 | Employees home loan |
| 7,867,513 | 3,557,895 | Employees car loan |
| 819,506 | 1,610,184 | Personal loan |
| 21,310,452 | 21,756,841 | Balance at 31 December |

7. 7 Residual maturity grouping of loans, advances and leases

| | | |
|-----------------------|-----------------------|---|
| - | - | Repayable on demand |
| 505,123,854 | 1,066,325,384 | Upto 1 month |
| 885,059,374 | 2,043,277,922 | Over 1 month but not more than 3 months |
| 3,610,684,734 | 4,839,340,284 | Over 3 months but not more than 1 year |
| 8,267,610,384 | 2,325,542,547 | Over 1 year but not more than 5 years |
| 1,027,745,449 | 1,067,980,466 | Over 5 years |
| 14,296,223,795 | 11,342,466,602 | Total |

7. 8 Loans, advances and leases on the basis of significant concentration**BAS 1.77**

(Figures in BDT)

| | 2014 | 2013 | |
|---|-----------------------|-----------------------|--|
| Details of loans, advances and leases | 4,676,292,894 | 1,246,181,972 | a) Directors and their concerns |
| | 21,310,452 | 21,756,841 | b) Chief executive and other senior executives |
| | 9,598,620,449 | 10,074,527,789 | c) Customer groups |
| | 14,296,223,795 | 11,342,466,602 | Total |
| | | | |
| 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 2014 Union Capital Limited has no such loans, advances and leases extended to external customers except loans extended to its subsidiaries that has been reported quarterly to Bangladesh Bank as per requirement.

e. Sector wise loans, advances and leases**BAS 1.77**

As per Bangladesh Bank circular, sector wise loans and advances are as follows:

| Sector-wise exposure | | | Sector |
|----------------------|----------------|---------------|--|
| | 2,394,273,994 | 1,074,760,259 | Trade and Commerce |
| | | | Industry |
| | 717,796,226 | 210,689,751 | Garments and Knitwear |
| | 1,301,089,960 | 945,642,145 | Textile |
| | 27,754,024 | 24,910,512 | Jute and Jute Products |
| | 429,025,702 | 441,921,695 | Food Products and Processing Industry |
| | 137,526,911 | 185,507,557 | Plastic Industry |
| | 4,856,702 | - | Leather and Leather-Goods |
| | 772,605,444 | 664,748,375 | Iron, Still and Engineering |
| | 745,390,633 | 352,476,049 | Pharmaceuticals and Chemicals |
| | 103,579,228 | 110,718,247 | Cement and Allied Industry |
| | 34,905,319 | 3,719,899 | Telecommunication and Information Technology |
| | 213,544,716 | 283,642,349 | Paper, Printing and Packaging |
| | 2,270,949 | - | Glass, Glassware and Ceramic Industry |
| | 370,313,441 | 320,058,840 | Ship Manufacturing Industry |
| | 56,603,526 | 12,718,520 | Electronics and Electrical Products |
| | 759,070,455 | 548,779,091 | Power, Gas, Water and Sanitary Service |
| | 686,686,553 | 294,411,570 | Transport and Aviation |
| | 57,744,118 | - | Agriculture |
| | 278,974,299 | 181,674,224 | Housing |
| | | | Others |
| | 3,831,154,689 | 4,299,252,081 | Merchant Banking |
| | - | - | Margin Loan |
| | 1,371,056,906 | 1,386,835,438 | Others |
| 14,296,223,795 | 11,342,466,602 | Total | |

7. 9 Geographical location wise loans, advances and leases**BAS 1.77**

| | | |
|-----------------------|-----------------------|---------------------|
| 11,067,743,126 | 8,963,758,335 | Dhaka Division |
| 3,116,344,679 | 2,142,889,306 | Chittagong Division |
| 81,178,141 | 198,707,212 | Rajshahi Division |
| 3,203,825 | 12,201,237 | Khulna Division |
| 27,754,024 | 24,910,512 | Sylhet Division |
| 14,296,223,795 | 11,342,466,602 | Total |

7.10 Details of large loan/investments

Loan sanctioned to any individual or enterprise or any organisation of a group amounting to 15% or more of the Company's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Total capital of the Company as at 31 December 2014 was Taka 1,702.13 million against that of Taka 1,492.04 million as at 31 December 2013.

(Figures in BDT)

| 2014 | 2013 | |
|---------------|---------------|---|
| 7 | 5 | Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each |
| 6,354,194,878 | 5,952,604,493 | Amount of outstanding loans and advances [to the client as mentioned above] |
| - | - | Amount of classified loans and advances [out of the amount as mentioned above] |
| - | - | Measures taken for recovery [for the amount as mentioned above] |

7. 11 Particulars of loans, advances and leases

| | | SL Particulars |
|----------------------|-----------------------|---|
| 2,700,806,905 | 5,201,434,512 | I. Financing considered good in respect of which the Company is fully secured |
| 3,753,268,433 | 3,676,664,997 | II. Financing considered good in respect of which the Company is partially secured |
| 2,603,966,003 | 1,658,663,026 | III. Financing considered good against which the Company holds no security other than the debtors' personal guarantee |
| 186,582,039 | 50,175,112 | IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors |
| - | - | V. Financing adversely classified, provision not maintained there against |
| 9,244,623,380 | 10,586,937,647 | Total |
| 21,391,527 | 21,756,841 | VI. Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons |
| 4,676,292,894 | 1,246,181,972 | 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 |
| 21,391,527 | 21,756,841 | 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 |
| 4,676,292,894 | 1,246,181,972 | 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 |
| - | - | X. Due from banking companies and other financial institutions |
| 625,666,664 | 429,963,357 | XI. Classified loans, advances and leases on which interest has not been charged |
| 388,877,972 | 282,626,133 | a) Amount of written off loans, advances and leases |
| 2,061,567 | 1,833,707 | b) Amount realized against the debts previously written off |
| 185,268,389 | 266,806,133 | c) Provision kept against loans and advances classified as bad/loss |
| 81,146,159 | 44,381,258 | d) Amount of interest creditable to the interest suspense account |
| | | XII. Cumulative amount of the written off loans/leases: |
| 282,626,133 | 102,853 | Opening balance |
| 108,313,406 | 284,356,987 | Add: Amount written off during the year |
| 2,061,567 | 1,833,707 | Less: Amount recovered during the year |
| 388,877,972 | 282,626,133 | Cumulative to date |
| 392,755,323 | 284,441,917 | The amount of written off loans for which law suit filed |

7. 12 Classification wise loans, advances and leases

BAS 1.77

| (Figures in BDT) | | |
|-----------------------|-----------------------|--|
| 2014 | 2013 | Unclassified |
| 12,510,484,151 | 9,896,775,181 | Standard |
| 569,348,944 | 509,177,539 | Special mention account (SMA) |
| 13,079,833,095 | 10,405,952,720 | |
| Classified | | |
| 489,530,890 | 140,209,031 | Sub-standard (SS) |
| 83,006,647 | 214,974,487 | Doubtful (DF) |
| 643,853,163 | 581,330,364 | Bad/loss (BL) |
| 1,216,390,700 | 936,513,882 | |
| 14,296,223,795 | 11,342,466,602 | Total |
| 8.51% | 8.26% | Rate of classified loans, leases and advances |

Details of
Non-
performing
Assets
structure**7. 13 Rate of net classified loans, advances and leases**

BAS 1.77

| | | |
|-----------------------|-----------------------|---|
| 1,216,390,700 | 936,513,882 | Gross classified loans, advances and leases |
| 225,224,821 | 192,914,819 | Less: Interest suspense against classified loans, advances and leases |
| 248,518,913 | 214,296,633 | Less: Provision against classified loans, advances and leases |
| 742,646,966 | 529,302,430 | Net classified loans, advances and leases |
| 14,296,223,795 | 11,342,466,602 | Total loans, advances and leases |
| 5.19% | 4.67% | Rate of net classified loans, advances and leases |

7.14 Particulars of required provision for loans, advances and leases

BAS 37.84 (b)

Required provision has been made for loans, leases and advances as per Bangladesh Bank guidelines. As per guidelines, provisions at the following rate have been made in the accounts depending on the classification status.

| Loans, advances and leases up to 5 years term | Classification status | Provision (%) |
|---|-----------------------|---------------|
| Up to 2 months | Standard | 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 | Classification status | Provision (%) |
|---|-----------------------|---------------|
| Up to 5 months | Standard | 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 |

However, as per DFIM Circular number -03 dated 29 April 2013, provision at the rate of 0.25 percent has been made against 'Small and Medium Enterprises (SME)' loan/lease falling under the classification status of standard.

Required provision according to classification status is mentioned below:

(Figures in BDT)

| 2014 | 2013 | Base for provision | Unclassified - general provision |
|---------------------------------|--------------------|--------------------|---|
| Provision | Provision | Rate (%) | |
| 103,290,019 | 175,564,533 | 1 | 10,329,001,934 Standard (Excluding SME loan/leases) |
| 5,453,706 | 2,208,844 | 0.25 | 2,181,482,217 Standard (SME loan/leases) |
| 26,865,295 | 24,676,440 | 5 | 537,305,902 Special mention account |
| 135,609,020 | 202,449,817 | | 13,047,790,053 |
| Classified - specific provision | | | |
| 43,021,476 | 11,605,018 | 20 | 215,107,378 Sub-standard |
| 20,229,048 | 84,763,157 | 50 | 40,458,096 Doubtful |
| 185,268,389 | 117,928,459 | 100 | 185,268,389 Bad/loss |
| 248,518,913 | 214,296,633 | | 440,833,863 |
| 384,127,933 | 416,746,450 | | Required provision for loans, advances and leases |
| 384,248,913 | 418,333,334 | | Total provision maintained for loans, advances and leases |
| 120,980 | 1,586,884 | | Excess provision for loans, advances and leases |

7.a LOANS, ADVANCES AND LEASES (consolidated)

BAS 1.77

(Figures in BDT)

| 2014 | 2013 | |
|-----------------------|-----------------------|--------------------------------------|
| 14,296,223,795 | 11,342,466,602 | Union Capital Ltd. |
| 622,610,449 | 511,664,642 | UniCap Securities Ltd. |
| 4,454,178,897 | - | UniCap Investments Ltd. (note 7.a 1) |
| 19,373,013,141 | 11,854,131,244 | Total |
| 4,633,434,097 | 1,105,528,955 | Less: Inter-company transactions |
| 14,739,579,044 | 10,748,602,289 | Balance at 31 December |

7.a.1 This includes the margin loan transferred from Union Capital Limited on 1 January 2014 as a result of separation of merchant banking operations from its parent company, Union Capital Limited.

8 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

BAS 1.78 (a)

| | | | |
|--------------|-------------------|-------------------|---|
| Fixed Assets | 6,892,010 | 6,081,773 | Furniture and fixtures |
| | 18,184,226 | 16,846,626 | Office decoration |
| | 26,226,632 | 24,063,843 | Electric equipment |
| | 3,162,133 | 1,542,500 | Owned vehicles |
| | 8,760,000 | 8,760,000 | Leased vehicles |
| | 943,881 | 1,980,831 | Intangible assets (software) |
| | 412,002 | 412,002 | Mobile phones |
| | 41,328 | 41,328 | Staff appliances |
| | 64,622,212 | 59,728,904 | Total cost |
| | 48,400,738 | 43,247,275 | Less: Accumulated depreciation and amortization |
| | 16,221,475 | 16,481,629 | Written down value at 31 December |

Details are shown in Annexure - A.

8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)

BAS 1.77

| | | |
|-------------------|-------------------|-------------------------------|
| 16,221,475 | 16,481,629 | Union Capital Ltd. |
| 6,927,630 | 1,761,436 | UniCap Securities Ltd. |
| 1,037,611 | - | UniCap Investments Ltd. |
| 24,186,716 | 18,243,065 | Balance at 31 December |

9 OTHER ASSETS

BAS 1.77

| | | | |
|--|----------------------|----------------------|--|
| Other Assets including non-banking assets and investment in subsidiaries | 347,498,771 | 347,498,771 | Investment in subsidiary (note 9.1) |
| | 53,118,825 | 43,961,030 | Accrued interest |
| | 22,276,898 | 46,728,124 | Others |
| | 422,894,494 | 438,187,924 | Income generating other assets |
| | 5,078,665 | 6,385,104 | Advance office rent |
| | 525,629 | 171,574 | Advance to employees |
| | 37,500 | 37,500 | Deposits with T & T, water etc. |
| | 756,510,412 | 705,194,547 | Advance corporate tax |
| | 16,318,400 | 263,003,368 | Receivable from brokerage house against sale of shares |
| | 664,474,228 | 78,682,589 | Receivable from subsidiary companies |
| | 1,287,376 | 1,287,376 | Transfer price receivable |
| | 9,777,126 | 10,714,663 | Deferred tax assets (note 9.2) |
| | 112,446,140 | 106,117,058 | Non-banking assets (note 9.3) |
| | 24,976,576 | 27,056,016 | Others |
| | 1,591,432,051 | 1,198,649,795 | Non income generating other assets |
| | 2,014,326,544 | 1,636,837,719 | Total |

Management considers all the other assets as good.

9.1 Investment in subsidiary**9.1.1 Investment in UniCap Securities Limited**

UniCap Securities 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 UniCap Securities 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 UniCap Securities Limited against allotment of 100,000, 350,000 and 500,000 ordinary shares of Taka 100 each.

9.1.2 Investment in UniCap Investments Limited

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 249,999,870 was invested in UniCap Investments Limited which includes Taka 99,999,935, Taka 99,999,935 and Taka 50,000,000 for the year 2011, 2012 and 2013 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.

Deferred tax asset is arrived at as follows:

| (Taxable)/deductible temporary difference | Tax base | Carrying amount at balance sheet | Assets |
|---|-------------------|----------------------------------|--|
| 14,822,299 | 31,043,774 | 16,221,475 | Fixed assets net of depreciation |
| | | Liabilities | |
| 8,182,703 | - | 8,182,703 | Employee gratuity fund |
| 23,005,002 | 31,043,774 | 24,404,178 | |
| 42.50% | | | Applicable tax rate |
| 9,777,126 | | | Deferred tax assets at December 31, 2014 |
| 10,714,663 | | | Deferred tax assets at December 31, 2013 |
| 937,537 | | | Deferred tax expense during the year 2014 |

9.3 Non-banking assets

This represents assets owned under the 'Certificate of Ownership' given by the competent court under section 33(7) of Artha Rin Adalat Ain 2003.

9.a OTHER ASSETS (consolidated)

BAS 1.77

(Figures in BDT)

| 2014 | 2013 | |
|----------------------|----------------------|----------------------------------|
| 2,014,326,544 | 1,636,837,719 | Union Capital Ltd. |
| 169,395,667 | 245,098,267 | UniCap Securities Ltd. |
| 29,178,391 | 23,089,272 | UniCap Investments Ltd. |
| 2,212,900,602 | 1,905,025,258 | Total |
| 1,028,291,399 | 771,748,495 | Less: Inter-company transactions |
| 1,184,609,203 | 1,133,276,763 | Balance at 31 December |

10 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

BAS 1.77

| Borrowings from other banks, financial institutions and agents | Borrowings from other banks | |
|--|---|--|
| | In Bangladesh | |
| | Secured long term loans | |
| 1,252,927,545 | 974,659,353 | Bank loan (note 10.1) |
| | Unsecured | |
| 583,226,258 | 81,897,918 | Bangladesh Bank (Small Enterprise refinancing scheme-JICA) (note 10.2) |
| 62,000,000 | 12,500,000 | Bangladesh Bank (Women entrepreneurship refinance scheme (Note 10.3) |
| - | 3,671,094 | Fund from Bangladesh Bank (note 10.4) |
| 876,726,387 | 882,739,374 | Short term borrowing (note 10.4.2) |
| 1,521,952,645 | 977,137,292 | |
| 2,774,880,190 | 1,951,796,645 | |
| - | - | Outside Bangladesh |
| 2,774,880,190 | 1,951,796,645 | Borrowings from banks |
| | Borrowings from financial institutions | |
| 23,703,411 | 36,995,391 | The UAE-Bangladesh Investment Company Limited |
| 2,798,583,601 | 1,988,792,036 | Total |

10.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

(Figures in BDT)

| 2014 | 2013 | |
|----------------------|--------------------|-------------------------------|
| 974,659,353 | 1,084,663,843 | Balance at 1 January |
| 750,357,011 | 450,000,000 | Received during the year |
| (472,088,819) | (560,004,490) | Repayment during the year |
| 1,252,927,545 | 974,659,353 | Balance at 31 December |

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:

| | | |
|----------------------|--------------------|--|
| 200,000,000 | - | Dutch Bangla Bank Limited |
| 95,135,986 | 46,001,010 | Mutual Trust Bank Limited |
| 27,725,004 | - | National Credit and Commerce Bank Ltd. |
| - | 43,435,687 | NCC Bank Limited |
| 170,000,770 | 200,013,256 | Premier Bank Limited |
| 366,362,932 | 221,211,086 | Shahjalal Islami Bank Limited |
| 20,767,623 | 35,862,453 | Southeast Bank Limited |
| 71,314,512 | 88,206,956 | Standard Bank Limited |
| - | 22,079,213 | State Bank of India |
| 19,826,654 | 55,760,141 | United Commercial Bank Limited |
| 281,794,063 | 262,089,552 | Uttara Bank Limited |
| 1,252,927,545 | 974,659,354 | Total secured long term loans |

10.2 Bangladesh Bank (Small Enterprise refinancing program-JICA)

Fund received from Japan International Cooperation Agency (JICA) through Bangladesh Bank. Details are as under:

| | | |
|--------------------|-------------------|-------------------------------|
| 81,897,918 | 4,000,000 | Balance at 1 January |
| 587,981,142 | 87,410,000 | Received during the year |
| (86,652,802) | (9,512,082) | Repayment during the year |
| 583,226,258 | 81,897,918 | Balance at 31 December |

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

10.3 Bangladesh Bank (Women entrepreneurship refinance scheme)

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to women entrepreneurship. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

| | | |
|-------------------|-------------------|-------------------------------|
| 12,500,000 | - | Balance at 1 January |
| 49,500,000 | 12,500,000 | Received during the year |
| - | - | Repayment during the year |
| 62,000,000 | 12,500,000 | Balance at 31 December |

10.4 Short-term borrowings

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. 740,000,000 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. 1,476.81 million (calculated based on the half yearly report of 2014 of the Company).

Break up of short term borrowings**10.4.1 Short term loans**

(Figures in BDT)

| 2014 | 2013 | |
|--------------------|------------------|--------------------------------|
| 50,509,277 | - | Mutual Trust Bank Limited |
| 86,217,110 | 2,739,374 | United Commercial Bank Limited |
| 136,726,387 | 2,739,374 | Total |

10.4.2 Call Loans

| | | |
|--------------------|--------------------|-------------------------------------|
| 80,000,000 | - | Agrani Bank Limited |
| - | 50,000,000 | Bangladesh Development Bank Limited |
| 80,000,000 | 330,000,000 | BASIC Bank Limited |
| 50,000,000 | - | Dutch Bangla Bank Limited |
| 70,000,000 | - | Eastern Bank Limited |
| 100,000,000 | - | Janata Bank Limited |
| 120,000,000 | - | Meghna Bank Limited |
| - | 60,000,000 | Mutual Trust Bank Limited |
| - | 110,000,000 | Premier Bank Limited |
| - | 80,000,000 | Standard Bank Limited |
| 50,000,000 | 200,000,000 | The City Bank Limited |
| 50,000,000 | 50,000,000 | The Farmers Bank Limited |
| 140,000,000 | - | United Commercial Bank Limited |
| 740,000,000 | 880,000,000 | Total |
| 876,726,387 | 882,739,374 | Total short term borrowings |

10.4.3 Security against borrowings from other banks and financial institutions

| | | |
|----------------------|----------------------|--------------|
| 1,276,630,956 | 1,011,654,745 | Secured |
| 1,521,952,645 | 977,137,292 | Unsecured |
| 2,798,583,601 | 1,988,792,037 | Total |

10.5 Maturity wise grouping

| | | |
|----------------------|----------------------|---|
| 740,000,000 | 880,000,000 | Repayable on demand |
| 57,245,500 | 32,447,369 | Upto 1 month |
| 263,655,000 | 95,116,534 | Over 1 month but not more than 3 months |
| 525,649,500 | 337,631,070 | Over 3 months but not more than 1 year |
| 1,184,349,090 | 643,597,064 | Over 1 year but not more than 5 years |
| 27,684,511 | - | Over 5 years |
| 2,798,583,601 | 1,988,792,037 | Total |

10.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated)

| | | |
|----------------------|----------------------|----------------------------------|
| 2,798,583,601 | 1,988,792,036 | Union Capital Limited |
| 888,738,560 | 314,000,000 | UniCap Securities Limited |
| 3,931,154,689 | 74,305 | UniCap Investments Limited |
| 7,618,476,849 | 2,302,866,341 | Total |
| 4,633,434,097 | 314,074,305 | Less: Inter-company transactions |
| 2,985,042,753 | 1,988,792,036 | Balance at 31 December |

BAS 1.61

BAS 1.77

11 TERM DEPOSIT

This comprises interest bearing deposits from individuals and organizations for period ranging from 6 months to 10 years.

(Figures in BDT)

| | 2014 | 2013 | |
|--------------|----------------------|----------------------|-------------------------------------|
| Term Deposit | 4,900,000,000 | 3,806,000,000 | Banks and financial institutions |
| | 3,944,132,171 | 3,239,180,294 | Other institutions |
| | 8,844,132,171 | 7,045,180,294 | Total institutional deposits |
| | 642,357,703 | 547,369,145 | Term deposit |
| | 206,243,560 | 65,100,000 | Income deposit |
| | 2,855,300 | 876,000 | Monthly savings scheme |
| | 851,456,563 | 613,345,145 | Total individual deposits |
| | 9,695,588,734 | 7,658,525,439 | Total |

Movements of deposits is made up as under:

| | | |
|----------------------|----------------------|----------------------------------|
| 7,658,525,439 | 4,532,440,286 | Balance at 1 January |
| 7,556,362,277 | 6,187,743,278 | Received/renewed during the year |
| (5,519,298,982) | (3,061,658,125) | Repayment during the year |
| 9,695,588,734 | 7,658,525,439 | Balance at 31 December |

Maturity wise grouping

| | | |
|----------------------|----------------------|---|
| - | - | Repayable on demand |
| 215,450,174 | 462,643,324 | Repayable within 1 month |
| 1,815,889,513 | 3,848,634,251 | Over 1 month but not more than 6 months |
| 1,943,054,543 | 1,345,929,176 | Over 6 months but not more than 1 year |
| 5,597,049,876 | 1,556,782,410 | Over 1 year but not more than 5 years |
| 124,144,628 | 444,536,278 | Over 5 years but not more than 10 years |
| - | - | Over 10 years |
| - | - | Unclaimed deposits for 10 years or more |
| 9,695,588,734 | 7,658,525,439 | Balance at 31 December |

BAS 37.84 (a)

11.a TERM DEPOSITS (consolidated)

BAS 37.84 (b)

| | | |
|----------------------|----------------------|----------------------------------|
| 9,695,588,734 | 7,658,525,439 | Union Capital Limited |
| - | - | UniCap Securities Limited |
| - | - | UniCap Investments Limited |
| 9,695,588,734 | 7,658,525,439 | Total |
| - | 283,533,656 | Less: Inter-company transactions |
| 9,695,588,734 | 7,374,991,783 | Balance at 31 December |

BAS 1.77

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:

| | | | |
|----------------|----------------------|--------------------|-------------------------------|
| Other Deposits | 461,863,431 | 276,879,475 | Balance at 1 January |
| | 950,610,590 | 871,523,066 | Received during the year |
| | (402,621,171) | (686,539,111) | Repayment during the year |
| | 1,009,852,850 | 461,863,431 | Balance at 31 December |

Breakup of other deposits on the basis of category of finance is as under

| | | |
|----------------------|--------------------|-------------------------------|
| 162,689,968 | 50,396,046 | Lease advance |
| 107,590,681 | 72,119,704 | Term finance advance |
| 739,572,201 | 339,347,681 | Cash security |
| 1,009,852,850 | 461,863,431 | Balance at 31 December |

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

BAS 1.77

(Figures in BDT)

| | 2014 | 2013 | |
|---|----------------------|----------------------|--|
| Other Liabilities including provision for loans, advances, leases and taxes and movements thereof | 384,248,913 | 418,333,334 | Provision for loans, advances and leases (note 13.1) |
| | 4,609,168 | 23,247,050 | Provision for diminution in value of investments (note 13.2) |
| | 2,720,000 | - | Provision for other assets |
| | 255,848,153 | 174,701,994 | Interest suspense (note 13.3) |
| | 973,998,874 | 811,049,692 | Provision for tax (note 13.4) |
| | 439,092,475 | 383,952,565 | Financial expenses payable (note 13.5) |
| | 3,374,054 | 4,594,220 | Obligation under capital lease (note 13.6) |
| | 8,182,703 | 11,651,050 | Deferred liability-employee gratuity (note 13.7) |
| | 3,205,047 | 657,870 | Excise duty |
| | 14,899,470 | 12,328,312 | Withholding tax payable |
| | 597,561 | 482,274 | VAT payable |
| | 13,833,895 | 264,609,889 | Accrued expenses and other payable (note 13.8) |
| | 2,104,610,311 | 2,105,608,249 | Total |

13.1 Provision for loans, advances and leases

BAS 1.77

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.

| | | | |
|-----------------------|--------------------|--------------------|--|
| Break up of provision | 135,730,000 | 204,036,701 | General provision on unclassified loans, advances and leases |
| | 248,518,913 | 214,296,633 | Specific provision on classified loans, advances and leases |
| | 384,248,913 | 418,333,334 | Provision at 31 December |

Movement in general provision on unclassified loans/leases

| | | | | |
|--|--------------------|--------------------|---|---------------|
| Movement of provision on unclassified Loans/leases | 204,036,701 | 77,651,704 | Provision at 1 January | BAS 37.84 (a) |
| | 66,485,185 | 27,799,345 | Less: Provision made/(released) during the year | BAS 37.84 (a) |
| | (47,754,983) | (22,064,767) | Less: Provision no longer required | |
| | 2,094,660 | (5,734,578) | Add : Transferred from/(to) specific provision | BAS 37.84 (a) |
| | 48,028,127 | 126,384,997 | Add : Net charge to profit and loss account | BAS 37.84 (a) |
| | 135,730,000 | 204,036,701 | Provision at 31 December | BAS 37.84 (a) |

13.1.a General provision made during the year for loans, advances and leases (consolidated)

| | | |
|--------------------|--------------------|----------------------------|
| 48,028,127 | 126,384,997 | Union Capital Limited |
| 12,359,962 | 8,597,015 | UniCap Securities Limited |
| 127,732,334 | - | UniCap Investments Limited |
| 188,120,423 | 134,982,012 | Total |

Total provision of subsidiary companies includes 20 percent shortfall in of portfolio investors fund that has been provided as per Bangladesh Securities and Exchange Commission (BSEC) circular no. SEC/CMRRCD/2009-193/166 dated 12 January 2015.

13.1.b Movement in specific provision on classified loans/leases

| | | | | |
|--|--------------------|--------------------|--|---------------|
| Movement of provision on classified Loans/leases | 214,296,633 | 389,063,812 | Provision at 1 January | BAS 37.84 (a) |
| | (108,313,406) | (284,356,987) | Less: Fully provided debts written off during the year | |
| | 2,061,567 | 1,833,707 | Add : Recoveries of amounts previously written off | |
| | 2,094,660 | 5,734,578 | Less: Transferred from/(to) general provision | |
| | 76,972,502 | - | Add : Specific provision made during the year for other accounts | |
| | (2,061,567) | (7,568,285) | Less: Provision no longer required | |
| | - | - | Less: Adjustment for write off | |
| | 63,468,524 | 109,589,808 | Add : Net charge to profit and loss account | BAS 37.84 (b) |
| | 248,518,913 | 214,296,633 | Provision at 31 December | BAS 37.84 (a) |
| | 384,248,913 | 418,333,334 | Total | |

| | | | | |
|--|---|---|--|---------------|
| 13.1.c Provision for loans, advances and leases (consolidated) | | | | |
| (Figures in BDT) | | | | |
| Movement of provision on investments | 2014 | 2013 | | |
| | 384,248,913 | 418,333,334 | Union Capital Limited | |
| | 22,489,801 | 10,129,839 | UniCap Securities Limited | |
| | 165,000,000 | - | UniCap Investments Limited | |
| | 571,738,713 | 428,463,173 | Balance at 31 December | |
| | 13.2 Provision for diminution in value of investments | | | |
| | 23,247,050 | 36,245,140 | Provision at 1 January | BAS 37.84 (a) |
| | (18,637,882) | (12,998,089) | Add: Provision made/(released) during the year (note 13.2.1) | |
| | 4,609,168 | 23,247,050 | Provision at 31 December | BAS 37.84 (a) |
| | As on 31 December 2014, the amount of diminution in the value of investment in shares was Tk. 4,609,168 for which full provision has been made in the accounts. | | | |
| 13.2.1 Allocation of provision for diminution in value of investments | | | | |
| (18,637,882) | (12,998,089) | Listed securities | | |
| - | - | Unlisted securities | | |
| (18,637,882) | (12,998,089) | Total | | |
| 13.2.a Provision for diminution in value of investments (consolidated) | | | | |
| (18,637,882) | (12,998,089) | Union Capital Limited | | |
| 21,895,905 | 14,687,715 | UniCap Securities Limited | | |
| (9,361,394) | 9,361,394 | UniCap Investments Limited | | |
| (6,103,370) | 11,051,020 | Balance at 31 December | | |
| 13.2.b Provision for diminution in value of investments (consolidated) | | | | |
| 4,609,168 | 23,247,050 | Union Capital Limited | | |
| 48,863,936 | 26,968,030 | UniCap Securities Limited | | |
| - | 9,361,394 | UniCap Investments Limited | | |
| 53,473,104 | 59,576,475 | Balance at 31 December | | |
| 13.3 Interest suspense | | | | |
| 174,701,994 | 195,156,647 | Balance at 1 January | BAS 37.84 (a) | |
| 81,146,159 | 97,161,369 | Add: Transferred during the year | BAS 37.84 (b) | |
| (73,156,301) | - | Less: Amount of interest suspense recovered | | |
| 73,156,301 | - | Less: Write off during the year | | |
| 255,848,153 | 174,701,994 | Balance at 31 December | BAS 37.84 (a) | |
| 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 | | | | |
| 153,478,723 | 135,843,602 | On lease finance | | |
| 102,369,430 | 38,858,392 | On term finance | | |
| 255,848,153 | 174,701,994 | Total | | |
| 13.3.1.a Interest suspense (consolidated) | | | | |
| 255,848,153 | 174,701,994 | Union Capital Limited | | |
| 8,500,000 | - | UniCap Securities Limited | | |
| - | - | UniCap Investments Limited | | |
| 53,473,104 | 174,701,994 | Balance at 31 December | | |
| 13.4 Provision for tax | | | | |
| Provision for tax comprises provision for current tax and provision for deferred tax as well. | | | | |
| Provision for current tax | | | | |
| The company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted by Finance Act 2014. | | | | |

Tax on capital gain

The Government through Finance ACT 2010 imposed tax on capital gain from sale of listed company's shares @10 percent effective from 1st July 2010, which is considered in this report.

(Figures in BDT)

| 2014 | 2013 | | |
|--------------------|--------------------|--|----------------------|
| 811,049,692 | 776,289,286 | Balance at 1 January | BAS 37.84 (a) |
| 162,949,182 | 34,760,406 | Add :Provision made during the year | BAS 37.84 (b) |
| - | - | Less:Transferred to/(from) during the year | |
| 973,998,874 | 811,049,692 | Balance at 31 December | BAS 37.84 (a) |

While estimating the current income tax for the year ended 31 December 2014, 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)

| | | |
|--------------------|-------------------|-------------------------------|
| 162,949,182 | 34,760,406 | Union Capital Ltd. |
| 23,000,000 | 26,000,000 | UniCap Securities Limited |
| 61,614,736 | 8,333,463 | UniCap Investments Ltd. |
| 247,563,918 | 69,093,869 | Balance at 31 December |

13.5 Financial expenses

This comprises interest accrued on bank loans, term deposits and security deposits.

| | | |
|--------------------|--------------------|---|
| 338,430,041 | 319,988,808 | Interest payable on term deposits |
| 86,604,086 | 50,167,532 | Interest payable on cash security |
| 13,632,900 | 13,091,779 | Interest payable on long term borrowings |
| 425,448 | 704,444 | Interest payable on short term borrowings |
| 439,092,475 | 383,952,565 | Balance at 31 December |

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.

| Principal outstanding | Principal outstanding | Financial charges for future periods | Minimum lease payments | |
|-----------------------|-----------------------|--------------------------------------|------------------------|--------------------|
| 998,692 | 1,128,991 | 336,464 | 1,335,156 | Within one year |
| 2,375,362 | 3,465,229 | 294,942 | 2,670,304 | More than one year |
| 3,374,054 | 4,594,220 | 631,406 | 4,005,460 | Total |

13.7 Deferred liability-employee gratuity

| | | |
|------------------|-------------------|-------------------------------|
| 11,651,050 | 10,028,147 | Balance at 1 January |
| 2,341,603 | 2,053,893 | Add: addition during the year |
| 5,809,950 | 430,990 | Less: Paid during the year |
| 8,182,703 | 11,651,050 | Balance at 31 December |

13.8 Accrued expenses and other payable

| | | |
|-------------------|--------------------|---|
| - | 261,457,811 | Portfolio investors' fund (note 13.8.1) |
| 13,833,895 | 3,152,078 | Management expenses |
| - | - | Others payables |
| 13,833,895 | 264,609,889 | Balance at 31 December |

13.8.1 Portfolio investors' 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.

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)

| 2014 | 2013 | |
|------|----------------------|---|
| - | 1,800,703,468 | Deposit made by the portfolio investors for purchases of securities |
| - | 3,996,002,533 | Margin loan extended for purchase of securities |
| - | 5,796,706,001 | |
| - | 4,867,374,065 | Less: Investment in securities |
| - | 667,874,125 | Interest and other charges |
| - | 5,535,248,190 | Total |
| - | 261,457,811 | Balance at 31 December |

13.a OTHER LIABILITIES (consolidated)

BAS 1.77

| | | |
|----------------------|----------------------|----------------------------------|
| 2,104,610,311 | 2,105,608,249 | Union Capital Limited |
| 413,267,236 | 305,746,943 | UniCap Securities Limited |
| 839,577,084 | 82,170,873 | UniCap Investments Limited |
| 3,357,454,632 | 2,493,526,065 | Total |
| 680,792,628 | 424,249,715 | Less: Inter-company transactions |
| 2,676,662,004 | 2,069,276,350 | Balance at 31 December |

14 SHARE CAPITAL

BAS 1.79

As at 31 December 2014, a total number of 120,900,258 (Year 2013: 109,909,326) ordinary shares of Tk.10 each were issued, subscribed and fully paid up. Details are as follows:

Authorized capital

| | | | |
|---------------|---------------|--|-----------------|
| 2,000,000,000 | 2,000,000,000 | 200,000,000 ordinary shares of Tk. 10 each | BAS 1.79 (a)(i) |
|---------------|---------------|--|-----------------|

Issued, subscribed and paid up capital:

BAS 1.79 (a)(ii)

| | | |
|----------------------|----------------------|---|
| 1,099,093,260 | 1,046,755,490 | 109,909,326 ordinary shares of Tk.10 each |
| 109,909,326 | 52,337,770 | 10,990,932 bonus shares |
| 1,209,002,586 | 1,099,093,260 | Total 120,900,258 |

Pattern of shareholdings

BAS 1.79

| Directors/ Executives | Represented by | No. of shares held | Percentage |
|---|--|--------------------|------------|
| Enrilco Limited | Mr. Nadeem A. Chaudhury | 5,536,117 | 4.58 |
| Palmal Garments Hosiery Ltd. | Mrs. Tajrina Sikder | 11,764,671 | 9.73 |
| Palmal Garments Hosiery Ltd. | Mr. Kazi Russel Mahbub | | |
| EC Securities Ltd. | Mr. Chowdhury Tanzim Karim | 8,728,632 | 7.22 |
| EC Securities Ltd. | Capt. Minhazur Reza Chowdhury | | |
| Mr. M. Faizur Rahman | Self | 5,747,107 | 4.75 |
| Mr. Nasir A. Choudhury | Self | 5,379,739 | 4.45 |
| Mrs. Meherunnesa Haque | Self | 2,447,820 | 2.02 |
| Mr. Kazi Golam Rahman | Alternate Director of Kazi Golam Samiur Rahman | 4,330,921 | 3.58 |
| Mr. Ziaul Hasan Siddiqui, Independent Director | Self | Nil | Nil |
| Mr. Mohammad Nurun Nabi FCA | Self | Nil | Nil |
| Mr. Md. Abdul Karim | Self | Nil | Nil |
| Md. Akter H. Sannamat FCA, FCS, Managing Director & CEO | N/A | Nil | Nil |

Composition of shareholdings

Composition of shareholdings at 31 December 2014 was as under:

| No. of Shareholders | No. of Shares | Percentage | |
|---------------------|---------------|--------------------|-------------------------------|
| 2014 | 2013 | 2014 | 2013 |
| 5 | 5 | 28,638,506 | 26,035,009 |
| 18 | 14 | 38,057,378 | 34,883,984 |
| 206 | 304 | 22,023,829 | 21,413,980 |
| 9,357 | 9,847 | 32,180,545 | 27,576,353 |
| 9,586 | 10,170 | 120,900,258 | 109,909,326 |
| | | 100.00 | 100.00 |
| | | | Sponsors (Institutions) |
| | | | Sponsors (Individuals) |
| | | | General Public (Institutions) |
| | | | General Public (Individuals) |

Share Capital and its pattern and composition

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2014 was as under:

| | No. of Shareholders | | No. of Shares | | Percentage | | |
|-------------------------------|---------------------|---------------|--------------------|--------------------|---------------|---------------|-----------------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| Distribution of Shareholdings | 3,587 | 3,937 | 592,310 | 634,235 | 0.49 | 0.58 | Less than 500 shares |
| | 4,920 | 5,266 | 8,468,292 | 8,439,920 | 7.00 | 7.68 | 500 to 5,000 shares |
| | 519 | 501 | 3,634,858 | 3,437,775 | 3.01 | 3.13 | 5,001 to 10,000 shares |
| | 279 | 236 | 3,791,420 | 3,171,119 | 3.14 | 2.89 | 10,001 to 20,000 shares |
| | 95 | 83 | 2,331,214 | 1,942,267 | 1.93 | 1.77 | 20,001 to 30,000 shares |
| | 33 | 28 | 1,146,710 | 978,729 | 0.95 | 0.89 | 30,001 to 40,000 shares |
| | 32 | 20 | 1,427,078 | 907,468 | 1.18 | 0.83 | 40,001 to 50,000 shares |
| | 48 | 34 | 3,248,525 | 2,410,569 | 2.69 | 2.19 | 50,001 to 100,000 shares |
| | 52 | 46 | 19,530,336 | 18,552,471 | 16.15 | 16.88 | 100,001 to 1,000,000 shares |
| | 21 | 19 | 76,729,515 | 69,434,773 | 63.47 | 63.17 | Over 1,000,000 shares |
| | 9,586 | 10,170 | 120,900,258 | 109,909,326 | 100.00 | 100.00 | Total |

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 institution is required 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:

(Figures in BDT)

| | | Solo basis | |
|----------------------|----------------------|---|--|
| 2014 | 2013 | Core capital (Tier-I) | |
| 1,209,002,586 | 1,099,093,260 | Paid up capital | |
| - | - | Share premium | |
| 323,835,724 | 281,817,425 | Statutory reserves | |
| - | - | General reserves | |
| - | - | Dividend equalization reserves | |
| 169,295,785 | 111,131,917 | Retained earnings | |
| 1,702,134,094 | 1,492,042,601 | Sub-Total | |
| | | Supplementary capital (Tier-II) | |
| 135,730,000 | 204,036,701 | General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) | |
| - | - | Asset revaluation reserves up to 50% | |
| - | - | Revaluation reserve for securities upto 45% | |
| - | - | Revaluation reserve for equity instrument upto 10% | |
| - | - | All other preference shares | |
| - | - | Other (if any item approved by Bangladesh Bank) | |
| 135,730,000 | 204,036,701 | Sub-Total | |
| 1,837,864,094 | 1,696,079,302 | Total eligible capital (A) | |
| 14,736,930,090 | 11,510,352,821 | Total risk weighted assets (RWA) (B) | |
| 1,473,693,009 | 1,151,035,282 | Required capital based on risk weighted assets (10% of B) (C) | |
| 364,171,085 | 545,044,020 | Capital surplus (A-C) | |
| 12.47 | 14.74 | Capital adequacy ratio (%) (A/B*100) | |
| | | Consolidated basis | |
| | | Core capital (Tier-I) | |
| 1,209,002,586 | 1,099,093,260 | Paid up capital | |
| - | - | Share premium | |
| 323,835,724 | 281,817,425 | Statutory reserves | |
| - | - | General reserves | |
| - | - | Dividend equalization reserves | |
| 149 | 170 | Non-controlling interest | |
| 172,313,739 | 124,254,553 | Retained earnings | |
| 1,705,152,198 | 1,505,165,407 | Sub-Total | |

(Figures in BDT)

| 2014 | 2013 | Supplementary capital (Tier-II) |
|----------------------|----------------------|---|
| 167,608,918 | 124,700,648 | General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.) |
| 51,012,180 | 252,750,000 | Asset revaluation reserves up to 50% |
| - | - | Revaluation reserve for securities upto 45% |
| - | - | Revaluation reserve for equity instrument upto 10% |
| - | - | All other preference shares |
| - | - | Other (if any item approved by Bangladesh Bank) |
| 218,621,098 | 377,450,648 | Sub-Total |
| 1,923,773,296 | 1,882,616,055 | Total eligible capital (A) |
| 14,316,282,367 | 12,013,868,830 | Total risk weighted assets (RWA) (B) |
| 1,431,628,237 | 1,201,386,883 | Required capital based on risk weighted assets (10% of B) (C) |
| 492,145,059 | 681,229,172 | Capital surplus (A-C) |
| 13.44 | 15.67 | Capital adequacy ratio (%) (A/B*100) |

15 STATUTORY RESERVE

BAS 1.77

(Figures in BDT)

| Statutory Reserve | 2014 | 2013 | |
|-------------------|--------------------|--------------------|--|
| | 281,817,425 | 254,068,611 | Balance at 1 January |
| | 42,018,299 | 27,748,814 | Add: Transferred from profit during the year |
| | 323,835,724 | 281,817,425 | Balance at 31 December |

16 RETAINED EARNINGS

BAS 1.77

| Retained Earnings | 2014 | 2013 | |
|-------------------|--------------------|--------------------|--|
| | 111,131,917 | 45,474,434 | Balance at 1 January |
| | (109,909,326) | (52,337,770) | Less: Issuance of bonus shares (2013) |
| | - | 7,000,000 | Add: Transfer from dividend equalization reserve |
| | 210,091,493 | 138,744,068 | Add: Profit after tax for the year |
| | (42,018,299) | (27,748,814) | Less: Transferred to statutory reserve |
| | 169,295,784 | 111,131,917 | Balance at 31 December |

16.a RETAINED EARNINGS (Consolidated)

BAS 1.77

| | 2014 | 2013 | |
|--|--------------------|--------------------|--|
| | 124,254,553 | 55,581,160 | Balance at 1 January |
| | (109,909,326) | (52,337,770) | Less: Issuance of bonus shares (2013) |
| | - | 7,000,000 | Add: Transfer from dividend equalization reserve |
| | 199,986,811 | 141,759,977 | Add: Profit after tax for the year |
| | (42,018,299) | (27,748,814) | Less: Transferred to statutory reserve |
| | 172,313,739 | 124,254,553 | Balance at 31 December |

17 INCOME STATEMENT

BAS 1.97

| Income Statement | 2014 | 2013 | Income |
|------------------|----------------------|----------------------|---|
| | 1,885,400,419 | 1,457,870,872 | Interest, discount and similar income (note 18) |
| | 13,211,970 | 35,970,012 | Dividend income (note 20) |
| | 25,047,360 | 86,145,176 | Fees, commission, exchange and brokerage (note 21) |
| | (29,629,184) | (23,765,614) | Gains less losses arising from investment in securities (note 20) |
| | 26,498,812 | 30,142,813 | Other operating income (note 22) |
| | 1,920,529,376 | 1,586,363,259 | Total income |
| | | | Expenses |
| | 1,326,377,588 | 1,092,604,443 | Interest paid on deposits, borrowings etc. (Note 19) |
| | 101,472,087 | 76,178,680 | Administrative expenses (note 17.1) |
| | 8,313,355 | 10,530,850 | Depreciation and impairment on Company assets |
| | 14,809,366 | 12,831,373 | Other operating expenses |
| | 95,578,769 | 222,976,715 | Provision for leases, loans, advances and investments |
| | 1,546,551,164 | 1,415,122,060 | Total expenses |

17.1 Administrative expenses

(Figures in BDT)

BAS 1.97

| 2014 | 2013 | |
|--------------------|-------------------|--|
| 67,617,751 | 45,853,150 | Salary and allowances (note 23) |
| 12,961,211 | 11,907,949 | Rent, taxes, insurance, electricity, etc (note 24) |
| 471,689 | 483,458 | Legal expenses |
| 1,729,927 | 1,879,692 | Postage, stamp, telecommunication, etc (note 25) |
| 9,599,010 | 7,839,930 | Stationery, printings, advertisements, etc (note 26) |
| 7,920,000 | 7,080,000 | Managing Director's salary and allowances (note 27) |
| 1,000,000 | 985,000 | Directors' fees (note 28) |
| 172,500 | 149,500 | Auditors' fees (note 29) |
| 101,472,087 | 76,178,680 | Total |

18 INTEREST INCOME

BAS 18.35 (b)

| | | | |
|------------------|----------------------|----------------------|----------------------------------|
| Income Statement | 291,182,610 | 204,996,372 | Income from lease finance |
| | 924,267,182 | 542,135,636 | Income from term finance |
| | - | 592,386,298 | Income from margin loan |
| | 668,766,176 | 116,696,383 | Interest on loan to subsidiaries |
| | 1,184,451 | 1,656,183 | Income from other finance |
| | 1,885,400,419 | 1,457,870,872 | Total |

18.a INTEREST INCOME (Consolidated)

BAS 1.97

| | | |
|----------------------|----------------------|----------------------------------|
| 1,885,400,419 | 1,457,870,872 | Union Capital Limited |
| 102,662,502 | 87,600,460 | UniCap Securities Limited |
| 697,784,304 | 35,172,435 | UniCap Investments Limited |
| 2,685,847,225 | 1,580,643,767 | |
| 770,927,585 | 151,868,818 | Less: Inter-company transactions |
| 1,914,919,640 | 1,428,774,949 | Total |

19 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.

BAS 1.97

| | | | |
|---|----------------------|----------------------|---|
| interest paid on deposits, borrowings, etc. | 91,886,202 | 177,393,076 | Interest on bank loan |
| | 16,833,876 | 1,473,918 | Interest on JICA fund |
| | - | 65,698 | Interest on fund from Bangladesh Bank |
| | 1,946,809 | 151,667 | Interest on women entrepreneurship fund |
| | 1,070,249,826 | 817,658,494 | Interest on term deposits |
| | 82,086,958 | 69,987,082 | Interest on money at call & short notice |
| | 61,391,292 | 23,840,700 | Interest on cash security deposit |
| | 545,142 | 919,357 | Interest on obligation under capital leases |
| | 1,437,482 | 1,114,451 | Bank charges |
| | 1,326,377,588 | 1,092,604,443 | Total |

19.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)

BAS 1.97

| | | |
|----------------------|----------------------|----------------------------------|
| 1,326,377,588 | 1,092,604,443 | Union Capital Limited |
| 168,971,653 | 92,790,905 | UniCap Securities Limited |
| 617,929,615 | 23,942,835 | UniCap Investments Limited |
| 2,113,278,856 | 1,209,338,183 | |
| 770,927,585 | 151,868,818 | Less: Inter-company transactions |
| 1,342,351,271 | 1,057,469,365 | Total |

20 INVESTMENT INCOME

BAS 18.35 (b)

| | | | |
|-------------------|---------------------|-------------------|---|
| Investment Income | (29,629,184) | (23,765,614) | Capital gain/(loss) on sale of securities (note 20.1) |
| | 13,211,970 | 35,970,012 | Dividend income |
| | (16,417,214) | 12,204,398 | Total |

20.1 Capital gain/(loss) on sale of securities

BAS 1.97

(Figures in BDT)

| 2014 | 2013 | |
|---------------------|---------------------|--|
| 141,913,901 | 57,706,853 | Gain on sales of shares |
| (171,543,085) | (81,472,467) | Loss on sales of shares |
| (29,629,184) | (23,765,614) | Net gain/(loss) from sale of securities |

20.a INVESTMENT INCOME (consolidated)

BAS 1.97

| | | |
|-------------------|-------------------|----------------------------------|
| (16,417,214) | 12,204,398 | Union Capital Limited |
| 33,141,343 | 7,936,616 | UniCap Securities Limited |
| 55,104,227 | 41,753,740 | UniCap Investments Limited |
| 71,828,356 | 61,894,754 | |
| - | 34,500,000 | Less: Inter-company transactions |
| 71,828,356 | 27,394,754 | Total |

21 FEES, COMMISSION, EXCHANGE AND BROKERAGE

BAS 18.35 (b)

| | | | |
|---|-------------------|-------------------|--|
| Fees, commission, exchange and brokerage | 24,833,394 | 9,193,149 | Processing and documentation fees |
| | - | 1,037,950 | Issue management fee |
| | 213,966 | 426,250 | Underwriting commission |
| | - | 75,487,827 | Portfolio management fee and other charges |
| | 25,047,360 | 86,145,176 | Total |

21.a FEES, COMMISSION, EXCHANGE AND BROKERAGE (consolidated)

BAS 1.97

| | | |
|--------------------|--------------------|----------------------------|
| 25,047,360 | 86,145,176 | Union Capital Limited |
| 110,194,308 | 88,407,458 | UniCap Securities Limited |
| 78,844,124 | - | UniCap Investments Limited |
| 214,085,792 | 174,552,634 | Total |

22 OTHER OPERATING INCOME

BAS 18.35 (b)

| | | | |
|------------------------------|-------------------|-------------------|-------------------------------------|
| Other Operating Income | 5,917,187 | 11,814,354 | Delinquent interest, IDCP etc. |
| | 4,971,288 | 681,146 | Renewals and proceeds |
| | 13,573,035 | 12,026,170 | Interest on deposits |
| | (24,265) | 35,492 | Gain/(loss) on sale of fixed assets |
| | 2,061,567 | 5,585,651 | Others |
| | 26,498,812 | 30,142,813 | Total |

22.a OTHER OPERATING INCOME (consolidated)

BAS 1.97

| | | |
|-------------------|-------------------|----------------------------|
| 26,498,812 | 30,142,813 | Union Capital Limited |
| 3,356,551 | 2,936,263 | UniCap Securities Limited |
| 371,303 | - | UniCap Investments Limited |
| 30,226,665 | 33,079,076 | Total |

23 SALARIES AND OTHER EMPLOYEE BENEFITS

BAS 1.104

| | | | |
|---|-------------------|-------------------|------------------------------|
| Salaries and other employee benefits | 52,346,670 | 41,396,355 | Salaries & allowances (a) |
| | 15,271,081 | 4,456,795 | Festival and incentive bonus |
| | 67,617,751 | 45,853,150 | Total |

Salaries and allowances include contribution to approved Provident Fund and Gratuity Fund amounting to Tk. 4,763,050 and Tk. 2,236,642 for the year 2014 and 2013 respectively.

23.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)

BAS 1.97

| | | |
|-------------------|-------------------|----------------------------|
| 67,617,751 | 45,853,150 | Union Capital Limited |
| 22,569,377 | 19,117,060 | UniCap Securities Limited |
| 7,257,525 | - | UniCap Investments Limited |
| 97,444,653 | 64,970,210 | Total |

24 RENT, TAXES, INSURANCE, ELECTRICITY etc.

BAS 1.97

| | | | |
|---|-------------------|-------------------|------------------------------|
| Rent, taxes, insurance, electricity etc. | (Figures in BDT) | | |
| | 2014 | 2013 | |
| | 11,045,267 | 9,951,832 | Office rent, rates and taxes |
| | 115,520 | 206,918 | Insurance |
| | 1,800,424 | 1,749,200 | Power and electricity |
| | 12,961,211 | 11,907,949 | Total |

24.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)

BAS 1.97

| | | |
|-------------------|-------------------|----------------------------|
| 12,961,211 | 11,907,949 | Union Capital Limited |
| 8,652,772 | 6,771,636 | UniCap Securities Limited |
| 3,759,825 | - | UniCap Investments Limited |
| 25,373,808 | 18,679,585 | Total |

25 POSTAGE, STAMP, TELECOMMUNICATION etc.

BAS 1.97

| | | | |
|---|------------------|------------------|---------------------------------|
| Postage, stamp, telecommunication etc. | 96,277 | 203,396 | Postage |
| | 480,103 | 731,879 | Telegram, telex, fax and e-mail |
| | 1,153,547 | 944,417 | Telephone - office |
| | 1,729,927 | 1,879,692 | Total |

25.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)

BAS 1.97

| | | |
|------------------|------------------|----------------------------|
| 1,729,927 | 1,879,692 | Union Capital Limited |
| 1,687,662 | 1,444,216 | UniCap Securities Limited |
| 107,826 | - | UniCap Investments Limited |
| 3,525,415 | 3,323,908 | Total |

26 STATIONERY, PRINTING, ADVERTISEMENTS etc.

BAS 1.97

| | | | |
|--|------------------|------------------|-----------------------------|
| Stationery, printing, advertisements etc. | 1,463,016 | 1,508,048 | Printing and stationery |
| | 8,135,994 | 6,331,883 | Advertisement and publicity |
| | 9,599,010 | 7,839,930 | Total |

26.a STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)

BAS 1.97

| | | |
|-------------------|------------------|----------------------------|
| 9,599,010 | 7,839,930 | Union Capital Limited |
| 463,324 | 93,626 | UniCap Securities Limited |
| 478,877 | - | UniCap Investments Limited |
| 10,541,211 | 7,933,556 | Total |

27 MANAGING DIRECTOR'S SALARY AND FEES

Remuneration to MD & CEO

| | | |
|--|-----------|-------------------------------------|
| 7,920,000 | 7,080,000 | Managing Director's Salary and Fees |
| In addition to remuneration, the Managing Director & CEO is also provided with Company's car and cell phone. | | |

28 DIRECTORS' FEES

BAS 1.97

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's DFIM circular no. 03 dated 24 February 2010, 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:

| | | |
|-----------|---------|--|
| 14 | 12 | Total Board Meetings (nos.) |
| 7 | 9 | Total Board Audit Committee Meetings (nos.) |
| 10 | 10 | Total Board Executive Committee Meetings (nos.) |
| 1,000,000 | 985,000 | Total fees paid |
| 12 | 12 | Total members of the Board (nos.) |
| 5 | 5 | Quorum for Board meeting (nos.) |
| 8.64 | 9.17 | Average number of Directors present in the board meetings (nos.) |
| 2 | 2 | Quorum for board audit committee Meeting (nos.) |
| 4.43 | 4.44 | Average no. of Directors present in the audit committee meetings (nos.) |
| 2 | 2 | Quorum for board executive committee Meeting (nos.) |
| 4.20 | 4.47 | Average no. of Directors present in the executive committee meetings(nos.) |

28.a DIRECTORS' FEES (consolidated)

BAS 1.97

(Figures in BDT)

| 2014 | 2013 | |
|------------------|------------------|----------------------------|
| 1,000,000 | 985,000 | Union Capital Limited |
| 529,000 | 126,500 | UniCap Securities Limited |
| 69,000 | - | UniCap Investments Limited |
| 1,598,000 | 1,111,500 | Total |

Auditors' fees**29 AUDITORS' FEES**

BAS 1.97

| | | |
|----------------|----------------|------------------|
| 140,000 | 130,000 | Auditors' fee |
| 32,500 | 19,500 | VAT on audit fee |
| 172,500 | 149,500 | Total |

29.a AUDITORS' FEES (consolidated)

BAS 1.97

| | | |
|----------------|----------------|----------------------------|
| 172,500 | 149,500 | Union Capital Limited |
| 97,750 | 97,750 | UniCap Securities Limited |
| 57,500 | 57,500 | UniCap Investments Limited |
| 327,750 | 304,750 | Total |

Depreciation and repair of assets**30 DEPRECIATION AND REPAIR OF ASSETS**

BAS 1.97

| | | |
|------------------|-------------------|--|
| 5,331,582 | 7,359,157 | Depreciation of fixed assets-freehold |
| 1,752,000 | 1,752,000 | Depreciation of fixed assets-leasehold vehicle |
| 147,672 | 311,870 | Amortization of intangible assets |
| 243,591 | 328,649 | Repairs and maintenance of assets |
| 838,510 | 779,174 | Office maintenance |
| 8,313,355 | 10,530,850 | Total |

30.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)

BAS 1.97

| | | |
|------------------|-------------------|----------------------------|
| 8,313,355 | 10,530,850 | Union Capital Limited |
| 1,245,996 | 467,098 | UniCap Securities Limited |
| 243,417 | - | UniCap Investments Limited |
| 9,802,768 | 10,997,948 | Total |

31 OTHER EXPENSES

BAS 1.97

| | | |
|-------------------|-------------------|--|
| 261,579 | 169,000 | HR development |
| 1,100,693 | 4,935,450 | Travelling and conveyance |
| 4,549,957 | 1,271,149 | Motor vehicle expenses |
| 1,487,927 | 1,497,968 | Subscription and fees |
| 63,232 | 61,849 | Books, magazines, newspapers, etc |
| 1,959,156 | 2,573,406 | AGM expenses (note 31.1) |
| 3,962,342 | 1,812,550 | Entertainment and public relation & others |
| 1,424,480 | 510,000 | Donation |
| 14,809,366 | 12,831,373 | Total |

31.1 AGM expenses

BAS 1.97

| | | |
|------------------|------------------|--|
| 30,000 | 30,000 | Rent for venue |
| 1,739,259 | 1,696,250 | Printing of annual report and database |
| 61,500 | 146,300 | Publication of notice |
| 65,130 | 657,180 | Entertainment |
| 63,267 | 43,676 | Others |
| 1,959,156 | 2,573,406 | Total |

31.a OTHER EXPENSES (consolidated)

BAS 1.97

| | | |
|-------------------|-------------------|----------------------------------|
| 14,809,366 | 12,831,373 | Union Capital Limited |
| 18,988,237 | 13,833,662 | UniCap Securities Limited |
| 852,133 | 247,463 | UniCap Investments Limited |
| 34,649,736 | 26,912,497 | Total |
| - | - | Less: Inter-company transactions |
| 34,649,736 | 26,912,497 | Total |

32 RECEIPTS FROM OTHER OPERATING ACTIVITIES

BAS 1.97

(Figures in BDT)

| | 2014 | 2013 | |
|--|-------------------|-------------------|--------------------------------|
| Receipts from other operating activities | 5,917,187 | 11,814,354 | Delinquent interest, IDCP etc. |
| | 4,971,288 | 681,146 | Renewals and proceeds |
| | 13,573,035 | 12,026,170 | Interest on deposits |
| | 2,061,567 | 14,778,800 | Others |
| | 26,523,077 | 39,300,470 | Total |

33 PAYMENTS FOR OTHER OPERATING ACTIVITIES

BAS 1.97

| | | | |
|---|-------------------|-------------------|--|
| Payments for other operating activities | 261,579 | 169,000 | HR development |
| | 1,100,693 | 4,935,450 | Travelling and conveyance |
| | 4,549,957 | 1,271,149 | Motor vehicle expenses |
| | 1,487,927 | 1,497,968 | Subscription and fees |
| | 63,232 | 61,849 | Books, magazines, newspapers, etc |
| | 1,959,156 | 2,573,406 | AGM expenses (note 31.1) |
| | 3,962,342 | 1,812,550 | Entertainment and public relation & others |
| | 1,424,480 | 510,000 | Donation |
| | 14,809,366 | 12,831,373 | Total |

34 EARNINGS PER SHARE

BAS 33.70

Earnings per share

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

BAS 33.70 (b)

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of Tk. 210,091,493 (2013: Tk. 138,744,068) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2014 was 120,900,258 (2013: 109,909,326).

| Profits attributable to ordinary shareholders | | |
|---|--------------------|--|
| 210,091,493 | 138,744,068 | Net profit for the year |
| Weighted average number of ordinary shares | | |
| 109,909,326 | 104,675,549 | Ordinary shares at 1 January |
| 10,990,933 | 5,233,777 | Bonus shares issued |
| 120,900,259 | 109,909,326 | Weighted average number of ordinary shares at 31 December |
| 120,900,259 | 120,900,259 | Restated weighted average number of ordinary shares |
| 1.74 | 1.26 | Earnings per share |
| 1.74 | 1.15 | Earnings per share (restated) |

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 2014 and hence no diluted earnings per share is required to be calculated.

34.a EARNINGS PER SHARE (consolidated)

BAS 1.97

(Figures in BDT)

| 2014 | 2013 | |
|---|--------------------|--|
| Profits attributable to ordinary shareholders | | |
| 199,986,812 | 141,759,998 | Net profit for the year (consolidated) |
| Weighted average number of ordinary shares | | |
| 109,909,326 | 104,675,549 | Ordinary shares at 1 January |
| 10,990,933 | 5,233,777 | Bonus shares issued |
| 120,900,259 | 109,909,326 | Weighted average number of ordinary shares at 31 December |
| 120,900,259 | 109,909,326 | Restated weighted average number of ordinary shares |
| 1.65 | 1.29 | Earnings per share- consolidated |
| 1.65 | 1.17 | Earnings per share- consolidated (restated) |

35 OPERATING SEGMENT REPORT (Figures in BDT)

2014

| Operating segment report | Core financing business | Investment Banking business | Brokerage business | Total | Revenue and profit External revenue |
|--------------------------------|----------------------------|--------------------------------|-----------------------|--------------------|---|
| | 1,328,505,674 | 79,854,689 | (57,809,151) | 1,350,551,212 | Net Interest Income |
| | (16,417,214) | 55,104,227 | 33,141,343 | 71,828,356 | Investment Income |
| | 25047360 | 78,844,124 | 110,194,308 | 214,085,792 | Fees, commissions, exchange and brokerage |
| | 26,498,812 | 371,303 | 3,356,551 | 30,226,665 | Other operating Income |
| | (769,482,843) | - | - | (769,482,843) | Inter-segment revenue |
| | 594,151,788 | 214,174,343 | 88,883,051 | 897,209,182 | Total segment revenue |
| | 117,119,962 | 12,714,646 | 53,530,448 | 183,365,056 | Other operating expenses |
| | | | | | Major non-cash expenses: |
| | 7,474,845 | 144,682 | 1,030,777 | 8,650,304 | Depreciation |
| | 95,578,769 | 118,370,940 | 42,755,867 | 256,705,576 | Provision for future losses |
| | 220,173,576 | 131,230,268 | 97,317,092 | 448,720,935 | |
| | 373,978,212 | 82,944,075 | (8,434,040) | 448,488,247 | Reportable segment profit before tax |

2013

| Core financing business | Investment Banking business | Brokerage business | Total | Revenue and profit External revenue |
|----------------------------|--------------------------------|-----------------------|--------------------|---|
| 517,135,247 | 11,229,600 | (5,190,445) | 523,174,402 | Net Interest Income |
| 12,204,398 | 41,753,740 | 7,936,616 | 61,894,754 | Investment Income |
| 86,145,176 | - | 88,407,458 | 174,552,634 | Fees, commissions, exchange and brokerage |
| 30,142,813 | - | 2,936,263 | 33,079,076 | Other operating Income |
| (186,368,818) | - | - | (186,368,818) | Inter-segment revenue |
| 459,258,817 | 52,983,340 | 94,089,892 | 606,332,049 | Total segment revenue |
| 89,789,226 | 315,762 | 42,122,421 | 132,227,409 | Other operating expenses |
| | | | | Major non-cash expenses: |
| 9,751,676 | - | 139,531 | 9,891,207 | Depreciation |
| 222,976,716 | 9,361,394 | 23,284,730 | 255,622,840 | Provision for future losses |
| 322,517,618 | 9,677,156 | 65,546,682 | 397,741,456 | |
| 136,741,199 | 43,306,184 | 28,543,210 | 208,590,593 | Reportable segment profit before tax |

Segment assets and liabilities

2014

| Core financing business | Investment Banking business | Brokerage business | Total | External Assets |
|----------------------------|--------------------------------|-----------------------|-----------------------|----------------------------------|
| 17,310,769,590 | 5,044,634,197 | 1,480,644,607 | 23,836,048,394 | Total assets |
| (5,661,725,496) | - | - | (5,661,725,496) | Inter-segment assets |
| 11,649,044,095 | 5,044,634,197 | 1,480,644,607 | 18,174,322,898 | Total segment assets |
| | | | | External Liabilities |
| 15,608,635,496 | 4,770,585,941 | 1,302,151,627 | 21,681,373,064 | Total liabilities |
| - | (4,393,020,445) | (921,206,279) | (5,314,226,724) | Inter-segment liabilities |
| 15,608,635,496 | 377,565,496 | 380,945,348 | 16,367,146,340 | Total segment Liabilities |

2013

| Core financing business | Investment Banking business | Brokerage business | Total | External Assets |
|----------------------------|--------------------------------|-----------------------|-----------------------|----------------------------------|
| 13,706,831,756 | 637,931,216 | 1,721,637,140 | 16,066,400,112 | Total assets |
| (2,160,811,106) | - | - | (2,160,811,106) | Inter-segment assets |
| 11,546,020,650 | 637,931,216 | 1,721,637,140 | 13,905,589,006 | Total segment assets |
| | | | | External Liabilities |
| 12,214,789,154 | 385,420,421 | 1,108,026,350 | 13,708,235,925 | Total liabilities |
| (594,451,871) | (327,145,218) | (891,715,237) | (1,813,312,326) | Inter-segment liabilities |
| 11,620,337,283 | 58,275,203 | 216,311,113 | 11,894,923,600 | Total segment Liabilities |

36 AVERAGE EFFECTIVE TAX RATE

BAS 1.97

Average
effective
tax rate

The average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*.

(Figures in BDT)

| 2014 | 2013 | |
|---------------|---------------|-----------------------------------|
| 163,886,719 | 32,497,131 | Tax expenses |
| 373,978,212 | 171,241,198 | Accounting profit before tax |
| 43.82% | 18.98% | Average effective tax rate |

36.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per Bangladesh Accounting Standard (BAS) 12: *Income Taxes*.

| | | |
|---------------|---------------|-----------------------------------|
| 248,501,455 | 66,830,594 | Tax expenses |
| 448,488,247 | 208,590,592 | Accounting profit before tax |
| 55.41% | 32.04% | Average effective tax rate |

37 INCREASE/(DECREASE) IN OTHER LIABILITIESIncrease/
(decrease)
in other
liabilities

| | | |
|-------------------|--------------------|------------------------------------|
| (50,179,412) | 117,616,023 | Interest suspense |
| 55,139,910 | 101,760,252 | Financial expenses payable |
| (1,108,903) | (2,103,023) | Obligation under capital lease |
| 2,547,177 | 647,870 | Excise duty |
| 2,571,158 | 11,234,028 | Withholding tax payable |
| 115,286 | 133,973 | VAT payable |
| 10,681,817 | 235,232,380 | Accrued expenses and other payable |
| 19,767,033 | 464,521,502 | Total |

38 (INCREASE)/DECREASE IN OTHER ASSETSIncrease/
(decrease)
in other
assets

| | | |
|---------------------|----------------------|---|
| (9,157,795) | 62,597,644 | Accrued interest |
| 1,306,439 | 3,290,125 | Advance office rent |
| (354,055) | 740,626 | Advance to employees |
| 246,684,968 | (234,337,378) | Receivable from brokerage houses against sale of shares |
| (282,542,091) | (67,857,832) | Receivable from subsidiary companies |
| 20,201,584 | (107,408,863) | Others |
| (23,860,949) | (342,975,678) | Total |

39 MARKET CAPITALISATION AND SHARE PRICEMarket
capitalisation
and
share price

Market capitalization of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share. Total number of ordinary shares outstanding as at 31 December 2014 was 120,900,259 and the market value per share of last trading day (30 December 2014) was Tk. 21.20 in DSE. Thus market capitalization based on DSE value was Tk. 2,563.09 million (Year 2013: Tk. 3,802.86 million).

Market for Union Capital's ordinary shares

The Company's ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'UNIONCAP'. The following table indicates the high and low prices for shares of Union Capital, as reported by DSE and CSE.

| | Quarter | DSE | | CSE | |
|----------------------|---|-------|-------|-------|-------|
| | | High | Low | High | Low |
| High low share price | First quarter | 35.00 | 25.50 | 36.40 | 24.90 |
| | Second quarter | 27.30 | 19.30 | 27.50 | 18.50 |
| | Third quarter | 27.00 | 18.00 | 23.90 | 18.00 |
| | Fourth quarter | 24.70 | 20.20 | 25.50 | 19.60 |
| No. of shareholders | There were 9,586 shareholders as per share register as on 31 December 2014. | | | | |

40 RELATED PARTY TRANSACTIONS

BAS 24.12, 24.17

Related party transactions

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. 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 2014, there were no loans/leases to related parties that were charged off.

Union Capital also takes term deposits from its related parties. The rates on the term deposits offered to them are also similar to those offered to other depositors. Total exposure with the related parties as at 31 December 2014 was as under:

| (Figures in BDT) 2014 | 2013 | Name of the related party | Relationship | Nature of transaction |
|--------------------------|--------------------|-------------------------------------|--|-----------------------|
| (3,394,447) | (3,000,000) | Chowdhury Tanzim Karim | The Chairman | Term deposit |
| (100,000) | - | Chowdhury Ania Karim | Daughter of Chowdhury Tanjim Karim, the Chairman | Term deposit |
| (8,044,909) | (4,030,037) | Tanzila Karim | Mother of Chowdhury Tanjim Karim, the Chairman | Term deposit |
| (30,946,030) | (1,354,000) | Marina Yasmin Chowdhury | Mother-in-law of Chowdhury Tanjim Karim, the Chairman | Term deposit |
| (3,822,811) | (3,500,000) | Masrura Shafique | Daughter-in-law of Kazi Golam Rahman, Alternate Director | Term deposit |
| (1,274,884) | (1,134,000) | Farzana Chowdhury | Daughter of Nasir A Chowdhury, Director | Term deposit |
| (10,000,000) | - | Tajrina Sikder | Director | Term deposit |
| (20,000,000) | (20,000,000) | Meherunnesa Haque | Director | Term deposit |
| - | (1,000,000) | N. H. Khan | Ex-Independent Director | Term deposit |
| - | (283,533,656) | UniCap Investments Limited | Subsidiary Company | Term deposit |
| (2,000,000) | (4,852,401) | Kazi Golam Rahman | Alternate Director | Term deposit |
| (4,000,000) | - | Asiya Rahman | Spouse of Kazi Golam Rahman, Alternate Director | Term deposit |
| - | (4,071,880) | Green Delta Insurance Co. Ltd. | Spouse of Nasir A Chowdhury, Director, is a Director of Green Delta Ins.Co. Ltd. | Term deposit |
| (50,000,000) | (140,000,000) | Progressive Life Insurance Co. Ltd. | Common Directors | Term deposit |
| - | 93,212,674 | Barisal Power Co. Limited | Ex-Common Directors | Term finance |
| 42,777,722 | 47,143,561 | Green Delta Insurance Co. Ltd. | Spouse of Nasir A Chowdhury, Director, is a Director of Green Delta Ins.Co. Ltd. | Lease finance |
| 81,075 | 296,782 | Nadeem A. Chaudhury | Director | Lease finance |
| 904,887,879 | 871,003,946 | UniCap Securities Limited | Subsidiary Company | Inter-company |
| 4,393,020,445 | 327,145,218 | UniCap Investments Limited | Subsidiary Company | Inter-company |
| 5,207,184,040 | 872,326,207 | Total | | |

41 PARTICULARS OF THE DIRECTORS

Particulars of the directors

| Sl. no. | Name of the Directors/ shareholding company | Represented by | Designation | Present address | % of shares as at 31 December 2014 |
|---------|---|-------------------------------|-------------|---|------------------------------------|
| 1 | EC Securities Ltd. | Chowdhury Tanzim Karim | Chairman | East Coast Center, SWG-8 Gulshan Avenue, Dhaka 1212 | 7.22 |
| 2 | EC Securities Ltd. | Capt. Minhazur Reza Chowdhury | Director | East Coast Center, SWG-8 Gulshan Avenue, Dhaka 1212 | |
| 3 | Palmal Garments Hosiery Ltd. | 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 | 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 | Meherunnesa Haque | Self | Director | House no.73, Road no.7/A Dhanmondi R/A, Dhaka 1205 | 2.02 |

| | | | | | |
|----|--|------------|----------------------------|--|------|
| 8 | Kazi Golam Rahman (Alternate Director of Kazi Golam Samiur Rahman) | Self | Director | Royal Concord, Apt # 604 House # 54, Road # 84 Gulshan -2, Dhaka 1212 | 4.44 |
| 9 | Nasir A. Choudhury | Self | Director | House # 5, Road # 82 Gulshan-2, Dhaka | 4.45 |
| 10 | Ziaul Hasan Siddiqui | Self | Independent Director | 6-C-1, Baily Heights 2 New Ratan Colony, New Baily Road Shantinagar, Ramna, Dhaka 1217 | - |
| 11 | Mohammad Nurun Nabi FCA | Self | Independent Director | Altashish Bhaban, 39/5/3 (279) Purbo Hajipara, Rampura, Dhaka 1219 | - |
| 12 | Md. Abdul Karim | Self | Independent Director | House # 207/A, Road # 10 DOHS Mohakhali, Dhaka 1206 | - |
| 13 | Md. Akter Hossan Sannamat FCA, FCS | Ex-officio | Managing Director & CEO | House # 29/B, Road # 1, Dhanmondi, Dhaka 1205 | - |

42 DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

**Directors and
the entities
in which they
have interest**

| Sl. | Name of the Directors | Designation | Entities where they have interest |
|-----|-------------------------------|-------------|--|
| 1 | Chowdhury Tanzim Karim | Chairman | 1. UniCap Investments Limited 2. UniCap Securities Ltd. |
| 2 | M. Faizur Rahman | Director | 1. Asian Surveyors Ltd. 2. Credit Rating Agency of Bangladesh Ltd. 3. Tiger Tours Limited 4. UniCap Securities Ltd. |
| 3 | Nasir A. Choudhury | Director | 1. Green Delta Securities Limited; 2. Green Delta Capital Limited. 3. DBH Finance Corporation Limited; 4. Progressive Life Insurance Co. Limited; 5. United Hospital Limited; 6. NASCOM (PVT) Limited; |
| 4 | Nadeem A. Chaudhury | Director | 1. Enrilco Limited 2. Green Delta Securities Ltd. 3. Green Delta Capital Ltd. |
| 5 | Tajrina Sikder | Director | 1. Palmal Garments Hosiery Ltd. 2. Palmal Garments Washing Ltd. 3. Amazon Garments Ltd. 4. NKK Knitwear Ltd. 5. Max Speed Plastic Ltd. 6. Designer Line (Pvt.) Ltd. 7. The Dacca Dyeing Garments Ltd. 8. MNK Apparels Ltd. 9. South Bridge Real Estate Ltd. 10. UniCap Investments Ltd. 11. UniCap Securities Ltd. |
| 6 | Capt. Minhazur Reza Chowdhury | Director | Nil |
| 7 | Kazi Golam Samiur Rahman | Director | 1. UniCap Investments Ltd. 2. UniCap Securities Ltd. |
| 8 | Meherunnesa Haque | Director | 1. Palmal Garments Washing Ltd. 2. Palmal Knitwear Factory Ltd. 3. Palmal Styles Ltd. 4. Palmal Packaging Ltd. 5. NKK Knitwear Ltd. 6. NKK Sweaters Ltd. 7. Pragati Fashionwear Ltd. 8. Amazon Garments Ltd. 9. Al-Hamra Garments Ltd. 10. Palmal Garments Ltd. 11. Palmal Garments Hosiery Ltd. 12. Palmal Dresses Ltd. 13. Pragati Metalex (Pvt) Ltd. 14. The Dacca Dyeing Garments Ltd. 15. UniCap Investments Ltd. 16. UniCap Securities Ltd. |

| | | | |
|----|-------------------------|----------------------|---|
| 9 | Kazi Russel Mahbub | Director | Floral Accessories Ltd. |
| 10 | Ziaul Hasan Siddiqui | Independent Director | 1. UniCap Investments Limited 2. Summit Power Ltd. 3. Summit Uttaranchal Power Co. Ltd. 4. Summit Purbanchal Power Co. Ltd. 5. Summit Narayangonj Power Co. Ltd. 6. UniCap Securities Ltd. |
| 11 | Mohammad Nurun Nabi FCA | Independent Director | 1. Skefttech Pvt. Ltd. 2. Krishi Biplob Ltd. 3. Shikarpur Horticulture Ltd. 4. Debonair Ltd. 5. Orbitex Ltd. 6. AZWA Developments Ltd. 7. ACNABIN Associates Ltd. 8. Dinajpur Super Meat Products Ltd. 9. Intercontinental Business Ltd. 10. Shine Embroidery Ltd. 11. WIN WIN Setabgonj Auto Bricks Ltd. 12. WIN WIN International Ltd. 13. AMTRAS Ltd. 14. SABAH Bangladesh 15. Health & Education for less Privileged People |
| 12 | Md. Abdul Karim | Independent Director | 1. UniCap Securities Limited 2. Green Delta Insurance Company Limited |

43 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 |
|-------------------------|-------------------------|---------------------------|---|
| Mohammad Nurun Nabi FCA | Independent Director | Chairman | Bachelor of Science from Karachi University |
| M. Faizur Rahman | Director | Member | Graduate from University of Dhaka |
| Nadeem A. Chaudhury | Director | Member | Graduate in Civil Engineering |
| Tajrina Sikder | Director | Member | Graduate from ABAC University of Thailand |
| Ziaul Hasan Siddiqui | Independent Director | Member | Post Graduate from University of Dhaka |

Disclosures
on the Board
Audit
Committee

Audit Committee meetings held during the year

| Sl. | Meeting no. | Meeting date |
|-----|------------------------------|--------------|
| 1 | 27th Audit Committee Meeting | 30-Jan-14 |
| 2 | 28th Audit Committee Meeting | 4-Mar-14 |
| 3 | 29th Audit Committee Meeting | 27-Apr-14 |
| 4 | 30th Audit Committee Meeting | 27-May-14 |
| 5 | 31st Audit Committee Meeting | 19-Jul-14 |
| 6 | 32nd Audit Committee Meeting | 18-Aug-14 |
| 7 | 33rd Audit Committee Meeting | 27-Oct-14 |

The committee discussed the following issues during the year

- Reviewed the draft consolidated financial statements for the year ended 31 December 2013 along with auditors report thereon and recommended it to the Board of Directors for consideration
- Reviewed the internal control functions and recommended before the Board for enhancement of the activities streamlining operational risk

- Reviewed with the senior management of the Company's policies and procedures to prevent illegal or unethical activities, key accounting policies and procedures, internal controls, significant areas of risk, legal or regulatory matters that may have an impact on the financial statements, and any other matters that may affect financial reporting
- Reviewed the reports submitted by the Internal Control and Compliance Department and advised management for timely implementation and follow up
- Recommended to the Board for appointment of auditors for the year 2014 and fixation of their remuneration
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2013
- Reviewed the quarterly, half yearly financial statements for the year 2014

- h) Reviewed the inspection report of Bangladesh Bank for the year 2013 and management response thereon
- i) Reviewed quarterly operation report of the Company for the year 2014.

44 UNDISBURSED CONTRACTED LOANS, ADVANCES AND LEASES

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:

(BDT in million)

| 2014 | 2013 | |
|---------------|---------------|---|
| 936.00 | 986.20 | Lease and term finance commitments outstanding at 31 December |
| - | - | Real estate finance commitments outstanding at 31 December |
| 936.00 | 986.20 | |

45 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided as at 31 December 2014. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2014.

46 UNACKNOWLEDGED DEBT

The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

47 NEW CONTRACTS/SANCTIONS AND DISBURSEMENTS

During the year the Company contracted and disbursed the following amount:

(Figures in BDT)

| 2014 | | 2013 | | |
|-----------------|-------------------------|-----------------|-------------------------|------------------------|
| Disbursements | Contracts/ Sanctions | Disbursements | Contracts/ Sanctions | |
| 5,517.74 | 5,467.54 | 3,668.86 | 4,355.06 | Lease and term finance |
| - | - | - | - | Real estate finance |
| - | - | - | - | Car loan |
| 5,517.74 | 5,467.54 | 3,668.86 | 4,355.06 | Total |

48 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.

49 BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2014, 14 (fourteen) Board meetings were held. As on 31 December 2014, there were 9 (nine) members in the Board, excluding three 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.

50 NUMBER OF EMPLOYEES

As of 31 December 2014 a total number of 157 employees including subsidiaries (2013: 127) were employed in Union Capital Limited. Each of the employees received salary more than Tk. 36,000 per annum during the year 2014.

51 REPORTING CURRENCY AND LEVEL OF PRECISION

The figures in the financial statements represent Bangladesh currency (Taka/Tk.), which has been rounded off to the nearest integer.

52 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.

BAS 1.51 (d)

53 EVENTS AFTER THE REPORTING PERIOD

53.1 Issuance of preference share

The shareholders in the Company in its 16th Annual General Meeting held on 31 March 2014 approved the proposal for issuance of Non-Cumulative Preference Share subject to regulatory approval. Bangladesh Securities and Exchange Commission vide its letter no. SEC/CI/CPLC-51/2004/827 dated 9 December 2014 accorded its consent to the proposed issue. Finally Bangladesh Bank vide its letter no. DFIM(BIC)1057/30/2015-305 dated 12 February 2015 has given its consent to the proposal for issuance of the preference share under the following conditions:

1. A list of preference shareholders stating the number of shareholding to be submitted to Bangladesh Bank within 15 days of closing of subscription.
2. Union Capital shall ensure that the investment in preference share must not exceed 10 percent of the capital of investors, in the cases where investor is bank or financial institution.
3. During the tenure, no credit facility shall be extended to the preference shareholder or its related parties against the pledge of the preference share.
4. A statement of preference share to be submitted to Bangladesh Bank with the statement of capital adequacy.
5. The preference share must be fully paid up.
6. Bangladesh Bank shall have the right to impose any condition on this preference share under section 18(g) of the Financial Institution Act 1993.

53.2 Dividend for the year 2014

The Board of the Directors in its 200th meeting held on 4 March 2015 recommended 10 percent stock dividend for the year ended 31 December 2014 subject to the approval of Bangladesh Bank and the shareholders in the ensuing 17th Annual General Meeting (AGM).

53.3 Others

No other material event occurred after the reporting period, which could materially affect the amounts or disclosures in these financial statements.

54 FOREIGN CURRENCY EXPOSURE PROFILE

There were no foreign currency monetary assets or liabilities that would give rise to gains or losses in the profit and loss account.

55 COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2013 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 2013 have been restated, reclassified and rearranged whenever considered necessary to ensure comparability with the current period.

56 FINANCIAL HIGHLIGHTS

Key financial highlights of the Company are annexed as Annexure-B.

57 GEOGRAPHICAL AREA OF OPERATIONS

Union Capital Limited is currently operating in Chittagong and Sylhet along with its other branches at Gulshan and Motijheel in Dhaka.

58 INTERIM FINANCIAL STATEMENTS

Union Capital Limited publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission.

59 CHANGE IN AND DISAGREEMENT WITH AUDITORS

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

60 DEPARTURE FROM BANGLADESH ACCOUNTING STANDARD (BAS) 1

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 caption and also not prepare the same.

61 DEPARTURE FROM BAS 39

The requirement of DFIM circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39: *Financial Instruments - Recognition and Measurement*. 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's 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.

62 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 4 March 2015.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Annexure-A

Schedule of fixed assets

as at 31 December 2014

Figure in BDT

| Particulars | BAS 16.73 | | | COST | | | DEPRECIATION | | | BAS 16.73 (d) | |
|-------------------------------|------------------------------|---------------------------|--------------------------------------|--------------------------------|----------------------|------------------------------|-------------------------|--------------------------------------|--------------------------------|-------------------------------------|--|
| | Balance as at 1 January 2014 | Additions during the year | Disposal/ adjustment during the year | Balance as at 31 December 2014 | Rate of depreciation | Balance as at 1 January 2014 | Charged during the year | Disposal/ adjustment during the year | Balance as at 31 December 2014 | Written down value as at 31-12-2014 | |
| Freehold assets | | | | | | | | | | | |
| Furniture and fixtures | 6,081,773 | 1,597,837 | 787,601 | 6,892,009 | 20% | 4,717,904 | 877,828 | 653,309 | 4,942,423 | 1,949,586 | |
| Office decoration | 16,846,626 | 1,337,600 | - | 18,184,226 | 33% | 15,558,217 | 823,301 | - | 16,381,518 | 1,802,708 | |
| Electrical equipment | 24,063,843 | 3,022,675 | 859,886 | 26,226,632 | 20% | 16,682,780 | 3,538,655 | 543,966 | 19,677,468 | 6,549,164 | |
| Owned vehicles | 1,542,500 | 1,619,633 | - | 3,162,133 | 20% | 1,542,500 | 80,981 | - | 1,623,481 | 1,538,652 | |
| Software | 1,980,831 | - | 1,036,950 | 943,881 | 20% | 1,218,505 | 147,675 | 880,517 | 485,663 | 458,218 | |
| Mobile Phone | 412,002 | - | - | 412,002 | 20% | 378,709 | 10,814 | - | 389,523 | 22,479 | |
| Staff appliance | 41,329 | - | - | 41,329 | 20% | 41,326 | - | - | 41,326 | 3 | |
| | 50,968,905 | 7,577,745 | 2,684,437 | 55,862,212 | | 40,139,941 | 5,479,254 | 2,077,793 | 43,541,402 | 12,320,811 | |
| Leasehold assets | | | | | | | | | | | |
| Leased vehicles | 8,760,000 | - | - | 8,760,000 | 20% | 3,107,336 | 1,752,000 | - | 4,859,336 | 3,900,664 | |
| As at 31 December 2014 | 59,728,905 | 7,577,745 | 2,684,437 | 64,622,212 | | 43,247,277 | 7,231,254 | 2,077,793 | 48,400,738 | 16,221,475 | |
| As at 31 December 2013 | 57,450,867 | 3,218,377 | 940,339 | 59,728,905 | | 34,745,079 | 9,423,036 | 920,839 | 43,247,277 | 16,481,629 | |

Consolidated Schedule of fixed assets

as at 31 December 2014

| BAS 16.73 | | COST | | BAS 16.73 (e)(i) | | DEPRECIATION | | | BAS 16.73 (e)(vii) | | BAS 16.73 (d) | |
|-------------------------------|------------------------------|---------------------------|--------------------------------------|--------------------------------|----------------------|------------------------------|-------------------------|--------------------------------------|--------------------------------|-------------------------------------|---------------|--|
| Particulars | Balance as at 1 January 2014 | Additions during the year | Disposal/ adjustment during the year | Balance as at 31 December 2014 | Rate of depreciation | Balance as at 1 January 2014 | Charged during the year | Disposal/ adjustment during the year | Balance as at 31 December 2014 | Written down value as at 31-12-2014 | | |
| Freehold assets | | | | | | | | | | | | |
| Furniture and fixtures | 6,134,131 | 3,143,639 | 787,601 | 8,490,169 | 20% | 4,770,261 | 1,215,577 | 653,309 | 5,332,529 | 3,157,640 | | |
| Office decoration | 16,846,626 | 4,694,243 | - | 21,540,869 | 33% | 15,558,218 | 1,102,994 | - | 16,661,212 | 4,879,657 | | |
| Electrical equipment | 25,964,810 | 4,024,158 | 859,886 | 29,129,082 | 20% | 16,822,311 | 3,980,060 | 543,966 | 20,258,404 | 8,870,678 | | |
| Owned vehicles | 1,542,500 | 1,619,633 | - | 3,162,133 | 20% | 1,542,500 | 80,981 | - | 1,623,481 | 1,538,652 | | |
| Software | 2,110,831 | 1,440,500 | 1,036,950 | 2,514,381 | 20% | 1,348,505 | 288,353 | 880,517 | 756,341 | 1,758,040 | | |
| Mobile Phone | 412,002 | 109,737 | 49,837 | 471,902 | 20% | 378,709 | 15,967 | 4,155 | 390,521 | 81,381 | | |
| Staff appliance | 41,329 | - | - | 41,329 | 20% | 41,326 | - | - | 41,326 | 3 | | |
| | 53,052,230 | 15,031,910 | 2,734,275 | 65,349,865 | | 40,461,830 | 6,683,932 | 2,081,948 | 45,063,813 | 20,286,052 | | |
| Leasehold assets | | | | | | | | | | | | |
| Leased vehicles | 8,760,000 | - | - | 8,760,000 | 20% | 3,107,336 | 1,752,000 | - | 4,859,336 | 3,900,664 | | |
| As at 31 December 2014 | 61,812,230 | 15,031,910 | 2,734,275 | 74,109,865 | | 43,569,166 | 8,435,932 | 2,081,948 | 49,923,149 | 24,186,716 | | |
| As at 31 December 2013 | 57,633,225 | 5,119,344 | 940,339 | 61,812,230 | | 34,927,437 | 9,562,567 | 920,839 | 43,569,166 | 18,243,065 | | |

Annexure-B**Highlights**

(as per Bangladesh Bank Guidelines)

(BDT in million except ratios and per share data)

| 2014 | 2013 | Particulars |
|-----------|-----------|---|
| 1,209.00 | 1,099.09 | Paid-up capital |
| 1,837.86 | 1,696.08 | Total capital |
| 364.17 | 545.04 | Capital surplus |
| 17,310.77 | 13,706.83 | Total assets |
| 10,705.44 | 8,120.39 | Total deposits |
| 14,296.22 | 11,342.47 | Total loans, advances and leases |
| 936.00 | 986.20 | Total contingent liabilities and commitments |
| 1.34 | 1.40 | Credit deposit ratio |
| 8.51% | 8.26% | Percentage of classified loans against total loans, advances and leases |
| 210.09 | 138.74 | Profit after tax and provision |
| 1,216.39 | 936.51 | Amount of classified loans during current year |
| 248.52 | 214.30 | Provisions kept against classified loans |
| 0.12 | 1.59 | Provision surplus against classified loan |
| 10.82% | 13.41% | Cost of fund |
| 14,332.31 | 11,444.46 | Interest earnings assets |
| 2,978.46 | 2,262.37 | Non-interest earnings assets |
| 13.15% | 9.75% | Return on investment (ROI) |
| 1.21% | 1.01% | Return on assets (ROA) |
| (16.42) | 12.20 | Income from investment |
| 1.74 | 1.15 | Earnings per share (2013: restated) |
| 1.74 | 1.15 | Net income per share (2013: restated) |
| 12.20 | 27.41 | Price earnings ratio |

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

IN THIS SECTION

UniCap Securities Limited

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UniCap Investments Limited

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Hoda Vasi Chowdhury & Co

Chartered Accountants

Independent Auditor's Report to the Shareholders of UniCap Securities Limited

We have audited the accompanying financial statements of UniCap Securities Limited (the "Company") which comprise the Statement of Financial Position as at 31 December 2014, and the related statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 (BSA). Those standards require that we comply with 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 auditor's 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, the auditor considers 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 give a true and fair view of the financial position of the Company as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Bangladesh Financial Reporting Standards ("BFRS") and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

We also report that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) the Company's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account; and
- (iv) the expenditure incurred were for the purpose of the Company's business.

Dhaka, 2 March 2015

Hoda Vasi Chowdhury & Co
Chartered Accountants



UniCap Securities Limited

Statement of Financial Position

as at 31 December

(Figures in BDT)

| 2014 | 2013 | Notes | |
|--------------------|--------------------|-------|---------------------------------------|
| 178,701,109 | 613,610,789 | | Shareholders' equity |
| 100,000,000 | 100,000,000 | 4 | Share capital |
| 104,024,360 | 507,500,000 | 5 | Revaluation reserve |
| (25,329,251) | 6,110,789 | | Retained earnings |
| 438,964,102 | 357,862,829 | | Long term liabilities |
| 436,459,154 | 350,000,000 | 6 | Long term loan |
| 2,504,948 | 7,862,829 | 7 | Deferred liability- employee gratuity |
| 617,665,213 | 971,473,619 | | Total capital employed |
| 538,479,981 | 931,590,514 | | Non-current assets |
| 115,024,360 | 518,500,000 | 8 | Membership of stock exchanges |
| 413,606,642 | 411,329,078 | 9 | Investment in listed securities |
| 2,921,349 | - | 10 | Staff loan |
| 6,927,630 | 1,761,436 | 11 | Property, plant & equipments |
| 870,873,190 | 752,948,756 | | Current assets |
| 156,663,702 | 127,969,689 | 12 | Advances, deposits and prepayments |
| 597,199,299 | 501,534,803 | 13 | Margin loan to clients |
| 11,231,470 | 111,501,167 | 14 | Receivable from stock exchanges |
| 1,500,495 | 5,627,411 | 15 | Other receivables |
| 104,278,224 | 6,315,686 | 16 | Cash and cash equivalents |
| 791,687,958 | 713,065,652 | | Current liabilities |
| 70,441,453 | 89,099,383 | 17 | Payable to clients |
| 4,701,724 | 651,399 | 18 | Payable to stock exchanges |
| 112,768,386 | 42,538,474 | 19 | Accruals and payables |
| 452,279,406 | 452,279,406 | 20 | Short term loan |
| 151,496,989 | 128,496,989 | 22 | Provision for current tax |
| 79,185,232 | 39,883,105 | | Net current assets |
| 617,665,213 | 971,473,619 | | Total assets |

The annexed notes 1-40 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Chief Executive Officer

Auditor's report to the shareholder's of UniCap Securities Limited
see annexed report of date

Dhaka
2 March 2015

sd/-
Hoda Vasi Showdhury & Co.
Chartered Accountants

UniCap Securities Limited

Statement of Comprehensive Income

for the year ended 31 December

(Figures in BDT)

| 2014 | 2013 | Notes | |
|---------------------|--------------------|-----------|--|
| 249,354,704 | 186,880,797 | | OPERATING INCOME |
| 110,194,308 | 88,407,458 | 23 | Brokerage commission |
| 33,141,343 | 7,936,616 | 24 | Income from investment |
| 102,662,502 | 87,600,460 | 25 | Interest on margin Loan |
| 3,356,551 | 2,936,263 | 26 | Other operating income |
| 223,532,878 | 135,052,856 | | OPERATING EXPENSES |
| 168,971,653 | 92,790,905 | 27 | Financial expenses |
| 14,519,138 | 12,240,750 | 28 | Laga, howla and CDBL charges |
| 40,042,087 | 30,021,202 | 29 | Management expenses |
| 25,821,826 | 51,827,940 | | OPERATING PROFIT |
| 34,255,867 | 23,284,730 | | PROVISION FOR FUTURE LOSSES |
| 12,359,962 | 8,597,015 | 30 | Provision for doubtful debts |
| 21,895,905 | 14,687,715 | 30 | Provision for diminution in value of investments |
| (8,434,041) | 28,543,210 | | PROFIT/(LOSS) BEFORE TAX |
| 23,000,000 | 26,000,000 | 22 | Provision for current tax |
| (31,434,041) | 2,543,210 | | NET PROFIT/(LOSS) AFTER TAX |
| (31.43) | 2.54 | 31 | EARNINGS PER SHARE (EPS) OF TK. 100 EACH |

The annexed notes 1-40 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Chief Executive Officer

Auditor's report to the shareholder's of UniCap Securities Limited
see annexed report of date

Dhaka
2 March 2015

sd/-
Hoda Vasi Showdhury & Co.
Chartered Accountants

UniCap Securities Limited
Statement of cash flows
for the year ended 31 December

(Figures in BDT)

| 2014 | 2013 | |
|--|---------------------|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| (8,434,041) | 28,543,210 | Profit before tax |
| | | Adjustment for items not involving movement of cash: |
| 1,059,996 | 139,531 | Depreciation and amortization |
| 980,388 | 7,862,829 | Employee- Gratuity |
| 34,255,867 | 23,284,730 | Provision for doubtful losses |
| 27,862,210 | 59,830,300 | Profit after adjustment |
| | | Changes in working capital components: |
| (108,024,458) | (99,789,068) | (Increase)/decrease in margin loan to clients |
| 4,126,917 | (4,918,262) | (Increase)/decrease in other receivables |
| 100,269,697 | (85,610,303) | (Increase)/decrease in receivable from stock exchanges |
| (25,802,650) | (19,078,715) | (Increase)/decrease in advance income tax |
| (2,891,364) | (3,020,736) | (Increase)/decrease of other advances |
| (2,921,349) | - | (Increase)/decrease of staff loan |
| (18,657,930) | 31,820,587 | Increase/(decrease) in payable to clients |
| (6,338,269) | - | Increase/(decrease) of deferred liability employee gratuity |
| 4,050,325 | (421,996) | Increase/(decrease) in payable to stock exchanges |
| - | 25,500,000 | Increase/(decrease) of short term loan |
| (76,614) | 19,998 | Increase/(decrease) in withholding tax & VAT |
| 70,306,529 | 41,426,889 | Increase/(decrease) in liabilities for expenses |
| 41,903,044 | (54,241,306) | Cash used in operating activities |
| - | - | Income tax paid |
| 41,903,044 | (54,241,306) | Net cash used in operating activities |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| (6,271,872) | (1,900,967) | Purchase of fixed assets |
| 45,682 | - | Disposal of fixed assets |
| (24,173,469) | (24,765,643) | Investment in securities |
| (30,399,659) | (26,660,610) | Net cash used in investing activities |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| - | (14,000,000) | Interim cash dividend paid |
| 100,000,000 | 350,000,000 | Receipt from long term loan |
| (13,540,846) | (314,000,000) | Repayment of long term loan |
| 86,459,154 | 22,000,000 | Net cash from/(used in) financing activities |
| 97,962,538 | (58,907,916) | NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) |
| 6,315,686 | 65,223,601 | OPENING CASH AND CASH EQUIVALENTS |
| 104,278,225 | 6,315,685 | CLOSING CASH AND CASH EQUIVALENTS (D+E) |

UniCap Securities Limited

Statement of Changes in Equity

for the year ended 31 December

| (Figures in BDT) Share Capital | Revaluation Reserve | Retained Earnings | Total | Particulars |
|-----------------------------------|------------------------|----------------------|--------------------|---|
| For 2014 | | | | |
| 100,000,000 | 507,500,000 | 6,110,789 | 613,610,789 | Balance at 1 January |
| - | - | (31,434,041) | (31,434,041) | Net Profit for the year |
| - | (403,475,640) | - | (403,475,640) | Revaluation adjustment of Stock Exchange Membership |
| 100,000,000 | 104,024,360 | (25,323,251) | 178,701,109 | Balance at 31 December |
| For 2013 | | | | |
| 100,000,000 | 507,500,000 | 3,567,579 | 611,067,579 | Balance at 1 January |
| - | - | 2,543,210 | 2,543,210 | Net Profit for the year |
| - | - | - | - | Interim cash dividend paid |
| 100,000,000 | 507,500,000 | 6,110,789 | 613,610,789 | Balance at 31 December |

UniCap Securities Limited

Notes to the financial statements

For the year ended 31 December 2014

1 COMPANY AND ITS ACTIVITIES

1.1 Legal status of the Company

UniCap Securities Limited (former SES Company Limited) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) 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 Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 01, Dhaka-1212, 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 & 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:

- a) Statement of financial position
- b) Statement of comprehensive income
- c) Statement of cash flows
- d) Statement of changes in equity
- e) Notes to the 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 statement. 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 1 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 31.

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 33.33% 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 percent 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 Disclosures*, 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.

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 35% 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.

3.13 Contributory provident fund

The Company operates a contributory provident fund scheme for its permanent employees. Provident fund is administered by a separate Board of Trustees and is funded by equal contribution both from the Company and the employees. The contributions are invested separately from the Company's assets.

3.14 Gratuity scheme

The Company operates a gratuity scheme to retain and motivates its employees for long term retention. Gratuity scheme is applicable for all its permanent employees who have completed their continuous service at least for five years. Provision for gratuity is made annually based on terms of gratuity scheme.

**Auditors' Report to the Shareholders of
UniCap Investments Limited**

We have audited the accompanying financial statements of UniCap Investments Limited (the company), which comprise the statement of financial position (balance sheet) as at 31 December 2014, statement of comprehensive income (profit and loss statement), statement of changes in equity and statement of cash flows 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 and Bangladesh Financial Reporting Standards, the Companies Act 1994, Bangladesh Securities and Exchange Commission Rules 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 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 and Bangladesh Financial Reporting Standards, read in conjunction with note 27 give a true and fair view of the state of the company's affairs as at 31 December 2014 and of the results its operations and its cash flows for the year then ended and comply with the requirements of Companies Act 1994, Bangladesh Securities and Exchange Commission Rules 1987 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.



UniCap Investments Limited

Statement of Financial Position

as at 31 December

(Figures in BDT)

| | | ASSETS | |
|----------------------|--------------------|-----------------------|------------------------------------|
| 2014 | 2013 | Notes | Non-current assets |
| 1,037,611 | - | 3 | Property, plant and equipment |
| 516,421,044 | 316,869,351 | 4 | Investment in shares |
| 517,458,655 | 316,869,351 | | Total non-current assets |
| | | Current assets | |
| 43,755,954 | 288,611,200 | 5 | Cash and cash equivalents |
| 19,450,723 | 9,569,219 | 6 | Advance, deposits, and prepayments |
| 4,289,178,897 | - | 7 | Margin loan |
| 9,727,668 | 13,520,053 | 8 | Other receivable |
| 4,362,113,242 | 311,700,472 | | Total current assets |
| 4,879,571,897 | 628,569,823 | | Total assets |

| | | EQUITY AND LIABILITIES | |
|----------------------|--------------------|--------------------------------|-------------------------------------|
| | | Capital and reserves | |
| 250,000,000 | 250,000,000 | 9 | Share capital |
| 23,836,230 | 2,510,796 | 10 | Retained earnings |
| 273,836,230 | 252,510,796 | | Total capital and reserves |
| | | Non-current liabilities | |
| 460,000,000 | - | 11 | Long term liabilities |
| | | Current liabilities | |
| 3,471,154,689 | 303,249,548 | 12 | Short term loan |
| 24,916,548 | - | 13 | Payable to portfolio investors |
| 573,689,480 | 58,453,170 | 14 | Accrued and other payables |
| 75,971,045 | 14,356,309 | 15 | Provision for taxation |
| 4,145,731,761 | 376,059,027 | | Total current liabilities |
| 4,145,731,761 | 376,059,027 | | Total liabilities |
| 4,879,571,897 | 628,569,823 | | Total equity and liabilities |

These financial statements should be read in conjunction with annexed notes.

sd/-
Chairman

sd/-
Director

sd/-
Director

Signed in terms of our report of even date annexed

Dhaka
01 March 2015

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Statement of Comprehensive Income

For the year ended 31 December

(Figures in BDT)

| 2014 | 2013 | Notes | Revenue |
|--------------------|-------------------|-------|---|
| 697,784,304 | 35,172,435 | 16 | Interest income |
| 55,104,227 | 41,753,740 | 17 | Investment income |
| 78,844,124 | - | 18 | Fees, commission, exchange and brokerage |
| 371,303 | - | 19 | Other operating income |
| 832,103,958 | 76,926,175 | | Total revenue |
| 617,929,615 | 23,942,835 | 20 | Interest expense |
| 617,929,615 | 23,942,835 | | Cost of service |
| 214,174,342 | 52,983,340 | | Gross profit |
| | | | Operating expenses |
| 7,257,525 | - | 21 | Salaries and other employee benefits |
| 3,759,825 | - | 22 | Rent, taxes, insurance, electricity, etc |
| 33,223 | 10,800 | | Legal and professional expenses |
| 107,826 | - | 23 | Postage, stamp, telecommunication, etc |
| 478,877 | - | 24 | Stationery, printing, advertisements, etc |
| 69,000 | - | | Directors' remuneration |
| 57,500 | 57,500 | | Auditors' fee |
| 144,682 | - | | Depreciation expense |
| 98,735 | - | | Repair and maintenance |
| 852,133 | 247,462 | 25 | Other expenses |
| 12,859,327 | 315,762 | | |
| 201,315,016 | 52,667,578 | | Operating profit/(loss) |
| 118,370,940 | 9,361,394 | 26 | Provision on margin loan and portfolio investment |
| 82,944,076 | 43,306,184 | | Profit before corporate income tax |
| 61,614,736 | 8,333,463 | | Income tax expense |
| 21,329,340 | 34,972,721 | | Profit after tax |
| - | - | | Other comprehensive income |
| 21,329,340 | 34,972,721 | | Total comprehensive income for the year |
| 0.85 | 1.40 | | Earnings per share (EPS) |

These financial statements should be read in conjunction with annexed notes.

sd/-
Chairman

sd/-
Director

sd/-
Director

Signed in terms of our report of even date annexed

Dhaka
01 March 2015

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited
Statement of Cash Flows
For the year ended 31 December

(Figures in BDT)

| 2014 | 2013 | CASH FLOW FROM OPERATING ACTIVITIES |
|----------------------|----------------------|---|
| 145,970,120 | 34,155,728 | Interest income |
| (79,013,698) | (9,808) | Interest payment |
| 5,621,156 | 654,000 | Dividend receipts |
| 57,761,627 | - | Fees commission, exchange and brokerage |
| 30,104,658 | (353,119) | Receipt/(Payment) for expenses |
| (6,886,104) | (8,038,198) | Advance income tax paid |
| 153,557,759 | 26,408,603 | Net cash from operating activities |
| | | Cash flows from investing activities |
| (2,149,344,075) | (1,070,655,945) | Payment for purchase of securities |
| 2,009,476,592 | 776,616,754 | Proceeds from sale of securities |
| (1,182,293) | - | Purchase of property, plant and equipment |
| 119,332,184 | - | Margin loan recovered/(disbursed) |
| (21,717,592) | (294,039,191) | Net cash used in investing activities |
| | | CASH FLOW FROM FINANCING ACTIVITIES |
| - | 50,000,000 | Share capital |
| 460,000,000 | - | Term loan received |
| (802,195,413) | 303,175,243 | Term loan repaid |
| (34,500,000) | (8,000,000) | Dividend paid |
| (376,695,413) | 345,175,243 | Net cash from/(used in) financing activities |
| (244,855,244) | 77,544,655 | Net changes in cash and cash equivalents |
| 288,611,200 | 211,066,545 | Opening cash and cash equivalents |
| 43,755,954 | 288,611,200 | Closing cash and cash equivalents |

UniCap Investments Limited

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)

| Total | Retained Earnings | Share Capital | Particulars |
|--------------------|-------------------|--------------------|------------------------------------|
| 252,510,796 | 2,510,796 | 250,000,000 | Balance at 01 January 2014 |
| - | - | - | Shares issued during the year |
| 21,329,340 | 21,329,340 | - | Net profit for the year |
| - | - | - | Interim cash dividend payable |
| 273,840,136 | 23,840,136 | 250,000,000 | Balance at 31 December 2014 |
| 202,038,075 | 2,038,075 | 200,000,000 | Balance at 01 January 2013 |
| 50,000,000 | - | 50,000,000 | Share issued during the year |
| 34,972,721 | 34,972,721 | - | Net profit for the year |
| (34,500,000) | (34,500,000) | - | Interim cash dividend |
| 252,510,796 | 2,510,796 | 250,000,000 | Balance at 31 December 2013 |

UniCap Investments Limited

Notes to the financial statements

For the year ended 31 December 2014

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) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations 1996.

2.2 Property, plant and equipment

These are stated at cost less accumulated depreciation. Depreciation is charged on the items of property, plant and equipment using straight-line method in accordance with BAS 16. Full month's depreciation is charged on additions irrespective of date of their acquisition and no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

| Category of asset | Rate (%) |
|------------------------|----------|
| Furniture and fixtures | 20 |
| Office equipment | 20 |

2.3 Intangible assets and amortisation

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the company and the cost of asset can be measured reliably in accordance with BAS 38 "Intangible Assets". Accordingly, these are stated in the statement of financial position at cost less amortisation.

2.4 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.

2.5 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.

2.6 Currency

The amounts in the Financial Statements have been rounded off to the nearest BDT.

2.7 Cash flow statements

The net cash flow from operating activities is determined for the year under direct method as per BAS-7.

2.7 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.

2.7 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.

2.7 Investment in listed securities

Investment in quoted shares and unquoted shares are initially recognised 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.

2.7 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 no. 41.

SHAREHOLDERS' ADDITIONAL INFORMATION

IN THIS SECTION

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LETTER OF INVITATION FROM THE CHAIRMAN

I extend a warm invitation to you to attend in the 17th Annual General Meeting of Union Capital Limited to be held on 31 March 2015 at 10:30 am at Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, Dhaka. Followings are included in this document:

- 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 which will 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 Sunday, 29 March 2015, or handed in at the time of registering attendance at the Annual General Meeting, should the first option not have been chosen.

Yours faithfully,

sd/-

Chowdhury Tanzim Karim
Chairman

Dhaka, 16 March 2015

HEAD OFFICE

Union Capital Limited
Noor Tower, 73 Sonargoan Road
Dhaka-1205
Tel: +88 02 9662888
Fax +88 02 8616878
www.unicap-bd.com

NOTICE OF AGM

17th Annual General Meeting

WHEN
31 March 2015
10:30 am

WHERE
Spectra Convention
Centre, Gulshan-1, Dhaka

RECORD DATE
16 March 2015



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 16 March 2015 that the 17th Annual General Meeting of the Company will be held on Tuesday, the 31 March 2015 at 10:30 am at the Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, Dhaka to deal with the following businesses in the manner required by the Companies Act, 1994:

- AGM 15-17-01 : Receive and adopt the audited financial statements of the Company as of and for the year ended 31 December 2014 together with the reports of the Auditors and Directors thereon;
- AGM 15-17-02 : Declaration of dividend for the year 2014;
- AGM 15-17-03 : Re-appointment of Directors;
- AGM 15-17-04 : Appointment of the Auditors of the Company for the year 2015 and fixation of their remuneration;
- AGM 15-17-05 : Approval of the appointment of the Independent Director;

By order of the Board,

sd/-

Tauhidul Ashraf FCS
SVP & Company Secretary
Dhaka, 16 March 2015

NOTES

1. 16 March 2015 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 10 percent Stock Dividend for the year 2014 subject approval of Bangladesh Bank and the shareholders.
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 72 hours before the time set for holding the meeting.
4. Members are requested to notify change of their 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.

SPECIAL NOTE

As per BSEC's Notification dated 24 October 2013, no food box/gift/gift coupon etc. will be given at the Annual General Meeting.

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 2014. The Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31 December 2014 are contained in this Annual Report.

ITEM TWO

DECLARATION OF DIVIDEND

The Board of Directors in its meeting held on 4 March 2015 recommended 10 percent Stock Dividend i.e 1 shares for every 10 shares held for the year 2014 subject to the approval of Bangladesh Bank and the shareholders in the Annual General Meeting. Bonus shares, if approved, will be transferred to the respective BO Account of the shareholders within April 2015. The dividend will be paid to the shareholders whose name appeared in the Depository Register of shareholders at the close of business on 16 March 2015 being the record date.

ITEM THREE

RE-APPOINTMENT OF DIRECTORS

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, Kazi Russel Mahbub, Ziaul Hasan Siddiqui, Capt. Minhazur Reza Chowdhury and Mohammad Nurun Nabi FCA will retire by rotation and being eligible offered themselves for re-appointment.

Moreover, as per Regulation 86 of the Companies Act, 1994 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, Md. Abdul Karim, Independent Director who was appointed by the Board during the year shall retire in the 17th 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 54 to 57 of this annual report.

ITEM FOUR

APPOINTMENT OF EXTERNAL AUDITORS

The Financial Institutions Act, 1993 and BSEC's order dated 27 July 2011 stipulated that an Auditor of a Financial Institution cannot be appointed for more than three consecutive years. Moreover, section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants have completed their third year as Statutory Auditor of the company and hence not eligible for re-appointment. M/S. S.F. Ahmed & Co., Chartered Accountants, House - 51, Road - 9, Block - F, Banani, Dhaka-1213 have expressed their willingness to become the statutory auditor of the company for the year 2015. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to appoint M/S. S.F. Ahmed & Co., Chartered Accounts as the external auditor of the Company for the year 2015 with an audit fee of BDT 140,000 plus VAT. The Board in its meeting held on 4 March 2015 recommended to the shareholders for approval to the appointment of M/S. S.F. Ahmed & Co., Chartered Accountants as auditor for the year 2015 at a remuneration of BDT 140,000 Plus VAT subject to approval of Bangladesh Bank.

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. Md. Abdul Karim was appointed by the Board on 29 December 2014 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.

FORM OF PROXY

**Union Capital Limited**

[Incorporated in Bangladesh]

[Registration number: C-36021(321/98)]

[Share code: UNIONCAP]

For use of the shareholders of Union Capital Limited who on the Record Date of 16 March 2015 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 2015 at 10:30 am at the Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, 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/its/their nominee with his/her/its voting instruction and such nominee will complete all necessary documentations 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 _____
_____ 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:

| ORDINARY BUSINESS | Number of votes (one vote per ordinary share) | | |
|---|--|--------------------------|--------------------------|
| | For | Against | Abstain |
| Agendum | | | |
| AGM 15-17-01 : Receive and adopt the audited financial statements of the Company as of and for the year ended 31 December 2014 together with the reports of the auditors and Directors thereon; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AGM 15-17-02 : Declaration of dividend for the year 2014; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AGM 15-17-03 : Re-appointment of Directors; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AGM 15-17-04 : Appointment of the Auditor of the Company for the year 2015 and fixation of their remuneration; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| AGM 15-17-05 : Approval of the appointment of Independent Director; | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

A proxy may not delegate his/her/its/their authority to any other person. This form of proxy will lapse and cease to be in force and effect immediately after the Annual General Meeting of the Company to be held on 31 March 2015 at 10:30 am at the Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, Dhaka or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) _____ on (date) _____ March 2015

Signature _____

Attested by me _____

(where applicable)

Please read the notes given on next page.

NOTES TO FORM OF PROXY

Summary of the rights of a shareholder to be represented by proxy as contained in Section 85 of the Companies Act, 1994 and notes to the 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/its/their 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/its/their 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 29 March 2015.
- 9 Holders attending the Annual General Meeting will be offered the opportunity of putting questions to the Directors and Management. A question form has been included in this report on page 264 for this purpose.

FINANCIAL CALENDAR 2014

2013

| | |
|--------|--|
| Feb 28 | Annual results and announcement of final dividend; |
| Mar 14 | Publication of Notice of 15th AGM; |
| Mar 14 | Publications and posting of 2012 Annual Reports; |
| Mar 31 | 15th Annual General Meeting; |
| May 08 | Final dividend payment; |
| May 14 | First-quarter Business Results; |
| Jul 31 | Half-year Business Results; |
| Oct 30 | Third-quarter Business Results; and |
| Dec 31 | Financial year-end. |

2014

| | |
|--------|--|
| Mar 03 | Annual results and announcement of final dividend; |
| Mar 15 | Publication of Notice of 16th AGM; |
| Mar 15 | Publications and posting of 2013 Annual Reports; |
| Mar 31 | 16th Annual General Meeting; |
| Apr 13 | Final dividend payment; |
| Apr 29 | First-quarter Business Results; |
| Jul 21 | Half-year Business Results; |
| Oct 27 | Third-quarter Business Results; and |
| Dec 31 | Financial year-end. |

2015

| | |
|--------|--|
| Mar 04 | Annual results and announcement of final dividend; |
| Mar 16 | Publication of Notice of 17th AGM; |
| Mar 16 | Publications and posting of 2014 Annual Reports; |
| Mar 31 | 17th Annual General Meeting; |
| Apr | Final dividend payment; and |
| Apr | First-quarter Business Results (expected). |

ANNUAL GENERAL MEETING

UCL's Annual General Meeting will be held on Tuesday, 31 March 2015, at 10:30 am; Venue: Spectra Convention Centre, House - 19, Road - 7, Gulshan-1, Dhaka.

DISTRIBUTION POLICY

All reports are available in English and can be downloaded from Company website www.unicap-bd.com.

Despite UCL's initiatives on sustainability, we have not condensed our printed annual report. This report has been distributed to current shareholders. Shareholders, the public and prospective 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. All necessary information may be available online at www.unicap-bd.com.

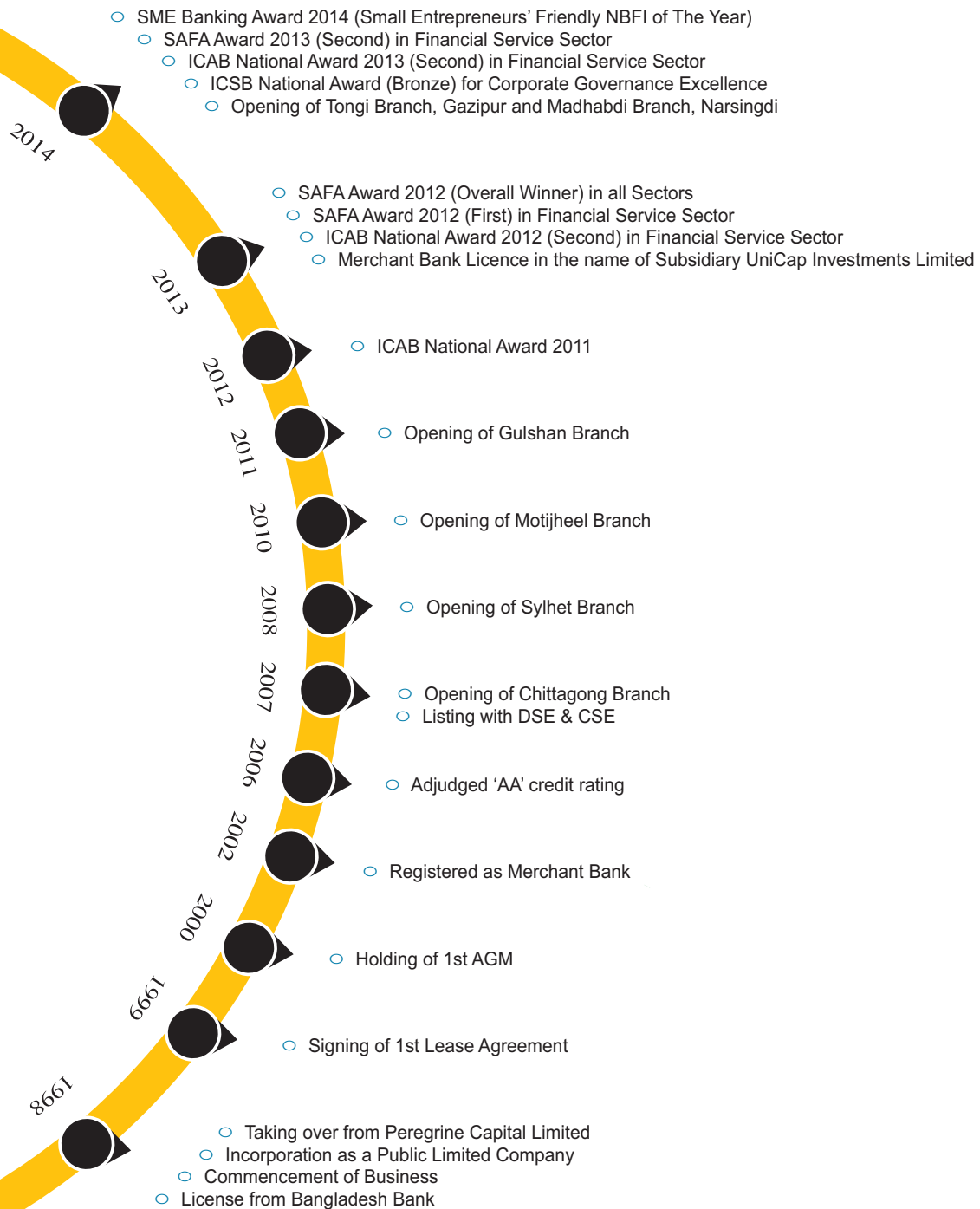
INVESTOR RELATIONS

Name: Tauhidul Ashraf FCS
Department of Corporate Affairs
Tel: +88 02 9662888
Email: investorsrelation@unicap-bd.com

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.

COMPANY MILESTONES

The progress markers



INVESTOR RELATIONS

How do we inform our investors

Communication with the Shareholders

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

Transparent reporting on our operations and performance is the key to the credibility of our public reporting and investor relation's activities. We are therefore committed to keeping the market informed of relevant information, allowing both existing and potential shareholders to evaluate our business, our performance and our prospects. We believe this commitment to communicating with the public not only reinforce investors' understanding of UCL and its development, but also enhance shareholder value. Our Shareholder Communications Policy is available on our website and is regularly reviewed to ensure its effectiveness.

In 2014, in addition to 2 awards won by UCL for best published annual report from the Institute of Chartered Accountants of Bangladesh (ICAB) and South Asian Federation of Accountants (SAFA), we received other two awards one for Corporate Governance Excellence from the Institute of Chartered Secretaries of Bangladesh.

STAKEHOLDER ENGAGEMENT

At a broad level, the Company proactively engages with institutional and retail investors as well as media and other interested groups. Our stakeholders have easy access to our Online Annual Report and we revamped our website to better reach to our investors, customers and other stakeholders.

COMMUNICATION CHANNELS

We believe that the transparency encouraged by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholders value. We facilitate engagement through the following channels:

Financial Reporting

- Annual and Interim Reports
- Online Annual Report
- Press releases on business activities

Shareholder Meetings and Hotlines

- Group and one-on-one meetings
- Shareholder hotline and e-mail:

Tel: +8802 9662888 E-mail: mailbox@unicap-bd.com

INVESTOR PERCEPTION STUDIES

We consulted investors and analysts for feedback on our group strategy, executive management team, Annual Report and our corporate communications, investor relations and corporate governance issues by way of telephone and one to one discussion.

Introducing our first ever integrated online report

Our HTML-based online annual report offers our stakeholders an alternative format for accessing our annual report with downloadable data in an environmentally friendly manner that a growing number of people find more convenient. This initiative reflects another evolution in the transparency and accessibility of our reporting, which are key to the credibility of our investor relations activities.

Advantages of our online report:

- Downloadable financial data tables and other information in spreadsheet format
- Hyperlinks to key supporting figures, breakdown analyses and further explanations
- Environmentally-friendly medium

SOCIAL MEDIA COMMUNICATIONS

Company news, video clips, photos and events are published through social media sites like Facebook. Please like our official facebook page at <http://facebook.com/union.capital.limited>.

COMPANY WEBSITE

Our corporate website and external communications now complement our intergraded reporting format. Information includes:

- Profiles of Group's main businesses
- Board and senior management biographical data
- Corporate Governance,
- Risk Management and CSR
- Board Committees' Terms of Reference
- Financial information

Many shareholders are now benefitting from more accessible information and helping the environment too. If you haven't already tried it, visit our online Annual Report.

Redressal of INVESTORS' COMPLAINT

The voice of the shareholders

INVESTORS' REDRESSAL POLICY

We at UCL 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.

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 also lodge complaint in writing.

- 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 email 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.
- 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 these soon as possible.
- UCL must resolve investor complaint within seven days of the receipt of the same except the complicated cases.
- 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.

Investor complaints constitute an important voice of investor, and this policy details complaint management through a structured grievance redressal framework. Complaint redressal is supported by a review mechanism to minimize recurrence of similar issues in future.

OTHER INVESTORS' FRIENDLY INFORMATION

Shareholders' rights to access

CAPITAL FORMATION HISTORY

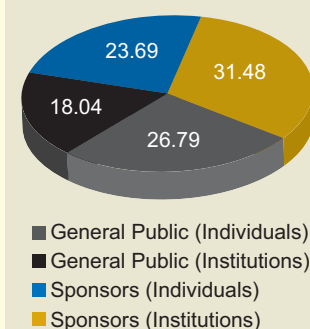
The history of raising of share capital of UCL is given below:

| 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 | Rights Share | 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 |
| 31 March 2013 | 5% Bonus Share | 5,233,777 | 52,337,770 |
| 31 March 2014 | 10% Bonus Share | 10,990,932 | 109,909,320 |
| 31 March 2015 | 10% Bonus Share* | 12,090,026 | 120,900,260 |
| End of the year | | 132,990,284 | 1,329,902,840 |

* Subject to approval of Bangladesh Bank and the Shareholders.

COMPOSITION OF SHAREHOLDINGS (%)

At the end of 2014, the Sponsor Shareholders are holding 55.17 percent of the paid up capital of the company while general public holds 44.83 percent.



KEY SHARE INFORMATION

| (As on 31 December) | 2014 | 2013 | 2012 |
|---|-------------|-------------|-------------|
| Total no. of shareholders | 9,586 | 10,170 | 10,165 |
| Share price (Taka) | 21.20 | 34.60 | 27.8 |
| No. of outstanding shares | 120,900,258 | 109,909,326 | 104,675,549 |
| Market Capitalization (Taka in million) | 2,563.08 | 3,802.86 | 2,909.98 |

SHAREHOLDERS

At the end of 2014, there were 9,586 shareholders in UCL as against 10,170 shareholders at the end of 2013. The Sponsor Shareholders hold 66,695,884 no shares of Tk.10 each which represent 55.17 percent of the total paid up shares of the Company.

STOCK LISTING

| Bourse | Symbol | Date of listing |
|--------|----------|-----------------|
| DSE | UNIONCAP | 24 July 2007 |
| CSE | UNIONCAP | 24 July 2007 |

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 NETWORK

**UCL's
Branch
Network****Main Branch**

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Chittagong Branch

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Chittagong 4100, Bangladesh
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Sylhet Branch

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Motijheel Branch

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Gulshan Branch

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Tongi Branch

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Tel: +88 01787671067, 01988899838

Madhabdi Branch

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Narsingdi, Bangladesh
Tel: +880 1787671068

LEGAL ADVISOR

A. Hossain & Associates
3/B Outer Circular Road
Moghbazar, Dhaka.

AUDITORS

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Chartered Accountants
House - 51, Road - 9, Block - F
Banani, Dhaka-1213
Phone: +880 (2) 987 1018
Fax: +880 (2) 882 5135
E-mail: sfaco@citechco.net
Web: www.sfahmedco.org

STOCK BROKER/DEALER

UniCap Securities Limited
(Former SES Company Limited)
(Membership DSE-163; CSE-82)

TAX CONSULTANTS

K. M. Hasan & Co.
Chartered Accountants
Hometown Apartment
87 New Eskaton Road, Dhaka-1000

PRINCIPAL BANKERS

Bank Asia Limited
United Commercial Bank Limited
Mutual Trust Bank Limited
Jamuna Bank Limited

SUBSIDIARY COMPANY

UniCap Securities Limited
UniCap Investments Limited

INVESTORS INQUIRIES

Department of Corporate Affairs
Phone: +880 (2) 966 2888
Email: investorsrelation@unicap-bd.com

MEMBERSHIP

Bangladesh Leasing &
Finance Companies Association (BLFCA)
Bangladesh Merchant Bankers Association (BMBA)
Dhaka Chamber of Commerce and Industry (DCCI)
Bangladesh Association of Publicly Listed Companies
Federation of Bangladesh Chamber of
Commerce and Industry (FBCCI)
The Institute of Bankers, Bangladesh (IBB)

DEFINITIONS

Interpret the hieroglyphics

BANGLADESH FINANCIAL REPORTING STANDARDS

Bangladesh Financial Reporting Standards (BFRS) means those standards adopted by the ICAB. UCL's consolidated financial statements are prepared in accordance with BFRS/BAS.

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.

CAMELS RATING

It is a measure for examining a financial institution or bank - the six things to examine are:

- Capital Adequacy
- Asset Quality
- Management Quality
- Earnings
- Liquidity
- Sensitivity

CASH RESERVE REQUIREMENT (CRR)

CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFIs 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 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.

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.

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 (i.e. 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 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

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 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 expense 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 Company'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 II 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, 10 percent of revaluation reserve for equity instrument 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.

QUESTION FORM FOR ANNUAL GENERAL MEETING

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 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.





...UCL is irrevocably committed to building a sustainable business. We remain focused on our main priorities to deliver shareholder value and maintain profitability while performing in a socially and environmentally responsible manner.

www.unicap-bd.com



Union Capital Limited

Building a sustainable future

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Madhabdi Office

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