

ANNUAL REPORT 2015



Union Capital Limited
Building a sustainable future

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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 17 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. UCL operates through its 7 branch offices located in Dhaka, Chittagong, Sylhet, Gazipur and Narsingdi along with its subsidiaries namely UniCap Securities Ltd. and UniCap Investments Ltd.

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 (NBF1)
- 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.

VISION

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 for all stakeholders through excellence in performance and good governance.

MISSION

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 through leadership in innovation, an absolute focus on customers and operational excellence.

STRATEGY

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

We follow our guiding principles to :

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

Our leaders expect to :

- Make a positive impact;
- Build for the future;
- Inspire the 'will to win';
- Work effectively in teams;
- Live transparency;
- Show excellent judgement;
- Demonstrate unwavering integrity.

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

OUR VISION

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

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

Our vision is to become a leading 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.



OUR SHAREHOLDERS

Maximizing shareholders' wealth achieving superior performance

OUR CUSTOMERS

Developing strong and mutual beneficial relationships working closely with our customers



OUR EMPLOYEES

Providing a safe and supportive working environment for our employees

OUR COMMUNITY

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



OUR ENVIRONMENT

Protecting our environment and benefit the community where we do business

OUR MISSION

The overall purpose of the business 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.

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



SHAREHOLDERS

Increase corporate value and generate shareholder benefit through constant growth, profit generation and employee commitment to excellence

CUSTOMERS

Provide the most preferred products and services to customers by offering values that exceed customers expectation. We believe our customers' success determines our future



EMPLOYEES

Strive to have high-performing corporate structure and ensure the employees to work with winning spirit and excitement having vision and pride in their mind

COMMUNITY

Contribute to the community development maintaining high ethical standards, obey all laws, and respect local customs



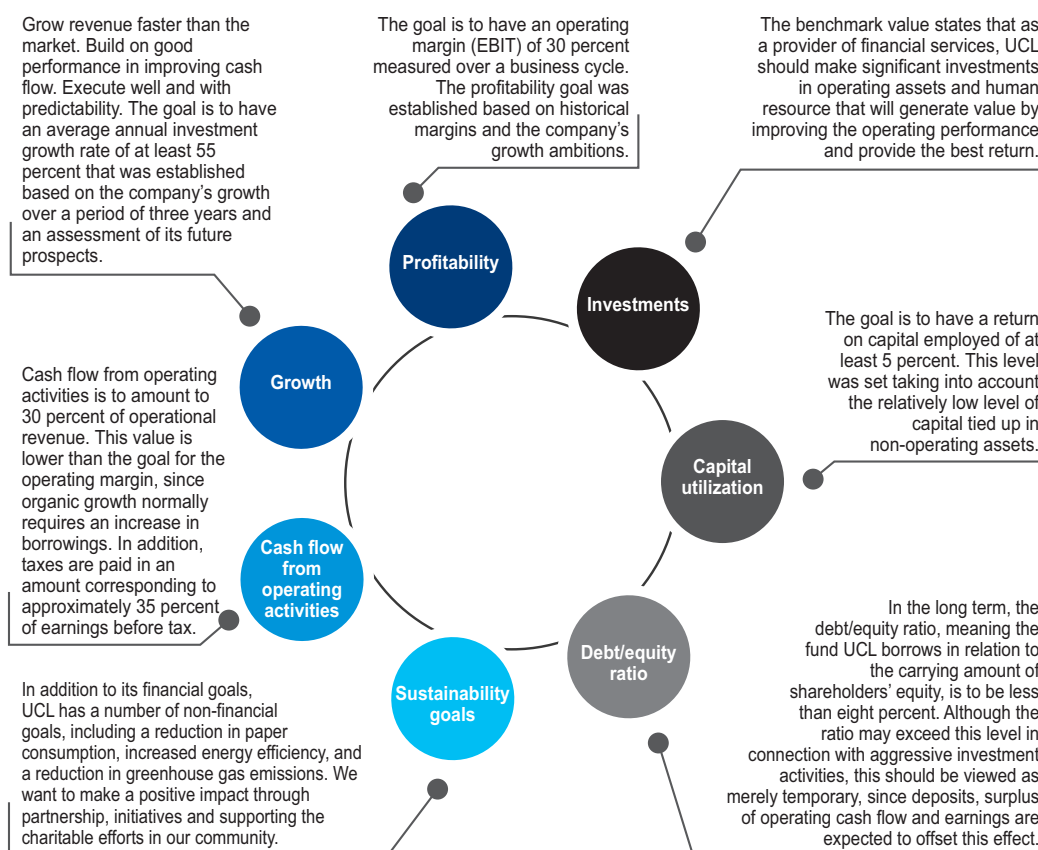
ENVIRONMENT

Be an environmentally-responsible company working together with all stakeholders to reduce environmental impact by embedding the environment into our business and involving our employees, customers and the community

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.



...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

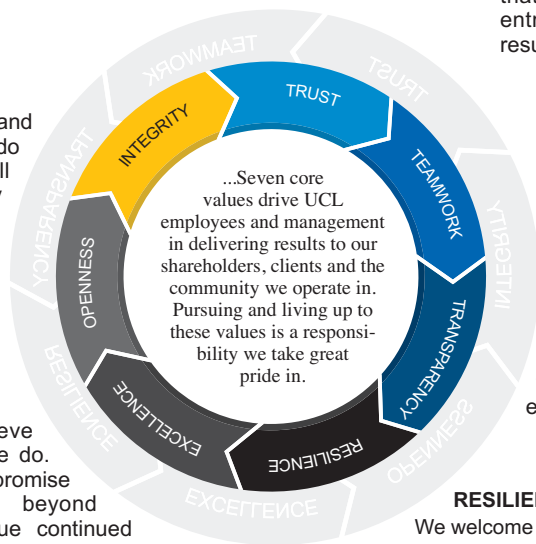
We aspire to achieve excellence in all that we do. We deliver what we promise and add value beyond expectations. We pursue continued growth and strive to achieve the highest levels of performance in all endeavors.

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.

STRIVING FOR A BALANCED GROWTH OF REVENUES

In our two pillars – the financing operations and the capital market operations – we have a stable



... 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.

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.

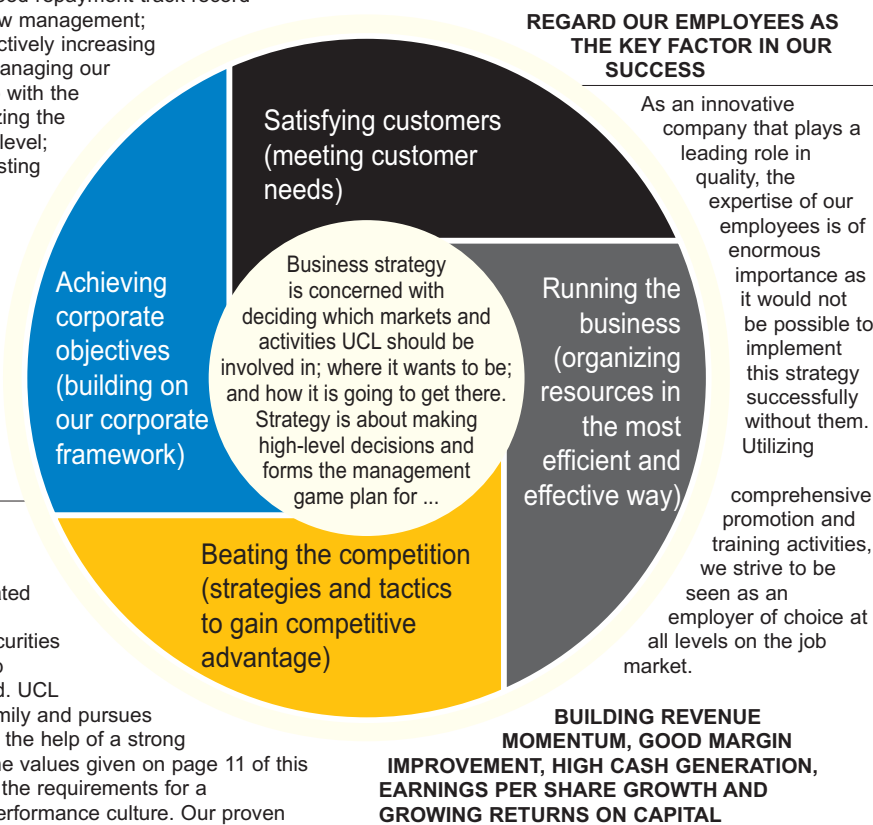
GROWING INTERNALLY AND EXTERNALLY

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.



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.

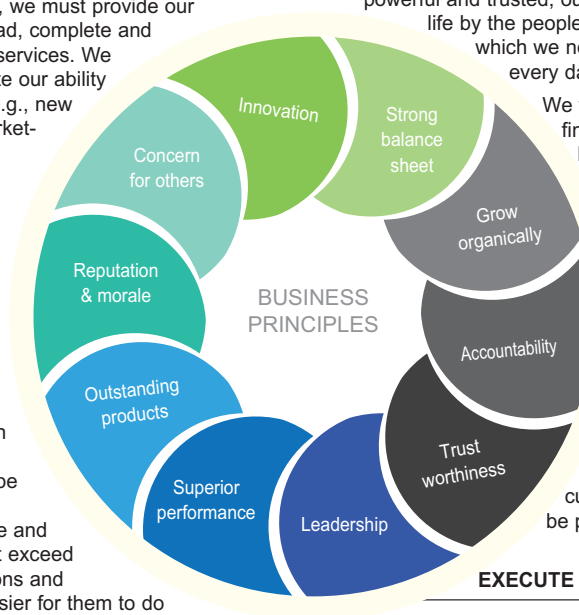
Innovate in all actions we take

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.

Create strong brands that carry a commitment of quality and integrity

UCL Group is not only a promise to customers, but also a commitment we make to ourselves about who we are and just how good we want to be. This commitment goes well beyond creating a name. To be powerful and trusted, our brands must be brought to life by the people who represent them for which we need to deliver on the promise every day.

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



EXECUTE MAGNIFICENTLY

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 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

...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.

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

- ❑ IPO Management
- ❑ Underwriting
- ❑ Margin Loan
- ❑ Share Trading
- ❑ Corporate Restructuring
- ❑ Equity Investment
- ❑ Rights Issue Management
- ❑ Portfolio Management
- ❑ Pre-IPO Placement
- ❑ Investment Management
- ❑ Corporate Advisory Services
- ❑ Fund Raising

BUSINESS REVIEW

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

STATEMENT FROM THE CHAIRMAN

I am extending a heartfelt and gracious welcome to all our esteemed shareholders at the 18th Annual General Meeting of the Company. I feel greatly honored and privileged in taking this opportunity to report to our valued shareholders after being re-elected as the Chairman of the Board of Directors for the third consecutive term.

2015 was a challenging year for Union Capital Limited and the banking/financial sector of Bangladesh. Challenges included (i) disruption of about 90 working days of economic activity due to political strikes; (ii) a significant fall in the demand for private credit; and (iii) continued lack of investors' confidence in the capital market.

Despite such economic adversities and uncertainty, UCL was nevertheless able to maintain sustainable business growth and profitability. Some of the highlights of the performance are as follows:

- Net profit before tax for 2015 was Tk. 484.56 million, which is 8.04 percent higher than the previous year. The net profit after tax was Tk. 234.15 million registering a growth of 17.08 percent over last year, registering a growth of 17.08 percent over last year.
- The year was proved to be a steady growth in terms of investment portfolio. The overall investment portfolio of the Company increased by 6.13 percent, which was made possible by the relentless efforts of the management. The Board and Management exercised highest level of diligence and scrutiny prior to approving any investment. Like before, I would like to assure in the strongest possible terms that investment growth has not come at the cost of compromise on the asset quality.
- Owing to management's effort in boosting recovery of classified loans, a significant amount of bad loans were successfully recovered. In addition, due to the increase in the investment portfolio and writing-off of selective NPL, the aggregate percentage of Non-performing loan at the close of 2015 stands at 8.41 percent.

Mr. Mahmudul Alam, joined UCL as its new Managing Director from December, 2015. He brings along with him a wealth of experience and knowledge in banking operations. I am confident that the management of UCL shall continue to excel under his guidance and leadership.

My appreciation goes to all employees in the UCL Group who in their own way, are shaping the UCL of the future. In particular, I take this opportunity to specifically commend Mr. Tauhidul Ashraf and the senior management for their outstanding efforts exerted during July-November, following the expiry of the service contract of our previous Managing Director. I must also thank Mr. Wali-UI Islam, Chief Executive Officer of Unicap Securities Limited for his relentless efforts to boost the business of our brokerage operations in the face of numerous challenges prevailing in the capital market sector of the country.

The Board of Directors of UCL believe in good governance, transparency and sustainable growth which seek to protect the long term interests of our stakeholders. In line with these principles, the management took a bold step in disposing of certain investments in its own portfolio that were made prior to

market crash of 2010, with the overriding objective of (i) cutting short future losses; and (ii) to redirect the funds in investment opportunities that will yield higher returns in future. Although the loss realized as a consequence of this step reflects negatively in UCL's financial statements for year 2015, I would like to assure all our stakeholders that this step will benefit UCL immensely in the coming years.

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 shareholders on an individual basis.

Whilst UCL faced significant challenges in 2015, 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, strategic guidance and for their prudent and invaluable contributions in formulating policies and guidelines in all areas of operations. I am pleased to inform you that Mr. Waqar A. Choudhury joined our Board of Directors on 21 October 2015. His in-depth knowledge regarding, and experience working with, the financial market of Bangladesh is a noteworthy addition to the board. I would like to thank each and every member of the Board for their commitment and for giving their time generously over and beyond scheduled Board discussions.

I take this opportunity to thank our regulators, Bangladesh Bank and Bangladesh Securities and Exchange Commission as well as 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 and effort 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 18th Annual General Meeting which will help us to drive the Company towards excellence.

sd/-
Chowdhury Tanzim Karim
Chairman
21 March 2016

Letter from the MANAGING DIRECTOR & CEO



Our business challenges continued in 2015 marked by slow investment growth, somewhat unstable capital market, intensified competition, increasing pressure from customers for rate reduction and political uncertainty during 1st quarter of the year. However, improving fundamentals, especially giving more focus on our strategy throughout the year, we could maintain our profitability. UCL has managed well despite the challenges, our strategy of diversifying business mix, both on the liabilities as well as the assets side of our balance sheet, has helped us to overcome the challenges. 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.

The year 2015 was another challenging period for the Non-banking Financial Institutions (NBFI). Due to political uncertainty during the first quarter of the year the business environment of the country was jeopardized as a result the entrepreneurs were reluctant to make new investments which in turn affected the business of NBFI sector and eventually also affected our business growth during first half of the year.

Moreover, we had to face immense pressure from the customers for rate reduction due to stiff market competition. Like previous years the capital market remained somewhat unstable and the investment growth was slow too. In spite of all odds we could maintain our growth by improving our fundamentals, focusing our main stream of business, strengthening our recovery efforts and acquisition of new business. UCL has managed well despite the challenges by concentrating its business efforts by acquiring new customers, better services and concerted efforts of the management, support of the Board of Directors, regulators and other stakeholders.

The 2015 financial year has been a challenging one; however UCL has performed well despite the challenging environment. The interest income of the company increased from Tk. 1, 914.92 million to Tk. 2,027.27 million which is 5.87% higher than previous year. The net profit after tax increased to Tk. 234.15 million from Tk. 199.99 million in the previous year which shows an increase of 17.08% over last year's net profit after tax despite of the company's Tk. 100.80 million loss realized from its capital market investment.

We value our customer satisfaction and continue our effort to provide them the required services as per their need. We continued strengthening our operation system for better services delivery to the customers and maintain sustainable growth for the company. Since process development is a continuous process we shall continue the same to increase the productivity of the employees for increased profitability and maintain sustainable growth for the future.

Having the right people with the right skills and relentless efforts are critical to the successful implementation of our strategy. We always value the power of talented employee, train them for enhancement of their knowledge and improve the leadership quality to lead the company for

maintaining sustainable growth and achievement of the goal of the company.

We have a great team of professionals who have been involved in the delivery of quality and value added services to our customers. Our challenge now is to inspire our people with a vision to become a leading financial institution to cater the needs of our market by providing the best services to our customers. We are consistently building the right culture and developing our people's capabilities to deliver superior value to our clients, shareholders, employees and the community.

I take this opportunity to thank all employees of Union Capital Limited for their achievement in the year 2015 and hope that they will continue their hard work with the commitment they have shown during the past years to achieve company's goals in years to come.

I would also like to thank the Members of our Board of Directors for their valuable advice, guidance and support extended to the management to achieve the company's goal. I am grateful to all our shareholders and other stake holders for their continuing trust in UCL.

sd/-

Mahmudul Alam

Managing Director & CEO

21 March 2016

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 87 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 2015. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2015. Unless otherwise indicated, all amounts are stated in Bangladesh Taka and have been derived 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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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. 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 business. It includes clear and direct accountability for annual performance that is measured against internal and external benchmarks and progress towards our strategic priorities.

OUR STRATEGY

Changes in the economic environment and their effects on our customers are ongoing. 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 2016

- 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, both corporate and SME segment, particularly the unexplored niche 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 businesses in selected markets to grow with our customers;
- Expand our capabilities and reach new customers, particularly environmentally sustainable projects;
- Sustain a culture that focuses on customers, high performance and our people;
- Become the employer of choice.

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 2016 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;
- ability to adopt 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 position as at and for the period ended on the dates presented, as well as our strategic

Forward-
looking
Statement

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 120 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 economies of Bangladesh and even global economic conditions, or events arising from systematic risks could affect the recoverability and value of Company's investments. This would deteriorate the asset quality as well as reduce earnings 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 systems to mitigate and control these risks 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

results 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 including ineffective implementation of those policies and 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 guidelines issued by 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 2015. 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
Amendments to IFRS 9: Financial Instruments	The amendments will provide change the measurement and presentation of many financial instruments depending on their contractual cash flows and the business model under which they are held.	Financial periods beginning on or after 1 January 2018	This has no impact on the Group's financial reporting.
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.	Financial periods beginning on or after 1 January 2016	The Group is assessing the impact of adopting the amended.
Amendments to IFRS 11: Accounting for acquisition of interest in joint operations	The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgmental.	Financial periods beginning on or after 1 January 2016	The Group is assessing the impact of adopting the amended IFRS 11.
IFRS 14 : Regulatory deferral Accounts	IFRS 14 specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	Financial periods beginning on or after 1 January 2016	This has no impact on the Group's financial reporting.
IFRS 15: Revenue from contracts with customers	This applies to all contracts with customers excepts- (i) Lease contracts (ii) Insurance contracts (iii) Financial instruments or other contractual rights or obligations and (iv) Certain non-monetary exchanges.	Financial periods beginning on or after 1 January 2018	This has no impact on the Group's financial reporting.
Amendment to IAS 1 : Disclosure initiative	These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS and, do not affect recognition and measurement.	Financial periods beginning on or after 1 January 2016	The Group is assessing the impact of adopting the amended IAS 1.
Amendment to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization.	The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through the use of the assets.	Financial periods beginning on or after 1 January 2016	The Group is assessing the impact of adopting the amendments.
Amendment to IAS 16 And IAS 41 Agriculture: Bearer plants	The amendments change the scope of IAS 16 and IAS 41 change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., Fruit plants).	Financial periods beginning on or after 1 January 2016	This has no impact on the Group's financial reporting
Amendment to IFRS 10 Consolidated financial statements.	The amendments defer the effective date of the September 2014 amendments to IFRS 10 and IAS 28 indefinitely until the research project on the equity method has been concluded.	Financial periods beginning on or after 1 January 2016	The Group is assessing the impact of adopting the amended IAS 28 and IFRS 10

DISCLOSURE ON CONTROL PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure on Control Procedures

Disclosure on control 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 on control procedures was conducted as at 31 December 2015 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 2015, our disclosure on control 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, the Company Act 1994 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 disposal 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, Companies Act, as applicable, and that receipts and expenditures of UCL are being made only in accordance with authorization by management and Board of Directors of UCL; and
- provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposal of UCL's assets that could have a material effect on the financial position as described in the financial statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all sorts of 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 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2015 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, S. F. Ahmed & 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 its subsidiaries namely, UniCap Securities Limited and UniCap Investments 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
- 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.

2015 FINANCIAL PERFORMANCE AND FINANCIAL CONDITION REVIEW

Challenges faced in 2015

- Economic slowdown;
- Political instability;
- Shortage of supply of energy
- Increased competition;
- Reduction in 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 2015

Major performance indicators in 2015 were as under:

- Investment of the Group increased to Tk. 17,264.85 million from Tk. 16,227.71 million registering a moderate growth of 6.39 percent;
- Consolidated net profit for the year was Tk. 234.15 million as against Tk. 199.99 million of 2014 with a noteworthy growth of 17.08 percent;

- Customers deposits registered a moderate growth of 10.21 percent to Tk. 11,798.93 million from Tk. 10,705.44 million of 2014;
- Shareholders' equity increased to Tk. 2,493.93 million from Tk. 1,807.18 million of 2014 with noteworthy growth of 38.00 percent. This growth was mainly due to profit earned during the year as well as issuance of non-convertible cumulative redeemable preference share to the tune of Tk. 500 million in 2015;
- Interest income increased to Tk. 2,027.27 million from Tk. 1,914.92 million with a moderate growth

of 5.87 percent compared to previous year. This was mainly due to moderate increase in loan/lease portfolio, regularization of stuck up accounts and vigorous monitoring of regular customers;

- Consolidated profit before tax increased to Tk. 484.56 million from 448.49 million registering a moderate growth of 8.04 percent compared to prior year.
- Consolidated earnings per share decreased to Tk. 1.40 as against Tk. 1.50 of 2014.

REVIEW OF OPERATING PERFORMANCE

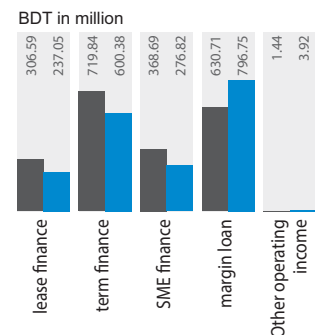
Summary of Profit and Loss Account

(Figures in million Taka)	% of increase/ (decrease)	For the year ended 31 December
2015	2014	
2,027.27	1,914.92	5.87
(100.80)	71.83	(240.34)
162.52	214.09	(24.09)
56.61	30.22	87.33
2,145.60	2,231.06	(3.83)
1,343.95	1,342.35	0.12
211.45	192.02	10.12
105.63	248.21	(57.44)
1,661.03	1,782.58	(6.82)
484.56	448.49	8.04
250.42	248.50	0.77
234.15	199.99	17.08

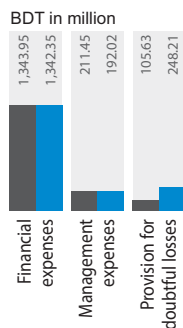
Revenue from loans, advances and leases

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

Amount	%	Amount	%	(Figures in million Taka)
2015	2014	2015	2014	
306.59	15.12	237.05	12.38	Income from lease finance
719.84	35.51	600.38	31.35	Income from term finance
368.69	18.19	276.82	14.46	Income from SME finance
630.71	31.11	796.75	41.61	Income from margin loan
1.44	0.08	3.92	0.20	Other operating income
2,027.27	100.00	1,914.92	100.00	Total



Revenue from different products
■ 2015 ■ 2014



Operating Expenses
■ 2015 ■ 2014

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 94.48 percent of total revenue earned by the Company during 2015 (2014: 85.83 percent). Income from loans, advances and leases increased by 4.50 percent i.e. Tk. 87.30 million in 2015 compared with 2014 due to 1.05 percent growth in performing book as well as significant recovery from classified portfolio.

Operating Expenses

(Figures in million Taka)	% of increase	
2015	2014	
1,343.95	1,342.35	0.12
211.45	192.02	10.12
105.63	248.21	(57.44)
1,661.03	1,782.58	(6.82)

Financial expenses

In 2015 financial expenses have increased by 0.12 percent due to increase in volume of customer deposits by 10.21 percent resulted from increase in investment growth by 6.39 percent. 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 80.91 percent of total expenses (2014: 75.30 percent). In 2015 financial expenses was 62.64 percent of total operating revenue (2014: 60.17 percent). The ratio of financial expenses increased in 2015 mainly due to increase in customer deposits.

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 10.12 percent to Tk. 211.45 million in 2015 (2014: Tk. 192.02 million) mainly due to increase in salary and allowances for new head count, office rent for new branches and office maintenance expenses. During 2015, management expense was 9.86 percent of total revenue as against 8.61 percent in 2014.

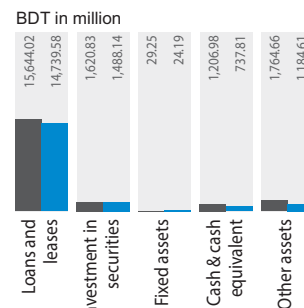
Provision for doubtful losses

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. 105.63 million has been provided compared to Tk. 248.21 million in 2014.

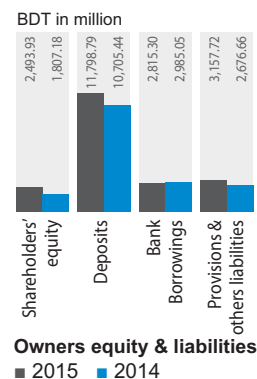
FINANCIAL CONDITION REVIEW

(Figures in million Taka) % of increase/
2015 2014 (decrease)

			Assets and Investments
15,644.02	14,739.58	6.14	Loans, advances and leases
1,620.83	1,488.14	8.92	Investment in securities
29.25	24.19	20.92	Fixed assets
1,206.98	737.81	63.59	Cash & cash equivalent
1,764.66	1,184.61	48.97	Other assets
20,265.74	18,174.32	11.51	Total assets and investments
			Shareholders' equity and liabilities
2,493.93	1,807.18	38.00	Shareholders' equity
11,798.79	10,705.44	10.21	Deposits
2,815.30	2,985.05	(5.69)	Borrowings from banks and NBFIs
3,157.72	2,676.66	17.97	Provisions and others liabilities
20,265.74	18,174.32	11.51	Shareholders' equity & liabilities



Assets and Investments
■ 2015 ■ 2014



Owners equity & liabilities
■ 2015 ■ 2014

Shareholders' equity increased by 38.00 percent due to profit earned during the year and issuance of cumulative redeemable non-convertible preference share of Tk. 500.00 million in 2015 in order to increase regulatory capital and supporting the investment growth.

Loans, advances and leases

Total outstanding balance of loans, advances and leases as at 31 December 2015 was Tk. 15,644.02 million which is 6.14 percent higher than that of Tk. 14,739.58 million in 2014.

Outstanding balance of loans, advances and leases as on 31 December 2015 and 2014 was as under:

2015		2014		(Figures in million Taka)
Amount	%	Amount	%	
2,392.84	15.30	3,084.35	20.93	Lease finance
7,474.50	47.78	6,451.34	43.77	Term finance
5,731.47	36.64	5,073.87	34.42	Margin loan
45.21	0.29	130.02	0.88	Other finance
15,644.02	100.00	14,739.58	100.00	Total

In 2015, our total loans, advances and leases increased by 6.14 percent compared to 2014 mainly due to increase in term loans. In 2015 we focused more on acquisition of new quality loan/leases both in SME and corporate segments maintaining the quality of present portfolio 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 its prudent assets and 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 2015, UCL can borrow from call money market to the tune of Tk.1,914.90 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)
29.07	66.18	540.81	1,577.10	179.68	2,392.84	Lease finance
91.02	207.19	1,693.14	4,937.47	562.53	7,491.35	Term finance
69.64	158.51	1,295.38	3,777.56	430.38	5,731.47	Margin loan
0.05	0.11	0.93	2.71	0.31	4.11	Loan against deposits
0.29	0.67	5.48	15.99	1.82	24.25	Staff loan
190.08	432.66	3,535.74	10,310.82	1,174.71	15,644.02	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)
171.19	103.93	335.03	847.52	29.16	1,486.83	Bank loan
78.65	47.75	153.93	389.39	13.40	683.12	Fund from Bangladesh Bank
74.31	45.11	145.42	367.86	12.66	645.35	Short term loan
324.15	196.79	634.37	1,604.77	55.22	2,815.30	Total

Investment in shares

Union Capital Limited invested in diversified listed securities with highest investment in manufacturing companies representing 96.68 percent of total investment followed by insurance companies (2.56 percent) and fuel & power companies (0.55 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 2015 was Tk. 534.46 million (2014: Tk. 389.61 million). The following table shows the concentration of investment in major sectors of listed securities as at 31 December 2015 and 2014:

2015		2014		(Figures in million Taka)
Amount	%	Amount	%	
1.21	0.22	-	-	Bank companies
14.38	2.56	53.79	13.64	Insurance companies
3.08	0.55	125.03	31.72	Fuel and power
544.12	96.68	215.40	54.64	Manufacturing companies and others
562.79	100.00	394.22	100.00	Total

Performance of Capital Market

We could not perform well in 2015 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 2015, DSE Broad Index DSEX loosed 6.73%. Over 2015, the DSEX loosed 311.87 points, closed at 4,629.64. DSEX reached its highest at 4,969.64 on January 13, 2015. 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 1,904.76 on August 4, 2015 while the lowest level of DS30 was recorded at 1,505.70 on May 4, 2015 and the year end closing was 1,750.59

NBFI sector also followed the overall market as evidenced by its around 16.06 percent shred in total capitalization. In line with the overall market and NBFI sector, market price of Union Capital Limited started its journey on January 01, 2015 with the price of Tk. 21.40 in DSE and closed at Tk. 14.50 on 31 December 2015. The highest price was recorded at Tk. 21.80 on January 18, 2015 and the lowest was Tk. 12.70 on November 11, 2015.

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

2012	2013	2014	2015	2014 VS 2015 % Change	
238	238	238	256	7.56	Total Trading Days
1,001	952.74	1188.52	1,031.40	(13.22)	Total Turnover value (BDT in Billion)
4,206	4,003.12	4,993.79	4,277.04	(14.35)	Daily Average Turnover value (BDT million)
2,404	2,648	3,259.25	3,156.96	(3.14)	Market Capitalization (BDT in Billion)
515	529	546	559	2.38	Total Number of Listed Securities
14	14	17	13	(23.53)	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 exists 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)' account 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 loan/leases of Union Capital Limited as of 31 December 2015 and 2014 was as follows:

(Figures in million Taka)

Outstanding amount	NPL	2015 NPL (%)	Outstanding amount	NPL	2014 NPL (%)	
12,141.52	806.23	5.59	11,841.66	1,161.78	8.13	Loan/Lease finance
2,242.99	406.69	2.82	2324.54	54.61	0.38	SME finance
45.21	-	-	130.02	-	-	Other finance
14,429.72	1,212.92	8.41	14,296.22	1,216.39	8.51	Total

Rate of non-performing loans, advances and leases was 8.41 percent in 2015 as against 8.51 percent of 2014, a downturn of 0.10 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 2015 and 2014:

Details of Non-performing Assets structure

(BDT in million)	2015					2014				
	Provision for NPL	Interest suspense	Total	NPL	% of Coverage	Provision for NPL	Interest suspense	Total	NPL	% of Coverage
Lease finance	91.18	80.00	171.18	425.09	40.27	126.27	153.48	279.75	605.60	46.19
Term finance	189.79	120.25	310.04	787.83	39.35	122.25	102.37	224.62	610.79	36.78
Real estate finance	-	-	-	-	-	-	-	-	-	-
Margin loan	-	-	-	-	-	-	-	-	-	-
Loan against deposit	-	-	-	-	-	-	-	-	-	-
Total	280.97	200.25	481.22	1,212.92	39.67	248.52	255.85	504.37	1,216.39	41.46

Union Capital has maintained total provision of Tk. 433.85 million against loans, advances and leases as of 31 December 2015 compared to Tk. 384.25 million of last year. Provision against classified loan has increased by 13.06 percent compared to 2014. Management's periodic evaluation of the adequacy of the provision is based on the companies past 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 50 percent of face value or 50 percent of market value, whichever is lower, in case of 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 decreased. As at 31 December 2015 coverage was 39.67 percent compared to 41.46 percent of 2014. We believe coverage is satisfactory as the company maintain adequate provision as per guidelines of Bangladesh Bank.

Management has taken adequate measures to reduce the 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.

2015 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. 20,029.98 million at 31 December 2015, up from Tk. 14,316.28 million in 2014. The table below provides a breakdown of our RWA by risk type.

Risk-Weighted Assets (Consolidated)

BDT in millions

2015	2014	As at 31 December
18,295.84	12,629.48	Credit risk
1,068.92	779.20	Market risk
665.23	907.60	Operational risk
20,029.99	14,316.28	Total RWA
Basel II Regulatory Capital (in million Taka)		
1,891.90	1,705.15	Tier 1 Capital
779.71	218.62	Tier 2 Capital
2,671.61	1,923.77	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.1,891.90 million as at 31 December 2015 compared to that of last year with a steady growth of 10.95 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 2015 was Tk. 2,671.61 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 2015.

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:

2015	2014	As at 31 December
9.45	11.91	Tier 1 Capital Ratio
3.89	1.53	Tier 2 Capital Ratio
13.34	13.44	Total Capital Ratio
1.33	1.34	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. The Total Capital Ratio reflects total capital divided by RWA. Total Capital Ratio of Union Capital Limited was 13.34 percent against the minimum capital adequacy ratio of 10 percent as per Bangladesh Bank guidelines. Therefore, the Company has surplus capital of 3.34 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 2015 was Tk. 2,815.30 million compared to Tk. 2,985.04 million in 2014. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2015, a total loan of Tk. 1,057.26 million was taken from the banks and financial institutions and Tk. 1,411.94 million was repaid.

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 2015 UCL received loan of Tk. 247.26 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 2015, an amount of Tk. 9,112.59 million has been received as term deposits from various sources which was Tk. 7,556.36 million in 2014. As at 31 December 2015, total outstanding amount of term deposit was Tk.10,712.75 million compared to Tk.9,695.59 million in 2014. Interest amounting to TK. 1,257.34 million was paid on term deposits during the year 2015 as against Tk. 1,271.24 million in 2014. The Company offers different deposit products which is available on page 18.

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 13.95 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 2015. Positive net cash flows from operating activities signify that UCL Group generates sufficient cash flow from its operating activities to meet its operating expenses. Net cash inflows from operating activities was Tk. 416.13 million due to a significant amount of deposit collected from banks and financial institutions as well as recovery from NPL portfolios.

Cash flow from investing activities

Net cash outflows from investing activities were Tk. 251.43 million mainly due to investment in listed securities. During the year, a total amount of Tk. 4,836.93 million (2014: Tk. 4,953.65 million) has been invested for purchase of listed securities while total sale of securities was Tk. 4,603.44 million (2014: Tk. 4,757.61 million). Moreover, UCL invested Tk. 20.91 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. Cash flow from financing activities included proceeds from

issuance of non-convertible cumulative redeemable preference share of Tk. 500.00 million in 2015. During the year a total amount Tk. 1,357.47 million was borrowed as fresh loans from banks and financial institutions while an amount of Tk. 950.23 million was repaid to banks and financial institutions.

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.

Mitigation measures

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.

Mitigation measures

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

Responsibility

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

CREDIT RISK

Credit Risk

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.

Mitigation measures

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

Mitigation measures

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.

Mitigation measures

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

Investment risk

Impact on business

Could lead to diminution in the value of investments.

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.

Mitigation measures

- 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.

Mitigation measures

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

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.

Mitigation measures

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.

Mitigation measures

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

Regulatory and compliance risk

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

Impact on business

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

Mitigation measures

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

Responsibility

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

Information security risk

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

Impact on business

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

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

Mitigation measures

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

Responsibility

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

Legal risk

Impact on business

Increased costs, loss of revenue, abuse and/or loss of intellectual property, distraction, negative brand equity, strained relationships with customers, depositors, employees, service providers, investors, regulators and other stakeholders, and possible disruption of business activities.

Mitigation measures

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

Asset security cover risk

Impact on business

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

Mitigation measures

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

Responsibility

The Legal Services Department, Credit Appraisal Unit, Credit Risk Management, 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	Quarterly
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
Report on Large Loans	Monthly

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 2015, Bangladesh Bank has issued certain guidelines which inter alia include as under:

- Bangladesh Bank has issued a circular for all NBFIs regarding appointment of external auditors in financial institutions. As per circular, for ensuring transparency and accountability of auditors' activities FIs have to comply with certain terms and conditions.
- Bangladesh Bank has issued a circular relating to appointment of advisors/consultants in NBFIs by following certain instructions.
- Bangladesh Bank has issued a circular for all NBFIs regarding appointment of Managing Director & CEO. In this circular, Bangladesh Bank has set some rules that will be required to follow in case of appointment of Managing Director & CEO.
- Bangladesh Bank has issued a circular regarding disbursement of Revolving loan in which Bangladesh Bank has imposed restriction on renewal of revolving loan keeping any overdue amount.
- Bangladesh Bank has issued a circular relating to avoidance of high expenses for luxurious vehicles and decoration of Financial Institution. In this circular, Bangladesh Bank has pointed out some instructions regarding purchase of Motor Vehicles and avoidance of high expenses for the office decoration i.e. FI shall not purchase motor car and jeep which costs more than Tk. 5.00 million and Tk. 10.00 million respectively from their own sources and FI shall not use floor space more than 5,000 square feet for establishing new branch etc.
- Bangladesh Bank has instructed Non Banking Financial Institutions to follow the instructions regarding extension of loan tenure. The instructions are as: (i) loan tenure can only be extended for standard or SMA loan; (ii) the decision must be approved by the approval authority; and (iii) the extension period must not be exceeded more than 25% of current remaining time to maturity.
- Bangladesh Bank has issued a Circular regarding provision for diminution in the value of mutual funds.
- Bangladesh Bank has issued a Circular on setting up of a Central Database for Large Loan and instructed all banks and NBFIs to report to Bangladesh Bank on monthly basis.
- Bangladesh Bank has issued Guidelines on ICT Security for Non-Bank Financial Institutions.
- Bangladesh Bank has issued integrated Risk Management Guidelines for Financial Institution to involve FIs to adapt improved policies and procedures in line with international best practices for their risk management framework.

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

- BSEC has given an instruction that Merchant Bank can maintain provision for unrealized loss of their own portfolio and their clients' portfolio as on 31

December 2015 on the basis of 5 quarterly (20%) from December 2015 to December 2016. Cash dividend will not be permitted during financial year if this facility is taken by the company.

- BSEC has issued a directive that the stock brokers shall not provide loan facilities to purchase any newly listed security and any existing listed company in between 1st to 30th trading day after listing of the said security and change of categorization of the said security respectively.
- BSEC has directed all the registered mutual funds to comply the instructions regarding the maintenance of provision against unrealized losses arising from investment in mutual fund units.
- Dhaka Stock Exchange Limited with prior approval from BSEC issued Dhaka Stock Exchange (Listing) Regulations 2015 for all companies, entities and securities including the units of the mutual funds or collective investment schemes (CIS) applying for listing and those listed with the Exchange.

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 Eighteenth Annual General Meeting will be held on 28 April 2016. 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 243 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 Eighteenth 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/their 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 2015 was 171. Management considers that the relation amongst its employees is satisfactory. The list of senior executives of UCL is given below:

Name	Age on 31 Dec 2015 (years)	Executive since	Present Position
Mahmudul Alam	54	November-15	Managing Director & CEO
Tauhidul Ashraf FCS	37	August-13	EVP, Head of Marketing & Company Secretary
Abdul Bareque	62	November-13	Senior Vice President
Fazle Karim Murad	42	June-00	Senior Vice President
A. N. M. Golam Shabbir	45	December-98	Senior Vice President
Mohammad Shafi Uddin	43	October-10	Vice President
Md. Forhad Hossain FCA	36	September-13	Vice President
Raihan Uddin Ahammad FCA	32	September-13	Assistant Vice President
Md. Shohidul Islam	51	November-10	Assistant Vice President
Humayun Rashid	41	January-15	Assistant Vice President
Shah Muhammad Azizul Haque	34	May-15	Assistant Vice President
Md. Rakibul Islam	53	August-10	Senior Manager
Md. Moinul Islam Bhuiyan	35	November-06	Senior Manager
Mohammad Balayet Hossain	34	May-10	Senior Manager
Mohammad Kohinoor Hossain	38	August-13	Senior Manager
Md. Sayful Islam	39	January-14	Senior Manager
Asif Raihan Chowdhury	30	January-14	Senior Manager
Deenesh Kumar Raha	33	December-13	Manager
Md. Rafiqul Islam	37	July-13	Manager
Mohammed Zakir Hossain	37	November-02	Manager
Md. Mostafa Awal	35	November-13	Manager
Subrata Basak	31	March-14	Manager
Sk. Md. Rezwanul Haque	31	Aug-13	Manager
Arindam Basu	30	Jun-10	Manager

OPERATIONAL HUB

The head office of UCL is located at Noor Tower (5th Floor), 73 Sonargaon Road, Dhaka 1205. 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 and Exchange Commission (BSEC), Stock Exchanges where the shares of the Company are traded.

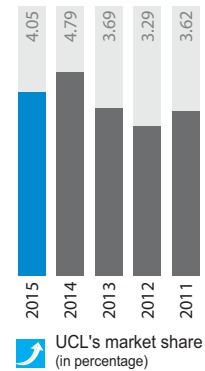
MARKET FOR UCL'S ORDINARY SHARES

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 2015:



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.



In 2014 UCL's market share in the industry was 4.79 percent (7th position). As on 30 September 2015 market share of UCL stands at 4.05 percent (9th 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.

AWARDS & RECOGNITION



Five-years FINANCIAL SUMMARY

As of and for the year ended 31 December

(BDT in million except ratios and per share data)

2015	2014	2013	2012	2011	OPERATING PERFORMANCE
2,145.60	2,231.06	1,663.80	1,148.00	1,208.52	Operating revenue
801.65	888.70	606.33	311.88	596.51	Operating profit
484.56	448.48	208.59	108.69	388.97	Profit before tax
234.15	199.98	141.76	56.72	178.28	Net profit after tax
1.40	1.65	1.29	0.54	1.70	Earnings per share (EPS)

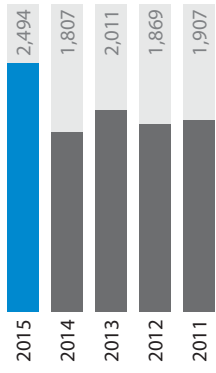
STATEMENT OF FINANCIAL POSITION					
6,342.61	6,599.54	9,276.15	7,367.60	6,478.45	Current assets
20,265.73	18,174.32	13,905.59	10,495.34	9,892.53	Total assets
29.25	24.22	18.24	22.71	28.03	Property, plant and equipment
149.34	298.39	812.56	409.74	526.95	Net current assets
10,463.26	9,307.48	3,751.19	1,668.58	2,033.69	Long term liabilities
6,193.27	6,301.15	8,463.59	6,957.86	5,951.50	Current liabilities
17,771.81	16,367.15	11,894.92	8,626.44	7,985.19	Total liabilities
2,493.93	1,807.18	2,010.67	1,868.91	1,907.34	Shareholders' fund
14,072.46	11,873.17	5,441.99	3,537.48	3,941.03	Capital employed

PROFITABILITY AND OTHER FINANCIAL RATIOS					
39.54	46.41	42.44	27.17	49.36	Gross operating margin ratio (%)
1,839.60	1,799.25	1,275.48	954.62	1,011.19	Earning before interest, depreciation and tax
10.33	12.82	26.82	51.48	32.35	Price earnings ratio (Times)
1.02	1.05	1.10	1.06	1.09	Current ratio (Times)
10.89	10.48	9.75	3.07	9.87	Return on capital employed (%)
0.64	0.76	0.55	0.89	1.07	Debt/Equity (Times)
1.60	1.66	1.54	1.01	1.06	Financial expense coverage (Times)
10.91	8.96	8.52	4.94	14.75	Net profit margin (%)
12.00	10.00	10.00	5.00	20.00	Rate of dividend (%)
10.91	8.96	8.52	10.28	8.88	Operating expense to operating revenue (%)

BUSINESS RATIOS					
7.62	5.97	5.13	6.19	6.62	Statutory liquidity reserve ratio (%)
2.52	2.79	2.67	2.63	2.99	Cash reserve ratio (%)
4.37	3.88	3.47	0.58	2.98	Net interest income as a % of working funds
26.38	21.61	23.31	37.84	18.00	Cost/Income ratio (%)
0.97	1.25	1.01	0.56	1.95	Return on average assets (%)
18.75	14.95	18.29	17.85	20.04	Net asset value per share
1.37	1.27	1.31	1.14	3.97	Profit per employee
13.34	13.44	15.67	13.55	14.88	Capital adequacy ratio (%)
5.12	6.03	5.65	2.97	6.03	Operating profit as a percentage of working funds
1.40	1.65	1.29	1.08	0.94	Dividend cover ratio (Times)
8.41	8.51	8.26	15.55	9.25	Non-Performing Loans to Total Loans (%)

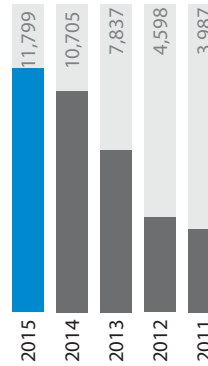
EQUITY STATISTICS					
2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	Authorized capital
1,329.90	1,209.01	1,099.09	1,046.76	951.60	Paid up share capital
132.99	120.90	109.91	104.68	95.16	Number of shares
2,493.93	1,807.18	2,010.67	1,868.91	1,907.34	Shareholders' equity
14.50	21.20	34.60	27.80	60.50	Year end market price
2,428.36	2,563.08	3,802.86	2,909.98	5,757.16	Market capitalization
(65.57)	755.90	1,792.19	1,041.07	3,849.82	Market value addition

Graphical data of BUSINESS PERFORMANCE



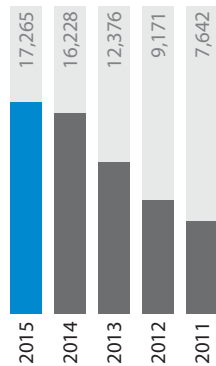
Shareholders' fund
(BDT in million)

Shareholders' fund has increased by 38.00 percent due to increase in net profit after tax by 17.08 percent as well as issuance of cumulative redeemable preference share of Tk. 500 million in 2015.



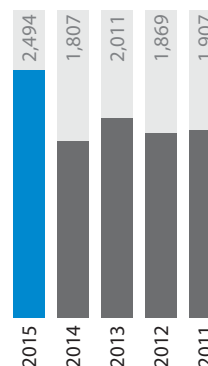
Deposits Growth
(BDT in million)

During the year 2015, deposit grew more than 10 percent to Tk. 11,799 million from Tk. 10,705.44 million of 2014 reflecting continued increase in investment and less dependency on bank borrowings.



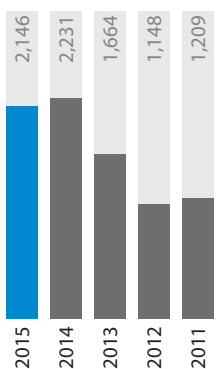
Investments
(BDT in million)

In 2015, investment registered a growth of more than 6 percent of Tk. 17,265 million as against Tk. 16,227.71 million of 2014. Despite continuous declining trend of lending rate and significant number of pre-settlement of loan/lease portfolio, we could maintain a moderate growth of investment by exploring new investment opportunities.



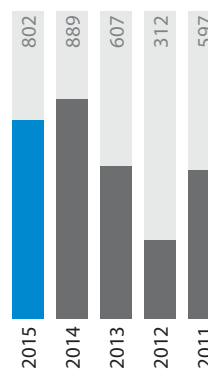
Net Assets
(BDT in million)

Net asset has increased by 38.00 percent due to increase in net profit after tax by 17.08 percent as well as issuance of cumulative redeemable preference share of Tk. 500 million in 2015.



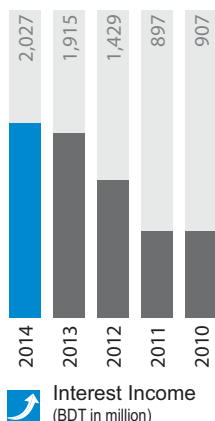
Operating revenue
(BDT in million)

In 2015, operating revenue decreased by 3.83 percent to Tk. 2,146 million from Tk. 2,231.06 million of 2014. This is mainly due to decrease in lending rates and significant loss realized from investment in shares for reshuffling our portfolio and suspending significant amount of interest income from margin loan.

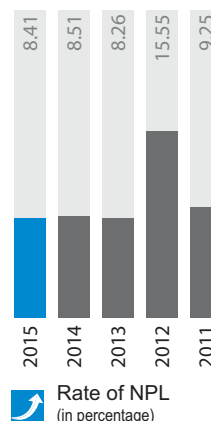


Operating Income
(BDT in million)

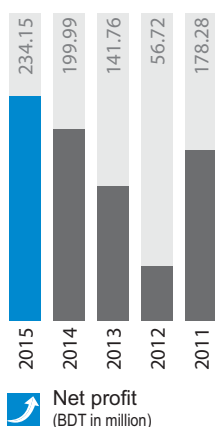
In 2015, operating revenue decreased by 9.80 percent to Tk. 802 million from Tk. 889 million of 2014. This is mainly due to significant loss realized from investment in shares for reshuffling our portfolio and suspending significant amount of interest income from margin loan.



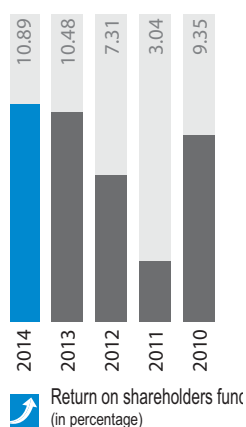
In 2015, interest income grew by 5.87 percent to Tk. 2,027 million from 1,915 million of 2014 due to increase in new investment portfolio as well as substantial amount of recovery of non-performing loans.



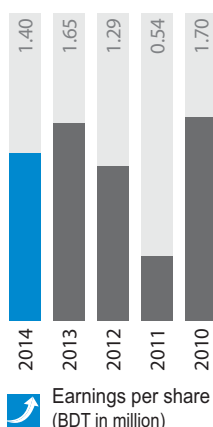
Due to regularization of some of the irregular clients and increase in new investment portfolio, UCL could maintain the NPL rate at 8.41 percent, slightly decreased than 2014.



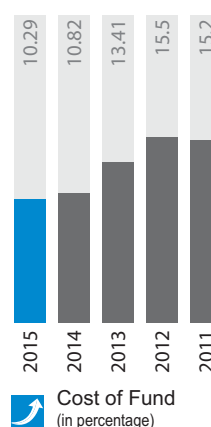
In 2015, net profit grew by a significant rate of 17.08 percent to Tk. 234.15 million from Tk. 199.99 million of 2014. Our net profits are the result of both continued and solid growth of investment portfolio and our vigorous drive to bolster the bottom line figure through harvesting the classified loans.



As a key measure of overall performance, our return on equity grew by 10.89 percent reflecting continued increase in net interest income and recovery of default loans.

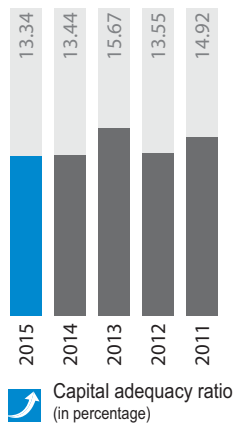


As on the key measure of overall performance of UCL, our EPS has decreased by more than 15 percent due to dividend on preference share to the tune of Tk. 47.40 million.

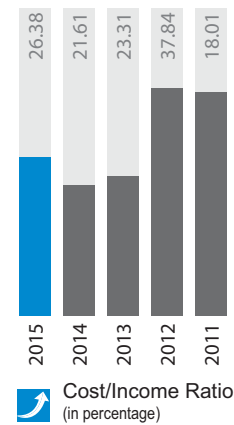


Cost of fund has decreased by 0.53 percent mainly for efficient fund management and recovery of stuck up loans. Refinancing from Bangladesh Bank to the tune of Tk. 683.12 million has also led to reduction of cost of fund

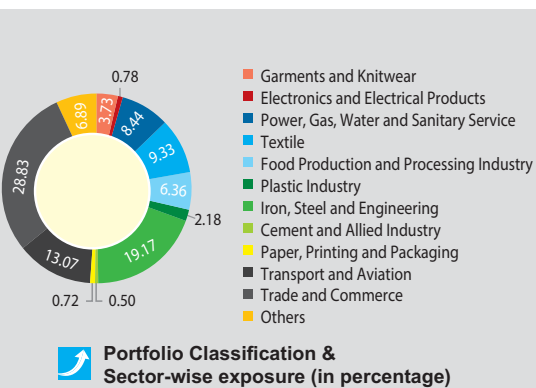
Graphical Data of Business Performance



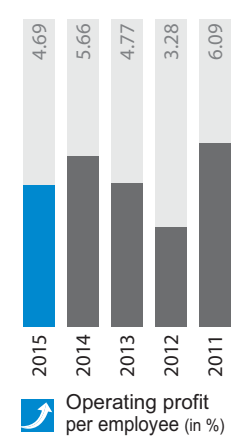
Capital adequacy ratio has decreased to 13.34 percent in 2015 from 13.44 percent of 2014 as against regulatory requirement of 10 percent. This is the result of increase in risk weighted from increase of investment portfolio.



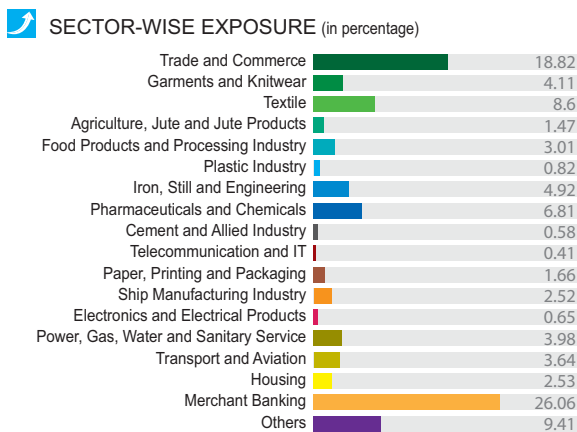
One of the key indicators of measuring efficiency, our cost /income ration has increased to 26.38 percent in 2015 from 21.61 percent of 2014. This is mainly due to realizing loss from investment in share and suspending interest income from margin loans.



Portfolio Classification & Sector-wise exposure (in percentage)

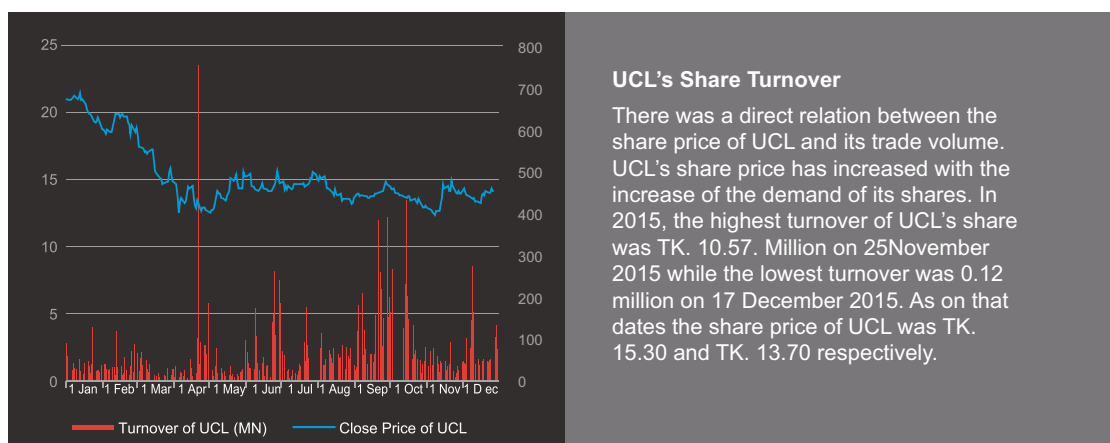
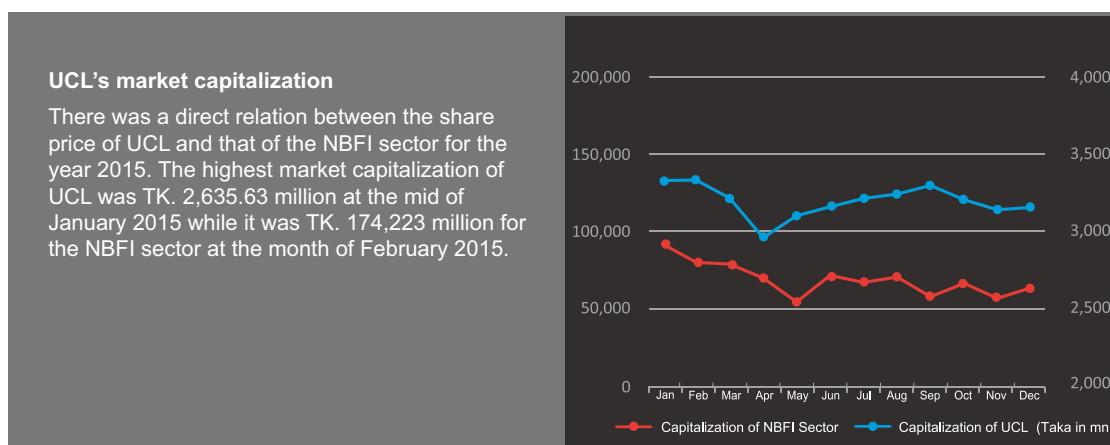
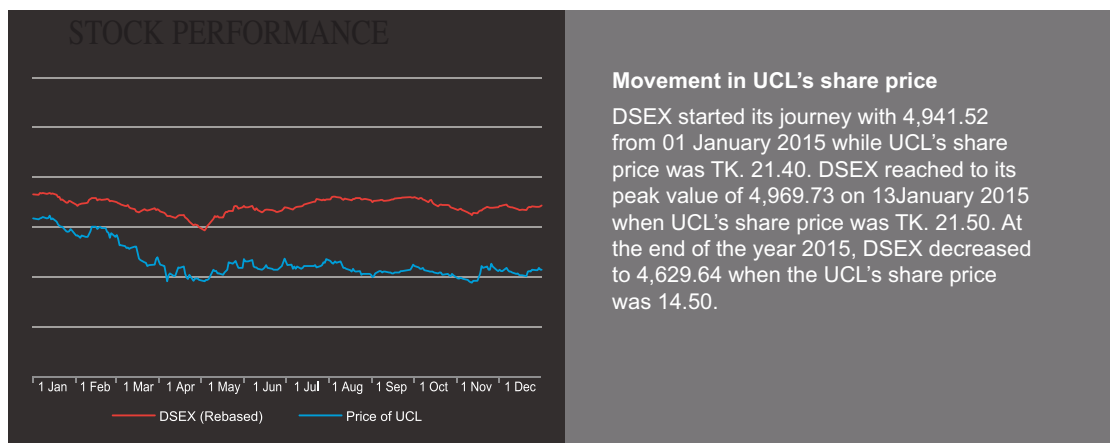


Operating profit per employee has decreased by more than 17 percent compared to last year due to decrease in operating profit and increase in number of employees.



The Company has the highest exposure of 26.06 percent in merchant banking sector followed by trade and commerce sector (18.82 percent), others sector (9.41 percent), textile sector (8.6 percent), Pharmaceuticals and Chemicals (6.81 percent), iron, steel and engineering sector (4.92 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



2015 SOCIAL INDICATORS

OF UNION CAPITAL LIMITED

STAFFING LEVEL	2015	2014
Management Cadre	35	31
Non Management Cadre	49	62
Support Staff	20	20
Total Work force	104	113
Male	91	97
Female	13	16

AVERAGE AGE OF EMPLOYEES

Management Cadre	35.74	37.52
Non-management Cadre	30.04	30.67
Support Staff	32.92	32.21

SALARY & ALLOWANCE (IN MILLION TAKA)

Total Salary	62.62	61.77
MD's Salary	3.16	7.92
Other Benefits	5.17	5.85

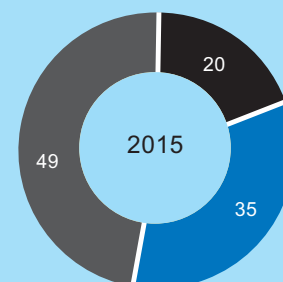
CHANGE IN STAFFING LEVEL

Total employee at beginning	113	81
Recruitment during year	16	48
Departure		
Retirement	3	-
Resignation	22	16
Total employee at closing	104	113

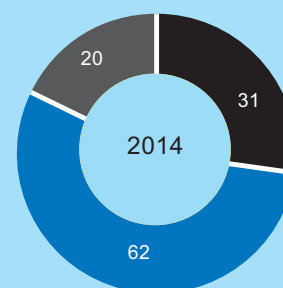
TRAINING

Average number of days in training per employee	0.63	0.96
% of employees who participated in at least one	100	100
No. of employees who participated in at least one training program during the year	104	91
No. of training programs participated by employees during the year	32	48

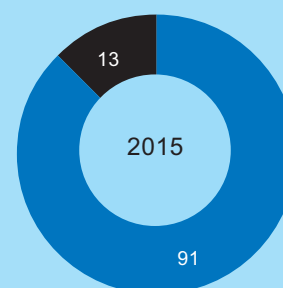
- Management Cadre
- Non Management Cadre
- Support Staff



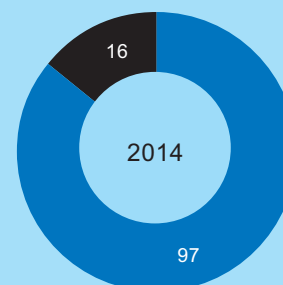
Total work force (in number)



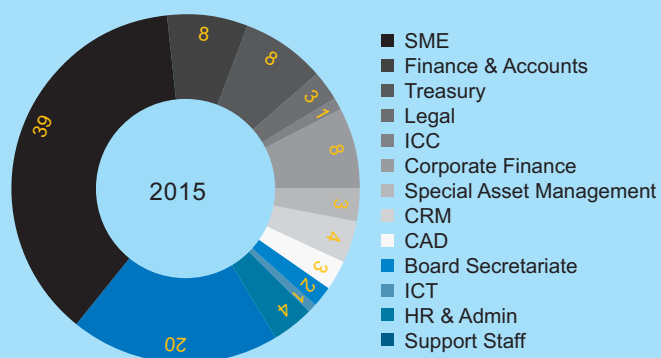
Total work force (in number)



Gender wise employee (in number)



Gender wise employee (in number)



Department wise employee (in number)

2016 KEY PRIORITIES

At the beginning of year 2015, 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 2016. 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.

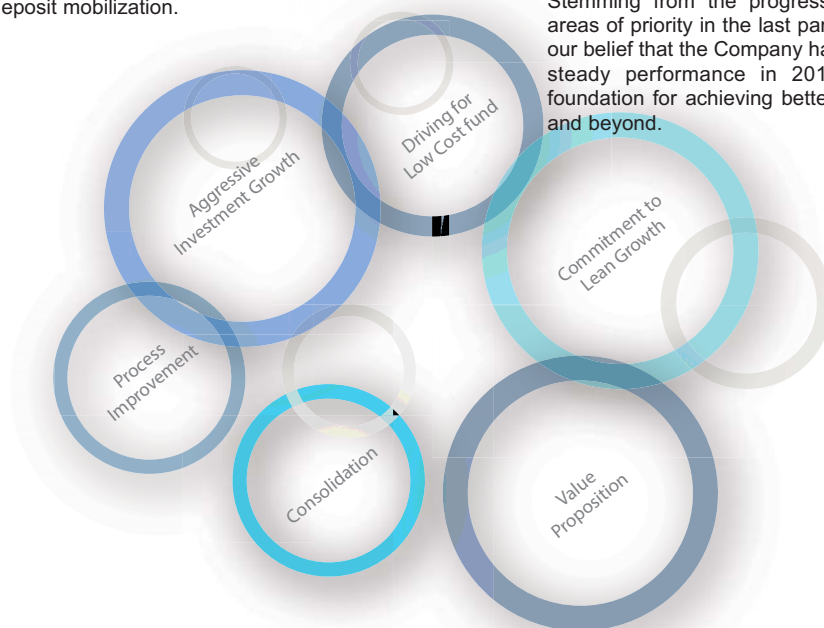
COMMITMENT TO LEAN GROWTH

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 2014, it is our belief that the Company has delivered a solid and steady performance in 2015 and laid a strong foundation for achieving better performance in 2016 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
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.



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.



NAHEED 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

Executive Committee

Green Banking Committee

External Appointment

Director

Enrilco Limited

Green Delta Securities Limited

Green Delta Capital Limited

Qualification & Experience

Mr. Naheed 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

Palmal Knitwear Factory Limited

Palmal Garments 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

Nil

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 and Totalgaz Bangladesh. 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.



MR. WAQAR AHMAD CHOUDHURY
Director

First appointment to the Board
21 October 2015

Born in April 1966

Nationality Bangladeshi

Committee Membership
Executive Committee

External Appointment
Director

Vanguard Asset Management Limited;
WAC Equity Management Limited;
Rancom Trading Private Limited

Qualification & Experience

Mr. Waqar Ahmad Choudhury, is the Managing Director & CEO of Vanguard Asset Management Limited, an Asset Management Company licensed & regulated by Bangladesh Securities & Exchange Commission (BSEC) for managing Mutual Funds, providing Corporate Advisory services and Portfolio Management. He obtained Bachelor of Finance & Banking (Finance Concentration) from Adelphi University, Long Island, N.Y. USA in 1995. Then he started his career in the year 1996 as a Director of Nascom (Pvt.) Ltd. and Sponsor Shareholder of Green Delta Insurance Company Limited. He is a member of various associations and clubs including Metropolitan Chamber of Commerce & Industry (MCCI), American Alumni Association, Dhaka Club Limited, Gulshan Club Limited, Kurmitola Golf Club Limited, Uttara Club Limited, Gulshan Youth Club, Weekend Cricket Club Association and Old Laboratories Association.



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
Nil

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.



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

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)
Win Win International Ltd.
Win Win Jalalabad Auto Bricks Industries Ltd.

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
Executive Committee, Chairman

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.

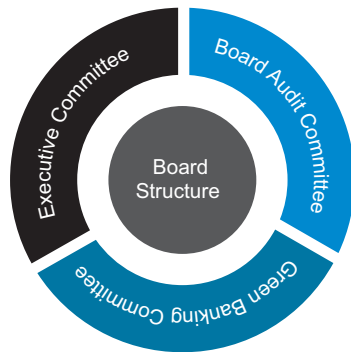
BOARD STRUCTURE & ITS OPERATION

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. 8,000 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 52 to 55 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 58 to 59 of this Annual Report.

BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2015, the Board met sixteen 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

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

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 2015 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved these in its meeting held on 21 March 2016.

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 2015

In 2015, global economic remained subdued. The global economy has been rocked by a dramatic decline in oil prices, a dramatic increase in the value of the dollar, a slowdown in China, uncertainty in Europe, and anticipation of a shift in US monetary policy. Europe is finally accelerating, but it faces



continuing uncertainty about financial stability emanating from troubles in Greece; China is slowing, but the government is becoming more aggressive in attempting to stabilize growth; Japan is recovering; India is strengthening amid investor optimism; and Brazil and Russia continue to face serious challenges. Growth in emerging market and developing economies while still accounting for over 70 percent of global growth declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Global growth again fell short of expectations in 2015, slowing to 2.4 percent from 2.6 percent in 2014. Three key transitions continue to influence the global economy: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of

a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy. 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.

Investors in stock markets around the world endured a volatile year in 2015. In some cases they lost money on their investments as individual markets ended the year lower than they started. The 100 share index dropped by 5% during 2015, the Dow Jones average in New York fell back during the year, and so did the Hang Seng index in Hong Kong. Events in China had the most potent impact on world stock markets. A combination of slower economic growth, bungled management of its country's exchange rate, a plunge in world commodity prices linked to reduced Chinese demand, and huge gyrations on the Chinese stock market - the handling of which was also bungled by the Chinese authorities - all spilled over to other stock markets around the globe. In London, the 100 share index ended the year down 5% at 6,242. In the US, the Dow Jones average was down 2.2% to 17425.03, and the S&P 500 was 0.7% lower at 2043.94. In Hong Kong, the Hang Seng index dropped 9% to 21,914. In Tokyo, the Nikkei 225 rose 9% to 19,034. In Shanghai, the SSE Composite rose 9% to 3,539.

USA

For 2015 as a whole, growth was at 2.5 percent—the highest annual rate in the post-crisis period. Domestic demand in 2015 was supported by robust consumption and dynamic investment outside the oil sector. American consumers spent more in the period than originally estimated, with spending up 2.4% from the previous quarter, compared with the earlier 2.0% estimate. In contrast, net exports remained a drag on growth and industrial activity continued to be subdued in the second half of 2015. Household real disposable income has been boosted by employment gains, declining oil prices and moderate wage growth. These led to rising personal consumption growth in 2015, despite an increase in the savings ratio. Solid labor market conditions continued to support a consumption led recovery, with job creation averaging more than 200,000 per month in 2015 and the unemployment rate falling to 5 percent in the final quarter of 2015. Consumer spending and home construction are helping sustain modest U.S. economic growth despite problems caused by a strong dollar, low oil prices and an excess of business stockpiles.

CANADA

Canada's economy is going through a structural realignment, precipitated by low commodity prices. Canada's economy fell into recession in the first half of the year for the first time since the Great Recession of 2009. In December 2015 nominal

merchandise trade deficit improved to \$0.6 billion and reflected a \$1.7 billion (3.9%) increase in exports partially offset by a \$0.7 billion (1.6%) increase in imports. On a volumes basis (using 2007 chained dollars), the trade surplus jumped to \$3.6 billion from \$2.7 billion in November. Consumer prices fell by 0.5% in December 2015, and the year-over-year rate increased to 1.6%, which was below market expectations. Core CPI fell by 0.4% in December, and the year-over-year rate slipped to 1.9%, which was lower than expected.

BRAZIL

Brazil experienced a negative growth of GDP to -3.0 percent in the year 2015 from 0.1 percent of 2014. Political turbulence curbs the fiscal adjustment and fuels the uncertainty, undermining the economy. Longer and deeper recession: GDP contracted sharply in 2015. After peaking around 10% at the end of 2015, inflation will moderate in 2016 but will remain high. Low commodity prices, high inflation, large fiscal imbalances and political crisis all came to Brazil in 2015. The recession is projected to continue into 2016, due to needed fiscal adjustment, tighter monetary policy to contain inflation and a lack of investor confidence related to political uncertainty. The prospects of a rapid improvement of the fiscal balance have deteriorated, which led to Brazil's sovereign debt being downgraded below investment grade in 2015.

JAPAN

Japan experienced a soft growth patch in 2015, confirming a weak underlying trend despite rising corporate profits and continued policy stimulus. Private consumption contracted in 2015 and investment was stagnant, which was only partially offset by positive but relatively subdued export growth. Despite the low value of the yen since 2013, the export response has been modest. This disappointment partly owes to past offshoring of production to the rest of Asia, which helped develop regional value chains and shifted sales to overseas subsidiaries. The transition to foreign plants was led by the more productive enterprises. This offshoring trend appears to have lowered Japan's gross export elasticity. Weakening external demand from the rest of Asia also played a dampening role on exports, as value-added trade between Japan and other Asian countries intensified during the 2000s. Japan has come out of recession. Exports, on the other hand, registered strong growth from the third to the fourth quarter, likely as a result of the weak Japanese yen, which made exports cheaper for foreigners. Weakness in consumer spending probably reflected the continuing stagnation of wages.

CHINA

Sectoral rebalancing in China became more pronounced in 2015. Growth in 2015 was 6.9 percent, down from 7.3 percent the previous year. Following a stock market slowdown in August 2015 that saw the Shanghai Composite fall 8.5 percent – its worst single day in eight years – the Chinese economy continues to struggle amid continuing uncertainty, as labor unrest and lagging GDP growth

spread throughout the vast country. The economy slowed down throughout 2014 and 2015 and the stock market tumble in August 2015, dubbed China's Black Monday, sent shockwaves throughout the world. Chinese economic growth has continued to shrink, hitting a 25-year low. In line with rebalancing efforts, the deceleration in activity during 2015 has been most visible in industry and real estate—sectors with considerable overcapacity and, in the case of industry, a high presence of state-owned enterprises. These sectors saw the sharpest increase in investment and leverage in 2009-13, resulting in a significant concentration of debt among a small number of large firms. Policy efforts to reduce supply mismatches in the real estate sector, and to tighten nonbank credit flows, continued to weigh on non-traditional credit growth, which slowed notably during 2015. Weaker activity in manufacturing and construction have significantly impacted import demand, which contracted.

RUSSIA

The Russian economy registered the steepest economic contraction in six years in 2015 on the back of low oil prices and international sanctions. It contracted by 3.7% in 2015. Retail sales plunged by 10% and capital investment fell by 8.4% in the economy's worst performance since 2009. The economy has been hit hard by the extraordinary collapse in oil prices. Sanctions imposed by the West after Russia annexed Ukraine's Crimea region in 2014 have also had an impact. Russia relies on energy revenues to drive growth. Containing over 30 percent of the world's natural resources, which are estimated to be worth \$75.7 trillion. Russia has an abundance of oil, natural gas and precious metals, which make up a major share of Russia's exports. Other factors weighing on the economy in 2015 were a massive decline in investment, which was in response to harsh financial conditions, a drop in corporate profitability and a cut in many commodities producers' investment projects. Lower oil prices also challenged the effectiveness of Russian authorities' response to the crisis, as fiscal revenues were lower than expected, which limited government spending last year. Volatility and persistent weakness in oil prices put additional pressure on the ruble at the outset of the year and the currency reached an all-time low in January.

INDIA

India's economy grew at an average rate of 7.3% in 2015 faster than the 6.9% growth in China. In recent history it has been unusual, but not unprecedented, for India to grow faster than China. According to the IMF it happened in 1981, 1989, 1990 and 1999, and 2015 was the first instance in this millennium. During 2014-15, India's GDP growth recovered marginally to 7.3% from 6.9% in the previous fiscal. During 2014-15, India's services sector grew by 10.1%, manufacturing sector by 7.1% & agriculture by 0.2%. The Indian government has forecast a growth of 8.1-8.5% during 2015-16. The external sector has improved markedly over the last year; the current account deficit (CAD) has remained within 2 percent this fiscal year, while investment inflows have been

sufficient to finance the trade deficit. Global crude oil prices fell to the lowest levels in over a decade, checking the balance of payments from going awry, inflation rate remained more-or-less under control, despite spikes in food prices and economic reforms got a big push, notably in the form of further opening up of a host of industries to foreign equity. India's external position improved at the same time. Forex reserves are a little above \$350 billion in November 2015. Along with the strong pickup in growth and moderation in inflation, economic performance has been buttressed by improvements in the external account, fiscal deficit, and capital market.

UNITED KINGDOM

The UK economy has slowed a little in 2015 but domestic demand growth remains relatively strong, helped by lower oil prices. In the United Kingdom, the recovery has gained momentum, supported by robust housing markets and expanding credit. UK GDP growth to average around 2.4% in 2015. London and the South East continue to lead the recovery, with average growth of around 3% in 2015, but all other UK regions registered positive real growth of around 1.6-2.4% per annum over this period. UK domestic demand growth has remained relatively strong so far this year, driven by rising employment, the recent pick-up in earnings growth and the benefits of lower global oil prices for UK consumers. 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 is the fifth largest in the world and represents around one fifth of the Euro area gross domestic product (GDP). Currently, services are the main contributor to the country's economy, with over 70% of GDP stemming from this sector. In manufacturing, France is one of the global leaders in the automotive, aerospace and railway sectors as well as in cosmetics and luxury goods.

The French economy accelerated significantly overall in 2015 compared to 2014. France's economy grew at its fastest pace in four years in 2015 and met the government's target. The acceleration came primarily on the back of stronger domestic demand, with private consumption growing at the fastest rate since 2010. However, the French economy is still lagging behind the average growth rate of Eurozone countries and unemployment has been steady at over 10% for three years. Latest indicators signal that the economy likely lost momentum at the start of 2016.

GERMANY

German economic growth ticked up from 1.6% in 2014 to 1.7% in 2015. The slight pickup came largely on the back of outstanding private consumption, which recorded the largest gain in 15 years, fueled by a buoyant labor market, low oil prices, low inflation and the ECB's expansionary monetary policy. Surging public spending, which was partly related to the strong influx of refugees last year, also supported growth. Conversely, fixed investment slowed and performance in the external sector was subdued,

partly due to faltering demand from emerging markets. In addition, Germany's fiscal surplus widened slightly last year and fiscal reserves were built up in order to cope with the expected increase in expenses for accommodation, food and integration measures for refugees in the coming years. More recent indicators sent somewhat mixed signals at the outset of 2016. Consumer confidence was healthy in January and February, but business sentiment fell to a nearly-one-year low in January and the composite PMI moderated. Regarding political developments, the assaults in Cologne have heightened unease about immigration and Chancellor Angela Merkel remains under pressure over the handling of the surge in refugees.

ITALY

Italy is the world's ninth biggest economy. It's economic structure relies mainly on services and manufacturing. The services sector accounts for almost three quarters of total GDP and employs around 65% of the country's total employed people. During the decade leading up to the crisis, deeply rooted structural weaknesses significantly constrained Italy's growth potential. Italy's annual real GDP growth averaged 1.5 %, around 2/3 percentage points below the euro area average, due primarily to sluggish total factor productivity. The high public debt ratio and the negative and worsening current account balance further limited the Italian economy's capacity to withstand the negative economic shock.

SUB-SAHARAN AFRICA

Sub-Saharan Africa's economy is set to register another year of solid economic performance, expanding at 4.5 percent in 2015. The expansion will be at the lower end of the range registered in recent years, mainly reflecting the adverse impact of the sharp decline in oil and other commodity prices. The effect of this shock will be quite heterogeneous across the region. The region's eight oil exporters will be hit hard and, with limited buffers, are expected to effect significant fiscal adjustment, with adverse implications for growth. For much of the rest of the region, near-term prospects remain quite favorable, with many countries benefiting from lower oil prices—although, for a number of them, this positive effect will be partly offset by the decline in the prices of other exported commodities. Notable exceptions are South Africa, where growth is expected to remain lackluster, held back by continuing problems in the electricity sector, and Guinea, Liberia, and Sierra Leone, where the Ebola outbreak continues to exact a heavy economic and social toll.

GLOBAL ECONOMIC OUTLOOK IN 2016

Global growth, currently estimated at 3.4 percent in 2016 and 3.6 percent in 2017. The pickup in global activity is projected to be more gradual than in 2015, especially in emerging market and developing economies. In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. The slowdown

and rebalancing of the Chinese economy, lower commodity prices and strains in some large emerging market economies will continue to weigh on growth prospects in 2016. Risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy, a generalized slowdown in emerging market economies, China's rebalancing, lower commodity prices and the gradual exit from extraordinarily accommodative monetary conditions in the United States.

Growth in advanced economies is projected to rise by 0.2 percentage point in 2016 to 2.1 percent, and hold steady in 2017. Overall activity is expected to be resilient in the United States, supported by still-easy financial conditions and strengthening housing and labor markets, but with dollar strength weighing on manufacturing activity and lower oil prices curtailing investment in mining structures and equipment. In the euro area, stronger private consumption supported by lower oil prices and easy financial conditions is outweighing a weakening in net exports. Growth in Japan is also expected to firm in 2016, on the back of fiscal support, lower oil prices, accommodative financial conditions, and rising incomes.

Growth in emerging market and developing economies is projected to increase from 4 percent in 2015 the lowest since the 2008 - 09 financial crisis to 4.3 and 4.7 percent in 2016 and 2017, respectively. Growth in China is expected to slow to 6.3 percent in 2016 and 6.0 percent in 2017, primarily reflecting weaker investment growth as the economy continues to rebalance. India and the rest of emerging Asia are generally projected to continue growing at a robust pace, although with some countries facing strong headwinds from China's economic rebalancing and global manufacturing weakness.

Aggregate GDP in Latin America and the Caribbean is now projected to contract in 2016 as well, albeit at a smaller rate than in 2015, despite positive growth in most countries in the region. This reflects the recession in Brazil and other countries in economic distress.

Higher growth is projected for the Middle East, but lower oil prices, and in some cases geopolitical tensions and domestic strife, continue to weigh on the outlook.

Emerging Europe is projected to continue growing at a broadly steady pace, albeit with some slowing in 2016. Russia, which continues to adjust to low oil prices and Western sanctions, is expected to remain in recession in 2016. Other economies of the Commonwealth of Independent States are caught in the slipstream of Russia's recession and geopolitical tensions, and in some cases affected by domestic structural weaknesses and low oil prices; they are projected to expand only modestly in 2016 but gather speed in 2017.

Most countries in sub-Saharan Africa will see a gradual pickup in growth, but with lower commodity prices, to rates that are lower than those seen over the past decade. This mainly reflects the continued adjustment to lower commodity prices and higher borrowing costs, which are weighing heavily on some

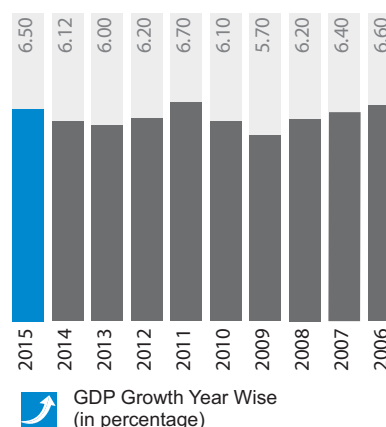
of the region's largest economies (Angola, Nigeria, and South Africa) as well as a number of smaller commodity exporters.

OVERVIEW OF BANGLADESH ECONOMY IN 2015

In FY15, Bangladesh graduated to the status of a lower middle income country from the low income country, and to OECD Export Credit Eligibility group 5, which is just below India but ahead of all other South Asian neighbours. The recurrence of political problems in January 2015 took toll on economic activity, particularly in services sector, agriculture, exports, and non-formal sector businesses. Domestic supply chain was disrupted due to disruptions of interdistrict transportation. Yet, Bangladesh economy remained resilient and recorded a 6.5 percent growth of GDP in FY15. Higher growth of industry sector along with satisfactory growth of services sector helped to achieve this satisfactory growth of the overall economy. The growth of agriculture sector was lower in FY15 compared to the preceding fiscal year due to the lower growth in crops and horticulture sub-sector. The oil price slump is also having a large beneficial impact on the economy, reducing drastically Bangladesh's imports bill and helping build strong international reserves, which amounted to USD \$27.49 billion in December 2015. However, the economy faces challenges; such as infrastructure bottlenecks, especially in energy and transport, as well as a high level of nonperforming loans. Despite political agitation early in 2015 that adversely affected transport services, exports, and private investment, growth in Bangladesh held up well because of brisk domestic demand, boosted by higher worker remittances, private sector wages, and public investment. Bangladesh has also attained a satisfactory foreign currency reserves. Apart from remittances by expatriate Bangladeshis, the increase in export earnings and decrease in import cost played their role in boosting the reserves.

GDP Growth

The GDP in Bangladesh expanded 6.5 percent in the fiscal year 2015 from 6.12 percent of the previous year. 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.

Gains from oil price slump

With prices as low as \$30 a barrel, Bangladesh is saving a huge amount in imports. Bangladesh now does not have to subsidise it but rather counts profits. For the same reason, the forex reserve is now over \$27 billion.

Industry Sector

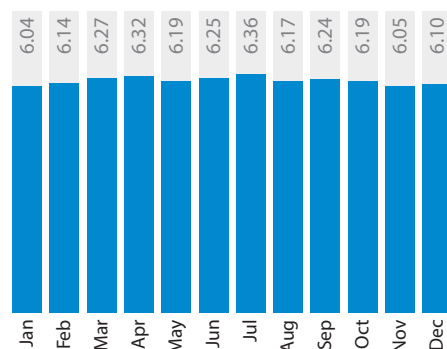
Industry sector growth increased to 9.6 percent in FY15 from 8.2 percent in FY14. In fact, the rate of growth of all sub-sectors of industry sector increased in FY15 compared to FY14. The most notable increase was in the case of small scale manufacturing sub-sector.

Savings and Investment

Gross fixed investment as a percentage of GDP increased marginally to 29.0 percent in FY15 from 28.6 percent in FY14 (Chart 1.1). Within gross fixed investment, public investment grew faster than the private investment. As a result, the share of public investment in GDP increased from 6.6 percent in FY14 to 6.9 percent in FY15, the share of private investment increased slightly from 22.0 to 22.1 percent of GDP over the same period. The national savings as a percentage of GDP decreased slightly from 29.2 percent in FY14 to 29.1 percent in FY15. Domestic savings as a percentage of GDP increased from 22.1 percent in FY14 to 22.3 percent in FY15. The domestic savings-investment gap as a percentage of GDP increased to 6.7 percent in FY15 from 6.5 percent in FY14.

Inflation

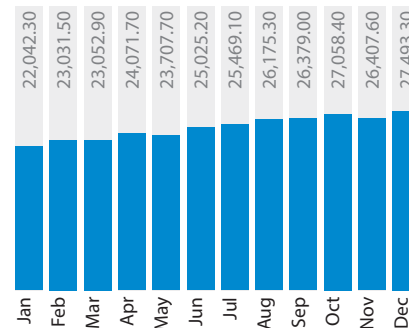
Inflation moderated in FY2015 much as forecast in 2015 from 7.4% a year earlier, reflecting large public stocks of food grains, normal weather, a supportive monetary policy, and lower global food and commodity prices that a steady exchange rate allowed to pass through.



CPI inflation in 2015 (in percentage)

Forex reserve

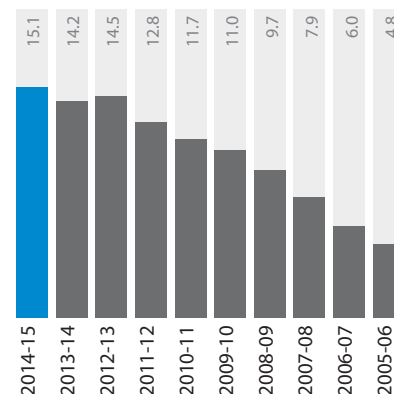
The best performing indicator has been the foreign currency reserve. As of 31 December 2015, it stood at \$27.49 billion, higher than at any other time in the history of Bangladesh. The reserve was at a little over \$22 billion on the same day in 2014.



Foreign reserve in 2015 (USD in million)

Remittance

Remittance inflow registered a 7.6 growth in the last fiscal compared to 1.5% negative growth in 2014. In the fiscal year 2014-2015, migrant workers sent home \$15.31 billion in remittance, the highest in the country's history. The remittance in 2014-15 also rose 7.6 percent from \$14.23 billion in the previous fiscal year. The higher inflow of remittance is the outcome of our continuous effort of the last couple of year. The central bank along with the commercial banks worked hard aiming to increase the flow of inward remittance from across the world. Stable exchange rate of the Bangladeshi taka against the US dollar has also helped achieve the steady growth in remittance inflow.

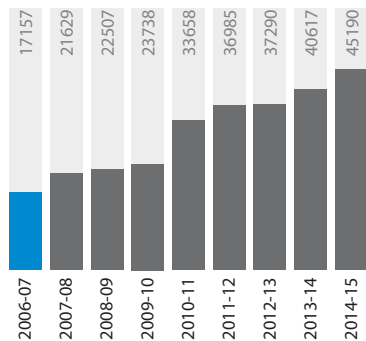


Annual Remittance (USD in billion)

Exports and Imports

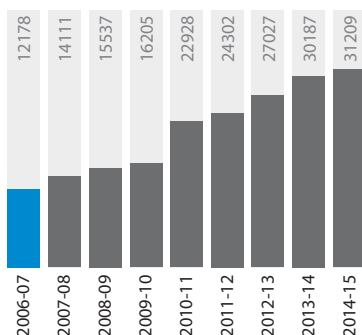
Bangladesh has emerged as the second largest exporter in the world apparel market and is also doing exceedingly well in the exports of finished leathers and leather goods, frozen foods, jute and jute goods, pharmaceutical products, light

engineering products and small ocean going vessels. In 2014-15, Bangladesh posted US\$ 31.2 billion export earnings, while at the corresponding periods the country registered import bills of US\$ 38.5 billion. Most of the items in the import list are petroleum products, capital goods and industrial raw materials.



Import
(USD in Million)

Export growth was 3.3% in FY2015, down significantly from 12.1% in FY2014. Garments - accounting for about 80% of total exports - grew slowly by 4.1%, reflecting supply chains disrupted by political demonstrations in early 2015, soft demand from the European Union and the US, and a marked decline in prices for cotton, a major input cost that can affect pricing. Imports rose by 11.2%, accelerating from 8.9% growth in FY2014. Larger imports of food grains, machinery, fertilizer, and industrial raw materials helped to propel the expansion. As exports grew significantly more slowly than imports, the trade deficit widened markedly. Despite a strong recovery in remittances, the current account recorded a small deficit slightly higher than the 2015 forecast.



Export
(USD in million)

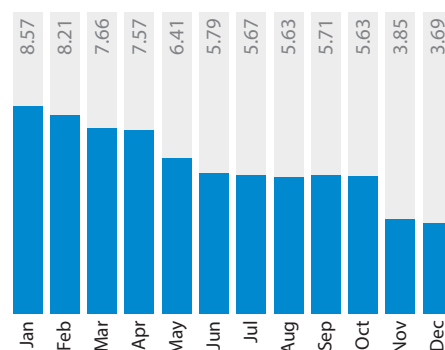
Agriculture Sector

Agriculture sector has been experiencing consistent growth in the last few years is agriculture, facilitating a firm base for the economy. According to the UN's Food and Agriculture Organisation (FAO), Bangladesh tops the list of countries experiencing growth in fruit farming. It is now the seventh largest producer of mangoes and eighth in terms of guavas. Bangladesh has started export mangoes to Walmart

with the FAO's cooperation. Bangladesh is among four countries poised to do better in fish farming in 2022. According to the international research body World Fish, Hilsha productions in all of the eleven countries have decreased, except for Bangladesh. The International Rice Research Institute (IRRI) has announced a new variety of rice, resistant to almost any adverse situation.

NBFI's PERFORMANCE IN 2015

The country experienced manifold challenges in 2015 which include political unrests, volatility in capital market, the widening gap between deposit and lending rates, record high NPL ratio, operation of some more banks in the financial market, increase in interest rate of government securities etc. The share of classified loans in the total outstanding loans of the sector stood at 7.60 percent till June, from 5.30 percent till December despite the central bank's close monitoring. The NBFI's total outstanding loans rose to Tk. 410 billion in June 2015 from Tk. 373 billion in December 2014.



Call Money Rate
(in percentage)

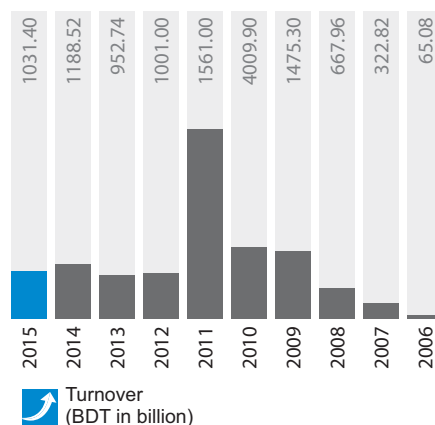
The asset of NBFIs increased substantially to Taka 563.8 billion at 30 June 2015 from Taka 517.6 billion in 2014. NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in industrial sector. Sector wise composition of NBFIs' investment at the end of June 2015 was as follows: industry 44.9 percent, real estate 17.4 percent, margin loan 3.2 percent, trade and commerce 16.0 percent, merchant banking 4.0 percent, agriculture 1.7 percent and others 12.9 percent. At the end of June 2015, aggregate liability and equity increased to Taka 465.5 and 98.3 billion respectively. At the end of June 2015, the NPL for NBFIs was 7.7 percent. In the total asset composition of all NBFIs, the concentration of loans, lease and advances was 72.6 percent. At the end of June 2015, out of 32 NBFIs, seven were evaluated as "2 or Satisfactory", 14 were "3 or Fair" and 10 were "4 or Marginal" in the asset quality component of the CAMELS rating. In addition, most NBFIs went for deposit mobilization in 2015. Bangladesh Bank has allowed NBFIs to keep fixed deposits for three months. The minimum period for term deposits was six months previously.

CAPITAL MARKET IN 2015

The Capital market of Bangladesh completed the year, 2015 with more volatility. In 2015, the market capitalization decreased by 3.05 per cent. On the first day of 2015, the DSE broad index DESX was 941.51 and closed at 4629.64 on December 31, 2015. DESX fall by almost 6.74 percent throughout the year. Market P/E fall over the year 2014 and it started with 17.77 and ended with 15.23. In 2015, twelve companies collected the capital of Tk.13,275.87 million through IPO. In 2015 foreign and NRB investment in capital market has become somewhat sluggish but their participation has got a boost up picture reflecting in the total trade. The foreign and non-resident Bangladeshi investors invested Tk. 3825 crore 46 lacs 71 thousand 133.40 in the year 2015 which is 17.02% less than the investment of Tk. 4610 crore 36 lacs 19 thousand and 294.66 in 2014. BSEC got the 'A'



category certificate from IOSCO and at this the foreign investors become inspired for the investment. On July 12, 2015 Dhaka Stock Exchange published in the official Gazettee of new Dhaka Stock Exchange (Listing) Regulation 2015. The trading volume of DSE started with taka 2,275.41 million from January 01, 2015 and ended with taka 4,343.95 million as on



December 31, 2015. It reached its peak value of taka 10,023.39 million as on June 01, 2015 within this

year. The lowest trade volume was taka 1846.85 million as on February 01, 2015. A declining trade volume was observed at the end of the year 2015 where as the DSEX was at its lowest 3,959.74 as on May 04, 2015 and at its highest 4,969.73 as on January 13, 2015.

Bangladesh Economy Outlook

Despite political turmoil, structural constraints, and global volatility, the Bangladeshi economy is maintaining macroeconomic stability and moving forward. The global recovery, strong domestic demand growth, and sustained macro stability hints well for Bangladesh's GDP growth and poverty reduction. Bangladesh records the highest Trade Confidence Score in our survey of twenty five countries with respondents particularly positive about the outlook for trade volumes, trade with Europe and buoyed by lower costs for logistics and materials and higher profit margins.

While the government targeted economic growth at 7.0 percent, the realized value may turn close to it in June 2016. Bangladesh bank forecasts, one based on an ARMA model and the other one on sector-wise 10-year average growth, show a range from 6.8 and 6.9 percent. The World Bank projects growth for 2016 at 6.8 percent. Providing electricity, gas, and infrastructure to businesses are priorities to ensure slightly upward growth in a sustained fashion. Faster implementation of ADP will be helpful to promoting revenue and growth potentials for the country.

Export growth in FY2016 is projected to improve to 6.0% as economic growth in the euro area and the US strengthens. Imports are projected to increase by 13.0%, mainly for capital goods, industrial raw materials, and food grains. Despite the expansion in remittances, the larger trade deficit will likely mean a current account deficit narrower than in FY2015 but failing to achieve the small surplus.

The country's key garment industry is flourishing. Public investment into transport and energy infrastructure has risen notably in recent years and this should help attract more FDI, encouraging more export diversification.

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 44 of this Annual Report.

OPERATIONAL PERFORMANCE OF UCL GROUP

In 2015 the financial sector including Union Capital passed another year of challenge. National economy faced a difficult time because of political instability, huge volatility in capital market and high NPL rate. The total economy was adversely affected as a result of political instability. Global economic recession did have spillover impact on the Bangladesh economy. UCL met the challenges through focused marketing plan, diversified products and services, initiative towards a fully automated 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 personnel.

FINANCING AND INVESTMENT OPERATION

Union Capital always strives for 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 47.78 percent of total investment portfolio followed by lease finance (15.30 percent) and SME finance (13.48 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 2015. In 2015, total lease finance facility was Tk. 304.32 million. The investment under lease finance of the Company stands at Tk. 2,392.84 million at the end of 2015.

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. 7,474.50 million at the end of 2015.

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.

Financing women entrepreneurs under SME:

Empowering of the women through SME finance is another priority of UCL. Each branch of UCL has a 'dedicated woman entrepreneur Help Desk' for the convenience of the female entrepreneurs. During the year 2015, UCL financed BDT 33.05 million to the women entrepreneurs.

Agriculture Financing:

Bangladesh Bank has made agriculture finance mandatory for all banks and NBFIs for inclusion of rural farmers in the banking channel. UCL has been proactively supporting to boost up agriculture in line with the policy guidelines of Bangladesh Bank. During the year 2015, UCL financed BDT 32.00 million in the agriculture sector.

House Building Finance

The Company operating its House Building loan to corporate customer as well as Individuals at different tenure considering the age of the applicant. It is against purchase of Flat, Construction and Renovation of House Building.

Fund Arrangement/Syndication

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

CAPITAL MARKET OPERATION

The Capital Market of Bangladesh is passing tough times since December 2010 as high volatility is eroding the capital of Thousands of Investors. This fall is caused In 2015, the Capital market of Bangladesh, was more stable than 2014. DSE broad index DESX started at 4,941.51 point and closed at 4,629.64 point on December 31, 2015. DESX fall by almost 6.74 percent throughout the year. DSEX's lowest point was 3,959.74 and highest point was 4,969.73 which mean there was fluctuation of almost 1,010 points. The daily average market turnover was BDT 4,227.04 million in 2015. In line with the overall market and NBFi sector, market price of Union Capital Limited was quite stable, UCL started its journey of 2015 on January 01, 2015 with the price of Tk. 19.45 in DSE and closed at Tk 14.50 on December 31, 2015. The highest price was recorded at Tk. 19.45 on January 01, 2015 and lowest one was Tk. 12.70 which was close price of November 11, 2015.

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 2015, the Company did not sign any issue management contracts.

Underwriting

It is one of the core activities of merchant banking operation. As one of the major underwriter, as of 31 December 2015, 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.

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 2015 was Tk 5,749.24 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 Limited-which has corporate memberships at the Dhaka & Chittagong stock

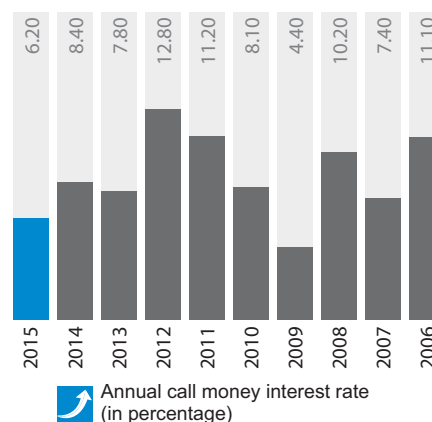
exchanges and full service depository participant of CDBL. DSE Broad Index (DSEX) stood at 4,629 point the end of 2015 which was 4,864.96 at the end of 2014 having a negative impact of 4.84 percent. In spite of volatile capital market situation, investor's confidence, participant of institutional investors & foreign investors, inclusion of a good number of IPO and availability of liquidity resulted significant increase (41.87 percent) in the market turnover during 2015.

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 2015 the company incurred a loss of Tk. 100.80 million from investment in shares on listed companies.

MONEY MARKET OPERATION

In the year 2015, 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 2015 and stood at 716.61 billion compared to 456.76 billion in June 2014 showing an easing of the money market. At the retail level deposit rates have decreased gradually in FY 2014-15 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 2015 the Company obtained Tk. 1,057.26 million from banks against different form of borrowings to finance its operations and repaid Tk. 1,411.94 million as per terms and conditions of contracts. UCL also obtained Tk. 247.26 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. 11,798.79 million as on 31 December 2015 compared to Tk. 10,705.44 million of the previous year, registering growth of 10.21 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 Narsingdi.

OPERATING RESULTS (Consolidated)

During 2015, the Company generated revenue of Tk. 2,145.60 million, which concluded profit from operation of Tk. 590.20 million. Net profit has increased by 17.08 percent to Tk. 234.15 million. An amount of Tk. 250.42 million has been provided as provision for taxation in 2015. Earnings per share was Tk. 1.40 as against Tk. 1.50 of last year. The weighted average number of ordinary shares outstanding during the year was 132.99 million (2014: 120.90 million). The financial results of the Company for the year 2015 with a comparison of 2014 are summarized below:

(Taka in million except per share data)

Particular	2015	2014
Operating revenue	801.65	888.71
Operating expenses	211.45	192.02
Profit before tax	484.56	448.49
Provision for tax	250.42	248.50
Profit after tax	234.18	199.99
Earnings Per Share (EPS)	1.40	1.50

SIGNIFICANT DEVIATION IN OPERATING RESULTS

Operating profit during 2015 has decreased by 15.29 percent to Tk. 590.20 million (2014: Tk. 696.69 million). The underlying main reasons for such increase are:

- Significant loss on reshuffling investment in share of listed companies;
- Decrease in fees income.

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 2015, UCL did not receive any dividend from the Subsidiary Companies. Separate audited financial statements of the subsidiary companies are given on pages 229 to 241 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 2015 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 217th meeting held on 21 March 2015, recommended 12% Dividend (comprising of 5% Cash and 7% Stock Dividend) for the year ended on 31 December 2015 subject to approval the shareholders at 18th Annual General Meeting scheduled to be held on 28 April 2016. Details of the dividend declared during the financial year are disclosed in Note 54 of the Notes to the Financial Statements on page 224 of this annual report.

APPROPRIATIONS OF PROFIT (Based on separate F/S)

Taking into account the profit available for distribution after complying with the regulatory requirements, the Board recommended 12% Dividend (comprising of 5% Cash and 7% Stock Dividend) for the year ended 31 December, 2015 for approval of the Shareholders in the Eighteen Annual General Meeting. The Board proposed the following appropriations:

	Taka in million
Profit after tax	204.90
Retained Earnings brought forward	48.40
Total Profit available for appropriation	253.30
Proposed appropriation:	
Transfer to Statutory Reserve	40.98
Dividend on preference share	47.40
Proposed Dividend	159.59
Retained Earnings carried forward	5.33

ANNUAL GENERAL MEETING

The notice of the Eighteen Annual General Meeting is given on page 244 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- Receive and adopt the audited Financial Statements for the year ended 31 December 2015 together with the reports of the Auditors and Directors thereon;
- Declaration of dividend for the year 2015;
- Retirement & re-appointment of the Directors;
- Appointment of the Auditors of the Company for the year 2016 and fixation of their remuneration;

Extra ordinary Business

- Appointment of the Managing Director & CEO.

OBSERVANCE OF BAS, BFRS & APPLICABLE LAWS

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Institutions Act, 1993, and the Bangladesh Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A separate report on Directors' Responsibilities as to the preparation of financial statement is set out on page no. 86 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, 2015.

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 120 to 136 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 5 May 2016. 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 83 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 2015 a total sixteen meetings were held. All of the Directors serving on the Board attended more than 73.44 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 79 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. The details on remuneration paid to Directors in 2015 is presented on page 100 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 86 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 110 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 110 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 115 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, Bijoynagar, 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, Bijoynagar, Dhaka has given a compliance certificate for the year ended December 31, 2015 which is available on page 109 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 117 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 2015 is given in Annexure-II, page 79 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. 1,329,902,836 divided into 132,990,283 ordinary shares of Tk.10 each. The shareholding pattern of the Company as at December 31, 2015 is shown in Annexure-III, on page 80 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 2015 is given under Annexure-IV on page 80 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 Eighteen Annual General Meeting and being eligible offered themselves for re-appointment:

- Mr. M. Faizur Rahman, Director
- Mrs. Tajrina Sikder, Director
- Kazi Golam Samiur Rahman, Director
- Mr. Md. Abdul Karim, 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. Waqar A. Choudhury, Director and Mr. Ziaul Hasan Siddiqui, Independent Director will retire in the Eighteen 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 52 to 55 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 147 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. 159 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 153 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. 317.61 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 156 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 220 of this Annual Report.

APPOINTMENT OF AUDITORS

The Company's Auditors M/S. S. F. Ahmed & Co., Chartered Accountants, House-51, Road-9, Block-F, Banani, Dhaka will retire in the Eighteen Annual General Meeting. Being eligible under Section 212 of the Company's Act, 1993, the Auditors have expressed their willingness to continue their office for the financial year 2016. The Auditors have completed their first year of audit and hence eligible for re-appointment. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to re-appoint M/S. S. F. Ahmed & Co., Chartered Accountants as the external auditor of the Company for the year 2016 with an audit fee of BDT 165,000 plus VAT. The Board in its meeting held on 21 March 2016 recommended the shareholders to re-appoint M/S. S. F. Ahmed & Co., Chartered Accountants at a remuneration of BDT 165,000 plus VAT for the year 2016 subject to approval of Bangladesh Bank.

FUTURE OUTLOOK

2016 is expected to be another challenging year for our economy and UCL group as well. The GDP growth forecast for FY2016 is revised somewhat higher still with the expectation that exports will grow with continued economic recovery, private and public investment will pick up as the business climate improves under a stabilizing political situation, and spending will increase under the annual development program. Export growth in FY2016 is projected to improve to 6.0% as economic growth in the euro area and the US strengthens. Imports are projected to increase by 13.0%, mainly for capital goods, industrial raw materials, and food grains. 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 hoping to make progress in 2016. 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 40 percent (in case of listed companies) and at the rate of 42.5 percent (in case of non listed companies). 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 2015
Chowdhury Tanzim Karim	EC Securities Ltd.	16	16	100.00	Continuing
M. Faizur Rahman	Self	16	16	100.00	Continuing
Nasir A. Choudhury	Self	12	11	91.67	Resigned on 21 October
Waqar A. Choudhury	Self	4	4	100	Appointed on 21 October
Nadeem A. Chaudhury	Enrilco Limited	16	13	81.25	Continuing
Kazi Golam Rahman	Alternate Director of Kazi Golam Samiur Rahman	16	15	93.75	Continuing
Meherunnesa Haque	Self	16	8	50.00	Continuing
Capt. Minhazur Reza Chowdhury	EC Securities Ltd.	16	12	75.00	Retired and Re-elected on 31 March
Kazi Russel Mahbub	Palmal Garments Hosiery Ltd.	16	4	25.00	Retired and Re-elected on 31 March
Tajrina Sikder	Palmal Garments Hosiery Ltd.	16	2	12.50	Continuing
Ziaul Hasan Siddiqui	Independent Director	16	10	62.50	Retired and Re-appointed on 23 October
Mohammad NurunNabi	Independent Director	16	15	93.75	Retired and Re-elected on 31 March
Abdul Karim	Independent Director	16	15	93.75	Retired and Re-elected on 31 March

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
Kazi Golam Samiur Rahman	3.58
KhurshidaChoudhury	2.77
Engr. M. A. Rashid	2.61
Nasir A. Choudhury	2.42
Waqar A. Choudhury	2.03
MeherunnesaHaque	2.02
Progati Shipping (Bangladesh) Ltd	1.44
Engr. M Abu Taher	1.39
SMAM Reza	0.88
Sabita Rezwana Rahman	0.83
Runa N. Alam	0.81
Fortuna Agro Fisheries	0.71
TajrinaSikder	0.43
Rumana Sharif	0.21
AsiyaRahman	0.03
Total	54.71

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.	12,941,138	9.73
EC Securities Ltd.	9,601,495	7.22
Mr. M. A. Salam	8,329,724	6.26
Mr. M. Faizur Rahman	6,321,817	4.75
Enrilco Limited	6,089,728	4.58
Kazi Golam Samiur Rahman	4,764,013	3.58
Mrs. Khurshida Choudhury	3,683,770	2.77
Engr. M. A. Rashid	3,465,000	2.61
Mr. Nasir A. Choudhury	3,217,712	2.42
Mr. Waqar A. Choudhury	2,700,000	2.03
Mrs. Meherunnesa Haque	2,692,601	2.02
Progati Shipping (Bangladesh) Ltd.	1,920,297	1.44
Engr. M. Abu Taher	1,853,537	1.39
Mr. SMAM Reza	1,170,371	0.88
Mrs. Sabita Rezwana Rahman	1,098,808	0.83
Ms. Runa N. Alam	1,076,894	0.81
Fortuna Agro Fisheries	949,699	0.71
Mrs. Tajrina Sikder	568,744	0.43
Ms. Rumana Sharif	274,333	0.21
Mrs. Asiya Rahman	45,782	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

Abdul Bareque	Nil
Fazle Karim Murad	Nil
A. N. M. Golam Shabbir	Nil
Mohammad Shafi Uddin	Nil
Md. Shohidul Islam	Nil

Shareholders Holding 10% or more voting right

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

RANGE OF SHAREHOLDINGS

The distribution schedule of shareholdings as on 31 December 2015 was as under:

Distribution of
Shareholdings

Shareholding range	No. of shareholders	No. of shares	% of total
Less than 500	2,450	381,772	0.29
501 to 5,000	4,484	8,050,655	6.05
5,001 to 10,000	568	4,094,908	3.08
10,001 to 20,000	284	4,017,381	3.02
20,001 to 30,000	92	2,250,098	1.69
30,001 to 40,000	46	1,566,275	1.18
40,001 to 50,000	32	1,447,409	1.09
50,001 to 100,000	46	3,093,831	2.33
100,001 to 1,000,000	57	16,698,032	12.55
Over 1,000,000	28	91,389,922	68.72
Total	8,087	132,990,283	100.00

AUDIT COMMITTEE REPORT

Outlines how the Committee works

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.

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.

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee consists of five 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 the following members as of the date of this report:

- Mohammad Nurun Nabi FCA (appointed on 31 December 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 52 to 55; Members' fees are included in the table of remuneration of the audit committee members on page 100 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.

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 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 Mr. 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 Mr. Mohammad Nurun Nabi FCA is given on page 55 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 which 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 2015:

The audit Committee carried out among others the following activities in the year 2015:

- 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
21 March 2016

Report on INTERNAL CONTROL

Describes the effectiveness of Internal Control system

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

INTRODUCTION

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.

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 52 to 55 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/-

Mahmudul Alam
Managing Director and CEO

Dhaka, 21 March 2016

sd/-

Md. Forhad Hossain FCA
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 2015.

Based on that evaluation, management concluded that, as of December 31, 2015, 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 2015.

Our internal control over financial reporting as of 31 December 2015 has been audited by S. F. Ahmed & Co., Chartered Accountants, who also audited our Consolidated Financial Statements for the year ended 31 December 2015. The Auditor also assess the effectiveness of our internal control and determines the degree and extent of reliance on internal control system.

sd/-
Mahmudul Alam
Managing Director and CEO

Dhaka, 21 March 2016

sd/-
Md. Forhad Hossain FCA
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 the "Corporate Governance Principles and Recommendations", dated 07 August 2012, and as amended dated 21 July 2013 by the Bangladesh Securities and Exchange Commission as well as with 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 – to UCL.

FOUNDATION FOR CORPORATE GOVERNANCE

UCL sees good corporate governance, risk management and internal control as key elements in a successful business and to maintain confidence among customers, shareholders, authorities and other stakeholders.

UCL defines corporate governance as the relationship between shareholders, executive management, employees, the various companies within the Group and other stakeholders. In a broader sense, it also means:

- how the vision, purpose and strategy are designed and communicated
- how the values are followed

- how goals are set and followed up
- how risks are managed
- how a corporate culture that supports company's commitment to customers and builds shareholder value is created.

Good corporate governance benefits both our customers and our shareholders, and is essential to our long-term business success. For this reason, we devote considerable time and resources to making sure that:

- our policies reflect our values and business goals;
- we have an effective corporate governance structure; and
- we are operating in a way that is open, honest and transparent.

As part of our long-standing commitment to ethics and good corporate citizenship, our first step is always to comply with the laws and regulations that govern the way we market our products and services. We have a sound compliance practices that:

- are consistent with recommendations set forth by 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): Define the purpose of the business, the powers and duties of the Directors and the basic organizational framework.

Code of Conduct: Defines the UCL's ethical values and professional standards that the Board and all employees are required to follow, including an emphasis

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

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

Board of Directors Charter: Outlines the organization and responsibilities of the Board.

Board Committee Charters: Define the organization and responsibilities of the Committees. As part of its commitment to sustainable operations at every level, UCL group operates within a governance framework that defines all governance and compliance aspects of the organization.

This governance framework entails far more than compliance with legislation, and has been developed with the aim of enabling UCL Group to attain a number of very clear objectives and goals, which include:

- Maximizing efficiency and profitability within acceptable risk parameters.
- Implementing group's strategy within defined compliance 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

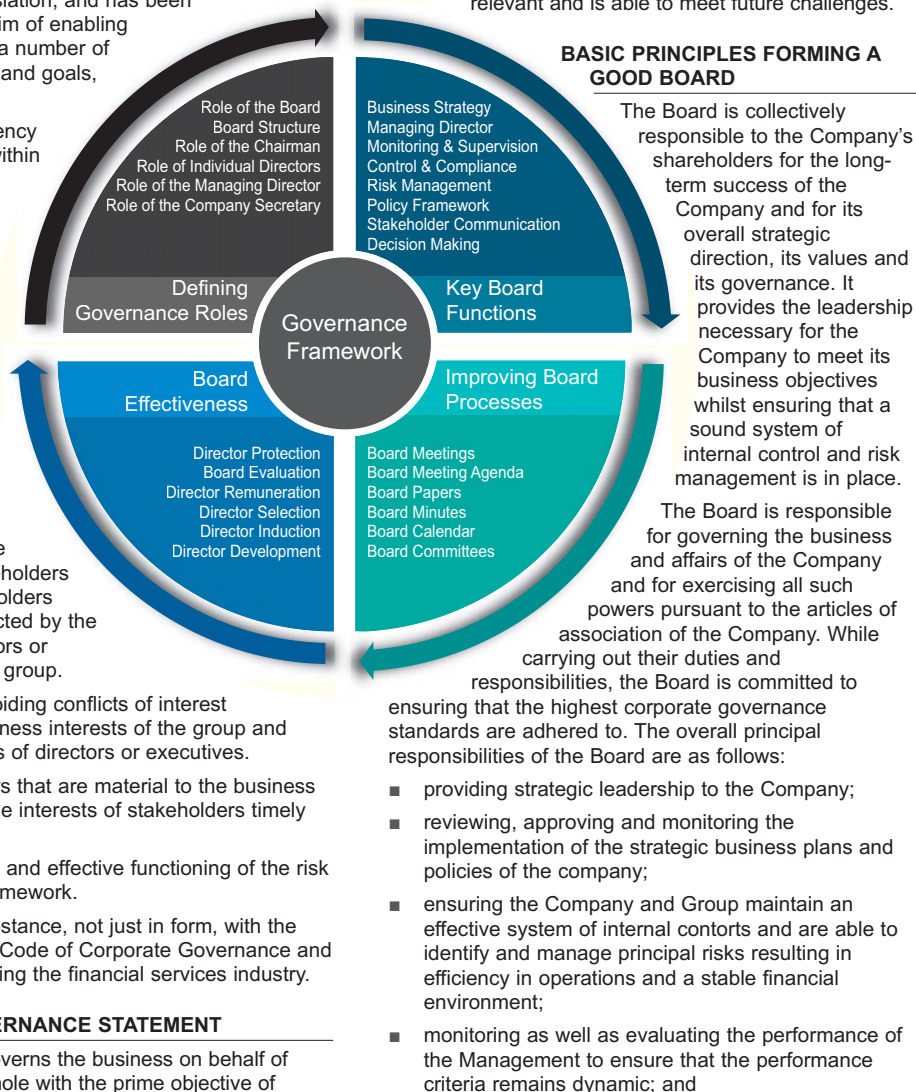
The Board of UCL governs the business on behalf of shareholders as a whole with the prime objective of

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

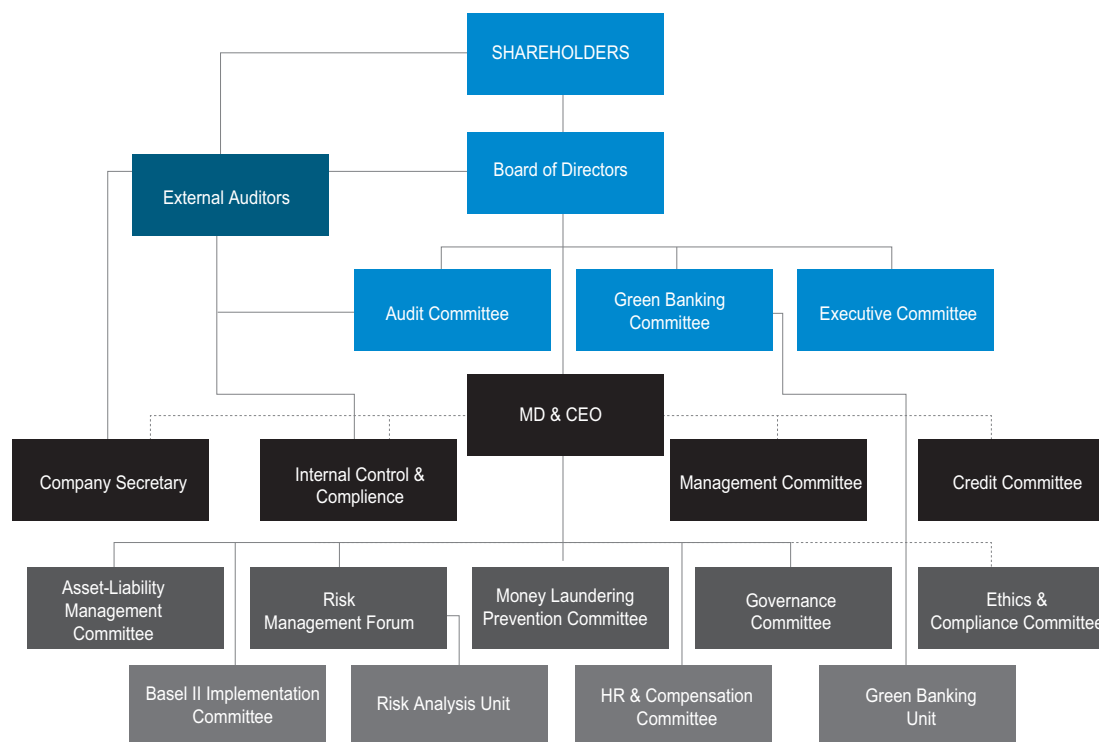
UCL's Governance Model conforms to the relevant regulatory requirements as well as best market practices. The Governance Model is in place to ensure it remains relevant and is able to meet future challenges.



- 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.

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

Representation
of Non-executive
Directors

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 52 to 55 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-fifth 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.

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

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 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 the External Auditors. The certificate of the External Auditors is given on page 109 of this Annual report. The report of the Chairman is also given on page 89 of this report.

MEMBERSHIP AND QUALIFICATION OF THE DIRECTORS

The Board currently consists of thirteen 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

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 52 to 55 of this annual report.

DIRECTORS' INDEPENDENCE

All the Directors except the Managing Director are non-executive Directors and independent of the management. All Directors bring independent 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 pages 52 to 55 of this report; and

- the Independent Directors providing an element of balance as well as making a considerable contribution in their respective fields of expertise.

The following measures are in place to ensure the decision making process of the Board is subject to independent 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 2015, the Board held 16 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 no. 100 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 delivered to the members seven 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 2015, 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 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.

RESPONSIBILITIES OF THE 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.

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. The Company Secretary assists the Chairman and Directors in the conduct of meetings and their governance obligations and responsibilities as Directors of the Company. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees, the Senior Management and the regulators.

Apart from performing the duties and responsibilities of a Secretary to the Board, the Company Secretary also undertakes the following roles:

- ensures that the Board is kept well informed/ updated on legal/regulatory requirements that affects the duties and responsibilities of Directors;
- ensures that the relevant companies within the Group comply with its statutory obligations under relevant laws and regulations;
- provides guidance to Directors and Senior Management on various corporate affairs matters;
- assists in managing shareholder relations and resolving their enquires;
- manages relationship with the office of RJSC; Submit all statutory return to RJSC within stipulated time period; and
- acts as a custodian of the Group's statutory records.

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; and
- 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.
- 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 Mr. Mohammad Nurun Nabi FCA and Mr. Ziaul Hasan Siddiqui are independent Directors.

Chairman of the Audit Committee

The committee is chaired by a non-executive Independent Director Mr. Mohammad Nurun Nabi FCA who is considered to be best qualified to serve in this role and has knowledge of finance. The biography of Mr. Mohammad Nurun Nabi FCA is given on page 55 of this annual report.

Qualification and Expertise of the Members of the Audit Committee

The Committee is chaired by an Independent Director Mr. Mohammad Nurun Nabi FCA who is considered best qualified to serve in this role and has expert knowledge of finance and accounts. 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 forty years of experience in his exchequer in local and foreign organizations at different responsible capacity. On the other hand Mr. Ziaul Hassan Siddiqui 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. Overall 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 52 to 55 of this annual report.

CHARTER OF THE COMMITTEE

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

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;
- 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 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

Number of non-executive Directors in Audit Committee

Qualification of the member of Audit Committee

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 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 releases whether audited and/or unaudited and places the same before the Board for approval.

AUDIT COMMITTEE INVOLVEMENT IN 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.

ACCESS OF THE HEAD OF INTERNAL AUDIT TO THE COMMITTEE

Then head of internal control and compliance have direct access to the Audit Committee.

NUMBER OF MEETINGS AND ATTENDANCE BY MEMBERS OF AUDIT COMMITTEE

In 2015, the Audit Committee held 5 meetings in person. Details of audit committee meetings and attendance of audit committee members is given on page 100 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 2014 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 2015 and fixation of their remuneration;
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2014;
- Reviewed the quarterly, half yearly financial statements for the year 2015;
- Reviewed the inspection report of Bangladesh Bank for the year 2014 and management response thereon; and
- Reviewed quarterly operation report of the Company for the year 2015.

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. They are subject to continuous review as circumstances change and new risks emerge.

Key features of the systems of internal control are:

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 Mr. Raihan Uddin Ahammad FCA reports directly to the Audit Committee.

Internal audit performs an independent and objective assurance and consulting function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal audit is responsible for carrying out periodic audits. Its function also include independent assessment risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the audit Committee.

Internal audit coordinates its operations with the activities of the external auditor for maximum effect.

EXTERNAL AUDIT

Our statutory auditor is S. F. Ahmed & Co., Chartered Accountants. They are also the auditor of our subsidiary Companies UniCap Securities Ltd. and UniCap Investments Ltd.

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 120 to 136. 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

The financial industry of Bangladesh is very competitive and highly regulated by several regulatory authorities such as the central bank of Bangladesh, BSEC, RJSC, Stock Exchanges and the National Board of Revenue etc. 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 page 105 to 108 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 have no remuneration committee comprised of the Board Members. However, there is a HR and Compensation Committee for employees of the Company.

POLICY WITH REGARD TO REMUNERATION OF 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, as amended vide DFIM Circular no. 13 dated 30 November 2015, maximum amount of Tk. 8,000 can be paid to each Director for attending each Board/Committee meeting subject to certain limit.

POLICY WITH REGARD TO REMUNERATION OF THE 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.

REMUNERATION POLICY OF THE CEO AND SENIOR MANAGEMENT

As per guidelines of the central bank, appointment of the CEO along with the remuneration package is subject to approval of the central bank.

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

COMPOSITION OF THE HR & COMPENSATION COMMITTEE AND MEETINGS HELD

The compensation committee comprises of 3 members headed by the CEO. Other members of the committee are Mr. Tauhidul Ashraf FCS, Executive Vice President, Company Secretary & Head of Marketing and Mr. A.N.M. Golam Shabbir, Senior Vice President and Head of Admin and HR. The committee sits once in every three months. In 2015, the committee held 2 meetings in person.

Charter of the Management Compensation Committee

- recommend the requirements of management personnel for different sections of the company;
- interview for selection;
- recruitment of management cadre;
- take disciplinary action against 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.

ACTIVITIES OF THE MANAGEMENT COMPENSATION COMMITTEE

The management compensation committee activities during the year under review 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

SI no.	Name	Status with the Company	Status with the Committee	Meeting Attendance	Fee
1	Chowdhury Tanzim Karim	Chairman	Chairman	16/16	80,000
2	Mr. M. Faizur Rahman	Director	Member	16/16	80,000
3	Mr. Nasir A. Choudhury*	Director	Member	11/16	55,000
4	Mr. Waqar A. Choudhury*	Director	Member	4/16	20,000
5	Mr. Nadeem A. Chaudhury	Director	Member	13/16	65,000
6	Mrs. Tajrina Sikder	Director	Member	2/16	10,000
7	Kazi Golam Samiur Rahman (Alternate Director of Kazi Golam Samiur Rahman)	Director	Member	15/16	75,000
8	Mrs. Meherunnesa Haque	Director	Member	8/16	40,000
9	Capt. Minhazur Reza Chowdhury	Director	Member	12/16	60,000
10	Kazi Russel Mahbub	Director	Member	4/16	20,000
11	Mr. Ziaul Hasan Siddiqui	Independent Director	Member	10/16	50,000
12	Mr. Mohammad Nurun Nabi	Independent Director	Member	15/16	75,000
13	Mr. Abdul Karim	Independent Director	Member	15/16	75,000

*Mr. Nasir a Chaudhury resigned from the Board on 21 October 2015 and Mr. Waqar A. Choudhury was appointed as Director on the same day.

Remuneration to the Audit Committee

Number of Meetings and Remuneration to members of Audit Committee

1	Mr. Mohammad Nurun Nabi	Independent Director	Chairman	5/5	25,000
2	Mr. M. Faizur Rahman	Director	Member	5/5	25,000
3	Mr. Nadeem A. Chowdhury	Director	Member	4/5	20,000
4	Mrs. Tajrina Sikder	Director	Member	0/5	0
5	Mr. Ziaul Hasan Siddiqui	Independent Director	Member	4/5	20,000

Remuneration to the Executive Committee

1	Mr. Nasir A. Choudhury	Director	Chairman	7/7	35,000
2	Chowdhury Tanzim Karim	Chairman	Member	7/7	35,000
3	Mr. M. Faizur Rahman	Director	Member	7/7	35,000
4	Capt. Minhazur Reza Chowdhury	Director	Member	5/5	25,000
5	Mr. Nadeem A. Chaudhury	Director	Member	2/2	10,000
6	Mr. Ziaul Hasan Siddiqui	Independent Director	Member	2/5	10,000
7	Mr. Abdul Karim	Independent Director	Member	1/2	5,000

**Remuneration
to CEO****REMUNERATION OF THE CEO**

The total remuneration of the CEO was BDT 3,158,710 for the year under review that includes all benefits as approved by the central bank of Bangladesh.

**Remuneration
to Senior
Management****REMUNERATION OF THE SENIOR MANAGEMENT**

Employees in the rank of Assistant Vice President and above are considered as the senior management. In 2015, total senior management employees were 11 in number with a total remuneration of BDT 19,692,112.

**Statement
of Audit
Committee
on Internal
Control****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. As in previous years, UCL placed great emphasis on training its managers and developing their leadership qualities. Moreover, the annual meeting with employees, play a central role in making sure that the strategy and objectives for each year are clearly communicated and executed. It is vitally important that those who drive company's success are fully informed of its vision, strategy, and focus for the year and know what kind of contribution is expected of them as individuals in order to achieve these.

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.

ESTABLISHING AN EFFECTIVE ANTI FRAUD PROGRAM**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 and appropriate oversight process.

Anti Fraud Program

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.

WHISTLEBLOWER 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 Companies act law, the AGM must be held within nine months from the end of the financial year. Notice of an AGM, including agenda items and proposals submitted by the Board must be published at least 14 days prior to the meeting.

Shares only qualify for voting at an AGM if they are entered into the depository register with voting rights on record date fixed no later than 14 days prior to 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 Quorum

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- transaction of ordinary business done in an AGM;
- increase of paid up capital; consolidation or subdivision of shares; cancellation of unissued shares;
- a consensus of at least two thirds of the votes represented is required for resolutions include:
- change provisions of the object clause;
- change the name of the company alter or add to its AoA;
- reduce share capital;
- make reserved capital;
- make director's liability unlimited; remove auditor before expiry of term; on court winding up;
- on voluntary winding up;

Notices of Shareholders Meeting

Notices to shareholders are made by publication in the daily newspapers. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules is published in two widely circulated newspapers in English and Bangla and sent to the stock exchanges and BSEC.

Timely and Balanced Disclosure

The Board has an established process to ensure accountability at a senior executive level for compliance with the continuous disclosure obligations of Bangladesh Bank, BSEC and listing rules. Executive management is required to communicate all matters of a material nature

and which may require disclosure to regulators, to the Chairman, CEO or the Company Secretary.

The Rights of Shareholders

UCL promotes effective communication with the Company's shareholders and encourages shareholder participation at Annual General Meetings. UCL communicates with the shareholders through AGM, EGM, the annual report and Company's 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, biogas 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 and Company Secretary and the Head of ICC. The function of the disclosure committee is to meet as and when required in order to assure compliance with the Disclosure and Transparency requirements and the Listing Rules, and to ensure that the routes of communication between UCL members, the disclosure committee, the company secretarial office and investor relations are clear so that the company is able to comply fully with its continuing obligations under the Disclosure requirements.

ETHICAL & COMPLIANCE STATEMENT

Commitment to meet the growing demand of compliance

OVERVIEW

As governance and regulatory requirements in the financial industry continues unabated, financial institutions are coming under intense pressure to implement good governance practices and manage compliance risk while pushing for improvements to the bottom-line. Compliance risk within the UCL Financial Group is defined as the risk of impairment to the organization's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and the expectations of stakeholders.

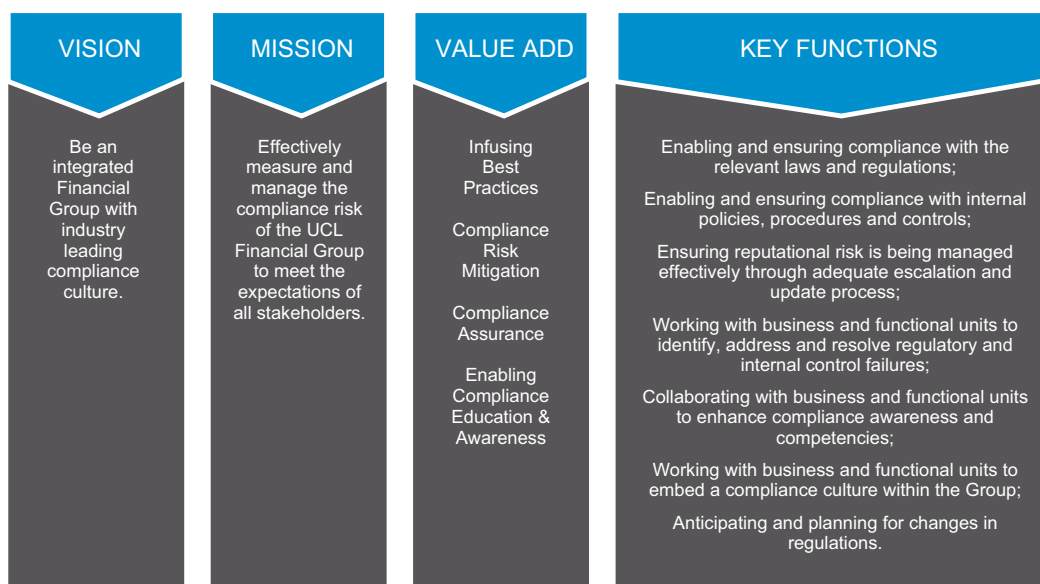
The Group upholds the adoption and infusion of good corporate governance principles and best practices as a basic tenet of running and growing its business. The compliance principles remain an important guide for the Group as it continuously evolves to meet the growing demands of compliance best practices.

COMPLIANCE RISK MANAGEMENT

The main aim of compliance risk management is to preserve the Group's reputation so that our competitive standing, reputation, brand and share value are not only maintained, but also enhanced. With a vision to be a financial group with industry leading compliance culture, the following are the Group's compliance objectives:

- to be the most compliant financial group;
- to enable business growth and compliance;
- to ensure zero-tolerance for regulatory breaches; and
- to 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

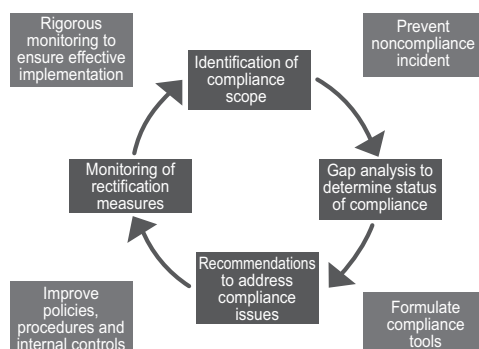
The scope of compliance covers the areas of credit, operations, anti-money laundering and terrorist financing (AML/TF), treasury, insurance, financing operations and investment management, including subsidiaries. The Internal Control team was set-up to assist in managing internal control compliance and risk issues. The team also assists in the identification of issues at ground level that may affect compliance and the escalation of the same. This also creates expertise at operational level for compliance processes.

Division and Department Heads are continuously engaged to ensure they continue to inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.

COMPLIANCE LIFE CYCLE

Compliance activities are closely intertwined with compliance developments on the global front, existing legal & regulatory requirements as well as the Group's policies and procedures. The following diagram illustrates the compliance lifestyle and general approach taken by the Group in managing compliance risk.

The approach is derived from various compliance sources such as new regulations, sound practices, reports from relevant stakeholders as well as internal reviews conducted by the Compliance Division itself.



COMPLIANCE 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 2015 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/TF measures, as well as root cause and trend analyses.

In addition, any incident affecting the reputation of the Group is escalated to the respective authority. This escalation process ensures adequate oversight and guidance is provided by the Board in managing reputational risk.

Compliance Risk Mitigation

Compliance risk mitigation is a key process in the entire Incident Reporting and Management Process. 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 Bangladesh Bank will be invited to speak at our program and expected that they will share interesting anecdotes and provide 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:

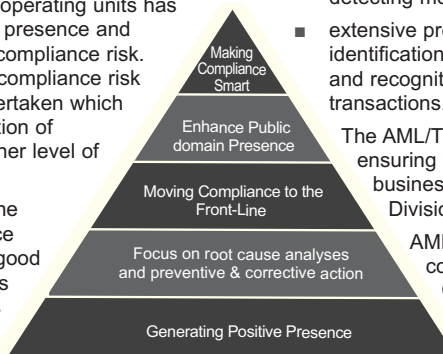
As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies and the consolidation of the financial sector, the Group has never been more exposed to such a myriad of risks, not to mention larger sets of rules and regulations. 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's value.



ANTI-MONEY LAUNDERING AND TERRORIST FINANCING (AML/TF)

As one of the forerunners of the Government and Bangladesh Bank initiatives to prevent the financial system from being used for illicit and laundering activities, the Group has established the following processes and infrastructure:

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

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

AML/TF self-compliance assessments continue to provide an avenue for the Compliance Division to gauge the understanding of business and operating units on AML/TF and act as tools to enhance future measures. In addition, various learning initiatives are 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 2015 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 24, 2016


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

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TEL : 880-2-8391440-3, Fax : 880-2-8391011, E-mail : azcbangladesh@gmail.com web : www.ahmed-zaker.com
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 DIRECTOR	
i. The Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management.	Complied
ii. The Managing Director shall ensure compliance of financial institutions act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.	Complied
iii. All recruitment/promotion/training, except recruitment/promotion/training of DMD & GM equivalent position, shall be vested upon the managing director. He shall act such in accordance with the approved HR Policy of the Company.	Complied
iv. The Managing Director may re-schedule job responsibilities of employees.	Complied
v. The Managing Director may take disciplinary actions against the employees except the DMD and GM or equivalent position.	Complied
vi. The Managing Director shall sign all the letters/statements relating to compliance of policies and guidelines. However, departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by Managing Director.	Complied

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 2015 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;

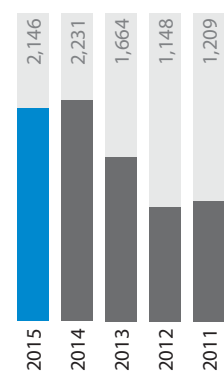
Consistency of assessment

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:

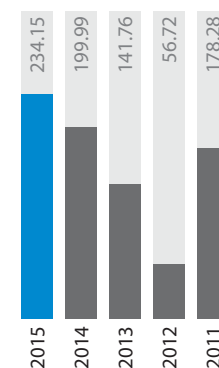


Operating revenue (BDT in million)

FINANCIAL MATTERS

Net assets or net current assets position

As at 31 December 2015, UCL has positive net current assets of Tk. 149.34 million as against Tk. 298.39 million of 2014 which signifies that the Company has sufficient liquid resources to meet its short-term obligations from its short-term assets.



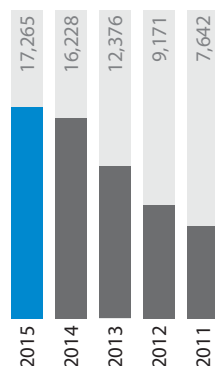
Net profit (BDT in million)

Debts with excellent repayment records

At the end of 2015, the total fixed term borrowings of the Company were Tk. 1,428.40 million compared to Tk. 1,252.93 million of prior year. During the year

we availed new credit facilities of Tk. 760 million and repaid Tk. 584.53 million to the lenders on due date thereby enhancing lenders confidence in UCL.

Term borrowings grew by 14 percent in 2015 due to increase in investment portfolio which grew by more than 2.06 percent.

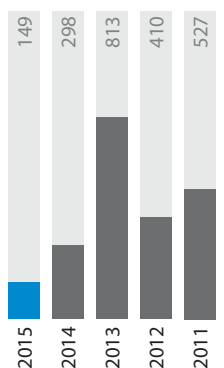


Investments
(BDT in million)

Dependency on short term borrowings

At the end of 2015, total short term borrowings of the Company were Tk. 273.95 million compared to Tk. 876.73 of prior year representing only 1.56 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.

The management was able to manage the fund efficiently and thus the dependency on short term borrowings was at acceptable level



Net Current Assets
(BDT in million)

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 2015 we have mobilized deposits of Tk. 9,112.59 million and encashed Tk. 8,095.43 million with a remarkable net growth of 10.49% compared to 2014.

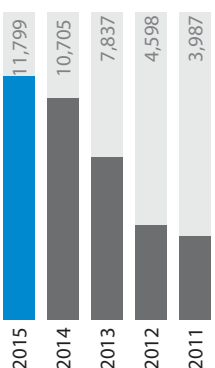
Positive operating cash flows

Cash flow statement of the Company for the year ended 31 December 2015 shows positive operating cash flows of Tk. 416.13 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 ____ 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.



Deposits Growth
(BDT in million)

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. 1.14 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. 16,227.71 million to Tk. 17,264.85 million registering a steady growth of 6.39 percent over last year. Total consolidated operating revenue is Tk. 801.65 million and total profit after tax is 234.15 million which registered a growth of 17.08 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, in 2015 is 4.05 percent 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.

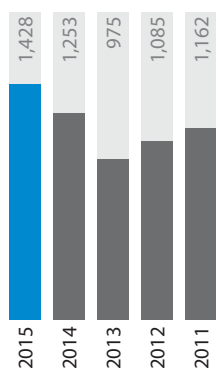
Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exist a good number of employee benefits like home loan benefit, car loan benefit, performance related bonus, gratuity, provident fund etc., which are considered to be instrumental for employee satisfaction.

OTHER MATTERS

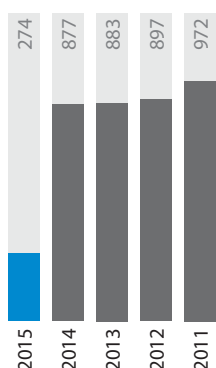
Maintenance of sufficient capital

As at 31 December 2015, the Company's total consolidated equity stands at Tk. 2,493.93 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 2015 was Tk. 1,329.90 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.



Term Borrowings
(BDT in million)



Short term Borrowings
(BDT in million)

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 2015, 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. The Directors believe this satisfactorily addresses the capital risk of the Company.

Credit Rating

Credit Rating of UCL is AA in the long run and ST-1 for short term rated by National Credit Rating

Company Ltd. and this improved rating has been continuing since 2014 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

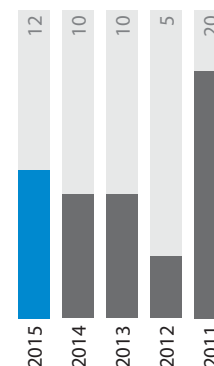
Management anticipates no significant changes in the legislation or government policy, which may materially affect the business of the Company.

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.



Rate of Dividend
(in percentage)

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 NBFI's 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:

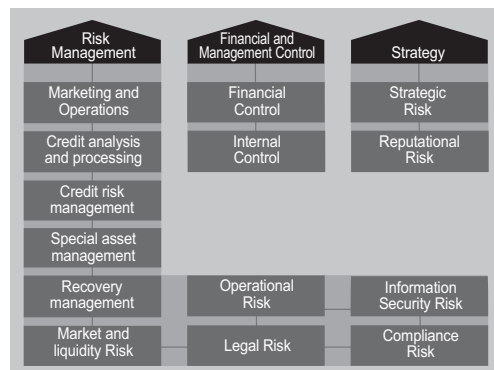
The importance of risk management cannot be overstated. This is a fundamental part of doing business that must be addressed appropriately for the company to be successful. Risk management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows an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

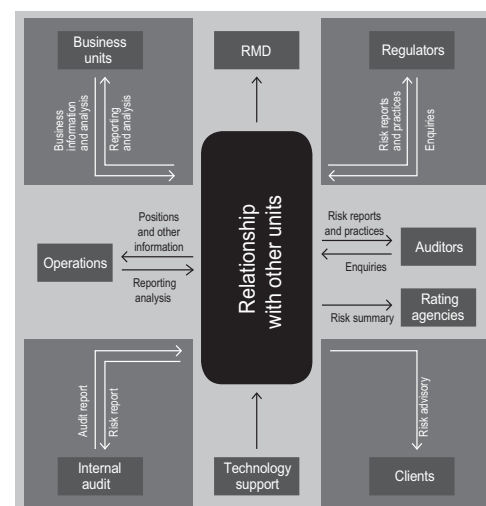
RISK MANAGEMENT PRINCIPLES

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

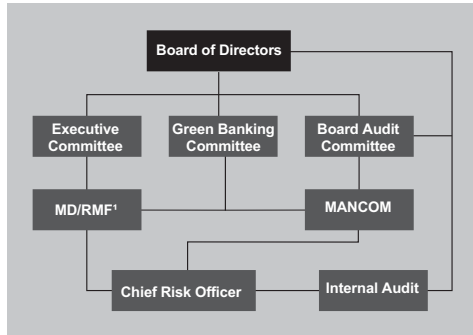
The relationships between the Risk Management Department (RMD) and other sections of the Group are highlighted below:



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

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 2016

- 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);
- Credit Administration Department (CAD);
- 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) Department is responsible for identifying and analysing the various risk factors of loan/lease and recommend their assessment to the Credit Committee / Executive Committee / Board of Directors. The department serves as the credit secretariat and manages other credit process initiatives for the Company.

CREDIT ADMINISTRATION DEPARTMENT (CAD)

is mainly responsible for ensuring the documentation formalities before disbursement of any sanctioned loan/lease facility. After disbursement the files and documents are preserved by CAD which is the core responsibility as custodian.

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%	Investment
Very low risk	AA	2	2.00 – 2.99	80–89%	1%	
Low risk	A	3	3.00 – 3.99	70–79%	1.5%	
Low risk	BBB	4	4.00 – 4.99	60–69%	2%	
Acceptable – moderately high risk	BB	5	5.00 – 5.99	50–59%	4%	Non-investment
High risk	B	6	6.00 – 6.99	40–49%	6%	
Very high risk	CCC	7	7.00 – 7.99	30–39%	9%	
Extremely high risk	CC	8	8.00 – 8.99	10–29%	13%	
High likelihood of default	C	9	9.00 – 9.99	0–9%	15%	Default
Default risk	D	10				
SMA	D				5%	
Sub-standard	D				20%	
Doubtful	D				50%	
Bad loss	D				100%	

Collateral Risk Rating (CRR)

UCL shall not lend to non-investment grade customers without any form of collateral. Collaterals are rated from best to worst in order of liquidity, controllability and 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 5,000,000

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 2016, 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 2015 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 2016 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 2016, taking into account the removal of fuel subsidies as well as the monetary policy. The capital market moved into further decline in 2015. 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 2016 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 13.34 percent at the end of the year 2015. Current position is closely monitored by the Assets and Liabilities Management Committee.

(Figure in million)

Dec 2015 Dec 2014

13.34	13.44	Capital adequacy ratio (%)
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Capital composition:

Tier 1

1329.90	1,209.00	Paid-up capital
364.82	323.84	Statutory reserves
-	-	Non-controlling interest (insignificant)
197.18	172.31	Retained earnings
1891.90	1,705.15	Total

Tier 2

228.70	167.61	General provision
51.01	51.01	Asset revaluation reserves
500.00	-	All other preference shares
779.71	218.62	Total

Capital utilisation:

20,029.99	14,316.28	Qualifying risk weighted assets
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In June 2006, the Basel Committee on Banking Supervision published International convergence of Capital Measurement and Capital Standards, known as Basel II. Basel II is structured around three 'Pillars': minimum capital requirements, supervisory review process and market discipline. Thereafter there have been several press releases by the committee aimed at increasing capital requirements and improving measurement of capital. Though there has been a regulatory requirement for NBFIs to comply Basel II requirements, UCL has made substantial progress in its Basel II compliance project. The successful conclusion will allow UCL's capital measurement to reflect credit, market and operational risk exposures on the assets of UCL.

Outlook

We have strengthened the Group's funding and liquidity risk management framework to boost our ability to closely watch liquidity requirements, enhance timely responses to liquidity events (changes in the mix of business we operate and the market environment), make best use of funding sources and 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.

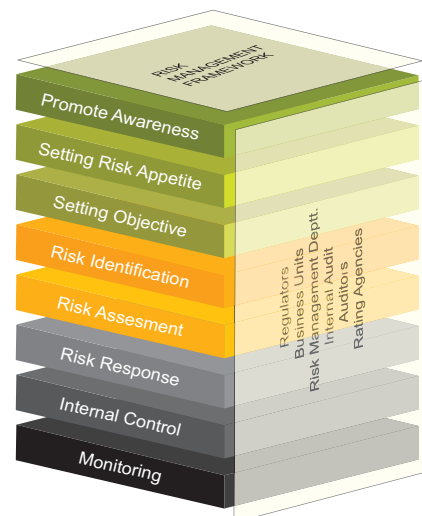
Governance

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



MAHMUDUL ALAM
Managing Director & CEO

With UCL Since 9 November 2015

Born in December 1961

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 Securities Limited

Qualification & Experience

Mr. Mahmudul Alam, a dynamic and versatile management executive, has more than 25 years of experiences in the financial sector. In his long career he has successfully served the financial sector at home and abroad in different capacities. Prior to his joining in Union Capital Limited, Mr. Mahmudul Alam served as the Additional Managing Director of GSP Finance Company (Bangladesh) Limited. Starting his professional career with IDLC Finance Ltd., Mr. Alam worked in Mashreq Bank of UAE, Shahjalal Islami Bank Limited and AB Bank Limited in different capacities.

Mr. Alam, an MBA of Institute of Business Administration (IBA), University of Dhaka, has brought with him more than a decade of senior management experience in the areas of banking, credit and financial management etc. An Ex-Cadet of Faujdarhat Cadet College, Chittagong, he attended a large number of trainings, workshops, seminars at home and abroad.



TAUHIDUL ASHRAF FCS
EVP, Head of Marketing & Company Secretary

With UCL Since 22 August 2013

Born in September 1978

Nationality Bangladeshi

Committee Membership

Member

Management Committee, Credit Committee, ALM 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 15 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.

Senior Management



ENGR. A.N.M. GOLAM SHABBIR FIEB
SVP & 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, Risk Management 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 17 years with NBF in various capacities and 03 years in different ICT vendors. Starting his career in Flora Limited, the then largest ICT vendor of the country, Mr. Shabbir also worked in UNICEF as LAN Consultant under employment of Flora Limited. Prior to joining at UCL Mr. Shabbir served as the Manager of Hardware & Network Division of Systematique Computing Limited (SYSCOM). Besides IT expertise, he is proficient in HRM and carrying full responsibilities of HR & Administration Department for over 10 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
SVP, Corporate Finance

With UCL since 01 June 2000

Born in October 1973

Nationality Bangladeshi

Committee Membership
Member

Asset-Liability Management Committee, Management Committee (MANCOM), 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 2016 he was promoted as Vice President of Lease and Corporate Finance Department. He obtained various training/ workshop/seminars at Home and abroad.



MD. FORHAD HOSSAIN FCA
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 is a Fellow 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.



MOHAMMAD SHAFI UDDIN
VP, Corporate Finance

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 15 years experience with Banks & NBFIs. Before joining UCL, he was with Eastern Bank Limited, ONE Bank Limited, Bank Asia Limited & The City Bank Limited and worked with Credit Administration Department & Credit Department.



RAIHAN UDDIN AHAMMAD FCA
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 a Fellow 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.



MD. SHOHIDUL ISLAM
AVP & Head of SME (CC)

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.

Senior Management



HUMAYUN RASHID MBA
AVP, Credit Administration

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.



SHAH MD. AZIZUR RAHMAN
AVP, ICT

With UCL Since 04 May 2016

Born in October 1981

Nationality Bangladeshi

Committee Membership
Money Laundering Prevention Committee

External Appointment Nil

Qualification & Experience

Mr. Azizul Haque obtained his B.Sc. Engineering Degree in Computer Science & Engineering from Khulna University of Engineering and Technology. He completed his MBA in Management Information Systems from Dhaka University. He started his career in data-edge limited, a reputed ICT vendor company, as a software programmer in December 2003 and worked there for 2 years. Prior to Join Union Capital Limited as Assistant Vice President, he worked in NCC Bank Limited for more than 9 years under various capacities in IT Division. He attended various seminars, workshops and trainings relating to the ICT at home and abroad.



MUHAMMAD SHOHIDUR RAHMAN
AVP, Corporate Finance

With UCL Since 10 March 2016

Born in March 1978

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience

Mr. Shohidur has 12 years of extensive experience in NBFIs. He completed his BBA and MBA (major in Finance) from Dhaka University. Prior to joining at UCL, Mr. Rahman worked at National Finance Limited for more than 3 years. He started his career with National Housing Finance & Investments Ltd. as Counselor in February 2004. He worked there for 2 years and thereafter joined in International Leasing & Financial Services Ltd. in April 2006 and worked there for 6 years under different capacities. He attended various trainings/workshops at Bangladesh Bank, BIBM and different training organizations of Bangladesh.



MD. ABDUL KARIM
AVP & Branch In-charge,
Motijheel Branch

With UCL Since 23 March 2016

Born in April 1976

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience

Mr. Karim has about 13 years of extensive experience in Banks and NBFIs. Prior to joining at UCL, Mr. Karim served GSP Finance Company (Bangladesh) Limited as DGM of Marketing Department for 8 months. At GSP he was the Head of SME and Head of Marketing (corporate) Unit-2. He started his career as Customer Relations Officer of BRAC Bank Ltd. in June 2003 and served that organization for more than 12 years. Throughout his career with BRAC Bank Ltd he worked in various positions and places of SME Department. His last position in BRAC Bank Limited was AVP and Territory Manager, SME of Dhaka Urban Areas. He attended a number of training on Customer Relationship Management, Leadership, Managerial Skills, Credit Assessment, Team Management, Credit Marketing and Recovery etc at home and abroad. He completed his BBA and MBA major in Accounting from Islamic University- Kushtia.

MANAGEMENT COMMITTEES

The Authority of Management Team responsible for execution of delegated responsibilities

MANAGEMENT COMMITTEE (MANCOM)

Members	Major Responsibilities:	Works done in 2015
<p>Mahmudul Alam, Chairman Tauhidul Ashraf FCS, Member Abdul Bareque, Member Engr. A. N. M. Golam Shabbir, Member Fazle Karim Murad, Member Md. Forhad Hossain FCA, Member Raihan Uddin Ahammad FCA, Member</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Reviewed the comprehensive inspection report of Bangladesh Bank and took necessary steps to implement recommendations thereof; The Committee implemented automated attendance system in branches. The Committee reviewed the policies and guidelines related to CRM, CAD and proposed to the board for approval.

CREDIT COMMITTEE

Members	Major Responsibilities	Works done in 2015
<p>Mahmudul Alam, Chairman Tauhidul Ashraf FCS, Member Abdul Bareque, Member Fazle Karim Murad, Member Md. Shohidul Islam, Member</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Reviewed terms and conditions of the finance proposal placed before the Committee for approval. Approved more than 270 credit appraisals in 2015 amounting Tk. 3.41 billion. Reviewed interest rate subsequent to the disbursement as and when necessary.

RISK MANAGEMENT FORUM

Members	Major Responsibilities	Works done in 2015
<p>Abdul Bareque, Chief Risk Officer Engr. A. N. M. Golam Shabbir, Member Fazle Karim Murad, Member Md. Forhad Hossain FCA, Member Raihan Uddin Ahammad FCA, Member Subrata Basak, Member Moinul Islam Bhuiyan, Member Md. Tarique Aziz, Member Secretary</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	Major Responsibilities	Works done in 2015
<p>Mahmudul Alam, Chairman Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Reviewed the existing employee benefit schemes and compared with the industry benchmark. Formulated gratuity fund trust deed and gratuity fund rules and submitted to the board for approval in order to getting approval of the national board of revenue. Amended organogram and pay scale of the company.

BASEL II IMPLEMENTATION COMMITTEE

Members	Major Responsibilities	Works done in 2015
<p>Mahmudul Alam, Chairman Tauhidul Ashraf FCS, Member Fazle Karim Murad, Member Md. Forhad Hossain FCA, Member</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 the process of issuing of preference share to increase the capital base of UCL.

ASSET-LIABILITY MANAGEMENT COMMITTEE

Members	Major Responsibilities	Works done in 2015
<p>Mahmudul Alam, Chairman Tauhidul Ashraf FCS, Member Abdul Bareque, Member Fazle Karim Murad, Member Md. Forhad Hossain FCA, Member Subrata Basak, Member</p>	<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. Developed interest rate policy and placed before the Board for approval.

MONEY LAUNDERING PREVENTION COMMITTEE

Members	Major Responsibilities	Works done in 2015
<p>Abdul Bareque, CAMLCO Fazle Karim Murad, Member Md. Forhad Hossain FCA, Member Raihan Uddin Ahammad FCA, Member Shah Md. Azizul Haque, Member Subrata Basak, Member</p>	<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 four (4) comprehensive training programs on AML/CFT in 2015 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 2015
<p>Mahmudul Alam, Chairman Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member Md. Forhad Hossain FCA, Member Raihan Uddin Ahammad FCA, Member</p>	<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. Reviews existing corporate governance structure and compliance with the BSEC and Central Bank's Corporate Governance guidelines. Reviewed the certificate issued by professional accountant on compliance with corporate governance guideline.

ETHICS & COMPLIANCE COMMITTEE

Members	Major Responsibilities	Works done in 2015
<p>Engr. A. N. M. Golam Shabbir, Focal Point Tauhidul Ashraf FCS, Member Abdul Bareque, Member Md. Forhad Hossain FCA, Member Raihan Uddin Ahammad FCA, Member</p>	<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. Reviewed on regular basis the complaint/suggestions received from customers at Head Office as well as in the Branch offices and suggested for improvement. Reviewed on regular basis complaint/suggestions from the 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. Published diary in incorporating 'Chorai Chorai Shuddhachar' for public awarance against corruption.

DISCLOSURE COMMITTEE

Members	Major Responsibilities	Works done in 2015
<p>Mahmudul Alam, Chairman Tauhidul Ashraf FCS, Member Engr. A. N. M. Golam Shabbir, Member Md. Forhad Hossain FCA, Member Raihan Uddin Ahammad FCA, Member</p>	<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 2014 to ensure appropriate disclosures has been made. Placed the financial statements for the year ended 31 December 2014 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.

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 in 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.

2016 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.

2016 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	
	2015	2014	2015	2014
Sr. Management	1.55	-	0.77	-
Mid. Management	2.32	3.87	-	-
Jr. Management	11.62	7.75	1.55	-
Support Staff	1.55	0.77	-	-
Total	17.04	12.39	2.32	-

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)	2015	2014
UCL's investment in training	0.12	0.26
Average number of days of training	4.72	1.87
Average hours of training per executive	11.80	4.67

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.

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.

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 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.

2016 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 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.

BUSINESS PRINCIPLES

In order to ensure that our customers are getting the best possible service, we have organized the tenets of its culture into following business principles and these principles are undertaken by all UCL's operations.

Long-term relationships

UCL's main objective is to develop and maintain long-term relationships with its clients.

Their needs and interests are made a priority, since their success consequently fuels our success, thus establishing a common goal.

Teamwork

The best results are achieved only when the employees of UCL and its customers work together as a team. Effective cooperation and proper communication ensure quick and professional service and provides the basis for efficient teamwork.

Fun & flair

Business becomes a pleasure when an organization takes part in celebrating its clients'

successes. Providing professional advice and achieving excellent results leads to shared enjoyment, underscoring company's commitment to its clients.

Trumping bureaucracy

Cutting bureaucracy enables employees to respond quick to its clients' needs. Short and straight lines of communication, a clear definition of responsibility and the delegation of power provide the customers with sharp, quick and effective service.

Efficient decisions

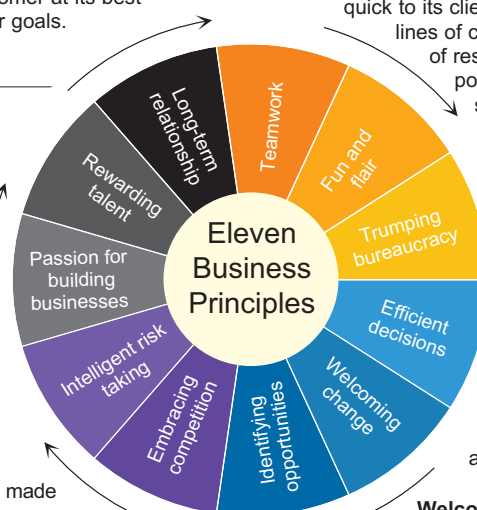
Effective service to the customers is based on effective and efficient decision-making. This is achieved through the devolution of power and open communication. This also makes for an exciting and highly motivating work environment that attracts talents and qualified candidates.

Welcoming change

The business environment is constantly undergoing changes, bringing the company up against new challenges. In order to assist clients in gaining a competitive advantage, we need to keep ourselves abreast of changing business practices and seeks to implement changes ahead of the competition.

Identifying opportunities

By identifying opportunities where others see business as usual, UCL is able to advise its clients effectively and provide them with exceptional choices. We are confident that our employees are able to perform this task by building customers confidence and encouraging their initiative.



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.

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. Our everyday business activities touch the financial lives of millions of people and businesses.

UCL is one of the major employer, taxpayer and financial services provider 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 relationship with and delivers value for our customers, shareholders, employees, government and the community where we do businesses.

OUR PRIORITIES

- Providing strong returns to shareholders
- Paying fair share of taxes
- Supporting small businesses and community economic development
- Fostering innovation and entrepreneurship
- Empowering Small and Medium Entrepreneurs
- Empowering Women Entrepreneurs
- Financing to untapped people
- Purchasing goods and services responsibly
- Creating employment
- Protecting the environment
- Enhancing the market share
- Helping 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 to 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 green financing in order to ensure its commitment to be a part of the sustainable development of the economy. Based on the financials as on 31 December 2015, UCL has a total credit exposure with around 3,601 customers of Tk. 15,644.02 million. Such credit facilities were extended mostly for capacity building of the borrowers, importation of capital machineries, business expansion and working capital. Through its subsidiary companies, 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. 11,798.78 million from 409 numbers of depositors helping them build up savings for investment in national economy.

PAYING FAIR SHARE OF TAXES TO GOVERNMENT

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

DIRECT ECONOMIC VALUE GENERATED IN 2015

(Taka in million)

UCL's Total revenue	Distributed Value	Economic Value Retained
2,145.60	Operating cost	1,544.78
	Salaries and benefits	112.97
	Taxes	252.83
	Dividends	120.90
	Community giving	0.87
		113.25

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

allowances to employees and deposits the same to the 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 2015 the Company collected, withheld and deposited tax, VAT and excise duty at source and paid advance tax to government exchequer in the following manner:

Particulars	Amount in million Taka
Advance tax	157.71
Withholding taxes	100.51
Withholding VAT	3.97
VAT collected and paid	1.69
Excise duty collected and paid	3.24
Total	317.61

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 171 employees as on 31 December 2015. 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 2015, UCL spent total Tk. 0.20 million for training and HR development (2014: Tk. 0.26 million) and paid a total amount of Tk. 112.97 million as salaries and allowances to its employees (2014: Tk. 105.36 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 building solid foundation of earning drives, 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 in the country. For the last five years UCL paid dividend on an average 11.4 percent to its shareholders i.e. Tk. 1.14 per share of Tk. 10.00 each.

TAKING ENVIRONMENT INITIATIVES

Sustainable development, economic growth and a healthy environment is inter-linked to the long-term performance of the Company. In this backdrop, we play a contributory 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 environmental issue is very critical such as leather, textile, chemical, manufacturing sectors, etc.

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, underprivileged 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 to the tune 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 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 its financial assistance for the



purchase of class books, school bags, uniforms etc. for the students under this education program. In 2015 the Company has given Tk. 304,000 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 2015. 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 650 pcs blankets in 3 (three) different areas of Bangladesh.



PROMOTING GROWTH OF SMALL BUSINESS

Small business is an important engine driving the economic growth of the country. 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, particularly promising but unexplored segments and women entrepreneurs. We also strive to provide the best possible products, financial services, advice and expertise to help this sector prosper to its fullest possibility.



INCLUSIVE GROWTH

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 income 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 around the globe.

...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 & 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.

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.

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 at 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.

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.

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.

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:

	2015	2014	2013	2012
Total Employee	104	113	89	95
Net income per employee (BDT in million)	1.97	1.86	1.56	1.14
Operating revenue per employee (BDT in million)	18.90	17.00	18.98	12.08
Assets per employee (BDT in million)	182.85	153.19	146.69	110.48

Staff Strength	2015	2014	2013	2012
Senior Management	11	10	10	9
Mid Level Management	24	21	22	43
Junior Level Management	49	62	44	22
Support Staff	20	20	13	21
Total	104	113	89	95

Age analysis of the employees as at 31 December

Age group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2015 Total	2014 Total
51-60	3	1	0	2	6	5
41-50	4	1	1	2	8	9
31-40	4	19	26	9	58	53
21-30	0	3	22	7	32	46
Total	11	24	49	20	104	113

Average age of the employees as at 31 December 2015 was 32.51 (2014: 28.54).

Service analysis of the employees as at 31 December

Service group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2015 Total	2014 Total
Above 10	2	1	0	2	5	4
7-10	0	1	1	1	3	3
5-7	2	7	0	3	12	4
2-5	4	12	19	3	38	20
Below 2	3	3	29	11	46	82
Total	11	24	49	20	104	113

Average service life of the employees as at 31 December 2015 was 3.13 years (2014: 2.34).

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	32	58	8	6	104
Management Cadre	3	23	5	4	35
Non Management Cadre	22	26	1	0	49
Support Staff	7	9	2	2	20
Average age					32.51

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 Managing Director & CEO of Union Capital Ltd.



Farewell program of Ex Managing Director & CEO



Monthly General Meeting

FLASH OF A FEW EVENTFUL MEMORIES



Opening ceremony of Tongi Branch



Annual Picnic 2015



In house awareness Program on AML & Terrorist Financing



In-house training Program on Implementation of National Integrity Strategy



Awareness Program for SME Customers



Participation in ASEMS
5th Corporate Cricket 2015



Celebrating womens day



Basket ball throwing competition at Annual Picnic 2015

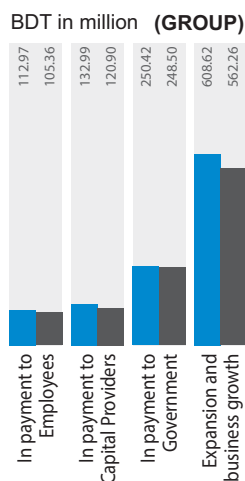
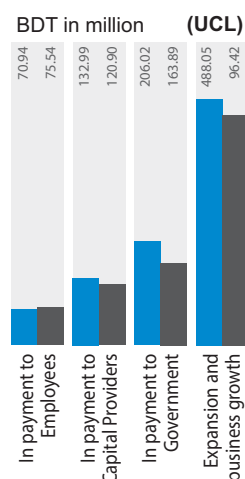


Rewarding an office staff for completion of his graduation

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.



DISTRIBUTION OF VALUE ADDED
■ 2014 ■ 2013

(Figures in million BDT)

2015	2014
UCL	UCL Group

VALUE ADDED

710.88	683.32	559.02	572.57	Net interest income
3.34	162.52	25.05	214.09	Fees earned including VAT
(100.88)	(100.80)	(16.42)	71.83	Investment income
53.08	56.61	26.50	30.23	Other income
(41.33)	(87.40)	(41.83)	(78.24)	Management expenses
(137.04)	(105.63)	(95.58)	(248.21)	Provision for doubtful losses
488.05	608.62	456.75	562.26	TOTAL VALUE ADDED

DISTRIBUTION OF VALUE ADDED

DISTRIBUTION OF VALUE ADDED								
2015				2014				
UCL		Group		UCL		Group		
Total	%	Total	%	Total	%	Total	%	
70.94	14.54	75.54	16.54	112.97	18.56	105.36	18.74	In payment to Employees
								As salaries and allowances
132.99	27.25	120.90	26.47	132.99	21.85	120.90	21.50	In payment to Capital Providers
								As Dividend to shareholders
206.02	42.21	163.89	35.88	250.42	41.14	248.50	44.20	In payment to Government
								As Corporate tax
71.91	14.73	89.19	19.53	101.16	16.62	79.09	14.07	Expansion and business growth
6.19	1.27	7.23	1.58	11.08	1.82	8.41	1.50	Retained income
								Depreciation
488.05	100.00	456.75	100.00	608.62	100.00	562.26	100.00	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 2015 compared to the MVA of prior year:

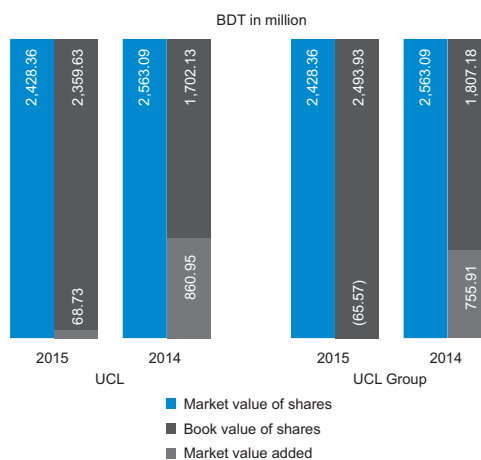
(Figures in million BDT)

2015

UCL	UCL Group	
2,428.36	2,428.36	Market value of shares outstanding
2,359.63	2,493.93	Book value of the share outstanding
68.73	(65.57)	MARKET VALUE ADDED

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



...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:

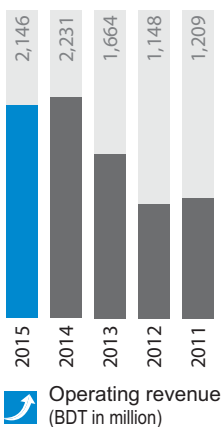
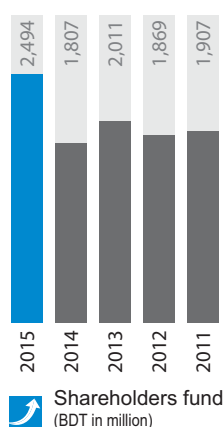
EVA = Net operating profit after tax minus cost of capital

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 2015 and 2014:



(Figures in Million BDT)

2015		2014		
UCL	UCL Group	UCL	UCL Group	
85.84	68.60	94.85	196.21	Economic Value Added (EVA)
547.96	590.20	469.56	696.69	Net operating profit
(206.02)	(250.42)	(163.89)	(248.50)	Provision for taxes
341.94	339.78	305.67	448.19	Net Operating Profit After Tax (NOPAT)
2,359.63	2,493.93	1,702.13	1,807.18	Shareholders' equity as on 31 December
2,030.88	2,150.55	1,597.09	1,908.92	Average shareholders' equity
12.61	12.61	13.20	13.20	Cost of equity (%)*
256.09	271.18	210.82	251.98	Cost of equity

Key ratios

4.37	3.20	4.94	8.79	EVA/Operating revenue (%)
4.23	3.19	5.94	10.28	EVA/Average shareholders' equity (%)
10.42	10.91	10.94	8.96	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

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S. F. AHMED & CO

Chartered Accountants

Auditors' 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 separate balance sheets as at 31 December 2015, profit and loss accounts, statements of changes in equity, cash flow statements, statement of liquidity, for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

Management's responsibility for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of these consolidated financial statements of the Group and also the separate financial statements of the company in accordance with Bangladesh Financial Reporting Standards (BFRSs), Bangladesh Bank's circulars and guidelines as explained in the relevant notes and for such internal control as management determines is necessary to enable in the preparation of financial statements that are free from material misstatement, whether due to fraud or error, the Financial Institutions Act 1993, the Financial Institutions Regulations 1994, the Companies Act 1994, Bangladesh Securities and Exchange Rules 1987, and the Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the company. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

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 ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements of the Group and the separate financial statements of the company are free from material misstatements.

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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the financial statements of the company, whether due to fraud and error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements of the Group and the financial statements of the company that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements of the Group and the separate financial statements of the company.

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

Opinion

In our opinion, read in conjunction with notes (13.1.c) to financial statements, the financial statements prepared in accordance with BFRSs and Bangladesh Bank's circular no. 11 dated 23 December 2009, give

a true and fair view of the financial position of the company as at 31 December 2015 and of its financial performance and its cash flows for the year then ended and comply with requirements of Companies Act 1994, the Financial Institutions Act 1993, the Bangladesh Securities and Exchange Rules 1987, the rules and regulations issued by the Bangladesh Bank and other applicable laws and regulations.

Report on other legal and regulatory requirements

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

- (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) internal control and risk management arrangements of the company appeared to be materially adequate;
- (c) in our opinion, proper books of account as required by law have been kept by the Group and the company so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- (d) the consolidated balance sheet and profit and loss statement 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;
- (e) the expenditure incurred was for the purpose of the Group and company's business;
- (f) the consolidated financial position of the Group and those of the company as at 31 December 2015 and their profits for the year then ended have been properly reflected in the consolidated financial statements of the Group and those of the company, and thus financial statements have been prepared in accordance with BFRSs.
- (g) adequate provisions have been made for lease, loan and advances which are, in our opinion, doubtful of recovery;
- (h) the consolidated financial statements of the Group and those of the company's have been drawn up in conformity with the Financial Institutions Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the company;
- (i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements; and
- (j) the information and explanations required by us have been received and found to be satisfactory;
- (k) the company has complied with relevant law pertaining to capital and reserves and found satisfactory;
- (l) the consolidated financial statements of the Group and those of the company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (m) the company has followed the instruction issued by the Bangladesh Bank in the matters of lease/advance classification, provision and suspension of interest; and
- (n) We have reviewed over 80% of the risk weighted assets of the company during the course of our audit and have spent over 1200 person hours.

Dated, 21 March 2016

S. F. AHMED & CO
Chartered Accountants

Consolidated Balance Sheet

as at 31 December

(Figures in BDT)

	2015	2014	Notes	PROPERTY AND ASSETS
BAS 1.51 (d), 1.113 & 1.38	157,033,401	153,147,421	4.a	Cash
BAS 1.54 (i), 7.7	103,093	94,000		In hand (including foreign currencies)
	156,930,308	153,053,421		Balance with Bangladesh Bank and its agent bank (including foreign currencies)
BAS 1.54 (d)	1,049,943,557	584,665,126	5.a	Balance with other banks and financial institutions
	1,049,943,557	584,665,126		In Bangladesh
	-	-		Outside Bangladesh
	-	-		Money at call and short notice
BAS 1.54 (d)	1,620,829,816	1,488,135,388	6.a	Investments
	-	-		Government
	1,620,829,816	1,488,135,388		Others
BAS 1.54 (d)	15,644,018,323	14,739,579,044	7.a	Loans, advances and leases
	15,644,018,323	14,739,579,044		Loans, advances and leases
	-	-		Bills purchased and discounted
BAS 1.54 (a)	29,253,671	24,186,716	8.a	Fixed assets including land, building, furniture and fixtures
BAS 1.55	1,764,655,154	1,184,609,203	9.a	Other assets
	20,265,733,922	18,174,322,899		TOTAL ASSETS
LIABILITIES AND CAPITAL				
Liabilities				
BAS 1.54 (m)	2,815,301,879	2,985,042,753	10.a	Borrowings from other banks, financial institutions and agents
BAS 1.54 (m)				Deposits and other accounts
	10,712,749,207	9,695,588,734	11.a	Term deposits
	1,086,037,720	1,009,852,850	12	Other deposits
	11,798,786,927	10,705,441,584		Total Deposits and other accounts
BAS 1.55	3,157,718,243	2,676,662,004	13.a	Other liabilities
	17,771,807,049	16,367,146,340		Total liabilities
Shareholders' equity				
BAS 1.54 (r), 1.78 (e)	1,329,902,836	1,209,002,586	14	Ordinary share capital
	500,000,000	-	15	Preference share capital
BAS 1.54 (r), 1.78 (e)	364,815,071	323,835,724	16	Statutory reserve
BAS 1.54 (r), 1.78 (e)	102,024,360	102,024,360		Revaluation reserve
BAS 1.54 (r), 1.78 (e)	197,184,426	172,313,739	17.a	Retained earnings
BAS 1.54 (r), 1.78 (e)	2,493,926,693	1,807,176,409		Total equity attributable to equity holders of the Company
	180	149		Non-controlling interest
	20,265,733,922	18,174,322,899		TOTAL LIABILITIES AND SHAREHOLDERS EQUITY

Consolidated Balance Sheet

(Figures in BDT)

2015	2014	Notes	OFF-BALANCE SHEET ITEMS	
			Contingent liabilities	BAS 1.55
-	-		Letters of guarantee	
-	-		Irrevocable letters of credit	
-	-		Other contingent liabilities	
-	-		Total Contingent liabilities	
			Other commitments	
962,860,000	936,000,000	45	Undisbursed contracted loans, advances and leases	BAS 1.55
962,860,000	936,000,000		TOTAL OFF BALANCE SHEET ITEMS	
18.75	13.59		Net assets value per share (2014: Restated)	

These financial statements should be read in conjunction with annexed notes.

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

See annexed report of the date

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

(Figures in BDT)

	2015	2014	Notes	
BAS 1.51(d), 1.113 & 1.38				
BFRS 7.20 (b)	2,027,270,101	1,914,919,640	19.a	Interest income
BFRS 7.20 (b)	(1,343,948,222)	(1,342,351,271)	20.a	Interest paid on deposits and borrowings etc.
BAS 1.85	683,321,879	572,568,369		Net interest income
	(100,802,483)	71,828,356	21.a	Investment income
BFRS 7.20 (b)	162,517,165	214,085,792	22.a	Fees, commissions, exchange and brokerage
BFRS 7.20 (c)	56,612,548	30,226,665	23.a	Other operating income
BAS 1.85	801,649,109	888,709,182		Total operating income
BAS 1.104	109,812,338	97,444,653	24.a	Salaries and other employee benefits
BAS 1.97	32,552,380	25,373,808	25.a	Rent, taxes, insurance, electricity etc.
BAS 1.97	2,372,138	832,018		Legal expenses
BAS 1.97	4,424,755	3,525,415	26.a	Postage, stamp, telecommunication etc.
BAS 1.97	5,298,840	10,541,211	27.a	Stationery, printing, advertisements etc.
BAS 1.104	3,158,710	7,920,000	28	Managing Director's salary and fees
BAS 1.97	1,631,500	1,598,000	29.a	Directors' fees
BAS 1.97	316,250	327,750	30.a	Auditors' fees
BAS 1.97	13,677,283	9,802,768	31.a	Depreciation and repair of assets
BAS 1.97	38,209,253	34,649,736	32.a	Other expenses
BAS 1.85	211,453,447	192,015,359		Total operating expenses
BAS 1.85	590,195,662	696,693,823		Profit before provision
				Provision for loans, advances, leases and investments
BAS 1.97	12,811,685	188,120,423	13.1.a	General provision
BAS 1.97	106,762,766	66,188,524	13.1.b	Specific provision
BAS 1.97	(13,942,436)	(6,103,370)	13.2.a	Provision for diminution in value of investments
	105,632,015	248,205,576		Total provision
	484,563,647	448,488,247		Total profit before tax
				Provision for taxation
BAS 1.82 (d)	251,996,473	247,563,918	13.4.a	Current tax
BAS 1.82 (d)	(1,580,403)	937,537	9.2	Deferred tax
	250,416,070	248,501,455		
BAS 1.82 (f)	234,147,577	199,986,792		Net profit after tax

Consolidated Profit and Loss Account

(Figures in BDT)

2015	2014	Notes	Appropriations	
40,979,347	42,018,299		Statutory reserve	
47,397,261	-		Dividend on preference shares	
145,770,969	157,968,493		Retained surplus	
			Attributable to	BAS 1.83
186,750,285	199,986,813		Ordinary shareholders of the Company	
31	(21)		Non-controlling interest	
1.40	1.50	35.a	Earnings per share (2014: Restated)	BAS 33.66

These financial statements should be read in conjunction with annexed notes.

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

See annexed report of the date

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

Consolidated Cash Flow Statement

for the year ended 31 December

		(Figures in BDT)		
		2015	2014	Cash flows from operating activities
BAS 1.51(d) & 1.38				
BAS 7.31		1,917,648,911	1,868,155,282	Interest receipts
BAS 7.31		(1,289,702,945)	(1,287,211,361)	Interest payments
BAS 7.14 (b)		162,517,165	214,085,792	Fee and commission receipts
BAS 7.31		36,438,729	27,815,308	Dividend receipts
BAS 7.14 (d)		(114,564,342)	(101,833,000)	Cash payments to employees
BAS 7.14 (c)		(46,584,471)	(36,863,059)	Cash payments to suppliers and management expenses
BAS 7.35		(241,866,029)	(83,737,493)	Income taxes paid
BAS 7.14 (b)		56,422,285	30,250,930	Receipts from other operating activities
BAS 7.14 (c)		(42,529,141)	(37,407,504)	Payments for other operating activities
		437,780,162	593,254,895	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)		(901,820,996)	(6,106,650,839)	Loans, advances and leases to customers
BAS 7.20 (a)		(336,599,518)	2,226,832,935	Other assets
BAS 7.20 (a)		(130,000,000)	1,094,000,000	Deposits from banks and other financial institutions
BAS 7.20 (a)		1,223,345,343	2,191,052,715	Deposits from customers
		-	-	Other liabilities account of customers
		-	-	Trading liabilities
BAS 7.20 (a)		123,427,751	111,616,160	Other liabilities
		(21,647,420)	(483,149,029)	Cash generated from operating assets and liabilities
		416,132,742	110,105,866	Net cash generated from/(used) in operating activities
				Cash flows from investing activities
BAS 7.16 (d)		4,603,438,029	4,757,613,295	Proceeds from sale of securities
Bas 7.16 (c)		(4,836,934,940)	(4,953,647,482)	Payments for purchases of securities
BAS 7.16 (a)		(20,808,208)	(17,107,260)	Purchase of property, plant and equipment
BAS 7.16 (b)		2,870,545	628,062	Proceeds from sale of property, plant and equipment
		(251,434,574)	(212,513,385)	Net cash used in investing activities
				Cash flows from financing activities
BAS 7.31		-	-	Dividend paid
BAS 7.17 (c)		500,000,000	-	Issuance of preference share
BAS 7.17 (d)		1,357,468,545	1,040,797,636	Receipts of long term loan
		(950,229,035)	(572,282,467)	Repayment of long term loan
		-	-	Non-controlling interest
BAS 7.17 (d)		(602,773,268)	(6,012,987)	Net draw down/(payment) of short term loan
		304,466,242	462,502,182	Net cash generated from/(used) in financing activities
		469,164,410	360,094,662	Net (decrease)/increase in cash and cash equivalents
		-	-	Effects of exchange rate changes on cash and cash equivalents
		737,812,548	377,717,885	Cash and cash equivalents at beginning of the year
		1,206,976,958	737,812,548	Cash and cash equivalents at end of the year
				Cash and cash equivalents at end of the year represents
BAS 7.45		103,093	94,000	Cash in hand
		156,930,308	153,053,421	Balance with Bangladesh Bank and its agent bank
		1,049,943,557	584,665,127	Balance with other banks and financial institutions
		1,206,976,958	737,812,548	
				Supplemental schedule for non-cash financing activities
		120,900,250	109,909,326	Bonus share issued

Consolidated Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)							Particulars	
Ordinary share capital	Preference share capital	Statutory reserve	Revaluation reserve	Non-Retained earnings	controlling interest	Total		
1,209,002,586	-	323,835,724	102,024,360	172,313,739	149	1,807,176,557	Balance as at 1 January 2015	BAS 1.51 (d)
-	-	-	-	234,147,546	31	234,147,577	Net profit for the year 2015	BAS 1.106 (d)
-	500,000,000	-	-	-	-	500,000,000	Issuance of preference share	BAS 1.106 (d)(i)
-	-	-	-	(47,397,261)	-	(47,397,261)	Dividend on preference shares	
-	-	40,979,347	-	(40,979,347)	-	-	Transfer to statutory reserve	
120,900,250	-	-	-	(120,900,250)	-	-	Issuance of bonus share (year 2014)	BAS 1.107
1,329,902,836	500,000,000	364,815,071	102,024,360	197,184,426	180	2,493,926,873	Balance as at 31 December 2015	
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 1.106 (d)
-	-	-	-	199,986,813	(21)	199,986,792	Net profit for the year 2014	BAS 1.106 (d)(i)
-	-	42,018,299	-	(42,018,299)	-	-	Transfer to statutory reserve	
109,909,326	-	-	-	(109,909,326)	-	-	Issuance of bonus share (year 2013)	BAS 1.107
-	-	-	(403,475,640)	-	-	(403,475,640)	Fair value adjustment	
1,209,002,586	-	323,835,724	102,024,360	172,313,739	149	1,807,176,558	Balance as at 31 December 2014	BAS 1.107

These financial statements should be read in conjunction with annexed notes.

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

See annexed report of the date

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

Union Capital Limited

Balance Sheet

as at 31 December

(Figures in BDT)			
BAS 1.51(d), 1.113 & 1.38	2015	2014	Notes
BAS 1.38	PROPERTY AND ASSETS		
	156,994,308	153,112,421	4
BAS 1.54 (i), 7.7	64,000	59,000	
	156,930,308	153,053,421	
BAS 1.54 (d)	941,844,321	436,665,949	5
	941,844,321	436,665,949	
	-	-	
	-	-	
BAS 1.54 (d)	562,788,114	394,219,407	6
	-	-	
	562,788,114	394,219,407	
BAS 1.54 (d)	14,429,720,686	14,296,223,795	7
	14,429,720,686	14,296,223,795	
	-	-	
BAS 1.54 (a)	8,108,648	16,221,475	8
BAS 1.55	2,916,706,880	2,014,326,544	9
	19,016,162,957	17,310,769,590	
	LIABILITIES AND CAPITAL		
	Liabilities		
BAS 1.54 (m)	2,443,900,345	2,798,583,601	10
BAS 1.54 (m)	Deposits and other accounts		
	10,712,749,207	9,695,588,734	11
	1,086,037,720	1,009,852,850	12
	11,798,786,927	10,705,441,584	
BAS 1.55	2,413,842,117	2,104,610,311	13
	16,656,529,389	15,608,635,496	

Balance Sheet

(Figures in BDT)

2015	2014	Notes	Shareholders' equity	
1,329,902,836	1,209,002,586	14	Ordinary share capital	BAS 1.54 (r), 1.78 (e)
500,000,000	-	15	Preference share capital	
364,815,071	323,835,724	16	Statutory reserve	BAS 1.54 (r), 1.78 (e)
164,915,661	169,295,784	17	Retained earnings	BAS 1.54 (r), 1.78 (e)
2,359,633,568	1,702,134,094		Total shareholders' equity	BAS 1.54 (r), 1.78 (e)
19,016,162,957	17,310,769,590		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	
962,860,000	936,000,000	45	Undisbursed contracted loans, advances and leases	BAS 1.55
962,860,000	936,000,000		TOTAL OFF BALANCE SHEET ITEMS	
17.74	12.80		Net assets value per share (2014: Restated)	

These financial statements should be read in conjunction with annexed notes.

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

See annexed report of the date

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

Union Capital Limited

Profit and Loss Account

for the year ended 31 December

(Figures in BDT)

	2015	2014	Notes	
BAS 1.51(d), 1.113 & 1.38				
BFRS 7.20 (b)	2,010,470,225	1,885,400,419	19	Interest income
BFRS 7.20 (b)	(1,299,588,158)	(1,326,377,588)	20	Interest paid on deposits and borrowings etc.
BAS 1.85	710,882,067	559,022,831		Net interest income
BFRS 7.20 (b)	(100,882,799)	(16,417,214)	21	Investment income
BFRS 7.20 (c)	3,338,683	25,047,360	22	Fees, commissions, exchange and brokerage
BAS 1.85	53,079,495	26,498,812	23	Other operating income
	666,417,446	594,151,788		Total operating income
BAS 1.104	67,785,591	67,617,751	24	Salaries and other employee benefits
BAS 1.97	15,116,581	12,961,211	25	Rent, taxes, insurance, electricity etc.
BAS 1.97	2,299,126	471,689		Legal expenses
BAS 1.97	2,166,262	1,729,927	26	Postage, stamp, telecommunication etc.
BAS 1.97	4,413,172	9,599,010	27	Stationery, printing, advertisements etc.
BAS 1.104	3,158,710	7,920,000	28	Managing Director's salary and fees
BAS 1.97	1,045,000	1,000,000	29	Directors' fees
BAS 1.97	161,000	172,500	30	Auditors' fees
BAS 1.97	7,586,805	8,313,355	31	Depreciation and repair of assets
BAS 1.97	14,727,211	14,809,366	32	Other expenses
BAS 1.85	118,459,458	124,594,807		Total operating expenses
BAS 1.85	547,957,988	469,556,981		Profit before provision
				Provision for loans, advances, leases and investments
BAS 1.97	6,559,395	48,028,127	13.1	General provision
BAS 1.97	106,762,766	66,188,524	13.1	Specific provision
BAS 1.97	23,720,087	(18,637,882)	13.2	Provision for diminution in value of investments
	137,042,248	95,578,769		Total provision
	410,915,740	373,978,212		Total profit before tax
				Provision for taxation
BAS 1.82 (d)	207,599,408	162,949,182	13.4	Current tax
BAS 1.82 (d)	(1,580,403)	937,537	9.2	Deferred tax
	206,019,005	163,886,719		
BAS 1.82 (f)	204,896,735	210,091,493		Net profit after tax

Profit and Loss Account

(Figures in BDT)

2015	2014	Notes	
			Appropriations
40,979,347	42,018,299	16	Statutory reserve
47,397,261	-		Dividend on preference shares
116,520,127	168,073,195		Retained surplus
1.18	1.58	35	Earnings per share (2014: Restated)

BAS 33.66

These financial statements should be read in conjunction with annexed notes.

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

See annexed report of the date

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

Union Capital Limited

Cash Flow Statement

for the year ended 31 December

(Figures in BDT)

	2015	2014	Notes	Cash flows from operating activities
BAS 1.51(d), 1.113 & 1.38				
BAS 7.31	1,900,849,035	1,838,636,060		Interest receipts
BAS 7.31	(1,257,339,410)	(1,271,237,678)		Interest payments
BAS 7.14 (b)	9,144,958	25,047,360		Fee and commission receipts
BAS 7.31	15,317,328	4,357,970		Dividend receipts
BAS 7.14 (d)	(72,537,595)	(72,006,098)		Cash payments to employees
BAS 7.14 (c)	(26,707,700)	(25,409,970)		Cash payments to suppliers and management expenses
BAS 7.35	(157,543,924)	(51,315,865)		Income taxes paid
BAS 7.14 (b)	52,889,232	26,523,077	33	Receipts from other operating activities
BAS 7.14 (c)	(14,727,211)	(14,809,366)	34	Payments for other operating activities
	449,344,713	459,785,491		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)	(133,496,891)	(3,709,286,148)		Loans, advances and leases to customers
BAS 7.20 (a)	(750,999,971)	(23,860,949)	39	Other assets
BAS 7.20 (a)	(130,000,000)	1,094,000,000		Deposits from banks and other financial institutions
BAS 7.20 (a)	1,223,345,343	2,191,052,715		Deposits from customers
	-	-		Other liabilities account of customers
	-	-		Trading liabilities
BAS 7.20 (a)	(17,563,880)	19,767,033	38	Other liabilities
	191,284,601	(428,327,349)		Cash generated from operating assets and liabilities
	640,629,314	31,458,142		Net cash generated from/(used) in operating activities
				Cash flows from investing activities
BAS 7.16 (d)	1,769,351,075	2,479,022,556		Proceeds from sale of securities
Bas 7.16 (c)	(2,046,375,949)	(2,558,149,997)		Payments for purchases of securities
BAS 7.16 (a)	(2,731,468)	(5,502,394)		Purchase of property, plant and equipment
BAS 7.16 (b)	2,870,545	582,380		Proceeds from sale of property, plant and equipment
	-	-		Investment in UniCap Investments Limited
	(276,885,797)	(84,047,455)		Net cash used in investing activities
				Cash flows from financing activities
BAS 7.31	-	-		Dividend paid
BAS 7.17 (c)	1,057,256,550	840,797,636		Receipts of long term loan
BAS 7.17 (d)	500,000,000	-		Issuance of preference share
BAS 7.17 (d)	(809,166,539)	(558,741,621)		Repayment of long term loan
	(602,773,268)	(6,012,987)		Net draw down/(payment) of short term loan
	145,316,743	276,043,028		Net cash generated from/(used) in financing activities
	509,060,260	223,453,715		Net (decrease)/increase in cash and cash equivalents
	-	-		Effects of exchange rate changes on cash and cash equivalents
	589,778,369	366,324,655		Cash and cash equivalents at beginning of the year
	1,098,838,629	589,778,370		Cash and cash equivalents at end of the year
				Cash and cash equivalents at end of the year represents
BAS 7.45	64,000	59,000		Cash in hand
	156,930,308	153,053,421		Balance with Bangladesh Bank and its agent bank
	941,844,321	436,665,949		Balance with other banks and financial institutions
	1,098,838,629	589,778,370		Total
				Supplemental schedule for non-cash financing activities
	120,900,250	109,909,326		Bonus share issued

Union Capital Limited

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)

Ordinary share capital	Preference share capital	Statutory reserve	Retained earnings	Total	Particulars	
1,209,002,586	-	323,835,724	169,295,784	1,702,134,094	Balance as at 1 January 2015	BAS 1.51 (d)
-	-	-	204,896,735	204,896,735	Net profit for the year 2015	BAS 1.106 (d)
-	500,000,000	-	-	500,000,000	Issuance of preference share	BAS 1.106 (d)(i)
-	-	-	(47,397,261)	(47,397,261)	Dividend on preference shares	
-	-	40,979,347	(40,979,347)	-	Transfer to statutory reserve	BAS 1.107
120,900,250	-	-	(120,900,250)	-	Issuance of bonus share (year 2014)	
1,329,902,836	500,000,000	364,815,071	164,915,661	2,359,633,568	Balance as at 31 December 2015	
1,099,093,260	281,817,425	-	111,131,917	1,492,042,601	Balance as at 1 January 2014	BAS 1.106 (d)
-	-	-	210,091,493	210,091,493	Net profit for the year 2014	BAS 1.106 (d)(i)
-	42,018,299	-	(42,018,299)	-	Transfer to statutory reserve	
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	1,702,134,094	Balance as at 31 December 2014	

These financial statements should be read in conjunction with annexed notes.

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

See annexed report of the date

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

Union Capital Limited

Statement of Liquidity Analysis

BAS 1.65 BAS 1.51 (c)

(Maturity of Assets and Liabilities)
as at 31 December 2015

(Figures in BDT)

Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total	Particulars
Assets						
64,000	-	-	-	-	64,000	Cash in hand
156,930,308	-	-	-	-	156,930,308	Balance with Bangladesh Bank and its agent bank(s)
415,706,664	326,137,657	200,000,000	-	-	941,844,321	Balance with banks and other financial institutions
-	-	-	-	-	-	Money at call and short notice
30,000,000	140,000,000	392,788,114	-	-	562,788,114	Investments
190,082,350	432,664,700	3,535,741,150	9,096,520,117	1,174,712,369	14,429,720,686	Loans, advances and leases
-	-	-	-	8,108,648	8,108,648	Fixed assets including premises, furniture and fixtures
185,057,545	115,500,000	221,942,455	1,115,865,096	1,278,341,784	2,916,706,880	Other assets
977,840,867	1,014,302,357	4,350,471,719	10,212,385,213	2,461,162,801	19,016,162,957	Total assets
Liabilities						
324,152,782	196,786,331	634,368,856	1,233,369,340	55,223,036	2,443,900,345	Borrowings from banks and financial institutions
182,000,000	788,684,981	3,069,715,019	6,447,350,000	224,999,207	10,712,749,207	Deposits
1,823,640	45,682,000	374,374,000	638,287,650	25,870,430	1,086,037,720	Other deposits
21,944,445	72,110,555	481,627,888	1,435,666,666	402,492,563	2,413,842,117	Provision and other liabilities
529,920,867	1,103,263,867	4,560,085,763	9,754,673,656	708,585,236	16,656,529,389	Total liabilities
447,919,999	(88,961,511)	(209,614,044)	457,711,557	1,752,577,565	2,359,633,568	Net liquidity gap

These financial statements should be read in conjunction with annexed notes.

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

See annexed report of the date

Dhaka, Bangladesh
Dated, 21 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

Notes to the Financial Statements

as at and for the year ended 31 December 2015

BAS 1.10 (e)

BAS 1.51 (c)

1. GENERAL INFORMATION

1.1 Domicile, legal form and country of incorporation

BAS 1.138 (a)

Domicile,
legal form and
country of
incorporation

Union Capital Limited ("the Company") is set up for the purpose of acquiring investment banking business of Bangladesh Branch Office of Peregrine Capital Limited, Hong Kong, along with all of 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 is registered as a public limited company under the Companies Act, 1994 with the Registrar of Joint Stock Companies and Firms (RJSC) 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 went for Initial Public Offer 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 financial services. The Company also offers various deposit schemes.

BAS 1.138 (b)

Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, factoring etc.

Fee based activities

Fee based activities include corporate financial services.

Deposit schemes

The Company offers various deposit schemes to mobilise the deposits 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 2015, Union Capital has two subsidiaries that have been included for preparation of consolidated financial statements as per BFRS 10: Consolidated Financial Statements. A brief description of the subsidiaries is given below:

1.3.1 UniCap Securities Limited

UniCap Securities Limited (formerly, SES Company Limited) is a private limited company incorporated in Bangladesh, registered under the Companies Act, 1994, Reg. no. C-29454(742)/95 dated 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 Exchanges and a depository participant of Central Depository Bangladesh Limited (CDBL). Principal activities of the Company is to carry out all kinds of investment business in shares and stock, brokerage and dealing of securities. It also extends margin loan facilities 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 Limited 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 of them are nominated by Union Capital Limited.

1.3.2 UniCap Investments Limited

UniCap Investments Limited was incorporated in Bangladesh with the 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.

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 Bangladesh Bank's 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 Financial Reporting Standards (BFRS) and other applicable laws and regulations.

Basis of
preparation

In the year 2009, Bangladesh Bank issued Department of Financial Institution and Markets (DFIM) circular no.11 dated 23 December 2009 suggesting uniform presentation and disclosure requirements within the industry. As a result, we departed from the usual presentation of the financial statements as suggested in BAS.

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 prepared 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 01 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 require 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 recognised 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 to result in material adjustments 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 BASs require 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 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 recognised in the following situations:

Provisions

BAS 37.14

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are normally made for restructuring costs and legal claims.

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present obligation as a result of past events but is not recognised 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 recognised, rather they are disclosed in the financial statements when they arise.

2.5 Statement of compliance

BAS 1.16

The financial statements of Union Capital Limited include 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 followings as a part of the annual report:

- Board of Directors' report
- Auditors' report
- Balance sheet and
- Profit and loss account

In addition to the above, the Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires the production of a Cash Flow Statement and Statement of Changes in Shareholders' Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The Bangladesh Securities and Exchange Commission (BSEC) of Bangladesh regulates financial

Notes to the Financial Statements

Compliance with IAS/IFRS

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 BAS and 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 International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). As of 31 December 2015 status and applicability of BAS and BFRS in the case of Union Capital Limited are as under:

SL No.	BAS/BFRS	Applicability
BAS 1	Presentation of Financial Statements	Applied*
BAS 2	Inventories	N/A
BAS 7	Statement of Cash Flows	Applied
BAS 8	Accounting Policies, Changes in Accounting Estimates and 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	Separate Financial Statements	Applied
BAS 28	Investments in Associates	N/A
BAS 31	Interests in Joint Venture	N/A
BAS 32	Financial Instruments: Presentation	Applied
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	Applied
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

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 2015 as in financial statements for 2014.

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. 36 in compliance with BFRS 8: Operating Segments.

2.8 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries have been consolidated in accordance with BFRS 10: Consolidated 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 Lease operations BAS 17.31

As per 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 recognises 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 recognised on the basis of a constant, periodic rate of return relating to the net investment outstanding.

In contrast, assets held under operating leases are recognised 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 recognised 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-amortised amount. The recovery of principal amount is amortised and the carrying amount is adjusted with the principal recovery and stated at un-amortised 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 far 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 BFRS 10: Consolidated Financial Statements. Interest of the minority shown as minority interest as separate line item of the shareholders equity which includes share capital of minority portion as well as profit earned that goes to the non-controlling interest.

3.4 Investment in securities

Investment in securities are classified broadly in two categories and accounted for as under:

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. Unrealised gain or losses are not recognised in the profit and loss account.

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. Such interest is not recognised 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 IDCPC (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 realisation/amortisation.
- 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 recognised 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 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 capitalised. Expenses capitalised also include applicable borrowing cost considering the requirement of BAS 23: Borrowing Costs.

Subsequent expenditure

The Company recognises 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 capitalised as an additional cost of the assets. All other costs are recognised 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 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:

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)

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

Basis of recognition

An intangible asset shall only be recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with BAS 38: Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation.

BAS 38.72

Subsequent expenditure

Subsequent expenditure on intangible asset is capitalised 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 amortised 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 in 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 recognised 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 reversals.

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. 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 as amended subsequently 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 expense that are taxable or deductible in other years or are never taxable or deductible. Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

b. Deferred tax

As per BAS 12: Income Taxes, deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilised.

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 realised. 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

BAS 12.46

BAS 12.15

BAS 1.78 (d)

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 employee as per loan scheme.

3.16 Branch accounting

The Company has 7 (seven) branches with no overseas branch as on 31 December 2015. 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 recognised 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 and Loss (BL) are not recognised 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 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 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 net investment. The pattern of the periodic return, 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 recognised on cash basis.

b. Income from term finance

Interest income on term finance is recognised on accrual basis. Installment comprises both-interest and principal. Interest part of the installments that becomes receivable is recognised as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance is classified as SMA and above and kept in interest suspense account. Interest on classified term finances is recognised as income on cash basis.

c. Income from real estate finance

Interest income from real estate finance is recognised on accrual basis. Interest portion of the installment that becomes receivable is recognised 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 recognised as income on cash basis.

d. Income from secured term finance

Income from secured term finance is recognised on accrual basis.

e. Dividend income

Dividend on ordinary shares : Dividend income from ordinary shares is recognised 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 recognised as deemed dividend.

Dividend on preference shares : Dividend from preference shares is recognised 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 exchange is recognised on cash basis i.e. only when the securities are sold in the market. Unrealised capital

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 (c)

BAS 18.20

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 BAS 10: Events After the Balance Sheet Date. Dividend payable to the Company's shareholders are recognized as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

BAS 1: Presentation of Financial Statements also requires the dividend proposed after the balance sheet date but before the financial statements are authorized for issue, be disclosed in the notes to the financial statements. Accordingly, the Company has disclosed the same in the notes to the financial statements.

All material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed in note 54.

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-banking financial institutions to transfer 20% of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, the Company transferred 20% 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, which is calculated after deducting dividend on preference shares from net profit after tax for the year.

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 2015, there was no scope for dilution and hence no diluted EPS is required to be calculated.

c. Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

3.27 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 1.107

BAS 36.9

BAS 24.17

BAS 37.27

BAS 1.98 (f)

BAS 33.10

BAS 33.31

BAS 27.28

3.28 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance with 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 nos. 61 and 62 of these financial statements.

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 Credit Committee. Proposal beyond the approval authority of

the Credit Committee are approved/declined by the Executive Committee and/or the Board, as applicable.

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 its funding cost. ALCO monitors the interest rate movement on regular basis.

3.29.5 Equity risk

Equity risk arises from the 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)			
		2015	2014		
		4 CASH			
				In hand	
		64,000	59,000	Local currency	
		-	-	Foreign currencies	
		64,000	59,000		
				Balance with Bangladesh Bank	
		156,930,308	153,053,421	Local currency	
		-	-	Foreign currencies	
156,930,308	153,053,421				
153,112,421	108,513,347	Total			
	BAS 1.77	4.a CASH (Consolidated)			
				In hand	
		64,000	59,000	Union Capital Ltd.	
		25,000	25,000	UniCap Securities Ltd.	
		14,093	10,000	UniCap Investments Ltd.	
		103,093	94,000		
				Balance with Bangladesh Bank	
		156,930,308	153,053,421	Union Capital Ltd.	
		-	-	UniCap Securities Ltd.	
		-	-	UniCap Investments Ltd.	
		156,930,308	153,053,421		
		157,033,401	153,147,421	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			
154,026,238	140,165,443	Required reserve			
155,296,346	156,298,210	Actual reserve held			
1,270,108	16,132,767	Surplus(deficit)			

4.1.2 Statutory liquidity reserve (SLR)

(Figures in BDT)

2015	2014	5% of total liabilities
346,770,500	297,435,955	Required reserve
528,460,064	355,426,670	Actual reserve held
181,689,564	57,990,715	Surplus/(deficit)

4.1.3 Held for cash reserve requirement (CRR)

156,930,308	153,053,421	Balance with Bangladesh Bank and its agent bank(s)
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4.1.4 Held for statutory liquidity reserve (SLR)

64,000	59,000	Cash in hand
156,930,308	153,053,421	Balance with Bangladesh Bank and its agent bank(s) as per statement
941,844,321	436,665,949	Balance with other banks and financial institutions (note-5)
1,098,838,629	589,778,369	

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 maintains an imprest of BDT 64,000 (2014: BDT 59,000). As per Bangladesh Bank guidelines, NBFIL 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 be maintained with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2015 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	
	2015	2014
-	6,311,551	LankaBangla Finance Limited
-	100,000,000	NRB Bank Limited, Gulshan Branch
-	9,917,851	Prime Bank Limited, Motijheel Branch
50,000,000	50,000,000	Reliance Finance Limited
-	22,160,000	Shahjalal Islami Bank Limited, Dhaka Main Branch
126,137,657	-	Union Bank Limited- Rupnagar, Narayanganj Branch
100,000,000	-	Midland Bank Limited, Uttara Branch
50,000,000	-	FAS Finance and Investment Ltd.
50,000,000	-	EXIM Bank (BD) Limited, Motijheel Branch
200,000,000	200,000,000	Social Islami Bank Limited, Bashundhara Branch
576,137,657	388,389,402	
	Current account	
	2015	2014
16,281	16,281	AB Bank Limited, Karwan Bazar Branch
1	1	BASIC Bank Limited, Shantinagar Branch
483	-	BASIC Bank Limited, Bangshal Branch
71,839	73,109	BRAC Bank Limited, Gulshan Branch
2	-	Bank Asia Limited, Moghbazar Branch
139	-	Bank Asia Limited, Bashundhara Branch
395,163	396,813	Mutual Trust Bank Limited, Dilkusha Branch
453	453	Shahjalal Islami Bank Limited, Dhaka Main Branch
712,405	714,055	Southeast Bank Limited, Islamic Banking Branch
81,098	81,098	State Bank of India, Dhaka Office
34,292	-	The Premier Bank Limited, Karwan Bazar Branch
4,326,821	-	United Commercial Bank Limited, New Eskaton Branch
19,708	21,008	Uttara Bank Limited, Local Office
5,658,685	1,302,818	

(Figures in BDT)

2015	2014	Short term deposit
-	7,879,798	HSBC, Dhaka Main Office
70,593	70,593	HSBC, Dhaka Main Office
2,049,889	2,008,060	Southeast Bank Limited, Islamic Banking Branch
336,138,429	19,207,253	Bank Asia Limited, Corporate Branch
10,805,800	5,790,249	Dhaka Bank Limited, Local Office
525,616	4,700,975	Dutch Bangla Bank Limited, Karwan Bazar Branch
304,107	933,684	Mutual Trust Bank Limited, Principal Branch
10,153,545	6,383,117	Jamuna Bank Limited, Sonargaon Road Branch
360,047,979	46,973,729	
941,844,321	436,665,949	

Fixed deposits are maintained with commercial banks and non-banking 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 deposits and loans from banks and financial institutions. Union Capital Limited maintains this reserve mostly in the form of fixed deposits.

5,658,685	1,302,818	On demand
410,047,978	53,285,279	Up to 1 month
326,137,657	272,160,000	Over 1 month but not more than 3 months
200,000,000	109,917,851	Over 3 months but not more than 1 year
-	-	Over 1 year but not more than 5 years
-	-	Over 5 years
941,844,321	436,665,949	Total

5.a. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)

BAS 1.77

941,844,321	436,665,949	Union Capital Limited
57,357,260	104,253,224	UniCap Securities Limited
50,741,976	43,745,954	UniCap Investments Limited
1,049,943,557	584,665,126	
-	-	Less: Inter-company transactions
1,049,943,557	584,665,126	

6 INVESTMENTS

BAS 1.77

The investment is made up as under:

-	-	Government securities
562,788,114	394,219,407	Other investments (note 6.1)
562,788,114	394,219,407	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	2015	Cost 2014
Listed securities	9	534,458,858	562,788,114	394,219,407
Balance at 31 December	9	534,458,858	562,788,114	394,219,407

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 2015 was 31 December).

Investments in
Government
securities and
others

Sector wise investment in listed securities at cost

(Figures in BDT)

2015	2014	
1,211,832	-	Banking companies
14,381,778	53,786,714	Insurance companies
3,075,058	125,031,846	Fuel and power
544,119,446	215,400,847	Manufacturing companies and others
562,788,114	394,219,407	

Maturity wise grouping

BAS 1.61

30,000,000	98,554,852	Up to 1 month
140,000,000	98,554,852	Over 1 month but not more than 3 months
392,788,114	197,109,704	Over 3 months but not more than 1 year
-	-	Over 1 year but not more than 5 years
-	-	Over 5 years
562,788,114	394,219,407	

6.a INVESTMENTS (consolidated)

BAS 1.77

562,788,114	394,219,407	Union Capital Limited
659,688,252	577,494,937	UniCap Securities Limited
398,353,450	516,421,044	UniCap Investments Limited
1,620,829,816	1,488,135,388	

7 LOANS, ADVANCES AND LEASES

BAS 1.77

This represents loans, advances and leases financed fully in Bangladesh.

Details of
loans,
advances
and leases

2,392,844,027	3,038,510,420	Lease finance (note 7.1)
-	45,838,797	Advance against lease finance (note 7.2)
7,474,504,305	6,451,344,029	Term finance (note 7.3)
3,076,934	-	Home loan
4,530,934,097	4,633,434,097	Loan to subsidiaries
4,107,000	105,786,000	Loan against deposits (note 7.4)
24,254,323	21,310,452	Staff loan (note 7.5)
14,429,720,686	14,296,223,795	Total

7. 1 Lease finance

BAS 1.77

2,153,661,847	2,687,790,015	Principal outstanding (note 7.1.1)
239,182,180	350,720,405	Accounts receivable
2,392,844,027	3,038,510,420	Total

7. 1.1 Principal outstanding

BAS 17.47 (b)

2,830,734,825	3,603,466,616	Gross rental receivables
(677,072,978)	(915,676,601)	Unearned lease income
2,153,661,847	2,687,790,015	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.

45,838,797	44,454,378	Balance at 1 January
304,320,000	1,734,598,510	Add: Disbursed during the year
(350,158,797)	(1,733,214,091)	Less: Executed during the year
-	45,838,797	Balance at 31 December 2015

7.3 Term finance

(Figures in BDT)

2015	2014	
7,048,118,809	6,179,957,783	Principal outstanding (note 7.3.1)
426,385,496	271,386,246	Accounts receivable
7,474,504,305	6,451,344,029	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:

6,179,957,783	3,951,129,032	Balance at 01 January 2015
3,052,669,533	3,665,203,698	Add: Disbursed during the year
(2,184,508,507)	(1,436,374,947)	Less: Recovery during the year
7,048,118,809	6,179,957,783	Balance at 31 December 2015

7.4 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 Term Deposit Receipts (TDR) value. Interest is charged on such loan @ 2% above the interest offered on TDR.

Movement of loan against term deposit is as under:

105,786,000	132,541,767	Balance at 01 January 2015
6,030,000	117,935,000	Add: Disbursed during the year
(107,709,000)	(144,690,768)	Less: Recovery during the year
4,107,000	105,786,000	Balance at 31 December 2015

7.5 Staff loan

Staff loan includes loan provided to the eligible employees as per Company's approved policy

11,848,824	12,623,433	Employees' home loan
11,587,599	7,867,513	Employees' car loan
817,900	819,506	Personal loan
24,254,323	21,310,452	Balance at 31 December 2015

7.6 Residual maturity grouping of loans, advances and leases

-	-	Repayable on demand
190,082,350	505,123,854	Upto 1 month
432,664,700	885,059,374	Over 1 month but not more than 3 months
3,535,741,150	3,610,684,734	Over 3 months but not more than 1 year
9,096,520,117	8,267,610,384	Over 1 year but not more than 5 years
1,174,712,369	1,027,745,449	Over 5 years
14,429,720,686	14,296,223,795	Total

7.7 Loans, advances and leases on the basis of significant concentration

4,573,434,506	4,676,292,894	a) Directors and their concerns
24,254,323	21,310,452	b) Chief executive and other senior executives
9,832,031,857	9,598,620,449	c) Customer groups
14,429,720,686	14,296,223,795	

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 2015 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

As per Bangladesh Bank circular, sector wise loans and advances are as follows:

(Figures in BDT)

	2015	2014	Sector
Sector-wise exposure	2,715,560,639	2,394,273,994	Trade and Commerce Industry
	592,930,103	717,796,226	Garments and Knitwear
	1,241,628,144	1,301,089,960	Textile
	125,086,429	27,754,024	Jute and Jute Products
	433,898,196	429,025,702	Food Products and Processing Industry
	118,581,604	137,526,911	Plastic Industry
	3,898,418	4,856,702	Leather and Leather-Goods
	709,912,970	772,605,444	Iron, Still and Engineering
	982,864,183	745,390,633	Pharmaceuticals and Chemicals
	84,271,321	103,579,228	Cement and Allied Industry
	59,580,437	34,905,319	Telecommunication and Information Technology
	239,456,182	213,544,716	Paper, Printing and Packaging
	6,125,285	2,270,949	Glass, Glassware and Ceramic Industry
	363,856,691	370,313,441	Ship Manufacturing Industry
	94,474,259	56,603,526	Electronics and Electrical Products
	574,103,241	759,070,455	Power, Gas, Water and Sanitary Service
	527,995,729	686,686,553	Transport and Aviation
	87,280,853	57,744,118	Agriculture
	365,694,190	278,974,299	Housing
			Others
	3,759,904,690	3,831,154,689	Merchant Banking
	-	-	Margin Loan
	1,342,617,121	1,371,056,906	Others
	14,429,720,686	14,296,223,795	Total

7.8 Geographical location wise loans, advances and leases

11,493,910,540	11,067,743,126	Dhaka Division
2,749,490,064	3,116,344,679	Chittagong Division
157,177,367	81,178,141	Rajshahi Division
-	3,203,825	Khulna Division
488,473	-	Barisal Division
28,654,242	27,754,024	Sylhet Division
14,429,720,686	14,296,223,795	Total

7.9 Details of large loan/investments

BAS 1.77

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 2015 was BDT 2,359.63 million against that of BDT 1,702.13 million as at 31 December 2014.

7	7	Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each
6,668,408,115	6,354,194,878	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. 10 Particulars of loans, advances and leases

(Figures in BDT)

2015	2014	SL	Particulars
2,036,109,270	2,700,806,905	I.	Financing considered good in respect of which the Company is fully secured
4,761,849,096	3,753,268,433	II.	Financing considered good in respect of which the Company is partially secured
2,385,871,976	2,603,966,003	III.	Financing considered good against which the Company holds no security other than the debtors' personal guarantee
187,784,703	186,582,039	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
9,371,615,044	9,244,623,380	Total	
24,254,323	21,391,527	VI.	Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons
4,573,434,506	4,676,292,894	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
24,254,323	21,391,527	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
4,573,434,506	4,676,292,894	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
221,214,440	625,666,664	XI.	Classified loans, advances and leases on which interest has not been charged
442,256,466	388,877,972		a) Amount of written off loans, advances and leases
4,664,228	2,061,567		b) Amount realized against the debts previously written off
162,277,703	185,268,389		c) Provision kept against loans and advances classified as bad/loss
119,938,414	81,146,159		d) Amount of interest creditable to the interest suspense account
		XII.	Cumulative amount of the written off loans/leases:
388,877,972	282,626,133		Opening balance
58,042,722	108,313,406		Add: Amount written off during the year
4,664,228	2,061,567		Less: Amount recovered during the year
442,256,466	388,877,972		Cumulative to date
450,798,045	392,755,323		The amount of written off loans for which law suit filed

7. 11 Classification wise loans, advances and leases

Details of Non-performing Assets structure	Unclassified		
	12,690,940,723	2,510,484,151	Standard
	525,862,743	569,348,944	Special mention account (SMA)
	13,216,803,466	3,079,833,095	
	Classified		
	232,388,791	489,530,890	Sub-standard (SS)
	393,000,466	83,006,647	Doubtful (DF)
	587,527,963	643,853,163	Bad/loss (BL)
	1,212,917,220	1,216,390,700	
	14,429,720,686	14,296,223,795	Total
8.41%	8.51%	Rate of classified loans, leases and advnaces	

7. 12 Rate of net classified loans, advances and leases

BAS 1.77

2015	2014	
1,212,917,220	1,216,390,700	Gross classified loans, advances and leases
173,745,183	225,224,821	Less: Interest suspense against classified loans, advances and leases
280,966,630	248,518,913	Less: Provision against classified loans, advances and leases
758,205,407	742,646,966	Net classified loans, advances and leases
14,429,720,686	14,296,223,795	Total loans, advances and leases
5.25%	5.19%	Rate of net classified loans, advances and leases

7.13 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)

2015 Provision	2014 Provision	Rate (%)	Base for provision	Unclassified - general provision
110,776,792	103,290,019	1%	11,077,679,157	Standard (Excluding SME loan/leases)
4,033,154	5,453,706	0.25%	1,613,261,566	Standard (SME loan/leases)
24,968,221	26,865,295	5%	499,364,426	Special mention account
139,778,167	135,609,020		13,190,305,143	
Classified - specific provision				
21,212,284	43,021,476	20%	106,061,418	Sub-standard
97,476,644	20,229,048	50%	194,953,287	Doubtful
162,277,703	185,268,389	100%	162,277,703	Bad/loss
280,966,630	248,518,913		463,292,408	
420,744,797	384,127,933			Required provision for loans, advances and leases
433,845,684	384,248,913			Total provision maintained for loans, advances and leases
13,100,887	120,980			Excess provision for loans, advances and leases

7.a LOANS, ADVANCES AND LEASES (consolidated)

14,429,720,686	14,296,223,795	Union Capital Limited
722,893,717	622,610,449	UniCap Securities Limited
5,039,213,017	4,454,178,897	UniCap Investments Limited
20,191,827,420	19,373,013,141	
4,547,809,097	4,633,434,097	Less: Inter-company transactions
15,644,018,323	14,739,579,044	Total

8 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

BAS 1.78 (a)

(Figures in BDT)

2015	2014	
7,031,438	6,892,010	Furniture and fixture
18,358,286	18,184,226	Office decoration
26,532,142	26,226,632	Electric equipment
3,162,133	3,162,133	Owned vehicles
3,760,000	8,760,000	Leased vehicles
943,881	943,881	Intangible assets (software)
367,085	412,002	Mobile phones
41,329	41,328	Staff appliances
60,196,294	64,622,212	Total cost
52,087,646	48,400,738	Less: Accumulated depreciation and amortisation
8,108,648	16,221,475	Written down value at 31 December 2015

Details are shown in Annexure - A.

Fixed Assets

8.a FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)

BAS 1.77

8,108,648	16,221,475	Union Capital Limited
15,625,218	6,927,630	UniCap Securities Limited
5,519,805	1,037,611	UniCap Investments Limited
29,253,671	24,186,716	

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)
65,346,310	53,118,825	Accrued interest
9,332,511	22,276,898	Others
422,177,592	422,894,494	Income generating other assets
2,824,909	5,078,665	Advance office rent
639,029	525,629	Advance to employees
37,500	37,500	Deposits with T & T, water etc.
914,054,336	756,510,412	Advance corporate income tax
157,501,815	16,318,400	Receivable from brokerage house against sale of shares
1,164,749,964	664,474,228	Receivable from subsidiary companies
1,287,376	1,287,376	Transfer price receivable
11,357,529	9,777,126	Deferred tax assets (note 9.2)
215,129,173	112,446,140	Non-banking assets (note 9.3)
26,947,657	24,976,576	Others
2,494,529,288	1,591,432,051	Non-income generating other assets
2,916,706,880	2,014,326,544	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 BDT one (1) in 1998. During the year 2003, an amount of BDT 2,498,900 was invested in UniCap Securities Limited against 24,989 ordinary shares of BDT 100 each. Further, in 2005, 2009 and 2010, BDT 10,000,000, BDT 35,000,000 and BDT 50,000,000 respectively were also invested in UniCap Securities Limited against allotment of 100,000, 350,000 and 500,000 ordinary shares of BDT 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 BDT 249,999,870 was invested in UniCap Investments Limited which includes BDT 99,999,935, BDT 99,999,935 and BDT 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 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
18,797,824	26,906,470	8,108,647	Fixed assets net of depreciation
9,595,999	-	9,595,999	Employee gratuity fund
28,393,823	26,906,470	17,704,646	
40.00%			Applicable tax rate
11,357,529			Deferred tax assets as on 31 December 2015
9,777,126			Deferred tax assets as on 31 December 2014
(1,580,403)			Deferred tax expense/(income) during the year 2015

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)

2015	2014	
2,916,706,880	2,014,326,544	Union Capital Limited
441,572,133	169,395,667	UniCap Securities Limited
198,923,105	29,178,391	UniCap Investments Limited
3,557,202,118	2,212,900,602	Total
1,792,546,964	1,028,291,399	Less: Inter-company transactions
1,764,655,154	1,184,609,203	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		
	1,428,398,904	1,252,927,545	Bank loan (note 10.1)
	Unsecured		
	574,503,371	583,226,258	Bangladesh Bank (Small Enterprise Refinancing Scheme-JICA) (note 10.2)
	89,239,286	62,000,000	Bangladesh Bank (Women Entrepreneur Refinance Scheme (Note 10.3)
	19,375,000	-	Bangladesh Bank (Agriculture Refinance Scheme) (Note 10.4)
	273,953,119	876,726,387	Short term borrowing and call loan (10.5)
	957,070,776	1,521,952,645	
	2,385,469,680	2,774,880,190	
	-	-	Outside Bangladesh
	2,385,469,680	2,774,880,190	Borrowings from banks
		Borrowings from financial institutions	
	58,430,665	23,703,411	The UAE-Bangladesh Investment Company Limited
	2,443,900,345	2,798,583,601	Total

10.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

1,252,927,545	974,659,353	Balance at 1 January 2015
760,000,000	750,357,011	Add: Received during the year
(584,528,641)	(472,088,819)	Less: Repayment during the year
1,428,398,904	1,252,927,545	Balance at 31 December 2015

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:

(Figures in BDT)

BAS 1.77

2015	2014	
141,148,385	200,000,000	Dutch Bangla Bank Limited
60,000,000	-	Bank Asia Limited
50,000,000	-	BASIC Bank Limited
50,000,000	-	Dhaka Bank Limited
50,000,000	-	Jamuna Bank Limited
158,171,667	95,135,986	Mutual Trust Bank Limited
9,358,724	27,725,004	National Credit and Commerce Bank Limited.
127,171,018	170,000,770	Premier Bank Limited
233,351,127	366,362,932	Shahjalal Islami Bank Limited
3,450,367	20,767,623	Southeast Bank Limited
52,183,329	71,314,512	Standard Bank Limited
177,286,088	19,826,654	United Commercial Bank Limited
316,278,198	281,794,063	Uttara Bank Limited
1,428,398,904	1,252,927,545	Total secured long term loans

10.2 Bangladesh Bank (Small Enterprise refinancing program-JICA)

BAS 1.77

Fund received from Japan International Cooperation Agency (JICA) through Bangladesh Bank. Details are as under:

583,226,258	81,897,918	Balance at 1 January 2015
188,106,550	587,981,142	Add: Received during the year
(196,829,438)	(86,652,802)	Less: Repayment during the year
574,503,370	583,226,258	Balance at 31 December 2015

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

10.3 Bangladesh Bank (Women entrepreneurship refinance scheme)

BAS 1.77

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:

62,000,000	12,500,000	Balance at 01 January 2015
39,150,000	49,500,000	Received during the year
(11,910,714)	-	Repayment during the year
89,239,286	62,000,000	Balance at 31 December 2015

10.4 Bangladesh Bank (Agriculture Refinance Scheme)

This fund was reimbursed from Bangladesh Bank under Refinancing Scheme against financing of agro entrepreneur. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

-	-	Balance at 1 January 2015
20,000,000	-	Add: Received during the year
(625,000)	-	Less: Repayment during the year
19,375,000	-	Balance at 31 December 2015

10.5 Short term borrowing and call loan

Fund received from Japan International Cooperation Agency (JICA) through Bangladesh Bank. Details are as under:

33,953,119	136,726,387	Short term borrowing (note 10.5.1)
240,000,000	740,000,000	Call loan (note 10.5.2)
273,953,119	876,726,387	Balance at 31 December 2015

This represents bank overdraft and call loans availed from different banks to meet short-term fund requirements.

10.5.1 Short term borrowing

33,953,119	50,509,277	Mutual Trust Bank Limited
-	86,217,110	United Commercial Bank Limited
33,953,119	136,726,387	

10.5.2 Call loans

(Figures in BDT)

2015	2014	
-	80,000,000	Agrani Bank Limited
80,000,000	80,000,000	BASIC Bank Limited
40,000,000	50,000,000	Dutch Bangla Bank Limited
-	70,000,000	Eastern Bank Limited
40,000,000	100,000,000	Janata Bank Limited
-	120,000,000	Meghna Bank Limited
40,000,000	-	Mercantile Bank Limited
40,000,000	-	Mutual Trust Bank Limited
-	50,000,000	The City Bank Limited
-	50,000,000	The Farmers Bank Limited
-	140,000,000	United Commercial Bank Limited
240,000,000	740,000,000	

As on the reporting date BDT 240,000,000 was received from different banks as call loan. 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 BDT 1,643.63 million (calculated based on the half yearly report of 2015 of the Company).

10.6 Security against borrowings from other banks and financial institutions

1,486,829,569	1,276,630,956	Secured
957,070,776	1,521,952,645	Unsecured
2,443,900,345	2,798,583,601	

10.7 Maturity wise grouping

BAS 1.61

240,000,000	740,000,000	Repayable on demand
84,152,782	57,245,500	Upto 1 month
196,786,331	263,655,000	Over 1 month but not more than 3 months
634,368,856	525,649,500	Over 3 months but not more than 1 year
1,233,369,340	1,184,349,090	Over 1 year but not more than 5 years
55,223,036	27,684,511	Over 5 years
2,443,900,345	2,798,583,601	Total

10.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated)

BAS 1.77

2,443,900,345	2,798,583,601	Union Capital Limited
1,008,958,996	888,738,560	UniCap Securities Limited
3,910,251,635	3,931,154,689	UniCap Investments Limited
7,363,110,976	7,618,476,849	
4,547,809,097	4,633,434,097	Less: Inter-company transactions
2,815,301,879	2,985,042,753	Balance as on 31 December 2015

11 TERM DEPOSIT

This comprises of interest bearing deposits from individuals and organisations for period ranging from 3 months to 10 years.

Term Deposit

4,770,000,000	4,900,000,000	Banks and financial institutions
5,131,779,949	3,944,132,171	Other institutions
9,901,779,949	8,844,132,171	Total institutional deposits
566,692,530	642,357,703	Term deposit
239,270,003	206,243,560	Income deposit
5,006,725	2,855,300	Monthly savings scheme
810,969,258	851,456,563	Total individual deposits
10,712,749,207	9,695,588,734	Total

Movements of deposits is made up as under:

(Figures in BDT)

	2015	2014		
	9,695,588,734	7,658,525,439	Balance at 01 January 2015	
	9,112,586,382	7,556,362,277	Add: Received/renewed during the year	
	(8,095,425,909)	(5,519,298,982)	Less: Repayment during the year	
	10,712,749,207	9,695,588,734	Balance at 31 December 2015	
			Maturity wise grouping	
BAS 1.61	-	-	Repayable on demand	
	182,000,000	215,450,174	Repayable within 1 month	
	455,000,000	1,815,889,513	Over 1 month but not more than 6 months	
	3,403,400,000	1,943,054,543	Over 6 months but not more than 1 year	
	6,447,350,000	5,597,049,876	Over 1 year but not more than 5 years	
	224,999,207	124,144,628	Over 5 years but not more than 10 years	
	-	-	Over 10 years	
	-	-	Unclaimed deposits for 10 years or more	
	10,712,749,207	9,695,588,734	Balance at 31 December 2015	BAS 37.84 (a)

11.a TERM DEPOSITS (consolidated)

	10,712,749,207	9,695,588,734	Union Capital Limited	BAS 37.84 (b)
	-	-	UniCap Securities Limited	
	-	-	UniCap Investments Limited	BAS 37.84 (a)
	10,712,749,207	9,695,588,734	Total	
BAS 1.77	-	-	Less: Inter-company transactions	
	10,712,749,207	9,695,588,734	Balance at 31 December 2015	

12 OTHER DEPOSITS

BAS 1.77

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:

	1,009,852,850	461,863,431	Balance at 01 January 2015	
	2,125,704,122	950,610,590	Add: Received during the year	
	(2,049,519,252)	(402,621,171)	Less: Repayment during the year	
Other Deposits	1,086,037,720	1,009,852,850	Balance at 31 December 2015	
	Breakup of other deposits on the basis of category of finance is as under			
	121,509,616	162,689,968	Lease advance	
	239,308,090	107,590,681	Term finance advance	
	725,220,014	739,572,201	Cash security	
	1,086,037,720	1,009,852,850	Balance as on 31 December 2015	

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

	433,845,684	384,248,913	Provision for loans, advances and leases (note 13.1)	
	28,329,255	4,609,168	Provision for diminution in value of investments (note 13.2)	
	4,311,000	2,720,000	Provision for other assets	
Other Liabilities including provision for loans, advances, leases and taxes and movements thereof	200,243,504	255,848,153	Interest suspense (note 13.3)	
	1,181,598,281	973,998,874	Provision for income tax (note 13.4)	
	481,341,223	439,092,475	Financial expenses payable (note 13.5)	
	-	3,374,054	Obligation under capital lease (note 13.6)	
	9,595,999	8,182,703	Deferred liability-employee gratuity (note 13.7)	
	47,397,261	-	Dividend on preference shares	
	4,071,110	3,205,047	Excise duty	
	14,066,692	14,899,470	Withholding tax payable	
	298,573	597,561	VAT payable	
	8,743,535	13,833,895	Accrued expenses and other payable (note 13.8)	
	2,413,842,117	2,104,610,311	Total	

13.1 Provision for loans, advances and leases

BAS 1.77

Management, on the basis of analysis of quality of loan/lease and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses. The provision is considered adequate to cover the possible future losses. (Figures in BDT)

	2015	2014		
Break up of provision	152,879,053	135,730,000	General provision on unclassified loans, advances and leases	
	280,966,630	248,518,913	Specific provision on classified loans, advances and leases	
	433,845,684	384,248,913	Provision as on 31 December 2015	
Movement in general provision on unclassified loans/leases				
Movement of provision on unclassified Loans/leases	135,730,000	204,036,701	Provision as on 1 January 2015	BAS 37.84 (a)
	45,105,065	(66,485,185)	Add: Provision made/(released) during the year	BAS 37.84 (a)
	(32,219,051)	(47,754,983)	Less: Provision no longer required	
	(2,296,355)	(2,094,660)	Add: Transferred from/(to) specific provision	BAS 37.84 (a)
	6,559,395	48,028,127	Add: Net charge to profit and loss account	BAS 37.84 (a)
	152,879,054	135,730,000	Provision as on 31 December 2015	BAS 37.84 (a)

13.1.a General provision made during the year for loans, advances and leases (consolidated)

6,559,395	48,028,127	Union Capital Limited	
(3,747,710)	12,359,962	UniCap Securities Limited	
10,000,000	127,732,334	UniCap Investments Limited	
12,811,685	188,120,423	Balance as on 31 December 2015	

13.1.b Movement in specific provision on classified loans/leases

Movement of provision on classified Loans/leases	248,518,913	214,296,633	Provision as on 1 January 2015	BAS 37.84 (a)
	(58,042,722)	(108,313,406)	Less: Fully provided debts written off during the year	
	4,664,228	2,061,567	Add: Recoveries of amounts previously written off	
	2,296,355	2,094,660	Less: Transferred from/(to) general provision	
	91,501,334	76,972,502	Add: Specific provision made during the year for other accounts	
	(114,734,244)	(2,061,567)	Less: Provision no longer required	
	-	-	Less: Adjustment for write off	
	106,762,766	63,468,524	Add: Net charge to profit and loss account	BAS 37.84 (b)
	280,966,630	248,518,913	Provision as on 31 December 2015	BAS 37.84 (a)
	433,845,684	384,248,913	Total	

13.1.c Provision for loans, advances and leases (consolidated)

433,845,684	384,248,913	Union Capital Limited	
18,742,091	22,489,801	UniCap Securities Limited*	
175,000,000	165,000,000	UniCap Investments Limited**	
627,587,775	571,738,713	Balance as on 31 December	

(*) As per BSEC directive no. SEC/CMRRCD/2009-193/172 dated 30 June 2015, issued for investment made by closed-end mutual funds in listed securities, if fair value of securities are less than 85% of the net asset value (NAV) then the difference between cost price and 85% of NAV should be maintained as provision. UniCap Securities Limited having availed the said privilege which caused the Company's profit for the year to increase by (16,703,031) for not requiring to take a provision of 100%. However, the applicability of this circular for stock brokers/stock dealers like UniCap Securities Limited is not clear yet and require further interpretation of law to be published by the regulator for more effective application of the law by appropriate companies.

(**) UniCap Investments Limited, one of the subsidiaries of Union Capital Limited, has made a provision on margin loan in line with the option of 'collective' basis as provided in BAS 39 having similar credit risk characteristics. However, BSEC, the regulator of the company, has issued a directive no. SEC/CMRRCD/2009-193/181 dated 08 December 2015 regarding the provision on margin loan which will prevail above the referred BAS. As per said directive, provision should be made at the rate of 20% on unrealised losses on margin loan on the condition that no cash dividend can be paid if such facility is availed. the company made provision of BDT 175,000,000 equivalent to 21.36% on the basis of net negative equity of BDT 819,246,674 instead of gross negative equity, since nothing was specifically stated in said directive.

Movement of provision on investments

13.2 Provision for diminution in value of investments

(Figures in BDT)

2015	2014		
4,609,168	23,247,050	Provision as on 1 January	BAS 37.84 (a)
23,720,087	(18,637,882)	Add: Provision made/(released) during the year (note 13.2.1)	
28,329,255	4,609,168	Provision as on 31 December 2015	BAS 37.84 (a)

As on 31 December 2015, the amount of diminution in the value of investment in shares was BDT. 28,329,255 for which full provision has been made in the accounts.

13.2.1 Allocation of provision for diminution in value of investments

23,720,087	(18,637,882)	Listed securities	
-	-	Unlisted securities	
23,720,087	(18,637,882)	Total	

13.2.a Provision for diminution in value of investments (consolidated)

23,720,087	(18,637,882)	Union Capital Limited	
(38,016,070)	21,895,905	UniCap Securities Limited	
353,547	(9,361,394)	UniCap Investments Limited	
(13,942,436)	(6,103,370)	Balance as on 31 December 2015	

13.2.b Provision for diminution in value of investments (consolidated)

28,329,255	4,609,168	Union Capital Limited	
10,847,866	48,863,936	UniCap Securities Limited	
353,547	-	UniCap Investments Limited	
39,530,668	53,473,104	Balance as on 31 December 2015	

13.3 Interest suspense

255,848,153	174,701,994	Balance as on 01 January 2015	BAS 37.84 (a)
119,938,414	81,146,159	Add: Transferred during the year	BAS 37.84 (b)
93,450,485	(73,156,301)	Less: Amount of interest suspense recovered	
37,804,158	-	Less: Adjusted during the year	
44,288,420	73,156,301	Less: Written-off during the year	
200,243,504	255,848,153	Balance as on 31 December 2015	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

79,995,180	153,478,723	On lease finance	
120,248,324	102,369,430	On term finance	
200,243,504	255,848,153	Total	

13.3.1.a Interest suspense (consolidated)

200,243,504	255,848,153	Union Capital Limited	
8,500,000	8,500,000	UniCap Securities Limited	
-	-	UniCap Investments Limited	
208,743,504	264,348,153	Balance at 31 December 2015	

13.4 Provision for income tax

Provision for income tax comprises current tax and deferred tax as well.

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 2015.

973,998,874	811,049,692	Balance at 01 January 2015	BAS 37.84 (a)
207,599,408	162,949,182	Add: Provision made during the year	BAS 37.84 (b)
-	-	Less: Transferred to/(from) during the year	
1,181,598,282	973,998,874	Balance at 31 December 2015	BAS 37.84 (a)

While estimating the current income tax for the year ended 31 December 2015, the Company has considered certain types of allowances made during the year as admissible expenses for income tax in current period. Shortfall, if any between the current tax and income 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)

(Figures in BDT)

2015	2014	
207,599,408	162,949,182	Union Capital Limited
26,583,780	23,000,000	UniCap Securities Limited
17,813,285	61,614,736	UniCap Investments Limited
251,996,473	247,563,918	Balance at 31 December 2015

13.5 Financial expenses payable

This comprises interest accrued on term deposits, cash security and bank borrowings.

337,807,015	338,430,041	Interest payable on term deposits
127,127,540	86,604,086	Interest payable on cash security
16,379,279	13,632,900	Interest payable on long term borrowings
27,389	425,448	Interest payable on short term borrowings
481,341,223	439,092,475	Balance at 31 December 2015

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	-	-	Within one year
-	2,375,362	-	-	More than one year
-	3,374,054	-	-	Total

13.7 Deferred liability-employee gratuity

8,182,704	11,651,050	Balance at 01 January 2015
2,529,202	2,341,603	Add: Addition during the year
1,115,906	5,809,950	Less: Paid during the year
9,596,000	8,182,704	Balance at 31 December 2015

13.8 Accrued expenses and other payable

8,743,535	13,833,895	Management expenses
-	-	Others payables
8,743,535	13,833,895	Balance at 31 December 2015

13.a Other liabilities (consolidated)

2,413,842,117	2,104,610,311	Union Capital Limited
674,589,521	413,267,236	UniCap Securities Limited
1,514,334,797	839,577,084	UniCap Investments Limited
4,602,766,435	3,357,454,632	
1,445,048,193	680,792,628	Less: Inter-company transactions
3,157,718,243	2,676,662,004	Balance at 31 December 2015

14 SHARE CAPITAL

As at 31 December 2015, a total number of 132,990,283 (2014: 120,900,258) ordinary shares of BDT 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
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Issued, subscribed and paid up capital:

1,209,002,586	1,099,093,260	120,900,258 ordinary shares of BDT 10 each
120,900,250	109,909,326	12,090,025 bonus shares
1,329,902,836	1,209,002,586	Total 132,990,283

Share Capital and its pattern and composition

Pattern of shareholdings

Directors/ Executives	Represented by	No. of shares held	Percentage
Enrilco Limited	Nadeem A. Chaudhury	6,089,728	4.58
Palmal Garments Hosiery Limited.	Tajrina Sikder	12,941,138	9.73
Palmal Garments Hosiery Limited.	Kazi Russel Mahbub		
EC Securities Limited.	Chowdhury Tanzim Karim	9,601,495	7.22
EC Securities Limited.	Capt. Minhazur Reza Chowdhury		
M. Faizur Rahman	Self	6,321,817	4.75
Waqar A. Choudhury	Self	2,700,000	2.03
Meherunnesa Haque	Self	2,692,601	2.02
Kazi Golam Rahman	Alternate Director of Kazi Golam Samiur Rahman	4,764,013	3.58
Ziaul Hasan Siddiqui, Independent Director	Self	Nil	Nil
Mohammad Nurun Nabi FCA, Independent Director	Self	Nil	Nil
Md. Abdul Karim, Independent Director	Self	Nil	Nil
Mahmudul Alam	Ex - officio	Nil	Nil

Composition of shareholdings

Composition of shareholdings at 31 December 2015 was as under:

No. of Shareholders		No. of Shares		Percentage		
2015	2014	2015	2014	2015	2014	
5	5	31,502,357	28,638,506	23.69	23.69	Sponsors (Institutions)
20	18	41,263,106	38,057,378	31.02	31.48	Sponsors (Individuals)
165	206	26,210,964	22,023,829	19.71	18.22	General Public (Institutions)
7,897	9,357	34,013,856	32,180,545	25.58	26.62	General Public (Individuals)
8,087	9,586	132,990,283	120,900,258	100.00	100.00	Total

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2015 was as under:

	No. of Shareholders		No. of Shares		Percentage		
	2015	2014	2015	2014	2015	2014	
Distribution of Shareholdings	2,450	3,587	381,772	592,310	0.29	0.49	Less than 500 shares
	4,484	4,920	8,050,655	8,468,292	6.05	7.00	500 to 5,000 shares
	568	519	4,094,908	3,634,858	3.08	3.01	5,001 to 10,000 shares
	284	279	4,017,381	3,791,420	3.02	3.14	10,001 to 20,000 shares
	92	95	2,250,098	2,331,214	1.69	1.93	20,001 to 30,000 shares
	46	33	1,566,275	1,146,710	1.18	0.95	30,001 to 40,000 shares
	32	32	1,447,409	1,427,078	1.09	1.18	40,001 to 50,000 shares
	46	48	3,093,831	3,248,525	2.33	2.69	50,001 to 100,000 shares
	57	52	16,698,032	19,530,336	12.56	16.15	100,001 to 1,000,000 shares
	28	21	91,389,922	76,729,515	68.72	63.47	Over 1,000,000 shares
	8,087	9,586	132,990,283	120,900,258	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 BDT 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)

2015	2014	Solo basis Core capital (Tier-I)
1,329,902,836	1,209,002,586	Ordinary share capital
-	-	Share premium
364,815,071	323,835,724	Statutory reserves
-	-	General reserves
164,915,661	169,295,784	Retained earnings
1,859,633,568	1,702,134,095	Sub-Total

Notes to the Financial Statements

(Figures in BDT)

2015	2014	Supplementary capital (Tier-II)
152,879,054	135,730,000	General provision (Unclassified loans upto specified limit+SMA+ Off-balance sheet expense)
-	-	Asset revaluation reserves up to 50%
-	-	Revaluation reserve for securities upto 45%
-	-	Revaluation reserve for equity instrument upto 10%
500,000,000	-	All other preference shares
-	-	Other (if any item approved by Bangladesh Bank)
652,879,054	135,730,000	Sub-Total
2,512,512,622	1,837,864,095	Total eligible capital (A)
18,776,214,934	14,736,930,090	Total risk weighted assets (RWA) (B)
1,877,621,493	1,473,693,009	Required capital based on risk weighted assets (10% of B) (C)
634,891,128	364,171,086	Capital surplus (A-C)
13.38%	12.47%	Capital adequacy ratio (%) (A/B*100)
		Consolidated Basis
		Core capital (Tier-1)
1,329,902,836	1,209,002,586	Ordinary share capital
-	-	Share premium
364,815,071	323,835,724	Statutory reserves
-	-	General reserves
180	149	Non-controlling interest
197,184,426	172,313,739	Retained earnings
1,891,902,513	1,705,152,198	Sub-Total
		Supplementary capital (Tier-2)
228,697,985	167,608,918	General provision (Unclassified loans upto specified limit+SMA+ Off-balance sheet expense)
51,012,180	51,012,180	Asset revaluation reserves up to 50%
-	-	Revaluation reserve for securities upto 45%
-	-	Revaluation reserve for equity instrument upto 10%
500,000,000	-	All other preference shares
-	-	Other (if any item approved by Bangladesh Bank)
779,710,165	218,621,098	Sub-Total
2,671,612,678	1,923,773,296	Total eligible capital (A)
20,029,983,776	14,316,282,367	Total risk weighted assets (RWA) (B)
2,002,998,378	1,431,628,237	Required capital based on risk weighted assets (10% of B) (C)
668,614,301	492,145,060	Capital surplus (A-C)
13.34%	13.44%	Capital adequacy ratio (%) (A/B*100)

15 PREFERENCE SHARE CAPITAL

500,000,000	-	50 cumulative non-convertible redeemable preference shares of BDT 10,000,000 each (fully paid up)
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15.1 Details of preference share capital

The Company issued 50 cumulative non-convertible redeemable preference share of BDT 10,000,000 to the tune of BDT 500,000,000 in March 2015. Rate of dividend payable on the preference shares is 12.50 percent per annum. Particulars of the subscribers are as follows:

No. of shares	Amount subscribed BDT	Outstanding BDT	Outstanding BDT	
10	100,000,000	100,000,000	-	Bangladesh Fund
10	100,000,000	100,000,000	-	National Housing Finance Co. Limited
5	50,000,000	50,000,000	-	DBH Corporation Limited
5	50,000,000	50,000,000	-	Uttara Finance and Investments Limited
5	50,000,000	50,000,000	-	BRAC Bank Limited
5	50,000,000	50,000,000	-	Midland Bank Limited
5	50,000,000	50,000,000	-	NRB Bank Limited
5	50,000,000	50,000,000	-	NRB Global Bank Limited
50	500,000,000	500,000,000	-	Total

16 STATUTORY RESERVE

BAS 1.77

(Figures in BDT)

	2015	2014	
Statutory Reserve	323,835,724	281,817,425	Balance as on 1 January
	40,979,347	42,018,299	Add: Transferred from profit after tax during the year
	364,815,071	323,835,724	Balance as on 31 December

17 RETAINED EARNINGS

BAS 1.77

Retained Earnings	169,295,784	111,131,917	Balance as on 1 January
	(120,900,250)	(109,909,326)	Less: Issuance of bonus shares (2014)
	204,896,736	210,091,493	Add: Profit after tax for the year
	(47,397,261)	-	Less: Dividend on preference shares
	(40,979,347)	(42,018,299)	Less: Transferred to statutory reserve
	164,915,661	169,295,784	Balance as on 31 December

17.a RETAINED EARNINGS (Consolidated)

BAS 1.77

	172,313,739	124,254,553	Balance as on 1 January
	(120,900,250)	(109,909,326)	Less: Issuance of bonus shares (2014)
	234,147,546	199,986,811	Add: Profit after tax for the year
	(47,397,261)	-	Less: Dividend on preference shares
	(40,979,347)	(42,018,299)	Less: Transferred to statutory reserve
	197,184,426	172,313,739	Balance as on 31 December

18 INCOME STATEMENT

BAS 1.97

Income Statement			Income
	2,010,470,225	1,885,400,419	Interest, discount and similar income (note 19)
	7,573,366	13,211,970	Dividend income (note 21)
	3,338,683	25,047,360	Fees, commission, exchange and brokerage (note 22)
	(108,456,165)	(29,629,184)	Gains less losses arising from investment in securities (note 21)
	53,079,495	26,498,812	Other operating income (note 23)
	1,966,005,604	1,920,529,376	Total income
			Expenses
	1,299,588,158	1,326,377,588	Interest paid on deposits, borrowings etc. (Note 20)
	96,145,442	101,472,087	Administrative expenses (note 18.1)
	7,586,805	8,313,355	Depreciation and impairment on company assets
	14,727,211	14,809,366	Other operating expenses
	137,042,251	95,578,769	Provision for leases, loans, advances and investments
	1,555,089,867	1,546,551,164	Total expenses

18.1 Administrative expenses

BAS 1.97

	67,785,591	67,617,751	Salary and allowances (note 24)
	15,116,581	12,961,211	Rent, taxes, insurance, electricity, etc (note 25)
	2,299,126	471,689	Legal expenses
	2,166,262	1,729,927	Postage, stamp, telecommunication, etc (note 26)
	4,413,172	9,599,010	Stationery, printings, advertisements, etc (note 27)
	3,158,710	7,920,000	Managing Director's salary and allowances (note 28)
	1,045,000	1,000,000	Directors' fees (note 29)
	161,000	172,500	Auditors' fees (note 30)
	96,145,442	101,472,087	Total

19 INTEREST INCOME

BAS 18.35 (b)

(Figures in BDT)

2015	2014	
383,638,018	291,182,610	Income from lease finance
1,011,052,594	822,105,773	Income from term finance
421,502	-	Income from home finance
613,911,153	770,927,585	Interest on loan to subsidiaries
1,446,958	1,184,451	Income from other finance
2,010,470,225	1,885,400,419	Total

19.a INTEREST INCOME (Consolidated)

BAS 1.97

2,010,470,225	1,885,400,419	Union Capital Limited
99,808,606	102,662,502	UniCap Securities Limited
530,902,422	697,784,304	UniCap Investments Limited
2,641,181,254	2,685,847,225	
613,911,153	770,927,585	Less: Inter-company transactions
2,027,270,101	1,914,919,640	Total

20 INTEREST PAID ON DEPOSITS, BORROWINGS, etc.

BAS 1.97

interest paid
on deposits,
borrowings,
etc.

116,296,212	91,886,202	Interest on bank loan
30,769,591	16,833,876	Interest on JICA fund
355,035	-	Interest on agriculture refinance fund
3,640,750	1,946,809	Interest on women entrepreneur fund
1,018,686,826	1,070,249,826	Interest on term deposits
57,642,514	82,086,958	Interest on money at call and short notice
70,243,518	61,391,292	Interest on cash security deposit
355,700	545,142	Interest on obligation under capital leases
1,598,012	1,437,482	Bank charges
1,299,588,158	1,326,377,588	Total

20.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)

BAS 1.97

1,299,588,158	1,326,377,588	Union Capital Limited
136,006,901	168,971,653	UniCap Securities Limited
522,264,317	617,929,615	UniCap Investments Limited
1,957,859,375	2,113,278,856	
613,911,153	770,927,585	Less: Inter-company transactions
1,343,948,222	1,342,351,271	

Investment
Income**21 INVESTMENT INCOME**

BAS 18.35 (b)

(108,456,165)	(29,629,184)	Capital gain/(loss) on sale of securities (note 21.1)
7,573,366	13,211,970	Dividend income
(100,882,799)	(16,417,214)	Total

20.1 Capital gain/(loss) on sale of securities

BAS 1.97

14,004,082	141,913,901	Gain on sales of shares
(122,460,247)	(171,543,085)	Loss on sales of shares
(108,456,165)	(29,629,184)	Net gain/(loss) from sale of securities

21.a INVESTMENT INCOME (consolidated)

BAS 1.97

(100,882,799)	(16,417,214)	Union Capital Limited
18,102,453	33,141,343	UniCap Securities Limited
(18,022,137)	55,104,227	UniCap Investments Limited
(100,802,483)	71,828,356	
-	-	Less: Inter-company transactions
(100,802,483)	71,828,356	Total

22 FEES, COMMISSION, EXCHANGE AND BROKERAGE

BAS 18.35 (b)

(Figures in BDT)

	2015	2014	
Fees, commission, exchange and brokerage	9,144,958	24,833,394	Processing and documentation fees
	(400,000)	-	Issue management fee
	(5,406,275)	213,966	Underwriting commission
	3,338,683	25,047,360	Total

22.a FEES, COMMISSION, EXCHANGE AND BROKERAGE (consolidated)

BAS 1.97

3,338,683	25,047,360	Union Capital Limited
110,453,805	110,194,308	UniCap Securities Limited
48,724,677	78,844,124	UniCap Investments Limited
162,517,165	214,085,792	Total

23 OTHER OPERATING INCOME

BAS 18.35 (b)

	8,602,193	5,917,187	Delinquent interest, IDCP etc.
Other Operating Income	9,814,831	4,971,288	Renewals and proceeds
	29,807,980	13,573,035	Interest on bank deposits
	190,263	(24,265)	Gain/(loss) on sale of fixed assets
	4,664,228	2,061,567	Others
	53,079,495	26,498,812	Total

23.a OTHER OPERATING INCOME (consolidated)

BAS 1.97

53,079,495	26,498,812	Union Capital Limited
3,432,484	3,356,551	UniCap Securities Limited
100,569	371,303	UniCap Investments Limited
56,612,548	30,226,665	Total

24 SALARIES AND OTHER EMPLOYEE BENEFITS

BAS 1.104

	58,615,073	52,346,670	Salaries and allowances
Salaries and other employee benefits	9,170,518	15,271,081	Festival and incentive bonus
	67,785,591	67,617,751	Total

Salaries and allowances include contribution to approved Provident Fund and Gratuity Fund amounting to BDT 5,117,160 and BDT 4,763,050 for the year 2015 and 2014 respectively.

24.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)

BAS 1.97

67,785,591	67,617,751	Union Capital Limited
34,063,313	22,569,377	UniCap Securities Limited
7,963,434	7,257,525	UniCap Investments Limited
109,812,338	97,444,653	Total

25 RENT, TAXES, INSURANCE, ELECTRICITY etc.

BAS 1.97

	12,922,569	11,045,267	Office rent, rates and taxes
Rent, taxes, insurance, electricity etc.	113,709	115,520	Insurance
	2,080,303	1,800,424	Power and electricity
	15,116,581	12,961,211	Total

25.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)

BAS 1.97

15,116,581	12,961,211	Union Capital Limited
12,487,709	8,652,772	UniCap Securities Limited
4,948,090	3,759,825	UniCap Investments Limited
32,552,380	25,373,808	Total

26 POSTAGE, STAMP, TELECOMMUNICATION etc.

BAS 1.97

(Figures in BDT)

	2015	2014	
Postage, stamp, telecommunication etc.	2,166,262	1,729,927	Union Capital Limited
	1,990,074	1,687,662	UniCap Securities Limited
	268,419	107,826	UniCap Investments Limited
	4,424,755	3,525,415	Total

26.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)

BAS 1.97

	2,166,262	1,729,927	Union Capital Limited
	1,990,074	1,687,662	UniCap Securities Limited
	268,419	107,826	UniCap Investments Limited
	4,424,755	3,525,415	Total

27 STATIONERY, PRINTING, ADVERTISEMENTS etc.

BAS 1.97

Stationery, printing, advertisements etc.	1,094,747	1,463,016	Printing and stationery
	3,318,425	8,135,994	Advertisement and publicity
	4,413,172	9,599,010	Total

27.a STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)

BAS 1.97

	4,413,172	9,599,010	Union Capital Limited
	660,551	463,324	UniCap Securities Limited
	225,117	478,877	UniCap Investments Limited
	5,298,840	10,541,211	Total

28 MANAGING DIRECTOR'S SALARY AND FEES

BAS 1.97

Remuneration to MD & CEO

3,158,710	7,920,000	Managing Director's Salary and Fees
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Managing Director's salary and fees of 2015 represent for the period from 1 January 2015 to 2 July 2015 whereas the same of 2014 represents for the full year. In addition to remuneration, the Managing Director and CEO was also provided with Company's car and cell phone.

29 DIRECTORS' FEES

BAS 1.97

The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by Bangladesh Bank. As per Bangladesh Bank's DFIM circular no. 03 dated 24 February 2010 and subsequent DFIM circular no. 13 dated 30 November 2015, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 8,000 for attending each meeting subject to a certain limit. Details are as under:

Remuneration to Directors	16	14	Total Board meetings (nos.)
	5	7	Total Board Audit Committee meetings (nos.)
	7	10	Total Board Executive Committee meetings (nos.)
	1,045,000	1,000,000	Total Directors' fees paid
	12	12	Total members of the Board (nos.)
	5	5	Quorum for Board meeting (nos.)
	8.88	8.64	Average no. of Directors present in the Board meetings (nos.)
	2	2	Quorum for Board Audit Committee Meeting (nos.)
	3.60	4.43	Average no. of Directors present in the Audit Committee meetings (nos.)
	2	2	Quorum for Board Executive Committee meeting (nos.)
	4.43	4.20	Average no. of Directors present in the Executive Committee meetings (nos.)

29.a DIRECTORS' FEES (consolidated)

BAS 1.97

	1,045,000	1,000,000	Union Capital Limited
	437,000	529,000	UniCap Securities Limited
	149,500	69,000	UniCap Investments Limited
	1,631,500	1,598,000	Total

30 AUDITORS' FEES			BAS 1.97
Auditors' fees	(Figures in BDT)		
	2015	2014	
	140,000	140,000	Auditors' fee
	21,000	32,500	VAT on audit fee
	161,000	172,500	Total
30.a AUDITORS' FEES (consolidated)			BAS 1.97
	161,000	172,500	Union Capital Limited
	97,750	97,750	UniCap Securities Limited
	57,500	57,500	UniCap Investments Limited
	316,250	327,750	Total
31 DEPRECIATION AND REPAIR OF ASSETS			BAS 1.97
Depreciation and repair of assets	4,876,137	5,331,582	Depreciation of fixed assets-freehold
	1,168,669	1,752,000	Depreciation of fixed assets-leasehold vehicle
	142,156	147,672	Amortisation of intangible assets
	256,194	243,591	Repairs and maintenance of assets
	1,143,649	838,510	Office maintenance
	7,586,805	8,313,355	Total
	31.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)		BAS 1.97
	7,586,805	8,313,355	Union Capital Limited
	3,782,141	1,245,996	UniCap Securities Limited
	2,308,337	243,417	UniCap Investments Limited
	13,677,283	9,802,768	Total
32 OTHER EXPENSES			BAS 1.97
	315,901	261,579	HR development
	4,038,461	1,100,693	Travelling and conveyance
	953,258	4,549,957	Motor vehicle expenses
	1,299,239	1,487,927	Subscription and fees
	52,973	63,232	Books, magazines, newspapers, etc
	1,863,682	1,959,156	AGM expenses (note 32.1)
	5,335,649	3,962,342	Entertainment and public relation and others
	868,048	1,424,480	Donation
	14,727,211	14,809,366	Total
32.1 AGM expenses			BAS 1.97
	69,000	30,000	Rent for venue
	1,666,160	1,739,259	Printing of annual report and database
	55,350	61,500	Publication of notice
	46,345	65,130	Entertainment
	26,827	63,267	Others
	1,863,682	1,959,156	Total
32.a OTHER EXPENSES (consolidated)			BAS 1.97
	14,727,211	14,809,366	Union Capital Limited
	22,488,665	18,988,237	UniCap Securities Limited
	993,377	852,133	UniCap Investments Limited
	38,209,253	34,649,736	
	-	-	Less: Inter-company transactions
	38,209,253	34,649,736	Total

33 RECEIPTS FROM OTHER OPERATING ACTIVITIES

BAS 1.97

(Figures in BDT)

	2015	2014	
Receipts from other operating activities	8,602,193	5,917,187	Delinquent interest, IDCP etc.
	9,814,831	4,971,288	Renewals and proceeds
	29,807,980	13,573,035	Interest on deposits
	4,664,228	2,061,567	Others
	52,889,232	26,523,077	Total

34 PAYMENTS FOR OTHER OPERATING ACTIVITIES

BAS 1.97

Payments for other operating activities	315,901	261,579	HR development
	4,038,461	1,100,693	Travelling and conveyance
	953,258	4,549,957	Motor vehicle expenses
	1,299,239	1,487,927	Subscription and fees
	52,973	63,232	Books, magazines, newspapers, etc
	1,863,682	1,959,156	AGM expenses
	5,335,649	3,962,342	Entertainment and public relation and others
	868,048	1,424,480	Donation
	14,727,211	14,809,366	Total

35 EARNINGS PER SHARE

BAS 33.70

Earnings per share

Earnings Per Share (EPS) is calculated in accordance with BAS 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 2015 was based on the profit attributable to ordinary shareholders of BDT 157,499,474 (2014: BDT 210,091,493) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2015 was 132,990,283 (2014: 120,900,258).

		Profits attributable to ordinary shareholders
157,499,474	210,091,493	Net profit for the year
		Weighted average number of ordinary shares
120,900,259	109,909,326	Ordinary shares at 1 January
12,090,025	10,990,933	Bonus shares issued
132,990,283	120,900,259	Weighted average number of ordinary shares at 31 December
132,990,283	132,990,283	Restated weighted average number of ordinary shares
1.18	1.74	Earnings per share
1.18	1.58	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 2015 and hence no diluted earnings per share is required to be calculated.

35.a EARNINGS PER SHARE (consolidated)

BAS 1.97

		Profits attributable to ordinary shareholders
186,750,285	199,986,813	Net profit for the year (consolidated)
		Weighted average number of ordinary shares
120,900,259	109,909,326	Ordinary shares at 01 January 2015
12,090,025	10,990,933	Bonus shares issued
132,990,283	120,900,259	Weighted average number of ordinary shares at 31 December 2015
132,990,283	132,990,283	Restated weighted average number of ordinary shares
1.40	1.65	Earnings per share - consolidated
1.40	1.50	Earnings per share - consolidated (2014 : restated)

36 OPERATING SEGMENT REPORT (Consolidated) (Figures in BDT)

For the year 2015

Operating segment report	Core financing business	Investment Banking business	Brokerage business	Total	Revenue and profit External revenue
	710,882,067	8,638,106	(36,198,294)	683,321,878	Net interest income
	(100,882,799)	(18,022,137)	18,102,453	(100,802,483)	Investment income
	3,338,683	48,724,677	110,453,805	162,517,165	Fees, commissions, exchange and brokerage
	53,079,495	100,569	3,432,484	56,612,548	Other operating income
	666,417,446	39,441,215	95,790,447	801,649,107	Total segment revenue
	112,016,302	15,672,502	72,424,530	200,113,333	Other operating expenses
					Major non-cash expenses:
	6,443,156	1,262,994	3,633,964	11,340,114	Depreciation
	137,042,248	10,353,547	(41,763,780)	105,632,015	Provision for future losses
	255,501,706	27,289,043	34,294,714	317,085,462	Total segment expense
	410,915,740	12,152,172	61,495,733	484,563,645	Reportable segment profit before tax

For the year 2014

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
250,473,360	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	Total segment expense
373,978,212	82,944,075	(16,934,040)	439,988,247	Reportable segment profit before tax

Segment assets and liabilities

For the year 2015

Core financing business	Investment Banking business	Brokerage business	Total	External Assets
19,016,162,957	5,692,765,445	1,897,161,582	26,606,089,983	Total assets
(6,340,356,061)	-	-	(6,340,356,061)	Inter-segment assets
12,675,806,896	5,692,765,445	1,897,161,582	20,265,733,922	Total segment assets
				External Liabilities
16,656,529,389	5,424,586,432	1,683,548,517	23,764,664,338	Total liabilities
-	(4,766,370,098)	(1,226,487,191)	(5,992,857,289)	Inter-segment liabilities
16,656,529,389	658,216,334	457,061,326	17,771,807,049	Total segment liabilities

For the year 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

37 AVERAGE EFFECTIVE TAX RATE

BAS 1.97

The average effective tax rate is calculated below as per BAS 12: Income Taxes.

(Figures in BDT)

	2015	2014	
Average effective tax rate	206,019,005	163,886,719	Tax expenses
	410,915,740	373,978,212	Accounting profit before tax
	50.14%	43.82%	Average effective tax rate

37.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per BAS 12: Income Taxes.

	250,416,070	248,501,455	Tax expenses
	484,563,647	448,488,247	Accounting profit before tax
	51.68%	55.41%	Average effective tax rate

38 INCREASE/(DECREASE) IN OTHER LIABILITIES

Increase/(decrease) in other liabilities	(99,893,069)	(50,179,412)	Interest suspense
	42,248,748	55,139,910	Financial expenses payable
	(3,374,054)	(1,108,903)	Obligation under capital lease
	866,063	2,547,177	Excise duty
	(832,778)	2,571,158	Withholding income tax payable
	(298,988)	115,286	VAT payable
	43,720,197	10,681,817	Accrued expenses and other payable
	(17,563,880)	19,767,033	Total

39 (INCREASE)/DECREASE IN OTHER ASSETS

Increase/(decrease) in other assets	(12,227,485)	(9,157,795)	Accrued interest
	2,253,756	1,306,439	Advance office rent
	(113,400)	(354,055)	Advance to employees
	(141,183,415)	246,684,968	Receivable from brokerage houses against sale of shares
	(500,275,736)	(282,542,091)	Receivable from subsidiary companies
	(99,453,690)	20,201,584	Others
	(750,999,971)	(23,860,949)	Total

40 MARKET 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 2015 was 132,990,283 and the market value per share of last trading day (31 December 2015) was BDT 14.50 in DSE. Thus market capitalization based on DSE value was BDT 1,928.36 million (2014: BDT 2,563.09 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.

	Quarter	DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	21.80	15.00	22.00	14.80
	Second quarter	16.00	12.90	15.80	12.60
	Third quarter	15.90	13.50	15.70	13.70
	Fourth quarter	15.30	12.70	15.40	12.90

No. of shareholders There were 8,087 shareholders as per share register as on 31 December 2015.

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41 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 BAS 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 2015, 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 2015 was as under:

(Figures in BDT) 2015	2014	Name of the related party	Relationship	Nature of transaction
(2,517,136)	(3,394,447)	Chowdhury Tanzim Karim	The Chairman	Term deposit
(100,000)	(100,000)	Chowdhury Ania Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit
(8,472,116)	(8,044,909)	Tanzila Karim	Mother of Chowdhury Tanzim Karim, the Chairman	Term deposit
(28,446,451)	(30,946,030)	Marina Yasmin Chowdhury	Mother-in-law of Chowdhury Tanzim Karim, the Chairman	Term deposit
(4,190,709)	(3,822,811)	Masrura Shafique	Daughter-in-law of Kazi Golam Rahman, Alternate Director	Term deposit
-	(1,274,884)	Farzana Chowdhury	Daughter of Nasir A Chowdhury Ex - Director	Term deposit
-	(10,000,000)	Tajrina Sikder	Director	Term deposit
(5,000,000)	(20,000,000)	Meherunnesa Haque	Director	Term deposit
(2,204,500)	(2,000,000)	Kazi Golam Rahman	Alternate Director	Term deposit
-	(4,000,000)	Asiya Rahman	Spouse of Kazi Golam Rahman, Alternate Director	Term deposit
(71,975,926)	(62,844,144)	Green Delta Insurance Company Limited	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance Company Limited	Term deposit
(86,703,205)	(56,013,188)	Progressive Life Insurance Co. Limited	Father of Waqar A. Choudhury, Director, is a Director of Progressive Life Insurance Co. Limited	Term deposit
(104,995,000)	-	Vanguard AML BD Finance Mutual Fund One	Common Directors	Term deposit
29,375,409	42,777,722	Green Delta Insurance Company Ltd.	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance Company Limited	Lease finance
-	81,075	Nadeem A. Chaudhury	Director	Lease finance
937,694,046	904,887,879	UniCap Securities Limited	Subsidiary Company	Inter-company
4,757,990,015	4,393,020,445	UniCap Investments Limited	Subsidiary Company	Inter-company
5,410,454,427	5,138,326,708	Total		

42 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 2015
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	Kazi Golam Rahman (Alternate Director of Kazi Golam Samiur Rahman)	Self	Director	Royal Concord, Apt # 604 House # 54, Road # 84 Gulshan -2, Dhaka 1212	3.58

Notes to the Financial Statements

6	Waqar Ahmed Choudhury	Self	Director	House # 5, Road # 87 Gulshan-2, Dhaka-1212	2.03
7	Enrilco Limited	Nadeem A. Chaudhury	Director	3/21, Barokot House, Iqbal Road Asad Avenue, Mohammadpur, Dhaka	4.58
8	Mr. M. Faizur Rahman	Self	Director	House no. 33, Road no. 12 Baridhara, Dhaka	4.75
9	Meherunnesa Haque	Self	Director	House no.73, Road no.7/A Dhanmondi R/A, Dhaka 1205	2.02
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 Bhawan, 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	Mahmudul Alam	Ex-officio	Managing Director & CEO	Flat-B2, House # 70, Road # 11/A Dhanmondi R/A, Dhaka-1205	-

43 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. Tiger Tours Limited 3. UniCap Securities Ltd.
3	Waqar A. Choudhury	Director	1. Vanguard Asset Management Limited 2. WAC Equity Management Limited 3. Rancom Trading Private 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. Palmal Garments Ltd. 8. Palmal Knitwear Factory Ltd. 9. UniCap Investments Ltd. 10. 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 Fashion wear 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. Skeftech 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 16. WIN WIN Jalalabad Auto Bricks Indus. Limited
12	Md. Abdul Karim	Independent Director	1. UniCap Securities Limited 2. Green Delta Insurance Company Limited

44 DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition of audit committee

The audit committee consists of the following Directors of the Board:

Name	Status with the Company	Status with the Committee	Educational Qualification
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	34th Audit Committee Meeting	4-Mar-15
2	35th Audit Committee Meeting	29-Apr-15
3	36th Audit Committee Meeting	13-May-15
4	37th Audit Committee Meeting	29-Jul-15
5	38th Audit Committee Meeting	26-Oct-15

The committee discussed the following issues during the year

- Reviewed the draft consolidated financial statements for the year ended 31 December 2014 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 2015 and fixation of their remuneration.
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2014.
- Reviewed the quarterly, half yearly financial statements for the year 2015.

- h) Reviewed the inspection report of Bangladesh Bank for the year 2014 and management response thereon.
- i) Reviewed quarterly operation report of the Company for the year 2015.

45 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)

2015	2014	
962.86	936.00	Lease and term finance commitments outstanding at 31 December
-	-	Real estate finance commitments outstanding at 31 December
962.86	936.00	Total

46 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided as at 31 December 2015. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2015.

47 UNACKNOWLEDGED DEBT

The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

48 NEW CONTRACTS/SANCTIONS AND DISBURSEMENTS

During the year the Company contracted and disbursed the following amount:

(Figures in BDT)

2015		2014		
	Contracts/ Sanctions		Contracts/ Sanctions	
Disbursements		Disbursements		
3,363.02	3,389.88	5,517.74	5,467.54	Lease and term finance
3,363.02	3,389.88	5,517.74	5,467.54	Total

49 LEGAL PROCEEDINGS

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

50 BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2015, 16 (sixteen) Board meetings were held. As on 31 December 2015, there were 9 (nine) members in the Board, excluding 3 (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.

51 NUMBER OF EMPLOYEES

As of 31 December 2015 a total number of 171 (2014:157) employees including subsidiaries were employed in Union Capital Limited. Each of the employees received salary more than BDT 36,000 per annum during the year 2015.

52 REPORTING CURRENCY AND LEVEL OF PRECISION

The figures in the financial statements represent Bangladesh currency (Taka/BDT), which has been rounded off to the nearest integer.

53 IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International 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)

BAS 10.21

54 EVENTS AFTER THE REPORTING PERIOD

54.1 Dividend for the year 2015

The Board of the Directors of the company has recommended a. cash dividend of BDT 0.50 per share (5 percent per share of BDT 10 each) amounting to BDT 66,495,142 and a stock dividend (bonus share) of BDT 0.70 per share (7 percent per share of BDT 10 each) amounting to BDT 93,093,198 in its 217th Board Meeting dated 21 March 2016.

54.2 Others

No other material event occurred after the reporting period, which could materially affect the amounts or disclosures in these financial statements.

BAS 21

55 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.

BAS 1.38

56 COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2014 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 2014 have been restated, reclassified and rearranged whenever considered necessary to ensure comparability with the current period.

57 FINANCIAL HIGHLIGHTS

Key financial highlights of the Company are annexed as Annexure-B.

BFRS 8.33

58 GEOGRAPHICAL AREA OF OPERATIONS

Union Capital Limited is currently operating in Chittagong, Gazipur, Narshingdi and Sylhet along with its other branches at Sonargaon road, Gulshan and Motijheel in Dhaka.

59 INTERIM FINANCIAL STATEMENTS

Union Capital Limited publishes its interim financial statements quarterly as required by the Bangladesh Securities and Exchange Commission.

BAS 34.5

60 CHANGE IN AND DISAGREEMENT WITH AUDITORS

There were no changes and disagreement with the auditors on accounting and financial disclosures.

61 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 does not prepare the same as prescribed in BAS 1 to comply with the requirement of said circular.

BAS 1.19

62 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.

BAS 1.19

63 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company on 21 March 2016

for Union Capital Limited

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

sd/-
Company Secretary

Annexure-A

Schedule of fixed assets

as at 31 December 2015

Figure in BDT

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 2015	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2015	Rate of depreciation	Balance as at 1 January 2015	Charged during the year	Disposal/ adjustment during the year	Balance as at 31 December 2015	Written down value as at 31-12-2015					
Freehold assets															
Furniture and fixtures	6,892,009	139,429	-	7,031,438	20%	4,942,423	711,094	-	5,653,517	1,377,921					
Office decoration	18,184,226	174,060	-	18,358,286	33%	16,381,518	1,033,527	-	17,415,045	943,241					
Electrical equipment	26,226,632	440,926	135,416	26,532,142	20%	19,677,468	2,805,340	58,680	22,424,128	4,108,014					
Owned vehicles	3,162,133	-	-	3,162,133	20%	1,623,481	323,928	-	1,947,409	1,214,724					
Software	943,881	-	-	943,881	20%	485,663	142,156	-	627,819	316,062					
Mobile phone	412,002	-	44,917	367,085	20%	389,523	2,248	24,704	367,067	18					
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3					
	55,862,212	754,415	180,333	56,436,294		43,541,402	5,018,293	83,384	48,476,311	7,959,983					
Leasehold assets															
Leased vehicles	8,760,000	-	5,000,000	3,760,000	20%	4,859,336	1,168,666	2,416,667	3,611,335	148,665					
As at 31 December 2015	64,622,212	754,415	5,180,333	60,196,294		48,400,738	6,186,959	2,500,051	52,087,646	8,108,648					
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					

Consolidated Schedule of fixed assets

as at 31 December 2015

BAS 16.73		COST		BAS 16.73 (e)(i)		DEPRECIATION			BAS 16.73 (e)(vii)		BAS 16.73 (d)
	Balance as at 1 January 2015	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2015	Rate of depreciation	Balance as at 1 January 2015	Charged during the year	Disposal/ adjustment during the year	Balance as at 31 December 2015	Written down value as at 31-12-2015	
Particulars											
Freehold assets											
Furniture and fixtures	8,490,169	1,286,482	-	9,776,651	20%	5,332,529	1,192,534	-	6,525,063	3,251,588	
Office decoration	21,540,869	6,050,059	-	27,590,928	33%	16,661,212	3,103,485	-	19,764,696	7,826,232	
Electrical equipment	29,129,082	5,150,101	135,416	34,143,767	20%	20,258,404	3,905,307	58,680	24,105,031	10,038,736	
Owned vehicles	3,162,133	5,200,000	-	8,362,133	20%	1,623,481	1,017,264	-	2,640,745	5,721,388	
Software	2,514,381	1,144,513	-	3,658,894	20%	756,341	682,437	-	1,438,778	2,220,116	
Mobile phone	471,902	-	44,917	426,885	20%	390,521	14,224	24,704	380,041	46,944	
Staff appliance	41,329	-	-	41,329	20%	41,326	-	-	41,326	3	
	65,349,865	18,831,155	180,333	84,000,687		45,063,813	9,915,251	83,384	54,895,680	29,105,007	
Leasehold assets											
Leased vehicles	8,760,000	-	5,000,000	3,760,000	20%	4,859,336	1,168,667	2,416,667	3,611,336	148,664	
As at 31 December 2015	74,109,865	18,831,155	5,180,333	87,760,687		49,923,149	11,083,918	2,500,051	58,507,016	29,253,671	
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	

Annexure-B**Highlights**

(as per Bangladesh Bank Guidelines)

(BDT in million except ratios and per share data)

2015	2014	Particulars
1,329.90	1,209.00	Paid-up capital
2,512.51	1,837.86	Total capital
634.89	364.17	Capital surplus
19,016.16	17,310.77	Total assets
11,798.79	10,705.44	Total deposits
14,429.72	14,296.22	Total loans, advances and leases
962.86	936.00	Total contingent liabilities and commitments
1.22	1.34	Credit deposit ratio
8.41%	8.51%	Percentage of classified loans against total loans, advances and leases
204.90	210.09	Profit after tax and provision
1,212.92	1,216.39	Amount of classified loans during current year
280.97	248.52	Provisions kept against classified loans
13.10	0.12	Provision surplus against classified loan
10.29%	10.82%	Cost of fund
15,137.95	14,332.31	Interest earnings assets
3,878.21	2,978.46	Non-interest earnings assets
10.09%	13.15%	Return on investment (ROI)
1.08%	1.21%	Return on assets (ROA)
(100.88)	(16.42)	Income from investment
1.18	1.58	Earnings per share (2014: restated)
1.18	1.58	Net income per share (2014: restated)
12.24	12.20	Price earnings ratio

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

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S. F. AHMED & 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 (balance sheet) as at 31 December 2015, statement of comprehensive income (profit and loss statement), statement of changes in equity, 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 generally accepted accounting principles, 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 a 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, read in conjunction with notes to financial statements, the financial statements, prepared in accordance with generally accepted accounting principles, give a true and fair view of the state of the company's affairs as at 31 December 2015 and of the results of 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.

Report on Other Legal and Regulatory Requirements

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.

Dhaka, Bangladesh
Dated, 01 March 2016

S. F. AHMED & CO
Chartered Accountants

UniCap Securities Limited

Statement of Financial Position

as at 31 December

(Figures in BDT)

2015	2014	Notes	
Non-current assets			
15,625,219	6,927,631	4	Property, plant and equipment
533,816,027	413,606,642	5	Investment in listed securities
115,024,360	115,024,360	6	Membership of stock exchange
11,892,441	2,921,349	7	Staff loan
676,358,047	538,479,981		
Current assets			
179,102,234	156,663,699	8	Advances, deposits and prepayments
692,259,185	597,199,299	9	Margin loan to clients
235,568,272	11,231,470	10	Receivable from stock exchange
26,901,628	1,500,495	11	Other receivables
57,382,260	104,278,224	12	Cash and cash equivalents
1,191,213,579	870,873,188		
1,867,571,626	1,409,353,169		Total assets
EQUITY AND LIABILITIES			
Equity			
100,000,000	100,000,000	13	Share capital
104,024,360	104,024,360	14	Revaluation reserve
9,588,702	(25,323,252)		Retained earnings
213,613,062	178,701,108		Total equity
Non-current liabilities			
586,679,590	436,459,154	15	Long term loan
4,774,614	2,504,948	16	Deferred liability-employee gratuity
591,454,204	438,964,102		
Current liabilities			
422,279,406	452,279,406	17	Short-term loan
268,178,217	70,441,453	18	Payable to clients
193,614,620	112,768,387	19	Accruals and payables
351,348	4,701,724	20	Payable to stock exchange
178,080,769	151,496,989	21	Provision for current tax
1,062,504,360	791,687,959		
1,653,958,564	1,230,652,061		Total liabilities
1,867,571,626	1,409,353,169		Total shareholders' equity and liabilities

These financial statements should be read in conjunction with annexed notes.

for UniCap Securities Limited

sd/-
Chairman

sd/-
Director

sd/-
Chief Executive Officer

see annexed report of date

Dhaka, Bangladesh
Dated, 01 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Securities Limited

Statement of Comprehensive Income

for the year ended 31 December

(Figures in BDT)

2015	2014	Notes	
Revenue			
110,453,805	110,194,308	22	Brokerage commission
18,102,453	33,141,344	23	Income from investment
99,808,606	102,662,502	24	Interest on margin loan
228,364,864	245,998,154		
Expenses			
136,006,901	168,971,653	26	Interest expense on borrowed fund
14,756,685	14,519,138	27	Laga, Howla and CDBL charge
150,763,586	183,490,791		
77,601,278	62,507,363		
3,432,485	3,356,551	25	Other operating income
61,301,809	40,042,085	28	Less: Management expenses
19,731,954	25,821,829		
38,016,070	(21,895,905)	29	Provision for diminution in value of investment
3,747,710	(12,359,962)	29	Provision for doubtful debt
41,763,780	(34,255,867)		
61,495,734	(8,434,038)		Profit before income tax
Income tax expense			
26,583,780	23,000,000	21	Provision for current tax expenses
-	-		Deferred tax expense/(income)
26,583,780	23,000,000		
34,911,954	(31,434,038)		Net profit/(loss) after tax
-	-		Other comprehensive income
34,911,954	(31,434,038)		Total comprehensive income
34.91	(31.43)	30	Earnings Per Share (EPS)

These financial statements should be read in conjunction with annexed notes.

for UniCap Securities Limited

sd/-
Chairman

sd/-
Director

sd/-
Chief Executive Officer

see annexed report of date

Dhaka, Bangladesh
Dated, 01 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Securities Limited

Statement of cash flows

for the year ended 31 December

(Figures in BDT)

2015	2014	
		CASH FLOW FROM OPERATING ACTIVITIES (A)
61,495,734	(8,434,039)	Profit before tax
		Adjustment for items not involving movement of cash:
3,633,964	1,059,996	Depreciation and amortisation
2,369,041	980,388	Employee-Gratuity
(41,763,780)	34,255,867	Provision for doubtful losses
(35,760,775)	36,296,251	
25,734,959	27,862,212	Profit after adjustment
		Changes in operating assets and liabilities
(91,312,176)	(108,024,458)	Margin loan to clients
(25,401,133)	4,126,917	Other receivables
(224,336,803)	100,269,697	Receivable from stock exchanges
(21,569,111)	(25,802,650)	Advance income tax
(869,425)	(2,891,364)	Other advances
(8,971,093)	(2,921,349)	Staff loan
197,736,764	(18,657,930)	Payable to clients
(99,375)	(6,338,269)	Deferred liability employee gratuity
(4,350,377)	4,050,325	Payable to stock exchange
(30,000,000)	-	Short term loan
-	(76,614)	Withholding tax & VAT
80,846,233	70,306,529	Liabilities for expenses
(128,326,496)	14,040,834	
(102,591,536)	41,903,046	Cash used in operating activities
-	-	Income tax paid
(102,591,536)	41,903,046	Net cash from/(used in) operating activities
		Cash flows from investing activities (B)
(12,331,552)	(6,271,872)	Purchase of property, plant and equipment
-	45,682	Disposal of property, plant and equipment
(82,193,315)	(24,173,469)	Investment in securities
(94,524,867)	(30,399,659)	Net cash used in investing activities
		Cash flows from financing activities (C)
190,000,000	100,000,000	Receipt from long term loan
(39,779,564)	(13,540,846)	Repayment of long term loan
150,220,436	86,459,154	Net cash from used in financing activities
(46,895,967)	97,962,541	Net changes in cash and cash equivalents (A+B+C)
104,278,227	6,315,686	Opening cash and cash equivalents
57,382,260	104,278,227	Closing cash and cash equivalents

UniCap Securities Limited

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)	Revaluation	Retained		Particulars
Share Capital	Reserve	Earnings	Total	
For 2015				
100,000,000	104,024,360	(25,323,252)	178,701,108	Balance at 01 January 2015
-	-	34,911,954	34,911,954	Net profit for the year
100,000,000	104,024,360	9,588,702	213,613,062	Balance at 31 December 2015
For 2014				
100,000,000	507,500,000	6,110,789	613,610,789	Balance at 01 January 2014
-	-	(31,434,041)	(31,434,041)	Net profit/(loss) for the year
-	(403,475,640)	-	(403,475,640)	Revaluation adjustment of stock exchange membership
100,000,000	104,024,360	(25,323,252)	178,701,108	Balance at 31 December 2014

These financial statements should be read in conjunction with annexed notes.

for UniCap Securities Limited

sd/-
Chairman

sd/-
Director

sd/-
Chief Executive Officer

see annexed report of date

Dhaka, Bangladesh
Dated, 01 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Securities Limited

Notes to the financial statements

For the year ended 31 December 2015

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 is 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 Central Depository Bangladesh Limited (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 Generally Accepted Accounting Principles. The financial statements comprises of the following :

- Statement of financial position (Balance Sheet)
- Statement of comprehensive income (Profit and Loss Statement)
- Statement of cash flows
- Statement of changes in equity
- Notes to the financial statements

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles, 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 (BDT), which is the Company's

functional currency. All financial information presented in BDT 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 recognised 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 recognised as income when trades are executed.

Interest on margin loan is recognised 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 recognised 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 realised 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% on straight line method.

3.5 Investment in stock exchanges for membership

Investments for membership are initially recognized at cost and are subsequently remeasured at fair value based on quoted bid prices. Surplus arising from changes in the fair value of investment for membership are transferred to revaluation reserve account.

3.6 Investment in listed securities

Investment in quoted shares and unquoted shares are initially recognized at cost plus transaction costs that are directly attributable to acquisition of shares. After initial recognition investment in quoted shares has been revalued at cost at reporting date.

Required provision has been made for impairment when the market value of investments fall below the cost.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits held with banks and financial institution and short term liquid investments that are readily convertible to known amount of cash and that are subject to insignificant risk of change in value.

3.8 Laga, howla and CDBL charges

The charges of stock exchanges booked on daily basis as per trading after receiving the trading note and Central Depository Bangladesh Ltd. (CDBL) booked on monthly basis, after receiving the bill from CDBL.

3.9 Borrowing Costs

Borrowing cost is charged to profit and loss account as per Bangladesh Accounting Standard 23: *Borrowing Cost*.

3.10 Bad debt

3.10.1 Provision for bad debts

The Company creates provision for doubtful debts on yearly basis considering collection during the year and value of shares held as security.

3.10.2 Recovery of bad debts

Any recovery is adjusted with the provision for bad debts in the period of recovery.

3.11 Related party disclosure

As per BAS - 24: Related Party Disclosure, parties are considered to be related if one has the ability to control or exercise significant influence over other in making financial and operating decisions. Related party disclosures are given in note 39.

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 motivate its employees for long term. Gratuity scheme is applicable for all its permanent employees who have completed their continuous service for at least five years. Provision for gratuity is made annually based on terms of gratuity scheme.

S. F. AHMED & CO

Chartered Accountants

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 2015, statement of profit or loss and other 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 generally accepted accounting principles, 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, read in conjunction with notes 7.1 and 27 to financial statements, the financial statements, prepared in accordance with generally accepted accounting principles, give a true and fair view of the state of the company's affairs as at 31 December 2015 and of the results of 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 profit or loss and other comprehensive income (profit and loss statement) dealt with by the report are in agreement with the books of account and returns.

Dhaka, Bangladesh
Dated, 15 March 2016

S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Statement of Financial Position

as at 31 December

(Figures in BDT)

		ASSETS	
2015	2014	Notes	Non-current assets
5,519,804	1,037,611	3	Property, plant and equipment
397,999,903	516,421,044	4	Investment in listed securities
971,785	-		Loan to employee
404,491,492	517,458,655		Total non-current assets
			Current assets
50,756,069	43,755,954	5	Cash and cash equivalents
80,996,851	19,453,973	6	Advances, deposits and prepayments
4,642,712,363	4,289,178,897	7	Margin loan
117,926,253	2,477,287	8	Other receivable
4,892,391,536	4,354,866,111		Total current assets
5,296,883,028	4,872,324,766		Total assets
			EQUITY AND LIABILITIES
			Shareholders' equity
250,000,000	250,000,000	9	Share capital
18,179,023	23,840,136	10	Retained earnings
268,179,023	273,840,136		Total shareholders' equity
			Non-current liabilities
3,910,251,635	3,931,154,689	11	Long term liabilities
			Current liabilities
18,621,002	24,916,548	12	Payable to portfolio investors
1,006,047,038	566,442,349	13	Accrued and other payables
93,784,330	75,971,045	14	Provision for taxation
1,118,452,370	667,329,942		Total current liabilities
5,028,704,005	4,598,484,631		Total liabilities
5,296,883,028	4,872,324,766		Total equity and liabilities

These financial statements should be read in conjunction with annexed notes.

for UniCap Securities Limited

sd/-
Company Secretary

sd/-
Managing Director (C.C.)

sd/-
Chairman

see annexed report of date

Dhaka, Bangladesh
Dated, 15 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Statement of Comprehensive Income

For the year ended 31 December

(Figures in BDT)

2015	2014	Notes	Revenue
530,902,422	697,784,304	15	Interest income
522,264,317	617,929,616	19	Interest expense
8,638,106	79,854,688		Net interest income
(18,022,137)	55,104,227	16	Investment income
48,724,677	78,844,124	17	Fees, commission, exchange and brokerage
100,569	371,303	18	Other operating income
39,441,215	214,174,342		Total operating income
			Operating expenses
7,963,434	7,257,525	20	Salaries and other employee benefits
4,948,090	3,759,825	21	Rent, taxes, insurance, electricity, etc
21,722	33,223		Legal and professional expenses
268,419	107,826	22	Postage, stamp, telecommunication, etc
225,117	478,877	23	Stationery, printing, advertisements, etc
149,500	69,000		Directors' remuneration
57,500	57,500		Auditors' fee
1,262,994	144,682		Depreciation expense
1,045,343	98,735	24	Repair and maintenance
993,377	852,133	25	Other expenses
16,935,496	12,859,326		Total operating expenses
22,505,719	201,315,016		Operating profit
10,353,547	118,370,940	26	Provision on margin loan & portfolio investment
12,152,172	82,944,076		Profit before corporate income tax
17,813,285	61,614,736		Income tax expense
(5,661,113)	21,329,340		Profit after tax
-	-		Other comprehensive income
(5,661,113)	21,329,340		Total comprehensive income/(loss) for the year
(0.23)	0.85		Earnings per share (EPS)

These financial statements should be read in conjunction with annexed notes.

for UniCap Securities Limited

sd/-
Company Secretary

sd/-
Managing Director (C.C.)

sd/-
Chairman

see annexed report of date

Dhaka, Bangladesh
Dated, 15 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Statement of Cash Flows

For the year ended 31 December

(Figures in BDT)

2015	2014	CASH FLOW FROM OPERATING ACTIVITIES
247,730,244	145,970,120	Interest income
(83,323,913)	(79,013,698)	Interest payment
18,142,676	5,621,156	Dividend receipts
48,724,677	57,761,627	Fees commission, exchange and brokerage
2,801,781	30,104,658	Receipt/(Payment) for expenses
(62,752,994)	(6,886,104)	Advance income tax paid
171,322,470	153,557,759	Net cash from operating activities
		Cash flows from investing activities
(2,708,365,676)	(2,149,344,075)	Payment for purchase of securities
2,453,225,095	2,009,476,592	Proceeds from sale of securities
(5,745,188)	(1,182,293)	Purchase of property, plant and equipment
118,682,136	119,332,184	Margin loan recovered/(disbursed)
(142,203,633)	(21,717,592)	Net cash used in investing activities
		Cash flows from financing activities
80,211,995	460,000,000	Term loan received
(1,047,787)	-	Investments
(101,282,932)	(802,195,413)	Term loan repaid
-	(34,500,000)	Dividend paid
(22,118,724)	(376,695,413)	Net cash used in financing activities
7,000,113	(244,855,245)	Net changes in cash and cash equivalents
43,755,954	288,611,200	Opening cash and cash equivalents
50,756,069	43,755,954	Closing cash and cash equivalents

These financial statements should be read in conjunction with annexed notes.

for UniCap Securities Limited

sd/-
Company Secretary

sd/-
Managing Director (C.C.)

sd/-
Chairman

see annexed report of date

Dhaka, Bangladesh
Dated, 15 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)

Total	Retained Earnings	Share Capital	Particulars
Year 2014			
250,000,000	2,510,796	252,510,796	Balance at 01 January 2014
-	21,329,340	21,329,340	Net profit for the year
250,000,000	23,840,136	273,840,136	Balance at 31 December 2014
Year 2015			
250,000,000	23,840,136	273,840,136	Balance at 01 January 2015
-	(5,661,113)	(5,661,113)	Net profit/(loss) for the year
250,000,000	18,179,023	268,179,023	Balance at 31 December 2015

These financial statements should be read in conjunction with annexed notes.

for UniCap Securities Limited

sd/-
Company Secretary

sd/-
Managing Director (C.C.)

sd/-
Chairman

see annexed report of date

Dhaka, Bangladesh
Dated, 15 March 2016

sd/-
S. F. AHMED & CO
Chartered Accountants

UniCap Investments Limited

Notes to the financial statements

For the year ended 31 December 2015

1. REPORTING ENTITY

UniCap Investments Limited (the Company), a subsidiary of Union Capital Limited, is a public company limited by shares which is 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 Profit or Loss and Other Comprehensive Income (Profit and Loss Statement), Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements. 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 the 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%
IT equipment	20%
Office equipment	20%
Office decoration	33%

2.3 Provision for taxation

Provision for current income tax is made at the rate of 35% on the accounting profit of the Company without considering taxable allowances and disallowances.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank balances which are held and are available for use by the Company.

2.5 Currency

The amounts in the financial statements have been rounded off to the nearest BDT.

2.6 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 end of 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 affect the values reported in these financial statements.

2.8 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.

2.9 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.

2.10 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 36.

SHAREHOLDERS' ADDITIONAL INFORMATION

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LETTER OF INVITATION FROM THE CHAIRMAN

I extend a warm invitation to you to attend in the 18th Annual General Meeting of Union Capital Limited to be held on 28 April 2016 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 Tuesday, 26 April 2016, 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, 13 April 2016

HEAD OFFICE

Union Capital Limited
Noor Tower, 73 Sonargoan Road
Dhaka-1205
Tel: +88 02 9662888
Fax +88 02 8616878
www.unicap-bd.com

18th Annual General Meeting

WHEN
28 April 2016
10:30 am

WHERE
Spectra Convention
Centre, Gulshan-1, Dhaka

RECORD DATE
11 April 2016

NOTICE OF AGM



Union Capital Limited
[Incorporated in Bangladesh]
[Registration number: C-36021(321/98)]
[Share code: UNIONCAP]

Notice is hereby given that the Eighteen Annual General Meeting of the Company will be held on Thursday, the 28 April 2016 at 10:30 a.m. 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:

ORDINARY BUSINESS

- AGM 16-18-01: : Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2015 together with the reports of the Auditors and Directors thereon;
- AGM 16-18-02 : Declaration of dividend for the year 2015;
- AGM 16-18-03 : Retirement & re-appointment of Directors;
- AGM 16-18-04 : Appointment of the Auditors of the Company for the year 2016 and fixation of their remuneration;

EXTRA ORDINARY BUSINESS

- AGM 16-18-05: : Appointment of the Managing Director & CEO.

By order of the Board,

sd/-

Tauhidul Ashraf FCS
SVP & Company Secretary
Dhaka, 4 April 2016

NOTES

- 11 April 2016 is the 'Record Date' to determine the Shareholders' entitlement to the dividend and their eligibility to attend and vote at the meeting.
- The Board of Directors recommended 12% Dividend (comprising 5% cash and 7% Stock Dividend) subject to the approval of the shareholders.
- 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.
- Members are requested to notify change of their address, bank account details, contact number and 12 digits E-TIN number (if any), through their respective Depository Participants well in advance.
- Annual Report, Attendance Slip and Proxy Form along with the notice will be sent to all the Members by Courier Service/Post. The Shareholders 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 2015. The Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31 December 2015 are contained in this Annual Report.

ITEM TWO

DECLARATION OF DIVIDEND

The Board of Directors in its meeting held on 21 March 2016 recommended 12 percent Dividend (comprising of 5% Cash and 7% Stock Dividend) for the year 2015 subject to the approval of the shareholders in the Annual General Meeting. Bonus shares, if approved, will be transferred to the respective BO Account of the shareholders and Cash dividend will be credited to the respective shareholders specified bank account within May 2016. The dividend will be paid to the shareholders whose name appeared in the Depository Register of shareholders at the close of business on 11 April 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, Mr. M. Faizur Rahman, Mrs. Tajrina Sikder, Kazi Golam Samiur Rahman and Mr. Md. Abdul Karim 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, Mr. Waqar A. Choudhury, Director and Mr. Ziaul Hasan Siddiqui, Independent Director who were appointed by the Board during the year shall retire in the 18th 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 52 to 55 of this annual report.

ITEM FOUR

APPOINTMENT OF EXTERNAL AUDITORS

The Shareholders in their 17th Annual General Meeting held on 31 March 2015, appointed M/S S. F. Ahmed & Co., Chartered Accountants, as the Statutory Auditors of the Company for the year 2015. As per terms of Companies Act, 1994, the Auditors will retire in the 18th Annual General Meeting. According to section 210(3) at any Annual General Meeting, a retiring auditor, by whatsoever authority appointed, shall be re-appointed, unless-

- He is disqualified for re-appointment; or
- He has given the Company notice in writing of his unwillingness to be re-appointed; or
- A resolution has been passed at that meeting appointing somebody else instead of him or providing expressly that he shall not be re-appointed.

Provided that resolution for appointment of new Auditors in place of existing Auditors except for the purpose of regulatory compliance cannot be passed except on the ground of death, incapacity or dishonesty or disqualification of the retiring Auditors. 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 2016. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to re-appoint M/S. S. F. Ahmed & Co., Chartered Accounts as the external auditor of the Company for the year 2016 with an audit fee of BDT 165,000 plus VAT. The Board in its meeting held on 21 March 2016 recommended to the shareholders for approval to the appointment of M/S. S. F. Ahmed & Co., Chartered Accountants as auditor for the year 2016 at a remuneration of BDT 165,000 Plus VAT subject to approval of Bangladesh Bank.

ITEM FIVE

APPOINTMENT OF MANAGING DIRECTOR & CEO

As per Bangladesh Bank approval Mr. Mahmudul Alam became our Managing Director & CEO from 10 January 2016. The shareholders are now required to approve the appointment of the Managing Director & CEO.

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 11 April 2016 are entitled to exercise any voting rights in relation to the resolutions to be proposed at the Annual General Meeting to be held on 28 April 2016 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 16-18-01 : Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2015 together with the reports of the Auditors and Directors thereon;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 16-18-02 : Declaration of dividend for the year 2015;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 16-18-03 : Re-appointment of Directors;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 16-18-04 : Appointment of the Auditor of the Company for the year 2016 and fixation of their remuneration;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EXTRA ORDINARY BUSINESS			
AGM 16-18-05 : Appointment of the Managing Director & CEO.	<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 28 April 2016 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) _____ April 2016

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 26 April 2016.
- 9 Holders attending the Annual General Meeting will be offered the opportunity of putting questions to the Directors and Management.

FINANCIAL CALENDAR 2015

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 16	Final dividend payment;
May 13	First-quarter Business Results;
July 29	Half-year Business Results;
Oct 27	Third-quarter Business Results; and
Dec 31	Financial year-end.

2016

Mar 21	Annual results and announcement of final dividend;
Apr 04	Publication of Notice of 18th AGM;
Apr 13	Publications and posting of 2015 Annual Reports;
Apr 28	18th Annual General Meeting;
May	Final dividend payment; and
May	First-quarter Business Results (expected).

ANNUAL GENERAL MEETING

UCL's Annual General Meeting will be held on Thursday, 28 April 2016, 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.

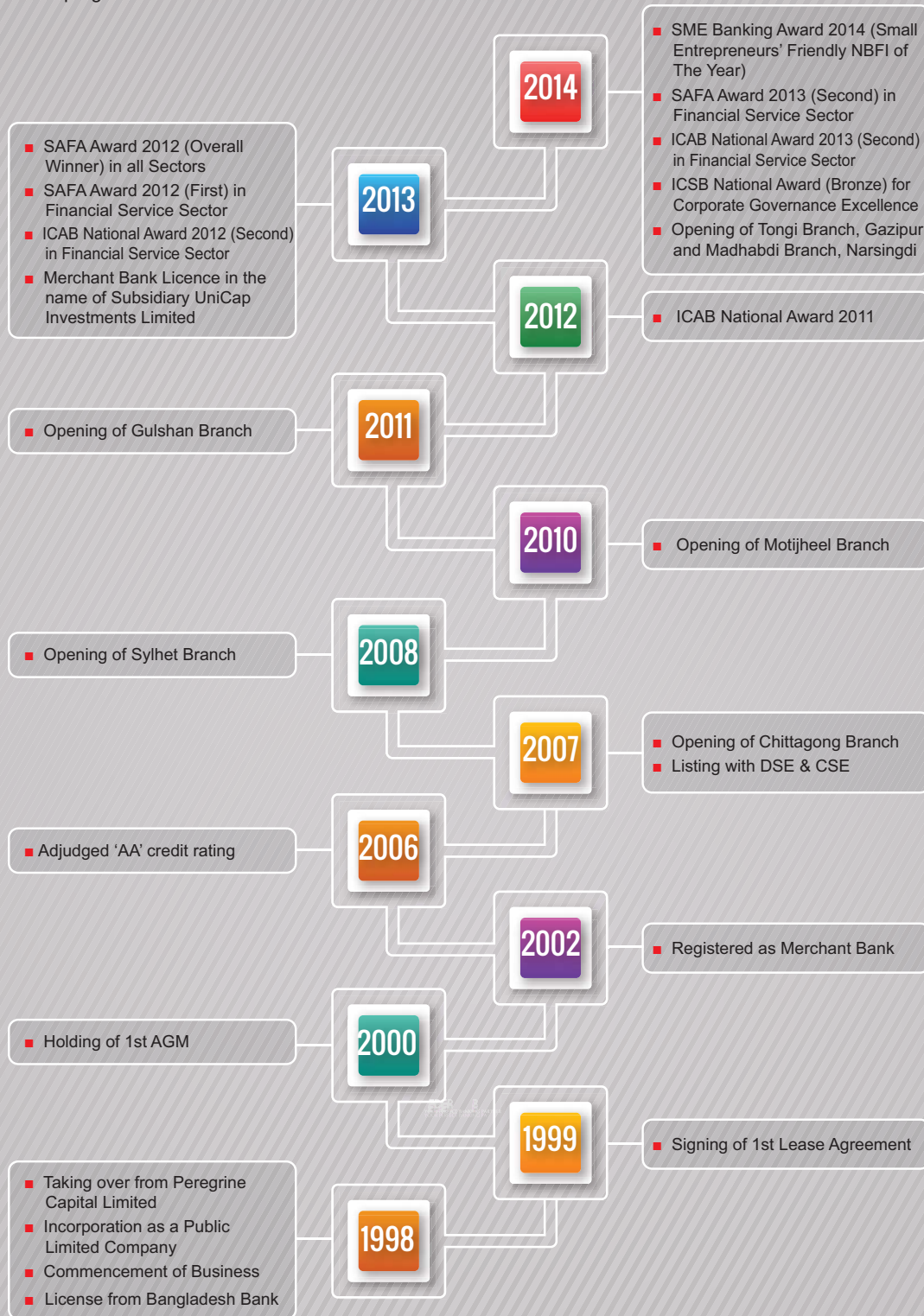
INVESTOR RELATIONS

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.

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 integrated 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

CAPITAL FORMATION HISTORY

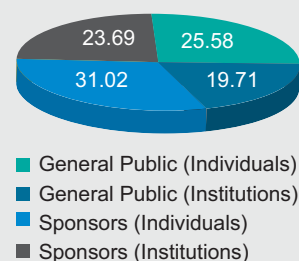
The history of raising of share capital of UCL is given below:

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
28 April 2016	7% Bonus Share*	9,309,319	93,093,190
End of the year		142,299,603	1,422,996,030

* Subject to approval of the Shareholders.

COMPOSITION OF SHAREHOLDINGS (%)

At the end of 2015, the Sponsor Shareholders are holding 54.71 percent of the paid up capital of the company while general public holds 45.29 percent.



KEY SHARE INFORMATION

(As on 31 December)	2015	2014	2013
Total no. of shareholders	8,087	9,586	10,170
Share price (Taka)	14.50	21.20	34.60
No. of outstanding shares	132,990,284	120,900,258	109,909,326
Market Capitalization (Taka in million)	1928.36	2,563.08	3,802.86

SHAREHOLDERS

At the end of 2015, there were 8,087 shareholders in UCL as against 9,586 shareholders at the end of 2014. The Sponsor Shareholders hold 72,765,463 no shares of Tk.10 each which represent 54.71 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) 5861 6878
Email: mailbox@unicap-bd.com

CORPORATE WEBSITE

www.unicap-bd.com

BRANCH NETWORK**Main Branch**

**UCL's
Branch
Network** Noor Tower
73 Sonargaon Road, Dhaka 1205, Bangladesh
Tel: +880 (2) 966 2888, Fax: +880 (2) 5861 6878

Chittagong Branch

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1269/B Sk. Mujib Road, Agrabad C/A
Chittagong 4100, Bangladesh
Tel: +880 (31) 251 3353 - 54, Fax: +880 (31) 251 3356

Sylhet Branch

Bengal Shopping Complex, Sobhanighat, Mehendibagh,
Bishaw Road, Sylhet 3100, Bangladesh
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Motijheel Branch

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Gulshan Branch

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Tongi Branch

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Tel: +88 01787671081, 01988899832

Madhabdi Branch

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Narsingdi, Bangladesh
Tel: +88 01988899833

LEGAL ADVISOR

A. Hossain & Associates
3/B Outer Circular Road
Moghbazar, Dhaka.

AUDITORS

M/S. S.F. Ahmed & Co.
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 NBFI is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk is the potential 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.

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 180 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.

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.

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).

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.

DISCLAIMER

UCL Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be defined as forward-looking statements. Forward-looking statements are not statements of fact, but statements by the management of UCL Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements. The risks and uncertainties inherent in the forward-looking statements are contained in this document.

...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.



Union Capital Limited
Building a sustainable future

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