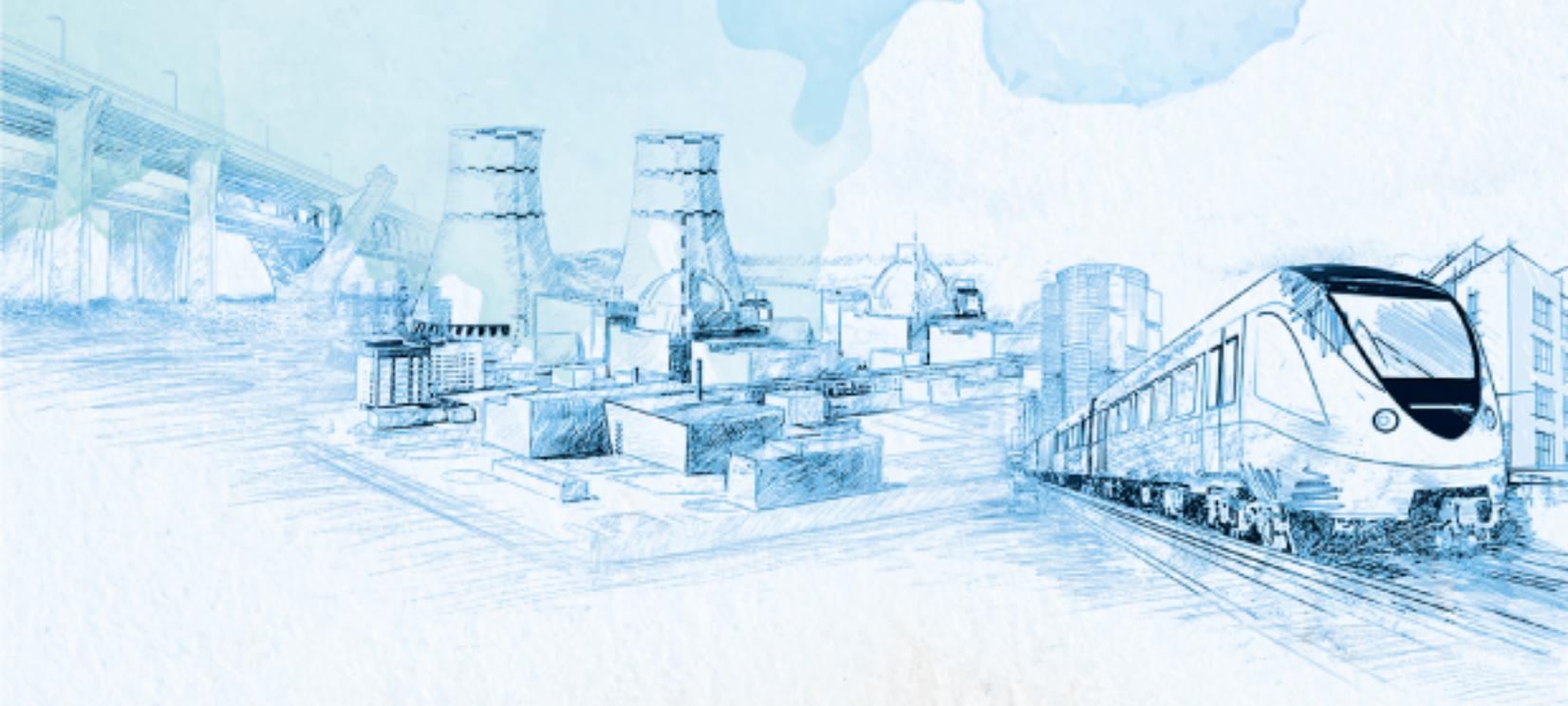


ANNUAL
REPORT 2019

PARTNERING PROGRESS



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 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 comprehensive financial services. UCL's ordinary shares are traded on both the bourses of Bangladesh since 2007.

UCL and its subsidiaries constitute one of the largest financial groups, which began its activities more than 21 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 nonbanking activities in Bangladesh. UCL operates through its 7 branch offices located in Dhaka, Chattogram, Sylhet, Gazipur, Narsingdi and Bogura 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
- Retail finance
- Investors portfolio management
- IPO and rights issue management
- Corporate advisory services
- Margin loan for investment in securities
- Share trading for retail and corporate investors

BUSINESS CLUSTERS

- Union Capital Limited (NBF)
- UniCap Securities Limited (a Member of DSE and CSE)
- UniCap Investments Limited (a full fledged Merchant Bank)

BUSINESS FOCUS

- Local Market
- Access to major areas of financial & 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 shareholders' value

BUSINESS LOCATION

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

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 values for all stakeholders through excellence in performance and good governance.



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.

MISSION

To be the best run, customer-focused and integrated financial institution with a unique and inclusive employee culture.



COMMITMENT

We are committed to returning superior value to our Stakeholders through leadership in innovation, an absolute focus on customers and operational excellence.



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

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

OUR SHAREHOLDERS



Maximizing shareholders' wealth by achieving superior performance.

OUR EMPLOYEES



Providing a safe and supportive working environment for our employees

OUR ENVIRONMENT



Protecting our environment and benefitting the community where we do business

OUR CUSTOMERS



Developing strong and mutual beneficial relationships by working closely with our customers

OUR COMMUNITY



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

OUR MISSION

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

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

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

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

SHAREHOLDERS

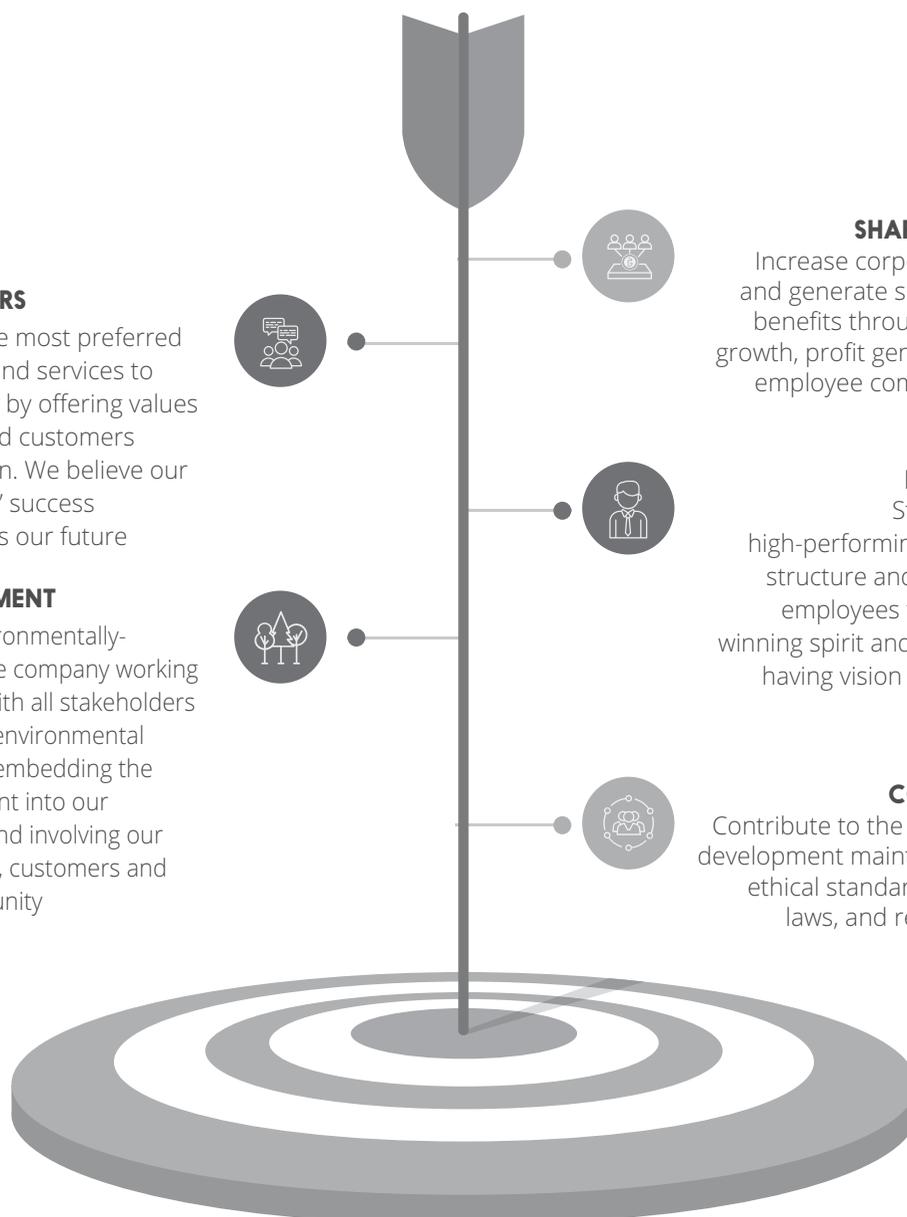
Increase corporate values and generate shareholders benefits through constant growth, profit generation and employee commitment to excellence

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



OUR GOALS

General statements of what business intends to achieve

UCL's operation is 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.

GROWTH

Grow revenue faster than the market. Build on good performance in improving cash flow. Execute well and with predictability. The goal is to have an average annual investment growth rate of at least 30 percent that was established based on the company's growth over a period of three years and an assessment of its future prospects.

PROFITABILITY

The goal is to have an operating margin (EBIT) of 30 percent measured over a business cycle. The profitability goal was established based on historical margins and the company's growth ambitions.

INVESTMENTS

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

CAPITAL UTILIZATION

The goal is to have a return on capital employed of at least 10 percent. This level was set taking into account the relatively low level of capital tied up in non-operating assets.

DEBT/EQUITY RATIO

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

SUSTAINABILITY GOALS

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

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities is amounting to 30 percent of operational revenue. This value is lower than the goal for the operating margin, since organic growth normally requires an increase in borrowings. In addition, taxes are paid in an amount corresponding to 37.50 percent of earnings before tax.

...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 behaviors

Our values highlight what is important to us, what makes us distinctive and what it's like to work at UCL. To 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.

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

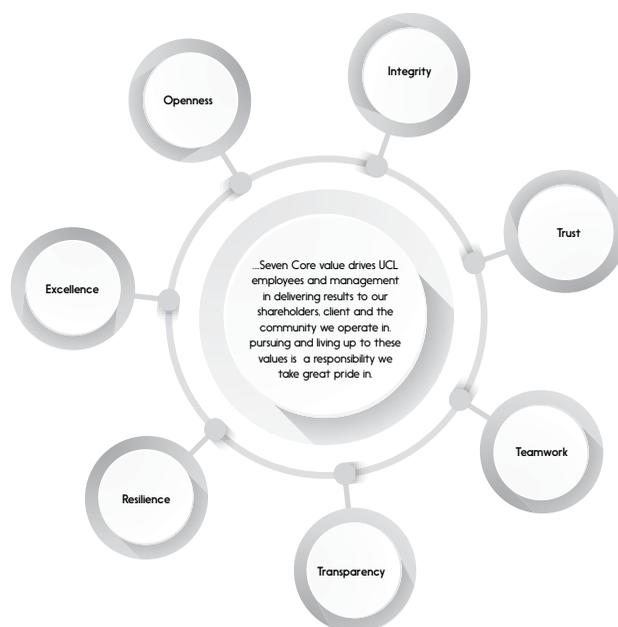
We welcome a challenge; we show strength of character, remain positive, even when things are tough; we see difficulty as an opportunity to demonstrate our ability.

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.

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.

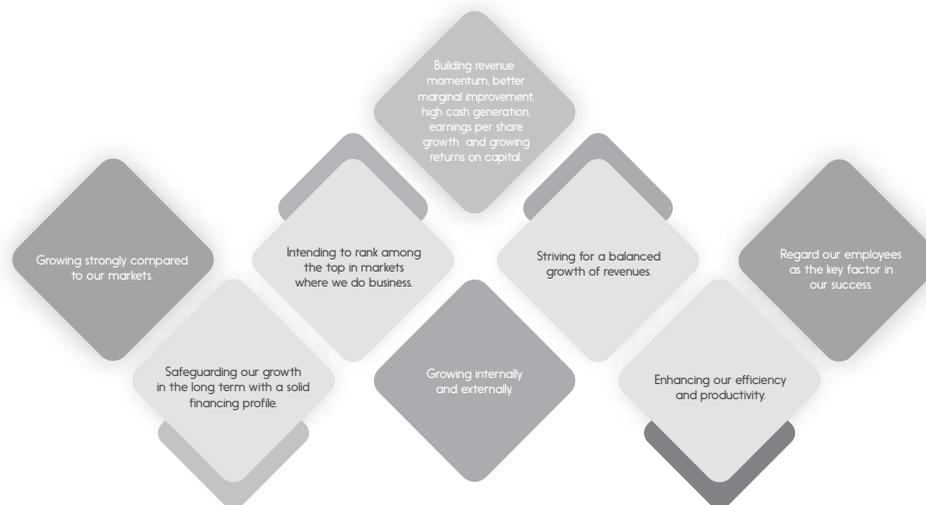


...our values and standards are the basis of our success. They always have been. They always will be. They shape the culture and define the character of our company. They guide how we behave and make decisions.

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 re-engineering, 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 macroeconomic 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 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.

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



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.

REGARD OUR EMPLOYEES AS THE KEY FACTOR IN OUR SUCCESS

As an innovative company that plays a leading role in quality, the expertise of our employees is of enormous importance as it would not be possible to implement this strategy successfully without them. Utilizing comprehensive promotion and training activities, we strive to be seen as an employer of choice at all levels on the job market.

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.

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

We are well positioned in markets with attractive long term growth prospects sustained by the continuing demand for financial services. We have a clear investment led growth strategy focused on building revenue momentum across all our businesses. This, together with improvements in cost efficiency and organizational effectiveness, will flow through operating profitability and cash flow.

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

BUSINESS PRINCIPLES

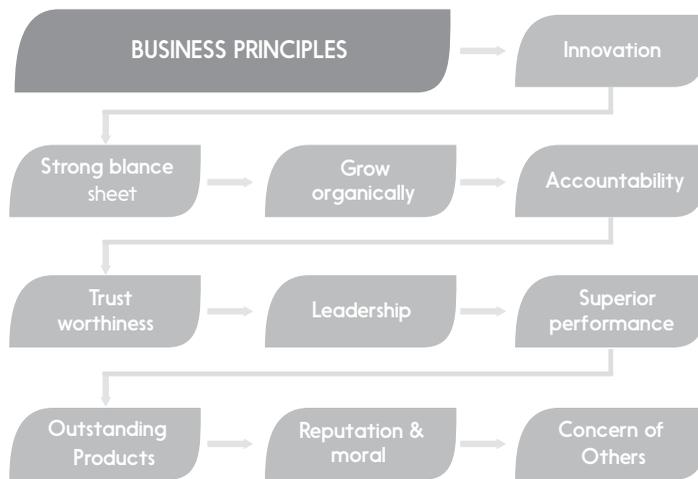
The roadmap on how UCL operates and why we make our decision

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

ASPIRE TO BE THE BEST

Grow organically providing superior services in every business we operate

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



Consistently delivering the best products in a cost effective way

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

Innovate in all actions we take

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

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.

... 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.

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 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 manage 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.

...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.

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

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

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

Fair share of performance

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

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

Foster an environment of respect and inclusiveness

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

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 products 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
- Unsecured Personal Loan
- New Entrepreneur Finance
- Women Entrepreneur Finance
- Construction & Renovation Finance
- Retail Service

CAPITAL MARKET SERVICES

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

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

BUSINESS REVIEW

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Statement From The Chairman



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The smoothly-run economy was hit by a liquidity crisis. Most of the NBFIs rely on Banks for considerable amount of fund flow. This huge dependency on bank borrowing & bank deposit has landed NBFIs sector into severe crisis as Banks are unwilling to extend fund to NBFIs sector due to spillover effect of liquidity crisis in the banking sector.

”

I extend a warm and gracious welcome to all our esteemed shareholders to the 22nd Annual General Meeting of Union Capital Limited ("UCL") on behalf of the Board of Directors. I feel greatly honored and privileged in taking this opportunity to report to our valued shareholders and present the Annual Report for the financial year ending on 31 December 2019 along with the Auditors' report for the year.

Now, please let us have an overview on the macroeconomic scenario and overall performance of the Company at a glance. Bangladesh economy sustained strong growth in FY19 led by rising exports and record remittances. Remittances grew by 9.8 percent, reaching a record \$16.4 billion in FY19. The contribution of net export growth was positive, supported by a diversion of garment export orders from China and a decline in imports, agricultural and pharmaceutical exports led non-RMG export growth. However, leather and leather product exports declined by

6 percent. Net foreign direct investment (FDI) increased by 42.9 percent from a low baseline with investments in the power, food, and textile sectors. Private consumption grew by 5.4 percent. Private sector credit growth was weak and bank liquidity remained constrained. Non-performing loans continued to rise in the banking sector. The foreign currency was under constant pressure amid balance of payment and current account deficit continued throughout 2019. The smoothly-run economy was hit by a liquidity crisis mainly due to current account deficit of the country. Most of the NBFIs rely on Banks for considerable amount of fund flow. This huge dependency on bank borrowing & bank deposit has landed NBFIs sector into severe crisis as Banks are unwilling to extend fund to NBFIs sector due to spillover effect of liquidity crisis in the banking sector. The financial sector passed a difficult time in the year 2019 with liquidity issues, increasing classified loans and decreasing spread. Lending portfolio of NBFIs saw marginal growth, mainly resulting from the scarcity of fund. The financial institutions suffered from lack of confidence of the depositors and lenders following some adverse developments in the sector. Higher provisioning requirements from rising classified loans have eroded the profitability of the sector to some extent.

In 2019, the financial sector including Union Capital Limited passed through horrible challenges. Lack of trust of depositors to deposit their money in the NBFIs sector, rising NPL rate, poor performance of Stock Market, high cost of deposit and withdrawal of funds by the Banks from NBFIs etc. were the noteworthy challenges, the industry faced during the year under review. The bearish state of the capital market that persisted throughout 2019 has further deteriorated profitability of NBFIs that have capital market operation. The fresh lending was almost halted for liquidity crisis. Average interest rate on NBFIs deposits jumped to double digit in Jan'19 & further increased 44bps to stand at 10.5% in Dec'19. Average difference between interest rate of NBFIs deposits and bank deposits was 4.9 percentage points in 2019. The average interest spread difference between banks & NBFIs has been 1.6 percentage points in the past two years, indicating poor profitability of NBFIs. Total loans & advances stood at BDT 647 billion, an increase by 1% on the year on year basis whereas year on year growth in previous period was 7.9 percent. The negative growth in loans and deposits during the year was mainly due to the tight liquidity condition which prevailed during the year 2019.

Due to an alarming increase in non-performing loans in 2019 proved to be an immensely difficult year for the overall financial sector of Bangladesh and in particular for UCL. Due to default in a few large client portfolios, UCL was required to build fresh provision of around BDT 503.06 million against such accounts, which had a significant adverse effect on our profitability in comparison with

the previous year. Due to withdrawal of huge fund by the depositors, we could not extend fresh finance facility to our clients. Moreover, owing to the aging of some large clients our provision against loans increased and resultantly, our profit from business took a big dent. But, our principle is to honor the encashment request of our depositors on demand. We have already paid Tk. 2,828.89 million to our depositors and banks as encashment of deposits. As the broad Index fell by a sharp 17.3% in 2019, our two subsidiaries, operating through the capital market, experienced adverse repercussions on its income during the year under review. For the first time, UCL has experienced huge financial loss since its commencement of business in the year 1998. We could not overcome the adverse situation in spite of our all concerted efforts. Suspension of interest income & keeping significant provision resulting from non-payment of loan utilized by our fully owned merchant banking subsidiary, loss of subsidiaries in capital market operation and increase in provision against non-performing loans contributed a lot for incurring loss for the year under review. We are putting all possible efforts to come out of the adverse situation.

The Management has significantly intensified its' efforts to recover the defaulted loan accounts. Additionally, the Board of Directors have laid down guidelines to the Management for (i) focusing on SME and retail loan portfolio; (ii) putting greater emphasis on asset quality; and (iii) adopting all conventional and non-conventional measures for recovery of bad loan and iv) to pay back the depositor's money on their demand.

Compared to government's GDP growth of 5.2% for FY-2020, World Bank projects the growth rate would drop to 1.6%, while IMF projects 2.0%. It is presumed a gloomy global and domestic outlook and vulnerability in the financial sector. Exchange rate appreciation is also a challenge for Bangladesh's trade competitiveness. RMG perhaps has been hit hardest owing to the pandemic as it already experienced wave of order cancellations by foreign buyers amounting to USD 3.2bn as reported. Trade tension between USA and China that had already caused slowdown in economic activities is likely to persist throughout CY20. In addition, Bangladeshi migrants would lose jobs owing to economic recessions in the host countries, in particular the Middle Eastern countries where lower crude oil price has already battered their economies. Private investment is predicted to drop to 12.7% of GDP in FY20 against initial projection of 24.2%. Investment-to-GDP ratio is projected to jump to 33.5% in FY21, which was revised down to 20.8% for FY20 budget.

I convey my sincere appreciation to my colleagues in the Board of Directors for their supervision, guidance and foresight which showed us right path and helped us in overcoming challenges that the our Company faced over the years. We are grateful to regulators especially

Bangladesh Bank for their constant support and prudent guidance all the way. I take this opportunity to thank our regulators, Bangladesh Bank, Bangladesh Securities and Exchange Commission and the 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 efforts to attend the Annual General Meeting in this pandemic situation. The suggestions, advice and constructive criticism offered by our shareholders at the general meeting have always proved to be immensely helpful. I eagerly look forward to receiving your thoughtful

inputs at this 22nd Annual General Meeting which will contribute towards UCL's improvement in the coming days.

With warm regards,

Sd/-

Chowdhury Tanzim Karim
Chairman

Letter from The Managing Director & CEO



“

Like previous years, recovery and regularization of classified and non-performing loans (NPLs) will remain the top priority. More emphasis will be given to ensure genuine recovery from rescheduled and default loans and recovery from written-off loans.

”

It is a pleasure for me to present the Annual Report of Union Capital Limited (UCL) for the year 2019 before you all. The upcoming Annual General Meeting is scheduled on 17 September 2020 where all the shareholders will jointly take core decisions that serve as the directions & guidance for all activities of the Company.

Before deeping into our own issues, let us take a look back to the year 2019 on macro-economic perspective. Bangladesh is making progress in various socio-economic indices and made a remarkable progress in GDP growth, harnessing inflation, industrial growth, per capita GDP growth and so on. Being one of the fastest growing economies of the world, Bangladesh economy registered a commendable growth of 8.15% in FY 2019 and is striding boldly to become a middle income country with GDP per capita reaching 1,909 USD. In 2019, foreign exchange reserve reached to \$32.69 billion compared to last year's \$32.02 billion. Exports increased by 10.1% to \$39.94 billion while imports grew by only 1.79% to \$55.44 billion. Remittance flow also

experienced significant growth in FY 2019 reaching \$16.42 billion while it was \$14.98 billion in FY 2018. Financial Sector of Bangladesh had to face some challenges in 2019 like rising non-performing loans (NPL), drop in private sector credit growth, upward trend of exchange rate against USD etc. The private sector credit growth stood at 10% compared with 13% in 2018. At present, NPL is the most critical factor for the stabilization of banking industry. In FY 19, private sector credit grew by 11.7% against the target of 16.5%. Government borrowing from the financial sector increased by 15% from the last financial year, largely owing to disappointing revenue mobilization. The weighted average lending rate of commercial banks decreased to 9.58% at the end of FY 19 from 9.95% in the previous year and deposit rate decreased to 5.43% from 5.50%. However, interest rate spread has decreased to 3.81% in FY19 from 4.45% in the previous year. Stock investors in Bangladesh witnessed a prolonged bearish trend from the very beginning of the year 2019. The market was affected by liquidity crisis, money market volatility, low participation of investors, tussle between BTRC & mobile telecom operators, liquidation of Peoples Leasing & Financial Services Ltd. (PLFSL), rising non-performing loans in the banking sector, different scams in non-banking financial sector and more net sell by foreign investors. The bearish state of the capital market that persisted throughout 2019 has further deteriorated profitability of NBFIs that have investment in capital market.

Financial sector continued to face liquidity pressure in FY19 despite the increase in the minimum Loan to Deposit Ratio by Bangladesh Bank which was intended to increase the cash flow to the economy to bring down the lending rate and stimulate private credit growth. The liquidity crunch in the banking sector had restricted NBFIs' borrowing activities in 2019. Most of the NBFIs depend on considerable amount of fund flow from the banks. This huge dependency on Bank borrowing & Bank deposits has landed the Sector into severe crisis as Banks are unwilling to extend further fund to NBFIs due to spillover effect of liquidity crisis prevailed in the market. The Classified loan of NBFIs stood at 10.40% as of September 2019, putting pressure on the bottom line of NBFIs. NBFIs' spread came down to 2.4% in the FY 2018-2019 mainly due to the increase in the cost of fund as a direct consequence of the liquidity crisis. NBFIs are currently suffering from the dent of customer confidence due to poor performance of some institutions. The growth of loan and advance was remain flat in the NBFIs sector. Average interest rate on NBFIs deposits jumped to double digit in Jan'19 and further increased to stand at 10.5% in Dec'19. The average interest spread difference between banks & NBFIs has been 1.6 percentage in the past two years, indicating poor profitability of NBFIs. Total loans & advances stood at BDT 647 billion, an increase by 1% on the year on year basis whereas year on year growth in previous period was 7.9 percent. The negative growth in loans and deposits was mainly due to the tight liquidity condition which prevailed throughout the year 2019.

UCL experienced negative growth for the first time in

the history of its operation. Consolidated Pre-tax loss was recorded at BDT 1,014.56 million for the year 2019, compared with Profit of BDT 184.99 million in the previous year. Union Capital Ltd. generates income from the Capital Market by its own Investment Department and its fully owned Subsidiaries (Unicap Securities Ltd and Unicap Investments Ltd.). However, the extent to which the major indices suffered in 2019 did surpass expectations of most market analysts. Our subsidiaries also incurred loss of BDT (68.96) million for the first time. UCL's operating income decreased to BDT (638.18) million in the year 2019 as compared to that of BDT 471.31 million of 2018. The decrease of operating income in the year 2019 was due to loss of Subsidiaries in capital market operation, higher provision requirement for NPL, shrinkage of income generating portfolio, increase in cost of fund etc. Due to suspension of interest income and keeping significant provision resulting from non-payment of the loan currently exposed with our merchant banking subsidiary contributed a lot for incurring loss for the year under review.

However, I must acknowledge that in the recent years, the Company has faced some headwinds. It is affected by the overall financial sector trend of asset quality deterioration due to slowdown in the overall corporate segment of the economy. There was also an increase in operational risks in recent couple of years. We are not yet out of the woods, but we are cautiously optimistic about the future. We need to learn from the mistakes of the past and ensure that they will never repeat again. We realize changing ourselves will be arduous and time consuming but we also strongly believe that we are ready for the battle ahead and have the team in place to overcome any odds. However, growth in disbursement volumes is expected to restrict further deterioration in incomes. We are continuing our focus on strong recovery from bad loans for sustainable sources of Income. We will accelerate our focus on long term public deposits for reducing dependency on bank borrowing strengthening our deposit mix. We would remain cautious in lending and will rebalance our portfolio to higher yield segments as a measure to keep our desired margin while the money market situation becomes favorable to us.

We may face some challenges in 2020 which are to be properly addressed and need to deal with due care. As projected by IMF, growth rate for Bangladesh stands at 2.0% for 2020. However, the economy is expected to bounce back to its trend growth rate in 2021 which is projected to be 9.5%. But that projection is entirely dependent on how soon Bangladesh is able to bring the pandemic under control. Lack of good governance in the banking and financial sector could impair its capacity to extend credit and support growth if the economy slows down. Global economic ramifications of the Covid-19 will adversely impact the previous growth projections for Bangladesh in 2020. As all major advanced economies are showing signs of recession, this will adversely affect Bangladesh through trade shocks and disruptions in supply chains. The Covid-19 crisis has caused increased economic vulnerability as reflected in rapid slowdown

in projected growth away from the trend. Two pillars of the Bangladesh economy, remittances sent by migrant workers and RMG exports will take inevitable hit. Already, there have been several large-scale order cancellations for RMG clients, many loans may go into default, which is very worrisome for the sector.

Keeping this adversary in mind, we are going to set the strategies and priorities to achieve our business target in 2020. In 2020, our top most challenges will be to attain quality asset portfolio, to reduce the amount of classified loans, to increase non-interest earning businesses and to reduce operating cost of our Company. Like previous years, recovery and regularization of classified and non-performing loans (NPLs) will remain the top priority. We will emphasize on regular monitoring of existing loan to restrain deterioration to overdue and SMA.

UCL is always committed to serve its customers well, increase efficiency of its employees and reward its shareholders. We have a good team of professionals who have been involved in the delivery of quality and value-added services to our customers. We are maintaining a compliance culture to eliminate deviations in regards to regulations of Bangladesh Bank, laws of the land and industry best practices to safeguard the interest

of the Company and its Shareholders. In recognition of quality of Annual Report, transparency, ethical practices, true compliance, good corporate governance and fair disclosures, Union Capital Limited received awards from ICSB and ICAB for several times. As always, I would like to thank our customers, the Ministry of Finance, Policy Makers, Bangladesh Bank, BSEC, DSE, CSE, RJSC, Banks, other regulatory authorities, the shareholders, print & electronics media, the Board of Directors and all fellow colleagues of Union Capital Limited as well the Subsidiaries for their valuable support, advice and guidance extended to us. Last but not the least, I would also like to express my sincerest gratitude to all the stakeholders who have been providing us constant and unfaltering support over the years.

Wishing you the best,

Sd/-

Chowdhury Manzoor Liaquat
Managing Director & CEO

MANAGEMENT REVIEW & FINANCIAL ANALYSIS

Outlines UCL's operations and financial condition

The Managing Director & CEO and the Chief Financial Officer have signed a statement which can be found on page 86 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 2019. This should be read in conjunction with our consolidated financial statements for the year ended 31 December 2019. Unless otherwise indicated, all amounts are stated in Bangladesh Taka and have been derived from financial statements prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) 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.

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 8 offices located in Dhaka, Chattogram, Sylhet, Gazipur, Narshingdi and Bogura. UCL is a publicly traded Company listed in both the Dhaka and Chattogram 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 2020

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

Caution regarding forward-looking statements

Our communications often include written or oral forward-looking statements. Statements of this type are included in this Annual Report, or in other communications are regarded as forward-looking statements. Forward-looking statements may involve, but not limited to, comments with respect to our objectives and priorities for 2020 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 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 132 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 especially liquidity crisis 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.

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 result from fraud, errors by employees, failure to document transaction properly, failure to comply with regulatory requirements and code of business conduct and inadequacy in design of policies, procedures 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 IAS/IFRS

We did not adopt any new significant accounting policies during the year 2019. The following standards, interpretations and amendments thereto will be relevant to UCL Group. The Group's initial view of the impact of these accounting changes is outlined below:

Pronouncement	Nature of change	Effective date	Impact
IFRS 16 Leases	The development of a new leases standard was originally a joint project between the IASB and FASB, and though they will not issue converged standards, both will bring leases on balance sheet for lessees. IFRS 16 removes the distinction between operating ("off balance sheet") and finance ("on balance sheet") leases for lessees. This will result in significant changes for lessees' financial statements, including: <ul style="list-style-type: none"> All leases being recorded on balance sheet (except, as an option, for low value and short-term leases) Increased disclosure about the entity's leasing activities including tables for the types of assets leased 	Annual periods beginning on or after 1 January 2019.	The Group is assessing the impact of adopting the amended.
IFRS 17 Insurance Contracts	IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries.	Financial periods beginning on or after 1 January 2021	The Group is assessing the impact of adopting the amended.

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 2019 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 2019, 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 IAS/IFRS 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 IAS/IFRS 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 2019.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting in 2019 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 IASs/IFRSs did not change the Company's internal control over financial reporting.

Auditors services and fees

The external auditors of UCL, K. M. Hasan & 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. 2,00,000 net of VAT for their audit of Union Capital Limited.

2019 Financial performance and financial condition review

Challenges faced in 2019

- Liquidity crisis
- Volatile capital market;
- Lack of confidence of investors;
- Increased competition;
- Raising in interest rates environment;
- Maintenance of asset quality;
- Increased cost of fund;
- Higher corporate tax rate.

Major Financial indicators of 2019

Major performance indicators in 2019 were as under:

- Investment of the Group decreased to Tk. 14,932.89 million from Tk. 16,935.59 million registering negative growth of (11.83) percent due to liquidity crunch in 2019;
- Consolidated net profit/ (loss) for the year was Tk. (1,057.39) million as against profit of Tk. 92.39 million of 2018 due to not account for income from UniCap Investments Limited, classification of previous year's income by the Bangladesh Bank for the same;
- Customers deposits was amounting to Tk. 9,914.10 million in 2019 and Tk. 12,729.21 million of 2018 registering 22.12% negative growth;
- Shareholders' equity was Tk. 1,243.94 million in 2019 and 2,301.32 million in 2018;
- Total operating income was Tk. (514.69) million as against Tk. 728.46 million of 2018;
- A consolidated Earnings Per Share was Tk. (6.13) as against Tk.0.54 of 2018.

Operating performance Review

Summary of Profit and Loss Account

(Figures in million Taka)

For the year ended 31 December	2019	2018	% of increase/ (decrease)
Revenue from loans, advances and leases	1,611.63	2,119.80	(23.98)
Revenue from Capital Market activities	(76.93)	136.44	(156.38)
Fee based income	129.98	206.48	(37.06)
Other operating income	55.05	26.17	110.37
Total revenue	1,719.72	2,488.9	(30.91)
Financial expenses	2,234.42	1,760.43	26.93
Management expenses	386.22	393.75	(1.92)
Provision for doubtful losses & investments	113.66	149.72	(24.09)
Total expenses	2,734.28	2,303.91	18.69
Profit before tax	(1,014.56)	184.99	(648.44)
Provision for taxation	42.83	92.6	(53.76)
Net profit after tax	(1,057.39)	92.39	(1,244.46)

Revenue from loans, advances and leases

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

(Figures in million Taka)

For the year ended 31 December	2019		2018	
	Amount	%	Amount	%
Income from lease finance	165.05	10.25	183.46	8.66
Income from term finance	613.22	38.05	913.51	43.09
Income from SME finance	88.07	5.47	173.22	8.17
Income from margin loan	620.38	38.5	647.49	30.54
Interest on bank deposits	123.64	7.68	200.86	9.48
Income from others	1.29	0.08	1.26	0.06
Total	1,611.63	100.00	2,119.80	100.00

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 93.71 percent of total revenue earned by the Company during 2019 (2018: 85.17 percent).

Total Operating Expenses

Figure in million Taka

For the year ended 31 December	2019	2018	% of increase/ (decrease)
Financial expenses	2,234.42	1,760.43	26.93
Management expenses	386.22	393.75	(1.92)
Provision for doubtful losses	113.66	149.72	(24.09)
Total expenses	2,734.28	2,303.91	18.69

Financial expenses

In 2019 financial expenses increased by 26.93 percent due to change of interest rates. 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 consisted of 81.72 percent of total expenses (2018: 76.44 percent). In 2019 financial expenses was 129.93 percent of total revenue (2018: 70.73 percent).

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 decreased by 1.92 percent to Tk. 386.22 million in 2019 (2018: Tk. 393.75 million). During 2019, management expense was 22.46 percent of total revenue as against 15.82 percent in 2018.

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. 113.65 million has been provided compared to Tk. 149.72 million in 2018.

Financial Condition Review

(Figures in million Taka except percentage)

Assets and Investments	2019	2018	% of increase/ (decrease)
Loans, advances and leases	13,983.69	15,504.10	(9.81)
Investment in securities	949.20	1,431.49	(33.70)
Fixed assets	457.79	40.22	1038.31
Cash & cash equivalent	1,624.25	3,377.76	(51.92)
Other assets	2,623.16	2,770.11	(5.31)
Total assets and investments	19,638.08	23,123.68	(15.08)

Shareholders' equity and liabilities	2019	2018	% of increase/ (decrease)
Shareholders' equity	1,243.94	2,301.32	(45.95)
Deposits	9,914.10	12,729.21	(22.12)
Borrowings from banks and NBFIs	4,133.72	4,700.96	(12.07)
Provisions and others liabilities	4,346.33	3,392.20	28.13
Total shareholders' equity & liabilities	19,638.08	23,123.68	(15.08)

Loans, advances and leases

Total outstanding balance of loans, advances and leases as at 31 December 2019 was Tk. 13,983.69 million against Tk. 15,504.10 million in 2018.

Outstanding balance of loans, advances and leases as on 31 December 2019 and 2018 was as under:

(Figures in million Taka except percentage)

Particulars	2019		2018	
	Amount	%	Amount	%
Lease finance	1,489.82	10.65	1,785.39	11.51
Term finance	6,008.38	42.97	7,051.21	45.48
Margin loan	6,434.86	46.02	6,627.41	42.75
Other finance	50.63	0.36	40.10	0.26
Total	13,983.69	100.00	15,504.10	100.00

In 2019, our total loans, advances and leases decreased by 9.81 percent compared to 2018 mainly due to decrease in term finance and lease finance. In 2019 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 loan/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. 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:

Loans, deposits & investments:

(Figure in million Taka)

Particulars	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Balance with banks and other financial institutions	295.28	422.73	484.10	-	-	1,202.12
Investments in shares	5.4	11.70	9.57	-	-	26.67
Loans, advances and leases	167.00	354.00	3,457.30	8,328.45	531.31	12,838.06
Total	467.68	788.43	3,950.97	8,328.45	531.31	14,066.85

Maturity table of borrowings and other liabilities are given below:

(Figure in million Taka)

Particulars	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Borrowings from banks and financial institutions	305.97	522.50	1,515.51	1118.42	-	3,462.39
Term Deposits	114.63	268.92	2,955.88	6,408.83	13.25	9,761.51
Other Deposits	2.87	6.08	59.39	143.06	2.7	214.13
Total	423.47	797.50	4,530.77	7,670.32	15.98	13,438.03

Investment in shares

Union Capital Limited invested in diversified listed securities with highest investment in manufacturing and other companies representing 100 percent of total investment. The market value of the securities at 31 December 2019 was Tk. 26.48 million. The following table shows the concentration of investment in major sectors of listed securities as at 31 December 2019 and 2018:

(Figure in million Taka except percentage)

Particulars	2019		2018	
	Amount	%	Amount	%
Bank companies	-	-	163.29	35.46
Insurance companies	-	-	-	-
Fuel and power	-	-	79.78	17.32
Manufacturing companies and others	26.67	100	217.43	47.22
Total	26.67	100	460.50	100

Performance of Capital Market

In 2019, DSE Broad Index DSEX decreased 18.52%. Over 2018, the DSEX decreased 1012.32 points, closed at 4452.93. DSEX reached its highest at 5950.01 on 24 January 2019. 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 2049 on 24 January 2019 while the lowest level of DS30 was recorded at 1494.54 on 23 December 2019 and the yearend closing was 1513.34.

NBFI sector also followed the overall market as evidenced by its around 5.09 percent share in total capitalization. Market price of Union Capital Limited started its journey on January 01, 2019 with the price of Tk. 12.70 in DSE and closed at Tk. 6.30 on 30 December 2019. The highest price was recorded at Tk. 16.70 on 27 January 2019 and the lowest was Tk. 5.90 on 13 November 2019.

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

(Figure in million Taka except percentage)

Particulars	2016	2017	2018	2019	Change % (2018 Vs 2019)
Total Trading Days	241	248	242	237	(2.07)
Total Turnover value (BDT in Billion)	1,191.57	2169.60	1,333.64	1,138.40	(14.64)
Daily Average Turnover value (BDT million)	4,944.28	8,748.38	5,510.90	4803.39	(12.84)
Market Capitalization (BDT in Billion)	3,412.44	4218.75	3869.70	3394.08	(12.29)
Total Number of Listed Securities	560	569	578	587	1.56
Total Newly Listed Securities	7	9	9	9	-

Non-performing loans, advances & leases (NPL)

Loans, advances & leases are classified as non-performing when it is marked as substandard category or worse even if there exists no reasonable doubt 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 loans/leases of Union Capital Limited as of 31 December 2019 and 2018 were as follows:

(Figure in million Taka except percentage)

Particulars	2019			2018		
	Outstanding	NPL	NPL %	Outstanding	NPL	NPL %
Loan/Lease finance	11,798.88	1,672.32	13.03	12,505.96	1,117.03	8.02
SME finance	1,021.31	505.67	3.94	1,391.78	231.14	1.66
Other finance	17.87	-	-	24.68	-	-
Total	12,838.06	2,177.99	16.97	13,922.42	1,348.17	9.68

Rate of non-performing loans, advances and leases was 16.97 percent in 2019 as against 9.68 percent of 2018. Adequate provision has been made against the classified loan accounts as per Bangladesh Bank guidelines and permission from Bangladesh Bank. UCL's recovery policy is in place and there has been a rigorous monitoring process to recover from 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 in 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 of Union Capital Limited as of 31 December 2019 and 2018:

(Figure in million Taka)

Particulars	2019					2018				
	Provision for NPL	Interest suspense	Total	NPL	% of coverage	Provision for NPL	Interest suspense	Total	NPL	% of Coverage
Lease finance	110.27	83.30	193.57	537.98	35.98	122.68	95.20	217.88	507.15	42.96
Term finance	163.20	147.94	311.14	1640.01	18.97	133.76	89.62	223.37	841.02	26.56
Real estate finance	-	-	-	-	-	-	-	-	-	-
Margin loan	-	-	-	-	-	-	-	-	-	-
Loan against deposit	-	-	-	-	-	-	-	-	-	-
Total	273.47	231.24	504.71	2,177.99	23.17	256.43	184.82	441.25	1,348.17	32.73

Union Capital Limited has maintained total provision of Tk. 464.20 million against loans, advances and leases as of 31 December 2019 compared to Tk. 405.43 million of last year. Provision against classified loan has increased by 6.64 percent compared to 2018. 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 2019 coverage was 23.17 percent compared to 32.73 percent of 2018. We believe that 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 loans/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 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.

2019 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. 19,762.57 million at 31 December 2019, whereas Tk. 21,790 million in 2018. The table below provides a breakdown of our RWA by risk type.

Risk-Weighted Assets (Consolidated)

(Figure in million Taka)

As at 31 December	2019	2018
Credit risk	17,801.98	18,355.79
Market risk	1,164.67	2,139.10
Operational risk	795.92	1,295.11
Total RWA	19,762.57	21,790.00

Basel II Regulatory Capital (Consolidated)

(Figure in million Taka)

As at 31 December	2019	2018
Tier 1 Capital	1,243.94	2,301.32
Tier 2 Capital	322.52	429.45
Total regulatory capital	1,566.46	2,730.77

The above table details the components of regulatory capital. Tier 1 capital is primarily comprised of paid up share capital, reserves and surplus. Our shareholders' equity and Tier 1 capital were Tk. 1,243.94 million as at 31 December 2019.

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. UCL does not have any subordinated debt. Total regulatory capital as of 31 December 2019 was Tk. 1,566.46 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.

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:

As at 31 December	2019	2018
Tier 1 Capital Ratio	6.29	10.56
Tier 2 Capital Ratio	1.63	1.97
Total Capital Ratio	7.93	12.53

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 793 percent against the minimum capital adequacy ratio of 10 percent as per Bangladesh Bank guidelines. Therefore, the Company has shortfall capital of 2.07 percent over the minimum rate of regulatory capital as per Basel II accord.

Borrowings from banks and financial institutions

Total outstanding loan from banks and other financial institutions as at 31 December 2019 was Tk. 4,133.72 million compared to Tk. 4,700.96 million in 2018. Interest on bank loans is paid on monthly/quarterly basis as per terms of loan arrangements. During the year 2019, a total loan of Tk. 198.66 million was taken from the banks and financial institutions and Tk. 608.23 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 2019 UCL received loan of Tk. 129.70 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 that reason, we need to borrow a large portion of our fund from banking sources which is of course a costlier source of fund and new banks facilities were almost stopped in 2019. During the year 2019, an amount of Tk. 3,899.36 million has been received/renewed as term deposits from various sources which was Tk. 6,423.69 million in 2018. As at 31 December 2019, total outstanding amount of term deposit was Tk. 9,761.51 million compared to Tk. 12,375.211 million in 2018. Interest on deposits and borrowings amounting to Tk. 1,658.47 million was paid during the year 2019 as against Tk. 1,654.88 million in 2018. 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 36 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 negative net cash flow from its operating activities during the year 2019. Net cash outflows from operating activities was Tk. 850.49 million due to a significant amount of payment to depositors.

Cash flow from investing activities

Net cash used in investing activities were Tk. 12.65 million mainly due to purchase of property, plant & equipment and purchase of securities. During the year, a total amount of Tk. 649.48 million (2018:Tk. 578.50 million) has been invested for purchase of listed securities while total sale of securities was Tk. 1,015.54 million (2018:Tk. 922.58 million). Moreover, UCL invested Tk. 387.94 million in acquisition of fixed assets.

Cash flow from financing activities

Net cash used in financing activities shows a net cash outflow that means the money borrowed from banks and financial institutions was less than the money repaid to banks and financial institutions. During the year a total amount Tk. 354.36 million was borrowed as fresh loans from banks and financial institutions while an amount of Tk. 1,244.73 million was repaid to banks and financial institutions.

Specific Risk and its Management

Compliance risk

Regulatory risk

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

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 limit as has been set by the Sectoral Investment Policy approved by the Board and regulatory requirements.

Responsibility

Business Units, Chief Risk Officer and Credit Risk Management Department.

Market and liquidity risk

Interest rate risk

Impact on business

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

Mitigation measures

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

Investment risk

Impact on business

Could lead to diminution in the value of investments.

Mitigation measures

- Significant investments are approved by the Board and all others by the Board Executive Committee and the 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.

Mitigation measures

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

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.

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.

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:

Schedule of Bangladesh Bank Reporting

Reporting Type	Frequency
Statement of shareholding information	Quarterly
Statement of lease/loan rescheduling	Monthly
Statement of lease/loan write off	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
Schedule of fees/charges/commission	Half-yearly
Inter-bank transaction matrix	Monthly
Statement of corporate social responsibility	Half-yearly
Classification of leases & loans (FICL)	Quarterly
Sector wise investment	Quarterly
Capital adequacy & market disciplines (BASEL III)	Quarterly
Stress testing Report	Quarterly
Minutes of board/committee meetings	5 working days
Statement of cash reserve requirement	Monthly
Statement of statutory liquidity reserve	Monthly
Statement of lending/deposit rate	Quarterly
Liquidity profile	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	Quarterly
Cash Transaction Report (CTR)	Monthly
Suspicious Transaction Report (STR)	Monthly
Diagnostic Review Report (DRR)	Yearly
Statement of NBFI-II & NBFI-III	Quarterly

Reporting to BSEC

Shareholding position	Monthly
Quarterly financial statements	Quarterly
Half-yearly report	Half-yearly
Annual report	Annually
Changes in the position of BOD/MD/CS/CFO	When occurred

Dhaka & Chittagong Stock Exchange

Shareholding position	Monthly
Statement of free float shareholding	Monthly
Quarterly financial statements	Quarterly
Half-yearly report	Half-yearly
Annual report	Annually
Changes in the position of BOD/MD/CS/CFO	When occurred

Recent legislations

During the year 2019, Bangladesh Bank has issued certain circulars/guidelines which inter alia include as under:

- Bangladesh Bank issued a new circular regarding call money limit of NBFIs (i.e. 40% of equity) and the previous one was replaced by this new circular.
- Bangladesh Bank issued a new circular for all NBFIs regarding write off of clients and the previous one was replaced by this new circular.
- Bangladesh Bank issued a new circular whereby NBFIs are required to take prior approval from Bangladesh Bank in case of renewal of office rent more than two years @10% and more than 3 years @15%.

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

- BSEC issued a circular regarding not to use same NID, mobile number and bank account in different BO accounts.
- A new Gazette has been published regarding the lock in period and the provision of lock in period shall be counted from the first trading day in the stock exchange instead of the date of issuance of prospectus.
- A new Gazette has been published in 1 August 2019 by imposing conditions on utilization of IPO fund raised and right issue.
- BSEC issued an order wherein re-investment system of dividend has been cancelled for mutual fund and only cash dividend is allowed to declare.
- BSEC issued an order restricting any provident fund of private institution not to be a sponsor of any mutual fund.

Competition

UCL faces intense competition in all the markets where it operates. Its principal competitors are the others non-bank 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 Twenty Two Annual General Meeting will be held on 17 September 2020. 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 301 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 twenty two 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 2019 was 136. Management considers that the relation amongst its employees is satisfactory. The list of senior executives of UCL as on 31 December 2019 is given below:

Name	Age	With UCL	Present Position
Chowdhury Manzoor Liaquat	53	February-18	Managing Director & CEO
Tauhidul Ashraf FCS	41	August-13	EVP & Company Secretary
A. N. M. Golam Shabbir	49	December-98	Executive Vice President
Fazle Karim Murad	46	June-00	Senior Vice President
Abul Kalam Azad	45	April-19	Senior Vice President
Selim Khan Hindol	46	July-16	Vice President
Shaheen Mohammad Qumrul Hasan	46	April-17	Vice President
Tareq Ahmed Salah Uddin Khan	44	May-17	Vice President
Syed Arefeen Jubyed	37	August-18	Vice President
Mohammed Ibrahim	44	October-18	Vice President
Muhammad Salah Uddin	40	August-16	Vice President
Khandaker Muhammad Forhad Abedin	41	August-16	Vice President
Muhammad Shohidur Rahman	42	March-16	Assistant Vice President
Mahbub Alam	42	October-16	Assistant Vice President
Fahim Ahasan Choudhury	33	March-18	Assistant Vice President
Mohammad Balayet Hossain	38	May-10	Assistant Vice President
Md. Shariful Alam	35	March-16	Assistant Vice President
Md. Rakibul Islam	57	August-10	Assistant Vice President

Name	Age	With UCL	Present Position
Md. Moinul Islam Bhuiyan	39	November-06	Senior Manager
Asif Raihan Chowdhury	34	January-14	Senior Manager
Deenesh Kumar Raha	37	December-13	Senior Manager
Mohammed Zakir Hossain	41	November-02	Senior Manager
Sk. Md. Rezwanul Haque	35	Aug-13	Senior Manager
A. B. M. Qamrul Hasan	41	May-17	Senior Manager
Md. Zahidul Islam	35	August-19	Senior Manager
Mohammad Jahangir Alam Khan	42	February-11	Manager
Md. Abdul Bashed	43	March-11	Manager
S. M. Mehedi Hasan	32	February-10	Manager
Mohammad Salah Uddin Pallab	38	October-16	Manager
A. K. M. Sazzad Hossain	36	April-16	Manager

Operational Hub

The head office of UCL is located at bti Landmark (Level-8), plot-16, Gulshan Avenue, Gulshan-1, Dhaka-1212. We provide financial services from our 8 offices located in Dhaka, Chattogram, Sylhet, Gazipur, Narsingdi and Bogura. 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 2019:

Fig. in Taka

Quarter	High	Low
Q1_19	16.7	12.0
Q2_19	12.9	10.8
Q3_19	10.8	7.2
Q4_19	8.2	5.9

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.

As per the latest reports of NBFIs published by Finance Ministry which were prepared on the basis of data of 31 December 2018, UCL's market share in the industry was 2.08 percent (14th position). We have prepared the analysis by compiling data of 34 Non-bank Financial Institutions working in Bangladesh. As on 31 December 2017 market share of UCL, out of the same 26 Non-bank Financial Institutions, stands at 3.21 percent (9th position).

UCL/Industry	Market share (31-Dec-18)	Market share (31-Dec-17)	Market share (31-Dec-16)	Market share (30-Sep-16)	Market share (30-Sep-15)	Market share (30-Sep-14)	Position (31-Dec-18)
UCL	2.08	3.21	3.48	3.76	4.05	4.79	14 th
Others	97.92	96.79	96.52	96.23	95.95	95.21	
Total	100.00	100.00	100.00	100.00	100.00	100.00	

Union Capital Limited

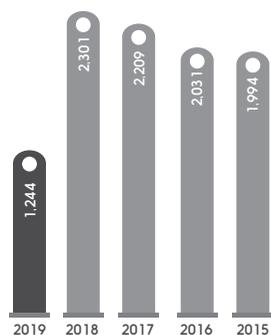
FIVE YEAR FINANCIAL SUMMARY

(BDT in million except ratios and per share data)

OPERATING PERFORMANCE

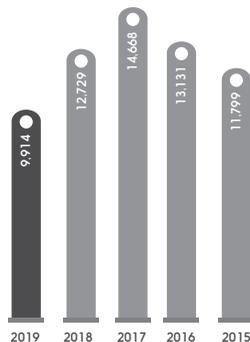
PARTICULARS	2019	2018	2017	2016	2015
Operating revenue	1,719.72	2,488.90	2,456.63	2,288.81	2,145.60
Operating profit	(514.69)	728.46	827.93	943.02	754.25
Profit before tax	(1,014.56)	184.99	280.89	440.40	437.17
Net profit after tax	(1,057.39)	92.39	177.90	205.40	186.75
Earnings per share (EPS)	(6.13)	0.56	1.14	1.44	1.40
STATEMENT OF FINANCIAL POSITION					
Current assets	7,764.38	8,455.59	9,110.88	6,697.30	6,342.61
Total assets	19,638.08	23,123.68	26,069.62	22,950.79	20,265.73
Property, plant and equipment	457.78	40.22	51.17	35.78	29.25
Net current assets	253.80	345.97	858.83	538.19	149.34
Long term liabilities	10,451.87	11,047.79	13,232.05	12,405.34	10,463.26
Current liabilities	7,510.58	8,109.62	8,252.05	6,159.11	6,193.27
Total liabilities	18,394.14	20,822.36	23,860.69	20,919.76	17,771.81
Shareholders' fund	1,243.94	2,301.32	2,208.93	2,031.03	1,993.93
Capital employed	12,127.50	15,014.06	17,817.57	16,791.68	14,072.46
PROFITABILITY AND OTHER FINANCIAL RATIOS					
Gross operating margin ratio (%)	(31.94)	34.36	43.06	48.53	37.21
Earning before interest, depreciation and tax	1,239.74	1,967.14	1,926.59	1,798.54	1,839.60
Price earnings ratio (Times)	(1.03)	22.06	17.69	14.20	10.33
Current ratio (Times)	1.03	1.04	1.10	1.09	1.02
Return on capital employed (%)	(59.65)	4.10	8.19	9.95	10.89
Debt/Equity (Times)	1.21	1.05	1.44	1.09	0.80
Financial expense coverage (Times)	0.77	1.41	1.51	1.70	1.54
Net profit margin (%)	(61.49)	3.71	7.24	8.97	8.70
Rate of dividend (%)	-	5.00	5.00	10.00	12.00
Operating expense to operating revenue (%)	(61.49)	3.71	7.24	8.97	8.70
BUSINESS RATIOS					
Statutory liquidity reserve ratio (%)	26.45	42.20	29.17	13.39	7.62
Cash reserve ratio (%)	3.63	2.62	3.07	2.55	2.52
Net interest income as a % of working funds	(4.45)	2.32	1.65	3.49	4.06
Cost/Income ratio (%)	(75.04)	54.05	45.52	26.36	28.03
Return on average assets (%)	(4.95)	0.38	0.73	0.95	0.97
Net asset value per share	7.21	14.00	14.11	14.99	14.99
Profit per employee	(4.60)	0.34	0.71	1.03	1.09
Capital adequacy ratio (%)	7.93	12.53	11.34	11.83	13.34
Operating profit as a percentage of working funds	(3.68)	4.70	4.64	5.51	4.82
Dividend cover ratio (Times)	(6.13)	0.56	1.14	1.44	1.40
Non-Performing Loans to Total Loans (%)	16.97	9.68	8.73	8.44	7.78
EQUITY STATISTICS					
Authorized capital	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Paid up share capital	1,725.74	1,643.56	1,565.30	1,423.00	1,329.90
Number of shares	172.57	164.36	156.53	142.30	132.99
Shareholders' equity	1,243.94	2,301.32	2,208.93	2,031.03	1,993.93
Year end market price	6.30	12.40	20.10	20.50	14.50
Market capitalization	1,087.22	2,038.01	3,146.24	2,917.14	1,928.36
Market value addition	(156.72)	(263.31)	937.31	886.11	(65.57)

Graphical data of BUSINESS PERFORMANCE



Shareholder Fund

Shareholders' fund has been Decreased by 45.94 percent due to maintain provision against receivable from UniCap Investments Ltd. (UIL) and suspending income of UIL in current year.



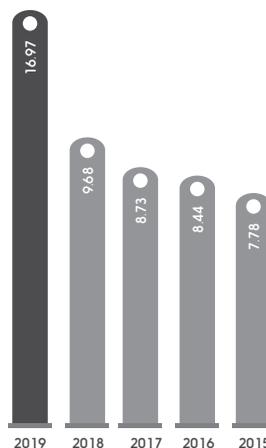
Deposits

Amount of deposit is Tk. 9,914 million in 2019 compared to Tk. 12,729 million in 2018 registering negative growth of 22.11% due to settlement of Bank deposits as well as individual deposits and slowdown of deposit mobilization during 2019.



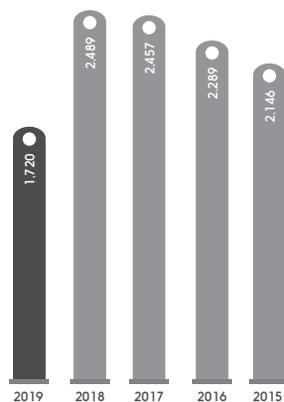
Investments

In 2019, investment was Tk. 14,933 million as against Tk. 16,936 million of 2018 registering a negative growth of 11.83 percent due to lack of fresh investment in 2019 as well as significant number of pre-settlement of loan/leases clients.



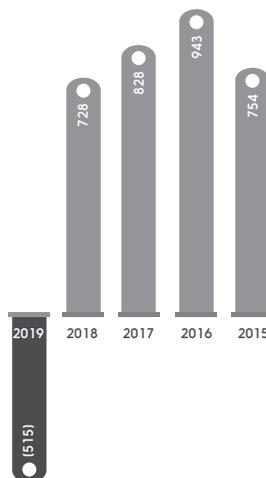
NPL

UCL maintained the NPL rate at 16.97 percent which was significantly higher than 2018. Moreover, the down gradation of few loan/lease accounts on the basis of qualitative judgement has impacted on such increase.



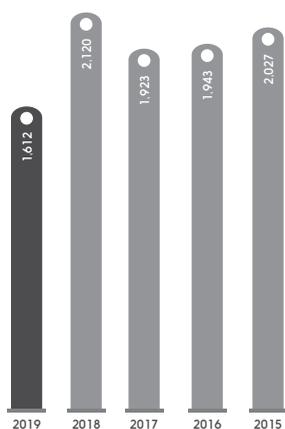
Operating revenue

In 2019 operating revenue has been decreased by 30.90 percent to Tk. 1,720 million from Tk. 2,489 million of 2018. This is a result of keeping significant amount of provision against receivable of UIL as well as suspending income from UIL in 2019.



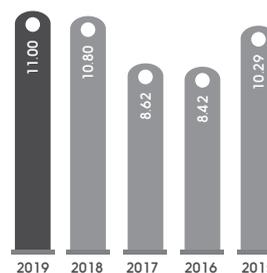
Operating profit

In 2019, operating income has been significantly reduced by more than 170 percent to Tk. (515) million from Tk. 728 million of 2018 due to decrease of commission income from securities trading and suspending interest income from UIL and reduction of clients.



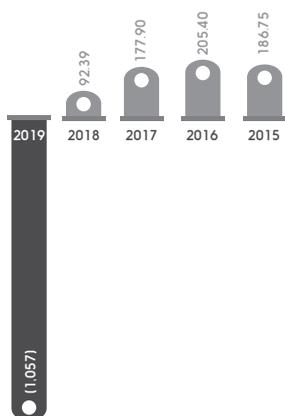
Interest income

In 2019, interest income decreased by 23.96 percent to Tk 1,612 million from 2,120 million of 2018 due to decreasing loans, leases portfolio and suspending interest income of UIL in 2019.



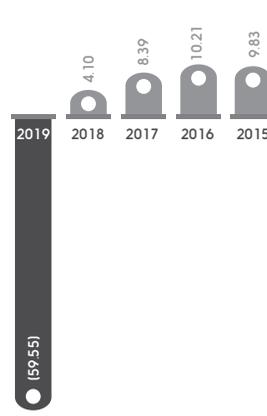
Cost of fund

Cost of fund has been increased by 1.85 percent mainly for over all money market rate move to upward trend.



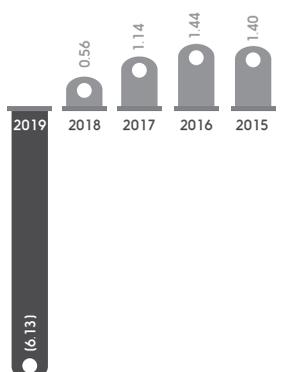
Net profit

In 2019, net profit has been reduced to negative 1057 million from 92.39 million in 2018 due to increase operating expenses as well as suspending interest income of UIL in 2019.



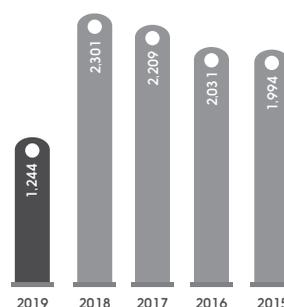
Return on shareholder fund

Our return on equity has been decreased by 1,555.97 percent due to maintain excess provision against default loan, increased operating expenses as well as reduced commission income from securities trading and suspending interest income of UIL in 2019.



Earnings per share

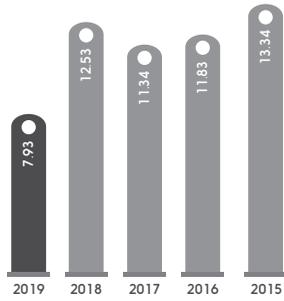
Our EPS has been decreased by more than 1,190 percent due to maintain provision for down graded loan/leases, increase operating expenses as well as reduction of commission income and suspending interest income from UIL in 2019.



Net assets growth

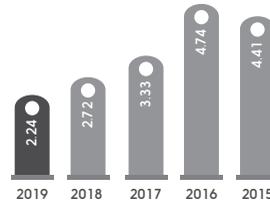
Net assets has been decreased by 45.95 percent due to earning profit decreased by Tk. 1,057.39 million in current year.

Capital adequacy ratio

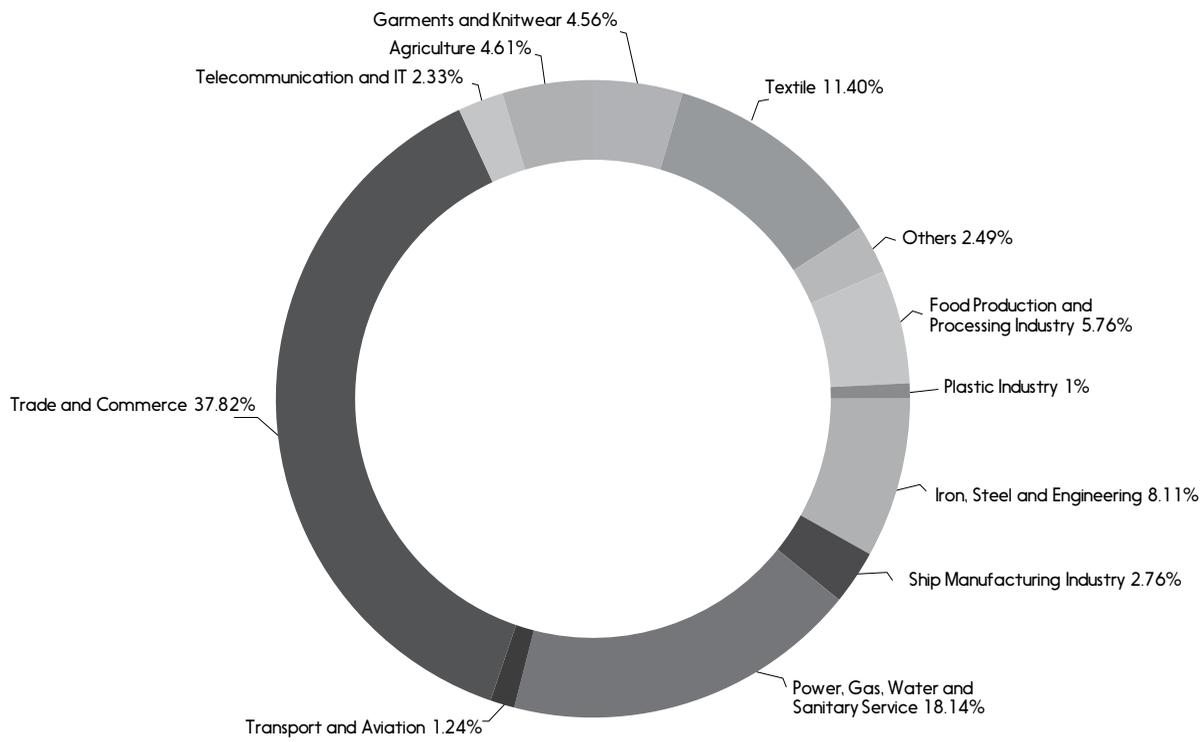


Capital adequacy ratio has decreased to 7.93 percent in 2019 from 12.53 percent of 2018 as against regulatory requirement of 10 percent. This is the result of increment of the risk weighted assets as well as the decreased of regulatory capital.

Operating profit per employee



Operating profit per employee has decreased by more than 18 percent compared to last year due to decreasing operating income in 2019.



Sector wise classification-2019

Business Review

2019 SOCIAL INDICATORS

Staffing level	2019	2018
Management Cadre	51	45
Non Management Cadre	60	83
Support Staff	25	28

Total Work force	2019	2018
Male	121	132
Female	15	24

Average age of employees

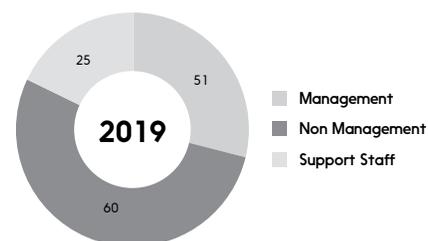
Management Cadre	22.45	26.20
Non-management Cadre	39.64	31.90
Support Staff	25.89	26.60

Change in Staffing level

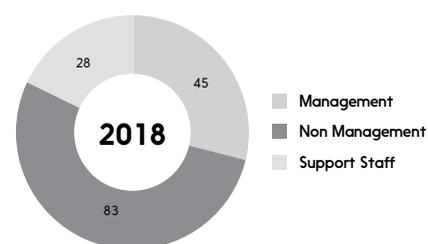
Total employee at beginning	156	149
Recruitment during year	21	45
Departures (retirement/resignation)	41	38
Changes during the year	136	156

Training

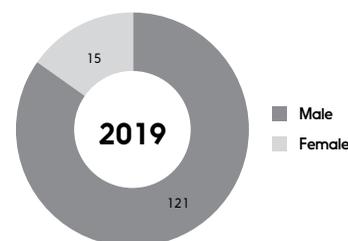
Average number of days in training per employee	0.43	0.57
% of employees who participated in at least one	100	100
No. of employees who participated in at least one training program during the year	111	128
No. of training programs participated by employees during the year	24	26



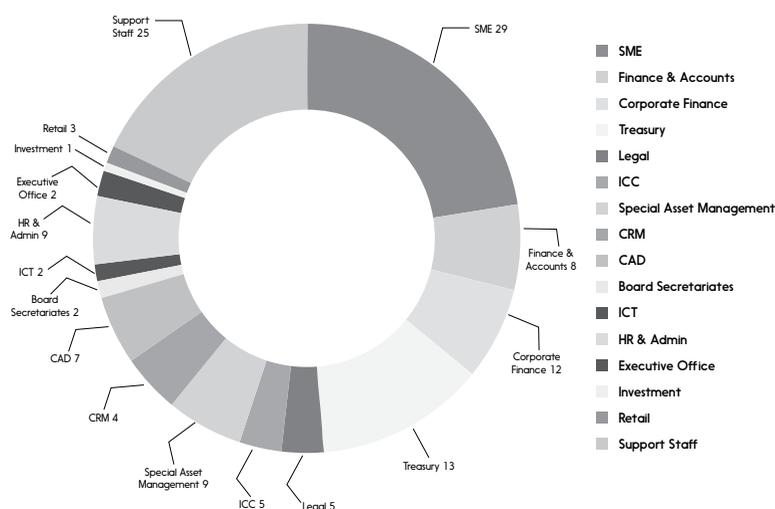
Total work force (in number)



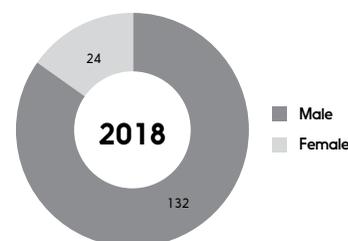
Total work force (in number)



Gender wise employee (in number)



Department wise employee (in number)



Gender wise employee (in number)

AWARDS & RECOGNITIONS

Union Capital Limited has received many awards in last couple of years. Winning such exciting awards has always been very prestigious. It is a testament to the quality of our report, transparency, compliance, good governance practices in our operations and adequate, timely & fair disclosure to the stakeholders. We dedicate these triumphs to our customers, depositors, shareholders, regulators and other stakeholders.



Second Prize (Jointly)
Financial Services Sector
Union Capital Limited
Presented by: ICAB
30 November, 2014

Awards & Recognitions



2020 KEY PRIORITIES

Outlines important actions for achieving strategic goals

At the beginning of the year 2020, 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 2020. 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

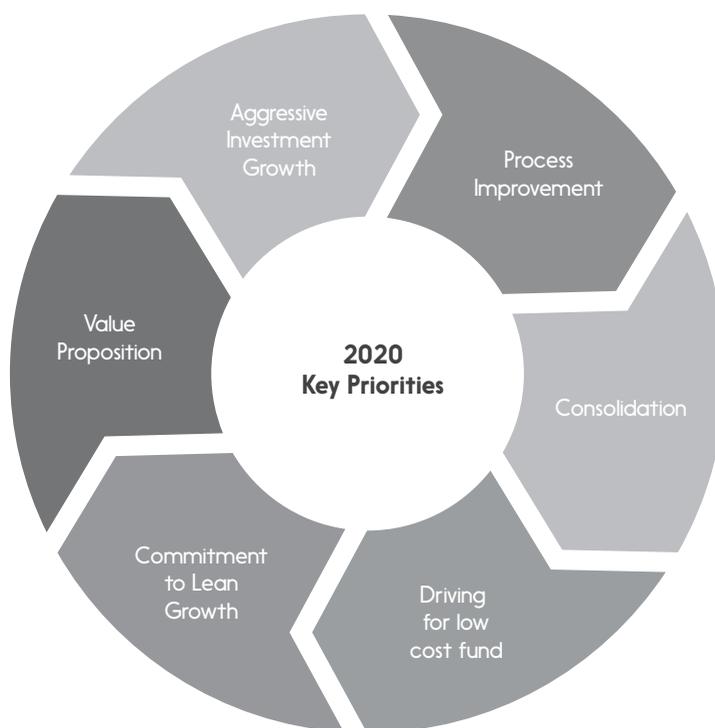
Improving our investment by creating quality investment portfolio with the customers having good repayment track record in key sectors of the economy as well as leveraging the opportunities linked to SME financing.

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.



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 Board Charter.



CHOWDHURY TANZIM KARIM

Chairman

(Nominated by EC Securities Ltd.)

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.

First appointment to the Board 25 April 2011

Born in May 1985

Nationality Bangladeshi

Committee Membership

Nil

External Appointment

Chairman, UniCap Securities Limited

Chairman, UniCap Investments Limited



M. FAIZUR RAHMAN *

Director

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 liberation 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.

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 Ltd.

Director, UniCap Securities Limited

** Mr. M. Faizur Rahman died on 28 June 2020.*



WAQAR AHMAD CHOUDHURY

Director

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 did his 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.

First appointment to the Board 21 October 2015

Born in April 1966

Nationality Bangladeshi

Committee Membership

Chairman, Executive Committee

External Appointment

Director, Vanguard Asset Management Limited
 Director, WAC Equity Management Limited
 Director, Rancom Trading Private Limited



NADEEM A. CHAUDHURY

Director

(Nominated by Enrilco Limited)

Mr. Nadeem A. Chaudhury is representing Enrilco Limited in the Board of Union Capital Limited. Mr. Chaudhury holds a Bachelor of Professional Science degree in Construction Management and Civil Engineering from Pratt Institute, New York, USA. He is also an MBA. He has been involved in the Infrastructure Development business internationally for over 22 years. He is also a 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.

First appointment to the Board 22 November 2001

Born in May 1965

Nationality Bangladeshi

Committee Membership

Audit Committee

Executive Committee

External Appointment

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



MEHERUNNESA HAQUE

Director

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, garments accessories and finance. She was a Director of Prime Bank Ltd. Mrs. Haque has travelled 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.

First appointment to the Board 26 June 2004

Born in December 1954

Nationality Bangladeshi

Committee Membership

Nil

External Appointment

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



SABITA REZWANA RAHMAN

Director

Sabita Rezwana Rahman, a Professor in the Department of Microbiology of Dhaka University, did her PhD from United Kingdom and M.Sc. in Microbiology from Dhaka University. She got elected for the position of Joint Secretary of Dhaka University Teachers Association in 2012, Member of Dhaka University Teachers Association in 2013-16 and Senate Member of Dhaka University in 2013-16. She was also involved in the political affiliation as a Convenor of Blue Panel in the Faculty of Biological Sciences of Dhaka University during 2010-12 and as a Joint Convenor of Blue Panel in the Faculty of Biological Sciences of Dhaka University during 2008-12. She got international gold medal on Champions of the Champions in 2010 for outstanding research amongst young scientists and also awarded gold medal by Third World Academy of Sciences in Italy for outstanding research performance in 2009. She got international award on Commonwealth Scholarship for PhD degree in the United Kingdom by Commonwealth Scholarship Commission in London, Govt. Merit Scholarship in Microbiology and Dean's Award in BAS-Third World Academy of Sciences. She has 58 original scientific papers Peer Reviewed publication.

First appointment to the Board 22 May 2006

Born in July 1970

Nationality Bangladeshi

Committee Membership

Audit Committee

Executive Committee

External Appointment

Nil



TAJRINA SIKDER

Director
(Nominated by Palmal Garments Hosiery Ltd.)

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 travelled various countries for business purpose. She is also involved with many social work and welfare organization.

First appointment to the Board 9 August 1998

Born in January 1974

Nationality Bangladeshi

Committee Membership
Nil

External Appointment

Director, Palmal Garments Hosiery Ltd.; Palmal Garments Washing Ltd.; Amazon Garments Ltd.; NKK Knitwear Ltd.; Max Speed Plastic Ltd.; Designer Line (Pvt.) Ltd.; Palmal Knitwear Factory Ltd.; Palmal Garments Ltd.; UniCap Investments Limited; UniCap Securities Limited.



KAZI RUSSEL MAHBUB

Director
(Nominated by Palmal Garments Hosiery Ltd.)

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.

First appointment to the Board 21 May 2012

Born in October 1971

Nationality Bangladeshi

Committee Membership
Nil

External Appointment

Chairman, Flora Accessories Ltd.



MD. FAYEKUZZAMAN *

Director
(Nominated by EC Securities Ltd.)

Mr. Md. Fayekuzzaman did his Masters with First Class in Management and subsequently attended various post-graduation studies mainly in leadership, strategic management and finance in Bradford University, UK, Columbia University, USA and Cambridge University, UK. He has over 32 years of diversified experience in Government, Investment Banking, Commercial and Corporate Banking, Islamic Banking, Asset Management, Teaching, Research and Consultancy. He had worked in different national and sectorial committees as Chairman/Convener and had extensive and diversified experience to work on the Board of Directors of more than 20 national and multinational organizations. He got a lot of national and international recognitions during his tenure as CEO/Deputy CEO. He was a former CEO of the Investment Corporation of Bangladesh (ICB) for the period from July 2010 to December 2015. He worked in South Asia Development Fund which was created to have joint venture projects of SAARC countries for regional development. He had promoted hundreds of companies through Equity & Entrepreneurship Fund (EEF), a flagship program of the Government of Bangladesh.

First appointment to the Board 28 December 2016

Born in October 1953

Nationality Bangladeshi

Committee Membership

Member, Board Audit Committee

External Appointment

Director, HF Asset Management Limited

Independent Director, National Tea Company Limited

* Mr. Md. Fayekuzzaman resigned from the Board on 10 June 2020.



NASIRUDDIN AHMED

Independent Director

Mr. Nasiruddin Ahmed started his banking career by joining State Bank of Pakistan in early seventies. He has a successful banking career of almost forty-six years having exposure in almost every area of banking operations and management including finance and investments, human resources management and development, performances, integration of information technology and quality control in banking operations while rendering responsibilities at State Bank of Pakistan (SBP), Habib Bank Limited, Agrani Bank Limited, Islami Bank Limited and Prime Bank Limited. He joined the then Habib Bank Limited (now Agrani Bank) in 1971. During his 26 years career in Agrani Bank he worked in all the key areas of Banking with reputation and outstanding success.

Thereafter, he joined Islami Bank Bangladesh Limited in July, 1996 as Executive Vice President and served there as Head of Operations wing and later as Deputy Executive President till September, 2003.

Mr. Nasiruddin Ahmed joined Prime Bank limited as Deputy Managing Director on 7th January, 2004 and later on he acted as Additional Managing Director from 1st February, 2008 to 7th January, 2009. He was also engaged as project Director and served till 31st August, 2018. He was entrusted with the responsibilities of formulation and updating of various policy guidelines & standard operation procedures for Prime Bank Limited such as- Exchange House operations, Off-Shore Banking Operations, Islamic Banking & Investment, Logistic Support Services, Retail Credit, and Treasury Operation etc.

Mr. Ahmed was also appointed as Member Secretary to Shariah Supervisory Committee of Prime Bank Limited.

First appointment to the Board 29 July 2019

Born in 23 October 1945

Nationality Bangladeshi

Committee Membership

Chairman, Board Audit Committee

External Appointment Nil



MUNSHI SHAFIUL HAQUE

Independent Director

A retired senior Government Officer, Mr. Munshi Shafiul Haque did his Masters in Economics from Rajshahi University in 1982. Later he obtained LLB and LLM from a renowned University.

He started his career as an Assistant Commissioner and served the Government in various important capacities before his retirement as the Additional Secretary of the Government of Peoples Republic of Bangladesh.

Mr. Haque was the former Council Member of the Institute of Chartered Secretaries of Bangladesh (ICSB) and the Institute of Cost & Management Accountants of Bangladesh (ICMAB). He was also the member of the Scrutiny Committee for approval of Foreign Loan/Supplier's Credit. He was also the Chairman of National Tea Company Limited.

Mr. Haque attended many academic training, workshop and seminars in both home and abroad.

First appointment to the Board 29 September 2019

Born in 04 February 1960

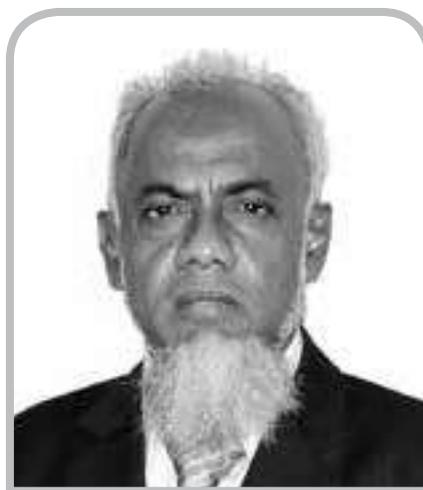
Nationality Bangladeshi

Committee Membership

Nil

External Appointment

Nil



MD. ABDUS SALAM, FCA, FCS

Independent Director

After completion of B. Com (Hons') and M. Com in Accounting from the University of Dhaka in 1976, Mr. Salam started Chartered Accountancy Course with the support of two scholarships: Burmah Eastern and Bangladesh Chemical Industries Corporation awarded to the CA profession. Now, he is a Fellow Member of ICAB and ICSB.

Presently, Mr. Salam is a partner of ARTISAN, Chartered Accountants. Before starting Public Practice, Mr. Salam was the Technical Adviser of the World Bank Project and the Asian Development Bank and Director Accounts (In charge) of Bangladesh Power Development Board (BPDB).

He was elected President of ICAB for year 2013, Mr. Salam has been in the Council since 2010. He was the Member of Education Committee for the years 2010-2012 of South Asian Federation of Accountants (SAFA- a body of the SAARC) and was the Board Member of the SAFA for the year 2013. Mr. Salam was also a Council Member of the Institute of Chartered Secretaries of Bangladesh (ICSB) since its inception and served ICSB as the Treasurer for the year 2004-2005 and the Vice President for the year 2005-2006. Mr. Salam is a life Member of Bangladesh Economic Association.

He was an Independent Director in the Board of Islami Bank Bangladesh Ltd for the years 2010-2015 and IBN Sina Pharmaceuticals Industry Ltd and also served in these two organizations as the Chairman/Member of Risk Management and Audit Committees.

He also served as the Govt. Nominated Board Director of Coal Power Generation Company of Bangladesh and the Electricity Generation Company of Bangladesh, DSE, CSE and SME foundation.

First appointment to the Board 28 November 2019

Born in 25 January 1954

Nationality Bangladeshi

Committee Membership

Nil

External Appointment

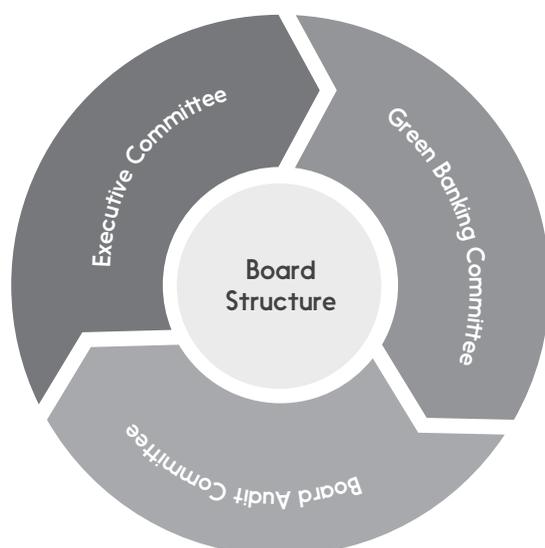
Nil

BOARD STRUCTURE & ITS OPERATION

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 DFIM 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 Director

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 cannot be appointed as Independent Director who has already been appointed as Independent Director of five listed Company.

TENURE AND RETIREMENT

As per Companies Act, the office of Non-Executive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period for 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.

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.

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 BDT 8,000 was paid to each Director for attending each Board/Committee meeting.

The Board in its 270th Meeting held on 29 September 2019 decided that the Board Members would not take any meeting fee for attendance in the Board/Committee Meetings until further notice. However, Independent Directors will be entitled to fee for an amount BDT 5,000 for attending board and its committee meetings.

MEMBERSHIP OF THE 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 51 to 56 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 four 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' purpose, duties and responsibilities. The Committee Charters are available on page 59 to 60 of this Annual Report.

BOARD MEETING

The Board holds at least four regularly scheduled meetings in each year. In the year 2019, the Board met twelve times to discuss scheduled business.

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 Directors 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 of Union Capital Limited, bti Landmark, Level - 08, Plot - 16, Gulshan Avenue, Gulshan-01, Dhaka - 1212.

CHARTER OF BOARD AND ITS COMMITTEES

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 approve and 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 BDT 10 million under each agreement;
- Review credit proposals prepared by the management and recommend to the Board where the amount exceeds BDT 10 million under each agreement;
- 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



Director's Report

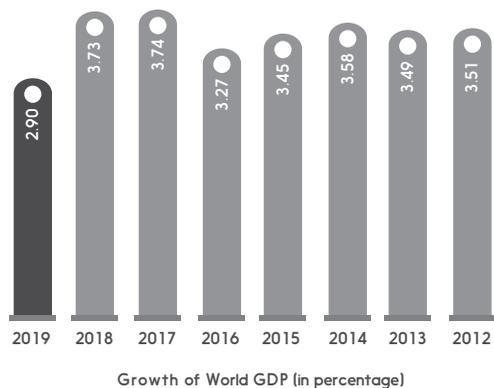
Dear Shareholders,

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 2019 together with the Auditors' Report thereon, for consideration and approval of our respected Shareholders. The Board of Directors of the Company approved the same in its Meeting held on 30 July 2020.

This Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification on 03 June 2018, the Listing Regulations of DSE & CSE, Financial Institutions Act, 1993, Bangladesh Bank guidelines, Bangladesh Financial Reporting Standards and other applicable rules and regulations. Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider relevant and important to ensure compliance, transparency and good governance practices. We believe that this report will provide the insights of the Company's performance during the year under reporting.

GLOBAL ECONOMY OVERVIEW 2019

The global economy has experienced dismal output growth of 2.9% in 2019, the slowest following the global financial crisis back in 2007-08. IMF attributes rising trade barriers, US-China trade tensions and low productivity growth as contributory factors behind slowdown. Emerging markets, Latin America, and MENA economies had underperformed well below their historical averages, while growth in output from Euro-area dropped to 1.2%. Global trade experienced a meagre 0.9% growth in 2019.

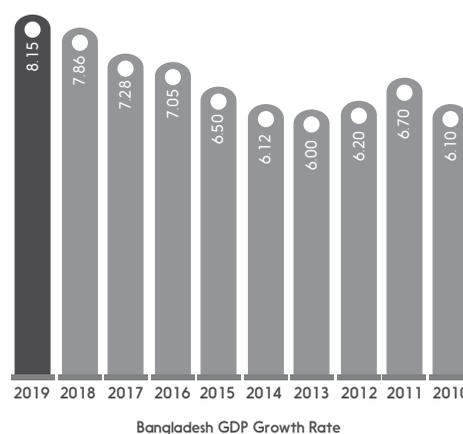


Manufacturing activities and aggregate demand experienced slowdown in EU region, offset by resilience from service sector. U.K. is still reeling from the Brexit, as OECD predicts that, in absence of a clearly defined trade-agreement with EU, uncertainties would continue to take toll on both private consumption and investment growth. China's aggregate demand had taken a toll from the trade tensions with USA, coupled with regulatory initiatives to reign over debt and shadow banking in the domestic economy. Meanwhile in India, slowdown in manufacturing, banking, service, and construction sectors

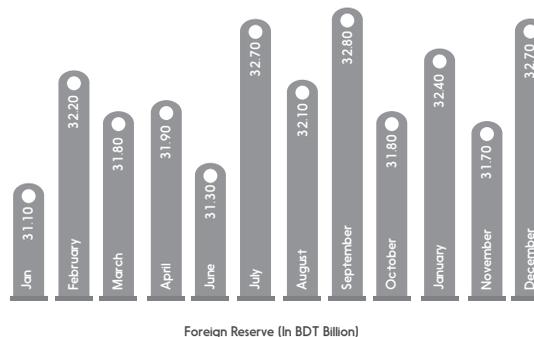
have contributed to slowdown in output growth. India's financial sector was handed with dual blows, confidence crisis and credit squeeze, caused by non-performing loans in non-bank financial companies and state-owned banks.

Moreover, energy price dropped 12.6% while food prices saw 3.8% decline in 2019. Crude oil averaged USD 61.4/ barrel, courtesy of slowdown in global economic activities and higher oil output from U.S.A, Iraq and Nigeria, foiling steep oil output cuts from OPEC+ members. US equity market started off with bearish expectation, stemming from global economic slow-down, trade wars, and uncertain Federal Reserve policies.

BANGLADESH ECONOMY OVERVIEW 2019

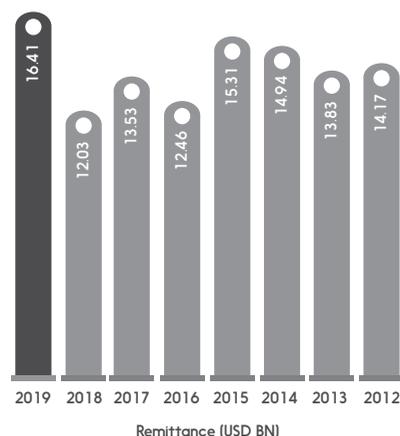


The economy of Bangladesh attained its record highest GDP growth of 8.15% in FY19, surpassing IMF growth projection of 7.9% and World Bank growth projection of 7.3%. Broad industry sector logged 13.0% YoY growth while broad service sector posted 6.5% YoY growth in FY19. Industry growth was spearheaded by medium-and-large-scale manufacturing industries that logged robust 14.7% growth rate in FY19. Both export & remittances posted impressive double-digit growth of 10.5% and 10.1% respectively.

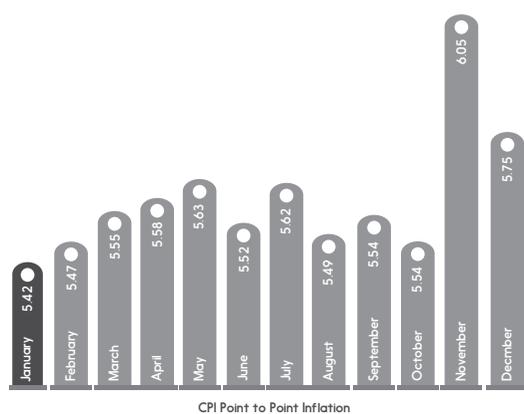


With drastic moderation in import growth, current account deficit, which was causing major headache for the policy makers in FY18, narrowed by 54.9% YoY to USD 5.3bn in FY19. Foreign direct investment (FDI) also experienced buoyancy, driven by the lucrative tax incentives offered to new foreign investments in the

Export Processing Zones (EPZ) and rising tension between USA & China. Net inflow of FDI jumped 42.9% YoY in FY19 to USD 2.5bn. With positive outlook, GDP growth rate target for FY20 has been set at 8.20%. In FY20 proposed budget, the targets for export, import, and remittances have been set at 12.0%, 10.0%, and 13.0% respectively. For FY20, the government has set an ambitious revenue target of BDT 3.78tn, which is 19.3% higher than FY19 revised budget target.



Foreign remittance inflows also saw buoyancy as expatriates sent USD 18.3bn in 2019, which is 17.9% higher than previous year. Foreign exchange reserve (gross) stood at USD 32.7bn in 2019 (2018: 32.0bn), and is adequate to sustain 6.5 months' worth of import payment. Exchange rate had remained marginally stable, as BDT/USD exchange rate depreciated only 1.2% YoY during Jan-Dec'19, slightly lower than previous year's 1.6%. Despite depreciation in official exchange rate, Real Effective Exchange Rate (REER) appreciated 5.1% in FY19. Strong local currency may result in erosion of export competitiveness and less incentives for remitting money. In order to offset the adverse impact from relatively strong currency, the government has offered 1.0% cash incentives for export-oriented RMG and textile industries, and 2.0% cash incentives for foreign remittances in FY20 budget. Inflation mostly remained moderate throughout Jan-Dec'19.



GOVERNMENT BORROWING FROM THE BANKING SECTOR SPIKED

Broad money growth stood at 12.0% in Dec'19, higher than Bangladesh Bank's (BB) projection of 11.3%, mainly driven by increased borrowing by the government in response

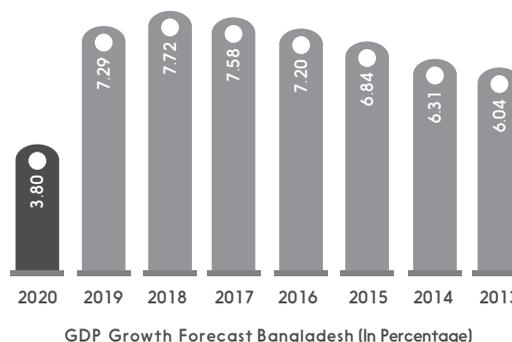
to poor revenue collection. Public sector credit growth jumped 54.3% YoY in Dec'19. State coffer had already dried up owing to persisting lower income tax collection and a botched attempt to implement the new VAT and Supplementary Duty Act 2012 in FY20 budget. NBR could only collect 77.0% of the revenue target for 6 months of FY20. As a result, during 6 months of FY20, government had already borrowed BDT 449.5bn from the banking sector, which was around 94.5% of targeted government borrowing from the banking sector (BDT 473.6bn) for FY20 budget. In addition, the government also tightened sales of National Savings Certificate (NSC) through introducing several new regulations in FY20, leading to a sharp 78.3% YoY decline in net NSC sales during 6MFY20.

PRIVATE SECTOR CREDIT GROWTH FELL TO SINGLE DIGIT

Private sector credit fell to single-digit growth rate of 9.8% YoY in Dec'19, far below of BB's programmed 14.5% growth. The fall sharply diverges from the trend observed in total deposit growth, which has posted impressive 12.6% YoY growth in Dec'19. Apart from crowding out effect due to increased government borrowing from banking sector, formation of large volume of default loans led to cautious lending practice from banks. Non-performing loans (NPL) ratio jumped to 12.0% in Sep'19 from 10.3% in Dec'18. In a bid to help banks manage non-performing loans on their books, BB issued a circular by giving ease in loan classification. Responding to the circular, NPL ratio rapidly declined to 9.3% in Dec'19.

BANGLADESH ECONOMY OUTLOOK 2020

The momentum of the economy has greatly shifted from optimism to pessimism, following the outbreak of COVID-19 pandemic. Considering the economic activities sustained up to Mar'20, the GDP growth is expected to reach 4-5% in FY20, in contrast to IMF and World Bank's growth projection of 2.0% and 1.6% respectively. The economy is expected to experience some major challenges, in terms of lost employment, reduced business activities, and drastic fall in private investment. RMG is expected to be hit heavily on poor growth outlook & social distancing in export destinations. Furthermore, slump in the global oil prices may result in layoffs from Middle Eastern countries, the destination of majority of Bangladeshi migrant workers, resulting in drastic fall in remittances.

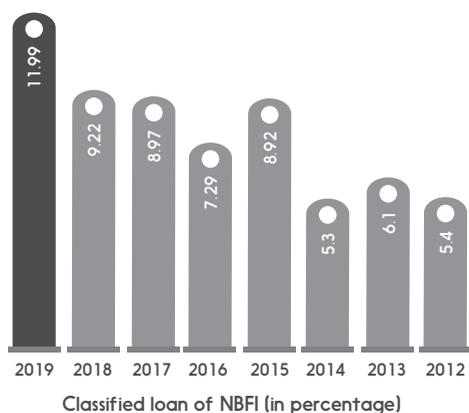


To tackle the blow from the pandemic, the government has stepped up efforts to roll out BDT 1,000 bn worth of stimulus packages for businesses, while the central

bank may opt for quantitative easing to provide necessary support. Revenue collection would remain the primary concern for the economy. It is expected that gap between government expenditure & revenue collection would widen significantly, leading to a drastic rise in government borrowing. However, on the positive note, Bangladesh has government debt-to-GDP ratio of 33.5% in FY19 according to IMF, far lower than many peer frontier & emerging economies. Government debt-to-GDP ratio of 60.0% is considered prudent limit for developed economies, hence the ratio provides the government with some cushion to tackle the deficit. The Economist ranked Bangladesh as 9th financially strong economy out of 66 emerging economies in the wake of COVID-19 pandemic, whereas Vietnam ranked 12th, India ranked 18th, Pakistan ranked 43rd, and Sri Lanka ranked 61st.

NBFI SECTOR OVERVIEW 2019 AND OUTLOOK FOR 2020

NBFIs witnessed unsurpassable challenges in the year 2019. The liquidity crunch in the banking sector, partially fuelled by excessive government borrowing, had restricted NBFIs' borrowing activities in 2019. Average interest rate on NBFI deposits jumped to double digit in Jan'19 & further increased 44bps to stand at 10.5% in Dec'19. Average difference between interest rate of NBFIs deposits and bank deposits was 4.9 percentage points in 2019. The average interest spread difference between banks & NBFIs has been 1.6 percentage points in the past two years, indicating poor profitability of NBFIs. The bearish state of the capital market that persisted throughout 2019 has further deteriorated profitability of NBFIs that have capital market operation. Total loans & advances stood at BDT 647 billion, an increase by 1% on the year on year basis whereas year on year growth in previous period was 7.9 percent. Industry loans and advances constituted 74.7 percent of total assets in September 2019. The negative growth in loans and deposits during the year was mainly due to the tight liquidity condition which prevailed during the year 2019. Consequently, spread dropped to 2.3 percent at the end of September 2019 from 2.9 percent in September 2018. Continued pressure on banks and financial institutions may result in further reduction in spread.



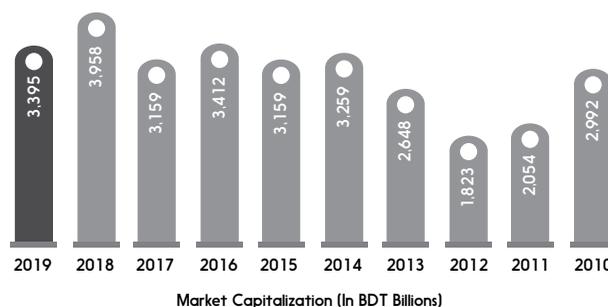
The government had instructed Bangladesh Bank to

liquidate People's Leasing and Financial Services Limited (PLFSL). Moreover, the central bank has declared that six more NBFIs are in vulnerable state now. The NBFI industry is being affected due to financial crisis for those NBFIs. The news has put a deep dent on the confidence of the depositors and lenders alike. Despite Bangladesh Bank has raised the borrowing limit in the call money market from 30 percent of the equity to 40 percent, NBFIs may experience deposit crunch and increased reliance on expensive bank borrowings in future.

The Government is determined to implement interest cap of 6.0% & 9.0% on bank deposits and lending respectively from April'20. Capping the deposit rate offers some breathing space for the NBFIs as they can borrow at relatively lower cost, while improve interest spread. Furthermore, the appetite to borrow from NBFIs may also increase as banks may prefer big-ticket corporate loans over SME loans that incur heavy operational expense for the banks. Larger and stronger NBFIs can boost their business operations riding on the robust financial health and effective corporate governance.

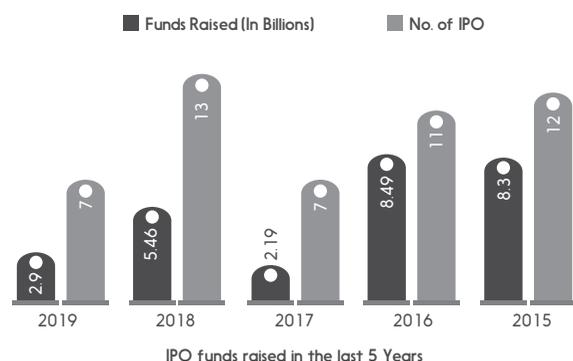
2019 CAPITAL MARKET OVERVIEW

Fueled by the confidence on the economic growth trajectory, Investors and market insiders were optimistic of a rebound in 2019 after a disappointing 2018 (DSEX: 13.8% Down); however, the optimism did not really materialize as market shed 17.3% (932.7points), logging second consecutive negative year. After the national poll of 30 December 2018, the market (DSEX) started off strong quickly gaining 356 points throughout the month of January. DSEX reached its 2019 peak on 24 January 2019 to close at 5,950 but tapered off in the remaining days of January. However, as the market continued to drop from its peak, it failed to revert its slide for the rest of the year. DSEX also reached to its lowest point (4,390.67) in the last 42-month low on 24 December 2019. DSEX eventually slipped to 4,453 points, and in the process lost 17.3% YoY. Blue-chip index, DS30 also shed 19.5% YoY to 1,513 at the end of 2019. Average daily turnover dropped 12.8% to BDT 4,803mn in 2019 from BDT 5,511mn in 2018.



In addition to unimpressive earnings performance by listed companies' other macroeconomic factors contributing to this moribund performance include tight liquidity condition in the money market, high interest rates, rising non-performing loans in the financial system, overshoot in government borrowing due to poor revenue collection, depreciation of BDT against USD, and legal tussle on

audit claims between GP and BTRC. Government and central bank took many initiatives to resolve ongoing macroeconomic issues and spur investors' sentiment. Key regulatory changes and policy interventions include less stringent loan classification and provisioning requirement, lenient policy on loan rescheduling, liquidity support by central bank for capital market investment at Repo rate, and Directives regarding declaration of bonus shares and requirement for minimum shareholding by Sponsors/Directors. However, these directives failed to deliver any sustaining upturn as the market ended 2019 on 7-year low point of 12.40 P/E level, much below 15.2 P/E in 2018.



On top of that, withdrawal of foreign investors' portfolio investment in a bid to minimize losses further exacerbated the situation. Foreign investors held negative net portfolio position for the last 10 months of 2019, which reached BDT -4.9bn at the end of Dec'19 according to DSE data.

To encourage cash dividend, Finance minister proposed an imposition of 15.0% tax on stock dividend distributed to the shareholders by any listed company in FY20 budget. Furthermore, Finance Minister also proposed in the FY20 budget an imposition of 15.0% additional tax on so much of retained earnings and reserves as it exceeds 50.0% of the paid-up capital of the company.

HIGHLIGHTS ON FINANCIAL PERFORMANCE

Key operating and financial data of last 5 (five) years is shown under the heading of Operational Highlights and Financial Highlights in the page no 41 of this Annual Report.

OPERATIONAL PERFORMANCE OF UCL GROUP

In 2019 the financial sector including Union Capital Limited passed through horrible challenges. Besides that, 2019 was a year of stock market disappointment, with market index and turnover declining. Lack of trust of depositors to deposit their money in the NBFIs sector, rising NPL rate, poor performance of Stock market, high deposit cost and withdrawal of funds by the Banks from NBFIs etc. was the noteworthy challenges the industry faced during the year under review. The banking sector also faced huge liquidity pressure. As a result, the non-banking financial institutions could not get expected deposits and credit facilities from bank. The fresh lending almost halted for liquidity crisis.

As the broad Index fell by a sharp 17.3% in 2019, our 2 subsidiaries, operating through the capital market, attained adverse repercussions on its income. Due to

withdrawal of huge fund by the depositors and drastic fall in deposit mobilization, we could not extend finance facility to the prospective clients. Besides that our two fully owned subsidiaries operating in the capital market experienced decline in income due to sluggish capital market. Moreover, we had to transfer of a substantial amount of interest to the Suspense Account and to keep huge provision due to increase in non-performing loan. Consequently, for the first time, UCL experienced huge financial loss in the year under review since its incorporation in the year 1998. We could not overcome the adverse situation in spite of our all concerted efforts. We are putting all possible efforts to come out of the adverse situation.

FINANCING AND INVESTMENT OPERATION

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

Diversified portfolio

Major financing activities of the company include term finance, lease finance, retail finance, SME finance, housing finance, syndicate finance, work order finance etc.

CAPITAL MARKET OPERATION

UCL offers 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 Group performs public issue management along with financial engineering and designing of capital structuring services for customers who desires to raise fund from capital market for BMRE and repayment of debt. During the year 2019, the Company signed with Omera Petroleum Limited for issue size of BDT 2,384 million to raise their capital.

Underwriting

It is one of the core activities of merchant banking operation. During the year 2019, the UniCap Investments Limited, one of the fully owned Subsidiaries underwrites for capital raising of Omera Petroleum Limited for BDT 62.58 million and Baraka

Patenga Power Limited for BDT 15.00 million respectively.

Private Placement

UCL Group arranges 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 Group offers professional corporate financial services including customized, value added solutions for better corporate performance in terms of prolonged existence and steady growth. Project advisory services include systemic development of an idea into a plan, development of financial structure preparing feasibility report. During the year 2019, the UniCap Investments Limited, one of the fully owned Subsidiaries signed to provide corporate financial and advisory services with Flagship Dhaka CETP (BD) Limited.

Margin Loan

UCL Group provides margin loan facilities through its Subsidiaries namely UniCap Investments Limited and Unicap Securities Limited to its portfolio customer for purchase of shares and securities. The amount of portfolio loan outstanding as on December 2019 was BDT 6,434.86 million. The above amount represents the aggregate investor's 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 Group also offers stock brokerage services to local and foreign investors through its fully owned subsidiary, UniCap Securities Limited-which has corporate memberships at the Dhaka & Chittagong stock exchanges and full service depository participant of CDBL. Lack of investor's confidence, sale of shares by foreign investors and liquidity crisis in the money market resulted in significant decrease in the market turnover during 2019.

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 through major investments in fundamentally strong securities. In 2019 the company could not make profit due to dismal performance of the stock markets.

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 2019 the Company obtained BDT 198.66 million from banks against different form of borrowings to finance its operations and repaid BDT 608.23 million as per terms and conditions of contracts. UCL also availed BDT 129.70 million from Bangladesh Bank under the SME Refinancing Schemes. Due to liquidity crisis of the Banking Sector, we could not avail expected fund from the Banking sector in the form of credit line, deposits and call money.

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 stood at BDT 9,914.10 million as on 31 December 2019 as against BDT 12,729.21 million of 31 December 2018. The deposit portfolio squeezed significantly due to panic situation created out of the liquidation process of a Non-banking financial institution and liquidity crisis in the banking sector.

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 eight offices geographically diversified in the areas namely Dhaka, Chattogram, Sylhet, Tongi, Bogura and Narsingdi.

OPERATING RESULTS (Consolidated)

During 2019, the Company generated revenue of BDT 1,720 million, which concluded in loss from operation of BDT 514.69 million. An amount of BDT 42.83 million has been provided as provision for taxation in 2019. Earnings per share was BDT (6.13) as against BDT 0.54 of last year. The weighted average number of ordinary shares outstanding during the year was 172.57 million (2018: 164.35 million). The financial results of the Company for the year 2019 with a comparison of 2018 are summarized below:

(BDT in million except per share data)

Particular	2019	2018
Operating revenue/(loss)	(514.69)	728.46
Operating expenses	386.21	393.75
Profit/(loss) before tax	(1,014.56)	184.99
Provision for tax	42.83	92.59
Profit/(loss) after tax	(1,057.39)	92.39
Earnings per Share (EPS)	(6.13)	0.54 (restated)

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 2019, UCL did not receive any dividend from the Subsidiary Companies. Separate audited financial statements of the Subsidiary Companies are given on page 261 to 299 of this Annual Report.

IPO OF THE COMPANY

UCL floated its ordinary shares through IPO in the year 2007 and raised BDT 75,000,000 at per. 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 2019 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

Due to suspension of interest income and keeping significant provision resulting from non-payment of the loan utilized by our wholly owned merchant banking subsidiary and increase in provision against non-performing loans (NPL), the Company incurred a huge amount of loss in the year 2019.

Considering these, the Board of Directors in its 275th Meeting held on 30 July 2020, did not recommend any dividend for the year ended on 31 December 2019 subject to approval of the shareholders at 22nd Annual General Meeting scheduled to be held on 17 September 2020.

APPROPRIATIONS OF PROFIT (Based on separate F/S)

Taking into account the huge amount of loss, the Board recommended no dividend for the year ended 31 December 2019 for approval of the Shareholders in the 22nd Annual General Meeting. The Board proposed the following appropriations:

BDT in million

Net Profit/(loss) after tax	(1,057.38)
Retained Earnings brought forward	205.86
Total Profit/(loss)available for appropriation	(851.52)
Proposed appropriation:	
Transfer to Statutory Reserve	Nil
Dividend on preference share	Nil
Dividend paid in 2018	(82.18)

ANNUAL GENERAL MEETING

The notice of the 22nd Annual General Meeting is given on page 302 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- Receive and adopt the Directors' Report;
- Auditors Report and Audited Financial Statements for the year 2019;
- Declaration of dividend for the year 2019;
- Re-appointment of the Directors;
- Appointment of the Auditors and fixation of their remuneration;
- Appointment of Corporate Governance Auditors and to fix their remuneration;

OBSERVANCE OF IAS, IFRS & 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 enabling 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 International 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 85 in this Annual Report.

ACCOUNTING POLICIES AND MAINTENANCE OF BOOKS OF ACCOUNTS

The Directors consider that in preparing the Financial Statements, the Company has applied appropriate accounting policies, prudent judgments and estimates and all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). 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 2019.

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.

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 impact on our reputation.

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.

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 Institutions 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 resulted in reduction of net interest income, fee revenue and adversely affect our earnings.

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 and Social risk

Environmental risk is the risk of loss to financial, operational or reputational value resulting from the impact of environmental issues which may suffer the society. 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. Failure to adequately manage those environmental risk could adversely impact our reputation.

Other factors

Other factors that may affect actual results include changes in government trade policy, changes in accounting standards, 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 132 to 138 of this Annual Report.

CREDIT RATING

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

UCL has been rated by National Credit Ratings Ltd. and adjudged "AA" (Double – A) in the long term and ST -2 in the Short term. The validity of the rating will expire on 31 August 2020. AA rating in the long term signifies UCL's adequate 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 82 to 84 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. To keep 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 conducting 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 ensure a robust, scalable and flexible IT platform. UCL holds a fully automated IT structure to support its operation which also produces enhanced MIS for decision making, improve risk management and most importantly, captivate 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 comprehensive 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 2019 a total 12 meetings were held. All of the Directors serving on the Board attended more than 77.55 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 76 of this Annual Report. The Directors other than the Independent Directors are not receiving any remuneration even for attending in the Board/Committee meetings since 29 September 2019. An amount of BDT 5,000 is paid to each Independent Director for attending each Board/Committee meeting. The details on remuneration paid to Directors in 2019 is presented on page 99 to 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 IFRS, 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 IFRS and other applicable laws and regulations. A statement of the Directors' responsibility in relation to financial statements has been given on page 85 of this Annual Report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors in accordance with BSEC Notification dated 20 June 2018 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;
- International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS), as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- The 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 41 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 relating 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.

SIGNIFICANT VARIANCE THAT OCCURS BETWEEN QUARTERLY FINANCIAL PERFORMANCES AND ANNUAL FINANCIAL STATEMENTS

Suspension of interest income and keeping significant provision resulting from non-payment of the loan utilized by our wholly owned merchant banking subsidiary and increase in provision against non-performing loans (NPL) are the main causes for huge amount of losses in 2019. Eventually, a significant variance occurred between the annual financial performances of 2019 in comparison to that of 2018 and Q-3 financial performance of 2019 of the Company.

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

As per BSEC Notification dated 03 June 2018, the Directors are required to report on the compliance on certain conditions in line with Corporate Governance Code. 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 to 121 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 122 to 123 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 Zaker & Co., Chartered Accountants, 89 Kakrail, Green Edge (Level-10), Dhaka - 1000, Bangladesh 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 03 June 2018. The professional firm is required to give a certificate after review on the practices by Union Capital Limited. Ahmed Zaker & Co., Chartered Accountants, 89 Kakrail, Green Edge (Level-10), Dhaka - 1000, Bangladesh has given a compliance certificate for the year ended December 31, 2019 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 statements 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 129 to 131 of this Annual Report.

SUBSTANTIAL SHAREHOLDINGS

BSEC's Notification 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 of 31 December 2019 is given in Annexure-II, page 76 of this Report.

THE PATTERN OF SHAREHOLDINGS

The Authorized Capital of Union Capital Ltd. is BDT 2,000,000,000 divided into 200,000,000 ordinary shares of BDT 10.00 each. The paid-up Capital of the Company is BDT 1,725,738,430.00 divided into 172,573,843 ordinary shares of BDT 10.00 each. The shareholding pattern of the Company as at 31 December 2019 is shown in Annexure-III, on page 77 of this report as per BSEC Notification of dated 03 June 2018. As per requirement of listing regulations, the distribution schedule of shareholdings of the Company as on 31 December 2019 is given under Annexure - IV on page 77 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 22nd Annual General Meeting and being eligible offered themselves for reappointment:

- a) Chowdhury Tanzim Karim, Director
(Nominated by EC Securities Limited)
- b) Mr. Waqar A. Choudhury, Director
- c) Mr. Nadeem A. Chaudhury, Director
(Nominated by ENRILCO Limited)
- d) Mr. Kazi Russel Mahbub, Director
(Nominated by Palmal Garments Hosiery Limited)

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. Munshi Shafiu Haque, Independent Director and Mr. Md. Abdus Salam FCA, FCS, Independent Director of the Company will retire in the 22nd 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 page 51 to 56 of this report.

COMMUNICATION, PUBLIC DISCLOSURE OBLIGATIONS AND STAKEHOLDER RELATIONS

The Board recognizes that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and nonfinancial 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 strive 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 IFRS, 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 163 to 168 of this report.

CORPORATE GOVERNANCE

The Board of Directors and the 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 174 to 176 of this report.

BUSINESS CONDUCT POLICY

We have built a strong company that is well regarded around the country. Every day 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 & SOCIAL 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 & social 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 168 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 BDT 145.43 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 172 to 173 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. Details of related party transactions along-with their basis has been disclosed in note no. 45 of the notes to the Financial Statements on page 251 of this annual report.

APPOINTMENT OF AUDITORS

The Financial Institutions Act, 1993 and BSEC's Notification dated 28 June 2018 stipulated that an Auditor of a Financial Institution cannot be appointed for more than three consecutive years. Moreover, section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. M/S. K. M. Hasan & Co., Chartered Accountants have completed their second year as statutory auditors of the company and hence eligible for re-appointment. M/S. K. M. Hasan & Co., Chartered Accountants having its office at Hometown Apartments, 87 New Eskaton Road, Dhaka - 1000 have expressed their willingness to be re-appointed as the statutory Auditor of the company for the year 2020. The Board in its meeting held on 30 July 2020 recommended the shareholders to appoint M/S. K. M. Hasan & Co., Chartered Accountants at a remuneration of BDT 200,000/- plus VAT for the year 2020 subject to the approval of Bangladesh Bank.

APPOINTMENT OF AUDITORS FOR CERTIFICATION ON COMPLIANCE OF CORPORATE GOVERNANCE CODE OF BSEC AND FIXATION OF THEIR REMUNERATION

The Board recommended M/S. Ahmed Zaker & Co., Chartered Accountants having its office at 89 Kakrail, Green Edge (Level-10), Dhaka - 1000, Bangladesh as the Auditors of the Company to conduct compliance audit for certification on the compliance on conditions of Corporate Governance Code for the year 2020 at a fee of Tk. 30,000 (thirty thousand) plus VAT for approval of the Shareholders in the twenty-second Annual General Meeting.

FUTURE OUTLOOK

2020 is expected to be another challenging year for our economy and UCL group as well. The GDP growth forecast for FY 2020 is revised somewhat higher still with the expectation that exports will grow with continued economic recovery in the US and the euro area, strong expansion in remittances will boost consumption demand, 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. We recognize a number of challenges, which includes increased competition, and slow recovery due to adverse investment climate, volatility in capital & money market. Because of involvement of banks in leasing business, competitiveness in leasing has been intensified further. 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. High corporate tax on NBFIs is another challenge for us. NBFIs are taxed at the rate of 37.50 percent (in case of listed companies) and at the rate of 40.00 percent (in case of non-listed companies). 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 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 and attendance

Name of the Directors	Nominated by	Eligible to Attend	Meetings Attended	Percent of Attendance	Change during 2019
Chowdhury Tanzim Karim	EC Securities Ltd.	12	12	100.00%	Continuing
Mr. Waqar A. Choudhury	Self	12	07	58.33%	Continuing
Ms. Sabita Rezwana Rahman	Self	12	12	100.00%	Continuing
Kazi Russel Mahbub	Palmal Garments Hosiery Ltd.	12	02	16.67%	Continuing
Mr. M. Faizur Rahman	Self	12	09	75.00%	Retired and re-elected on 20 June
Mr. Nadeem A. Chaudhury	Enrilco Limited	12	07	58.33%	Retired and re-elected on 20 June
Mrs. Meherunnesa Haque	Self	12	09	75.00%	Retired and re-elected on 20 June
Mr. Md. Fayekuzzaman	EC Securities Ltd.	12	12	100.00%	Retired and re-elected on 20 June
Ms. Tajrina Sikder	Palmal Garments Hosiery Ltd.	12	05	41.67%	Retired and re-elected on 20 June
Mr. Abdul Karim *	Independent Director	07	06	85.71%	Resigned from the Board
Mr. Mohammad Nurun Nabi, FCA **	Independent Director	08	08	100.00%	Excluded due to death
Mr. Nasiruddin Ahmed ***	Independent Director	04	03	75.00%	Appointment and continuing
Mr. Munshi Shafiul Haque ****	Independent Director	03	03	100.00%	Appointment and continuing
Mr. Md. Abdus Salam FCA, FCS *****	Independent Director	01	01	100.00%	Appointment and continuing

* Mr. Abdul Karim, Independent Director of the Company resigned from the Board and the Board of Directors, in its 268th BOD Meeting held on 10 July 2019 approved his resignation.

** Mr. Nurun Nabi FCA, Independent Director of the Company died on 18 September 2019 and eventually excluded from the Board of Directors of the Company.

*** The Board in its 269th BOD Meeting held on 29 July 2019 appointed Mr. Nasiruddin Ahmed as the Independent Director of the Company.

**** The Board in its 270th BOD Meeting held on 29 September 2019 appointed Mr. Munshi Shafiul Haque as the Independent Director of the Company.

***** The Board in its 272nd BOD Meeting held on 28 November 2019 appointed Mr. Md. Abdus Salam FCA, FCS as the Independent Director of the Company.

Annexure – II

Substantial Shareholdings

Name of Sponsor & Directors	Percent of Shareholders
Palmal Garments Hosiery Ltd.	9.73
EC Securities	7.22
Enrilco Limited	4.58
Muhammad Faizur Rahman	4.38
Khurshida Chaudhury	2.77
Sabita Rezwana Rahman	2.20
Kazi Golam Samiur Rahman	2.20
Waqar A. Choudhury	2.03
Meherunnesa Haque	2.02
Engr. M Abu Taher	1.22
Mr. Abdus Salam	1.12
Runa N. Alam	0.81
Rumana Sharif	0.21
Total	40.50

Annexure – III

Pattern of Shareholdings

Sponsor Shareholder/Directors	No. of shares held	percentage
Palmal Garments Hosiery Ltd	16,792,968	9.73
EC Securities Ltd.	12,459,305	7.22
Enrilco Limited	7,902,285	4.58
Mr. Muhammad Faizur Rahman	7,560,905	4.38
Khurshida Choudhury	4,780,213	2.77
Sabita Rezwana Rahman	3,803,920	2.20
Kazi Golam Samiur Rahman	3,803,919	2.20
Waqar A. Choudhury	3,503,634	2.03
Meherunnesa Haque	3,494,029	2.02
Engr. M Abu Taher	2,106,826	1.22
Mr. Abdus Salam	1,935,824	1.12
Runa N. Alam	1,397,421	0.81
Rumana Sharif	355,984	0.21
Senior Executives		
Managing Director & CEO	Nil	
Company Secretary	Nil	
Chief Financial Officer	Nil	
Head of Internal Audit	Nil	
Other top five Executives	Nil	
A N M Golam Shabbir	Nil	
Fazle Karim Murad	Nil	
Syed Arefeen Jubyed	Nil	
Muhammad Salah Uddin	Nil	
Khandaker Md. Forhad Abedin	Nil	
Shareholder holding 10% or more voting rights		
Shareholder holding 10% or more voting interest in the company	Nil	

Annexure – IV

Range of Shareholdings

The distribution schedule of shareholdings as on 31 December 2019 was as under:

Shareholding Range	No. of shareholders	No. of shares	% of total
Less than 500	1,937	320,585	0.19
501 to 5,000	3,954	7,948,151	4.61
5,001 to 10,000	881	6,278,671	3.64
10,001 to 20,000	499	6,945,789	4.02
20,001 to 30,000	183	4,402,658	2.55
30,001 to 40,000	90	3,126,289	1.81
40,001 to 50,000	49	2,234,987	1.30
50,001 to 100,000	112	7,677,626	4.45
100,001 to 1,000,000	99	28,882,773	16.74
Over 1,000,000	29	104,756,314	60.70
Total	7,833	172,573,843	100.00

AUDIT COMMITTEE REPORT



AUDIT COMMITTEE REPORT

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 providing independent oversight of the Company's financial reporting, non-financial corporate disclosure, effectiveness of internal control, compliance and sound monitoring system within the organization as set out in the Committee Charter.

Audit committee of UCL is consisted of a selected number of members of the Board of Directors whose responsibilities include among others helping auditors remain independent of management. The Audit Committee also assists the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the Company.

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Audit Committee consists of five Directors of the Company 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 Annual General Meeting. An Independent Director is in the Chair of the Audit Committee. As required, all members of Audit Committee are financially literate and are able to analyze and interpret financial statements to effectively discharge their duties and responsibilities as member of the Audit Committee.

In compliance with Section 3.2 (i) of the Corporate Governance Notification issued by the BSEC on 07 August 2012, the Board Audit Committee was first reformed on 31 December 2012 by appointing an Independent Director as Chairman. As on 31 December 2019 the Board Audit Committee comprises the following members:

Mr. Nasiruddin Ahmed, Chairman

Mr. M. Faizur Rahman, Member

Ms. Sabita Rezwana Rahman, Member

Mr. Nadeem A. Chaudhury, Member

Mr. Md. Fayekuzzaman, Member

Biographical details of the current members of the Committee are set out on page 51 to 56. The members' fees as fixed by the Board of Directors under the guidelines of Bangladesh Bank are shown in the table of remuneration of the audit committee members on page 100 of the report.

Chief Financial Officer (CFO), Head of Internal Control and Compliance (ICC) and the representatives of the external auditors (if required) are invited to attend the committee meetings. As per the requirement of the committee, the Chief Executive Officer (CEO) or other employees may be invited in the meetings.

OBJECTIVE OF THE COMMITTEE

The Audit Committee performs in absolute coherence and ensures compliance with the regulators guidelines. 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
- Reviewing 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 an Independent Director Mr. Nasiruddin Ahmed who has required knowledge and extensive experience to serve in this role.

Mr. Nasiruddin Ahmed started his banking career by joining State Bank of Pakistan in early seventies. He has a successful banking career of almost forty-six years having exposure in almost every area of banking operations and management including finance and investments, human resources management and development, performances, integration of information technology and quality control in banking operations while rendering responsibilities at State Bank of Pakistan (SBP), Habib Bank Limited, Agrani Bank Limited, Islami Bank Limited and Prime Bank Limited.

The biography of Mr. Nasiruddin Ahmed is given on page 55 of this Annual Report.

AUDIT COMMITTEE CHARTER

Purpose

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) evaluating the operating effectiveness of internal control system, (5) the performance of UCL's internal audit function and independent auditors and (6) reviewing the functions as per the requirements of regulatory authorities.

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 auditors regarding financial reporting.
- Pre-approve all auditing and permitted non- audit services performed by the external audit firm.
- Seek any information it requires from employees - all of whom are directed to cooperate with the committee's requests - or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

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;
- Recommend to the Board steps needed to improve the system of internal control.

Internal Audit

- Review the adequacy of internal audit functions;
- Consider the scope of work and review and approve the annual audit plan;
- Review the reports prepared as per audit plan and as per the requirement of higher authorities/ management/ committee;
- 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.

External Audit

- Discuss with the external auditor any audit problem 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.

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.

Meeting held during the year 2019 along with the attendance of the members:

Composition of Audit Committee		Number of Meetings		Attendance
		Held	Attended	
Mr. Nasiruddin Ahmed *	Chairman	1	1	100.00%
Mr. Mohammad Nurun Nabi, FCA **	Past Chairman	4	4	100.00%
Mr. M. Faizur Rahman	Member	6	6	100.00%
Ms. Sabita Rezwana Rahman	Member	6	6	100.00%
Mr. Nadeem A. Chaudhury,	Member	6	4	66.67%
Mr. Md. Fayekuzzaman	Member	6	6	100.00%

* The Board in its Meeting held on 30 October 2019 has reconstituted the Board Audit Committee by inclusion of Mr. Nasiruddin Ahmed as the Chairman of the Committee.

** Mr. Mohammad Nurun Nabi FCA, Independent Director & Chairman of the Board Audit Committee died on 18 September 2019 and eventually excluded from the Board of Directors of the Company.

Activities of the committee carried out in the year 2019:

The Audit Committee carried out among others the following activities:

- Reviewed and recommended to the Board both the consolidated and separate audited financial statements for the year ended 31 December 2019 along with the auditors' report thereon;
- Reviewed the proposal of auditors for appointment and recommended the same to the Board;
- Reviewed the comprehensive and core risk inspection reports of Bangladesh Bank and compliance reports 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 for improvement;
- Reviewed the report on the non-performing/ default clients;

- Reviewed the pending legal suits;
- Reviewed the report on business operations;
- Reviewed the annual/revised budget and budgetary control system 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;
- Reviewed and approved the Audit Plan for the year 2020;
- Reviewed the audit observations of the External Auditors and communicated the same with the Board;
- Reviewed the Quarterly Operations Report (QOR) and Departmental Control Function Checklist (DCFCL) on quarterly basis;
- Holding meetings with external and internal auditors;

- Reviewed disclosures required in the statement on Corporate Governance, Audit Committee report, standard of business conduct, statement of risk management and internal control for the financial year ended 2019 for inclusion in the Annual report 2019 and recommended the adoption by the Board.

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.

Sd/-

Nasiruddin Ahmed
Chairman, Audit Committee

REPORT ON INTERNAL CONTROL

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 safeguarding the shareholders' investments as well as 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 by ensuring 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 statement on internal control has been prepared to comply with the regulatory requirements as well as 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.

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, 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.

While the 'tone at the top' is set by the Board, it is the role of the 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 organization, 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 organizes and develops its people; and the attention and direction that are 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 which affects the 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 to ensure that management directives are properly carried out. They help to ensure that necessary actions have been taken to address risks which affects the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, 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 organization. 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. 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 system, a process that assesses the quality of the system's performance over time, is needed to be monitored. 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 that 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 PROCESS

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 the expected returns compensate the risks taken.

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.

Among other committees Asset Liability Management Committee (ALCO), Management Credit Committee and Basel II Implementation Committee are set up in the Group to manage specific areas of risk.

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 & procedures are reported to RMC. In addition the Group has placed a reporting process wherein any incident affecting the reputation of the Group is escalated to the senior management immediate 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 required. The Board Committees are as follows:

- Audit Committee;
- Executive Committee;
- 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 designed and documented to ensure accountability and responsibility.

Internal Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and 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 in business and operational environment. Furthermore, a review of the policies, processes and procedures are also carried out to ensure that appropriate controls are in place to manage operational risks.

There is a 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 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 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 the 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 Directors' Report and the Financial Statements in accordance with IFRS and applicable laws and regulations.

The Companies Act, 1994 requires the Directors to prepare financial statements for each financial year. The Directors have prepared these financial statements in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), related circulars of Bangladesh Bank, Bangladesh Securities and Exchange Rules 1987 and the Listing Regulations of the Stock Exchanges. The financial statements are, as required by laws, 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 the year under review.

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

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimate that are reasonable and prudent;
- State that these 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 requirement in preparing these 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 the 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 inquiries, confirm that:

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

The Directors have reviewed the budget and cash flow forecasts.

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.

On the basis of this review, and in the light of the current financial position and existing borrowing facilities including cash flows, the Directors are satisfied that UCL is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

In compliance with the requirements of the BSEC's Notification no. BSEC/CMRRCD/2006-158/207/Admin/80, dated 03 June 2018, the Directors are also required to disclose certain matters in their report. In compliance with these requirements, the Directors confirm that:

- The 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 the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- BFRSs have been followed in preparing the 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 have been disclosed;
- Continuity of any extra-ordinary gain or loss has been disclosed;
- Statement of all related party transactions has been disclosed.
- Significant variance, while occurred between quarterly financial performance and annual financial statements, has been disclosed;
- Remuneration to Directors including Independent Director has been disclosed;
- A brief resume, nature of Director's expertise in specific areas, other directorship and the membership of committees of the Board of other companies given on page 51 to 56 of this Annual Report.

RESPONSIBILITY OF THE MANAGING DIRECTOR & CEO AND THE CFO IN RESPECT OF FINANCIAL REPORTING

The Board of Directors
Union Capital Limited
bti Landmark, Level - 08,
Plot - 16, Gulshan Avenue,
Gulshan- 01, Dhaka - 1212.

Subject: Declaration on Financial Statements for the year ended on 31 December 2019

Dear Sir(s),

Pursuant to the condition No. 1(5) (xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/ Admin/80, dated 03 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of Union Capital Limited for the year ended on 31 December 2019 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgements related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- i. We have reviewed the financial statements for the year ended on 31 December 2019 and that to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
 - b) These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- 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 in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,

Sd/-
Mohammad Balayet Hossain
AVP & Chief Financial Officer (CC)

Sd/-
Chowdhury Manzoor Liaquat
Managing Director & CEO

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 2019.

Based on that evaluation, the Management concluded that, as of 31 December 2019, 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 2019.

Our internal control over financial reporting as of 31 December 2019 has been audited by K. M. Hasan & Co., Chartered Accountants, who also audited our Consolidated Financial Statements for the year ended 31 December 2019. The Auditor also assesses the effectiveness of our internal control and determines the degree and extent of reliance on internal control system.

Sd/-

Mohammad Balayet Hossain
AVP & Chief Financial Officer (CC)

Sd/-

Chowdhury Manzoor Liaquat
Managing Director & CEO

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

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, Nomination and Remuneration Committee & 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 03 June 2018;
- 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,

Sd/-

Chowdhury Tanzim Karim
Chairman

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.

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

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 is vital to the Company's well-being. The Board has adopted a comprehensive framework of Corporate Governance Code, 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 Code", notification date 03 June 2018 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 among 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 make 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 Bangladesh Bank and BSEC;
- Seek to prevent, detect and resolve potential violations of law or company policy;
- Undergo regular assessment to make sure that we are being responsive to our evolving business and associated compliance risks; and
- Our compliance practices are just one part of our overall commitment to operate ethically, openly and transparently. But we believe it's the right place to start.

Corporate Governance Structure

Our corporate governance policies and procedures form the basis of a sound corporate governance framework and refer to other documents that regulate certain aspects of corporate governance in greater detail.

Articles of Association (AoA): Define the purpose of the business, the powers and duties of the Directors and the basic organizational framework.

Code of Conduct: Defines the UCL's ethical values and professional standards that the Board and all employees are required to follow, including an emphasis that employees must adhere to all relevant laws, regulations, and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking.

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

Corporate Governance Code: Summarize certain principles promoting the function of the Board and

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.

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 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:

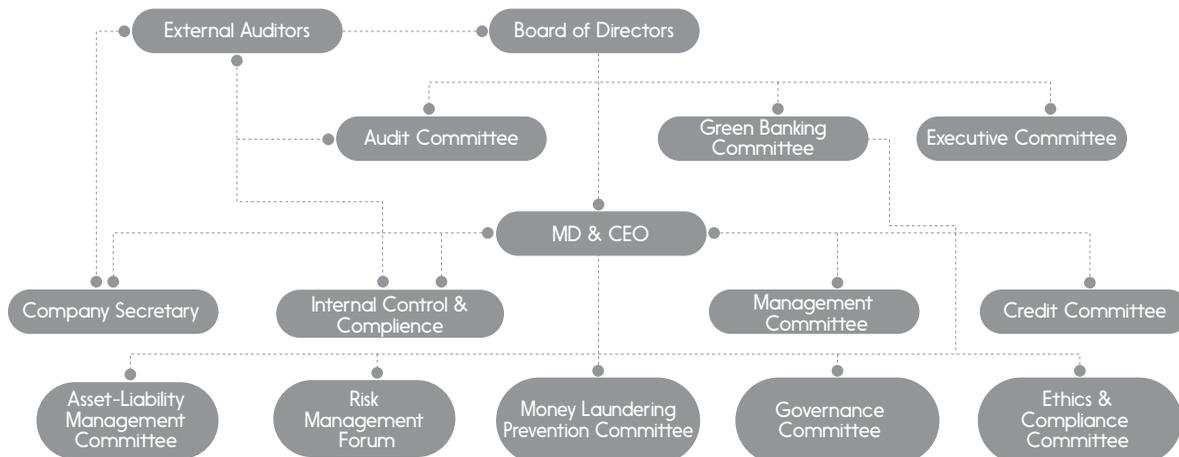
- Avoiding conflicts of interest between the business interests of the group and personal interests of directors or executives.

- 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 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.



This statement outlines the main corporate governance practices employed by the Board of UCL in applying the Corporate Governance Code.



Corporate Governance Model

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

Basic Principles Forming a Good Board

The Board is collectively responsible to the Company's shareholders for the long-term success of the Company and for its overall strategic direction, its values and its governance. It provides the leadership necessary for the Company to meet its business objectives whilst ensuring that a sound system of internal control and risk management is in place.

The Board is responsible for governing the business and affairs of the Company and for exercising all such powers pursuant to the articles of association of the Company. While carrying out their duties and responsibilities, the Board is committed to ensuring that the highest corporate governance standards are adhered to.

The overall principal responsibilities of the Board are as follows:

- Providing strategic leadership to the Company;
- Reviewing, approving and monitoring the implementation of the strategic business plans and policies of the company;
- Ensuring the Company and Group maintain an effective system of internal controls and are able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- Monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- Ensuring the formulation of a succession plan for long term business continuity.

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 Bangladesh Securities and Exchange Commission 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) code 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 nonexecutive Directors is subject to retirement. At least one third of the nonexecutive 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 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 five and more than twenty as per BSEC corporate governance code 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 51 to 56 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 therefore 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 code on Corporate Governance at least one fifth of the total Directors should be Independent Directors. In order 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 has already been appointed as Independent Director of five listed companies.

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 companies strategy and in the achievement of the companies 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 Companies and groups performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sound advice in achieving the Companies 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 nonexecutive 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 by 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 twelve members which is within the regulatory limit. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be adequate enough to ensure an effective decision making process.

DIRECTORS KNOWLEDGE AND EXPERIENCE

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 qualifications, experience and skills is presented on page 51 to 56 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 03 June 2018. The Managing Director & CEO is an ex-officio member of the Board having no voting rights. The Board believes that the interests of the shareholders are best served by:

- The current composition of the Board which is regarded as balanced with a complementary range of skills and experience detailed in the Directors' profile on page 51 to 56 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 2019, the Board held 12 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 detail of the attendance of the Directors is given on page 76 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 2018, 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 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 among the Board, Board Committees, the Senior Management and the regulators.

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

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

AUDIT COMMITTEE

OBJECTIVE OF THE COMMITTEE

The objective of the committee is to assisting the Board in fulfilling its corporate governance responsibilities, particularly:

- The reliability and integrity of information for inclusion in Company's financial statements;
- Compliance with legal and regulatory obligations, including audit, accounting, tax and financial reporting obligations;
- The integrity of company's internal control framework;
- Safeguarding the independence of the external and internal auditors.
- Ensuring that the Management has selected accounting policies that are in line with 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

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. Nasiruddin Ahmed is Independent Directors.

CHAIRMAN OF THE AUDIT COMMITTEE

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

QUALIFICATION AND EXPERTISE OF THE MEMBERS OF THE COMMITTEE

The committee is chaired by an Independent Director Mr. Nasiruddin Ahmed who has required knowledge and extensive experience to serve in this role. Mr. Ahmed started his banking career by joining State Bank of Pakistan in early seventies. He has a successful banking career of almost forty-six years having exposure in almost every area of banking operations and management including finance and investments, human resources management and development, performances, integration of information technology and quality control in banking operations while rendering responsibilities at State Bank of Pakistan (SBP), Habib Bank Limited, Agrani Bank Limited, Islami Bank Limited and Prime Bank Limited. He was entrusted with the responsibilities of formulation and updating of various policy guidelines & standard operation procedures for Prime Bank Limited such as- Exchange House operations, Off-Shore Banking Operations, Islamic Banking & Investment, Logistic Support Services, Retail Credit, and Treasury Operation etc.

The biography of Mr. Nasiruddin Ahmed is given on page 55 of this Annual Report.

CHARTER OF THE AUDIT 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 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 appointment of the external auditor.

AUDIT COMMITTEE INVOLVEMENT IN SELECTION OF APPROPRIATE ACCOUNTING POLICIES

As per the BSEC code 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 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 code 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 to comply 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 2019, the Audit Committee held 6 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 2018 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 2019 and fixation of their remuneration;
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2018;
- Reviewed the quarterly, half yearly financial statements for the year 2019;
- Reviewed the inspection report of Bangladesh Bank for the year 2018 and management response thereon; and
- Reviewed quarterly operation report of the Company for the year 2019.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The guidelines on internal control & compliance given by Bangladesh Bank recommend internal control practices for NBFIs to assist them in assessing the application of the principles and compliance with the provisions with regard to internal control. The systems of internal control of the company are designed and operated to support the identification, evaluation and management of risks affecting the company. These include controls in relation to the financial reporting process and the preparation of consolidated accounts, but extend across all areas of operations. They are subject to continuous review as circumstances change and new risks emerge.

Key features of the systems of internal control are:

- The risk management system described in the section of risk management report;
- Written policies and procedures within our businesses,

which are detailed in policy manuals;

- Clearly defined lines of accountability and delegation of authority;
- Minimization of operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses;
- Business continuity planning, including preventive and contingency measures, back-up capabilities;
- Key policies employed in managing operating risk involve segregation of duties, transaction authorization, monitoring;
- Financial and managerial review and comprehensive reporting and analysis against approved standards and budgets; and
- A treasury operating framework which establishes policies and manages liquidity and financial risks. ALCO that monitor these activities and compliance with the policies. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the Management Committee.

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, reviews of key financial controls, internal audit reviews and quality assurance, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations and reports to the audit Committee by the external auditors.

Internal and External Auditors

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

Internal Audit

Our Internal audit department comprises of a team of independent professionals headed by Ms. Sadia Shaherat Jahan 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 K. M. Hasan & 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 132 to 148. 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 provide 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; and
- 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.

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, maximum amount of BDT 8,000 can be paid to each Director for attending each Board/Committee meeting.

However, the Board unanimously adopted a resolution in its 270th Meeting held on 29 September 2019 that the Board Members would not take any fee in connection

to the attendance of the Board and its Committee Meetings until otherwise decided. However, Independent Directors will be entitled to fee for an amount of BDT 5,000 (existing amount was BDT 8,000) for attending Board Meetings and Committee Meetings. The Board directed that the decision shall be applicable in respect of board meetings in the Subsidiary Companies as well.

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 2 members headed by the CEO. Other member of the committee

is Mr. A.N.M. Golam Shabbir, Executive Vice President and Head of Admin and HR.

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.

REMUNERATION OF THE DIRECTORS

The Board unanimously adopted the resolution in its 270th Meeting held on 29 September 2019 that the Board Members will not take any fee in connection to the attendance of the Board and its Committee Meetings until further notice. However, Independent Directors will be entitled to fee in the amount BDT 5,000 (existing amount was BDT 8,000) for attending board meetings and committee meetings. The Board directed that the decision shall be applicable in respect of board meetings in the subsidiary companies as well.

Sl. No.	Name	Status with the Company	Status with the Committee	Eligible to Attend	Meeting Attended	Fee
1	Chowdhury Tanzim Karim	Chairman	Chairman	12	12	64,000
2	Mr. M. Faizur Rahman	Director	Member	12	09	64,000
3	Mr. Waqar A. Choudhury	Director	Member	12	07	32,000
4	Mr. Nadeem A. Chaudhury	Director	Member	12	07	40,000
5	Ms. Tajrina Sikder	Director	Member	12	05	24,000
6	Ms. Sabita Rezwana Rahman	Director	Member	12	12	64,000
7	Mrs. Meherunnesa Haque	Director	Member	12	09	56,000
8	Mr. Md. Fayekuzzaman	Director	Member	12	12	64,000
9	Kazi Russel Mahbub	Director	Member	12	02	8,000
10	Mr. Md. Abdul Karim	Independent Director	Member	07	06	48,000
11	Mr. Mohammad Nurun Nabi FCA	Independent Director	Member	08	08	64,000
12	Mr. Nasiruddin Ahmed	Independent Director	Member	04	03	15,000
13	Mr. Munshi Shafiul Haque	Independent Director	Member	03	03	15,000
14	Mr. Md. Abdus Salam FCA, FCS	Independent Director	Member	01	01	5,000

REMUNERATION OF THE AUDIT COMMITTEE MEMBERS

Sl. No.	Name	Status with the Company	Status with the Committee	Eligible to Attend	Meeting Attended	Fee
1	Mr. Nasiruddin Ahmed *	Independent Director	New Chairman	1	1	5,000
2	Mr. Mohammad Nurun Nabi FCA **	Independent Director	Past Chairman	4	4	32,000
3	Mr. Md. Fayekuzzaman	Director	Member	6	4	32,000
4	Mr. M. Faizur Rahman	Director	Member	6	6	32,000
5	Mr. Nadeem A. Chaudhury	Director	Member	6	4	16,000
6	Ms. Sabita Rezwana Rahman	Director	Member	6	6	32,000

* The Board of Directors in its 27 1st Meeting held on 30 October 2019 appointed Mr. Nasiruddin Ahmed as the Chairman of the Board Audit Committee.

** Mr. Nurun Nabi FCA, Independent Director and Chairman of the Board Audit Committee died on 18 September 2019 and eventually excluded from the Board of Directors of the Company.

REMUNERATION OF THE EXECUTIVE COMMITTEE MEMBERS

Sl. No.	Name	Status with the Company	Status with the Committee	Eligible to Attend	Meeting Attended	Fee
1	Mr. Waqar A. Choudhury	Director	Chairman	2	2	16,000
2	Mr. M. Faizur Rahman	Director	Member	2	2	16,000
3	Mr. Nadeem A. Chaudhury	Director	Member	2	1	8,000
4	Ms. Sabita Rezwana Rahman	Director	Member	2	2	16,000

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 OF THE CEO

The total remuneration of the CEO was BDT 16,52,903 for the year under review that includes all benefits as approve by the central bank of Bangladesh.

REMUNERATION OF THE SENIOR MANAGEMENT

Employees in the rank of Assistant Vice President and above are considered as the senior management. In 2019, total senior management employees were 18 in number with a total remuneration of BDT 4,91,04,524.

HUMAN CAPITAL

The talented and highly motivated people 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 that 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 visit 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

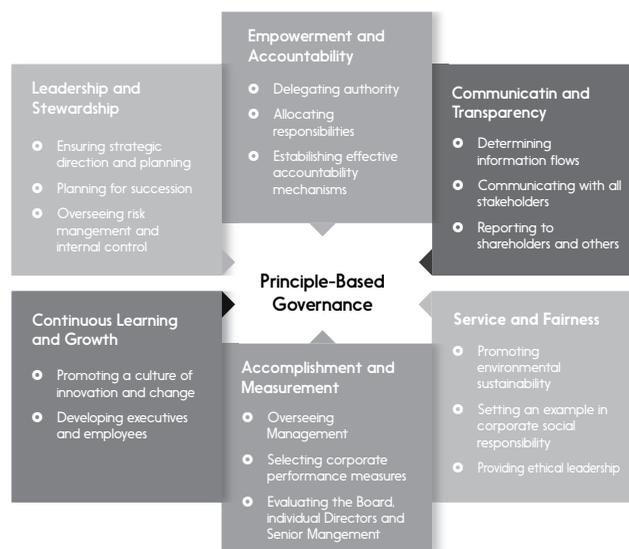
preventing, detecting and dealing with fraud. It gives a clear message to employees and stakeholders about conduct that will not be tolerated by UCL.

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.

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 create 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 ULC 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 discussion 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 primarily 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 Department. 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 THE 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 including 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, the AGM must be held within nine months from the end of the financial year. Notice of an AGM, including agenda items and proposals submitted by the Board must be published at least 14 days prior to the meeting.

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

Convocation of Shareholder Meetings

An AGM is convened by the Board with 14 days' clear notice for ordinary/extra-ordinary resolutions. Twenty one days notice is required for passing special resolution.

Request to Convene a Meeting by the shareholders

Shareholders holding shares not less than one-tenth of the issued share capital of the company have the right to call an extraordinary general meeting and request for a specific item be placed on the agenda and voted upon at the meeting. The Director shall, within 21 days from the date of deposit of the requisition for meeting by the shareholders, proceed duly to call a shareholders' meeting.

Statutory Quorums

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

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

- Transaction of ordinary business done in an AGM;

- Increase of paid up capital; consolidation or subdivision of shares; cancellation of unissued shares;
- A consensus of at least two thirds of the votes represented is required for resolutions include;
- Change provisions of the object clause;
- Change the name of the company alter or add to its AoA;
- Reduce share capital;
- Make reserved capital;
- Make director's liability unlimited; remove auditor before expiry of term; on court winding up;
- On voluntary winding up.

Notices of Shareholders Meeting

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

Timely and Balanced Disclosure

The Board has an established process to ensure accountability at a senior executive level for compliance with the continuous disclosure obligations of Bangladesh Bank, BSEC and listing rules. Executive Management is required to communicate all matters of a material nature and which may require disclosure to regulators, to the Chairman, CEO or the Company Secretary.

The Rights of Shareholders

UCL promotes effective communication with the Company's Shareholders and encourages Shareholder participation at Annual General Meetings. UCL 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 transparent 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

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 followings 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 minimize 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

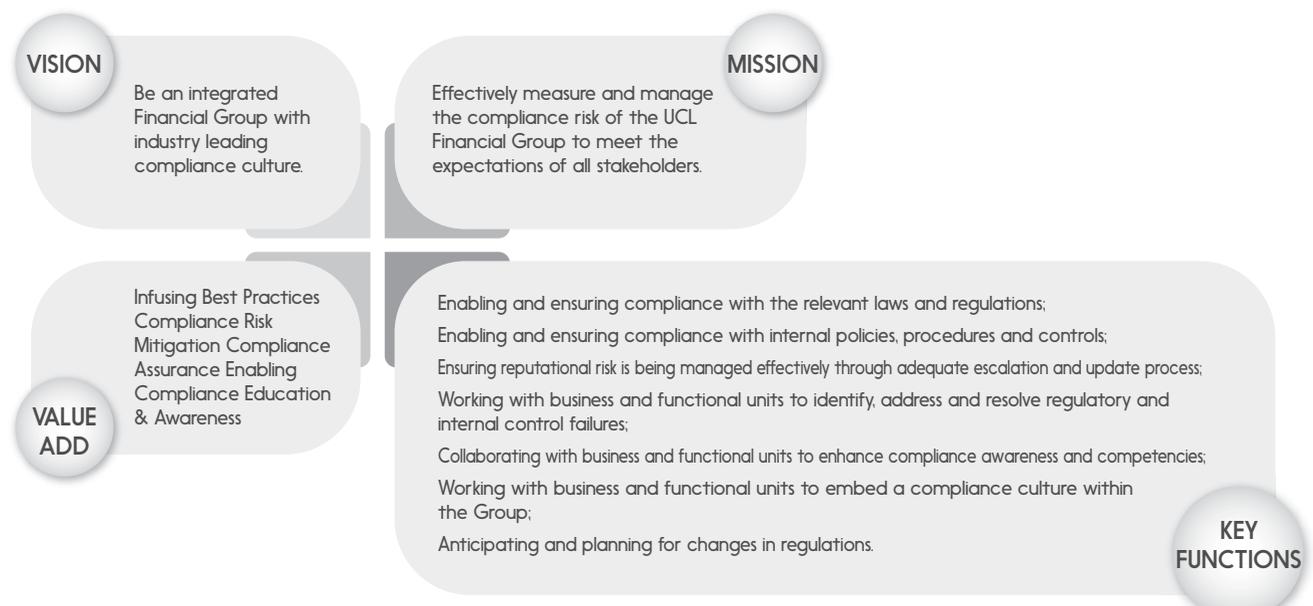
At the apex of Compliance is the Board, which oversees and provides strategic direction for compliance in the Group. The Risk Management Committee ("RMC") is the management Committee wherein the Group's state of compliance with laws, regulations, internal policies and procedures is reported. The Compliance 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.

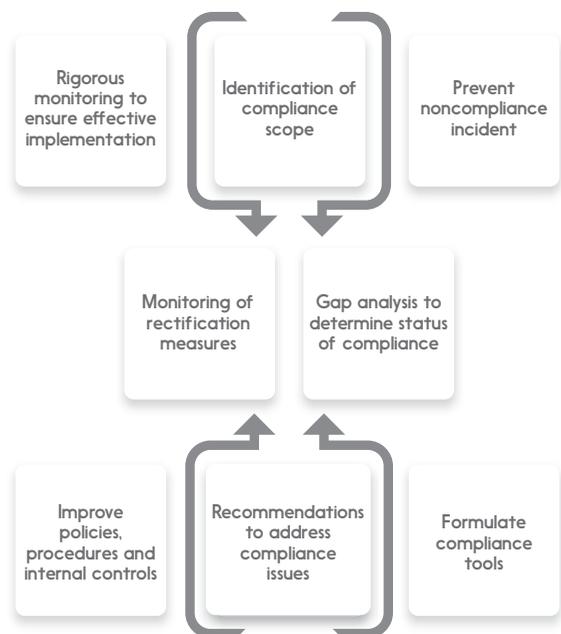
Division and Department Heads are continuously engaged to ensure that they continue to inculcate compliance awareness and discharge their duties effectively to ensure their respective units comply with regulatory and internal requirements.



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, and 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 2019 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 develops overarching compliance policies along with procedures on how to comply with specific regulations. Among the key Compliance Policies enplaced are:

- Compliance Framework
- AML & TF Programme
- Incident Reporting, Management and Escalation Process
- Core Values
- Code of Ethics and Conduct
- Whistleblower Policy
- Insider Trading Policy

Continuous revisions are made to the Compliance Policies to ensure the Group keeping 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 provided insightful perspectives on fraud.

With the ultimate aim of embedding 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 practiced 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:

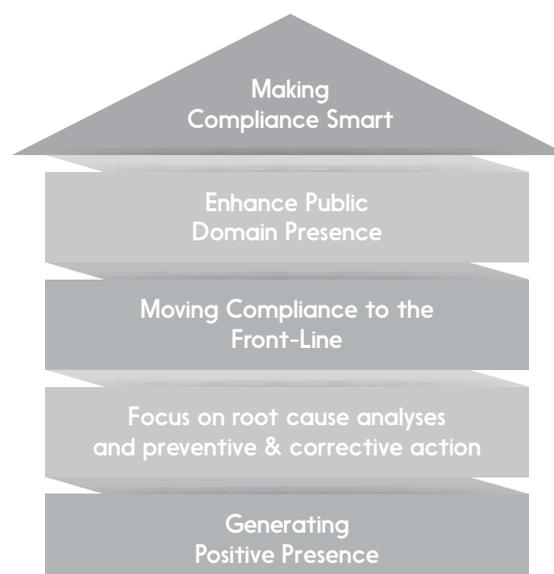
As business models change, new technologies emerge and regulatory requirements increase amidst the intense focus on operational efficiencies and the consolidation of the financial sector, the Group has never been more exposed to such a myriad of risks, not to mention larger sets of rules and regulations. 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 highest 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 is 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 preserves the Group's integrity and reputation, it will also enhance our corporate image as a respectable organization and ultimately, increase brand and shareholder value.



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

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

- Accountability of each level of employee for antimoney 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.

Certificate on

COMPLIANCE WITH CONDITIONS ON CORPORATE GOVERNANCE

AHMED ZAKER & Co.
CHARTERED ACCOUNTANTS

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Annexure-B

[Certificate as per condition No. 1(5)(xxvii)]

**Report to the Shareholders of Union Capital Limited on compliance on
the Corporate Governance Code**

We have examined the compliance status to the Corporate Governance Code by **Union Capital Limited** for the year ended on December 31, 2019. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

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

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

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

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

Place: Dhaka
Dated: August 04, 2020


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

Annexure-C

[As per condition No. 1(5)(xxviii)]

Status on compliance of the Corporate Governance Guideline (CGG) as on 31 December 2019

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

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

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(2)(c)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	√		
1(2)(d)	The post of independent director(s) can not remain vacant for more than 90 (ninety) days.	√		
1(2)(e)	The tenure of office of an independent director shall be for a period of 3(three) years, which may be extended for 1(one) term only.	√		
1(3)	Qualification of Independent Director (ID)			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or			N/A
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of k. 100.00 million or of a listed company; or	√		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law; or	√		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or			N/A
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	√		
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b)	√		
1(3)(d)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			No such event occurred.
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer:			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
1(5)	The Directors' Report to Shareholders:			
1(5)(i)	An industry outlook and possible future developments in the industry	√		
1(5)(ii)	The segment-wise or product-wise performance	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);	√		
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments			No such event occurred.
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;			No such event occurred.
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;	√		
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;	√		
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	√		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;	√		
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:			
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);	√		
1(5)(xxiii)(c)	Executives; and	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details);	√		
1(5)(xxiv)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:			
1(5)(xxiv)(a)	A brief resume of the director;	√		
1(5)(xxiv)(b)	Nature of his/her expertise in specific functional areas;	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A; and	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	√		
1(6)	Meetings of the Board of Directors			
	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	√		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;			"As per Bangladesh Bank guidelines, UCL being a Financial Institution (FI) can only form three subcommittees of the Board: Executive Committee (EC), Audit Committee (AC) and Green Banking Committee (GBC). No other subcommittee of the Board is permitted by Bangladesh Bank.
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.			However, to comply with this clauses of CGG of BSEC, we have addressed the issue with Bangladesh Bank through Bangladesh Leasing and Finance Companies Association (BLFCA) and Bangladesh Association of Publicly Listed Companies (BAPLC). Till the date of reporting, we have not received any direction in this regard."
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;	√		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	√		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	√		
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	√		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
3(2)	Requirement to attend Board of Directors' Meetings			
	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board:	√		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		
3(3)(a)(i)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
3(3)(a)(ii)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	Board of Directors' Committee			
4(i)	Audit Committee; and	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
4(ii)	Nomination and Remuneration Committee.			"As per Bangladesh Bank guidelines, UCL being a Financial Institution (FI) can only form three subcommittees of the Board: Executive Committee (EC), Audit Committee (AC) and Green Banking Committee (GBC). No other subcommittee of the Board is permitted by Bangladesh Bank. However, to comply with this clauses of CGG of BSEC, we have addressed the issue with Bangladesh Bank through Bangladesh Leasing and Finance Companies Association (BLFCA) and Bangladesh Association of Publicly Listed Companies (BAPLC). Till the date of reporting, we have not received any direction in this regard."
5	Audit Committee			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a subcommittee of the Board;	√		
5(1)(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business;	√		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)	Constitution of the Audit Committee.			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;	√		
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(3)	Chairperson of the Audit Committee			
5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;	√		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM).	√		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year.	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	Role of Audit Committee			
5(5)(a)	oversee the financial reporting process;	√		
5(5)(b)	monitor choice of accounting policies and principles;	√		
5(5)(c)	monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	oversee hiring and performance of external auditors;	√		
5(5)(e)	hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5)(f)	review along with the management, the annual financial statements before submission to the Board for approval;	√		
5(5)(g)	review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5)(h)	review the adequacy of internal audit function;	√		
5(5)(i)	review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5)(j)	review statement of all related party transactions submitted by the management;	√		
5(5)(k)	review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
5(5)(l)	oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5(5)(m)	oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission.			No such event occurred.

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board on the following findings, if any:			
5(6)(a)(ii)(a)	report on conflicts of interests;			No such event occurred.
5(6)(a)(ii)(b)	suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			No such event occurred.
5(6)(a)(ii)(c)	suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			No such event occurred.
5(6)(a)(ii)(d)	any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;	√		
5(6)(b)	Reporting to the Authorities			
	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the Management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			No such event occurred.
5(7)	Reporting to the Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	Nomination and Remuneration Committee (NRC).	<p>"As per Bangladesh Bank guidelines, UCL being a Financial Institution (FI) can only form three subcommittees of the Board: Executive Committee (EC), Audit Committee (AC) and Green Banking Committee (GBC). No other subcommittee of the Board is permitted by Bangladesh Bank.</p> <p>However, to comply with this clause of CGG of BSEC, we have addressed the issue with Bangladesh Bank through Bangladesh Leasing and Finance Companies Association (BLFCA) and Bangladesh Association of Publicly Listed Companies (BAPLC). Till the date of reporting, we have not received any direction in this regard."</p>		
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;			"Do"

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			"Do"
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No.6(5)(b).			"Do"
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;			"Do"
6(2)(b)	All members of the Committee shall be non-executive directors;			"Do"
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;			"Do"
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;			"Do"
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;			"Do"
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;			"Do"
6(2)(g)	The company secretary shall act as the secretary of the Committee;			"Do"
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;			"Do"
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.			"Do"
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;			"Do"
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;			"Do"
6(3)(c)	The Chairperson of the NRC shall attend the Annual General Meeting (AGM) to answer the queries of the shareholders.			"Do"
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;			"Do"
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;			"Do"

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);			"Do"
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC			"Do"
6(5)	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;			"Do"
6(5)(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:			"Do"
6(5)(b)(i)	formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:			"Do"
6(5)(b)(i)(a)	the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;			"Do"
6(5)(b)(i)(b)	the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and			"Do"
6(5)(b)(i)(c)	remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;			"Do"
6(5)(b)(ii)	devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;			"Do"
6(5)(b)(iii)	identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;			"Do"
6(5)(b)(iv)	formulating the criteria for evaluation of performance of independent directors and the Board;			"Do"
6(5)(b)(v)	identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and			"Do"
6(5)(b)(vi)	developing, recommending and reviewing annually the company's human resources and training policies;			"Do"
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.			"Do"
7	External or Statutory Auditors.			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-			
7(1)(i)	appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	financial information systems design and implementation;	√		
7(1)(iii)	book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	broker-dealer services;	√		

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

Compliance Report

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:

Particulars	Compliance status
1 RESPONSIBILITIES AND AUTHORITIES OF BOARD OF DIRECTORS	
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 the Management preferably on the Managing Director and other top executives.	Complied
ii No Director shall interfere on the approval of loan proposal associated with him. The Director concerned shall not give any opinion on that loan proposal.	Complied
E. Risk Management	
The Board shall approved the 'Risk Management Guideline' and review the same regularly as specified by the 'Core Risk Management Guideline' of Bangladesh Bank.	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

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

Disclosures on**CAPITAL ADEQUACY AND MARKET DISCIPLINE (CAMD)–PILLAR III****A) Scope of Application****Qualitative Disclosures:**

- a) The name of the top corporate entity in the group to which this guidelines applies.
- > Union Capital Limited.
- b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted)
- > Union Capital Limited (UCL) has two wholly owned subsidiaries: UniCap Securities Limited and UniCap Investments Limited which are fully consolidated.
- c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group
- > Not Applicable

Quantitative Disclosures:

The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries

- > Not Applicable

B) Capital Structure**Qualitative Disclosures:**

- a) Summary information on terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or Tier 2.

Tier 2 Capital includes:

- i. General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) of Credit Risk.
- ii. Revaluation reserves:
 - 50% of Revaluation reserve for fixed assets
 - 45% Revaluation reserve for securities
- iii. All other preference shares

Conditions for maintaining regulatory capital:

- i. The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.
- ii. 50% of revaluation reserves for fixed assets and 45% of revaluation reserves for securities are eligible for Tier 2 capital.

Quantitative Disclosures:

- b) The amount of Tier 1 capital, with separate disclosure of:

Particulars	Amount in BDT crore
Paid up Capital	172.57
Statutory reserve	45.19
Retained earning	(93.36)

c. The total amount of Tier 2 capital	32.25
d. Other deductions from capital	-
e. Total eligible capital	156.65

C) Capital Adequacy**Qualitative Disclosures**

A summary discussion of UCL's approach to assessing the adequacy of its capital to support current and future activities.

Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)

UCL has applied Standard Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying capital charge for market risk and operational risk by reciprocal of the minimum capital adequacy ratio and adding the resulted figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Capital as numerator to derive Capital Adequacy Ratio.

Strategy to Achieve the Required Capital Adequacy:

- Rigorous monitoring of overdue loans to bring those under 90 days overdue
- Financing clients having good rating as per Company's policy
- Using benefit of credit risk mitigation by taking eligible collaterals against transactions
- Focusing more to increase the spread on loan and thus increasing retained earnings

Quantitative Disclosures

Particulars	Amount in BDT crore
Capital requirement for Credit Risk	178.02
Capital requirement for Market Risk	11.65
Capital requirement for Operational Risk	7.96
Total and Tier 1 capital ratio:	
CAR on Total capital basis (%)	7.93
CAR on Tier 1 capital basis (%)	6.29

D) Credit Risk**Qualitative Disclosures**

- a. The general qualitative disclosure requirement with respect to credit risk including:

- Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial

Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

- Description of approaches followed for specific and general allowances and statistical methods

General and specific provisions are maintained according to the relevant Bangladesh Bank Guidelines.

Discussion on FI's credit risk management policy:-

Implementation of various strategies to minimize risk:

To encounter and mitigate credit risk, the following control measures are taken place at UCL:

- Vigorous monitoring and follow up by fully dedicated recovery and collection team
- Strong follow up of compliance of credit policies by appraiser and credit department
- Taking collateral, performing valuation and legal vetting on the proposed collateral by members of our own dedicated technical and legal department
- Seeking legal opinion from external lawyers for any legal issues if required
- Regular review of market situation and industry exposures
- Insurance coverage for funded assets

In addition to the best industry practices for assessing, identifying and measuring risks, UCL also considers Guideline for Managing Core Risks of Financial Institutions issued by Bangladesh Bank for management of risks.

Approved Credit Policy by the Board of Directors

The Board of Directors has approved the credit policy for the company where major policy guidelines, growth strategy, exposure limits and risk management strategies have been described/ stated. Credit policy is regularly updated to cope up with the changing global, environmental and domestic scenarios.

Separate Credit Risk Management (CRM) Department

An independent Credit Risk Management (CRM) Department is in place, at UCL, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. CRM has been segregated from Credit Administration Department in line with Central Bank's Guidelines. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

Monitoring and Recovery Team

A strong recovery team monitors the performance of the loans and advances, identifies early sign of delinquencies

in portfolio and takes corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

Independent Internal Control & Compliance Department

Appropriate internal control measures are in place at UCL. An Internal Control & Compliance Department has been established to ensure compliance with all internal guidelines, Bangladesh Bank guidelines, operational procedures and adequacy of internal control and documentation procedures.

Credit Evaluation

To mitigate credit risk, UCL search for credit reports from Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by Credit Administration Department and Credit Risk Management Department to understand the liability condition and repayment behavior of the client. Depending on the reports, opinions are taken from the concerned related parties for better understanding about client's credit worthiness.

Credit Approval Process

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multilayer system.

Depending on the size of the loan, a multilayer approval system is designed. As smaller loan are very frequent and comparatively less risky, lower sanctioning authority is set to improve processing time and associated risk. Bigger loans require more scrutiny as the associated risk is higher hence sanctioning authority is higher as well.

Early Warning System

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It helps the company to grow its credit portfolio with ultimate objective of protecting the interest of the stakeholders.

Methods used to measure Credit Risk

As per the directives of Bangladesh Bank, 'The Standardize Approach' is applied by the company to measure its Credit Risk.

Quantitative Disclosures

- b. Total gross credit risk exposures broken down by major types of credit exposure.

Particulars	Amount in BDT crore
Leasing	148.98
Term finance	600.84
Personal loan (staff)	1.78
Loan against deposit	1.85
Loan to subsidiary	530.35
Total	1,283.81

c. Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.

Area	Amount in BDT crore
Dhaka Division	1,116.41
Chattogram Division	143.34
Rajshahi Division	19.21
Khulna Division	0.47
Rangpur Division	1.88
Barisal Division	-
Sylhet Division	2.5
Total	1,283.81

d. Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.

Sector	Amount in crore Taka
Trade and Commerce	123.71
Industry	-
Garments and Knitwear	56.11
Textile	137.68
Jute and Jute Products	2.61
Food Products and Processing Industry	19.21
Plastic Industry	12.78
Leather and Leather-Goods	0.04
Iron, Still and Engineering	47.35
Pharmaceuticals and Chemicals	39.51
Cement and Allied Industry	1.57
Telecommunication and Information Technology	6.73
Paper, Printing and Packaging	18.38
Glass, Glassware and Ceramic Industry	11.01
Ship Manufacturing Industry	46.16
Electronics and Electrical Products	15.57
Power, Gas, Water and Sanitary Service	45.31
Transport and Aviation	30.49
Agriculture	48.12
Housing	21.33
Others:	-
Merchant Banking	494.11
Others	106.01
Grand total	1,283.81

e. Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Particulars	Amount in BDT crore
Repayable on demand	0
Not more than 3 months	52.10
Over 3 months but not more than 1 year	345.73
Over 1 year but not more than 5 years	832.85
Over 5 years	53.13
Total	1,283.81

f. By major industry or counter party type.

i) Amount of impaired loans and if available, past due loans, provided separately

The amount of classified loans and advances of UCL are given below as per Bangladesh Bank guidelines.

Particulars	Amount in BDT crore
Loans & advances up to 5 years	205.76
Loan & advances over 5 years	12.04
Totals	217.80

ii) Specific and general provisions:

Specific and general provisions were made on the amount of classified and unclassified loans and advances of UCL.

Particulars	Amount in BDT crore
Provision on classified loans and advances	27.35
Provision on unclassified loans and advances	19.07
Total	46.42

iii) Charges for specific allowances and charge-offs during the year.

During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances of UCL.

Particulars	Amount in BDT crore
Provision on Unclassified loans and advances	15.10
Provision on classified loans and advances	4.52
Total	19.62

E) Equities: Banking book positions

Qualitative Disclosures

a. The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and conditions of regulatory authority.

Quantitative Disclosures

b. Value disclosed in the balance sheet of investments, as well as the fair value of those investments, for quoted securities, a comparison to publicly quoted share values where share price is materially different from fair value.

Particulars	Amount in BDT crore
Quoted shares (Market price)	2.65
Quoted shares (Cost Price)	2.67
Unquoted shares	-

Breakup of Total Investment	
Particulars	Amount in BDT crore
Government securities	-
Non marketable securities	-
Preference share	-
Investment in share (lock-in)	-
Marketable Securities	2.67
Commercial paper	-

- c. The cumulative realized gain (losses) arising from sales and liquidations in the reporting period.

Particulars	Amount in BDT crore
Cumulative realized gain / (Loss)	(9.42)

- d.

Particulars	Amount in BDT crore
Total unrealized gains (Losses)	(0.02)
Total latent revaluation gains(Losses)	-
Any amounts of the above included in Tier 2 Capital	-

- e. Capital requirements broken down by appropriate equity groupings, consistent with FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital.

Specific Risk –Market value of investment in equities is BDT 2.65 crore. Capital requirement is 10% of the said

value which stands at BDT 0.265 crore.

General Risk – Market value of investment in equities is BDT 2.65 crore. Capital requirement is 10% of the said value which stands at BDT 0.265 crore.

F) Interest rate in the banking book

Qualitative Disclosures

- a. The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of assets and their funding cost. Assets Liability Management Committee (ALCO) monitors the interest rate movement on a regular basis.

UCL measures the interest rate risk by calculating maturity gap between Risk Sensitive Assets (RSA) and Risk Sensitive Liabilities (RSL) i.e. a positive maturity gap affect company's profitability positively with the increment of interest rate and negative maturity gap affects company's profitability adversely with the increment of interest rate.

Quantitative Disclosures

- b. The increase (decline) in earning or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

Interest Rate Risk-Increase in Interest Rate: (BDT in Crore) Where applicable

Particulars	Maturity wise distribution of Assets-Liabilities				
	One month	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 Year
A. Total Rate Sensitive Liabilities (A)	21.63	12.89	25.46	122.74	282.19
B. Total Rate Sensitive Assets (B)	45.29	55.61	58.62	139.81	245.68
C. Mismatch	23.66	42.73	33.16	17.06	-36.51
D. Cumulative Mismatch	23.66	66.39	99.55	116.61	80.11
E. Mismatch (%)	109.39%	331.48%	130.25%	13.90%	-12.94%

Magnitude of shock	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio (BDT in Crore)	0.00	0.00	0.00
Net Interest Income (BDT in Crore)	1.60	3.20	4.81
Revised Regulatory Capital (BDT in Crore)	203.86	205.46	207.07
Risk Weighted Assets (BDT in Crore)	1976.26	1976.26	1976.26
Revised CAR (%)	10.32%	10.40%	10.48%

G. MARKET RISK

Qualitative Disclosures

- a. Views of BOD on trading/investment activities

All the Market risk related policies/guidelines are duly

approved by BOD. The BOD reviews the compliance on regular basis aiming to mitigate market risk.

Method used to measure Market risk

Market risk is the probability of losing assets in balance

sheet and off-balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardize (rule based) Approach. Capital charge for interest rate risk and foreign exchange risk is not applicable to our company as because we do not have such balance sheet items

Market Risk Management System

A system for managing Market Risk is in place where guideline has been given regarding long-term, short-term funding, liquidity contingency plan, local regulatory compliance etc. Treasury manages the Market risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following manner:

Interest Risk Management

Treasury Department and Finance & Accounts Department review the risk of changes in the income of the company as a result of movements in the market interest rates. In the normal course of business, UCL tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

Market analysis

Market analysis over interest rate movements are reviewed by the Treasury Department with the help of other concerned Departments of the company. The type and level of mismatch of interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and earning value perspective.

GAP analysis

ALCO has established guidelines in line with central bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between rate sensitive assets and rate sensitive liabilities and takes decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

Continuous Monitoring

Company's treasury manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assured risks.

Equity Risk Management

Equity Risk is the risk of loss due to adverse change in the market place of equities held by the Company.

Equity Risk is managed by the following manner:

UCL minimizes the equity risks by portfolio diversification as per investment policy of the Company.

Quantitative Disclosures

b. The capital requirements for Market Risk:

Particulars	Amount in BDT crore
Interest rate risk	-
Equity position risk	0.53
Foreign Exchange Position and Commodity risk (If any)	-

H) Operational Risk:

Qualitative disclosure:

a. Views of Board on the system to reduce Operational Risk:

All the policies and guidelines of internal control and compliances are established as per advice of the Board. Audit Committee of the Board oversees the activities of internal Control and compliance as per good governance guideline issued by Securities and Exchange Commission.

Performance gap of executives and staff

UCL's recruitment policy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the requirements of the job (both now and in future), matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. Favorable job responsibilities are increasingly attracting greater participation from different level of employees in the UCL family. We aim to foster a sense of pride in working for UCL and to be the employer of choice. As such there exists no performance gap in UCL.

Potential external events

No such potential external event exists to raise operational risk of UCL at the time of reporting.

Policies and Procedure for mitigating operational risk

UCL has established a strong Internal Control and Compliance Department to address operational risk and to frame and implement policies to deter such risks. Internal Control and Compliance Department assesses operational risk across the company and ensures that appropriate framework exists to identify, assess and manage operational risk.

Approach to calculating capital charge for operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. UCL uses basic indicator approach for calculating capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

Quantitative Disclosures:

b. Capital requirement for operational risk:

Particulars	Amount in BDT crore
Capital requirement for operational risk:	7.96

Report on Going Concern

Reflects company'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

International Accounting Standard (IAS) 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 IAS-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 2019 is a period of twelve months from the date of approval of the issuance of these financial statements (the period of assessment).

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

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

Our assessment regarding UCL's ability to continue as a going concern involves making a judgment, about inherently uncertain future outcomes of events or

conditions. In judgment, Management has considered following factors that appeared to be relevant:

- The degree of uncertainty: Management confirms that during the period of assessment there was no such event or condition the outcome of which may increase any uncertainty about the continuance of UCL's business;
- Nature and size of business: UCL is engaged in financing and capital market operations. Considering the nature, size and extent of business, Management is of the opinion that there was no such external factors that might affect management assessment while making judgment as to the continuance of UCL's business;
- Consistency of assessment: UCL is well aware that the assessment that was made in the last going concern assessment may not remain valid for the current assessment.
- Subsequent events: Subsequent events that were readily available at the time of judgment have been taken into account while making assessment as to the continuance UCL as a going concern.

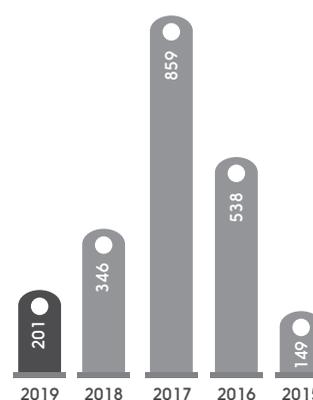
Moreover, in making this assessment, the Directors considered the Group's business, profitability forecasts, cash flows, terms and conditions of borrowing facilities, governance and risk management practices, funding and capital plans including stress scenarios, together with a range of factors such as the outlook for the Bangladesh economy taking account of the impact of fiscal realignment measures, monetary policy, regulatory compliance and in particular the Directors have focused on the matters set out below:

Financial Matters

• Net Assets or net current assets positions

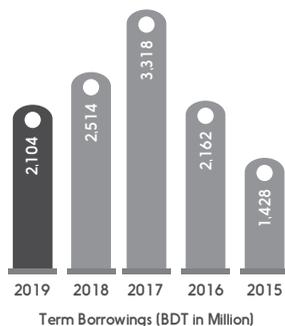
As at 31 December 2019, UCL has positive net current assets of Tk. 200.97 million as against Tk. 345.97 million of 2018 which signifies that the Company has sufficient liquid resources to meet its short-term obligations from its short-term assets.

Net Current Assets Growth (BDT in Million)



• Debts with excellent repayment records

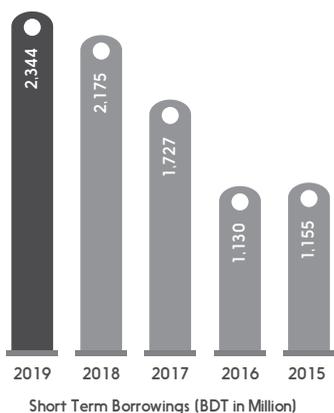
At the end of 2019, the total fixed term borrowings of the Company was Tk. 2,104.37 million compared to Tk. 2,513.95 million of the previous year. During the year we availed new credit facilities of Tk. 198.66 million and repaid Tk. 608.23 million to the lenders on due date and thereby maintaining lenders confidence in UCL.



Term borrowings decreased by 16.29 percent in 2019 due to payment.

• Dependency on short term borrowings

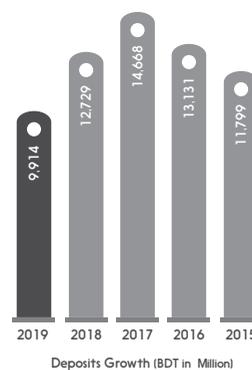
At the end of 2019, total short term borrowings of the Company was Tk. 2,343.97 million compared to Tk. 2,174.62 of the previous year representing only 13.92 percent of total liabilities that indicates UCL has less dependency on short term borrowings. UCL utilizes short term borrowings to meet only short 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.

• Consistent support by the lenders and depositors

UCL has been enjoying unparallel supports from banks, other lenders and depositors. We have a very good track record in repayment of our loan that gives comfort to our lenders. We have also been enjoying 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 2019 we have mobilized deposits of Tk. 3,899.26 million and given enhancement of Tk. 6,512.86 million.



• 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 41 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.

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

• 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.

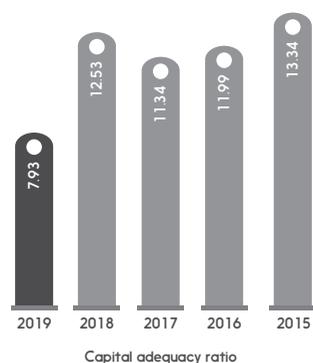
Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exist

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 adequate capital

As at 31 December 2019, the Company's total consolidated equity stands at Tk. 1,243.94 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 2019 was Tk. 1,725.74 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. The Directors address the capital risk of the Company as or when required.

• Credit Rating

UCL's credit rating is AA in the long run and ST-2 for short term rated by National Credit Rating Company Ltd. that reflects strong capacity for timely serving of financial obligations and offering high level of financial safety. As such UCL is exposed to lower risk. ST-2 reflects 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.

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, information security risk and compliance risk. UCL intends to meet the highest and latest standards and recommendations for NBF'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 jeopardized 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.

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.

- 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 nonperforming 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 minimizing the following independent indicators of excessive appetite for risk:
 - i. exception reporting by ICC officers, auditors, regulators and external rating agencies;
 - ii. adverse publicity in press;
 - iii. frequent litigations;
 - iv. payment of fines and other regulatory penalties;
 - 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.

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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.

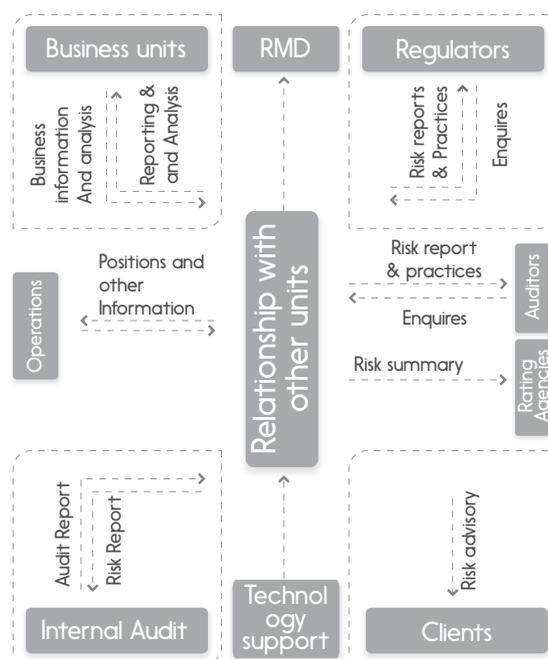
RISK MANAGEMENT PRINCIPLES

The following principles guide our management 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 those 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

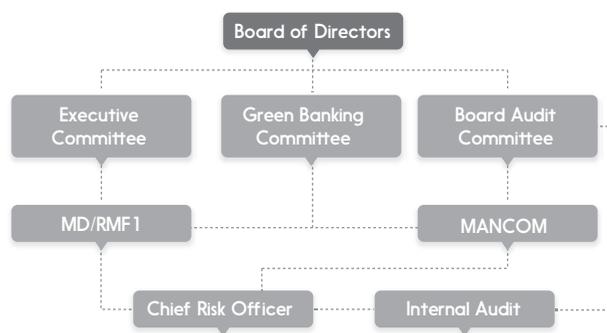
The relationships between the Risk Management Department (RMD) and other sections of the Group are highlighted below:



GOVERNANCE

Risk management governance framework

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



ROLES AND RESPONSIBILITIES

Board of Directors

- Approve risk strategy and policies.
- Ensure that 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 that risk strategy reflects the Group's tolerance for risk.
- Ensure the Group's overall credit risk exposure is maintained at prudent levels.
- 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 Management implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk.
- Ensure that detailed policies and procedures for risk exposure creation, management and recovery are in place.

Board Committees

The above responsibilities of the Board of Directors are discharged primarily by its two Committees namely:

- Audit Committee
- Executive Committee and
- Green Banking Committee

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

Risk Management Forum (RMF)

For all categories of risk, the Risk Management Forum is responsible for formulating policies, monitoring, implementation and reviewing risk reports for presentation to the Board/Board committees as well as implementing Board decisions across UCL. The Forum comprises of Heads

of Business, SME, Accounts, HR & ICT, ICC and Treasury and is headed by the Chief Risk Officer. To be more specific, the Forum is responsible for the following:

- Designing overall risk management strategy of UCL.
- Communicating views of the Board and management regarding risk management culture and risk appetite all over UCL.
- Developing policies and procedures for identifying, measuring and controlling risk;
- Reviewing market conditions, identifying external threats and providing recommendations on course of actions
- Allocating appropriate resources to evaluate and control risk;
- Implementation of risk strategy approved by the Board of Directors;
- 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.
- Developing and overseeing implementation of Stress Testing.
- 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 Risk Analysis Unit (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 analyzing 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.
- 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.
- 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, processor system being developed and advising mitigating controls.

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 service 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 manage these risks effectively, 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:

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 2020

- 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 DFIM Circular no. 1, dated 7 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 in every month and submission to the Risk Management Forum (RMF).

The Forum is comprised of 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 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) is responsible for formulating the report draws on operational information from all departments of UCL based on which risks affecting the organization are identified, analyzed 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 complement 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;
- Utilize 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 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 realization of security remains a fallback 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 and
- Recovery & Monitoring Department (RMD)

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 analyzing 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 for the recovery of loans that are past due for 6 months or more and accounts written off from on-balance sheet. RMD will continue to liaise with recovery agents, legal department and outsourcing legal services to ensure effective recovery of bad loans.

Internal ratings scale

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

- Character and capacity of the client;
- Current exposures to the counterparty and its likely future development; and
- Credit history of the counterparty and likely recovery ratio in case of default obligations - value of collateral and other ways out.

Customers Risk Rating system

In order to manage our credit risk, the management has developed a risk rating grade system. The risk rating grades have nine risk buckets to provide a preset, objective basis for making credit decisions, with one additional bucket specifically included to categorise customers in default. Each risk bucket may be denoted alphabetically and by range of scores as follows:

Description	Rating bucket	Range of scores	Prob. of default	Grade
Extremely low risk	AAA 1	1.00 – 1.99	90–100%	1%
Very low risk	AA 2	2.00 – 2.99	80–89%	1%
Low risk	A 3	3.00 – 3.99	70–79%	1.5%
Low risk	BBB 4	4.00 – 4.99	60–69%	2%
Acceptable – moderately high risk	BB 5	5.00 – 5.99	50–59%	4%
High risk	B 6	6.00 – 6.99	40–49%	6%
Very high risk	CCC 7	7.00 – 7.99	30–39%	9%
Extremely high risk	CC 8	8.00 – 8.99	10–29%	13%
High likelihood of default	C 9	9.00 – 9.99	0–9%	15%
Default risk	D 10			
SMA	D			5%
Sub-standard	D			20%
Doubtful	D			50%
Bad loss	D			100%

Collateral Risk Rating (CRR)

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

realizable value. The more liquid a collateral is, the lower the estimated portion of the exposure that may not be covered in the event of default. Therefore, for highly illiquid collaterals, a higher loss given default is assumed.

Risk limit control and mitigation policies

The industry and portfolio limits are set by the Board of Directors on the recommendation of the Management. Credit Risk Management monitors compliance with approved limits.

Portfolio limits

The process of setting the limits is as follows:

- UCL engages in a detailed portfolio plan. In drawing up the plan, UCL reviews the macroeconomic factors, identifies the growth sectors of the economy and conducts a risk rating of the sectors to determine its acceptable target market industries and exception. UCL target loan portfolio is then distributed across acceptable target market industries.
- Aggregate single/group exposure limit of not more than 30 percent of company's equity. It may go beyond the limit with the permission of Bangladesh Bank.
- Sector exposure limit of not more than 30% 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 10,000,000
Executive Committee	Upto 10,000,000
Credit Committee	Upto 3,000,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances of 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	>3-5 months	5
Sub-standard	>6-11months	20

Doubtful	>12-17months	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 9.68 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 2019, 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.

UCL 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

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.

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.

Outlook

We anticipate that fighting inflation will be a great challenge in 2020, taking into account the removal of fuel subsidies as well as the monetary policy. 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.

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 prioritization 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 organizational 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 unrealized 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 7.93 percent at the end of the year 2019. Current position is closely monitored by the Assets and Liabilities Management Committee.

(Figure in million)

Dec 2019	Dec 2018	Particulars
7.93	12.53	Capital adequacy ratio(%)
Capital composition:		
Tier 1		
1,725.74	1,643.56	Paid-up capital
451.90	451.90	Statutory reserves
-	-	Non-controlling interest (insignificant)
(933.70)	205.86	Retained earnings
1,243.94	2,301.32	Total
Tier 2		
222.52	229.45	General provision
-	-	Asset revaluation reserves
100.00	200.00	All other preference shares
322.52	429.45	Total
Capital utilization:		
19,762.57	21,790.00	Qualifying risk weighted assets

In June 2006, the Basel Committee on Banking Supervision published International convergence of Capital Measurement and Capital Standards, known as Basel II. Basel II is structured around three 'Pillars': minimum capital requirements, supervisory review process and market discipline. Thereafter there have been several press releases by the committee aimed at increasing

capital requirements and improving measurement of capital. Though there has been a regulatory requirement for NBFIs to comply Basel II requirements, UCL has made substantial progress in its Basel II compliance project. The successful conclusion will allow UCL's capital measurement to reflect credit, market and operational risk exposures on the assets of UCL.

Outlook

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

UCL expects to continue building on the goodwill in the coming years by maintaining a strong liquidity position that ensures financial obligations are met as and when due at minimal cost. Penetration of all customer segments will continue as a means of providing a stable, low-cost deposit base for UCL from well-diversified funding sources.

OPERATIONAL RISK

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This definition includes legal risk but excludes reputational risk. Therefore, in line with the Basel II risk management framework and best practices, operational risk in UCL is composed of the following risk types: operations risk, legal risk, and regulatory compliance risk, and technological risk, financial and environmental risk. UCL recognizes 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;
- 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 analyzed 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 Employee(KYE) 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 organization 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:
 - To assist and support line management to ensure that business is conducted in accordance with applicable statutory, regulatory and supervisory requirements.
 - To enable UCL to demonstrate that it is proper to undertake its business.
 - To maintain fairness in all UCL dealings.
 - To facilitate the management of compliance risks.
 - To 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 noncompliance.

-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 familiarizing 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 recognizes 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 has 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;
- 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 labor 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; and
- 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



SENIOR MANAGEMENT

Who leads the company and drives our strategy



Chowdhury Manzoor Liaquat

Managing Director & CEO

With UCL Since 15 February 2018

Born in December 1966

Nationality Bangladeshi

Committee Membership

Chairman

Management Committee (MANCOM), Credit Committee, Asset-Liability Management Committee, Money Laundering Prevention Committee, Credit Risk Management Committee, Corporate Governance Committee, Ethics & Compliance Committee, BASEL-II Implementation Committee, HR & Remuneration Committee, Recovery Committee and Disclosure Committee.

External appointment

Director, UniCap Securities Limited

Qualification & Experience

Mr. Chowdhury Manzoor Liaquat, a dynamic and versatile management executive, has more than 25 years of experiences in the bank and non-banking financial sector. In his long career he has successfully served the banking sector in different capacities.

Prior to his joining at Union Capital Limited, Mr. Manzoor served for Bank Asia Limited as the Senior Executive Vice President. Starting his career as a probationary officer with AB Bank Limited, Mr. Manzoor had worked in AB Bank Limited for more than 22 years under different capacities including Head of Main Branch and Regional Relationship Manager of Dhaka Division.

Mr. Manzoor joined Union Capital Limited as Deputy Managing Director on 15 February 2018 and subsequently promoted to the position of Additional Managing Director on 01 January 2019. Mr. Manzoor was appointed as Managing Director & CEO of UCL with the permission of Bangladesh Bank on 10 October 2019.

Mr. Manzoor attended a large number of trainings, workshops, seminars at home and abroad.



Tauhidul Ashraf FCS

EVP & Company Secretary

With UCL Since 22 August 2013

Born in September 1978

Nationality Bangladeshi

Committee Membership

Chairman

Ethics & Compliance Committee, Profit Maximization Committee

Member

Management Committee (MANCOM), Credit Committee, Asset-Liability Management Committee, Corporate Governance Committee, Credit Risk Management Committee, BASEL-II Implementation Committee, Recovery Committee and Disclosure Committee

External Appointment Nil

Qualification & Experience

Mr. Tauhidul Ashraf has 19 years of extensive experience in Bank, NBFIs, Insurance and Group of Companies at Senior positions. Mr. Ashraf is a qualified Chartered Secretary. Prior to his joining with UCL, 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.



ENGR. A.N.M. Golam Shabbir LFIEB

EVP & Chief Risk Officer (CRO)

Head of ICT, HR & Admin

With UCL Since 17 December 1998

Born in November 1970

Nationality Bangladeshi

Committee Membership

Chairman

Procurement Committee, Money Laundering Prevention Committee and Cost Control & Cost Reduction Committee.

Member

Management Committee (MANCOM), Corporate Governance Committee, Risk Management Committee, Credit Committee, Ethics & Compliance Committee, Credit Risk Management Committee, HR & Remuneration Committee, Risk Management Forum 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 20 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 16 years and presently holding the position of CRO and 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 at home and abroad. Mr. Shabbir is a life Fellow Member of Institute of Engineers Bangladesh.



Fazle Karim Murad

SVP & Head of Corporate Finance

With UCL Since 01 June 2000

Born in October 1973

Nationality Bangladeshi

Committee membership

Member

Management Committee (MANCOM), Credit Committee, Asset-Liability Management Committee, Credit Risk Management Committee, Recovery Committee, Money Laundering Prevention Committee, Cost Control Committee, Ethics and Compliance Committee, BASEL-II Implementation Committee and Disclosure 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 he has been working in different segment of lease and corporate finance department. He obtained various training/ workshop/seminars at Home and abroad.



Syed Arefeen Jubyed

VP & Head of SME

With UCL Since August 06, 2018

Born in December 1982

Nationality Bangladesh

Committee Membership

Member

Management Committee (MANCOM), Credit Committee, Asset-Liability Management Committee, Credit Risk Management Committee, Recovery Committee and Disclosure Committee.

External Appointment Nil

Qualifications and Experience

Mr. Arefeen has more than 13 years of experience in the banking industry. He completed his BBA and MBA respectively from Khulna University and United International University. Prior to joining UCL, he served AB Bank Ltd. for 8 years mainly in the area of Credit Administration, Corporate & SME Banking. Mr. Arefeen started his career with Bank Alfalah Ltd. in the year of 2006 and there served in the area of liability marketing and customer service. He attended various training/ workshops both at home and abroad organized by BIBM and different organizations.



Khandaker Muhammad Forhad Abedin

VP & Head of Legal Department

With UCL Since 10th August, 2016

Born in May 17, 1979

Nationality Bangladesh

Committee Membership

Member

Management Committee (MANCOM) and Recovery Committee

External Appointment: Nil

Qualification & Experience

Mr. Abedin has over 15 year's of extensive experience in the legal profession. He has completed his LL.B (Hon's) and LL.M from the University of Chittagong. Prior to joining at UCL, he worked at International Leasing And Financial Services Limited in the Legal Department for more than 6 years. Mr. Abedin started his career as a Staff Lawyer with a human rights organization "Ain O Shalish Kendro", here he served for more than one year. Thereafter, he joined at "Hasan & Associates" a renowned corporate law firm of the country as an Associates Lawyer. He worked there for 3 years for numerous Banks and NBFIs, different national and multinational corporate entities of the country regarding loan and security documentation, litigation to recover the bad loans, labour law issues, commercial issues, etc. He attended different training/ workshops at BIBM and different Training Organizations of Bangladesh.



Muhammad Salah Uddin

VP & Head of CAD & SAM

With UCL Since August 10, 2016

Born in March, 1980

Nationality Bangladeshi

Committee Membership

Member

Management Committee (MANCOM), Cost Control & Cost Reduction Committee, Recovery Committee, and Disclosure Committee.

External Appointment Nil

Qualification & Experience

Mr. Salah Uddin joined Union Capital Limited on August 10, 2016. He is currently working as Vice President & Head of Credit Administration Department and Head of SAM with the responsibility of Loan Documentation, Disbursement and Asset operations and Recovery.

Mr. Uddin has over 13 years of extensive experience in different areas of NBFIs. Before joining this company, he served International Leasing And Financial Services Limited for 09 years. During his long tenure with International leasing, he got the opportunity to work in Special Asset Management Department, Credit Administration & Monitoring Department with different capacities. He started his career in 2006 with Grameen phone Limited and later switched to International Leasing in 2007. He has obtained his BBA and MBA in Management Studies from the University of Dhaka. He has attended a good number of trainings, workshop, seminar at BIBM, Bangladesh Bank, and different training institutes of Bangladesh.



Mahbub Alam

AVP & Head of Treasury

With UCL Since 02 October 2016

Born in Feb 1978

Nationality Bangladeshi

Committee Membership

Member

Asset-Liability Management Committee, Money Laundering Prevention Committee, Cost Control & Cost Reduction Committee.

External Appointment Nil

Qualification & Experience

Mr. Alam joined Union Capital Limited in October 2016 as Assistant Vice President & Head of Treasury. Prior to join Union Capital Limited, he was Deputy General Manager & Head of Treasury of GSP Finance Company (Bangladesh) Limited and worked there for more than 12 years under various capacities. He worked in Noorani Group & A.R. Group as Senior Accountant for more than 3 years. Mr. Alam has completed Master of Commerce (M.Com). He has completed article ship from Anisur Rahman & Co. Chartered Accountant. He attended a number of various training/workshops during his long 17 years' service length.



Fahim Ahasan Choudhury

AVP, Investment

With UCL Since 01 March 2018

Born in December 11, 1986

Nationality Bangladeshi

Committee Membership Nil

Qualification & Experience

Mr. Fahim Ahasan Choudhury has joined UCL family in March 2018. He has over 10 years' experience in capital market of Bangladesh. He has started his career with IDLC investments Limited in 2010 and served there for more than 5.5 years in different departments like Operations, Margin Loan & Risk Management, Discretionary Portfolio Management. He was the Product and Portfolio Manager of "EasyInvest" which was the first time Systematic Investment Plan (SIP) type product introduced by IDLC Investments in Bangladesh. Prior to join UCL, he was the Portfolio Manager in Universal Financial Solutions Limited (UFS) and responsible for managing 4 open ended mutual funds with an Asset Under Management (AUM) of BDT 220 crore. He has a decent amount of knowledge in Merchant Banking operations and Asset Management Company's operations. He attended several number of workshops and trainings arranged by different training organizations in Bangladesh. Mr. Fahim has completed his BBA and MBA from East West University, Bangladesh.



Mohammad Balayet Hossain

AVP & CFO (CC)

With UCL Since 02 May 2010

Born in July 1982

Nationality Bangladeshi

Committee Membership

Member

Management Committee (MANCOM), Asset-Liability Management Committee, Money Laundering Prevention Committee, Corporate Governance Committee, Ethics & Compliance Committee, Cost Control & Cost Reduction Committee and Disclosure Committee.

External Appointment Nil

Qualification & Experience

Mr. Mohammad Balayet Hossain did his Masters in Professional Accounting from the University of Dhaka. Mr. Balayet joined Hoda Vasi Chowdhury & Co, Chartered Accountant in 2006 as article student. During his articleship period, he gathered experience on globally best practiced auditing procedures, financial management process, special business review, Financial Statements preparation, drafting appeal ground on various taxation matters of national and multinational assigned clients. Mr. Balayet is also a member of the Dhaka Taxes Bar Association. In 2010 he joined Union Capital Limited as Assistant Manager in Finance & Accounts department. He has attended a good number of trainings, workshop, seminar at BIBM, Bangladesh Bank, and different training institutes of Bangladesh.



Md. Shariful Alam

AVP & Branch in charge,
Principal Branch

With UCL Since 20 March 2016

Born in July 1984

Nationality Bangladeshi

Committee Membership

Member

Cost Control & Cost Reduction
Committee and Recovery
Committee.

External Appointment Nil

Qualification & Experience

Mr. Shariful Alam has 12 years of extensive experience in NBFIs. Upon completion of BBA from Department of Finance and MBA with major concentration of Banking from University of Dhaka, he started his career with United Finance Limited as Officer in 2008. He worked there for 5 years and then joined in IPDC Finance Limited in 2013 and worked there for 3 years under different capacities. Later in March, 2016, Mr. Alam joined UCL as Senior Manager. He attended various training / workshops / seminars at Bangladesh Bank, BIBM, BBTA, DCCI, MCCI and different training institutes of Bangladesh and a special training on cluster financing at MSME Foundation of Delhi, India. Presently Mr. Alam is with UCL as Assistant Vice President and Branch in Charge of Principal Branch.



Md. Rakibul Islam

AVP & Branch in charge, Chattogram
Branch

With UCL Since 25 August 2010

Born in January 1963

Nationality Bangladeshi

Committee Membership Nil

External Appointment Nil

Qualification & Experience

Mr. Rakibul Islam obtained his B. Sc. In Electronics & Telecommunication Engineering from HIET, Chennai, India under Newport University, USA. He has a wide experience of over 15 years in telecommunication sectors in various capacities and 03 years in different business sectors. Starting his career in 1988 with Gulf Bangladesh Associates Ltd. and Bangladesh Rural Telecomm Authority Ltd. the then largest private sector telecomm provider of the country, Mr. Rakibul worked as Installation and Maintenance Engineer of Public Telephone Exchanges. Prior to joining at UCL Mr. Rakibul served as Service & Maintenance Engineer of United Traders Limited and Bangladesh Telecomm Ltd. and worked with Bangladesh Army also worked as Project Engineer for installation and maintenance of 7 Station Digital Signaling System of Bangladesh Railway with NMA Railway Signaling BV, The Netherlands. In August, 2010 Mr. Rakibul joined UCL as Manager of HR & Admin Department. Mr. Rakibul served almost 10 years in HR & Admin and SME Department of Union Capital Limited and currently he is serving Union Capital Limited as Assistant Vice President and Branch Manager, Chattogram Branch.

He attended numerous training/
workshop/seminars at home and abroad.



Sadia Shaherat Jahan

Head of Internal Control and
Compliance (CC)

With UCL Since 07 March 2017

Born in November 1987

Nationality Bangladeshi

Committee Membership

Member

Management Committee (MANCOM)

External Appointment Nil

Qualification & Experience

Ms. Sadia Shaherat Jahan has obtained her MBA in Accounting & Information Systems from the University of Dhaka in 2011 and later she completed her three years CA articleship from ACNABIN, Chartered Accountants (an independent correspondent firm to bakertilly international). During her articleship period, she gathered experience on global best practiced Financial Statements preparation, Financial Management Process, Auditing Procedures, Special Business Review and various taxation matters of national and multinational assigned clients. Ms. Sadia joined Union Capital Limited in 2017 as Assistant Manager in Internal Control and Compliance Department and presently she is the head of the department. Ms. Sadia has attended a good number of trainings, workshop, seminar at BIBM, Bangladesh Bank, and different training institutes of Bangladesh.

MANAGEMENT COMMITTEES

The Authority of Management Team responsible for execution of delegated responsibilities

MANAGEMENT COMMITTEE (MANCOM)

Members

Chowdhury Manzoor Liaquat, Chairman
 Tauhidul Ashraf FCS, Member
 Engr. A. N. M. Golam Shabbir, Member Secretary
 Fazle Karim Murad, Member
 Mohammad Balayet Hossain, Member
 Khandaker Muhammad Forhad Abedin, Member
 Syed Arefeen Jubyed, Member
 Muhammad Salah Uddin, Member
 Sadia Shaherat Jahan, Member

Major Responsibilities:

- Management Committee is responsible for managing and conducting company's business as designated by the Board of Directors, or under specific resolution of the Board of Directors.
- Review the recommendations of the committees other than Board Committees and takes initiative for implementation of the committee decisions.
- It has the authority to manage the company's business according to set policies and plans.

Major Works done in 2019

- Formation of a Team for business analysis and Technical Specification of new Core Financial Solution.
- Proposal for conduct Business Development Program 2019 and approval for the expenses to conduct the same.
- Proposal for approval of Special Fee Schedule for conducting special cases.
- Approval of the proposal for enlistment of New Panel Lawyer.
- Reviewed and recommended the Product Program Guidelines (PPG) for Auto Loan/Lease/Personal Loan.
- Recommended and advised the Cost Control & Cost Reduction Committee for submission of Regular Report on UCL and its Subsidiaries before the Board Audit Committee.
- Recommendation for Utilization of Office Space of the Company and Prepare a Plan for the same.
- Reviewed the recovery status against non-performing loan and provide guidelines to the respective department for effective recovery.
- Approval of the proposal for formation of Profit Maximization Committee.
- Reviewed Employee Term Loan Policy and recommended to submit the same to the board.

- Proposal for approval of Energizing deposit mobilization & strengthening the deposit mobilization team.
- Reviewed the Investment Policy and recommended to submit the same to the board for approval.
- Reconstitution of Procurement Committee.
- Reviewed the memo submitted by the Procurement Committee and approve the procurement of Surveillance System for Gulshan Head Office.
- Reviewed and approved the proposal for procurement of Access Control System for Gulshan Head Office.
- Reviewed and approved the proposal for procurement of Fire detection and protection System for Gulshan Head Office.
- Reviewed and approved the proposal for procurement of Public Address System (PA System) for Gulshan Head Office.
- Reviewed and approved the proposal for procurement of Passive and Active Components for Gulshan Head Office.
- Reviewed and approved for re-constitution of Different ICT Committees.

CREDIT COMMITTEE

Members

Chowdhury Manzoor Liaquat, Chairman
 Tauhidul Ashraf FCS, Member
 A. N. M. Golam Shabbir, Member
 Fazle Karim Murad, Member
 Syed Arefeen Jubyed, Member
 A. K. M. Sazzad Hossain, Member Secretary

Major Responsibilities:

- Oversee the credit and lending strategies and objectives of the Company and approve the financial proposals within the limit delegated by the Board;
- Implementation of the credit risk policy/strategy approved by the board;
- Monitoring the credit risk throughout the FI and ensuring compliance;
- The Committee is also responsible to review all financing proposals before placing the same to the Executive Committee/Board of Directors.

Major Works done in 2019

- Reviewed terms and conditions of the finance proposals placed before the Committee for approval;
- Designed and recommended Product Program Guidelines (PPG) to the Board of Directors for approval of Personal Loan and Auto Loan/Lease;

- Approved 21 nos. credit appraisals amounting Tk. 32.65 Million and recommended 13 nos. credit appraisals amounting Tk. 623.85 Million to the Executive Committee for its approval and further recommendation to the Board of Directors for their approval.
- Reviewed interest rate subsequent to the disbursement as and when necessary.

ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO)

Members

Chowdhury Manzoor Liaquat, Chairman

Tauhidul Ashraf FCS, Member

A. N. M. Golam Shabbir, Member

Fazle Karim Murad, Member

Mohammad Balayet Hossain, Member

Mahbub Alam, Member

Major Responsibilities

- 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.

Major Works done in 2019

- 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.

CREDIT RISK MANAGEMENT COMMITTEE

Members

Chowdhury Manzoor Liaquat, Chairman

Tauhidul Ashraf FCS, Member

A. N. M. Golam Shabbir, Member

Fazle Karim Murad, Member

Syed Arefeen Jubyed, Member

Mahbub Alam, Member

S. M. Mehedi Hasan, Member Secretary

Major Responsibilities

- Responsible for the implementation of the credit risk policy/strategy approved by the Board.

- Monitor credit risk, enforce compliance with the risk parameters and prudential limits set by the Board.
- Taking decisions in terms of capital allocation and defining limits in line with the risk strategy.
- Ensure credit quality is maintained and that reviews are current at all times.

Major Works done in 2019

- Implementation of the credit risk policy.
- Taken decisions in terms of capital allocation and defining limits in line with the risk strategy.
- Contributed to the development of relationship management skills of staffs.

HR & REMUNERATION COMMITTEE

Members

Chowdhury Manzoor Liaquat, Chairman

Engr. A. N. M. Golam Shabbir, Member

Major Responsibilities

- Recommended 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.

Major Works done in 2019

- Reviewed the existing employee benefit schemes and compared with the industry benchmark.
- Evaluated the performance of the employee for the year 2018.

MONEY LAUNDERING PREVENTION COMMITTEE

Members

A. N. M. Golam Shabbir, CAMLCO

Fazle Karim Murad, Member

Mohammad Balayet Hossain, Member

Mahbub Alam, Member

Major Responsibilities

- 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.

Major Works done in 2019

- Arranged one (1) comprehensive training programs on AML/CFT in 2018 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

Chowdhury Manzoor Liaquat, Chairman

Tauhidul Ashraf FCS, Member

Engr. A. N. M. Golam Shabbir, Member

Mohammad Balayet Hossain, Member

Major Responsibilities

- 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.

Major Works done in 2019

- 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

Tauhidul Ashraf FCS, Chairman

Engr. A. N. M. Golam Shabbir, Focal Point

Fazle Karim Murad, Member

Mohammad Balayet Hossain, Member

Md. Zahidul Islam, Member

Md. Salah Uddin Pallab, Deputy Focal Point

Major Responsibilities

- 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.

Major Works done in 2019

- 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 and newspaper Ad in cooperating 'Chorai Chorai Shuddhachar' for public awareness against corruption.

RECOVERY COMMITTEE

Members

Chowdhury Manzoor Liaquat, Chairman

Tauhidul Ashraf FCS, Member

Fazle Karim Murad, Member

Abul Kalam Azad, Member Secretary

Khandaker Muhammad Forhad Abedin, Member

Muhammad Salah Uddin, Member

Major Responsibilities

- Maintaining the NPL as per the guideline of the Bangladesh Bank and policy set by the Board of Directors.
- Evaluating the recovery performance and report to the Managing Director & CEO for his necessary actions.
- Reviewing the status of the legal action taken against the default clients.
- Reviewing the status of the rescheduled and restructured accounts of loan/lease.
- Suggesting appointment of third party recovery agent to recover lease assets from the classified borrowers.

Major Works done in 2019

- Evaluated the performance of Recovery department and reported to the Managing Director & CEO for his necessary actions.
- Reviewed the status of the legal action taken against the default clients.
- Reviewed the status and movement of the rescheduled and restructured accounts of loan/lease.
- Suggested appointment of third party recovery agent.
- Reviewed the cases filed the default clients under NI Act and Artha Rin Adalat Ain.

PROCUREMENT COMMITTEE

Members:

A. N. M. Golam Shabbir, Chairman

Md. Rakibul Islam, Member Secretary

Mohammad Balayet Hossain, Member

Md. Zahidul Islam, Member

Major Responsibilities

- Maintain a Suppliers list
- Receive requirement from different departments.
- Prepare a memo for procurement committee to select vendor.
- After approval of procurement Committee/MANCOM, issue work order to selected vendor for supply.
- After receiving the goods supply to the concerned department and processing bill for payment.

Major Works done in 2019

- For procurement of Surveillance System for Gulshan Head Office, collected quotations from different vendors and proposed to the MANCOM for approval.
- Procurement of Access Control System for Gulshan Head Office
- Procurement of Fire detection and protection System for Gulshan Head Office
- Procurement of Public Address System (PA System) for Gulshan Head Office
- Procurement of Passive and Active Components for Gulshan Head Office

DISCLOSURE COMMITTEE

Members

Chowdhury Manzoor Liaquat, Chairman

Tauhidul Ashraf FCS, Member

Engr. A. N. M. Golam Shabbir, Member

Fazle Karim Murad, Member

Syed Arefeen Jubyed, Member

Mohammad Balayet Hossain, Member

Major Responsibilities

- 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's able to comply fully with its continuing obligations under the disclosure requirements.

Major Works done in 2019

- Reviewed the contents of the Annual Report for the year ended 31 December 2019 to ensure appropriate disclosures has been made.
- Placed the financial statements for the year ended 31 December 2019 before the Audit Committee & Board for review.

COST CONTROL & COST REDUCTION COMMITTEE

Members

A. N. M. Golam Shabbir, Chairman

Muhammad Salah Uddin, Member

Mohammad Balayet Hossain, Member

Mahbub Alam, Member

Md. Rakibul Islam, Member

Muhammad Shohidur Rahman, Member Secretary

Major Responsibilities

- To identify the controllable expenditures under various head.
- Creating awareness among the employees on controllable expenses.
- Planning for executing appropriate measures of cost control & cost reduction.

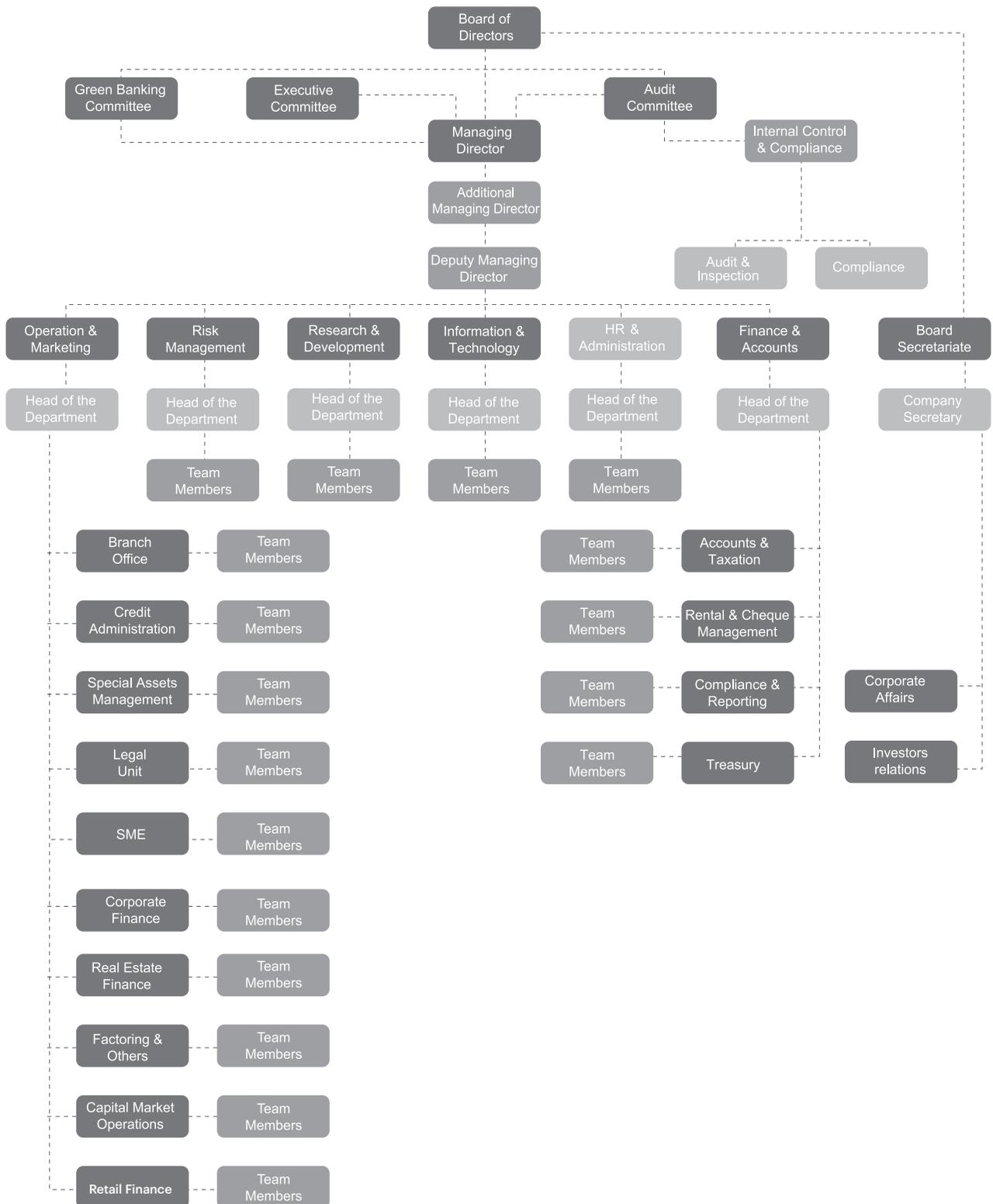
Major Works done in 2019

- Arranging meetings with the members of the committee on regular basis.
- Monitoring & overseeing the actions already taken.

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

In This Section

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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 to protect the environment for future generations, including making our contribution to minimize climate change.
- Safeguard each other and those who work with us by operating an healthy workplace and protect the safety of the public through the integrity of our operations.
- Help our employees balancing work with their other commitments.
- Respect our customers by conducting our business in a professional manner.
- Be open and constructive in the dialogue we have with our stakeholders.

INVESTING IN THE FUTURE

As a responsible business, our commercial success enables us to invest in the future in a way that benefits our shareholders, our employees, the environment and society. This investment is a reflection of our desire to be a long-term business. So we:



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.

- 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:
 - i. We, at UCL, will be the foremost financial institution, delivering unparalleled safety, reliability and efficiency, vital to the wellbeing of our customers and communities.
 - ii. We are committed to be an innovative leader in financial sector and in safeguarding our environment for future generations.
 - iii. 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.
- iv. We intend to play a central role in tackling the challenges of energy security, climate change, and making energy affordable.
- v. We want UCL to be a company where people want to work and where they can develop 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 center of everything we do.
- vi. 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.
- vii. 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.
- viii. 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 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.

CORPORATE SOCIAL RESPONSIBILITY

Serving as a responsible corporate citizen

VISION

UCL is committed to doing better for its clients, investors, employees and the 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 behavior 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.

2020 Challenge

- On going 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.

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?

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 beside these vital enterprises. Our support for small business includes access to financing, specialized services and advice and education. Small business credit products are available at all UCL branches. To better assist small business customers who have complex credit needs, UCL 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.

2020 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		
	2019	2018	2017	2019	2018	2017
Sr. Management	2.94	2.56	2.01	-	-	-
Mid. Management	1.47	1.28	3.36	-	-	-
Jr. Management	25.00	19.23	15.44	-	-	-
Support Staff	0.74	1.28	1.34	-	-	-
Total:	30.15	24.36	22.15	-	-	-

Transitions

As part of our commitment to be a best run company, we look for ways to streamline our operations and simplify our processes so that we can improve the value and service we provide our customers. Sometimes these changes result in the consolidation or reassignment of work to minimize the impact of these decisions on our employees, our practices are to:

- keep employees informed;
- 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. Compensation is designed to be fair and without discrimination and we ensure that it is competitive in the markets in which we compete.



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.

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)	2019	2018	2017	2016
UCL's investment in training	0.2	0.31	0.59	0.34
Average number of days of training	5.041	3.41	2.54	5.52
Average hours of training per executive	596	6.54	20.41	5.5

Leadership development

Building talent at UCL for today and tomorrow is critical to our future growth and is a key accountability for UCL executives and leaders at all levels. Business leaders complete an annual review to identify future leaders who are capable of taking on executive responsibilities. Our CEO, the Senior Executive team and other leaders participate in and help facilitate UCL's leadership development programs.

Communication and recognition

Open and direct communication is an evolving part of UCL's employee experience. We've learned, especially through organizational changes, that employees value getting the straight story from their managers and being able to talk openly about issues that concern them.

Recognition

To acknowledge and celebrate individual and team success we have a number of programs that include informal recognition and celebration events. We are going to launch this year to formally celebrate Employee Appreciation Week to acknowledge the outstanding contributions UCL employees make every day through events and activities.

Employment equity policy

Our Employment Equity Policy states: UCL Group is committed to maintaining a workplace where the terms and conditions of employment are fair and nondiscriminatory. 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, color, 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 2019. 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.

2020 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 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 i.e. financial assistance for disabled and underprivileged children).

Education

Education is important to UCL. To make an impact in these areas, we work in partnership with community organizations to raise literacy levels with a focus on underserved community people.

Creating opportunities for young people

UCL strives to create opportunities for youth so they can develop educationally, socially and artistically in order to fulfill their potential. These are difficult economic times for many young people in our society, as well as the organizations that run or support youth services. We believe that makes it even more imperative for companies like UCL to play a role by creating opportunities for graduates through internships and employment.

Responding to disasters

In the wake of devastating natural disasters in the past, UCL provided corporate funding and our employees raised money to support recovery efforts as well as provided support and comfort for those forced out of their homes. We pulled together to make a difference life for:

- flood affected people;
- victim of natural disasters like SIDOR, AILA etc.
- those affected by cold waves/havoc.

Volunteerism

UCL employees care and want to make a difference, so we look for programs in which our employees can also engage. We connect community organizations – which often consider human support as valuable an asset as financial support – with interested UCL employees. By volunteering, UCL employees are taking responsibility to help enrich the well-being of local communities. Volunteering also gives employees opportunities to build their skills, network and learn more about their communities.

Civic Contributions

UCL is a member of different associations that track and advocate on issues of interest to their membership, including the Dhaka Chamber of Commerce and Industry,

Bangladesh Association of 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.

2020 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;

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.

- 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 strive to take active responsibility to 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?
- 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.
- 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.
- 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.

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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 145 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 importance 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 lead 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

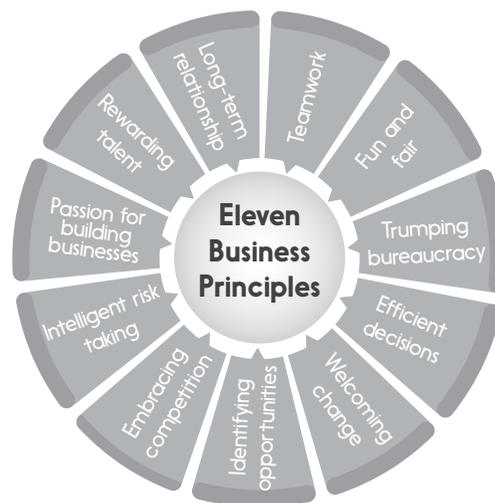
work environment that attracts talented and qualified candidates.

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 initiatives.



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.

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.

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 UCL places great emphasis on retaining good employees, that is, those who provide the greatest benefits to our customers.

POLICIES FOR EMPLOYEE BEHAVIOR

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 competitors.

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.



Birthday Celebration



Farewell program



Annual Picnic

CONTRIBUTION TO NATIONAL ECONOMY

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 2019, UCL has a total credit exposure with around 3,406 customers of Tk. 13,983.69 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. 9,914.10 million from 2,540 numbers of depositors helping them build up savings for investment in national economy.

DIRECT ECONOMIC VALUE GENERATED IN 2019

UCL's total revenue	Distributed value	Economic value retained
Tk. 1,719.72	Operating cost : Tk. 2,495.60	Tk.(1,139.56)
	Salaries and benefits : Tk. 238.34	
	Taxes : Tk. 42.83	
	Dividends : Tk. 82.18	
	Community giving : Tk0.34	

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

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 & 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 2019 the Company collected, withheld and deposited tax, VAT and excise duty at source and paid advance tax to government exchequer in the following manner:

Taka in million

Particulars	Amount
Advance tax	15.01
Withholding taxes	129.25
Withholding VAT	5.22
VAT collected and paid	2.86
Excise duty collected and paid	6.72
Total	159.06

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 230 employees as on 31 December 2019. 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 2019, UCL spent total Tk. 0.26 million for training and HR development (2018: Tk. 0.31 million) and paid a total amount of Tk. 238.34 million as salaries and allowances to its employees (2018: Tk. 233.15 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 6.40 percent to its shareholders i.e. Tk. 0.64 per share of Tk. 10.00 each.

Taking environmental 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 are 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:

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 2019 the Company has given Tk. 338,950 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. As a part of the Corporate Social Responsibility, UCL extended its hand to protect a little of them from the cold havoc by distributing 1,000 pcs blankets in Khagrachari district 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: 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.

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.

Career 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.

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:

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.

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:

Particulars	2019	2018	2017	2016
Total Employee	136	156	149	126
Net income/ (loss) per employee (BDT in million)	(7.21)	0.5	0.89	1.97
Operating revenue per employee (BDT in million)	7.45	13.63	12.49	16
Assets per employee (BDT in million)	131.76	136.91	158.44	166.29
Staff Strength				
Staff Strength	2019	2018	2017	2016
Senior Management	18	20	17	14
Mid Level Management	33	25	25	24
Junior Level Management	60	83	80	66
Support Staff	25	28	27	22
Total	136	156	149	126

Age analysis of the employees as at 31 December

Age Group Year	Senior Mgt	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2019 Total	2018 Total
51-60	2	1	0	2	5	7
41-50	11	6	7	4	28	24
31-40	5	21	36	11	73	82
21-30	0	5	17	8	30	43
Total	18	33	60	25	136	156

Average age of the employees as at 31 December 2019 was 30.66 (2018: 29.34), (2017: 33.3), (2016: 34.05)

Service analysis of the employees as at 31 December

Service Group Year	Senior Mgt	Mid Level Mgt.	Jr. Level Mgt.	Support Staff	2019 Total	2018 Total
Above 10	2	3	0	3	8	7
7-10	2	4	1	1	8	9
5-7	1	16	11	3	31	11
2-5	8	7	27	13	55	60
Below 2	5	3	21	5	34	69
Total	18	33	60	25	136	156

Average service life of the employees as at 31 December 2019 was 3.63 years (2018: 3.19), (2017: 3.04), (2016 : 3.02)

HUMAN RESOURCE ACCOUNTING

Quantitative information about the value of human resource

There are several areas in which non-monetary measurements may be evolved in accounting and human resource accounting is probably one of these. To make valuation of human resource objective and comparable there must be a universally acceptable method of valuation.

Human dimension is the key to organization's success. Several initiatives for development of human resources to meet new challenges in the competitive business environment have gained momentum. UCL acknowledges the value of its human assets who are committed to achieve excellence in all spheres. The Human resource profile given below in table shows that UCL has a mix of energetic youth and experienced seniors who harmonize the efforts to achieve the company's goals.

Age	21-30	31-40	41-50	>50	Total
No. of Employees	30	73	28	5	136
Management Cadre	5	26	17	3	51
Non Management Cadre	17	36	7	-	60
Support Staff	8	11	4	2	25
Average age					30.66

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, exgratia, 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.

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.

VALUE ADDED STATEMENT

Figures. In Million BDT

VALUE ADDED	2019				2018			
	UCL	%	Group	%	UCL	%	Group	%
Net interest income	(602.45)		(622.79)		(67.52)		359.37	
Fees earned including VAT	3.02		129.98		2.90		206.48	
Investment income	(88.90)		(76.92)		21.12		136.44	
Other income	50.14		55.05		514.81		26.17	
Management expenses	(65.41)		(127.99)		(62.50)		(138.88)	
Provision for doubtful losses	(112.15)		(113.65)		(141.46)		(149.72)	
TOTAL VALUE ADDED	(815.75)		(756.34)		267.36		439.87	

DISTRIBUTION OF VALUE ADDED

In payment to Employees								
As salaries and allowances	151.17	(18.53)	238.34	(31.51)	133.79	50.04	233.15	53.01
In payment to Capital Providers								
Dividend to shareholders	-	-	-	-	82.18	30.74	82.18	18.68
In payment to Government								
Corporate tax	12.89	(1.58)	42.83	(5.66)	48.51	18.15	92.60	21.05
Expansion and business growth								
Retained income	(988.43)	121.17	(1,057.39)	139.80	(4.08)	(1.53)	10.21	2.32
Depreciation	8.62	(1.06)	19.88	(2.63)	6.96	2.60	21.72	4.94
TOTAL DISTRIBUTION	(815.75)	100.00	(756.34)	100.00	267.36	100.00	439.87	100.00

MARKET VALUE ADDED STATEMENT

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. A positive MVA indicates that the company could add value to shareholders' wealth. The following statement indicates the MVA as at 31 December 2019 compared to the MVA of prior year:

MARKET VALUE ADDED

Figures in million BDT

VALUE ADDED	2019		2018	
	UCL	Group	UCL	Group
Market value of shares outstanding	1,087.22	1,087.22	2,038.01	2,038.01
Book value of the share outstanding	1,212.42	1,243.94	2,200.85	2,301.32
MARKET VALUE ADDED	(125.21)	(156.72)	(162.84)	(263.31)

ECONOMIC VALUE ADDED STATEMENT

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 minus 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 2019 and 2018:

ECONOMIC VALUE ADDED

VALUE ADDED

Economic Value Added (EVA)

Net operating profit

Provision for taxes

Net Operating Profit After Tax (NOPAT)

Shareholders' equity as on 31 December

Average shareholders' equity

Cost of equity (%) *

Cost of equity

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

Key ratios

EVA/Operating revenue (%)

EVA/Average shareholders' equity (%)

Net profit after tax/Operating revenue (%)

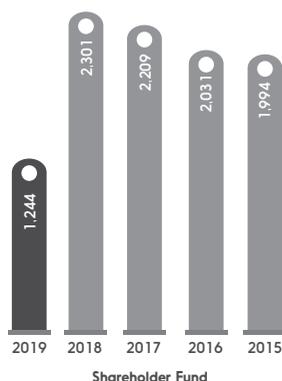
Figures in BDT million

2019		2018	
UCL	Group	UCL	Group
(1,091.48)	(1,167.26)	(53.05)	(42.26)

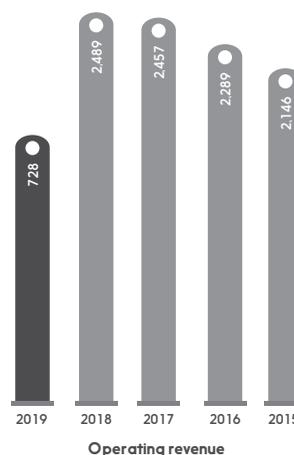
(863.38)	(900.90)	268.07	334.71
(12.89)	(42.83)	(48.51)	(92.60)
(876.27)	(943.73)	219.55	242.12

1,212.42	1,243.94	2,200.85	2,301.32
1,706.64	1,772.63	2,161.80	2,255.13
12.61%	12.61%	12.61%	12.61%
215.21	223.53	272.60	284.37

(106.98)	(67.87)	(2.50)	(1.70)
(63.95)	(65.85)	(2.45)	(1.87)
(96.88)	(61.49)	3.67	3.71



Shareholders' fund has been Decreased by 45.94 percent due to maintain provision against receivable from UniCap Investments Ltd. (UIL) and suspending income of UIL in current year.



In 2019 operating revenue has been decreased by 30.90 percent to Tk. 1,720 million from Tk. 2,489 million of 2018. This is a result of keeping significant amount of provision against receivable of UIL as well as suspending income from UIL in 2019.

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 a teams.



This silhouette group image has been placed here intentionally. The photograph of Team UCL has not been shoot in this Covid-19 pandemic situation to avoid gathering and to maintain the social distance in accordance with the guideline of the Ministry of Health, Government of the People's Republic of Bangladesh and World Health Organization (WHO).





Team Building Program



Team Building Program



Milad Mahfil of Head Office



Online Meeting with all branches



Gulshan Branch Meeting with Clients



Startup 2020



In house Training



Farewell Program



21st Annual General Meeting



21st Annual General Meeting



Team Building Program



Team Building Program



Annual Picnic



General Meeting



Meeting with Retired Police Officers' welfare association of Bangladesh



Team Building Program

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FINANCIAL STATEMENT OF UCL & THE GROUP

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K. M. HASAN & CO.

Chartered Accountants

Independent Auditor's Report

To the shareholders of Union Capital Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the 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 sheet as at 31 December 2019, and the consolidated and separate profit and loss account, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Company as at 31 December 2019, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Financial Institutions Act, 1993, the Rules and Regulations issued by the Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and Regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for 2019. These matters were addressed in the context of the audit of the financial statements, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk	How our audit addressed the key audit matter
<p>Leases, Loans and Advances and Measurement of provisions</p> <p>The process for estimating the provision for leases, loans and advances portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions.</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> • Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; • Reviewed quarterly Classification of Loans (CL);

Risk	How our audit addressed the key audit matter
<p>For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end 2019 the Group reported total gross leases, loans and advances of BDT 13,983.69 million (2018: BDT 15,504.10 million) and provision for leases, loans and advances of BDT 677.18 million (2018: BDT 609.91 million). The total provision for leases, loans and advances shown in the profit and loss for this year stands BDT 196.19 million (2017: BDT 63.38 million).</p> <p>We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> • Completeness and timing of recognition of loss events in accordance with criteria set out in FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and DFIM circular No. 03, dated 29 April 2013; • For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. <p>Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates;</p> <p>See note no 7.a, 14.1.c & 14.1.e to the financial statements</p>	<p>Our substantive procedures in relation to the provision for leases, loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> • Reviewed the adequacy of the companies general and specific provisions; • Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information; • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
<p>Carrying value of investments in subsidiary(s) by Union Capital Limited</p> <p>The Union Capital Limited (the "Company") has invested in equity shares of its subsidiaries Unicap Securities Limited and Unicap Investment Limited as at 31 December 2019 the carrying value of this investment is BDT 997.50 million.</p> <p>At the time of conducting our audit of the separate financial statements of the Union Capital Limited we have considered the recoverable value of the Union Capital Limited's investments in Unicap Securities Limited and Unicap Investment Limited stated at cost.</p> <p>Management has conducted impairment assessment and calculated recoverable value of its subsidiaries Unicap Securities Limited and Unicap Investment Limited in accordance with IAS 36.</p> <p>See note no 9.1 to the financial statements</p>	<p>We have reviewed Management's analysis of impairment assessment and recoverable value calculation of subsidiaries in accordance with IAS 36.</p> <p>In particular, our discussion with the Management were focused on the continued appropriateness of the value in use model, the key assumptions used in the model, the reasonably possible alternative assumptions, particularly where they had the most impact on the value in use calculation.</p> <p>We also checked mathematical accuracy of the model, recalculated discount rate used within the model, inputs used in the determination of assumptions within the model were challenged and corroborating information was obtained with reference to and corroborating information was obtained with reference to external market information, third-party sources.</p>
<p>Risk</p>	<p>How our audit addressed the key audit matter</p>
<p>Investment and provision for diminution in value of investment</p> <p>UCL investments in securities, mutual fund and non-listed unit fund are valued at BDT 26.66 million and provision for diminution in value of investments of BDT 0.19 million (2018: BDT 84.23 million)</p> <p>Group investments in securities, mutual fund and non-listed unit fund are valued at BDT 949.19 million and represent 4.83% (2018: 6.19%) of total assets. This was an area of focus for our audit and significant audit effort was directed.</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their investment portfolio.</p> <p>Our audit approach was a combination of test of internal control and substantive procedures.</p>

<p>Investments in quoted shares and unquoted shares are valued at average cost. However, the company made provision for diminution in value of investment as per FID circular no. 8 dated 3 August 2002 and DFIM circular no. 02 dated 31 January 2012.</p> <p>We focused on this area because of the significance of the investments in the financial statements, and departure from the recognition and presentation criteria of IFRS 9, IFRS 7 & IAS 32 to comply the above circular of Bangladesh Bank for determining the valuation methodology and presentation to be applied by the management of the company.</p> <p>See notes 6 and 14.2 to the financial statements.</p>	<p>We obtained sufficient audit evidence to conclude that the inputs and methodologies used for the valuation of the investments are within a reasonable range and that valuation policies were consistently applied by the management of the company.</p> <p>We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation risk of financial assets.</p> <p>We verified the existence and legal ownership of equity investments, mutual fund and non-listed unit fund by confirming investment holdings with CDBL statement, Trust deed and record from the Registrar of Joint Stock Companies & Firm appropriate.</p> <p>We tested the calculations of provision for diminution in value of investment and checked the presentation and disclosure of investment in compliance with FID circular no. 8 dated 3 August 2002 and DFIM circular no. 2 dated 31 January 2012 issued by Bangladesh Bank.</p>
<p>Measurement of deferred tax assets</p> <p>Union Capital Limited has unrecognised deferred tax assets in respect of unabsorbed tax losses, unabsorbed capital allowance, and other timing differences.</p> <p>There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised.</p> <p>Union Capital Limited reports net deferred tax assets totaling to BDT 0.80 million (2018: BDT 13.26 million).</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p> <p>See note no and 9.2 to the financial statements</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of Deferred Tax Assets and the assumptions used in estimating the Union Capital Limited's future taxable income.</p> <p>We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</p> <p>We involved tax specialists to assess key assumptions, controls, recognition and measurement of Deferred Tax Assets.</p> <p>Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</p>
Risk	How our audit addressed the key audit matter
<p>IT systems and controls</p> <p>Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.</p> <p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.</p>	<p>We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are critical to financial reporting. We also assessed the total IT security over its operation in accordance with the Guideline on ICT Security For Banks and Non-Bank Financial Institutions dated May, 2015 Version 3.0. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized.</p>

	<p>We tested the Group's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.</p>
<p>Accuracy and completeness of revenue recognised</p> <p>The Group reported revenue of BDT 1,719.72 million (2018: BDT 2,488.9 million), from lease finance, term finance, term deposit receipts, investment income and related activities.</p> <p>The application of revenue recognition accounting standards is complex and involves a number of key judgments and estimates, including those applied on revenue arrangements with multiple elements and those contracts where there is existence of principal and agent relationship.</p> <p>Due to the estimates and judgment involved in the application of the revenue recognition accounting standards and the degree of complexity of IT systems and processes used, we have considered this matter as a key audit matter.</p> <p>The Group's accounting policies relating to revenue recognition are presented in note 3.19 to the consolidated financial statements.</p>	<p>Our audit approach included a combination of controls testing, data analytics and substantive procedures covering the following:</p> <ul style="list-style-type: none"> • we understood the significant revenue processes including performance of an end to end walkthrough of the revenue assurance process and identifying the relevant controls (including IT systems, interfaces and reports); • we tested the design and operating effectiveness of the relevant controls; • we involved our internal IT specialists to test IT general controls, system interfaces, data/information reporting and application specific controls surrounding relevant revenue systems; • we reviewed significant new contracts and regulatory determinations, the accounting treatments opted and testing the related revenues recognised during the period; • we performed data analysis and analytical reviews of significant revenue streams;
Risk	How our audit addressed the key audit matter
<p>See note no 19.a, 21.a, 22.a & 23.a to the financial statements</p>	<ul style="list-style-type: none"> • we reviewed key reconciliations performed by the Revenue Assurance team; • we performed specific procedures to test the accuracy and completeness of adjustments relating to multiple element arrangements and grossing up certain revenue and costs; and • we performed procedures to ensure that the revenue recognition criteria adopted by each group entity for all major revenue streams is appropriate and in line with the Group's accounting policies. <p>Through our instructions, supervision and review, the auditors of the Group's significant entities performed consistent audit procedures on revenue.</p>
<p>Valuation of defined benefits plan</p> <p>The Company operates an unfunded gratuity scheme. In accordance with the rules of the Gratuity Fund, a benefit becomes due when a member ceases to be a member of the Fund. These results in the Fund having a constructive obligation to pay the benefit. Consequently, the Fund is required to recognize the liability related to such benefits. At year end the Group reported a net funded gratuity liability of BDT 9.25 million (2018: BDT 4.02 million).</p>	<p>Our audit procedures included updating our understanding of the business processes employed by the Company for accounting for, and valuing, their defined benefit plan.</p> <p>We obtained sufficient audit evidence to conclude that the inputs and methodologies used to determine the liability for defined benefit plan.</p>

<p>The benefits payable to members are calculated in terms of section-4 of the rules of the Fund. Methodologies applied in the calculation of the benefits payable to members as disclosed in note 3.15 and 14.7 of the financial statements which include:</p> <p>Liability for gratuity is provisioning on the presumption that all the employees are retiring on the balance sheet date rather than actuarial calculation of the gratuity. Therefore, valuation of the benefits payable provision is considered as a key audit matter.</p>	<p>We assessed the design and operating effectiveness of the Group's key controls supporting the identification, measurement and oversight of valuation of the defined benefits payable provision.</p> <p>We examined the basis on which gratuity is payable to the employee and is worked out the liability for gratuity on the presumption that all employees retire on the balance sheet date.</p> <p>We ensured that the basis of computing gratuity is valid; verify the computation of liability on aggregate basis.</p> <p>We checked the amount of gratuity paid to employees who retired during the year with reference to the number of years of service rendered by them.</p> <p>We tested the employees data used in calculating obligation.</p> <p>We assessed the appropriateness and presentation of disclosures against IAS 19 Employee Benefits.</p>
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Risk	How our audit addressed the key audit matter
<p>Legal and regulatory matters</p> <p>We focused on this area because the Company and its subsidiaries (the Group) operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.</p> <p>These Uncertainties in herently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.</p> <p>Overall, the legal provision represents the Group's best estimate for existing legal matters that have a probable and estimable impact on the Group's financial position.</p>	<p>we obtained an understanding, evaluated the design and tested the operational effectiveness of the Groups key controls over the legal provision and contingencies process.</p> <p>We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.</p> <p>We enquired of the Group's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports</p> <p>We assessed the methodologies on which the provision amounts are based, re calculated the provisions, and tested the completeness and accuracy of the underlying information.</p> <p>We also assessed the Group's provisions and contingent liabilities disclosure.</p>
<p>COVID -19 impact on Financial Statements</p> <p>COVID 19 is a force event, unique in nature has devastated the world and mankind. Efforts are underway to contain and recover.</p> <p>From early March 2020, there has been health related safety prioritized restrictions on auditor's travel, meetings and access to Bank resources / sites in some jurisdictions, limitation in providing supporting documents and explanations by the concerned resources of the company.</p>	<p>Auditor's and the firms under force majeure event applied best judgements under the force majeure compulsion and the circumstances in developing alternative audit procedures to gather sufficient explanations as practicable. Bangladesh Banks involvements and contributions and initiations on relevant material issues controls and remedies as appropriate and practicable were taken into cognizance as audit evidences.</p>

<p>The financial institution in Bangladesh are in the process of (i) credit risk due to high level of default loan; mostly centering around the Limited Companies (both publicly traded and other limited companies not operating diligently) (ii) market risk due to COVID-19 Pandemic that would lead to recession and the (iii) operational risk due to loss of business opportunities and continuation with operational and maintenance overheads. Furthermore, to extend that there are Control deficiencies - A control deficiency exists when the design or operation of a control does not allow management to prevent or detect misstatements in a timely manner. Design deficiency occurs when: a requisite control is missing, or an existing control is ineffective because it is not properly designed.</p>	<p>Regulatory initiatives (FRC) and stimulus packages are under constant evaluations of the Government to sustain banking operations by enhancing the process of attention to loan covenants and lender requirements. Clients that were financially healthy entering 2020 may have found themselves with cash shortfalls by February onwards and would likely to continue until COVID is contained. Clients will be monitored on their financial information, particularly with outstanding loans and debt covenants from lenders and their obligatory diligent statutory reporting.</p> <p>On collective success assurance upon COVID, Bank is committed to visualize that authority always flows from top to bottom, responsibility flows from bottom to top and communicating across the bank that, accountability cannot be delegated and escaped.</p>
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Risk	How our audit addressed the key audit matter
<p>Economy is the lifeline of the Country, institutions, community, environment and individuals. Providing finance is neither fruitful nor rewarding, unless effective feedback provides transparency and accountability and assists in educating the market. That, in turn would assist improving the process itself; while also embedding the proper cause and effect mindset within involved people and processes that is critical to achieving better results and further to improve the standard of submissions in the future. If these are not made sustainable; the money, time and resources will not be appropriately applied to defend the total investments. The Challenges ahead are huge, that would be addressed both by invention and discoveries and also with cognizance to the nature and nurture. Last but not the least, there is always light at the other end of a tunnel.</p>	<p>Auditor's extended professional skepticism and judgement-based assurances under the circumstances, and relatively practicable support in the interest of Country's banking business to a broader perspective.</p>

Other Information

The other information comprises all of the information in the Annual Report other than the consolidated and separate financial statements and our auditor's report thereon. We obtained Director's report and performance analysis with the management committee prior to the date of our auditor's report. We expect to obtain the remaining reports of the Annual report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements and internal controls

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements of the Group and also separate financial statements of the Company in accordance with IFRSs as explained in note 2 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Financial Institutions Act, 1993 and the Bangladesh Bank guidelines 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.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditures incurred were for the purpose of the Company's business for the year;
- (v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) provisions have been made for loans, advances and leases (Note – 14.1) in line with the Bangladesh Bank Letter No.: DFIM(C)1054/26/2020-1170 dated 23 July 2020;
- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (ix) statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and other duties were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- (xi) nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xiii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- (xiv) the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1875 person hours for the audit of the books and accounts of the Company;
- (xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- (xvii) the Company has complied with the 'First Schedule' of Bank Companies Act, 1991 in preparing these financial statements in accordance with DFIM circular no. 11, dated 23 December 2009; and
- (xviii) all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Place: Dhaka, Bangladesh

Date: 30 July 2020

Sd/-

Md. Shahidul Islam ACA

Engagement Partner

K. M. HASAN & CO.

Chartered Accountants

Consolidated Balance Sheet

As at 31 December 2019

	Notes	2019 Taka	2018 Taka
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)		73,026	74,248
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		163,584,144	175,207,143
	4.a	163,657,170	175,281,391
Balance with other banks and financial institutions			
In Bangladesh		1,460,590,556	3,202,477,475
Outside Bangladesh		-	-
	5.a	1,460,590,556	3,202,477,475
Money at call and short notice			
		-	-
Investments			
Government		-	-
Others		949,196,023	1,431,489,841
	6.a	949,196,023	1,431,489,841
Loans, advances and leases			
Loans, advances and leases		13,983,689,513	15,504,101,032
Bills purchased and discounted		-	-
	7.a	13,983,689,513	15,504,101,032
Fixed assets including land, building, furniture and fixtures			
	8.a	457,784,670	40,216,407
Other assets			
	9.a	2,153,636,141	2,458,489,656
Non-banking assets			
	10	469,521,891	311,626,044
TOTAL ASSETS		19,638,075,965	23,123,681,846
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11.a	4,133,717,142	4,700,955,232
Deposits and other accounts			
Term deposits	12.a	9,699,968,128	12,345,110,270
Other deposits	13	214,129,016	384,098,167
		9,914,097,144	12,729,208,437
Other liabilities	14.a	4,346,324,644	3,392,195,191
Total liabilities		18,394,138,929	20,822,358,860
Shareholders' equity			
Paid up capital	15	1,725,738,430	1,643,560,419
Statutory reserve	16	451,897,399	451,897,399
Retained earnings	17.a	(933,699,011)	205,864,936
Total equity attributable to equity holders of the Company		1,243,936,818	2,301,322,754
Non-controlling interest		218	232
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19,638,075,965	23,123,681,846

These financial statements should be read in conjunction with annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Signed in terms of our separate report of even date annexed.

Place: Dhaka, Bangladesh

Date: 30 July 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Consolidated Balance Sheet

As at 31 December 2019

	Notes	2019 Taka	2018 Taka
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Other contingent liabilities		-	-
Other commitments			
Undisbursed contracted loans, advances and leases		948,100,000	758,610,000
TOTAL OFF BALANCE SHEET ITEMS		948,100,000	758,610,000
Net assets value per share (NAV) (2018: Restated)	40.a	7.21	13.34

These financial statements should be read in conjunction with annexed notes
For and on behalf of Board of Directors of Union Capital Limited

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Signed in terms of our separate report of even date annexed.

Place: Dhaka, Bangladesh
Date: 30 July 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Consolidated Profit And Loss Account

For the year ended 31 December 2019

	Notes	2019 Taka	2018 Taka
Interest income	19.a	1,611,621,283	2,119,802,080
Interest paid on deposits and borrowings etc.	20.a	(2,234,413,933)	(1,760,431,703)
Net interest income		(622,792,651)	359,370,377
Investment income	21.a	(76,924,415)	136,443,521
Fees, commissions, exchange and brokerage	22.a	129,976,471	206,483,843
Other operating income	23.a	55,046,388	26,166,860
		108,098,445	369,094,224
Total operating income		(514,694,206)	728,464,600
Salaries and other employee benefits	24.a	236,685,706	229,859,189
Rent, taxes, insurance, electricity etc.	25.a	50,436,109	48,879,566
Legal expenses	26.a	8,170,842	5,291,816
Postage, stamp, telecommunication etc.	27.a	6,083,931	6,614,976
Stationery, printing, advertisements etc.	28.a	7,991,128	6,506,649
Managing Director's salary and fees	29	1,652,903	3,295,000
Directors' fees	30.a	1,157,500	1,788,500
Auditors' fees	31.a	448,500	672,175
Depreciation and repair of assets	32.a	20,621,893	22,435,338
Other expenses	33.a	52,962,273	68,407,698
Total operating expenses		386,210,787	393,750,907
Profit /(loss) before provision		(900,904,993)	334,713,693
Provision for loans, advances, leases and investments			
General provision		150,987,430	(42,661,242)
Specific provision		45,211,241	106,057,989
Provision for diminution in value of investments		(82,543,870)	86,326,098
Total provision		113,654,801	149,722,845
Total profit /(loss) before tax		(1,014,559,794)	184,990,848
Provision for taxation			
Current tax		30,259,814	93,475,917
Deferred tax		12,566,342	(877,276)
		42,826,156	92,598,641
Net profit /(loss) after tax		(1,057,385,950)	92,392,207
Appropriations			
Statutory reserve		-	15,619,344
Dividend on preference shares		-	-
Retained surplus		(1,057,385,950)	76,772,864
Attributable to			
Shareholders of the Company		(1,057,385,936)	92,392,200
Non-controlling interest		(14)	7
Weighted average no. of outstanding share		172,573,843	172,573,842
Earnings per share (2018: Restated)	36.a	(6.13)	0.54

These financial statements should be read in conjunction with annexed notes
For and on behalf of Board of Directors of Union Capital Limited

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Signed in terms of our separate report of even date annexed.

Place: Dhaka, Bangladesh
Date: 30 July 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2019

Particulars	Amount in taka				
	Paid-up capital	Statutory reserve	Retained earnings	Non-controlling interest	Total
Balance as at 1 January 2019	1,643,560,419	451,897,399	205,864,936	232	2,301,322,986
Net profit/(loss) for the year ended 2019	-	-	(1,057,385,936)	(14)	(1,057,385,950)
Transfer to statutory reserve	-	-	-	-	-
Issuance of bonus share (year 2018)	82,178,011	-	(82,178,011)	-	-
Balance as at 31 December 2019	1,725,738,430	451,897,399	(933,699,011)	218	1,243,937,036

For the year ended 31 December 2018

Particulars	Amount in taka				
	Paid-up capital	Statutory reserve	Retained earnings	Non-controlling interest	Total
Balance as at 1 January 2018	1,565,295,637	436,278,055	207,356,862	225	2,208,930,779
Net profit/(loss) for the year ended 2018	-	-	92,392,200	7	92,392,207
Transfer to statutory reserve	-	15,619,344	(15,619,344)	-	-
Issuance of bonus share (year 2017)	78,264,782	-	(78,264,782)	-	-
Balance as at 31 December 2018	1,643,560,419	451,897,399	205,864,936	232	2,301,322,986

Sd/-
Chairman

Sd/-
Director

Sd/-

Managing Director & CEO

Sd/-

Company Secretary

For and on behalf of Board of Directors of Union Capital Limited

Signed in terms of our separate report of even date annexed.

Place: Dhaka, Bangladesh
Date: 30 July 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	2019 Taka	2018 Taka
Cash flows from operating activities		
Interest receipts	1,606,961,746	2,180,231,956
Interest payments	(2,167,270,241)	(1,912,177,005)
Fee and commission receipts	127,155,699	206,277,201
Recoveries of loans previously written off	48,874,205	22,299,043
Dividend receipts	42,283,964	51,934,663
Cash payments to employees	(229,274,053)	(217,687,568)
Cash payments to suppliers and management expenses	(71,274,431)	(63,210,918)
Income taxes paid	(39,146,356)	(67,358,318)
Receipts from other operating activities	8,992,955	4,074,459
Payments for other operating activities	(52,962,273)	(68,407,698)
Cash generated before changes in operating assets and liabilities	(725,658,784)	135,975,814
Increase/decrease in operating assets and liabilities		
Purchase of trading securities (treasury bills)	-	-
Loans, advances and leases to banks and financial institutions	-	-
Loans, advances and leases to customers	1,645,985,792	2,325,145,653
Other assets	219,527,635	(86,770,196)
Deposits from banks and other financial institutions	(2,710,713,082)	(1,547,267,500)
Deposits from customers	(72,857,194)	(391,959,424)
Net draw down/(payment) of short term loan	323,134,756	479,600,000
Other liabilities	470,089,650	(698,797,777)
Cash generated from operating assets and liabilities	(124,832,442)	79,950,756
Net cash generated from/(used in) operating activities	(850,491,226)	215,926,570
Cash flows from investing activities		
Proceeds from sale of securities	1,015,540,424	922,582,886
Payments for purchases of securities	(649,480,045)	(682,521,908)
Purchase of property, plant and equipment	(387,939,574)	(13,780,843)
Proceeds from sale of property, plant and equipment	9,232,129	3,429,524
Net cash generated from/(used in) investing activities	(12,647,066)	229,709,659
Cash flows from financing activities		
Receipts of long term loan	354,359,822	662,530,670
Repayment of long term loan	(1,244,732,668)	(1,786,746,005)
Net cash generated from/(used in) financing activities	(890,372,846)	(1,124,215,335)
Net (decrease)/increase in cash and cash equivalents	(1,753,511,139)	(678,579,107)
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	3,377,758,866	4,056,337,973
Cash and cash equivalents at end of the year	1,624,247,726	3,377,758,866
Cash and cash equivalents at end of the year represents		
Cash in hand	73,026	74,248
Balance with Bangladesh Bank and its agent bank	163,584,144	175,207,143
Balance with other banks and financial institutions	1,460,590,556	3,202,477,475
	1,624,247,726	3,377,758,866
Net operating cash flows per share (2018: Restated) [Note-39.(a)]	(4.93)	1.25

For and on behalf of Board of Directors of Union Capital Limited

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Place: Dhaka, Bangladesh

Date: 30 July 2020

Balance Sheet

As at 31 December 2019

	Notes	2019 Taka	2018 Taka
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)		39,000	40,222
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	4	163,584,144	175,207,143
		163,623,144	175,247,365
Balance with other banks and financial institutions			
In Bangladesh		1,202,115,765	3,052,838,569
Outside Bangladesh	5	-	-
		1,202,115,765	3,052,838,569
Money at call and short notice			
		-	-
Investments			
Government		-	-
Others	6	26,669,695	460,501,600
		26,669,695	460,501,600
Loans, advances and leases			
Loans, advances and leases		12,838,063,023	13,922,417,007
Bills purchased and discounted	7	-	-
		12,838,063,023	13,922,417,007
Fixed assets including land, building, furniture and fixtures			
	8	442,292,055	15,130,254
Other assets			
	9	2,909,244,820	3,420,498,815
Non-banking assets			
	10	469,521,891	311,626,044
TOTAL ASSETS		18,051,530,393	21,358,259,654
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	3,462,391,448	3,763,308,810
Deposits and other accounts			
Term deposits	12	9,761,509,145	12,375,110,270
Other deposits	13	214,129,016	384,098,167
		9,975,638,161	12,759,208,437
Other liabilities	14	3,401,076,126	2,634,890,804
Total liabilities		16,839,105,735	19,157,408,051
Shareholders' equity			
Paid up capital	15	1,725,738,430	1,643,560,419
Statutory reserve	16	451,897,399	451,897,399
Retained earnings	17	(965,211,171)	105,393,785
Total shareholders' equity		1,212,424,658	2,200,851,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		18,051,530,393	21,358,259,654

These financial statements should be read in conjunction with annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director & CEO	Company Secretary

Signed in terms of our separate report of even date annexed.

Place: Dhaka, Bangladesh

Date: 30 July 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Balance Sheet

As at 31 December 2019

	Notes	2019 Taka	2018 Taka
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Other contingent liabilities		-	-
		-	-
Other commitments			
Undisbursed contracted loans, advances and leases		948,100,000	758,610,000
TOTAL OFF BALANCE SHEET ITEMS		948,100,000	758,610,000
Net assets value per share (NAV) (2018: Restated)	40	7.03	12.75

These financial statements should be read in conjunction with annexed notes

For and on behalf of Board of Directors of Union Capital Limited

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Signed in terms of our separate report of even date annexed.

Place: Dhaka, Bangladesh

Date: 30 July 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Profit And Loss Account

For the year ended 31 December 2019

Particulars	Notes	2019	2018
		Taka	Taka
Interest income	19	1,056,016,103	1,587,361,773
Interest paid on deposits and borrowings etc.	20	(1,658,465,598)	(1,654,881,784)
Net interest income		(602,449,495)	(67,520,011)
Investment income	21	(88,899,938)	21,116,644
Fees, commissions, exchange and brokerage	22	3,024,478	2,903,376
Other operating income	23	50,140,791	514,813,840
		(35,734,669)	538,833,860
Total operating income		(638,184,164)	471,313,849
Salaries and other employee benefits	24	149,515,189	130,497,220
Rent, taxes, insurance, electricity etc.	25	20,260,938	17,479,430
Legal expenses	26	8,055,342	5,216,516
Postage, stamp, telecommunication etc.	27	2,523,782	2,511,387
Stationery, printing, advertisements etc.	28	6,977,265	4,840,711
Managing Director's salary and fees	29	1,652,903	3,295,000
Directors' fees	30	753,000	1,384,000
Auditors' fees	31	230,000	230,000
Depreciation and repair of assets	32	8,693,930	7,189,908
Other expenses	33	26,538,089	30,603,642
Total operating expenses		225,200,438	203,247,814
Profit /(loss) before provision		(863,384,602)	268,066,035
Provision for loans, advances, leases and investments			
General provision		150,987,430	(42,661,242)
Specific provision		45,211,241	106,057,989
Provision for diminution in value of investments		(84,043,870)	78,059,242
Total provision (release)		112,154,801	141,455,989
Total profit /(loss) before tax		(975,539,403)	126,610,046
Provision for taxation			
Current tax		436,905	49,603,353
Deferred tax		12,450,637	(1,090,026)
		12,887,542	48,513,327
Net profit /(loss) after tax		(988,426,945)	78,096,719
Appropriations			
Statutory reserve		-	15,619,344
Dividend on preference shares		-	-
Retained surplus		(988,426,945)	62,477,375
Weighted average no. of outstanding share		172,573,843	172,573,842
Earnings per share (2018: Restated)	36	(5.73)	0.45

These financial statements should be read in conjunction with annexed notes
For and on behalf of Board of Directors of Union Capital Limited

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Signed in terms of our separate report of even date annexed.

Place: Dhaka, Bangladesh
Date: 30 July 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Statement Of Changes In Equity

For the year ended 31 December 2019

Particulars	Amount in taka			
	Paid-up capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2019	1,643,560,419	451,897,399	105,393,785	2,200,851,603
Net profit/(loss) for the year 2019	-	-	(988,426,945)	(988,426,945)
Issuance of bonus share (year 2018)	82,178,011	-	(82,178,011)	-
Balance as at 31 December 2019	1,725,738,430	451,897,399	(965,211,171)	1,212,424,658

For the year ended 31 December 2018

Particulars	Amount in taka			
	Paid-up capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2018	1,565,295,637	436,278,055	121,181,192	2,122,754,884
Net profit/(loss) for the year 2018	-	-	78,096,719	78,096,719
Transfer to statutory reserve	-	15,619,344	(15,619,344)	-
Issuance of bonus share (year 2017)	78,264,782	-	(78,264,782)	-
Balance as at 31 December 2018	1,643,560,419	451,897,399	105,393,785	2,200,851,603

For and on behalf of Board of Directors of Union Capital Limited

Sd/-

Chairman

Sd/-

Director

Sd/-

Managing Director & CEO

Sd/-

Company Secretary

Signed in terms of our separate report of even date annexed.

Sd/-

Place: Dhaka, Bangladesh

Date: 30 July 2020

K. M. HASAN & CO.
Chartered Accountants

Cash Flow Statement

For the year ended 31 December 2019

	Notes	2019 Taka	2018 Taka
Cash flows from operating activities			
Interest receipts		828,987,099	2,428,734,884
Interest payments		(1,565,410,738)	(1,654,881,784)
Fee and commission receipts		203,706	2,696,734
Recoveries of loans previously written off		48,874,205	22,299,043
Dividend receipts		8,098,454	15,568,981
Cash payments to employees		(143,165,107)	(148,592,046)
Cash payments to suppliers and management expenses		(34,021,957)	(18,614,839)
Income taxes paid		(12,329,880)	(25,488,562)
Receipts from other operating activities	34	2,820,772	206,642
Payments for other operating activities	35	(26,538,089)	(30,603,642)
Cash generated before changes in operating assets and liabilities		(892,481,535)	591,325,412
Increase/decrease in operating assets and liabilities			
Purchase of trading securities (treasury bills)		-	-
Loans, advances and leases to banks and financial institutions		-	-
Loans, advances and leases to customers		1,209,928,257	1,768,980,949
Other assets	41	262,756,559	(56,621,682)
Deposits from banks and other financial institutions		(2,710,713,082)	(1,517,267,500)
Deposits from customers		(72,857,194)	(391,959,424)
Net draw down/(payment) of short term loan		323,134,756	562,000,000
Other liabilities	42	681,771,549	3,460,406
Cash generated from operating assets and liabilities		(305,979,155)	368,592,749
Net cash generated from/(used in) operating activities		(1,198,460,690)	959,918,161
Cash flows from investing activities			
Proceeds from sale of securities		387,573,955	261,278,631
Payments for purchases of securities		(48,014,334)	(230,926,382)
Purchase of property, plant and equipment		(380,694,167)	(6,663,470)
Proceeds from sale of property, plant and equipment		1,300,329	3,429,524
Investment in UniCap Investments Limited		-	(574,999,870)
Net cash used in investing activities		(39,834,217)	(547,881,568)
Cash flows from financing activities			
Receipts of long term loan		328,359,822	412,852,946
Repayment of long term loan		(952,411,940)	(1,485,466,307)
Net cash generated from/(used in) financing activities		(624,052,118)	(1,072,613,361)
Net (decrease)/increase in cash and cash equivalents		(1,862,347,025)	(660,576,768)
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		3,228,085,934	3,888,662,702
Cash and cash equivalents at end of the year		1,365,738,909	3,228,085,934
Cash and cash equivalents at end of the year represents			
Cash in hand		39,000	40,222
Balance with Bangladesh Bank and its agent bank		163,584,144	175,207,143
Balance with other banks and financial institutions		1,202,115,765	3,052,838,569
		1,365,738,909	3,228,085,934
Net operating cash flows per share (2018: Restated)		(6.94)	5.56

For and on behalf of Board of Directors of Union Capital Limited

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Managing Director & CEO	Company Secretary

Place: Dhaka, Bangladesh

Date: 30 July 2020

Statement Of Liquidity Analysis (Maturity Of Assets And Liabilities)

As at 31 December 2019

Amount in Taka

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	above 5 years	Total
Assets						
Cash in hand	39,000	-	-	-	-	39,000
Balance with Bangladesh Bank and its agent bank(s)	-	-	163,584,144	-	-	163,584,144
Balance with banks and other financial institutions	295,281,618	422,732,468	484,101,679	-	-	1,202,115,765
Money at call and short notice	-	-	-	-	-	-
Investments	5,400,000	11,700,000	9,569,695	-	-	26,669,695
Loans, advances and leases	167,000,000	354,000,000	3,457,300,582	8,328,453,650	531,308,791	12,838,063,023
Fixed assets including premises, furniture and fixtures	-	-	-	-	442,292,055	442,292,055
Other assets	40,500,000	241,500,000	935,500,000	1,365,000,000	326,744,820	2,909,244,820
Non-banking assets	-	-	-	-	469,521,891	469,521,891
Total assets	508,220,618	1,029,932,468	5,050,056,100	9,693,453,650	1,769,867,557	18,051,530,393
Liabilities						
Borrowings from banks and financial institutions	305,965,446	522,498,980	1,515,507,581	1,118,419,442	-	3,462,391,448
Deposits	114,631,363	268,919,177	2,955,878,314	6,408,834,743	13,245,547	9,761,509,145
Other deposits	2,868,637	6,080,823	59,387,660	143,061,722	2,730,175	214,129,016
Provision and other liabilities	31,500,000	88,000,000	516,000,000	2,020,000,000	745,576,126	3,401,076,126
Total liabilities	454,965,446	885,498,980	5,046,773,555	9,690,315,907	761,551,848	16,839,105,735
Net liquidity gap	53,255,172	144,433,488	3,282,545	3,137,743	1,008,315,709	1,212,424,658

For and on behalf of Board of Directors of Union Capital Limited

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Place: Dhaka, Bangladesh

Date: 30 July 2020

Notes to the Financial Statements

As at and for the year ended 31 December 2019

1. General information

1.1 Domicile, legal form and country of incorporation

Union Capital Limited ("the Company") was set up for the purpose of purchasing investment banking business of Bangladesh Branch Office of Peregrine Capital Limited, Hong Kong, along with all its specified assets and share capital of SES Company Limited, its related concern. This transaction was effected on 04 February 1998. From that date, the Company started to operate as "Union Capital Limited - proposed".

Union Capital Limited was registered as a public limited company under the Companies Act, 1994 with the Registrar of Joint Stock Companies of Bangladesh on 09 August 1998. On 12 August 1998, the Company obtained permission from Bangladesh Bank to operate as a non-banking financial institution under the Financial Institutions Act, 1993. The Company also registered as a full-fledged Merchant Banker with the Bangladesh Securities and Exchange Commission on 10 April 2002. The Company went for Initial Public Offering in May 2007 and listed its shares with both Dhaka Stock Exchange and Chittagong Stock Exchange in July 2007.

The registered office of the Company is located at bti Landmark, Level- 8, Plot- 16, Gulshan Avenue, Gulshan-1, Dhaka 1212, Bangladesh. The operations of the Company is being carried out through its 8 (eight) offices located in Dhaka, Gazipur, Narsingdi, Chattogram, Sylhet and Bogura.

1.2 Principal activities

The activities of the Company encompass a wide range of services, broadly classified as fund based and fee based activities and brokerage services. The Company also offers different deposit schemes.

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 at 31 December 2019 Union Capital has two subsidiaries to include for preparation of consolidated financial statements as per International Financial Reporting Standard (IFRS) 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 registered under the Companies Act, 1994. The Company was incorporated in Bangladesh on 09 October 1995. The Company has changed its name to UniCap Securities Limited on 21 October 2013 and the registered office of the Company is situated at Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 1, Dhaka 1212. It is a member of Dhaka and Chittagong Stock Exchange and a depository participant of Central Depository of Bangladesh Limited (CDBL). Principal activities of the Company is to carry out all kinds of investment business in shares and stock, brokerage and dealing of securities. It also extends margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Union Capital owns 99.99% of the shares of UniCap Securities Limited and has the control over it, thus it is considered as a subsidiary of Union Capital Limited. The Board of UniCap Securities Limited consists of 12 (twelve) Directors and 11 (eleven) Directors are nominated by Union Capital Limited to represent the Company.

Notes to the Financial Statements

1.3.2 UniCap Investments Limited

UniCap Investments Limited was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-93014/11 dated 24 May 2011 as a public limited company under the Companies Act, 1994. The address of the Company's registered office is A-A Bhaban (9th Floor), 23 Motijheel C/A, Dhaka-1000. Principal activities of the Company is to deliver a whole range of investment banking services including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. Union Capital holds 99.99% shares of Unicap Investments Limited. Out of 8 (Eight) Directors, 1 (one) Directors have been nominated from Union Capital Limited to represent the Company.

2 Basis of preparation

The financial statements are prepared on the historical cost basis. The financial statements have been prepared and the disclosures of information have been made in accordance with the DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act 1993, the Companies Act 1994, the Bangladesh Securities and Exchange Rules 1987, the Listing Rules of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, Guidelines from Bangladesh Bank, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and other applicable laws and regulations.

In the year 2009, Bangladesh Bank issued DFIM circular no.11 dated 23 December 2009 suggesting uniform presentation and disclosure requirements within the industry. As a result, the Company followed that circular for the presentation of financial statements.

There are some areas where application of IAS and IFRS differs from those as suggested by Bangladesh Bank through different circulars. As Bangladesh Bank is the primary regulator, the Company is required to follow the guidelines of Bangladesh Bank. At the same time the Company also required to follow the guidelines issued by Bangladesh Securities and Exchange Commission (BSEC). For mitigating presentation and disclosure conflict the financial statements have been prepared following Bangladesh Bank's circulars and present separate disclosure where deviations exist.

2.1 Reporting period

The financial statements of the company covered a period from 1 January 2019 to 31 December 2019.

2.2 Directors' responsibility statement

The Board of Directors takes the responsibility for the preparation and presentation of these consolidated and separate financial statements.

2.3 Accounting estimates

Preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are 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 the result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.4 Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance with Bangladesh Bank's requirements

Bangladesh Bank (the local Central Bank) is the prime regulatory body for Financial Institutions in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of IAS and IFRS. As such the company has departed from those contradictory requirements of IFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed below along with financial impact where applicable:

Notes to the Financial Statements

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
1	Measurement of provision for leases, loans and advances (financial assets measured at amortized cost)	IFRS 9 "Financial Instruments"	<p>An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired.</p> <p>If any such evidence exists, expected credit losses are required to be measured through a loss allowance at an amount equal to:</p> <p>a. the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or</p> <p>b. full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).</p>	<p>As per FID circular No. 08, dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013, a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans and Special Mentioned Accounts (SMA) has to be maintained irrespective of objective evidence of impairment on lease, loans and advances.</p> <p>Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.</p>	<p>In separate Financial Statements, an amount of BDT 112.15 million has been charged as incremental provision for leases, loans and advances, which includes BDT 15.09 million as general provision on good loan for the year 2019. Also, as at 31 December 2019, accumulated provision for leases, loans and advances stand at BDT 464.19 million.</p> <p>In consolidated Financial Statements, the same amount is BDT 113.65 million which includes general provision of BDT 15.09 million. Also, as at 31 December 2019, accumulated provision for leases, loans and advances stand at BDT 677.18 million.</p>
2	Valuation of Investments in quoted and unquoted shares	IFRS 9 "Financial Instruments"	<p>Investment in shares falls either under at "fair value through profit/ loss (FVTPL)" or "fair value through other comprehensive income (FVTOCI)" where any change in the fair value in case of FVTPL at the year-end is taken to profit or loss, and any change in fair value in case of FVTOCI is taken to other comprehensive income.</p>	<p>As per FID circular No. 08, dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; however in case of any unrealized gain, no such gain can be recognized and investments are recognized at cost only.</p>	<p>During this year, total market value of all shares of Union Capital Limited & its subsidiaries is less than the cost price.</p> <p>As on December 31, 2019 there was BDT 939.69 million gross loss on consolidated investment in marketable listed securities.</p>

Notes to the Financial Statements

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
3	Recognition of interest income for SMA and classified lease, loans and advances	IFRS 9 "Financial Instruments"	Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once a financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.	As per FID circular No. 03, dated 03 May 2006, once an investment on leases, loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.	At the year end, in separate Financial Statements interest suspense account has increased to BDT 661.00 million from BDT 194.11 million resulting increase of BDT 466.89 million of interest suspense. This amount has been shown in other liabilities in note 14.3
4	Presentation of cash and cash equivalent	IAS 7 "Statement of Cash Flows"	Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalent as it is illiquid asset and not available for use in day to day operations.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
5	Measurement of deferred tax asset	IAS 12 "Income Tax"	A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.	As per DFIM circular No. 7, dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against the provision for lease, loans and advances.	During this year there is no impact in the financial statements due to this departure as the Company did not consider any deductible temporary difference against the provision for leases, loans and advances.

Notes to the Financial Statements

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
6	Presentation and disclosure of Financial Statements and Financial Instruments	IAS 1 "Presentation of Financial Statements" IFRS 9 "Financial Instruments" & IFRS 7 "Financial Instruments: Disclosure"	Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement. IAS 1 requires separate line item for intangible assets on the face of statement of financial position. IFRS 9 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.	Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income Statement. Intangibles assets are not separately presented on the face of statement of financial position; rather it is presented along with the line item of fixed assets.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.
7	Preparation of "Statement of Cash Flows"	IAS 7 "Statement of Cash Flows"	The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.	As per DFIM Circular No. 11, dated 23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11 dated 23 December 2009) of Bangladesh Bank.
8	Current/ Non-current distinction	IAS 1 "Presentation of Financial Statement"	As per Para 60 of IAS 1 "Presentation of Financial statement": An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.	As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates there is no current and non-current segmentation of assets and liabilities.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. Moreover, the liquidity statement shows the aging profile of all financial assets and liabilities from where current/non-current portion of assets and liabilities can be obtained.

Notes to the Financial Statements

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
9	Off-balance sheet items	IAS 1 "Presentation of Financial Statements"	There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.	As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure but there is a disclosure in the financial statements.
10	Impairment of Margin Loan (Loans and receivables)	IFRS 9 "Financial Instruments"	Measurement after initial recognition at amortized cost and recording of changes through profit and loss.	As per Bangladesh Securities and Exchange Commission (BSEC) Circular No. SEC/CMRRCD/2009-193/196 dated 28 December 2017, provisions for the year 2016 on impairment of principal portion of margin loan shall be kept at 20% on each quarter for the five quarters starting from December 2016.	There is no such impact for this. However, we have been maintaining full provision for unrealized loss (if any) of margin loan in the portfolio.
11	Complete set of financial statements	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" complete set of financial statements are: i) statement of financial position, ii) statement of profit or loss and other comprehensive income, iii) statement of changes in equity, iv) statement of cash flows, v) notes, comprising significant accounting policies and other explanatory information and vi) statement of financial position at the beginning of preceding period for retrospective restatement.	As per DFIM Circular No. 11, dated 23 December 2009, complete set of financial statements are: i) balance sheet, ii) profit and loss account, iii) statement of cash flows, iv) statement of changes in equity, v) statement of liquidity, vi) notes, comprising significant accounting policies and other explanatory information.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.

Notes to the Financial Statements

SL.	Nature of Departure	Title of IAS/IFRS	Treatment of IAS/IFRS	Treatment Adopted as per Bangladesh Bank	Financial or Presentation Effect of the Departure
12	Intangible asset	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" para 54: the statement of financial position shall include separate line item for intangible assets.	As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank. There is no financial impact for this departure in the financial statements.
13	Other comprehensive income	IAS 1 "Presentation of Financial Statements"	As per IAS 1: "Presentation of Financial Statements" Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement.	Bangladesh Bank has issued templates for financial statements which will strictly be followed by financial institutions. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of OCI allowed to be included in a single OCI statement. As such the financial institution does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.	Financial Statements for 2019 and corresponding year 2018 have been prepared as per the guideline and templates issued by Bangladesh Bank. There is no financial impact for this departure in the financial statements.
14	Disclosure of presentation of profit	N/A	There is no requirement to show appropriation of profit in the face of statement of comprehensive income.	As per DFIM circular no 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account	Financial Statements for 2019 and corresponding year 2018 have been prepared as per guideline (DFIM Circular No. 11, dated 23 December 2009) of Bangladesh Bank.

2.5 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with International Accounting Standards/ International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure requirements for contingent assets and liabilities during and the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.

Notes to the Financial Statements

In accordance with the guidelines as prescribed by IAS 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised in the following situations:

Provisions

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when: the Company 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 Company; or the Company 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 Company. Contingent assets are never recognised, rather they are disclosed in the financial statements when they arise.

2.6 Statement of compliance

The financial statements of Union Capital Limited include the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and Notes to the Financial Statements. These financial statements are required to be prepared and presented within a framework of rules and guidelines – some mandatory and some recommendatory. The Companies Act, 1994 requires the production of the following as a part of the annual report:

- a) Board of Directors' report
- b) Auditors' report
- c) Balance sheet and
- d) 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 Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The Bangladesh Securities and Exchange Commission (BSEC) regulates financial reporting practices of listed companies. Listed companies are required to comply with BSEC's accounting and disclosure requirements. The Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires listed companies to follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) 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 of 31 December 2019 status and applicability of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) in the case of Union Capital Limited are as under:

Notes to the Financial Statements

IAS/IFRS No.	IAS/IFRS	Applicability	Remarks
IAS 1	Presentation of Financial Statements	*	
IAS 2	Inventories	N/A	
IAS 7	Statement of Cash Flows	Applied	
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Applied	
IAS 10	Events After the Reporting Period	Applied	
IAS 12	Income Taxes	Applied	
IAS 16	Property, Plant and Equipment	Applied	
IAS 17	Leases	Applied	
IAS 19	Employee Benefits	Applied	
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	N/A	
IAS 21	The Effects of Changes in Foreign Exchange Rates	Applied	
IAS 23	Borrowing Costs	Applied	
IAS 24	Related Party Disclosures	Applied	
IAS 26	Accounting and Reporting by Retirement Benefit Plans	N/A	
IAS 27	Separate Financial Statements	Applied	
IAS 28	Investments in Associates and Joint Ventures	N/A	
IAS 29	Financial Reporting in Hyperinflationary Economies	N/A	
IAS 32	Financial Instruments: Presentation	*	
IAS 33	Earnings Per Share	Applied	
IAS 34	Interim Financial Reporting	Applied	
IAS 36	Impairment of Assets	Applied	
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	
IAS 38	Intangible Assets	Applied	
IAS 39	Financial Instruments: Recognition and Measurement	*	
IAS 40	Investment Property	N/A	
IAS 41	Agriculture	N/A	
IFRS 1	First-time adoption of Bangladesh Financial Reporting Standards	N/A	
IFRS 2	Share-based Payment	N/A	
IFRS 3	Business Combinations	N/A	
IFRS 4	Insurance Contracts	N/A	
IFRS 5	Non-current Assets Held for Sale and Discontinued Operation	N/A	
IFRS 6	Exploration for and Evaluation of Mineral Resources	N/A	
IFRS 7	Financial Instruments: Disclosures	*	
IFRS 8	Operating Segments	Applied	
IFRS 9	Financial Instruments	*	
IFRS 10	Consolidated Financial Statements	Applied	
IFRS 11	Joint Arrangements	N/A	
IFRS 12	Disclosure of Interests in Other Entities	N/A	
IFRS 13	Fair Value Measurement	*	
IFRS 14	Regulatory Deferral Accounts	N/A	
IFRS 15	Revenue from Contracts with Customers	Applied	
IFRS 16	Leases	Applied	
IFRS 17	Insurance Contracts	N/A	

* As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note 2.4). (N/A = Not Applicable)

Notes to the Financial Statements

2.7 Consistency

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 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 IAS 8. We, however, have applied the same accounting and valuation principles in 2019 as in financial statements for 2018.

2.8 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 full fledged marchant bank and UniCap Securities Limited brokerage. Operating results of the reportable segments are disclosed in note no. 37 in compliance with International Financial Reporting Standard (IFRS) 8: Operating Segments.

2.9 Basis of consolidation of operations of subsidiaries

The financial statements of the Company and its subsidiaries have been consolidated in accordance with International Financial Reporting Standard (IFRS) 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'.

2.10 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.

2.11 IFRS 16: Leases

IFRS 16 Leases is effective for the annual reporting periods beginning on or after 1 January 2019 which eliminates the current operating/financing lease dual accounting model for leases. Instead, there is a single, on-balance sheet accounting model (except some limited exception i.e. short-term lease, leases for low value items), similar to current finance lease accounting. Under IFRS 16, an entity shall be recognizing a right-of-use (ROU) asset (i.e. the right to use the office building, branches, service center, call center, warehouse, etc.) and a corresponding lease liability. The asset and the liability are initially measured at the present value of unavoidable lease payments. The depreciation of the lease asset (ROU) and the interest on the lease liability is recognized in the profit and loss account over the lease term replacing the previous heading 'lease rent expenses'.

The company observed that the implementation of IFRS 16 is expected to have impact on multiple dimensions including Risk Weighted Assets, Regulatory Capital, and Liquidity Ratios, provisions of Immovable Property as well as other statutory requirements issued by various regulators. In addition, there are no direction from National Board of Revenue (NBR) regarding treatment of lease rent, depreciation on ROU assets and interest on lease liability for income tax purposes and applicability of VAT on such items.

In order to comply with IFRS 16, the company has initially identified the lease agreements of 'All branches' as low value asset and thereby excluded from IFRS 16 requirement on the basis of paragraph 5. The UCL is also reviewing all of its lease arrangements for 'office premises' to finally assess the potential impact on implementation of IFRS 16 in the Balance Sheet and Profit and Loss Account of the Bank for the year 2019.

Notes to the Financial Statements

But, due to COVID 19 pandemic the company is operating with limited resources and will provide effect for implementation of IFRS 16 in the financial year 2020 with retrospective effect, if necessary. In this backdrop, the management of the Bank is committed to observe the market practice for uniformity and comparability and would take necessary actions in line with the regulatory guidelines and market practice.

3 Significant accounting policies

3.1 Lease operations

As per International Accounting Standard (IAS) 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.

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 which ever 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 and loss account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.

3.3 Investments in subsidiary

A subsidiary is an entity in which the Company has control as per as shareholding (more than 50 percent) or voting right is concerned. As on the reporting date Union Capital has two subsidiary companies namely, UniCap Investments Limited and UniCap Securities Limited. Consolidated Financial Statements have been prepared for subsidiary investment as per International Financial Reporting Standards 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 is classified broadly in two categories and accounted for as under:

Notes to the Financial Statements

Investment in listed securities:

Investment in listed securities is carried at cost. Adequate provision has been made considering each individual investment (where cost is less than market price) as guided by Bangladesh Bank.

Investment in unlisted securities:

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

3.5 Receivables

Accounts receivables

The main item included rentals/installments due from the clients but not received. No such receivables are accounted for if the loans are classified as bad and loss. Receivables carry interest for the periods for which the delay continues in payments of the amounts due from the clients continues. Such interest is not recognised as income until it is received in cash. Receivables from clients are stated at their nominal value.

Other receivables

Other receivables include mainly receivable from brokerage houses against sale of securities, accrued IDCP (interest during construction period) and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, and balance with other banks and financial institutions.

3.7 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases:

- a) Balance with other banks and financial institutions, money at call and on short notice, etc. are on the basis of their maturity term.
- b) Investments are on the basis of their respective maturity.
- c) Leases, loans and advances are on the basis of their repayment schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realisation/amortisation.
- f) Borrowings from other banks, financial institutions and agents are as per their maturity/repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- h) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

3.8 Fixed assets including premises, furniture and fixtures

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 equipment are stated at cost less accumulated depreciation in compliance with the International Accounting Standards (IAS) 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 IAS 23: Borrowing Costs.

Notes to the Financial Statements

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:

Particular	Rate
Office space	2.5%
Furniture and fixtures	20%
Office decoration	33%
Electrical equipment	20%
Owned vehicles	20%
Software	20%
Mobile phone	20%
Staff appliance	20%

3.9 Intangible asset

Components

The main item included in intangible asset is software.

Basis of recognition

An intangible asset shall only be recognised 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 IAS 38: Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation.

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.

Amortisation

Intangible asset is valued at amortised cost and written down within 5 to 10 years.

3.10 Bank loans

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on an accrued basis to profit and loss account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

Notes to the Financial Statements

3.11 Borrowing costs

All borrowing costs are recognised in the profit or loss statement in the period in which they are incurred.

3.12 Accrued expenses and other payables

Liabilities are recognised for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal value.

3.13 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. International Accounting Standard (IAS) 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 03 August 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 the balance sheet date.

b. Deferred tax

As per International Accounting Standard (IAS) 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 the Company intends to settle its current tax assets and liabilities on a net basis.

3.15 Employees benefit plans

The Company 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 (which is a defined contributory fund as specified in IAS 19: Employee benefits, para 10). 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.

Notes to the Financial Statements

b. Gratuity scheme

The Company operates an unfunded gratuity scheme (which is a defined benefit scheme as specified in IAS 19: Employee benefits). Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service up to ten years of service, one and half months basic pay for every completed year of service up to fifteen years of service and two months basic pay for more than fifteen years of service. Full provision for gratuity has been made in the accounts for the existing employees based on their years of service with the Company. Gratuity amount is subject to a maximum ceiling of 50 (fifty) basic only.

c. Employee home loan scheme

To secure long-term commitment of deserving employees the Company introduced home loan scheme. An employee who is in service for a continuous period of at least five years (in 3 years service with the Company) 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

The Company provides personal loan facility to the employee as per loan scheme.

3.16 Branch accounting

The Company has 8 (eight) branches with no overseas branch as on 31 December 2019. 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 Mentioned Account (SMA), Sub-Standard (SS), Doubtful (DF) and Bad & Loss (BL) are not recognised as income rather transferred to interest suspense account 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 recognised in accordance with International Financial Reporting Standards (IFRS) 15: Revenue from contracts with customers unless otherwise mentioned or otherwise guided by the separate IAS/IFRS.

a. Lease income

The excess of gross lease rentals over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return is, however, differs in case of structured lease finance depending on the structure of the particular lease contract. Income is recognised 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.

Notes to the Financial Statements

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 become receivable is recognised as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance are classified as SMA and above and kept in interest suspense account. Interest on classified term finances is 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 installments 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.

f. Fee based income

Fee based income is recognised on accrual basis.

g. Gain on sale of securities

Capital gain on disposal of securities listed in the stock exchanges is recorded on cash basis i.e. only when the securities are sold in the market.

3.20 Event after the reporting period

Proposed dividend

The proposed dividend is not recognised as a liability in the balance sheet in accordance with International Accounting Standard (IAS) 10: Events After the Reporting Period. Dividend payable to the Company's shareholders are recognised as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

International Accounting Standard (IAS) 1: Presentation of Financial Statements also requires the dividend proposed after the balance sheet date but before the financial statements are authorised 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 58.

Notes to the Financial Statements

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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account.

3.22 Related party transactions

As per International Accounting Standard (IAS) 24: Related Party Disclosures, parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. All transactions involving related parties arising in normal course of business are conducted at arm's length basis at normal commercial rates on the same terms and conditions as third party transactions using valuation models.

3.23 Statutory reserve

Financial Institutions Regulations 1994 requires Non-bank Financial Institutions to transfer 20 percent of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, the Company transferred 20 percent of its net profit to statutory reserve before declaration of dividend.

3.24 Guarantee, commitments and contingencies

Corporate guarantee represents irrevocable assurance that the Company will make payments in the event that a client cannot meet its obligation to third parties. The term of this guarantee is for one year and renewable at the expiry of the term.

In the normal course of operations, the Company provides indemnifications, which are often standard contractual terms to counter parties in transactions such as purchase agreements, service agreements, contract with employees and leasing transactions. This indemnification clause may require us to compensate the counter parties for cost incurred as a result of charges in laws and regulations or litigation claims that may be suffered by the counter party as a consequence of the transaction. The terms of these indemnifications clause vary based upon the contract.

3.25 Litigation

The Company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for non-performance in loans/leases repayment and against various levels of tax authority regarding some disputed tax issues. The Company, however, provides adequate provisions as per guidelines of Bangladesh Bank and IAS 37.

3.26 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with IAS 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 2019, there was no scope for dilution and hence no diluted EPS is required to be calculated.

Notes to the Financial Statements

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.

3.28 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:

3.28.1 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.

3.28.2 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.

3.28.3 Market risk

The exposure of market risk of the Company is restricted to interest rate risk and equity risk.

Notes to the Financial Statements

3.28.4 Interest rate risk

Interest rate risk may arise either from trading portfolio and non-trading portfolio. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and third funding cost. ALCO monitors the interest rate movement on regular basis.

3.28.5 Equity risk

Arise from movement in market value of equities. The risks are monitored by Merchant Banking Wing under a well designed policy framework. The market value of equities was higher than the cost prices.

3.28.6 Operational risk

Appropriate internal control measures are in place at Union Capital Limited 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.

3.28.7 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.

3.28.8 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.

3.29 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. 15.

Notes to the Financial Statements

		2019	2018
		Taka	Taka
4	CASH		
	In hand		
	Local currency	39,000	40,222
	Foreign currencies	-	-
		39,000	40,222
	Balance with Bangladesh Bank		
	Local currency	163,584,144	175,207,143
	Foreign currencies	-	-
		163,584,144	175,207,143
	Balance as at 31 December 2019	163,623,144	175,247,365
4.a	CASH (Consolidated)		
	In hand		
	Union Capital Ltd.	39,000	40,222
	UniCap Securities Ltd.	25,000	25,000
	UniCap Investments Ltd.	9,026	9,026
		73,026	74,248
	Balance with Bangladesh Bank		
	Union Capital Ltd.	163,584,144	175,207,143
	UniCap Securities Ltd.	-	-
	UniCap Investments Ltd.	-	-
		163,584,144	175,207,143
	Balance as at 31 December 2019	163,657,170	175,281,391
4.1	Cash reserve requirement (CRR) and statutory liquidity reserve (SLR)		
	Cash reserve requirement and statutory liquidity reserve 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 customer deposits		
	Required reserve	111,105,195	172,214,952
	Actual reserve held	161,105,130	180,260,097
	Surplus(deficit)	49,999,935	8,045,145
4.1.2	Statutory liquidity reserve (SLR)		
	5% of total liabilities		
	Required reserve	247,228,731	364,307,585
	Actual reserve held	1,307,800,950	3,075,007,903
	Surplus/(deficit)	1,060,572,219	2,710,700,318
4.1.3	Held for cash reserve requirement (CRR)		
	Balance with Bangladesh Bank and its agent bank(s)	163,584,144	175,207,143
4.1.4	Held for statutory liquidity reserve (SLR)		
	Cash in hand	39,000	40,222
	Balance with Bangladesh Bank and its agent bank(s) as per statement	163,584,144	175,207,143
	Balance with other banks and financial institutions (note-5)	1,202,115,765	3,052,838,569
		1,365,738,909	3,228,085,934
4.1.5	Cash in hand		
	Cash in hand represents the amount under imprest system of petty cash to meet petty expenses both for head office and branch offices. Under this system the Company maintains imprest of Tk. 39,000 (2018: Tk. 40,222). As per Bangladesh Bank guidelines, the Company cannot make any cash transaction except petty cash.		
4.1.6	Balance with Bangladesh Bank & its agent bank		
	Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the cash reserve requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2019 there is no shortage in CRR.		

Notes to the Financial Statements

5 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

This represents balance with various banks and financial institutions in Bangladesh.

A. Fixed deposit account:

	2019 Taka	2018 Taka
Bangladesh Industrial Finance Company Limited	134,101,679	117,020,420
International Leasing and Financial Services Ltd.	499,732,468	450,000,000
Jamuna Bank Limited	-	250,000,000
Modhumoti Bank Limited, Dhanmondi Branch	350,000,000	-
Social Islami Bank Limited, Bashundhara Branch	-	700,000,000
South Bangla Agriculture and Commerce Bank Ltd.	-	50,000,000
Woori Bank	200,000,000	200,000,000
Union Bank Limited	-	1,100,000,000
	1,183,834,147	2,867,020,420

B. Current account:

Bank Alfalah Limited, Gulshan Branch	2,096	19,554
Agrani Bank Limited, Panthpath Branch	25,475	826,955
Bank Asia Limited, Bashundhara Branch	8,672	-
BASIC Bank Limited, Shantinagar Branch	1	1
Dhaka Bank Limited, Kakrail Branch	142,025	73,485
Eastern Bank Limited, Sonargaon Road Branch	-	100,134
Midland Bank Ltd, Gulshan Branch	29,455	-
Modhumoti Bank Limited, Dhanmondi Branch	383,402	69,961
National Credit and Commerce Bank Ltd, Banani Branch	36,917	37,492
NRB Bank Limited, Corporate Branch	917,824	913,351
Shahjalal Islami Bank Limited, Elephant Road Branch	12,949	29,014
Social Islami Bank Limited, Eskaton Branch	20,771	4,792
Southeast Bank Limited, Mirpur Branch	10,791	-
Southeast Bank Limited, Satmosjid Road Branch	1,665	2,585
Sonali Bank Limited Sonargaon Road Branch	195,565	-
United Commercial Bank Limited, New Eskaton Branch	70,025	68,143
Woori Bank-Dhaka Branch	2,056,404	1,823
Uttara Bank Limited, Local Office	15,338	16,258
	3,929,375	2,163,548

C. Short term deposit:

Bank Asia Limited, Corporate Branch	478,532	51,558
Bank Asia Limited, Corporate Branch	5,788,251	70,657,662
Bank Asia Limited, Gulshan Branch	419,263	-
Dhaka Bank Limited, Local Office	38,845	35,391
Dutch Bangla Bank Limited, Karwan Bazar Branch	35,742	369,061
Dutch Bangla Bank Limited, Karwan Bazar Branch	3,701,506	35,562,693
Jamuna Bank Limited, Sonargaon Road Branch	37,946	18,134
Modhumoti Bank Limited, Banglamotor-Branch	49,286	49,091
AB Bank Limited, Kakrail Branch	8,161	50,008,313
AB Bank Limited, Gulshan Branch	172,737	-
Mutual Trust Bank Limited, Principal Branch	61,253	36,484
Southeast Bank Limited, Islamic Banking Branch	2,692,881	2,636,063
Southeast Bank Limited, R k Mission Road Branch	867,840	24,230,151
	14,352,243	183,654,601
Balance as at 31 December 2019 (A+B+C)	1,202,115,765	3,052,838,569

Notes to the Financial Statements

	2019	2018
	Taka	Taka
6.a INVESTMENTS (consolidated)		
Union Capital Ltd.	26,669,695	460,501,600
UniCap Securities Ltd.	575,147,948	624,995,252
UniCap Investments Ltd.	347,378,380	345,992,988
Balance as at 31 December 2019	949,196,023	1,431,489,841
7 LOANS, ADVANCES AND LEASES		
This represents loans, advances and leases financed fully in Bangladesh.		
Lease finance (note 7.1)	1,489,818,193	1,769,690,818
Advance against lease finance (note 7.2)	-	15,699,330
Term finance (note 7.3)	6,008,375,422	7,042,186,048
Loan to subsidiaries	5,303,514,890	5,061,145,429
Loan against deposits (note 7.4)	18,482,233	9,020,221
Staff loan (note 7.5)	17,872,285	24,675,161
Balance as at 31 December 2019	12,838,063,023	13,922,417,007
7.1 Lease finance		
Principal outstanding (note 7.1.1)	1,196,159,248	1,504,571,267
Accounts receivable	293,658,945	265,119,551
Total	1,489,818,193	1,769,690,818
7.1.1 Principal outstanding		
Gross rental receivables	1,514,955,714	2,015,569,276
Unearned lease income	(318,796,466)	(510,998,009)
Net investment	1,196,159,248	1,504,571,267
7.2 Advance against lease finance		
This represents amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.		
Balance at 1 January 2019	15,699,330	58,867,920
Add: Disbursed during the year	18,350,000	181,844,330
Less: Executed during the year	(34,049,330)	(225,012,920)
Balance as at 31 December 2019	-	15,699,330
7.3 Term finance		
Principal outstanding (note 7.3.1)	4,334,095,370	5,861,907,076
Accounts receivable	1,674,280,052	1,180,278,972
	6,008,375,422	7,042,186,048
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:		
Balance at 1 January 2019	5,861,907,076	7,149,323,497
Add: Disbursed during the year	351,658,630	1,710,380,370
Less: Recovery during the year	(1,879,470,336)	(2,997,796,791)
Balance as at 31 December 2019	4,334,095,370	5,861,907,076
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 TDR value. Interest is charged on such loan @ 2 percent above the interest offered on TDR.		
Movement of loan against term deposit is as under:		
Balance at 1 January 2019	9,020,221	4,956,997
Add: Disbursed during the year	84,222,811	12,330,000
Less: Recovery during the year	(74,760,799)	(8,266,776)
Balance as at 31 December 2019	18,482,233	9,020,221

Notes to the Financial Statements

	2019	2018
	Taka	Taka
7.5 Staff loan		
Staff loan includes loan provided to the eligible employees as per Company's approved policy		
Employees home loan	5,430,555	6,373,576
Employees car loan	12,255,624	18,187,887
Personal loan	186,106	113,698
Balance as at 31 December 2019	17,872,285	24,675,161
7.5.1 Movement of staff loan is made up as under:		
Balance at 1 January 2019	24,675,161	31,357,610
Add : Disbursed during the year	2,900,000	8,680,000
Less: Recovery during the year	(9,702,876)	(15,362,449)
Balance as at 31 December 2019	17,872,285	24,675,161
7.6 Residual maturity grouping of loans, advances and leases		
Repayable on demand	-	-
Upto 1 month	167,000,000	257,500,000
Over 1 month but not more than 3 months	354,000,000	567,500,000
Over 3 months but not more than 1 year	3,457,300,582	3,200,000,000
Over 1 year but not more than 5 years	8,328,453,650	9,580,000,000
Over 5 years	531,308,791	317,417,007
Total	12,838,063,023	13,922,417,007
7.7 Loans, advances and leases on the basis of significant concentration		
a) Directors and their concerns	4,933,198,154	5,063,545,429
b) Chief executive and other senior executives	17,872,285	24,675,161
c) Customer groups	7,886,992,584	8,834,196,417
	12,838,063,023	13,922,417,007
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 2019 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:		
Sector		
Trade and Commerce	1,237,089,078	1,485,757,912
Industry		
Garments and Knitwear	561,122,114	505,722,391
Textile	1,376,784,076	1,532,915,296
Jute and Jute Products	26,136,985	25,240,618
Food Products and Processing Industry	192,128,209	366,040,786
Plastic Industry	127,787,162	220,807,313
Leather and Leather-Goods	375,084	394,423
Iron, Still and Engineering	473,507,007	463,283,218
Pharmaceuticals and Chemicals	395,145,907	421,721,016
Cement and Allied Industry	15,710,506	21,253,259
Telecommunication and Information Technology	67,254,525	185,362,602
Paper, Printing and Packaging	183,794,531	176,903,745
Glass, Glassware and Ceramic Industry	110,123,250	96,838,769
Ship Manufacturing Industry	461,611,962	413,390,072
Electronics and Electrical Products	155,667,147	267,528,199
Power, Gas, Water and Sanitary Service	453,086,280	605,332,587

Notes to the Financial Statements

	2019	2018
	Taka	Taka
Transport and Aviation	304,905,039	426,645,986
Agriculture	481,254,945	554,627,335
Housing	213,326,697	223,461,974
Others:		
Merchant Banking	4,941,135,486	4,618,766,023
Others	1,060,117,033	1,310,423,485
Grand total	12,838,063,023	13,922,417,007
7.8 Geographical location wise loans, advances and leases		
Dhaka Division	11,164,065,819	11,989,837,506
Chattogram Division	1,433,353,650	1,600,477,914
Rajshahi Division	192,073,601	260,094,168
Khulna Division	4,696,118	4,696,118
Rangpur Division	18,846,344	17,212,353
Barisal Division	-	-
Sylhet Division	25,027,491	50,098,948
Total	12,838,063,023	13,922,417,007
7.9 Details of large loan/investments		
Loan sanctioned to any individual or enterprise or any organisation of a group amounting to 15% or more of the Company's total capital and classified amount therein and measures taken for recovery of such loan have been furnished as under. Total capital of the Company as at 31 December 2019 was Taka 1,748.25 million against that of Taka 2,200.85 million as at 31 December 2018.		
Number of client to whom loans and advances sanctioned with more than 15% of the Company's total capital each	5	5
Amount of outstanding loans and advances [to the client as mentioned above]	6,578,179,000	6,931,388,000
Amount of classified loans and advances [out of the amount as mentioned above]	398,734,000	-
Measures taken for recovery [for the amount as mentioned above]	-	-
7.10 Particulars of loans, advances and leases		
I. Financing considered good in respect of which the Company is fully secured	768,960,243	1,606,394,883
II. Financing considered good in respect of which the Company is partially secured	1,664,639,241	2,771,049,643
III. Financing considered good against which the Company holds no security other than the debtors' personal guarantee	822,892,395	1,716,448,486
IV. Financing considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	667,350,927	1,204,845,529
V. Financing adversely classified, provision not maintained there against	-	-
	3,923,842,806	7,298,738,542
VI. Financing due by directors or officers of the Company or any of them either separately or jointly with any other persons	17,872,285	24,675,161
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	5,305,567,617	5,063,545,429
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	17,872,285	24,675,161

Notes to the Financial Statements

	2019	2018
	Taka	Taka
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	5,305,567,617	5,063,545,429
X. Due from banking companies and other financial institutions	-	-
XI. Classified loans, advances and leases on which interest has not been charged	424,807,515	746,870,682
a) Amount of written off loans, advances and leases	892,099,373	913,002,941
b) Amount realized against the debts previously written off	49,081,500	22,299,043
c) Provision kept against loans and advances classified as bad/loss	268,337,835	188,410,377
d) Amount of interest creditable to the interest suspense account	503,058,928	35,867,248
XII. Cumulative amount of the written off loans/leases:		
Opening balance	913,002,941	809,930,969
Add: Amount written off during the year	28,177,932	123,821,527
Less: Amount recovered during the year	49,081,500	20,749,555
Cumulative to date	892,099,373	913,002,941
The amount of written off loans for which law suit filed	1,004,551,483	976,373,551
7.11 Classification wise loans, advances and leases		
Standard	9,245,229,980	12,384,559,132
Special mention account (SMA)	1,414,841,637	189,691,891
Unclassified	10,660,071,617	12,574,251,023
Sub-standard (SS)	877,928,604	317,851,952
Doubtful (DF)	180,865,270	107,694,328
Bad/loss (BL)	1,119,197,532	922,619,704
Classified	2,177,991,406	1,348,165,985
Total	12,838,063,023	13,922,417,007
Rate of classified loans, leases and advances	16.97%	9.68%
7.12 Particulars of required provision for loans, advances and leases		

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.

Particulars	Classification status	Provision (%)
Loans, advances and leases up to 5 years term		
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

Notes to the Financial Statements

2019	2018
Taka	Taka

Loans, advances and leases exceeding 5 years term

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:

Particulars	Base for provision	Rate	Provision	Provision
Unclassified - General provision:				
Standard (Excluding SME loan/leases)	9,005,752,975	1%	122,010,413	114,963,871
Standard (SME loan/leases)	239,477,005	0.25%	598,693	2,220,430
Special mention account	1,362,454,869	5%	68,122,743	9,020,024
	10,607,684,849		190,731,849	126,204,325
Classified - Specific provision:				
Sub-standard	535,091,145	20%	107,018,229	50,180,787
Doubtful	76,218,816	50%	38,109,408	17,840,998
Bad/loss	268,337,835	100%	268,337,835	188,410,377
	879,647,795		413,465,472	256,432,162
Required provision for loans, advances and leases			604,197,320	382,636,488
Total provision maintained for loans, advances and leases			464,197,059	405,433,321
Excess provision for loans, advances and leases			(140,000,261)	22,796,833

7.13 Rate of net classified loans, advances and leases

Gross classified loans, advances and leases	2,177,991,406	1,348,165,985
Less: Interest suspense against classified loans, advances and leases	231,238,074	184,817,434
Less: Provision against classified loans, advances and leases	413,465,472	256,432,162
Net classified loans, advances and leases	1,533,287,860	906,916,388
Total loans, advances and leases	12,838,063,023	13,922,417,007
Rate of net classified loans, advances and leases	11.94%	6.51%

7.a LOANS, ADVANCES AND LEASES (consolidated)

Union Capital Ltd.	12,838,063,023	13,922,417,007
UniCap Securities Ltd.	660,847,820	1,044,528,062
UniCap Investments Ltd. (note 7.a 1)	5,788,293,561	5,598,301,392
	19,287,204,403	20,565,246,461
Less: Inter-company transactions	5,303,514,890	5,061,145,429
Balance as at 31 December 2019	13,983,689,513	15,504,101,032

8 FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES

Furniture and fixtures	13,216,972	7,754,224
Floor Space	415,891,104	-
Office decoration	27,577,287	20,173,149
Electric equipment	36,062,367	30,900,740
Owned vehicles	10,825,597	11,392,534
Leased vehicles	2,230,000	3,760,000
Intangible assets (software)	1,754,807	1,541,381
Mobile phones	452,600	452,600
Total cost	508,010,734	75,974,628
Less: Accumulated depreciation and amortization	65,718,679	60,844,374
Written down value as at 31 December 2019	442,292,055	15,130,254

Details are shown in Annexure - A

Notes to the Financial Statements

	2019	2018
	Taka	Taka
8.a		
FIXED ASSETS INCLUDING LAND, BUILDING, FURNITURE AND FIXTURES (consolidated)		
Union Capital Ltd.	442,292,055	15,130,254
UniCap Securities Ltd.	12,599,860	21,377,713
UniCap Investments Ltd.	2,892,755	3,708,440
Balance as at 31 December 2019	457,784,670	40,216,407
9		
OTHER ASSETS		
Investment in subsidiary (note 9.1)	997,498,641	997,498,641
Accrued interest	57,366,782	94,635,807
Others	26,049,765	19,365,476
Income generating other assets	1,080,915,188	1,111,499,924
Advance office rent	3,684,155	3,896,155
Advance to employees	722,501	856,270
Deposits with T & T, water etc.	87,500	87,500
Advance corporate tax	1,427,586,066	1,415,256,186
Receivable from brokerage house against sale of shares	6,191	71,260,830
Transfer price receivable	1,287,376	1,287,376
Deferred tax assets (note 9.2)	809,949	13,260,586
Advance to purchase of office space	-	304,220,694
Process Sharing receivable	391,931,941	492,137,302
Others	2,213,953	6,735,992
Non income generating other assets	1,828,329,632	2,308,998,891
Balance as at 31 December 2019	2,909,244,820	3,420,498,815

Provisions have been made for other assets in line with the Bangladesh Bank Letter No.: DFIM(C)1054/26/2020-1170 dated 23 July 2020;

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 Taka 2,498,900 was invested in UniCap Securities Limited against 24,989 ordinary shares of BDT 100 each. Further, in 2005, 2009, 2010, 2017 and 2018 BDT 10,000,000, BDT 35,000,000, BDT 50,000,000, BDT 75,000,000 and BDT 325,000,000 respectively were also invested in UniCap Securities Limited against allotment of 100,000, 350,000, 500,000, 750,000 and 3,250,000 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 Taka 249,999,870 was invested in UniCap Investments Limited which includes Taka 99,999,935, Taka 99,999,935, Taka 50,000,000 and Taka 250,000,000 for the year 2011, 2012, 2013 and 2018 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 International Accounting Standard (IAS) 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:

	Carrying amount at balance sheet date	Tax base at balance sheet date	(Taxable)/ deductible temporary difference
Assets			
Fixed assets net of depreciation	442,292,055	414,737,005	(27,555,050)
Liabilities			
Employee gratuity fund	29,943,229	-	29,943,229
	472,235,284	414,737,005	2,388,179
Applicable tax rate			37.50%
Deferred tax assets as on December 31,2019			895,567
Deferred tax assets as on December 31,2018			13,260,586
Deferred tax expense/(income) during the year 2019			12,365,019

Notes to the Financial Statements

	2019	2018
	Taka	Taka
9.2.a Deferred tax asset (consolidated)		
Union Capital Limited	809,949	13,260,586
UniCap Securities Limited	-	-
UniCap Investments Limited	-	-
Balance as at 31 December 2019	809,949	13,260,586
9.a OTHER ASSETS (consolidated)		
Union Capital Ltd.	2,909,244,820	3,420,498,815
UniCap Securities Ltd.	511,834,657	509,506,365
UniCap Investments Ltd.	1,130,052,673	1,100,962,774
	4,551,132,149	5,030,967,954
Less: Inter-company transactions	2,397,496,008	2,572,478,298
Balance as at 31 December 2019	2,153,636,141	2,458,489,656
10 NON-BANKING ASSETS		
Non-banking assets	469,521,891	311,626,044
Total	469,521,891	311,626,044
This represents assets owned under the 'Certificate of Ownership' given by the competent court under section 33(7) of Artha Rin Adalat Ain 2003.		
11 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS		
Borrowings from other banks		
In Bangladesh		
<u>A. Secured long term loans</u>		
Bank loan (note 11.1)	2,104,372,649	2,513,942,663
Preference share (note 11.2)	100,000,000	200,000,000
	2,204,372,649	2,713,942,663
<u>B. Unsecured</u>		
Bangladesh Bank (Small Enterprise refinancing scheme-JICA) (Note 11.3)	138,929,365	236,989,956
Bangladesh Bank (Women entrepreneur refinance scheme (Note 11.4)	24,154,167	50,813,691
Bangladesh Bank (Agriculture refinance scheme) (Note 11.5)	6,937,500	17,562,500
Bangladesh Bank (Small Enterprise refinancing scheme-DP2) (Note 11.6)	25,146,666	82,000,000
Bangladesh Bank (Renewable energy and environment friendly sector) (Note 11.7)	77,716,345	-
Short term borrowing and call loan (Note 11.8)	985,134,756	662,000,000
	1,258,018,799	1,049,366,147
Balance as at 31 December 2019 (A+B)	3,462,391,448	3,763,308,810
Outside Bangladesh	-	-
Borrowings from banks	3,462,391,448	3,763,308,810
Borrowings from financial institutions		
The UAE-Bangladesh Investment Company Limited	-	-
Balance as at 31 December 2019	3,462,391,448	3,763,308,810
11.1 Bank loan		
This represents long term loan taken from different commercial banks, and is made up as under:		
Balance at 1 January 2019	2,513,942,663	3,318,074,495
Received during the year	198,658,827	257,873,396
Repayment during the year	(608,228,841)	(1,062,005,228)
Balance as at 31 December 2019	2,104,372,649	2,513,942,663
Loans are secured by way of first charge on all fixed and floating assets of the Company, ranking pari passu among all the lenders.		

Notes to the Financial Statements

	2019	2018
	Taka	Taka
11.1.1 Break up of bank loans		
Bank Asia Limited	-	22,548,056
Bank Alfalah Ltd	-	9,018,184
BASIC Bank Limited	232,768,554	249,286,956
Dutch Bangla Bank Limited	61,826,547	219,109,452
Eastern Bank Limited	355,142,767	413,785,316
Jamuna Bank Limited	40,439,216	53,751,616
Midland Bank Limited	216,216,313	254,834,843
Modhumoti Bank Limited	365,250,387	359,171,091
Mutual Trust Bank Limited	472,044,036	381,099,289
Shahjalal Islami Bank Limited	49,854,823	96,860,967
Social Islami Bank Limited	99,832,140	119,889,288
Southeast Bank Limited	210,997,866	274,056,415
United Commercial Bank Limited	-	60,531,190
Total secured long term loans	2,104,372,649	2,513,942,663

11.2 Preference share capital

10 cumulative non-convertible preference share of Tk. 10,000,000 each (fully paid up)	100,000,000	200,000,000
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11.2.1 Details of preference share capital

The Company issued 50 cumulative non-convertible redeemable preference share of Tk. 10,000,000 each to the tune of Tk. 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:

Name of subscriber	No. of shares	Amount subscribed	Outstanding	Outstanding
Bangladesh Fund	10	100,000,000	60,000,000	80,000,000
NRB Global Bank Ltd.	10	100,000,000	60,000,000	80,000,000
National Housing Finance Co. Ltd.	5	50,000,000	30,000,000	40,000,000
DBH Corporation Ltd.	5	50,000,000	30,000,000	40,000,000
Uttara Finance & Investment Co. Ltd.	5	50,000,000	30,000,000	40,000,000
Brac Bank Ltd.	5	50,000,000	30,000,000	40,000,000
Midland Bank Ltd.	5	50,000,000	30,000,000	40,000,000
NRB Bank Ltd.	5	50,000,000	30,000,000	40,000,000
Total	50	500,000,000	300,000,000	400,000,000

11.3 Bangladesh Bank (Small Enterprise refinancing program-JICA)

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

Balance at 1 January 2019	236,989,956	422,558,823
Received during the year	44,984,650	36,979,550
Repayment during the year	(143,045,241)	(222,548,417)
Balance as at 31 December 2019	138,929,365	236,989,956

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

11.4 Bangladesh Bank (Women entrepreneur refinance scheme)

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to women 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 2019	50,813,691	83,570,834
Received during the year	7,000,000	11,000,000
Repayment during the year	(33,659,524)	(43,757,143)
Balance as at 31 December 2019	24,154,167	50,813,691

Notes to the Financial Statements

	2019	2018
	Taka	Taka
11.5 Bangladesh Bank (Agriculture refinance scheme)		
This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to 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 2019	17,562,500	29,812,500
Received during the year	-	-
Repayment during the year	(10,625,000)	(12,250,000)
Balance as at 31 December 2019	6,937,500	17,562,500
11.6 Bangladesh Bank (Small Enterprise refinance scheme-DP2)		
This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to outside Dhaka and Chattogram city corporation areas entrepreneur. The period of loan ranges from two to five years, matching the terms of respective projects. Details are as under:		
Balance at 1 January 2019	82,000,000	-
Received during the year	-	107,000,000
Repayment during the year	(56,853,334)	(25,000,000)
Balance as at 31 December 2019	25,146,666	82,000,000
11.7 Bangladesh Bank (Renewable energy and environment friendly sector)		
This fund was reimbursed from Bangladesh Bank under refinancing scheme for renewable energy and environment friendly sector . The period of loan will be repaid within 8 years, matching the terms of respective projects. Details are as under:		
Balance at 1 January 2019	-	-
Received during the year	77,716,345	-
Repayment during the year	-	-
Balance as at 31 December 2019	77,716,345	-
11.8 Short term borrowing and call loan		
Short term borrowing (Note 11.8.1)	746,334,756	312,000,000
Call loan (Note 11.8.2)	238,800,000	350,000,000
Balance as at 31 December 2019	985,134,756	662,000,000
This represents bank overdraft and call loans availed from different banks to meet short-term fund requirements.		
11.8.1 Short term loans		
Bangladesh Development Bank Ltd.	91,300,000	-
Eastern Bank Limited	57,734,756	62,000,000
Industrial and Infrastructure Development Finance	43,600,000	-
Modhumoti Bank Limited	360,000,000	-
NRB Commercial Bank Limited	8,300,000	-
South Bangla Agriculture and Commerce Bank Limited	25,400,000	90,000,000
Woori Bank Bangladesh	160,000,000	160,000,000
11.8.2 Call loans		
Modhumoti Bank Limited	10,700,000	-
Mutual Trust Bank Limited	79,700,000	200,000,000
Sonali Bank Limited	148,400,000	150,000,000
	238,800,000	350,000,000
11.9 Security against borrowings from other banks and financial institutions		
Secured	2,021,069,142	2,432,063,410
Unsecured	1,441,322,306	1,331,245,400
	3,462,391,448	3,763,308,810

Notes to the Financial Statements

	2019	2018
	Taka	Taka
11.10 Maturity wise grouping		
Repayable on demand	238,800,000	350,000,000
Upto 1 month	67,165,446	83,880,455
Over 1 month but not more than 3 months	522,498,980	350,626,498
Over 3 months but not more than 1 year	1,515,507,581	1,390,114,679
Over 1 year but not more than 5 years	1,118,419,442	1,588,687,178
Over 5 years	-	-
Total	3,462,391,448	3,763,308,810
11.a Borrowings from other banks, financial institutions and agents (consolidated)		
Union Capital Limited	3,462,391,448	3,763,308,810
UniCap Securities Limited	752,499,291	1,063,900,871
UniCap Investments Limited	3,788,610,500	3,823,529,648
	8,003,501,239	8,650,739,329
Less: Inter-company transactions	3,869,784,097	3,949,784,097
Balance as at 31 December 2019	4,133,717,142	4,700,955,232
12 Term Deposits		
This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 10 years.		
Banks and financial institutions	3,626,111,918	6,336,825,000
Other institutions	4,899,750,328	4,633,952,136
Total institutional deposits	8,525,862,246	10,970,777,136
Term deposit	915,645,497	1,151,384,984
Income deposit	299,428,752	235,436,000
Monthly savings scheme	20,572,650	17,512,150
Total individual deposits	1,235,646,899	1,404,333,134
Balance as at 31 December 2019	9,761,509,145	12,375,110,270
Movements of deposits is made up as under		
Balance at 1 January 2019	12,375,110,270	13,904,847,772
Received/renewed during the year	3,899,256,377	6,423,690,001
Repayment during the year	(6,512,857,502)	(7,953,427,503)
Balance as at 31 December 2019	9,761,509,145	12,375,110,270
Maturity wise grouping		
Repayable on demand	-	-
Repayable within 1 month	114,631,363	232,775,135
Over 1 month but not more than 6 months	1,396,419,177	2,240,460,673
Over 6 months but not more than 1 year	1,878,378,314	2,987,280,898
Over 1 year but not more than 5 years	6,358,834,743	6,906,710,127
Over 5 years but not more than 10 years	13,245,547	7,883,437
Over 10 years	-	-
Unclaimed deposits for 10 years or more	-	-
Balance as at 31 December 2019	9,761,509,145	12,375,110,270
12.a Term deposits (consolidated)		
Union Capital Limited	9,761,509,145	12,375,110,270
UniCap Securities Limited	-	-
UniCap Investments Limited	-	-
	9,761,509,145	12,375,110,270
Less: Inter-company transactions	61,541,017	30,000,000
Balance as at 31 December 2019	9,699,968,128	12,345,110,270

Notes to the Financial Statements

	2019	2018
	Taka	Taka
13 Other deposits		
The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/installments or repaid at the end of term. This is made up as under:		
Balance at 1 January 2019	384,098,167	763,587,589
Received during the period	1,081,557,566	2,488,307,423
Repayment during the period	(1,251,526,717)	(2,867,796,845)
Balance as at 31 December 2019	214,129,016	384,098,167
Breakup of other deposits on the basis of category of finance is as under		
Lease advance	27,192,484	28,220,730
Term finance advance	85,075,708	170,335,556
Cash security	101,860,824	185,541,881
Balance as at 31 December 2019	214,129,016	384,098,167
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.		
14 OTHER LIABILITIES		
Provision for loans, advances and leases (note 14.1)	464,197,059	405,433,321
Provision for diminution in value of investments (note 14.2)	191,275	84,235,145
Provision for other assets	118,187,000	8,930,000
Interest suspense (note 14.3)	661,006,393	194,108,840
Provision for tax (note 14.4)	1,452,679,979	1,452,243,074
Financial expenses payable (note 14.6)	516,401,468	423,346,608
Deferred liability-employee gratuity (note 14.7)	9,245,839	4,016,655
Dividend on preference shares	9,417,815	18,835,623
Excise duty	6,804,889	6,702,354
Withholding tax payable	8,156,227	14,281,813
VAT payable	2,138,056	3,016,484
Accrued expenses and other payable (note 14.8)	152,650,126	19,740,887
Balance as at 31 December 2019	3,401,076,126	2,634,890,804
14.1 Provision for leases, advances and loans		
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.		
General provision on unclassified loans, advances and leases	190,731,849	149,001,158
Specific provision on classified loans, advances and leases	273,465,211	256,432,162
Balance as at 31 December 2019	464,197,059	405,433,321
Provisions have been made for loans and advances in line with the Bangladesh Bank Letter No.: DFIM(C)1054/26/2020-1170 dated 23 July 2020;		
Movement in general provision on unclassified loans/leases:		
Provision as on 1 January 2019	149,001,158	172,765,399
Add : Provision made/(released) during the year	17,190,350	45,016,483
Less: Provision no longer required	(8,154,646)	(20,046,908)
Add : Transferred from/(to) specific provision	(9,035,704)	(6,072,573)
Add : Net charge to profit and loss account	41,730,691	42,661,243
Balance as at 31 December 2019	190,731,849	149,001,158
14.1.a General provision made during the year for loans, advances and leases (consolidated)		
Union Capital Limited	41,730,691	(42,661,243)
UniCap Securities Limited	-	-
UniCap Investments Limited	-	-
Balance as at 31 December 2019	41,730,691	(42,661,243)

Notes to the Financial Statements

	2019	2018
	Taka	Taka
14.1.b Movement in specific provision on classified loans/leases:		
Provision as on 1 January 2019	256,432,162	274,195,698
Less: Fully provided debts written off during the year	(28,177,932)	(123,821,527)
Add : Recoveries of amounts previously written off	48,874,205	22,299,043
Less: Transferred from/(to) general provision	9,035,704	6,072,573
Add : Specific provision made during the year for other accounts	(15,360,722)	27,593,851
Less: Provision no longer required	(42,549,448)	(777,763)
Add : Net charge to profit and loss account	45,211,241	106,057,989
Balance as at 31 December 2019	273,465,210	256,432,162
Total	464,197,059	405,433,321
14.1.c Provision for loans, advances and leases (consolidated)		
Union Capital Limited	464,197,059	405,433,321
UniCap Securities Limited	37,984,381	29,484,381
UniCap Investments Limited	175,000,000	175,000,000
Balance as at 31 December 2019	677,181,440	609,917,702
14.1.d Provision made during the year for loans, advance and leases		
General provision	150,987,429	(42,661,243)
Specific provision	45,211,241	106,057,989
Balance as at 31 December 2019	196,198,670	63,396,746
14.1.e Provision made during the year for loans, advance and leases (consolidated)		
Union Capital Limited	196,198,671	63,396,747
UniCap Securities Limited	-	-
UniCap Investments Limited	-	-
Balance as at 31 December 2019	196,198,671	63,396,747
14.2 Provision for diminution in value of investments		
Provision as on 1 January 2019	84,235,145	6,175,903
Add: Provision made/(released) during the year (note 14.2.1)	(84,043,870)	78,059,242
Balance as at 31 December 2019	191,275	84,235,145
As on 31 December 2019, the amount of diminution in the value of investment in shares was Tk. 191,275 for which full provision has been made.		
14.2.1 Allocation of provision made for diminution in value of investments		
Listed securities	(84,043,870)	78,059,242
Unlisted securities	-	-
Total	(84,043,870)	78,059,242
14.2.a Provision made during the year for diminution in value of investments (consolidated)		
Union Capital Limited	(84,043,870)	78,059,242
UniCap Securities Limited	-	(10,000,000)
UniCap Investments Limited	1,500,000	18,266,856
Balance as at 31 December 2019	(82,543,870)	86,326,098
14.2.b Provision for diminution in value of investments (consolidated)		
Union Capital Limited	191,275	84,235,145
UniCap Securities Limited	12,788,812	12,788,812
UniCap Investments Limited	21,351,401	19,851,401
Balance as at 31 December 2019	34,331,488	116,875,358

Notes to the Financial Statements

	2019	2018
	Taka	Taka
14.3 Interest suspense		
Balance as on 1 January 2019	194,108,840	208,627,854
Add: Transferred during the year	503,058,928	35,867,248
Less: Amount of interest suspense recovered	10,865,814	34,695,137
Less: Adjusted during the year	-	-
Less: Write off during the year	25,295,561	15,691,125
Balance as at 31 December 2019	661,006,393	194,108,840
Bangladesh Bank's 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 loan/lease facilities classified as SMA, SS, DF and BL, has been set-aside in this account.		
During the year 2019 Interest income amount BDT 37.23 crore has been transferred to interest suspense account as per guideline in Bangladesh Bank Letter No.: DFIM'(C)1054/26/2020-1170 dated 23 July 2020;		
14.3.1 Product wise interest suspense accounts		
On lease finance	97,219,755	96,256,230
On term finance	563,786,638	97,852,610
	661,006,393	194,108,840
14.3.1 a Interest suspense (Consolidated)		
Union Capital Limited	661,006,393	194,108,840
UniCap Securities Limited	-	8,500,000
UniCap Investments Limited	799,748,951	769,748,951
Balance as at 31 December 2019	1,460,755,344	972,357,791
14.4 Provision for tax		
Provision for tax comprises provision for current tax and provision for deferred tax as well.		
Provision for current tax		
The Company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted by Finance Act 2019.		
Balance at 1 January 2019	1,452,243,075	1,402,639,722
Add :Provision made during the year	436,905	49,603,353
Less: Transferred to/(from) during the year	-	-
Balance as at 31 December 2019	1,452,679,980	1,452,243,075
While estimating the current income tax for the year ended 31 December 2019, the Company has considered certain types of allowances made during the year as an admissible expense for income tax in current period.		
Shortfall, if any between the current tax and tax ultimately payable by the Company shall be charged to the profit and loss at the time of final settlement.		
14.4.1 Provision made during the period for current tax (consolidated)		
Union Capital Ltd.	436,905	49,603,353
UniCap Securities Limited	24,827,204	39,342,000
UniCap Investments Ltd.	4,995,705	4,530,564
Balance as at 31 December 2019	30,259,814	93,475,917
14.4.a Provision for current tax (consolidated)		
Union Capital Ltd.	1,452,679,980	1,452,243,075
UniCap Securities Limited	355,711,083	330,883,879
UniCap Investments Ltd.	107,614,912	102,619,208
Balance as at 31 December 2019	1,916,005,975	1,885,746,162
14.5.1 Deferred tax liability (consolidated)		
Union Capital Ltd.	-	-
UniCap Securities Limited	271,455	155,750
UniCap Investments Ltd.	57,000	57,000
Balance as at 31 December 2019	328,455	212,750

Notes to the Financial Statements

	2019	2018
	Taka	Taka
14.5.a Deferred tax expenses made during the period (consolidated)		
Union Capital Ltd.	12,450,637	(1,090,026)
UniCap Securities Limited	115,705	155,750
UniCap Investments Ltd.	-	57,000
Balance as at 31 December 2019	12,566,342	(877,276)
14.6 Financial expenses payable		
This comprises interest accrued on term deposits, security deposits and bank borrowings.		
Interest payable on term deposits	417,289,472	357,821,464
Interest payable on cash security	16,529,876	25,607,381
Interest payable on long term borrowings	78,657,381	37,553,587
Interest payable on short term borrowings	3,924,739	2,364,176
Balance as at 31 December 2019	516,401,468	423,346,608
14.7 Deferred liability-employee gratuity		
Balance at 1 January 2019	4,016,655	18,824,955
Add : Addition during the year	5,743,546	4,016,655
Less: Paid during the year	514,362	18,824,955
Balance as at 31 December 2019	9,245,839	4,016,655
14.8 Accrued expenses and other payable		
Management expenses	10,009,984	2,179,040
Unclaim dividend by shareholder	1,476,414	1,470,520
Payable for purchase of assets	56,404,814	1,284,627
Others payables	84,758,914	14,806,700
Balance as at 31 December 2019	152,650,126	19,740,887
During the year 2019 International Leasing and Financial Services Ltd. Interest income amount BDT 5.18 crore has been transferred to Accrued expenses and other payable account as per guideline in Bangladesh Bank Letter No.: DFIM'(C)1054/26/2020-1170 dated 23 July 2020;		
14.a OTHER LIABILITIES (consolidated)		
Union Capital Limited	3,401,076,126	2,634,890,804
UniCap Securities Limited	640,245,548	679,490,819
UniCap Investments Limited	3,138,731,130	2,764,154,558
	7,180,052,804	6,078,536,180
Less: Inter-company transactions	2,833,728,160	2,686,340,989
Balance as at 31 December 2019	4,346,324,644	3,392,195,191
15 Share capital		
As at 31 December 2019, a total number of 172,573,843 (2018: 164,356,041) ordinary shares of Tk.10 each were issued, subscribed and fully paid up. Details are as follows:		
Authorized capital		
200,000,000 ordinary shares of Tk. 10 each	2,000,000,000	2,000,000,000
Issued, subscribed and paid up capital:		
164,356,041 ordinary shares of Tk.10 each	1,643,560,419	1,565,295,637
8,217,811 bonus shares	82,178,011	78,264,782
Total 172,573,843	1,725,738,430	1,643,560,419

Notes to the Financial Statements

2019	2018
Taka	Taka

Pattern of shareholdings

Directors/ Executives	Represented by	No. of shares held	Percentage (%)
Enrilco Limited	Mr. Nadeem A. Chaudhury	7,902,285	4.58
Palmaal Garments Hosiery Ltd.	Mrs. Tajrina Sikder	16,792,968	9.73
Palmaal Garments Hosiery Ltd.	Mr. Kazi Russel Mahbub	Nil	Nil
EC Securities Ltd.	Mr. Chowdhury Tanzim Karim	12,459,305	7.22
EC Securities Ltd.	Mr. Md. Fayekuzzaman	Nil	Nil
Mr. M. Faizur Rahman	Self	7,560,905	4.38
Mr. Waqar A. Choudhury	Self	3,503,634	2.03
Mrs. Meherunnesa Haque	Self	3,494,029	2.02
Ms. Sabita Rezwana Rahman	Self	3,803,920	2.20
Mr. Nasiruddin Ahmed	Self	Nil	Nil
Mr. Munshi Shafiul Haque	Self	Nil	Nil
Mr. Md. Abdus Salam, FCA, FCS	Self	Nil	Nil
Mr. Chowdhury Manzoor Liaquat	N/A	Nil	Nil

Composition of shareholdings

Composition of shareholdings as on 31 December 2019 was as under:

Group	No. of Shareholders		No. of Shares		Percentage	
	2019	2018	2019	2018	2019	2018
Sponsors & Directors (Institutions)	3	3	37,154,558	35,385,295	21.53	21.53
Sponsors & Directors (Individuals)	10	10	32,742,675	34,997,004	18.97	21.29
General Shareholders (Institutions)	137	189	37,718,876	31,135,392	21.86	18.94
General Shareholders (Individuals)	7,683	7,953	64,957,734	62,838,350	37.64	38.24
Total	7,833	8,155	172,573,843	164,356,041	100	100

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2019 was as under:

Shareholding range	No. of Shareholders		No. of Shares		Percentage (%)	
	2019	2018	2019	2018	2019	2018
Less than 500 shares	1,937	2,060	320,585	352,697	0.19	0.21
500 to 5,000 shares	3,954	4,186	7,948,151	8,189,635	4.61	4.98
5,001 to 10,000 shares	881	906	6,278,671	6,469,684	3.64	3.94
10,001 to 20,000 shares	499	499	6,945,789	7,095,221	4.02	4.32
20,001 to 30,000 shares	183	168	4,402,658	4,082,677	2.55	2.48
30,001 to 40,000 shares	90	81	3,126,289	2,813,930	1.81	1.71
40,001 to 50,000 shares	49	46	2,234,987	2,077,518	1.30	1.26
50,001 to 100,000 shares	112	90	7,677,626	6,139,527	4.45	3.74
100,001 to 1,000,000 shares	99	92	28,882,773	29,607,960	16.74	18.01
Over 1,000,000 shares	29	27	104,756,314	97,527,192	60.70	59.34
Total	7,833	8,155	172,573,843	164,356,041	100	100

Notes to the Financial Statements

Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no 05 dated 4 July 2011 issued by Bangladesh Bank where a financial institution is required to maintain a minimum paid up capital of Tk. 1,000 million. Moreover, as per DFIM circular no. 14 dated 28 December 2011, the financial institutions are required to follow the prudential guidelines on Capital Adequacy and Market Discipline (CAMD) from 01 January 2012. Details are as under:

Solo Basis

Core capital (Tier-1)

	2019 Taka	2018 Taka
Paid up capital	1,725,738,430	1,643,560,419
Share premium	-	-
Statutory reserves	451,897,399	451,897,399
General reserves	-	-
Retained earnings	(965,211,171)	105,393,785
Sub-Total	1,212,424,658	2,200,851,603

Supplementary capital (Tier-2)

General provision (Unclassified loans upto specified limit+SMA +Off Balance Sheet exp.)	190,731,849	149,001,158
Asset revaluation reserves up to 50%	-	-
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	100,000,000	200,000,000
Other (if any item approved by Bangladesh Bank)	-	-
Sub-Total	290,731,849	349,001,158

Total eligible capital (A)

Total eligible capital (A)	1,503,156,507	2,549,852,761
Total risk weighted assets (RWA) (B)	18,318,913,858	19,918,771,817
Required capital based on risk weighted assets (10% of B) (C)	1,831,891,386	1,991,877,182
Capital surplus (A-C)	(328,734,879)	557,975,579
Capital adequacy ratio (%) (A/B*100)	8.21%	12.80%

Consolidated Basis

Core capital (Tier-1)

Paid up capital	1,725,738,430	1,643,560,419
Share premium	-	-
Statutory reserves	451,897,399	451,897,399
General reserves	-	-
Non-controlling interest	218	232
Retained earnings	(933,699,011)	205,864,936
Sub-Total	1,243,937,036	2,301,322,986

Supplementary capital (Tier-2)

General provision (Unclassified loans upto specified limit + SMA + Off Balance Sheet exp.)	222,524,742	229,447,328
Asset revaluation reserves up to 50%	-	-
Revaluation reserve for securities upto 45%	-	-
Revaluation reserve for equity instrument upto 10%	-	-
All other preference shares	100,000,000	200,000,000
Other (if any item approved by Bangladesh Bank)	-	-
Sub-Total	322,524,742	429,447,328
Total eligible capital (A)	1,566,461,778	2,730,770,314

Total risk weighted assets (RWA) (B)	19,762,565,348	21,790,003,740
Required capital based on risk weighted assets (10% of B) (C)	1,976,256,535	2,179,000,374
Capital surplus (A-C)	(409,794,756)	551,769,940
Capital adequacy ratio (%) (A/B*100)	7.93%	12.53%

Notes to the Financial Statements

	2019	2018
	Taka	Taka
16 STATUTORY RESERVE		
Balance as on 1 January 2019	451,897,399	436,278,055
Add: Transferred from profit during the year	-	15,619,344
Balance as at 31 December 2019	451,897,399	451,897,399
17 Retained earnings		
Balance as on 1 January 2019	105,393,785	121,181,192
Less: Issuance of bonus shares (2018)	(82,178,011)	(78,264,782)
Add: Profit after tax during the year	(988,426,945)	78,096,719
Less: Transferred to statutory reserve	-	(15,619,344)
Balance as at 31 December 2019	(965,211,171)	105,393,785
17.a RETAINED EARNINGS (consolidated)		
Balance as on 1 January 2019	205,864,936	207,356,862
Less: Issuance of bonus shares (2018)	(82,178,011)	(78,264,782)
Add: Profit after tax during the year	(1,057,385,936)	92,392,200
Less: Transferred to statutory reserve	-	(15,619,344)
Balance as at 31 December 2019	(933,699,011)	205,864,936
18 Income Statement		
Income:		
Interest, discount and similar income (note 19)	1,056,016,103	1,587,361,773
Dividend income (note 21)	5,372,346	13,187,391
Fees, commission, exchange and brokerage (note 22)	203,706	2,696,734
Gains less losses arising from investment in securities (note 21)	(94,272,284)	7,929,253
Other operating income (note 23)	52,961,563	515,020,482
Total income	1,020,281,434	2,126,195,633
Expenses:		
Interest paid on deposits, borrowings etc. (Note 20)	1,674,047,790	1,654,881,784
Administrative expenses (note 18.1)	189,968,419	165,454,264
Depreciation and impairment on company assets	10,652,647	8,398,486
Other operating expenses	26,538,089	30,603,642
Provision for leases, loans, advances and investments	112,154,801	141,455,989
Total expenses	2,013,361,746	2,000,794,165
18.1 Administrative expenses		
Salary and allowances (note 24)	149,515,189	130,497,220
Rent, taxes, insurance, electricity, etc (note 25)	20,260,938	17,479,430
Legal expenses (note 26)	8,055,342	5,216,516
Postage, stamp, telecommunication, etc (note 27)	2,523,782	2,511,387
Stationery, printings, advertisements, etc (note 28)	6,977,265	4,840,711
Managing Director's salary and allowances (note 29)	1,652,903	3,295,000
Directors' fees (note 30)	753,000	1,384,000
Auditors' fees (note 31)	230,000	230,000
	189,968,419	165,454,264
19. INTEREST INCOME		
Income from lease finance	182,261,897	214,667,795
Income from term finance	684,048,364	1,054,951,973
Income from home finance	23,334	573,792
Interest on loan to subsidiaries	64,765,205	115,047,929
Interest on bank deposits	123,630,697	200,861,648
Income from other finance	1,286,606	1,258,636
	1,056,016,103	1,587,361,773
19.a INTEREST INCOME (consolidated)		
Union Capital Limited	1,056,016,103	1,587,361,773
UniCap Securities Limited	97,747,990	127,292,896
UniCap Investments Limited	424,163,412	520,195,340
	1,577,927,505	2,234,850,009
Less: Inter-company transactions	(33,693,778)	115,047,929
	1,611,621,283	2,119,802,080

Notes to the Financial Statements

	2019	2018
	Taka	Taka
20. INTEREST PAID ON DEPOSITS, BORROWINGS, etc.		
Interest on bank loan	264,382,683	303,588,459
Interest on JICA fund	9,642,453	16,738,605
Interest on Agriculture refinance fund	600,691	1,181,129
Interest on women entrepreneur fund	1,740,187	3,381,156
Interest on SMEDP2 fund	1,997,413	2,809,250
Interest on financing brick kiln efficiency project	502,934	-
Interest on term deposits	1,250,050,939	1,223,818,507
Interest on money at call & short notice	101,221,413	52,284,885
Interest on cash security deposit	9,288,312	20,649,840
Interest on preference share	15,582,192	28,082,196
Bank charges	3,456,381	2,347,757
	1,658,465,598	1,654,881,784
20.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)		
Union Capital Limited	1,658,465,598	1,654,881,784
UniCap Securities Limited	143,149,788	196,676,532
UniCap Investments Limited	399,104,770	23,921,316
	2,200,720,155	1,875,479,632
Less: Inter-company transactions	(33,693,778)	115,047,929
	2,234,413,933	1,760,431,703
21. INVESTMENT INCOME		
Capital gain/(loss) on sale of securities (note 21.1)	(94,272,284)	7,929,253
Dividend income	5,372,346	13,187,391
	(88,899,938)	21,116,644
21.1 Capital gain on sale of securities		
Gain on sales of shares	2,986,042	15,613,055
Loss on sales of shares	(97,258,326)	(7,683,802)
Net gain/(loss) from sale of securities	(94,272,284)	7,929,253
21.a INVESTMENT INCOME (consolidated)		
Union Capital Limited	(88,899,938)	21,116,644
UniCap Securities Limited	11,577,961	80,255,779
UniCap Investments Limited	397,562	35,071,098
	(76,924,415)	136,443,521
Less: Inter-company transactions	-	-
	(76,924,415)	136,443,521
22. FEES, COMMISSIONS, EXCHANGE AND BROKERAGE		
Processing and documentation fees	203,706	2,696,734
Renewals and proceeds	2,820,772	206,642
	3,024,478	2,903,376
22.a FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)		
Union Capital Limited	3,024,478	2,903,376
UniCap Securities Limited	113,745,037	189,141,465
UniCap Investments Limited	13,206,956	14,439,003
	129,976,471	206,483,843
23. OTHER OPERATING INCOME		
Gain/(loss) on sale of fixed assets	1,266,586	582,857
Portfolio manage income	-	491,931,940
Recoveries of loans written off	48,874,205	22,299,043
	50,140,791	514,813,840
23.a OTHER OPERATING INCOME (consolidated)		
Union Capital Limited	50,140,791	514,813,840
UniCap Securities Limited	4,177,018	2,098,515
UniCap Investments Limited	728,579	1,186,445
	55,046,388	518,098,800
Less: Inter-company transactions	-	491,931,940
	55,046,388	26,166,860

Notes to the Financial Statements

	2019	2018
	Taka	Taka
24. SALARIES AND OTHER EMPLOYEE BENEFITS		
Salaries & allowances	138,073,700	120,335,091
Festival bonus	11,441,489	10,162,129
	149,515,189	130,497,220
24.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)		
Union Capital Limited	149,515,189	130,497,220
UniCap Securities Limited	73,994,799	86,503,325
UniCap Investments Limited	13,175,719	12,858,644
	236,685,706	229,859,189
25. RENT, TAXES, INSURANCE, ELECTRICITY etc.		
Office rent, rates and taxes	15,996,506	13,337,476
Insurance	1,699,024	1,425,854
Power and electricity	2,565,408	2,716,100
	20,260,938	17,479,430
25.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)		
Union Capital Limited	20,260,938	17,479,430
UniCap Securities Limited	25,312,002	26,572,035
UniCap Investments Limited	4,863,169	4,828,101
	50,436,109	48,879,566
26. LEGAL EXPENSES		
Court fees	762,310	2,454,185
Professional Fees	7,293,032	2,762,331
	8,055,342	5,216,516
26.a LEGAL EXPENSES (consolidated)		
Union Capital Limited	8,055,342	5,216,516
UniCap Securities Limited	-	50,000
UniCap Investments Limited	115,500	25,300
	8,170,842	5,291,816
27. POSTAGE, STAMP, TELECOMMUNICATION etc.		
Postage	240,970	236,024
Telegram, telex, fax and e-mail	910,817	851,517
Telephone - office	1,371,995	1,423,846
	2,523,782	2,511,387
27.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)		
Union Capital Limited	2,523,782	2,511,387
UniCap Securities Limited	3,089,252	3,556,202
UniCap Investments Limited	470,897	547,388
	6,083,931	6,614,976
28. STATIONERY, PRINTING, ADVERTISEMENTS etc.		
Printing and stationery	1,950,892	2,826,473
Advertisement	4,151,792	1,445,076
Publicity	874,581	569,162
	6,977,265	4,840,711
28.a STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)		
Union Capital Limited	6,977,265	4,840,711
UniCap Securities Limited	700,842	1,401,667
UniCap Investments Limited	313,021	264,271
	7,991,128	6,506,649
29. MANAGING DIRECTOR'S SALARY AND FEES	1,652,903	3,295,000

In addition to remuneration, the Managing Director & CEO is also provided with Company's car and cell phone.

Notes to the Financial Statements

	2019	2018
	Taka	Taka
30. DIRECTORS' FEES		
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 certain limit. However, the Board in its 270th Meeting held on 29 September 2019 has taken decision that the Board Members will not take any meeting fee in connection to the attendance of the Board/Committee Meetings until further notice. However, only Independent Directors will be entitled to fee in the amount BDT 5,000 (existing amount was BDT 8,000) for attending the Board and its Committee meetings. Details are as under:		
Total Board meetings (nos.)	12	13
Total Board Audit Committee meetings (nos.)	6	7
Total Board Executive Committee meetings (nos.)	2	4
Total fees paid	753,000	1,384,000
Total members of the Board (nos.)	12	12
Quorum for Board meeting (nos.)	5	5
Average number of Directors present in the Board meetings (nos.)	8.00	9.62
Quorum for Board Audit Committee Meeting (nos.)	2	2
Average no. of Directors present in the Audit Committee meetings (nos.)	4.50	4.57
Quorum for Board Executive Committee meeting (nos.)	2	2
Average no. of Directors present in the Executive Committee meetings (nos.)	3.50	4.00
30.a DIRECTORS' FEES (consolidated)		
Union Capital Limited	753,000	1,384,000
UniCap Securities Limited	287,500	197,500
UniCap Investments Limited	117,000	207,000
	1,157,500	1,788,500
31. AUDITORS' FEE		
Auditors' fee	200,000	200,000
VAT on audit fee	30,000	30,000
	230,000	230,000
31.a AUDITORS' FEE (consolidated)		
Union Capital Limited	230,000	230,000
UniCap Securities Limited	126,500	250,125
UniCap Investments Limited	92,000	192,050
	448,500	672,175
32. DEPRECIATION AND REPAIR OF ASSETS		
Depreciation of fixed assets-freehold	8,474,411	6,799,147
Depreciation of fixed assets-leasehold vehicle	-	-
Amortization of intangible assets	144,396	159,103
Repairs and maintenance of assets	75,123	231,658
	8,693,930	7,189,908
32.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)		
Union Capital Limited	8,693,930	7,189,908
UniCap Securities Limited	9,599,466	13,102,873
UniCap Investments Limited	2,328,497	2,142,557
	20,621,893	22,435,338
33. OTHER EXPENSES		
HR development	235,539	289,079
Travelling and conveyance	9,728,923	8,198,576
Office expenses	1,958,717	1,208,578
Motor vehicle fuel expenses	1,044,878	1,039,243
Motor vehicle spare part expenses	295,727	471,896
Subscription and fees	2,405,152	2,357,438
Books, magazines, newspapers, etc	55,921	42,363
AGM expenses (note 33.1)	1,243,078	2,293,622
Entertainment and public relation & others	1,326,196	2,117,249
Staff Welfare	7,905,008	11,202,063
Donation	338,950	1,383,535
	26,538,089	30,603,642

Notes to the Financial Statements

	2019	2018
	Taka	Taka
33.1 AGM EXPENSES		
Rent for venue	90,333	108,905
Printing of annual report and database	571,721	1,560,102
Publication of notice	-	59,082
Entertainment	324,146	19,007
Others	256,878	546,526
	1,243,078	2,293,622
33.a OTHER EXPENSES (consolidated)		
Union Capital Limited	26,538,089	30,603,642
UniCap Securities Limited	24,956,634	36,582,864
UniCap Investments Limited	1,467,551	493,153,132
	52,962,273	560,339,638
Less: Inter-company transactions	-	491,931,940
	52,962,273	68,407,698
34. RECEIPTS FROM OTHER OPERATING ACTIVITIES		
Renewals and proceeds	2,820,772	206,642
Interest on deposits	-	-
Others	-	-
	2,820,772	206,642
35. PAYMENTS FOR OTHER OPERATING ACTIVITIES		
HR development	235,539	289,079
Travelling and conveyance	9,728,923	8,198,576
Motor vehicle expenses	1,340,605	1,511,139
Subscription and fees	2,405,152	2,357,438
Office expenses	1,958,717	1,208,578
Books, magazines, newspapers, etc	55,921	42,363
AGM expenses	1,243,078	2,293,622
Entertainment and public relation & others	9,231,204	13,319,312
Donation	338,950	1,383,535
	26,538,089	30,603,642
36. EARNINGS PER SHARE (EPS)		
Earnings Per Share (EPS) is calculated in accordance with International Accounting Standard 33: Earnings Per Share which has been shown on the face of Profit and Loss account. EPS for 2019 has been decreased from previous year due to not account for interest on exposure of Unicap Investments Ltd. and classification by Bangladesh Bank of previous year's income on Unicap Investments Ltd.		
Profits attributable to ordinary shareholders		
Net profit for the period	(988,426,945)	78,096,719
Weighted average number of ordinary shares		
Ordinary shares at 1 January	164,356,042	156,529,563
Bonus shares issued	8,217,801	7,826,479
Weighted average number of ordinary shares at reporting date	172,573,843	164,356,042
Restated weighted average number of ordinary shares	172,573,843	172,573,842
Earnings per share	(5.73)	0.48
Earnings per share (restated)	(5.73)	0.45
36.a EARNINGS PER SHARE (consolidated)		
Profits attributable to ordinary shareholders		
Net profit for the period (consolidated)	(1,057,385,936)	92,392,200
Weighted average number of ordinary shares		
Ordinary shares at 1 January	164,356,042	156,529,563
Bonus shares issued	8,217,801	7,826,479
Weighted average number of ordinary shares at reporting date	172,573,843	164,356,042
Restated weighted average number of ordinary shares	172,573,843	172,573,842
Earnings per share- consolidated	(6.13)	0.56
Earnings per share- consolidated (restated)	(6.13)	0.54

Notes to the Financial Statements

2019	2018
Taka	Taka

37. OPERATING SEGMENT REPORT (consolidated)

For the year ended 31 December 2019

Particulars	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit:				
External revenue				
Net Interest Income	(602,449,495)	25,058,642	(45,401,798)	(622,792,651)
Investment Income	(88,899,938)	397,562	11,577,961	(76,924,415)
Fees, commissions, exchange and brokerage	3,024,478	13,206,956	113,745,037	129,976,471
Other operating Income	50,140,791	728,579	4,177,018	55,046,388
Total segment revenue	(638,184,164)	39,391,740	84,098,218	(514,694,206)
Other operating expenses	218,465,225	21,278,699	128,467,528	368,211,453
Major non-cash expenses:				
Depreciation	6,735,213	1,664,655	9,599,466	17,999,334
Provision for future losses	112,154,801	1,500,000	-	113,654,801
	337,355,239	24,443,354	138,066,994	499,865,588
Reportable segment profit before tax	(975,539,403)	14,948,385	(53,968,776)	(1,014,559,794)

For the year ended 31 December 2018

Particulars	Core financing business	Investment Banking Business	Brokerage Business	Total
Revenue and profit:				
External revenue				
Net Interest Income	(67,520,011)	496,274,024	(69,383,636)	359,370,377
Investment Income	21,116,644	35,071,098	80,255,779	136,443,521
Fees, commissions, exchange and brokerage	2,903,376	14,439,003	189,141,465	206,483,844
Other operating Income	514,813,840	1,186,445	2,098,515	518,098,800
Total segment revenue	471,313,849	546,970,569	202,112,123	1,220,396,541
Other operating expenses	197,266,484	512,559,260	155,113,718	864,939,462
Major non-cash expenses:				
Depreciation	5,981,330	1,659,182	13,102,873	20,743,385
Provision for future losses	141,455,989	18,266,856	(10,000,000)	149,722,845
	344,703,803	532,485,298	158,216,591	1,035,405,692
Reportable segment profit before tax	126,610,046	14,485,271	43,895,532	184,990,849

Segment assets and liabilities

For the year ended 31 December 2019

Particulars	Core financing business	Investment Banking Business	Brokerage Business	Total
External Assets				
Total assets	18,051,530,393	7,486,271,531	1,862,825,957	27,400,627,880
Inter-segment assets	(6,751,967,542)	(1,010,584,373)	-	(7,762,551,915)
Total segment assets	11,299,562,851	6,475,687,157	1,862,825,957	19,638,075,965
External Liabilities				
Total liabilities	16,839,105,735	6,927,341,630	1,392,744,838	25,159,192,203
Inter-segment liabilities	(61,541,017)	(5,333,067,581)	(1,370,444,676)	(6,765,053,274)
Total segment liabilities	16,777,564,718	1,594,274,049	22,300,162	18,394,138,929

Notes to the Financial Statements

2019	2018
Taka	Taka

Segment assets and liabilities

For the year ended 31 December 2018

Particulars	Core financing business	Investment Banking Business	Brokerage Business	Total
External Assets				
Total assets	21,358,259,654	7,136,661,423	2,292,384,497	30,787,305,574
Inter-segment assets	(6,681,840,925)	(981,782,802)	-	(7,663,623,727)
Total segment assets	14,676,418,729	6,154,878,621	2,292,384,497	23,123,681,847
External Liabilities				
Total liabilities	19,157,408,051	6,587,684,205	1,743,391,690	27,488,483,946
Inter-segment liabilities	(30,000,000)	(5,110,933,593)	(1,525,191,494)	(6,666,125,087)
Total segment liabilities	19,127,408,051	1,476,750,613	218,200,196	20,822,358,860

38. AVERAGE EFFECTIVE TAX RATE

The average effective tax rate is calculated below as per International Accounting Standard (IAS) 12: Income Taxes.

Tax expenses	12,887,542	48,513,327
Accounting profit before tax	(975,539,403)	126,610,046
Average effective tax rate	(1.32)%	38.32%

38.a AVERAGE EFFECTIVE TAX RATE (consolidated)

The consolidated average effective tax rate is calculated below as per International Accounting Standard (IAS) 12: Income Taxes.

Tax expenses	42,826,156	92,598,641
Accounting profit before tax	(1,014,559,794)	184,990,848
Average effective tax rate	(4.22)%	50.06%

39. NET OPERATING CASH FLOWS PER SHARE

Net cash flows from operating activities	(1,198,460,690)	959,918,161
Total number of ordinary shares outstanding	172,573,843	172,573,842
Net operating cash flows per share (restated)	(6.94)	5.56

39.a NET OPERATING CASH FLOWS PER SHARE (consolidated)

Net cash flows from operating activities	(850,491,226)	215,926,570
Total number of ordinary shares outstanding	172,573,843	172,573,842
Net operating cash flows per share (restated)	(4.93)	1.25

During 2019 the company has received BDT 82.89 crore as interest compare to BDT 242.87 crore in 2018 due to increasing rate of NPL and slow down of capital market. Payment to banks and other Financial Institutions has been increased to BDT 271 crore compared to BDT 151 crore in 2018. These two heads have affected mostly to decrease NOCFPS in 2019 compared to same period of 2018.

40. NET ASSET VALUE PER SHARE (NAV)

Net asset (total assets less total liabilities)	1,212,424,658	2,200,851,603
Total number of ordinary shares outstanding	172,573,843	172,573,842
Net asset value per share (NAV)	7.03	12.75

NAV for 2019 has been decreased from previous year due to not account for interest on exposure of Unicap Investments Ltd. and classification by Bangladesh Bank of previous year's income on Unicap Investments Ltd.

40.a NET ASSET VALUE PER SHARE (NAV) (consolidated)

Net asset (total assets less total liabilities)	1,243,937,036	2,301,322,986
Total number of ordinary shares outstanding	172,573,843	172,573,842
Net asset value per share (NAV)	7.21	13.34

Notes to the Financial Statements

	2019	2018
	Taka	Taka
41. (INCREASE) / DECREASE IN OTHER ASSETS		
Accrued interest	37,269,025	52,901,875
Advance office rent	212,000	(25,115)
Advance to employees	133,769	(2,164)
Receivable from brokerage houses against sale of shares	71,254,639	(70,538,787)
Process Sharing receivable	-	-
Advance to purchase of office space	304,220,694	(28,898,610)
Receivable from subsidiary companies	-	-
Others	(150,333,568)	(10,058,881)
	262,756,559	(56,621,682)
42. INCREASE/(DECREASE) IN OTHER LIABILITIES		
Interest suspense	466,897,553	(14,519,014)
Financial expenses payable	93,054,860	17,485,268
Dividend on preference shares	-	-
Excise duty	102,535	(2,933,245)
Withholding tax payable	(6,125,586)	2,560,610
VAT payable	(878,428)	2,559,452
Accrued expenses and other payable	128,720,615	(1,692,665)
	681,771,549	3,460,406
43. RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES		
Net profit after tax	(988,426,945)	78,096,719
Items not involved in cash movement:		
Add: Depreciation	8,618,811	6,958,250
Add: Provision for loans and investments	112,154,801	141,455,989
Add: Provision for taxation	436,905	49,603,353
Add/ (Less): Accrued expenses	105,911,338	11,155,576
Add/ (Less): Accrued Income	(209,321,828)	408,890,832
Less: Gain on disposal of fixed assets	(1,266,586)	582,857
Add/(Less): Loss/(gain) on sale of share	94,272,284	(7,929,253)
Increase/(Decrease) in employee gratuity	5,229,184	(14,808,300)
Increase/(Decrease) in Deferred tax	12,450,637	(1,090,026)
Adjustments to reconcile net profit after tax to net cash provided by operating activities	(859,941,399)	672,915,997
Increase/decrease in operating assets and liabilities		
(Increase)/decrease in loans, advances	1,370,421,887	2,278,820,798
(Increase)/decrease in other assets	406,209,230	(648,094,271)
(Increase)/decrease in non-banking assets	(160,493,631)	421,000
Increase/(decrease) in term & other deposits	(2,876,625,136)	(1,936,129,996)
Increase/(decrease) in short term borrowing	323,134,756	562,000,000
Increase/(decrease) in payable and accrued expenses	144,265,930	69,992,209
Increase/(decrease) in income tax	(12,329,880)	(25,488,562)
Increase/(decrease) in interest suspenses	466,897,553	(14,519,014)
	(338,519,291)	287,002,164
Net cash flows from/(used in) operating activities	(1,198,460,690)	959,918,161

Notes to the Financial Statements

2019	2018
Taka	Taka

44. RECONCILIATION OF NET PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES (consolidated)

Net profit after tax	(1,057,385,950)	92,392,207
Items not involved in cash movement:		
Add: Depreciation	19,882,931	21,720,309
Add: Provision for loans and investments	113,654,801	149,722,845
Add: Provision for taxation	30,259,814	93,475,917
Add/ (Less): Accrued expenses	74,340,247	36,227,206
Add/ (Less): Accrued Income	(3,954,704)	(24,431,559)
Less: Gain on disposal of fixed assets	(3,623,560)	(582,857)
Add/(Less): Loss/(gain) on sale of share	116,233,439	(77,983,964)
Increase/(Decrease) in employee gratuity	6,290,756	(4,574,271)
Increase/(Decrease) in Deferred tax	12,566,342	(877,276)
Adjustments to reconcile net profit after tax to net cash provided by operating activities	(691,735,884)	285,088,557
Increase/decrease in operating assets and liabilities		
(Increase)/decrease in loans, advances	1,520,411,519	2,325,145,652
(Increase)/decrease in other assets	347,954,574	(139,480,976)
(Increase)/decrease in non-banking assets	(157,895,847)	421,000
Increase/(decrease) in term & other deposits	(2,815,111,293)	(1,939,226,924)
Increase/(decrease) in short term borrowing	323,134,756	479,600,000
Increase/(decrease) in payable and accrued expenses	194,999,751	(713,768,407)
Increase/(decrease) in income tax	(39,146,356)	(67,333,319)
Increase/(decrease) in interest suspenses	466,897,553	(14,519,014)
	(158,755,343)	(69,161,988)
Net cash flows from/(used in) operating activities	(850,491,226)	215,926,570

44. 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 2019 was 172,573,843 and the market value per share of last trading day (30 December 2019) was Tk. 6.30 in DSE. Thus market capitalization based on DSE value was Tk. 1,087.22 million (2018:Tk. 2,038.01 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.

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.

	Quarters	DSE		CSE	
		High	Low	High	Low
High-low share price	First quarter	16.7	12	16.7	12.1
	Second quarter	12.9	10.8	12.9	10.8
	Third quarter	10.8	7.2	10.9	7.3
	Fourth quarter	8.2	5.9	8.2	5.8
No. of shareholders	There were 7,833 shareholders as per share register as on 31 December 2019.				

45. 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 International Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases to related parties including its directors and related companies. These related party loans/leases were made at the competitive terms including interest rates and collateral requirements, as those offered to other customers of similar credentials. During 2019, 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 2019 was as under:

Name of the related party	Relationship	Nature of transaction	2019	2018
			Taka	Taka
Chowdhury Tanzim Karim	The Chairman	Term deposit	-	3,222,862
Chowdhury Ania Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	200,909	184,040
Chowdhury Isabell Karim	Daughter of Chowdhury Tanzim Karim, the Chairman	Term deposit	200,556	183,687
Tanzila Karim	Mother of Chowdhury Tanzim Karim, the Chairman	Term deposit	1,397,160	12,245,887
Marina Yasmin Chowdhury	Mother-in-law of Chowdhury Tanzim Karim, the Chairman	Term deposit	-	6,879,017
Nasiruddin Ahmad Choudhury	Father of Waqar A. Choudhury, Director	Term deposit	13,665,599	12,144,329
Sylvana Sikder	Spouse of Kazi Russel Mahbub, Director	Term deposit	6,211,155	27,779,255
Kazi Russel Mahbub	Director	Term deposit	-	2,035,444
Meherunnesa Haque	Director	Term deposit	21,426,069	36,144,306
EC Securities Limited	Shareholder of the Company	Term deposit	-	-
UniCap Investments Limited	Subsidiary Company	Term deposit	61,541,017	30,408,333
Kazi Golam Rahman	Father of Mrs. Sabita Rezwana Rahman, Director	Term deposit	-	-
Green Delta Insurance Company Ltd.	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Term deposit	-	521,292
Progressive Life Insurance Co. Ltd.	Father of Waqar A. Choudhury, Director, is a Director of Progressive life insurance	Term deposit	98,801,783	95,638,083
Vanguard Asset Management Ltd.	Common Directors	Term deposit	-	9,000,000
Vanguard AML Growth Fund	Common Directors	Term deposit	41,208,704	-
Vanguard AML BD Finance Mutual Fund One	Common Directors	Term deposit	-	-
Vanguard AML Rupali Bank Balance Fund	Common Directors	Term deposit	-	-
Green Delta Insurance Company Ltd.	Mother of Waqar A. Choudhury, Director, is a Director of Green Delta Insurance	Lease finance	-	-
HF Asset Management Limited	Common Directors	Lease finance	2,052,727	2,400,000
UniCap Securities Limited	Subsidiary Company	Inter-company	362,379,404	543,408,692
UniCap Investments Limited	Subsidiary Company	Inter-company	5,333,067,426	4,568,766,023

Notes to the Financial Statements

46 PARTICULARS OF THE DIRECTORS

Sl no	Name of the Directors/ Shareholding company	Represented by	Designation	Address	% of shares as at 31 December 2019
1	EC Securities Ltd.	Chowdhury Tanzim Karim	Chairman	bti Landmark, Level - 08, Plot no: 16, Gulshan Avenue, Gulshan - 01, Dhaka - 1212	7.22
2	EC Securities Ltd.	Md. Fayekuzzaman	Director	Flat # A3, House # 277, Road # 10, Block-A, Bashundhara R/A, Dhaka	
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	Mrs. Sabita Rezwana Rahman	Self	Director	Royal Concord, Apt # 304, House # 54, Road # 84, Gulshan -2, Dhaka 1212	2.2
6	Waqar Ahmed Choudhury	Self	Director	House # 5, Road # 87, Gulshan-2, Dhaka-1212	2.03
7	Enrilco Limited	Nadeem A. Chaudhury	Director	Navana Ellsworth (8th floor), House # 01, Road # 23, Banani, Block-B, Dhaka-1213	4.58
8	M. Faizur Rahman	Self	Director	House no. 33, Road no. 12, Baridhara, Dhaka	4.38
9	Meherunnesa Haque	Self	Director	House no.73, Road no.7/A, Dhanmondi Residential Area, Dhaka 1205	2.02
10	Mr. Nasiruddin Ahmed	Self	Independent Director	Nakshi Tower, Apartment # 10/C, 6/D, Topkhana Road, Segunbagicha, Dhaka - 1000	-
11	Mr. Munshi Shafiul Haque	Self	Independent Director	Flat # C-5, House No-712/17, Road # 10, Baitul Aman Housing Society, Adabor, Dhaka - 1257.	-
12	Mr. Md. Abdus Salam, FCA, FCS	Self	Independent Director	Apt: 302, House: 46, Road: 4/A, Dhanmondi R/A, Dhaka - 1209.	-
13	Chowdhury Manzoor Liaquat	Ex-officio	Managing Director & CEO	House No. 12, Road No. 05, Sector No. 04, Uttara, Dhaka	-

Notes to the Financial Statements

47 DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

Sl no	Name of the Directors	Designation	Entities
1	Chowdhury Tanzim Karim	Chairman	1. UniCap Investments Limited 2. UniCap Securities Limited
2	M. Faizur Rahman	Director	1. Asian Surveyors Ltd. 2. 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 Limited
5	Tajrina Sikder	Director	1. Palmal Garments Hosiery Ltd. 2. Palmal Garments Washing Ltd. 3. Amazon Garments Ltd. 4. N.K.K. Knitwear Ltd. 5. Max Speed Plastic Ltd. 6. Designer Line (Pvt.) Ltd. 7. Palmal Knitwear Factory Limited 8. Palmal Garments Limited 9. UniCap Investments Ltd. 10. UniCap Securities Ltd.
6	Mr. Md. Fayekuzzaman	Director	1. National Tea Company Limited 2. HF Asset Management Limited
7	Mrs. Sabita Rezwana Rahman	Director	Nil
8	Meherunnesa Haque	Director	1. Palmal Garments Washing Ltd. 2. Palmal Knitwear Factory Ltd. 3. Palmal Styles Ltd. 4. Palmal Packaging Ltd. 5. N.K.K. Knitwear Ltd. 6. N.K.K. 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	Mr. Nasiruddin Ahmed	Independent Director	1. UniCap Securities Ltd. 2. UniCap Investments Ltd.
11	Mr. Munshi Shafiul Haque	Independent Director	NIL
12	Mr. Md. Abdus Salam, FCA, FCS	Independent Director	NIL

Notes to the Financial Statements

48 DISCLOSURE 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
Md. Nasiruddin Ahmed	Independent Director	Chairman	M.A. (Sociology), University of Dhaka
Md. Fayekuzzaman	Director	Member	Masters from Bradford University of UK.
M. Faizur Rahman	Director	Member	Graduate from University of Dhaka
Nadeem A. Chaudhury	Director	Member	Graduate in Civil Engineering
Sabita Rezwana Rahman	Director	Member	M.Sc. in Microbiology from Dhaka University

Audit committee meetings held during the year

Sl no.	Meeting no.	Meeting date
1	55 th Audit Committee Meeting	25-Mar-19
2	56 th Audit Committee Meeting	29-Apr-19
3	57 th Audit Committee Meeting	13-May-19
4	58 th Audit Committee Meeting	28-Jul-19
5	59 th Audit Committee Meeting	29-Oct-19
6	60 th Audit Committee Meeting	26-Nov-19

The committee discussed the following issues during the year

- Reviewed the draft consolidated financial statements for the year ended 31 December 2018 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 2019 and fixation of their remuneration.
- Reviewed the management letter of external auditors submitted for the year ended on 31 December 2018.
- Reviewed the quarterly and half yearly financial statements for the year 2019.
- Reviewed the inspection report of Bangladesh Bank for the year 2018 and management response thereon.
- Reviewed quarterly operation report of the Company for the year 2019.

49 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:

Particulars	In million Taka	
	2019	2018
Lease and term finance commitments outstanding at 31 December	948.10	758.61
Real estate finance commitments outstanding at 31 December	-	-
Total	948.10	758.61

50 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted but not incurred or provided as at 31 December 2019. There was no material capital expenditure authorised by the Board but not contracted as at 31 December 2019.

Notes to the Financial Statements

51 UNACKNOWLEDGED DEBT

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

52 NEW CONTRACTS/SANCTIONS AND DISBURSEMENTS

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

In million Taka

Particulars	2019		2018	
	Contracts/ Sanctions	Disbursements	Contracts/ Sanctions	Disbursements
Lease and term finance	646.62	457.13	2,104.04	1,913.23
Total	646.62	457.13	2,104.04	1,913.23

53 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.

54 BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2019, 12 (twelve) Board meetings were held. As on 31 December 2019, there were 9 (nine) members in the Board, excluding three Independent Directors and the Managing Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

55 NUMBER OF EMPLOYEES

As of 31 December 2019 a total number of 230 employees including subsidiaries (2018: 268) were employed in Union Capital Limited. Each of the employees received salary more than Tk. 36,000 per annum during the year 2019.

56 REPORTING CURRENCY AND LEVEL OF PRECISION

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

57 IMPACT OF INFLATION AND CHANGING PRICES

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

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular IAS/IFRS specifically suggests to measure some assets/liabilities at fair value. Such as, IAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

58 EVENTS AFTER THE REPORTING PERIOD

58.1 Dividend for the year 2019

The Board of the Directors in its 275th meeting held on 30 July 2020 recommended 00.00% stock dividend amounting to BDT 00.00 for the year ended 31 December 2019 subject to the approval of the shareholders in the ensuing 22nd Annual General Meeting (AGM).

58.2 Others

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

Notes to the Financial Statements

59 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.

60 COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2018 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 2018 have been restated, reclassified and rearranged whenever considered necessary to ensure comparability with the current period.

61 FINANCIAL HIGHLIGHTS

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

62 GEOGRAPHICAL AREA OF OPERATIONS

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

63 INTERIM FINANCIAL STATEMENTS

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

64 CHANGE IN AND DISAGREEMENT WITH AUDITORS

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

65 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company on 30 July 2020.

Sd/-
Chairman

Sd/-
Director

Sd/-
Managing Director & CEO

Sd/-
Company Secretary

Place: Dhaka, Bangladesh

Date: 30 July 2020

Annexure-A

Schedule of Fixed assets including land, building, furniture and fixtures

As at 31 December 2019

Amount in Taka

Particulars	Cost				Rate	Depreciation			Written down Value as at 31.12.2019
	Balance as at 01.01.2019	Addition during the year	Disposal/ adjustment during the year	Balance as at 31.12.2019		Charged during the year	Disposal/ Adjustment during the year	Balance as at 31.12.2019	
Freehold assets:									
Office space	-	415,891,104	-	415,891,104	2.5%	-	1,732,878	-	414,158,226
Furniture and fixtures	7,754,224	5,665,217	202,469	13,216,972	20%	6,271,677	885,368	168,727	6,228,654
Office decoration	20,173,149	7,907,417	503,279	27,577,287	33%	17,619,081	2,080,425	503,280	8,381,061
Electrical equipment	30,900,740	5,161,627	-	36,062,367	20%	26,043,801	1,853,357	-	8,165,209
Owned vehicles	11,392,534	975,563	1,542,500	10,825,597	20%	5,572,418	1,905,279	1,542,499	4,890,399
Software	1,541,381	213,426	-	1,754,807	20%	1,181,828	144,400	-	428,579
Mobile Phone	452,600	-	-	452,600	20%	395,570	17,104	-	39,926
Staff appliance	-	-	-	-	20%	-	-	-	-
	72,214,628	435,814,354	2,248,248	505,780,734		57,084,375	8,618,811	2,214,506	442,292,054
Leasehold assets:									
Leased vehicles	3,760,000	-	1,530,000	2,230,000	20%	3,759,998	-	1,529,999	1
As at 31 December 2019	75,974,628	435,814,354	3,778,248	508,010,734		60,844,373	8,618,811	3,744,505	442,292,055
As at 31 December 2018	75,582,860	6,491,768	6,100,000	75,974,628		57,139,457	6,958,250	3,253,333	15,130,254

Consolidated Schedule of Fixed assets including land, building, furniture and fixtures

As at 31 December 2019

Particulars	Cost				Rate	Depreciation			Written down Value as at 31.12.2019
	Balance as at 01.01.2019	Addition during the year	Disposal/ adjustment during the year	Balance as at 31.12.2019		Balance as at 01.01.2019	Charged during the year	Disposal/ Adjustment during the year	
Freehold assets:									
Office space	-	415,891,104	-	415,891,104	2.5%	-	1,732,880	-	1,732,880
Furniture and fixtures	11,433,680	6,039,553	202,469	17,270,764	20%	8,991,217	1,405,882	168,727	10,228,372
Office decoration	41,147,632	12,016,285	503,279	52,660,638	33%	33,444,663	5,724,899	503,280	38,666,282
Electrical equipment	47,926,522	7,074,860	-	55,001,382	20%	36,612,162	3,569,468	-	40,181,630
Owned vehicles	31,242,971	975,563	13,227,500	18,991,034	20%	13,646,625	6,584,996	7,652,673	12,578,948
Software	5,115,892	1,062,396	-	6,178,288	20%	4,023,652	836,724	-	4,860,376
Mobile Phone	512,500	-	-	512,500	20%	444,472	28,082	-	472,554
Staff appliance	-	-	-	-	20%	-	-	-	-
	137,379,197	443,059,761	13,933,248	566,505,710		97,162,791	19,882,931	8,324,680	108,721,042
Leasehold assets:									
Leased vehicles	3,760,000	-	1,530,000	2,230,000	20%	3,759,998	-	1,529,999	2,229,999
As at 31 December 2019	141,139,197	443,059,761	15,463,248	568,735,710		100,922,789	19,882,931	9,854,679	110,951,041
As at 31 December 2018	133,630,056	13,609,141	6,100,000	141,139,197		82,455,814	21,720,309	3,253,333	100,922,790
									40,216,407

Amount in Taka

Annexure-B

Highlights of Overall Activities (as per Bangladesh Bank guidelines)**As at 31 December 2019**

Figures in million BDT

Sl no.	Particulars	2019	2018
1.	Paid-up capital	1,725.74	1,643.56
2.	Total capital	1,503.16	2,549.85
3.	Capital surplus	(328.73)	557.98
4.	Total assets	18,051.53	21,358.26
5.	Total deposits	9,975.64	12,759.21
6.	Total loans, advances and leases	12,838.06	13,922.42
7.	Total contingent liabilities and commitments	948.10	758.61
8.	Credit deposit ratio	1.29	1.09
9.	Percentage of classified loans against total loans, advances and leases	16.97%	9.68%
10.	Profit after tax and provision	(988.43)	78.10
11.	Amount of classified loans during current year	2,177.99	1,348.17
12.	Provisions kept against classified loans	413.47	256.43
13.	Provision surplus against classified loan	(140.00)	22.80
14.	Cost of fund	11.73%	10.80%
15.	Interest earnings assets	12,939.17	16,736.43
16.	Non-interest earnings assets	5,112.36	4,621.83
17.	Return on investment (ROI)	-57.92%	3.61%
18.	Return on assets (ROA)	-5.48%	0.37%
19.	Income from investment	(88.90)	21.12
20.	Earnings per share (2018: restated)	(5.73)	0.45
21.	Net income per share	(5.73)	0.45
22.	Price earnings ratio	(1.10)	26.10

FINANCIAL STATEMENTS OF SUBSIDIARIES



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UniCap Investments Limited

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K. M. HASAN & CO.

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNICAP SECURITIES LIMITED

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of UNICAP SECURITIES LIMITED, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Financial Statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

"The management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management of Those Charged with Governance for the Financial Statements

Management responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other application Laws and Regulation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparation the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and access the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedure that as appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, 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) 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;
- (c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account; and
- (d) the expenditure incurred was for the purposes of the company's business.

Dhaka, Bangladesh
Dated: 30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Securities Limited

Statement of Financial Position

As at 31 December 2019

	Notes	Amount in Taka	
		2019	2018
Assets			
Current Assets			
Cash and bank balances	4	102,395,672	91,977,102
Receivables from securities trading	5	125,403,162	147,540,023
Receivable from others	6	11,666,835	8,211,733
Receivable from margin clients	7	656,503,331	1,038,273,368
Proprietary position in securities & other investments	8	565,647,948	615,495,252
Advances, deposits and prepayments	9	25,541,225	28,832,458
Advance income tax	10	349,223,434	324,915,334
		1,836,381,606	2,255,245,270
Non-Current Assets			
Property, plant and equipment	11	12,599,861	21,098,247
Intangible assets	12	-	279,469
TREC holding in stock exchanges	13	9,500,000	9,500,000
Staff loan	14	4,344,488	6,261,511
		26,444,349	37,139,227
Total Assets		1,862,825,955	2,292,384,496
Liabilities and Shareholder's Equity			
Current Liabilities			
Payable to clients	15	212,791,687	249,090,674
Short term business liabilities	16	112,379,406	192,379,406
Payable to exchanges (DSE,CSE)	17	786,639	1,170,493
Accruals and payables	18	10,982,499	47,845,614
Other liabilities and provisions	19	406,755,731	373,312,822
		743,695,962	863,799,008
Non Current Liabilities			
Long term loan	20	640,119,885	871,521,466
Deferred liabilities - employee gratuity	21	8,928,991	8,071,219
		649,048,876	879,592,685
Total Liabilities		1,392,744,837	1,743,391,693
Shareholders' equity			
Share capital	22	500,000,000	175,000,000
Share money deposit		-	325,000,000
Retained earnings		(29,918,882)	48,992,803
Total Equity		470,081,118	548,992,803
Total Equity and Liabilities		1,862,825,955	2,292,384,496

The annexed notes form an integral part of these financial statements.

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Signed in terms of our separate report of even date annexed.

Dhaka, Bangladesh
30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Securities Limited

Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2019

	Notes	Amount in Taka	
		01 Jan 2019 to 31 Dec 2019	01 Jan 2018 to 31 Dec 2018
Revenue			
Brokerage Commission	23	113,745,037	188,003,672
Dividend Income	24	24,635,203	35,037,625
Margin Interest from Client	25	97,747,990	127,292,896
Other Operating Income	26	870,490	1,137,650
		236,998,720	351,471,843
Cost of Services	27	(13,258,471)	(22,083,957)
Gross Profit		223,740,249	329,387,886
Realized gain/(loss) on Sale of Securities	28	(13,057,242)	8,838,837
Administrative and General Expenses	29	(124,808,523)	(146,132,636)
Financial expenses	30	(143,149,788)	(196,676,532)
Operating Profit		(57,275,303)	(4,582,445)
Other income	31	3,306,527	2,098,515
Gain on sale of Strategic Investment in Shares (DSE)	32	-	36,379,317
Profit before Provision		(53,968,776)	33,895,387
Less: Provision for Diminution in Value of Investment in Marketable Securities		-	10,000,000
less: Provision against Margin Loan		-	-
Net Profit before Tax		(53,968,776)	43,895,387
Less: Provision for Taxation			
Current Tax	19.3	(24,827,204)	(39,342,000)
Deferred Tax	19.4	(115,705)	(155,750)
Profit after Tax		(78,911,685)	4,397,637
Other Comprehensive Income		(78,911,685)	4,397,637

The annexed notes form an integral part of these financial statements.

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Signed in terms of our separate report of even date annexed.

Dhaka, Bangladesh
30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Securities Limited

Statement of Changes in Equity For the year ended 31 December 2019

Amount in Taka

Particulars	Share Capital	Share money deposit	Retained Earnings	Total
Balance as at 01 January 2019	175,000,000	325,000,000	48,992,803	548,992,803
Capital Issue	325,000,000	(325,000,000)		-
Net profit after tax for the year			(78,911,685)	(78,911,685)
Balance as at 31 December 2019	500,000,000	-	(29,918,882)	470,081,118

For the year ended 31 December 2018

Amount in Taka

Particulars	Share Capital	Share money deposit	Retained Earnings	Total
Balance as at 01 January 2018	175,000,000	-	44,595,166	219,595,166
Share money deposit	-	325,000,000	-	325,000,000
Net profit after tax for the year	-	-	4,397,637	4,397,637
Balance as at 31 December 2018	175,000,000	325,000,000	48,992,803	548,992,803

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Signed in terms of our separate report of even date annexed.

Dhaka, Bangladesh
30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Securities Limited

Statement of Cash Flow

For the year ended 31 December 2019

	Amounts in Taka	
	01 Jan 2019 to 31 Dec 2019	01 Jan 2018 to 31 Dec 2018
A Cash flow from operating activities		
Profit/(Loss) before tax	(53,968,776)	43,895,387
Adjustment for items not involving movement of cash:		
Depreciation and amortization	3,489,292	13,102,873
Employee- Gratuity	2,829,029	2,506,988
Gain on sale of Strategic Investment in Shares (DSE)	-	(34,560,351)
Provision for doubtful losses	8,500,000	-
Provision for diminution in value of investment	-	(10,000,000)
Profit after adjustment	(39,150,455)	14,944,897
Changes in working capital components:		
(Increase)/decrease in margin loan to clients	381,770,036	392,042,637
(Increase)/decrease in accounts receivables	18,681,760	(96,043,352)
(Increase)/decrease in advance income tax	(24,308,100)	(39,150,364)
(Increase)/decrease of advances, deposits and prepayments	3,291,233	4,499,780
(Increase)/decrease of staff loan	1,917,023	4,937,068
Increase/(decrease) in accounts payable	(36,682,841)	13,208,975
Increase/(decrease) of deferred liability employee gratuity	(1,971,257)	(903,715)
Increase/(decrease) of short term loan	(80,000,000)	(174,900,000)
Increase/(decrease) in Provision for write off negative equity	-	(46,334,626)
Increase/(decrease) in liabilities for expenses	(36,863,115)	(232,613,189)
	225,834,740	(175,256,786)
Net cash flow/(used) in operating activities	186,684,285	(160,311,889)
B Cash Flow From Investing Activities		
Purchase of fixed assets	(6,396,437)	(6,801,163)
Investment in securities	49,847,304	64,340,806
Disposal of fixed assets	11,685,000	-
Sale of DSE membership share	-	36,060,351
Net cash flow/(used) in investing activities	55,135,868	93,599,994
C Cash Flow From Financing Activities		
Receipt from long term loan	-	-
Repayment of long term loan	(231,401,581)	(270,092,133)
Share money deposit	-	325,000,000
Net cash from financing activities	(231,401,581)	54,907,867
D Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	10,418,570	(11,804,030)
E Opening Cash And Cash Equivalents	91,977,102	103,781,132
F Closing Cash And Cash Equivalents (D+E)	102,395,672	91,977,102

Sd/-

Chief Executive Officer

Sd/-

Director

Sd/-

Chairman

Dhaka, Bangladesh

30 June 2020

Unicap Securities Limited

Notes to the financial statements

For the year ended 31 December 2019

1. COMPANY AND ITS ACTIVITIES

1.1 Legal status of the Company

Unicap Securities Limited (former SES Company Limited) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-29454(742)/95 dated 9 October 1995 under the Companies Act, 1994 as a private limited company. The registered office of the Company situated at Richmond Concord (6th Floor), 68 Gulshan Avenue, Gulshan 01, Dhaka-1212, Bangladesh.

1.2 Principal activities of the Company

Principal activities of the Company is to carry out business of investments in shares and brokerage and dealing of securities under the license from the Bangladesh Securities & Exchange Commission. The Company having membership at both Dhaka and Chittagong Stock Exchange Limited (membership number 163 and 082 respectively) and also full service depository participant of CDBL.

2. BASIS OF PREPARATION

2.1 Components of the financial statements

The financial statements have been prepared with due consideration of International Financial Reporting Standards. The financial statements comprises of the following as complied with International Accounting Standards 1:

- a) Statement of financial position
- b) Statement of Profit or loss and other comprehensive income
- c) Statement of cash flows
- d) Statement of changes in equity
- e) Notes to the financial statements

2.2 Statement of compliance

The financial statements have been prepared in accordance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments in stock exchanges which are measured at fair value.

2.4 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk.), which is the Company's functional currency. All financial information presented in Taka has been rounded to the nearest integer.

2.5 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The most significant areas where estimates and judgments have been made are on valuation of investments and taxation.

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.

Unicap Securities Limited

Notes to the financial statements

2.7 Reporting period

The Financial Statements of the Company covers the period from 1 January 2019 to 31 December 2019.

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 International Financial Reporting Standards (IFRSs) 15 "Revenue From Contracts With Customers".

3.2 Property, plant and equipment

3.2.1 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.

3.2.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized 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 recognized in the profit and loss account as incurred.

3.2.3 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.

3.3 Intangible assets

3.3.1 Recognition and measurement

Computer software acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization.

3.3.2 Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

3.3.3 Amortization of intangible assets

Intangible assets are amortized at the rate of 33% on straight line method.

3.4 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 reported at cost at reporting date.

Required provision has been made for impairment when the market value of investments fall below the cost as per BSEC/CMRRCD/2009-193/203, dated on 28 December 2017, stock dealer can make the said provision for unrealised loss in five installments on quarterly basis within 31 December 2022.

3.5 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.

3.6 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.

Unicap Securities Limited

Notes to the financial statements

3.7 Borrowing costs

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

3.8 Bad debt

3.8.1 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.

3.8.2 Recovery of bad debts

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

3.9 Corporate tax

3.9.1 Current tax

Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Corporate tax rate is 35% as per the Finance Act 2019.

3.9.2 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset/liabilities is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets/liabilities is reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will be realized.

3.10 Gratuity scheme

The Company operates a gratuity scheme to retain and motivates its employees for long term retention. Gratuity scheme is applicable for all its permanent employees who have completed their continuous service at least for five years. Provision for gratuity is made annually based on terms of gratuity scheme.

3.11 Provision against unrealized loss in shares and Margin Loan

As per directive no. BSEC/SRI/POLICY/3/2020/68 dated 12 January 2020 of Bangladesh Securities and Exchange Commission extended the time of provision may be made for unrealized loss arising out of year-end revaluation of shares purchased as dealer and unrealized loss as margin loan upto 31 December 2022.

3.12 Related Party Disclosures

As per International Accounting Standards (IAS)-24 "Related Party Disclosures", parties are considered to be related if one of the parties has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties.

Name of Shareholder	Relationship	Nature	Amount (Tk.)
Union Capital Ltd.	Shareholder	Loan	362,379,406

3.13 General

- The expenses, irrespective of capital or revenue nature, accrued/due but not paid have been provided for in the books of the Company.
- Figures of previous period have been rearranged whenever necessary to conform to current periods presentation.

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
4	Cash and cash equivalents		
	Cash in hand	25,000	25,000
	Cash at Bank (Note-4.1)	102,370,672	91,952,102
		102,395,672	91,977,102
4.1	Cash at Bank		
	Standard Chartered Bank (SND A/C No.02-6092357-02)	98,323,671	53,133,745
	Standard Chartered Bank (CD A/C No.01-6092357-02)	2,348,978	1,448,129
	Standard Chartered Bank (CD A/C No.01-6092357-03)	10,000	10,000
	NRB Bank Ltd. (SA A/C No. 1081030011623)	760,214	672,164
	Prime Bank Ltd. (CD A/C No. 10411090003465)	236,888	239,838
	Dhaka Bank Ltd. (FDR A/C No.0201313000002637)	258,513	258,513
	Farmers Bank Ltd. (CD A/C No. 0111100005822)	33,117	48,837
	Midland Bank Ltd. (CD A/C No. 0011-1050000174)	1,000	42,286
	Shahjalal Islami Bank Ltd.(CD A/C No.400511100008700)	55,988	9,301
	Rupali Bank Ltd. (CD A/C No. 200021367)	9,545	9,545
	Bank A/C # NRB Bank- Capital Issue-1081030024647	64,254	19,393
	Bank A/C # SCB-01-6092357-04	110,351	36,060,351
	Bank A/C # SCB 01-6092357-05	158,153	-
		102,370,672	91,952,102
5	Receivables from securities trading		
	Dhaka Stock Exchange Limited	122,105,064	147,028,513
	Chittagong Stock Exchange Limited	3,298,098	511,510
		125,403,162	147,540,023
6	Receivable from others		
	Receivable from Union Capital Ltd.	3,432,638	-
	Dividend income receivable	8,234,197	8,211,733
		11,666,835	8,211,733
7	Receivable from margin clients		
	Receivable against margin loan	656,503,331	1,038,273,368
		656,503,331	1,038,273,368
8	Proprietary position in securities & other investments		
	Investment in Mutual Fund (Note-8.1)	245,228,189	245,228,189
	Investment in listed securities (Note-8.2)	305,419,759	365,267,063
	Investment in non-listed unit fund (Note-8.3)	15,000,000	5,000,000
		565,647,948	615,495,252
8.1	Investment in Mutual Fund		
		Market value	Cost value
	LR Global BD Mutual Fund One	244,478,189	244,478,189
	CAPM IBBL Islamic MF	750,000	750,000
		245,228,189	245,228,189

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
8.2	Investment in listed securities		
		Market value	Cost value
	Bank	7,275,994	10,249,099
	Cement	11,536,000	39,935,000
	Engineering	66,610,682	77,926,457
	Fuel & Power	12,605,250	21,838,823
	IT Sector	963,281	768,219
	Pharmaceuticals	32,017,767	61,677,007
	Power	14,462,600	29,743,653
	Textile	18,748,752	35,964,903
	Travel & Leisure	161,731	37,319
	Financial Institutions	13,090,000	22,219,000
	Telecommunication	-	-
	Manufacturing	-	-
	Foods and Allied	-	-
	Miscellaneous	4,486,625	5,060,279
		181,958,681	305,419,759
8.3	Investment in non-listed unit fund		
	Unit fund of Esquire ICL Apparel	2,500,000	2,500,000
	Unit fund of Zenith Annual Income	2,500,000	2,500,000
	Unit fund of CWT Emerging BD FGF	2,500,000	2,500,000
	Unit fund of Capitec Popular Life Unit Fund	7,500,000	7,500,000
		15,000,000	15,000,000
9	Advances, deposits and prepayments		
	Office Rent	7,967,281	12,824,213
	Share Purchase	11,832,914	-
	DSE floor space etc	870,024	870,024
	Office decoration	30,000	3,500,000
	Expenses	380,700	580,250
	Software Development Leadssoft	300,000	300,000
	Prepaid Insurance-Vehicle	104,249	120,159
	Security Deposit:		
	Loan (advance installment)	3,422,475	9,996,930
	CDBL	100,000	100,000
	DSE	75,000	75,000
	CSE	30,000	30,000
	Others	428,582	435,882
		25,541,225	28,832,458
10	Advance income tax		
	Balance at the beginning of the year	324,915,334	285,764,970
	Add: Addition during the year	24,308,100	39,150,364
		349,223,434	324,915,334
	Less: Adjustment made during the year	-	-
		349,223,434	324,915,334

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
11	Property, Plant and Equipment		
	Office decoration and renovation	23,292,604	19,183,736
	Furniture and fixtures	2,090,993	1,716,657
	Office equipment	16,485,489	14,572,256
	Cell phone	59,900	59,900
	Motor vehicle	5,500,000	17,185,000
		<u>47,428,986</u>	<u>52,717,549</u>
	Less: Accumulated depreciation (Annexure-A)	34,829,125	31,619,302
		<u>12,599,861</u>	<u>21,098,247</u>
12	Intangible assets		
	Systems & Software	1,924,800	1,924,800
	Less: Accumulated amortization (Annexure-A)	1,924,800	1,645,331
		<u>-</u>	<u>279,469</u>
13	TREC holding in stock exchanges		
	Investment in DSE*	4,500,000	4,500,000
	Investment in CSE*	5,000,000	5,000,000
		<u>9,500,000</u>	<u>9,500,000</u>
Investment in DSE & CSE shares has been shown at cost in the financial statement.			
* This represents total cost value of the shares allotted by DSE and CSE in favor of the company against the DSE and CSE memberships. As per the provision of the Exchange Demutualization Act-2013 and in accordance with the Bangladesh cost of acquisition Securities and Exchange Commission (BSEC) approved Demutualization Scheme, Dhaka Stock Exchange Ltd. (DSE) allotted total 72,15,106 ordinary Shares at face value of Tk.10.00 each and a Trading Right Entitlement Certificate (TREC), and Chittagong Stock Exchange Ltd.(CSE) allotted total 42,87,330 ordinary Shares at face value of Tk.10.00 and a Trading Right Entitlement Certificate (TREC) in favor of the company against the membership of DSE and CSE respectively. Out of the above DSE transferred 2,886,042 shares and CSE transferred 1,714,932 shares directly to the credit of the Beneficiary Owner's account of the company. The rest shares were credited to blocked accounts as per provisions of the Exchange Demutualization Act, 2013. As there is no active market for DSE shares, we have shown the value at original cost of our investment. As the TREC is not a commonly tradable instrument and no purchase/sale transaction has yet occurred after demutualization, no value has been assigned to, and recorded against, these two TRECs.			
14	Staff Loan		
	House Loan	743,521	6,261,508
	Car Loan	3,144,280	-
	Personal Loan	456,687	3
		<u>4,344,488</u>	<u>6,261,511</u>
15	Payable to clients		
	Clients Account Payable	212,791,687	249,090,674
	Client Account Payable for IPO	-	-
		<u>212,791,687</u>	<u>249,090,674</u>

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
16	Short term business liabilities		
	Opening balance	192,379,406	367,279,406
	Add: Addition during the year	-	17,600,000
		<u>192,379,406</u>	<u>384,879,406</u>
	Less: Repayment during the year	80,000,000	192,500,000
	Closing balance	<u>112,379,406</u>	<u>192,379,406</u>
	Short term loan comprise the following:		
	This represents amount payable to clients against sale of shares on behalf of those clients including amount deposited by clients for purchase of shares in those accounts.		
17	Payable to exchanges (DSE,CSE)		
	Dhaka Stock Exchange	290,268	1,138,099
	Chittagong Stock Exchange	496,371	32,394
		<u>786,639</u>	<u>1,170,493</u>
18	Accruals and payables		
	Interest expense	6,064,737	32,390,876
	Office rent	3,034,560	2,450,279
	Audit fee	126,500	136,500
	CDBL charges	10,372	363,171
	Tax and VAT deducted at source	671,090	583,200
	Excise duty-payable	2,700	2,700
	Interest suspense	-	8,500,000
	Other payables	1,072,541	3,418,887
		<u>10,982,499</u>	<u>47,845,614</u>
19	Other liabilities and provisions		
	Provision for diminution in value of investments (Note- 19.1)	12,788,812	12,788,812
	Provision for negative equity (Note- 19.2)	37,984,381	29,484,381
	Provision for corporate income tax (Note- 19.3)	355,711,083	330,883,879
	Deferred tax liabilities (Note- 19.4)	271,455	155,750
		<u>406,755,731</u>	<u>373,312,822</u>
19.1	Provision for diminution in value of investments		
	Opening balance	12,788,812	22,788,812
	Add: Addition during the year	-	(10,000,000)
	Closing balance	<u>12,788,812</u>	<u>12,788,812</u>
19.2	Provision for negative equity		
	Opening balance	29,484,381	75,819,007
	Add: Addition during the year	8,500,000	-
	Less: Adjustment during the year	-	(46,334,626)
	Closing balance	<u>37,984,381</u>	<u>29,484,381</u>

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
19.3	Provision for corporate income tax		
	Opening balance	330,883,879	291,541,879
	Add: Provision for the year	24,827,204	39,342,000
	Closing balance	355,711,083	330,883,879
19.4	Deferred tax liabilities		
	Opening balance	155,750	-
	Add: Provision for the year	115,705	155,750
	Closing balance	271,455	155,750
20	Long term loan		
	Opening balance	871,521,466	1,141,613,599
	Add: Addition during the year	-	-
		871,521,466	1,141,613,599
	Less: Repayment during the year	231,401,581	270,092,133
	Closing balance	640,119,885	871,521,466
	This represents loan taken from various banks and financial institutions repayable in monthly/quarterly installments.		
21	Deferred liabilities - employee gratuity		
	Opening balance	8,071,219	6,467,946
	Add: Addition during the year	2,829,029	2,506,988
		10,900,248	8,974,934
	Less: Paid during the year	1,971,257	903,715
	Closing balance	8,928,991	8,071,219
22	Share capital		
	Authorized capital		
	5,000,000 Ordinary Shares of Tk. 100/- each.	500,000,000	500,000,000
	Issued, subscribed and paid-up capital		
	Ordinary Share capital		
	Paid-up Capital 5,000,000 shares of Tk.100/- each, fully paid.	500,000,000	175,000,000
	Name of shareholder	No of share	
	Union Capital Limited	4,999,999	499,999,900
	Barrister Moniruzzaman Khan	1	100
		5,000,000	500,000,000
			175,000,000
23	Brokerage commission		
	Brokerage commission from DSE	112,158,431	182,819,421
	Brokerage commission from CSE	1,290,934	4,508,118
	Commission From Dealer Account (DSE)	295,672	676,133
		113,745,037	188,003,672

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
24	Dividend income		
	From Investment in Shares(Dealer A/C)	24,142,253	35,037,625
	From Strategic Investment for Selling 25% of shares	359,000	-
	From Investment in shares-ICB Fund	133,950	-
		24,635,203	35,037,625
25	Margin Interest from Client	97,747,990	127,292,896
		97,747,990	127,292,896
	Interest on margin loan		
	This represents interest income earned on margin loan extended both individual and corporate clients as per BSEC Margin Rules 1999 for purchase of listed securities. The interest rate on margin loan ranges from 14.00%-16.50%.		
26	Other Operating Income		
	BO A/C opening fee	45,500	239,500
	BO A/C maintenance fee	741,900	761,300
	Income from IPO Application	83,090	136,850
		870,490	1,137,650
27	Cost of Services		
	Laga charges	9,408,504	15,352,662
	Howla charges	289,732	5,710
	CDBL expense	3,560,235	6,725,585
		13,258,471	22,083,957
28	Realized gain/(loss) on Sale of Securities		
	Gain/(Loss) from Investment in Shares(Dealer A/C)	(13,514,757)	8,838,837
	Gain/(Loss) from Strategic Investment for Selling 25% of shares	329,059	-
	Gain/(Loss) from investment in shares-ICB Fund	128,456	-
		(13,057,242)	8,838,837
29	Administrative and General Expenses		
	Salaries and other employees benefits (Note-29.1)	73,994,799	86,503,325
	Rent, taxes, insurance and electricity (Note-29.2)	25,312,002	26,572,036
	Postage, stamp and telecommunication (Note-29.3)	3,097,757	3,556,202
	Stationery, printing, advertisements, etc (Note-29.4)	477,326	1,102,943
	Auditors' fee (Note-29.5)	126,500	250,125
	Depreciation and repair of assets (Note-29.6)	9,599,466	13,102,873
	Other expenses (Note-29.7)	12,200,673	15,045,132
		124,808,523	146,132,636
29.1	Salaries and other employees benefits		
	Salaries and allowances	63,949,521	71,486,293
	Other benefits	10,045,278	15,017,032
		73,994,799	86,503,325

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
29.2	Rent, taxes, insurance and electricity		
	Office rent, rates and taxes	22,681,945	24,129,679
	Insurance	367,416	465,239
	Power and electricity	2,262,640	1,977,118
		25,312,002	26,572,036
29.3	Postage, stamp and telecommunication		
	Postage and stamp	24,546	16,120
	Telegram, telex, fax and e-mail	1,925,677	1,914,112
	Telephone and mobile	1,147,534	1,625,970
		3,097,757	3,556,202
29.4	Stationery, printing, advertisement, etc		
	Printing and stationery	391,706	596,029
	Advertisement and publicity	85,620	506,914
		477,326	1,102,943
29.5	Auditors' fee		
	Audit Fee	110,000	217,500
	VAT on fee	16,500	32,625
		126,500	250,125
29.6	Depreciation and repair of assets		
	Depreciation of fixed assets-freehold	9,319,997	12,743,917
	Amortisation of intangible assets	279,469	358,956
		9,599,466	13,102,873
29.7	Other expenses		
	Travelling and conveyance	2,334,520	2,843,432
	Office maintenance	1,677,571	3,515,104
	Service charge-Bloomberg	3,199,939	2,322,033
	Entertainment	2,607,212	3,695,805
	Subscription, renewal and registration fees	850,473	1,188,747
	Motor vehicle expenses	1,190,758	1,214,568
	Board meeting	291,900	219,310
	Books, magazines, newspapers, etc	48,301	46,133
		12,200,673	15,045,132

Unicap Securities Limited

Notes to the financial statements

		Amount in Taka	
		31-Dec-19	31-Dec-18
30	Financial expenses		
	This represents interest expense incurred for the loan received from various Banks/Financial Institutions for the purpose of business operations of the company as noted below:		
	On term loans:		
	Union Capital Ltd	65,736,317	116,591,818
	Term loan UniCap Investments Limited	-	476,326
	Hajj Finance Company Ltd	20,255,065	11,377,818
	Shahjalal Islami Bank Ltd	13,733,396	12,888,859
	Premier Leasing & Finance Ltd	16,819,303	15,872,423
	Midland Bank Ltd	7,908,826	9,036,762
	Bangladesh Finance & Investment Company Ltd	154,755	252,247
	Investment Corporation of Bangladesh	164,586	-
	Phoenix Finance and Investments Ltd	18,377,539	30,180,279
		143,149,788	196,676,532
31	Other income		
	Miscellaneous income	283,653	862,339
	Interest on staff loan	252,103	629,290
	Interest on bank deposit	413,798	606,886
	Gain/(Loss) on Disposal of Fixed Assets	2,356,974	-
		3,306,527	2,098,515
32	Gain on sale of Strategic Investment in Shares (DSE)		
	Sale proceeds of DSE membership share	-	37,879,317
	Less: Cost of DSE membership share	-	1,500,000
		-	36,379,317
33	Events After The Balance Sheet Date		
	The Board of the Directors in its 108th Board meeting held on 30 June 2020 recommended no dividend for the year ended 31 December 2020.		
34	Approval Of The Financial Statements		
	These financial statements were authorised for issue by the Board of Directors of the Company on 30 June 2020.		

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Dhaka, Bangladesh

30 June 2020

Annexure - A

Unicap Securities Limited

Schedule of Tangible Property, Plant and Equipment

As at 31 December 2019

Particulars	Cost			Rate	Depreciation			Written down value as at 31.12.2019	
	Opening balance 1 Jan 2019	Addition during the year	Adjustment during the year		Total cost	Charged during the year	Adjustment during the year		Total depreciation
Office decoration and renovation	19,183,736	4,108,868	-	33%	23,292,604	3,611,345	-	17,778,696	5,513,908
Furniture and fixtures	1,716,657	374,336	-	20%	2,090,993	222,583	-	1,377,918	713,075
Office equipment	14,572,256	1,913,233	-	20%	16,485,489	1,328,463	-	10,479,298	6,006,191
Cell phone	59,900	-	-	20%	59,900	10,978	-	59,880	20
Motor vehicle	17,185,000	11,685,000	-	20%	5,500,000	4,146,628	6,110,174	5,133,333	366,667
Total as at 31 December 2019	52,717,549	6,396,437	11,685,000		47,428,986	9,319,997	6,110,174	34,829,125	12,599,861
Total as at 31 December 2018	45,916,386	6,801,163	-		52,717,549	12,743,917	-	31,619,302	21,098,247

Amount in Taka

Schedule of Intangible Asset

As at 31 December 2019

Particulars	Cost			Rate	Amortization			Written down value as at 31.12.2019	
	Opening balance 1 Jan 2019	Addition during the year	Adjustment during the year		Total Cost	Charged during the year	Adjustment during the year		Total amortization
Systems & Software	1,924,800	-	-	33%	1,924,800	279,469	-	1,924,800	-
Total as at 31 December 2019	1,924,800	-	-		1,924,800	279,469	-	1,924,800	-
Total as at 31 December 2018	1,924,800	-	-		1,924,800	358,956	-	1,645,331	279,469

Amount in Taka

Unicap Securities Limited

Statement of Net Capital to Aggregate Liabilities

As on 31 December 2019

Liquid Assets:	Amount in Taka
Cash in hand or in Bank	102,395,672
Long proprietary securities positions at market value	9,500,000
Cash surrender value of life insurance policy	-
Customers' debit balances receivable within thirty days	656,503,331
Interest, dividend or commission receivable within thirty days	11,666,835
Clearing house deposits	125,403,162
Amounts receivable in the ordinary course of business, but excluding amounts which are due to be settled against delivers of security and remain outstanding for more than five banking days	25,541,225
Treasury bills issued by the Government of Bangladesh	-
Value of investment in Government bonds or certificates	-
Market value of net investment in securities traded in a stock exchange	181,950,681
Market value of net investment in an authorized collective scheme	182,973,833
Total Liquid Assets (A)	1,295,934,738
Designated Liabilities:	
Amount payable in the ordinary course of dealing in securities	213,578,326
Overdrafts and loans from banks	126,987,393
Accrued expenses	10,982,499
Tax payable	355,711,083
All other liabilities that are regarded as liabilities under generally accepted accounting principles in Bangladesh which are payable within thirty days.	112,379,406
Total Designated Liabilities (B)	819,638,707
Net Capital Balance	476,296,031
Aggregate Liabilities (Aggregate Liabilities = Total liabilities - shareholders' equity)	922,663,719
Aggregate Indebtedness Ratio	10

Unicap Securities Limited

Statement of Computation of Capital Adequacy

As on 31 December 2019

a. Eligible Capital

Components	Amount	Haircut %	Haircut Amount	Eligible Amount
Paid-up-capital	500,000,000	-	-	500,000,000
Capital reserve	-	-	-	-
Retained Earnings	(29,918,882)	-	-	(29,918,882)
Sum of core capital	470,081,118	-	-	470,081,118
General Provision on Margin Loan	37,984,381	20%	7,596,876	30,387,505
Specific Provision on Portfolio Investment	12,788,812	30%	3,836,644	8,952,168
Sum of supplementary capital	50,773,193		11,433,520	39,339,673
Total Capital	520,854,311		11,433,520	509,420,791

b. Total Risk Requirement

	Risk Factor	Applicable Amount
Operation Risk Requirement (ORR)		
Based on Average Annual Gross Income (see clause (b) of sub-rule (7.1) of rule 7)	5%	22,368,942
Position Risk Requirement (PRR)		
Proprietary positions in Equity securities of Dealer & Strategic Investment:		
Value of "A" category securities	10%	17,871,450
Value of "B/G/N/" category securities	12%	389,301
Value of "Z" category instruments	15%	-
Value of listed funds	10%	16,797,383
Counterparty Risk Requirement (CPRR)		
Exposure of credit facilities to Clients	8%	656,503,331
Total Risk Requirement =		713,930,408

c. Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) =	$\frac{\text{Total Capital (TC)}}{\text{Total Risk Requirement (TRR)}} \times 100$
=	$\frac{509,420,791}{713,930,408} \times 100$
=	71.37 % i.e. 0.714 times

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Dhaka, Bangladesh
30 June 2020

K. M. HASAN & CO.

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNICAP INVESTMENT LIMITED

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of UNICAP INVESTMENT LIMITED, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Financial Statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The management is responsible for other information. The other information comprise all of the information in the annual report other than the financial statements and our auditors reports thereon. The annual report is expected to be made available to us after the date of this auditors report .

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management of Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other application Laws and Regulation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparation the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedure that as appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, 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) 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;
- (c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account; and
- (d) the expenditure incurred was for the purposes of the company's business.

Dhaka, Bangladesh
30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Investments Limited

Statement Of Financial Position

As at 31 December 2019

	Notes	2019 Taka	2018 Taka
Assets			
Current assets			
Cash and cash equivalents	4	217,654,162	87,695,828
Receivables from securities trading	5	1,010,584,373	981,405,229
Receivable from others	6	3,267,829	4,753,951
Receivable from margin clients	7	5,778,361,653	5,589,144,040
Proprietary position in securities & other investments	8	347,378,380	345,992,988
Other advances	9	116,200,471	114,803,595
		7,473,446,868	7,123,795,631
Non-current assets			
Property, plant and equipment	10	2,892,755	3,708,440
Other long term assets	11	9,931,907	9,157,354
		12,824,662	12,865,794
Total assets		7,486,271,530	7,136,661,425
Liabilities and shareholders' equity			
Current liabilities and provisions			
Payable to clients	12	133,991,711	89,398,578
Short term business liabilities	13	395,984,085	493,691,017
Short term loan	14	190,000,000	190,000,000
Interest payable on term loan	15	1,433,730,795	1,111,361,332
Other liabilities and provisions	16	1,175,024,539	1,069,703,630
Total current liabilities and provisions		3,328,731,130	2,954,154,557
Non-current liabilities			
Long term loan	17	3,598,610,500	3,633,529,649
Shareholders' equity			
Share capital	18	500,000,000	500,000,000
Retained earnings	19	58,929,900	48,977,219
		558,929,900	548,977,219
Total liabilities and shareholders' equity		7,486,271,530	7,136,661,425
Net asset value per share of Tk. 10 each		11.18	10.98

The annexed notes from 1 to 39 form an integral part of these financial statements.

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Signed in terms of our separate report of even date annexed.

Dhaka, Bangladesh
30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Investments Limited

Statement Of Profit Or Loss And Other Comprehensive Income For the year ended 31 December 2019

	Notes	2019 Taka	2018 Taka
Portfolio Income	20	429,135,528	530,038,557
Portfolio management expense	21	(399,104,769)	(515,853,255)
Net portfolio income		30,030,759	14,185,302
Investment income	22	9,173,019	35,071,098
Other operating income	23	8,963,420	5,782,231
Total operating income		48,167,198	55,038,631
Less: Operating Expenses			
Salaries and other employee benefits	24	13,175,719	12,858,644
Rent, taxes, insurance, electricity etc.	25	4,863,169	4,828,101
Postage, stamp, telecommunications etc.	26	507,539	547,388
Stationery, printing, advertisements etc.	27	313,021	264,271
Legal and professional fees		115,500	25,300
Directors' remuneration		117,000	207,000
Auditor's fees		92,000	192,050
Repair, maintenance	28	628,601	483,374
Loss on sale of securities		8,775,457	-
Depreciation		1,663,255	1,659,182
Other expenses	29	1,467,551	1,221,193
Total operating expenses		31,718,812	22,286,503
Diminution in value of listed securities		(1,500,000)	(18,266,856)
Net profit/(loss) before tax		14,948,386	14,485,272
Provision for income tax:			
Current tax	16.4	(4,995,705)	(4,530,563)
Deferred tax		-	(57,000)
Net profit/(loss) after tax		9,952,681	9,897,709
Other comprehensive income		-	-
Total comprehensive income		9,952,681	9,897,709
Earnings Per Share (EPS)	31	0.20	0.20

The annexed notes from 1 to 39 form an integral part of these financial statements.

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Signed in terms of our separate report of even date annexed.

Dhaka, Bangladesh
30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Investments Limited

Statement of Changes In Equity

For the year ended 31 December 2019

Amount in Taka

Particulars	Share Capital	Retained Earnings	Total
Balance as at 01 January 2019	500,000,000	48,977,219	548,977,219
Addition during the year	-	-	-
Net profit/(loss) after tax during the year	-	9,952,681	9,952,681
Balance as at 31 December 2019	500,000,000	58,929,901	558,929,901

For the year ended 31 December 2018

Amount in Taka

Particulars	Share Capital	Retained Earnings	Total
Balance as at 01 January 2018	250,000,000	39,079,510	289,079,510
Addition during the year	250,000,000	-	250,000,000
Net profit/(loss) after tax during the year	-	9,897,709	9,897,709
Balance as at 31 December 2018	500,000,000	48,977,219	548,977,219

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Signed in terms of our separate report of even date annexed.

Dhaka, Bangladesh
30 June 2020

Sd/-
K. M. HASAN & CO.
Chartered Accountants

Unicap Investments Limited

Statement of Cash Flow

For the year ended 31 December 2019

	2019	2018
	Taka	Taka
Cash flows from operating activities		
Interest receipt/(payment)	424,021,108	(60,120,863)
Margin loan recovered/(disbursed)	(219,217,613)	294,423,428
Fees commission, exchange and brokerage	9,897,449	13,718,353
Payment against administrative expenses	(24,606,610)	(20,627,320)
Advance income tax paid	(2,508,375)	(197,488,309)
Other receipt, net	22,713,147	18,354,528
Net cash from operating activities	210,299,105	48,259,817
Cash flows from investing activities		
Dividend receipts	9,173,019	10,234,541
Gain/(loss) on investments of shares	(8,775,457)	24,836,557
Receipt/(payment) from trade of securities	15,498,309	(215,823,592)
Purchase of property, plant and equipment	848,970	(316,210)
Net cash used in investing activities	16,744,841	(181,068,704)
Cash flows from financing activities		
FDR with UCL	(61,541,017)	-
Term loan received	26,000,000	249,677,724
Term loan repaid	(60,919,149)	(86,524,600)
Loan paid to employee	(1,400,000)	(9,350,000)
Loan received from employee	774,553	2,807,453
Net cash from/(used in) financing activities	(97,085,613)	156,610,577
Net changes in cash and cash equivalents	129,958,334	23,801,690
Opening cash and cash equivalents	87,695,828	63,894,138
Closing cash and cash equivalents	217,654,162	87,695,828

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Dhaka, Bangladesh
30 June 2020

Unicap Investments Limited

Notes To The Financial Statements

As at and for the year ended 31 December 2019

1. The company and its activities

1.1 Legal status of the Company

UNICAP INVESTMENT LIMITED was incorporated with the Registrar of Joint Stock Companies and Firms (RJSC) vide registration no. C-93014/11 dated 24 May 2011 under the Companies Act, 1994 as a private limited company. The registered office of the Company situated at A A Bhaban (9th Floor), 23 Mothijheel Commercial Area, Dhaka-1000, Bangladesh.

1.2 Principal activities of the Company

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 Presentation of Financial Statements

The financial statements have been prepared with due consideration of International Financial Reporting Standards. The financial statements comprises of the following as complied with International Accounting Standards 1:

- a) Statement of financial position
- b) Statement of Profit or loss and other comprehensive income
- c) Statement of cash flows
- d) Statement of changes in equity
- e) Notes to the financial statements

2.2 Statement of compliance

The financial statements have been prepared in accordance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), the Companies Act 1994, Bangladesh Securities and Exchange Commission Rule 1987 and other applicable laws and regulations.

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 IAS-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. Some items of asset have been assumed to extend their useful life for three more years and depreciation will be calculated at accordingly. 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
Motor vehicle	20
Office equipment	20
Office decoration	33

2.3.1 Current tax

Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company qualifies as a "Merchant Bank"; hence the applicable corporate tax rate is 37.50% as per the Finance Act 2019.

Unicap Investments Limited

Notes To The Financial Statements

2.3.2 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset/liabilities is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets/liabilities is reviewed at each reporting date and are reduced to the extent that it is probable that the related tax benefit will be realized

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 Taka.

2.6 Cash flow statements

The net cash flows from operating activities is determined direct method as per IAS-7.

2.7 Portfolio management expense

It represents portfolio management expense on fund obtained from parent company.

2.8 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.

2.9 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.

2.10 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.

3.0 Related party disclosure

As per IAS - 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 37.

Unicap Investments Limited

Notes To The Financial Statements

	2019	2018
	Taka	Taka
4. Cash and cash equivalents		
Cash in hand	9,026	9,026
Bank balances with:		
Dutch Bangla Bank Limited	1,083,104	98,254
Southeast Bank Limited	19,542,307	87,349,205
Bank Asia-695	2,300,210	236,944
IFIC Bank Limited	133,149,285	-
Woori Bank-CDA923934655	29,213	2,399
FDR with UCL	61,541,017	-
	217,654,162	87,695,828
5. Receivables from securities trading		
Own portfolio (note 5.1)	15,498,309	15,371,447
Clients portfolio (note 5.2)	995,086,064	966,033,782
	1,010,584,373	981,405,229
5.1 Own portfolio		
This represents amount receivable from UniCap Securities Limited against sale of shares on company's own portfolio before maturity.		
5.2 Clients portfolio		
This represents amount receivable from UniCap Securities Limited against sale of shares on behalf of clients before maturity.		
6. Receivable from others	3,267,829	4,753,951
This represents amount receivable from Union Capital Limited and UniCap Securities Limited against various purposes.		
7. Receivable from margin clients		
Opening balance	5,589,144,040	5,883,567,468
Add: Loan disbursed during the period	284,280,141	6,471,339
	5,873,424,181	5,890,038,807
Less: Recovery during the period	95,062,528	300,894,767
	5,778,361,653	5,589,144,040
Add: Interest and fee accrued during the period	420,614,579	575,692,388
	6,198,976,232	6,164,836,428
Less: Interest and fee recovered during the period	420,614,579	575,692,388
	5,778,361,653	5,589,144,040
8. Proprietary position in securities & other investments		
Investment in listed securities	340,799,202	345,992,988
Investment in shares in ICB-Fund	6,579,178	-
	347,378,380	345,992,988
Details are given in Annexure-B		

Unicap Investments Limited

Notes To The Financial Statements

	2019	2018
	Taka	Taka
9. Other advances		
Advance income tax	102,599,726	100,091,351
Advance against purchase of shares	13,400,745	14,473,910
Security deposit - CDBL	200,000	200,000
Advance against expenses	-	38,000
Receivable against management fee	-	334
	116,200,471	114,803,595
10. Property, plant and equipment		
Cost		
Opening balance	10,522,222	10,206,012
Add: Additions during the period	848,970	316,210
Less: Dispose during the period	-	-
Closing balance (A)	11,371,192	10,522,222
Depreciation		
Opening balance	6,815,182	5,154,600
Add: Charge for the period	1,663,255	1,659,182
Less: Dispose during the period	-	-
Closing balance (B)	8,478,437	6,813,782
Written down value (A-B)	2,892,755	3,708,440
Details of property, plant and equipment are given in Annexure-A.		
11. Other long term assets		
Loan to employees	9,931,907	9,157,354
12. Payable to clients	133,991,711	89,398,578
This represents amount payable to clients against sale of share before maturity, client available fund and dividend regarding investments in securities.		
13. Short term business liabilities		
Portfolio management/interest expense payable to UCL (note 13.1)	391,931,939	491,931,939
Audit fee payable	92,000	130,500
Withholding tax and VAT	1,416,346	1,628,578
Employees Gratuity Fund	2,543,800	-
	395,984,085	493,691,017
13.1 Portfolio management/interest expense payable to UCL		
Opening balance	491,931,939	491,931,939
Add/(Loss): Waived by UCL	(100,000,000)	-
Closing balance	391,931,939	491,931,939
14. Short term loan		
Woori Bank-STL	190,000,000	190,000,000

Unicap Investments Limited

Notes To The Financial Statements

	2019	2018
	Taka	Taka
15. Interest payable on term loan		
Opening balance	1,111,361,332	1,723,361,332
Add: Interest accrued during the period	372,369,463	-
	<u>1,483,730,795</u>	<u>1,723,361,332</u>
Less: Interest paid during the period	(50,000,000)	(612,000,000)
Less: Interest waived by UCL	-	-
Closing balance	<u>1,433,730,795</u>	<u>1,111,361,332</u>
This represents amount of interest payable to Union Capital Limited against the loan facility provided amounting to Taka 3,507,404,688.57.		
16. Other liabilities and provisions		
Provision for impairment of margin loan to client (note 16.1)	175,000,000	175,000,000
Interest suspense against margin loan (note 16.2)	869,748,951	769,748,951
Diminution in value of listed securities (note 16.3)	21,351,401	19,851,401
Provision for income tax (note 16.4)	107,614,913	102,619,208
Deferred tax liabilities	57,000	57,000
Other payables	1,252,274	2,427,070
	<u>1,175,024,539</u>	<u>1,069,703,630</u>
16.1 Provision for impairment of margin loan to client		
Opening balance	175,000,000	175,000,000
Add: Provision made during the period	-	-
Closing balance	<u>175,000,000</u>	<u>175,000,000</u>
16.2 Interest suspense against margin loan		
Opening balance	769,748,951	714,748,968
Add: (Realized)/Unrealized during the period	100,000,000	54,999,983
Closing balance	<u>869,748,951</u>	<u>769,748,951</u>
16.3 Diminution in value of listed securities		
Opening balance	19,851,401	1,584,545
Add: Addition during the period	1,500,000	18,266,856
Closing balance	<u>21,351,401</u>	<u>19,851,401</u>
This amount represents investment in listed securities, market value of which is BDT 193,291,413.40 as on 31 December 2019 resulting an unrealized loss of BDT 154,086,966.93 on which at least on with 7.69% provision should be made as per BSEC circular no. BSEC/SRI/MB-Policy/5/2020/132 dated 30 January 2020. Accordingly, provision for diminution in value of investments of an amount of BDT 21,351,401.00 has been made in the accounts. However, no cash dividend can be paid during the year in terms of said directive as the company has availed this facility.		
16.4 Provision for income tax		
Opening balance	102,619,208	98,088,644
Add: Provision made during the period	4,995,705	4,530,563
Closing balance	<u>107,614,913</u>	<u>102,619,208</u>

Unicap Investments Limited

Notes To The Financial Statements

	2019	2018		
	Taka	Taka		
17. Long term loan				
Premier Leasing and Finance Limited	67,255,880	82,971,836		
Investment Corporation of Bangladesh (ICB) Term Loan - ICB-Fund	-	43,153,124		
Union Capital Limited (note 17.1)	23,949,931	-		
	3,507,404,690	3,507,404,689		
	3,598,610,500	3,633,529,649		
17.1 Union Capital Limited				
Term loan with Union Capital Limited	360,000,000	360,000,000		
Short term loan with Union Capital Limited	3,147,404,690	3,147,404,689		
	3,507,404,690	3,507,404,689		
18. Share capital				
Authorized capital: 200,000,000 ordinary shares of taka 10 each	2,000,000,000	2,000,000,000		
Issued, subscribed and paid-up capital: 50,000,000 ordinary shares of taka 10 each	500,000,000	500,000,000		
The Company's shareholding position as at the reporting date was as follows:				
Name of the shareholder	31 December 2019		31 December 2018	
	No. of share	Taka	No. of share	Taka
Union Capital Limited	49,999,974	499,999,740	49,999,974	499,999,740
Kazi Golam Rahman	2	20	2	20
Amir Humayun Mahmud Chowdhury	2	20	2	20
Khurshida Chowdhury	2	20	2	20
Meherunnessa Haque	2	20	2	20
Nagina Choudhury	2	20	2	20
Rezwan Rahman	2	20	2	20
Chowdhury Tanzim Karim	2	20	2	20
Tajrina Sikder	2	20	2	20
Farhan Sharif Ala	2	20	2	20
S.M.A.M. Reza	2	20	2	20
Qumrun Nahar	2	20	2	20
M. Fayaz Taher	2	20	2	20
Monzur Alam	2	20	2	20
	50,000,000	500,000,000	50,000,000	500,000,000
19. Retained earnings				
Opening balance		48,977,219		39,079,510
Add: Net profit/(loss) for the year		9,952,681		9,897,709
Closing balance		58,929,900		48,977,219
20. Portfolio income				
Interest on margin loan (note 20.1)		417,078,572		516,349,554
Brokerage settlement fee		8,520,948		9,346,145
Portfolio management fee (note 20.2)		3,536,008		4,342,858
		429,135,528		530,038,557

Unicap Investments Limited

Notes To The Financial Statements

	2019	2018
	Taka	Taka
20.1 Interest on margin loan		
This represents interest income charged on margin loan extended to clients for purchase of listed securities.		
20.2 Portfolio management fee		
The amount includes fees and charges received from portfolio account holders for managing portfolio accounts by the Company.		
21. Portfolio management expense		
Interest on loan	398,962,934	515,745,190
Bank charges	141,835	108,065
	399,104,769	515,853,255
22. Investment income		
Gains on sale of securities	-	24,836,557
Dividend income	9,173,019	10,234,541
	9,173,019	35,071,098
23. Other operating income		
Interest income from FDR	1,713,575	-
Underwriting Commission	-	250,000
Corporate Advisory Fee	-	200,000
Issue management Fee- Public issue	1,150,000	300,000
CDBL charges from clients	226,501	311,332
Bank interest income	5,371,265	3,845,786
Other income	502,079	875,113
	8,963,420	5,782,231
24. Salaries and other employee benefits		
Salaries and allowances	12,381,919	11,974,913
Contribution to gratuity fund	291,300	402,000
Contribution to provident fund	486,750	471,731
Medical and employees welfare	15,750	10,000
	13,175,719	12,858,644
25. Rent, taxes, insurance, electricity, etc		
Office rent, rates and taxes	4,452,968	4,438,800
Power and electricity	382,256	363,496
Insurance expenses	27,945	25,805
	4,863,169	4,828,101
26. Postage, stamp, telecommunication, etc		
Postage and stamp	22,208	8,007
Telegram, telex, fax and e-mail	283,666	269,905
Telephone and mobile	165,024	222,947
Computer Software	36,641	46,529
	507,539	547,388

Unicap Investments Limited

Notes To The Financial Statements

	2019	2018
	Taka	Taka
27. Stationery, printing, advertisements, etc		
Printing and stationery	287,381	236,196
Books and periodicals	5,640	5,030
Advertisement and publicity	20,000	23,045
	313,021	264,271
28. Repair and maintenance		
Repair and maintenance expense	230,079	182,602
Office maintenance	305,311	290,772
Facilities Maintenance	93,211	10,000
	628,601	483,374
29. Other expenses		
HR development	16,760	145,460
Travelling and conveyance	239,867	203,062
Subscription and fees	253,140	240,000
Entertainment expenses	558,906	343,090
Others	398,878	289,581
	1,467,551	1,221,193
30. Reserve against margin loan		
Negative equity	4,378,828,193	4,061,619,908
Total interest suspense against margin loan	869,748,951	769,748,951
31. Earnings per share (EPS)		
Net profit/(loss) after tax: Numerator (A)	9,952,681	9,897,709
Number of ordinary share outstanding: Denominator (B)	50,000,000	50,000,000
Earnings per share (Basic): (A/B)	0.20	0.20

Diluted earnings per share has not been calculated for the year as there was no potential ordinary share as described in IAS 33.

32. Contingent liability

As on the date of reporting there was no such event that warrants for reporting as contingent liability.

33. Capital expenditure commitments

There was no capital expenditure contracted but not incurred or provided for at 31 December 2019. There was no material capital expenditure that were authorised by the Board but not contracted for at 31 December 2019.

34. Unacknowledged debt

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

35. Geographical area of operation

UniCap Investments Limited is currently operating in Chittagong and Sylhet along with its other branches at Gulshan and Motijheel in Dhaka.

Unicap Investments Limited

Notes To The Financial Statements

2019	2018
Taka	Taka

36. Approval of the financial statements

These financial statements were authorised for issue by the Board of Directors of the Company in 31 December 2019.

37. Related party transactions

During the year, the Company carried out a number of transactions with a related party in the normal course of business. The name of the related party and nature of these transactions have been set out in accordance with the provisions of IAS 24 Related party disclosure:

Name of related party	Relationship	Nature of transactions	2019 Taka	2018 Taka
Union Capital Limited	Parent Company	Long term loan	3,507,404,690	3,507,404,689
		Interest payable	1,433,730,795	1,111,361,332

38. Others

These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

39. General

Previous year's figures have been rearranged/ reclassified/ regrouped, where necessary, to confirm to current year's financial presentation.

Sd/-

Chief Executive Officer

Sd/-

Director

Sd/-

Chairman

Place: Dhaka

Dated: 30 June 2020

Annexure - A

Unicap Investments Limited

Schedule of Property, plant and equipment

As at 31 December 2019

Amount in Taka

PARTICULARS	Cost			RATE	Depreciation			Written down value as on 31.12.2019
	Balance as on 01.01.2019	Addition during the year	Sales/ Disposal		Balance as on 31.12.2019	Charged during the year	Adjustment during the year	
Furniture and fixture	1,962,801	-	-	20%	1,464,649	296,532	-	201,620
IT equipment	2,165,712	848,970	-	20%	1,297,450	412,855	-	1,304,377
Motor vehicle	2,665,437	-	-	20%	977,324	533,091	-	1,155,022
Office equipments	1,937,525	-	-	20%	1,417,527	387,648	-	132,350
Office decoration	1,790,747	-	-	33%	1,658,232	33,129	-	99,386
Total as at 31 December 2019	10,522,222	848,970	-		6,815,182	1,663,255	-	2,892,755
Total as at 31 December 2018	10,206,012	316,210	-		5,154,600	1,659,182	-	3,708,440

Unicap Investments Limited

Details of Investment in securities

As at 31 December 2019

Amount in Taka

SI no	Company	Number of shares		Average cost Taka	Total cost	Market value taka	Unrealised gain/losses
		Total	Saleable				
1	ACI Limited	292,179	292,179	434.25	126,877,409	53,030,489	(73,846,921)
2	ADN Telecom	12,643	12,643	30.00	379,290	-	(379,290)
3	Coppertech	237	-	-	-	5,570	5,570
4	New Line Clothing	525	-	14.88	7,814	7,770	(44)
5	Prime Insurance	25,738	25,738	27.42	705,686	669,188	(36,498)
6	Reckitt Benckiser (Bd.) Ltd	300	-	3,212.75	963,824	957,990	(5,834)
7	Ring Shine Textiles	15,079	-	8.70	131,122	155,314	24,191
8	Runner Automobiles	3,963	3,963	71.43	283,077	235,799	(47,279)
9	Sea Pearl Beach Resort	186	-	-	41	7,682	7,682
10	Silco Pharma	4,375	3,646	8.33	36,460	132,563	96,103
11	Sinobangla Ind. Ltd	13,500	13,500	80.23	1,083,127	1,128,600	45,473
12	Zahintex Industries	60,000	60,000	4.36	261,376	246,000	(15,376)
13	BBS Cables	5,419	381	65.68	355,903	318,637	(37,266)
14	Beximco Pharma	172,126	172,126	109.13	18,783,820	11,945,544	(6,838,276)
15	Delta Brac	26,944	26,944	138.72	3,737,773	3,079,699	(658,073)
16	Doreen Power	1,259	1,259	63.47	79,911	74,155	(5,756)
17	Esquire Knit	70,000	70,000	34.59	2,421,481	1,981,000	(440,481)
18	Fu-Wang Ceramic	80,000	80,000	7.66	613,056	584,000	(29,056)
19	Global Insurance	40,000	40,000	25.02	1,000,927	864,000	(136,928)
20	IDLC Financ	700,000	700,000	83.15	58,203,542	31,780,000	(26,423,542)
21	IFAD Autos	20,000	20,000	46.67	933,351	924,000	(9,351)
22	Megna Life Insurance	25,000	25,000	62.11	1,552,783	1,292,500	(260,283)
23	Nurani Dyeing	420,000	400,000	12.84	5,394,057	3,528,000	(1,866,057)
24	One Bank Ltd	1,328,250	1,328,250	21.65	28,760,588	13,680,975	(15,079,613)
25	Phoenix Insurance	34,270	34,270	40.61	1,391,831	921,863	(469,968)
26	Prime Bank	2,475,000	2,475,000	23.15	57,296,246	45,045,000	(12,251,246)
27	Republic Insurance	70,000	70,000	26.08	1,825,410	1,764,000	(61,410)
28	Saiham Cotton	50,000	50,000	23.43	1,171,338	1,020,000	(151,338)
29	Silva Pharma	100,000	100,000	18.01	1,800,747	1,680,000	(120,747)
30	The City Bank Ltd.	506,871	506,871	48.82	24,747,254	10,694,978	(14,052,276)
31	Bangladesh Shipping	6,000	6,000	54.98	329,850	253,800	(76,050)
32	BATBC	150	150	1,195.37	179,305	145,485	(33,820)
33	Berger Paints BD Ltd	1,250	1,250	1,566.63	1,958,293	1,725,625	(232,668)
34	GlaxoSmithKline	500	500	1,666.37	833,186	878,150	44,964
35	MJL Bangladesh Ltd.	16,472	16,472	91.60	1,508,839	1,042,678	(466,162)
36	Olympic Industries	2,000	2,000	185.65	371,295	330,000	(41,295)
37	Sinobangla Ind. Ltd	5,000	5,000	83.49	417,456	418,000	544
38	The City Bank Ltd.	35,183	35,183	27.88	980,954	742,361	(238,593)
	Total	6,620,419	6,578,325		347,378,421	193,291,413	(154,086,967)

Summary	
Total number of shares	6,620,419
Total Saleable Share	6,578,325
Total value (BDT)	347,378,421
Market price	193,291,413
Unrealised gain/(loss)	(154,086,967)

Unicap Investments Limited

Net Capital to aggregate liabilities

As at 31 December 2019

Sl No.	Particulars	2019 Taka
A	Liquid Assets	
	Cash in hand or in Bank	217,654,162
	Customer's Debit Balances receivable (within 30 days)	5,778,361,653
	Interest, dividend or commission receivable (within 30 days)	3,267,829
	Clearing House Deposits (DSE)	-
	Amounts Receivable in the ordinary course of business, but excluding amounts which are due to be settled against delivery of security and remain outstanding for more than five banking days.	1,020,516,280
	Market Value of Net Investment in Securities traded in a stock exchange.	193,291,413
	Total Liquid Assets	7,213,091,337
B	Designated Liabilities	
	Amount Payable in the ordinary course of dealing in securities	133,991,711
	Overdraft & Loan from banks	190,000,000
	Accrued Expenses	869,605,823
	Tax Payable (Net)	1,416,346
	Total Designated Liabilities	1,195,013,880
C	Net Capital Balance (A-B)	6,018,077,458
D	Net Capital to aggregate Liabilities Ratio	0.87 : 1.00
E	Maximum permissible Ratio	

Annexure-D

UNICAP INVESTMENTS LIMITED**Statements Showing Computation of Capital Adequacy**

As on 31 December 2019

A. Eligible Capital

Components	Amount	Haircut %	Haircut Amount	Eligible Amount
Paid-up-capital	500,000,000	0	-	500,000,000
Retained Earnings	58,925,606	0	-	58,925,606
Sum of core capital				558,925,606
General Provision	-	20%	-	-
Specific Provision:				
Margin investment	974,748,951	30%	292,424,685	682,324,265
Investment in marketable securities	21,351,401	30%	6,405,420.30	14,945,981
Sum of supplementary capital				697,270,246
Total Capital				1,256,195,852

B. Total risk requirement

Particulars	Risk Factor	Applicable Amount
Operation Risk Requirement (ORR):		
Based on Average Annual Gross Income (see clause (b) of sub-rule (7.1) of rule 7)	5%	1,501,538
Position Risk Requirement (PRR):		
i. Proprietary positions in Equity securities:		
Value of "A" category securities	10%	17,544,617
Value of "B/G/N/" category securities	12%	2,111,909
Value of "Z" category instruments	15%	36,900
ii. Proprietary positions in MFs & CISs:		
Value of listed funds	10%	-
Counterparty Risk Requirement (CPRR):		
i. Exposure of credit facilities to Clients	8%	462,268,932
Total risk requirement		483,463,896

C. Capital Adequacy Ratio (CAR) =
$$\frac{\text{Total Capital (TC)} \times 100}{\text{Total Risk Requirement (TRR)}} = 260\%$$
 i. e. 2.60 times

Sd/-
Chief Executive Officer

Sd/-
Director

Sd/-
Chairman

Place: Dhaka

Dated: 30 June 2020

SHAREHOLDER'S ADDITIONAL INFORMATION

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311	Other Investors' friendly Information

LETTER OF INVITATION FROM THE CHAIRMAN

I extend a warm invitation to you to attend in the 22nd Annual General Meeting of Union Capital Limited to be held on 17 September 2020 at 11:00 a.m. via live webcast by using Digital Platform. The 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 regarding 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 endeavor to address these in 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, bti Landmark, Level - 08, Plot - 16, Gulshan Avenue, Gulshan - 01, Dhaka - 1212 to be received not later than 06:00 p.m. on Monday, 14 September 2020, 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

Union Capital Limited
Head Office
bti Landmark, Level - 08,
Plot - 16, Gulshan Avenue,
Gulshan - 01, Dhaka - 1212
Tel: +88 02 48811505-09
Fax: +88 02 48811510
www.unicap-bd.com

NOTICE OF AGM



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

Notice is hereby given that the 22nd Annual General Meeting of the Company will be held on Thursday, the 17 September 2020 at 11:00 a.m. via live webcast by using Digital Platform to deal with the following businesses:

ORDINARY BUSINESS

- AGM 20-22-01 : Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2019 together with the reports of the Auditors and Directors thereon;
- AGM 20-22-02 : Declaration of dividend for the year 2019;
- AGM 20-22-03 : Retirement & re-appointment of Directors;
- AGM 20-22-04 : Appointment of the Auditors of the Company for the year 2020 and fixation of their remuneration;
- AGM 20-22-05 : Appointment of Auditors for certification on the compliance on conditions of Corporate Governance Code (CGC) and fixation of their remuneration for the year 2020.

NOTES

1. 24 August 2020 is the 'Record Date' to determine the Shareholders' entitlement for eligibility to attend and vote at the 22nd Annual General Meeting.
2. Pursuant to the Bangladesh Securities Exchange Commission's (BSEC) Order No. SEC/SRMIC/94-231/25 dated 08 July 2020, the imminent 22nd Annual General Meeting of the Company shall be conducted via live webcast by using Digital Platform.
3. Link for joining in AGM through Digital Platform and details login process will be notified to the shareholders email address. Full login/participation process for the Digital Platform meeting will also be available in the website of the Company: www.unicap-bd.com.
4. 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 submitted at the Registered Office of the Company not later than 72 hours before the time set for holding the meeting. Revenue Stamp of Tk. 20/- (Taka Twenty) only shall have to be affixed on the Proxy Form.
5. Members are requested to notify change of their address, bank account details, contact number, e-mail address and 12 digits E-TIN number (if any), through their respective Depository Participants before the Record Date.
6. As per Bangladesh Securities and Exchange Commission notification No. BSEC/CMRRCD/2006-158/208/Admin/81, dated 20 June 2018 soft copies of the Annual Report along with the Attendance Slip, Proxy Form and the Notice will be forwarded to all the Members at their respective email address available with us as per CDBL record. These will also be available in the website of the company: www.unicap-bd.com. The printed annual report may be available if any shareholder requires in writing beforehand;

EXPLANATORY NOTES TO THE NOTICE OF AGM

Agendum One

Presentation of Annual Financial Statements and Reports

In terms of the Companies Act, 1994, the Directors are required to present the Annual Financial Statements, incorporating the Directors' Report and Auditors' Report, for the year ended 31 December 2019 to the Shareholders at the Annual General Meeting. The Directors' Report, the Financial Statements and the Auditors' Report for the year ended 31 December 2019 are contained in this Annual Report.

Agendum Two

Declaration of Dividend

The Board of Directors in its meeting held on 30 July 2020 did not recommend any Dividend for the year 2019 subject to the approval of the shareholders in the Annual General Meeting.

Agendum 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, the following Directors shall retire by rotation and being eligible offered themselves for reappointment in the next Annual General Meeting:

- a) Chowdhury Tanzim Karim, Director
(Nominated by EC Securities Limited)
- b) Mr. Waqar A. Choudhury, Director
- c) Mr. Nadeem A. Chaudhury, Director
(Nominated by ENRILCO Limited)
- d) Mr. Kazi Russel Mahbub, Director
(Nominated by Palmal Garments Hosiery Limited)

Moreover, as per Article 91 of the Articles of Association of the Company, Mr. Munshi Shafiul Haque, Independent Director and Mr. Md. Abdus Salam FCA, FCS, Independent Director will retire in the next Annual General Meeting.

Since the Retiring Directors are eligible for re-appointment, they have offered themselves for re-appointment, and hence the Board recommended to the shareholders for approval of their re-appointment in the 22nd Annual General Meeting. Biographical details of the Directors of the Company retiring at the AGM are set out on pages 51 to 56 of this annual report.

Agendum Four

Appointment of External Auditors

The Shareholders in their 21st Annual General Meeting held on 20 June 2019, appointed M/S K. M. Hasan & Co., Chartered Accountants, as the Statutory Auditors of the Company for the year 2019. As per terms of Companies Act, 1994, the Auditors will retire in the 22nd 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-

- a. He is disqualified for re-appointment; or
- b. He has given the Company notice in writing of his unwillingness to be re-appointed; or
- c. 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 K. M. Hasan & Co., Chartered Accountants, Hometown Apartments (8th & 9th Floor), 87, New Eskaton Road, Dhaka -1000 have expressed their willingness to become the statutory auditor of the company for the year 2020. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to reappoint M/S K. M. Hasan & Co., Chartered Accounts as the external auditor of the Company for the year 2020 with an audit fee of BDT 2,00,000 plus VAT. The Board in its meeting held on 30 July 2020 recommended the shareholders for approval to the appointment of M/S K. M. Hasan & Co., Chartered Accountants as auditor for the year 2020 at a remuneration of BDT 2,00,000 Plus VAT subject to approval of Bangladesh Bank.

Agendum Five

Appointment of practicing Professional Accountants/ Secretary firm on compliance of conditions of Corporate Governance Code

Pursuant to clause 9(1) of the notification of Corporate Governance Code of Bangladesh Securities and Exchange Commission ref: BSEC/CMRRCD/2006-158/207Admin/80 dated 03 June 2018, the Company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and such certificate shall be disclosed in the Annual Report.

As per clause 9(2) of the aforesaid notification, the Professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the Annual General Meeting.

The Board in its meeting held on 30 July 2020 recommended to appoint M/S. Ahmed Zaker & Co. Chartered Accountants having its office at 89 Kakrail, Green Edge (Level-10), Dhaka - 1000, as the Auditors of the Company to conduct compliance audit for certification on the compliance on conditions of Corporate Governance Code for the year 2020 at a fee of Tk. 30,000/- (Thirty Thousand) plus VAT for approval of the Shareholders in the twenty-second Annual General Meeting.

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 24 August 2020 are entitled to exercise any voting rights in relation to the resolutions to be proposed at the Annual General Meeting to be held on 17 September 2020 at 11:00 am via live webcast by using digital platform 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 there at 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	Agendum	Number of votes		
		For	Against	Abstain
		(one vote per ordinary share)		
AGM 20-22-01	: Receive and adopt the Audited Financial Statements of the Company as of and for the year ended 31 December 2019 together with the reports of the Auditors and Directors thereon;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 20-22-02	: Declaration of dividend for the year 2019;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 20-22-03	: Retirement & re-appointment of Directors;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 20-22-04	: Appointment of the Auditors of the Company for the year 2020 and fixation of their remuneration;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 20-22-05	: Appointment of Auditors for certification on the compliance on conditions of Corporate Governance Code (CGC) and fixation of their remuneration for the year 2020.	<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 17 September 2020 at 11:00 am via live webcast by using digital platform or at any adjournment thereof, unless it is revoked earlier.

Signed at (place) _____ on (date) _____ September 2020 _____

Attested by me _____

(where applicable)

Please read the notes given on next page.

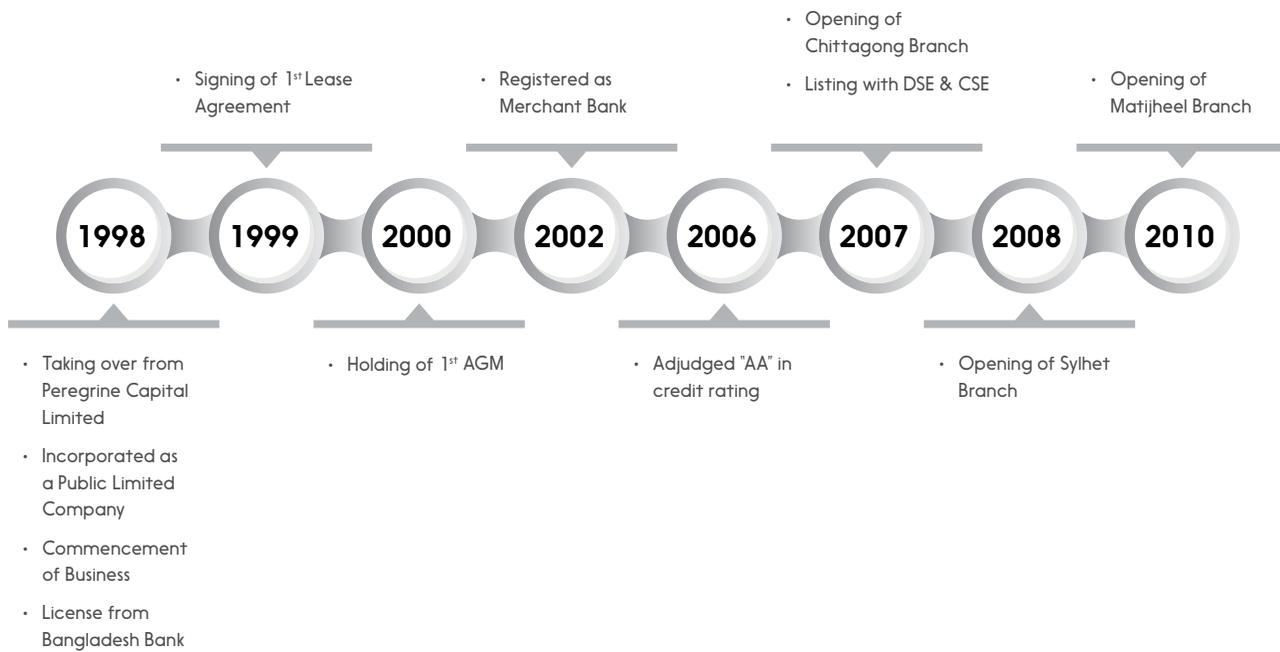
Please read the notes given on next page.

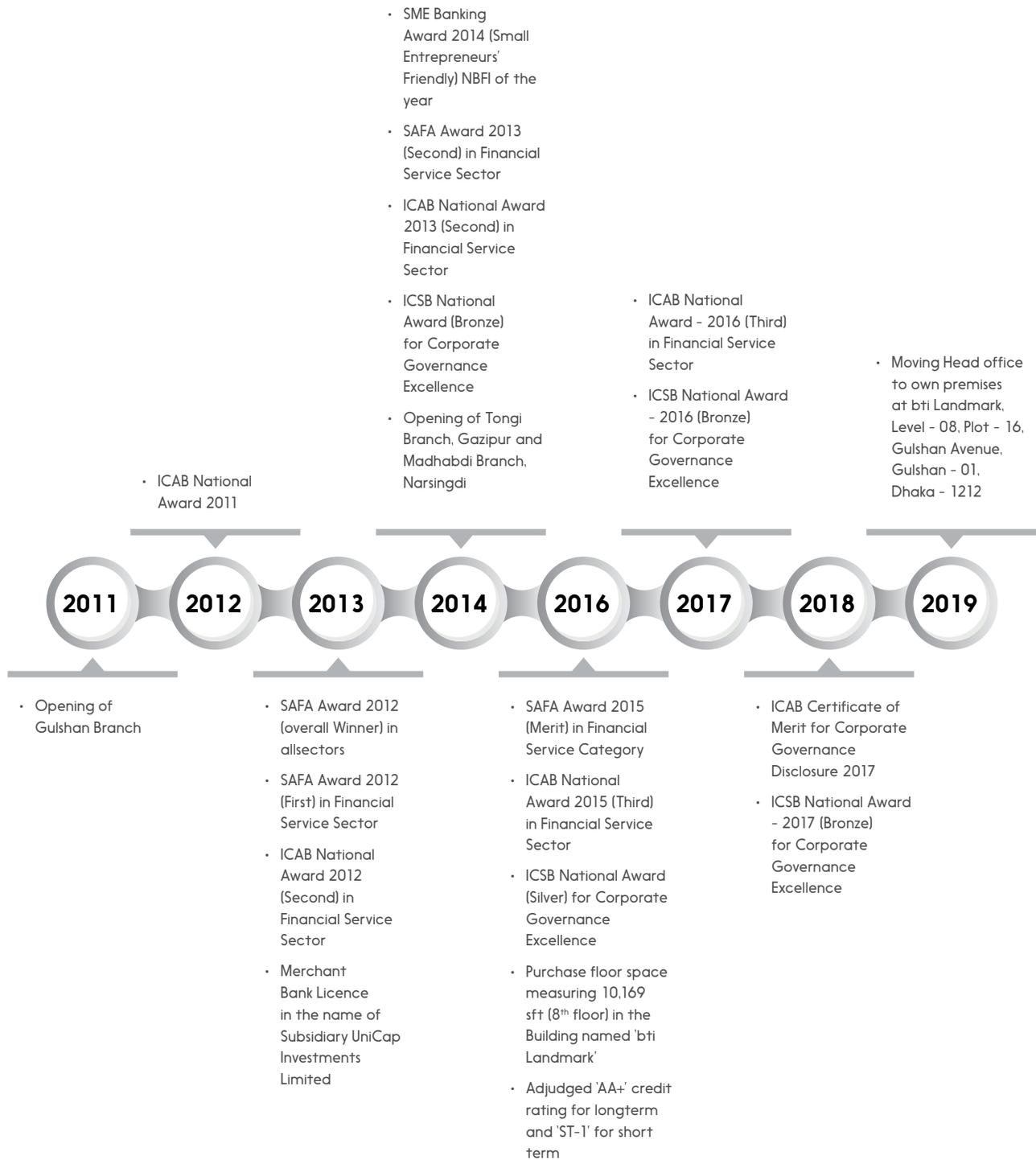
NOTES TO FORM OF PROXY

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 or a valid driving license or a valid passport.
6. Any alterations or corrections to this form of proxy must be initiated 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, bti Landmark, Level - 08, Plot - 16, Gulshan Avenue, Gulshan - 01, Dhaka - 1212 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 not later than 6:00 p.m. on 13 September 2020.
9. Holders attending the Annual General Meeting will be offered the opportunity to put questions to the Directors and Management.

COMPANY MILESTONE





FINANCIAL CALENDAR

2019	
May 02	Annual results and announcement of final dividend
May 15	First-quarter Business Results;
June 20	21 st Annual General Meeting;
July 18	Final dividend payment;
July 29	Half-year Business Results;
Oct 30	Third-quarter Business Results;
Dec 31	Financial year-end.

2020	
July 30	Annual results and announcement of final dividend
July 30	First-quarter Business Results;
July 30	Half-year Business Results;
September 17	22 nd Annual General Meeting;
Oct 30	Third-quarter Business Results; -- Tentative
Dec 31	Financial year-end.

INVESTORS RELATIONS

INVESTOR RELATION 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 keep 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 communicate 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, 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.

Hotline and e-mail:

Tel: +8802 48811505-09

E-mail: mailbox@unicap-bd.com

Fax: +880 (2) 488 11510

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 telephonic 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 environment 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 are:

- Downloadable financial data tables and other information in spreadsheet format.
- Hyperlinks to key supporting figures, breakdown analyses and further explanations.
- Environment friendly medium.

SOCIAL MEDIA COMMUNICATIONS

Company news, video clips, photos and events are published through social media sites like Facebook. Please like our official facebook page at <http://facebook.com/union.capital.limited>.

COMPANY WEBSITE

Our corporate website and external communications now complement our intergraded reporting format. Information includes:

- Profiles of Group's main businesses;
- Board and senior management biographical data;
- Corporate Governance;
- Risk Management and CSR;
- Board Committees' Terms of Reference;
- Financial information

Many shareholders are now benefitting from more accessible information and helping the environment too. If you haven't already tried it, visit our online Annual Report.

REDRESSAL OF INVESTORS' COMPLAINT

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 services across different areas of operations of the Group. Prompt and efficient service is essential for retaining existing relationships and investor satisfaction is crucial 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, thus minimizes 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 as 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.

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	75,000,000	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
15 June 2017	10% Bonus Share	14,229,960	142,299,600
28 June 2018	5% Bonus Share	7,826,478	78,264,780
20 June 2019	5% Bonus Share	8,217,802	82,178,020
End of the year		172,573,843	1,725,738,430

Composition of Shareholdings

Category	No. of Shareholders	No. of Shares	Percentage
Sponsor & Directors (Institutions)	3	37,154,558	21.53
Sponsor & Directors (Individuals)	10	32,742,675	18.97
General Public (Institutions)	137	37,718,876	21.86
General Public (Individuals)	7,683	64,957,734	37.64
Total	7,833	172,573,843	100.00

Key share information

(As on 31 December)	2019	2018	2017
Total no. of shareholders	7,833	8,155	7,764
Share Price (Taka)	6.30	12.40	20.10
No. of outstanding shares	172,573,843	164,356,041	156,529,563
Market Capitalization (Taka in million)	1,087.22	2,038.01	3,146.24

SHAREHOLDERS

At the end of 2019, there were 7,833 shareholders in UCL as against 8,155 shareholders at the end of 2018. The Sponsor & Directors hold 69,897,233 no shares of Tk.10.00 each which represent 40.50 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

bt Landmark, Level - 08, Plot - 16,
Gulshan Avenue, Gulshan - 01, Dhaka - 1212

Tel: +88 02 48811505-09

Fax: +88 02 48811510

www.unicap-bd.com

WEBSITE

www.unicap-bd.com

BRANCH NETWORK

Head Office

bti Landmark, Level - 08, Plot - 16,
Gulshan Avenue, Gulshan - 01, Dhaka - 1212.
Tel: +88 02 48811505-09, Fax: +88 02 48811510
www.unicap-bd.com

Principal Branch

bti Landmark, Level - 08, Plot - 16,
Gulshan Avenue, Gulshan - 01, Dhaka - 1212.
Tel: +88 02 48811505-09, Fax: +88 02 48811510
www.unicap-bd.com

Chattogram Branch

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

Sylhet Branch

J.R Tower (2nd Floor)
23 Abas, Jail Road, Sylhet -3100, Bangladesh
Tel: +880 (821) 728438-9, Fax: +880 (821) 728437

Bogura Branch

Rabu Tower (3rd Floor)
739A Borogola, Bogura - 5800, Bangladesh
Tel: +880 (51) 71041-43, Fax: +880 (51) 71044

Motijheel Branch

Sharif Mansion
56-57 Motijheel C/A, Dhaka 1000, Bangladesh
Tel: +880 (2) 9515946-49, Fax: +880 (2) 9575961

Tongi Branch

Parkway Trade Center (1st Floor)
4/13 Shalikchura, Uttara Dattapara
Ershad Nogor, Tongi, Gazipur-1712, Bangladesh.
Tel: +880 (2) 9810471-2, Fax: +880 (2) 9810473

Madhabdi Branch

Abdul Quader Complex
54 Choto Madhabdi, Madhobdi 1604
Narsingdi, Bangladesh
Tel: +88 01988899833

LEGAL ADVISOR

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

AUDITORS

K. M. Hasan & Co.
Chartered Accountants
Hometown Apartment
87 New Eskaton Road, Dhaka-1000
Phone: +880 (2) 9351457, 9351564
Fax: +880 (2) 9345792
E-mail: kmh_co@yahoo.com
Web: www.kmhasan.com

STOCK BROKER/DEALER

UniCap Securities Limited
(Membership DSE - 163; CSE - 82)

TAX CONSULTANTS

K. M. Hasan & Co.
Chartered Accountants
Hometown Apartment
87 New Eskaton Road, Dhaka-1000
Phone: +880 (2) 9351457, 9351564
Fax: +880 (2) 9345792
E-mail: kmh_co@yahoo.com
Web: www.kmhasan.com

PRINCIPAL BANKERS

Bank Asia Limited
Mutual Trust Bank Limited
Southeast Bank Limited
Dutch Bangla Bank Limited
United Commercial Bank Limited

SUBSIDIARY COMPANY

UniCap Securities Limited
UniCap Investments Limited

INVESTORS INQUIRIES

Department of Corporate Affairs
Tel: +88 02 48811505-09
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 (BAPLC)
Federation of Bangladesh Chamber of Commerce & Industry (FBCCI)
The Institute of Bankers, Bangladesh (IBB)

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 managements 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.



Corporate Office:

bti Landmark, Level - 08 , Plot - 16,
Gulshan Avenue, Gulshan - 01,
Dhaka - 1212, Bangladesh.

Tel: +880 (2) 48811505-09 Fax: +880 (2) 48811510

Email: mailbox@unicap-bd.com Website: www.unicap-bd.com