



*Directors' Report*



Bismillahir Rahmanir Rahim.  
(In the name of Allah, the most gracious, most merciful)

All praises to Allah, the Lord of the universe and peace and Blessings of Allah be upon the prophet Muhammad (sm) and his Descendants and companions.

Dear Shareholders,  
Assalamu Alikum Wa-rahmatullah.

We have great pleasure to welcome you all to the 16th Annual General Meeting of the Shareholders and have immense pleasure to place before you the Directors' Report along with the Audited Financial Statements and the Auditors' Report for the year ended December 31, 2015 in accordance with Section 184 of the Company's Act, 1994, Rules and Regulations of the Institute of Chartered Accountants of Bangladesh (ICAB), Bangladesh Securities & Exchange Commissions (BSEC) notification, Listing Rules of Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE) and others applicable Rules & Regulations.

#### Global Economy Outlook

The unique perspective on the global economy gives both local and multinational companies a strategic edge on issues that affect our business. The global economic segregated among the various regions. The global economy tracks economic developments and business trends in the region and abroad so we have the tools to navigate the business successfully. Global growth, estimated at 3.1 percent in 2015. The pickup in global activity is projected to be more gradual than in the estimated growth especially in emerging market and developing economies. In advanced economies, a modest and uneven recovery is expected to continue with a gradual further narrowing of output gaps. The picture for emerging market and developing economies are diverse but in many cases it is challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016–2017. The projected pickup in growth in the next two years despite the ongoing slowdown in China primarily reflects forecasts of a gradual improvement of growth rates in countries currently in economic distress, though

even this projected partial recovery could be frustrated by new economic or political shocks. Risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy: A generalized slowdown in emerging market economies, China's rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States. If these key challenges are not successfully managed, global growth could be derailed.

In 2015, global economic activity remained subdued. Growth in emerging market and developing economies while still accounting for over 70 percent of global growth declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Three key transitions continue to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.

Oil prices have declined markedly since September 2015, reflecting expectations of sustained increases in production by organization of the Petroleum Exporting Countries (OPEC) members amid continued global oil production in excess of oil consumption. Future markets are currently suggesting only modest increases in prices in 2016 and 2017.

In coming years the economic growth rates for Asia-Pacific has significant improvement in Southeast Asia. In respect of 2015 other region and countries growth rate expected to same or negative as earlier in these regions.

#### Bangladesh Economic Scenario

Economic growth in Bangladesh was resilient in the Fiscal Year 2015 despite political protest that hindered exports and private investment. The goal of graduating from low- to middle-income status requires much higher investment and thorough reform to improve the business environment, boost



budget revenue, and strengthened financial discipline. According to World Bank report Bangladesh is a lower-middle income state and is being lauded by several global forums for its 'stability' in the macroeconomic scenario while public servants' pay has been doubled. The Economy of Bangladesh is the 32nd largest in the world by purchasing power parity and is classified among next eleven emerging market economies in the world. According to IMF, Bangladesh's economy is the second fastest growing major economy of 2016, with a rate of 7.1%.

For the first time GDP growth hits 7.05%. Throughout last decades, Bangladesh averaged a GDP growth of 6.5%, leading the country to becoming an export-oriented industrialization. In recent years, Bangladesh have seen a major surge in export as Bangladesh textile industry, second largest in the world, along with emerging Pharmaceutical and IT industry. Due to existence of political Stability in the country which favoured to build confidence consumers and investors for economic growth.

The slump in global oil prices helped the government in controlling inflation while export figures in late 2015 brought a respite. Some other economic indicators are doing well, however, depending on the external factor of dwindling oil prices. With prices as low as \$35 a barrel, Bangladesh is saving a huge amount in imports. It does not have to subsidize but rather counts profits. For the same reason, the foreign reserve is now over \$27 billion. This is what is enabling the government to fund large projects like the Padma Bridge.

Remittance inflow registered a 7.6 growth in the last fiscal, but it has taken a hit this year. In the five months from July to November, expatriates sent \$6.17 billion, down by 0.68 percent from the inflow in the same period last year.

The best performing indicator has been the foreign currency reserve. By the year end 2015 it stood at \$27.4 billion, higher than at any other time in the history of Bangladesh.

#### **Industry Outlook and Prospects in 2016**

The Economy of Bangladesh has rapidly been shifting from agricultural to services sector. The role so played by the service sector is burgeoning as well. Insurance being one of the ingredients of the financial services industry has a lot to play if it is promoted properly. In spite of the stable growth rate (around 10%) of the Bangladesh insurance industry

in the last few years and political stability make the year to maintain the positive trend in Life insurance business. Bangladesh Life insurance market is in an upward trend despite the low penetration rate. It has potentialities to growth and advancement as opined by the insurance expert from home and abroad. Life insurance premium in proportion to GDP is 0.07%. Approval of two experienced foreign life insurers in Bangladesh makes the market competitive. But the insurance penetration in comparison with neighbouring countries is still near to the ground owing to the fact that this industry is faced with the challenges of creativity in need-based product design, determining affordable prices, delivering excellent claims services and above all, an acute lack of skilled insurance professionals across the sector. The priorities from Insurance Development and Regulatory Authority (IDRA) Bangladesh have the following initiatives to boost up the insurance industry and as well as the economy by way of educating the nation and industry; establish independent reinsurance company; introduce national social insurance; recognition the best practitioner in the industry; establish catastrophic risk pool in collaboration with foreign institution; regulation compulsory insurance; facilitate new avenue of business sector and re-structure commission schedule, maintain solvency margin and implement effective and efficient investment regulations .

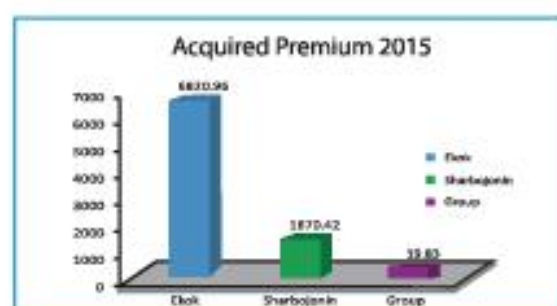
Our core business is sale of Life insurance policy. Our company has already chalked out short and medium term strategy to put all our efforts to achieve the business volumes targeted as well as realized the corporate objectives. The Company has determined a premium target of taka 10000 million for the year 2016 which is 17.49 percent higher in comparison to the achievement of 2015 and has taken a realistic and effective business strategy for achieving the same. Besides our strong financial position which enabled us to take further action in the year to increase profitability based upon our current expectations. Bangladesh is located in the Catastrophe region Flood and cyclone are the main catastrophes mainly cause dull the business during the happening of the event mostly in July-August and October- November. Although if the stability in political trend and gain in the return of investment which drastically fall in June 2015 onward in that case we are confident that 2016 will be another successful year for the company. With this end in view, to keep in mind the initiatives of insurance regulator we focus to maintain and market products

for workers' compensation insurance and bancassurance products. We also have plan to introduce some new diversified products in the market to arrange sales promotion campaign in the form of service month, bima mela, seminar and symposium, get together and publicity in the print and electronic media.

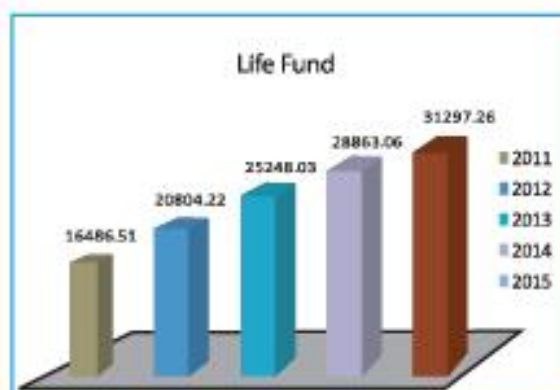
### Business Performance 2015

We have great pleasure to report that in 2015, Fareast Islami Life Insurance Company Limited experienced another successful record year of growth in premium earning. Gross premium income increased by taka 839.91 million compared to that of previous year registering a growth of 10.95 percent. In the year of 2015, the gross premium acquired by the company is taka 8511.21 million of which taka 6820.96 million from Ekok Bima, 1670.42 million from Sharbojonin Bima and 19.83 million from Group Insurance. The above figure can be shown in the following table :

Taka in million			
Description	Ekok Bima	Sharbojonin Bima	Total
First year Premium	1920.02	640.19	2560.21
Renewal Premium	4900.94	1030.23	5931.17
Total	6820.96	1670.42	8491.38
Group Insurance Premium	19.83	-	19.83
Gross Premium	6840.79	1670.42	8511.21

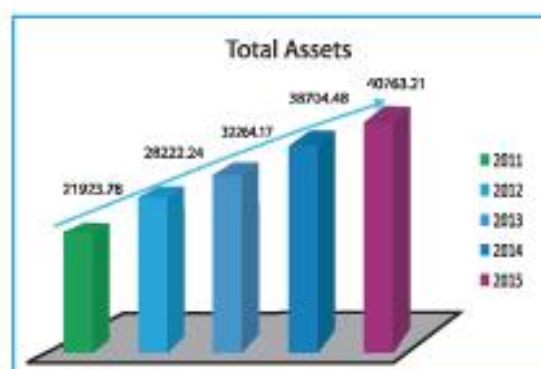


The number of valued policyholders as at December 31, 2015 stood at 8,85,728 in the Ekok Bima (Individual life) and 4,45,153 in the Sharbojonin Bima (Micro insurance). The above increased number of policyholders reflect the immense trust of satisfaction towards the company. In the year of 2015 the company has generated Taka 2434.45 million in the life fund under review showing the growth rate of 8.43 percent over the previous year. The total life Fund stood at Taka 31297.26 million at the end of 2015 from Taka 28863.06 million of 2014 which is a good achievement for the company. The life fund of the company is increasing gradually.



### Assets

We are pleased to inform you that the total assets of the company stood at taka 40,763.21 million as at 31 December, 2015 against taka 38,704.48 million as at 31 December, 2014 showing an increase of taka 2058.73 million which is 5.32%. The company has completed a twenty storied building on own land located beside the Bangladesh Secretariat. The company purchased land in different places throughout Bangladesh in order to construct buildings for offices. It is rare achievement and record for the Company, where it was imagination for many other Companies. Which is shown below through diagram.



### Actuarial Valuation

Mohammad Sohrab Uddin PhD, AIA a Senior and renowned Actuary was appointed by the Board of Directors to complete the actuarial valuation for the year ended 31 December, 2015. In accordance with Insurance Act, Actuarial Valuation of the company as on 31 December, 2015 has been done and assets and liabilities of the company have been determined. It appears from the valuation report that a remarkable excess of life fund over liabilities has been determined under the valued policies.



### Dividend

As per recommendation of the Actuary, the Board of Directors of the company proposed to pay 39% Cash Dividend i.e. taka 3.9 per share for the year 2015. In order to recommend the Dividend, the Board of Directors has taken into consideration the results of the Actuarial Valuation of the company's liabilities under policies issued till 31 December, 2015. The assets as at that date and the fund requirement for future development and expansion which recommending dividend @ 39 percent. The Board has also approved the highest rate of Bonus for valued policyholders on the basis of Actuarial Valuation Report.

### Claims

Giving services to policyholders is our first and foremost responsibilities. And, with this end in view timely settlement of claims to make our policyholders satisfied is our prime issues. In the year of 2015, the Company paid total claims amounting to taka 3575.05 million which included Death Claims taka 90.98 million, Survival Benefits taka 748.13 million, Maturity Claims taka 2415.13 million and Surrender taka 320.82 million.



### Credit Rating

Emerging Credit Rating Limited rated Fareast Islami Life Insurance Company Ltd, as AA (Double A) in the year 2015. As per Actuarial Valuation of the Company Credit Rating has been given concentration on the following key points:

- Strong and sound solvency.
- Satisfactory Payment Position of Claims.
- Well Experienced management team.
- Sound liquidity position.
- Low management expenses.
- Surplus assets over liabilities etc.

### Risks and concerns

Fareast Islami Life Insurance Company Limited has always being in the forefront of implementing different risk management tools and techniques. A critical success factor for sustaining profitability and continuous delivery of shareholders' value is how effectively the risks are managed. Life Insurance Companies are exposed to a number of risks such as Market Risks, Operational Risks and Reputational Risks etc. In order to manage these Risks properly, Insurance Development and Regulatory Authority (IDRA) has issued guidelines which are being followed by the company with utmost-care and dedication. The standard operating procedure as per international best practices prepared by Price Water House Coopers. The standard operating procedure has strengthened internal control system and facilitated the risk management process of our company. Internal control system is being made effective by increasing the internal audit, both comprehensive and others, of the various affiliated offices as well as Head office of the company.

### Related Party Transactions

The details of related party transactions entered into by the Company during 2015 are included in the 'Details of related parties and transactions with related parties' section of the Notes 3.13 to the Accounts forming part of the financial statements.

### Directors

According to the Companies Act, 1994 and Section 94 of the Articles of Association of the Company one third directors will be retired from their office by rotation every Annual General Meeting.

Sponsor Directors will be elected by the Sponsor Shareholders, Shareholder Directors will be elected by the Shareholders and Independent Directors will be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting. A brief profile of directors of the company has shown in the page no. 18.

### Retirement & Election of Directors

#### Sponsor Directors

As per Article 94 of the Articles of Association of the Company the following Sponsor Directors will retire from the office at 16th Annual General Meeting and being eligible they offer themselves for re-election:

Mr. Shahriar Khaled  
Ms. Nazneen Hossain  
Ms. Muslima Shireen  
PFI Securities Limited



### Public Subscriber Directors

In accordance with the Article 94 of the Articles of Association of the Company the following Directors representing Public Shareholders shall retire from the office by rotation.

Mr. Md. Mozammel Hossain  
Mr. Noor Mohammad Dicon

It may be mentioned here that Notice for Election of Directors from Public Subscribers were published in "The Daily News Today" and "The Daily Amar Din" on 02 April, 2016 inviting nominations from Public Subscribers and all preparations have been made in order to hold the election as per schedule.

### Independent Directors

In compliance with the latest corporate governance notification guidelines of BSEC, Dr. M. Mosharraf Hossain FCA & Mr. Mohammed Hafizour Rahman FCA, ACS were appointed as Independent Directors by the Board of Directors of the Company. The Independent Directors enjoy full independence in terms of carrying out their coveted responsibilities. Both of them are well conversant in the field of business and professional areas.

### Auditors

As per section 210 of Companies Act, 1994, every company shall, at each Annual General Meeting appoint an auditor or auditors to hold the office from the conclusion of that meeting until the next Annual General Meeting. Rahman Mostafa Alam & Co. a prominent Chartered Accountants firm was appointed as Auditors of the Company for the year 2015. This year they will eligible to re-appoint for the year 2016. The Auditor appointment will be confirmed for the year 2016 in this Annual General Meeting.

### Remuneration of Directors

The company only pays meeting fee to its Directors as per rules and regulation. Details are shown in page no. 81.

### Financial Reporting Standard

The company prepared the financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), the companies Act, 1994 and other applicable rules and regulations. The Board of Directors of the company has ensured the responsibility that the company keeps accounting

records with reasonable accuracy. The financial estimates and judgments relating to the financial statements have been made on prudent and reasonable basis, in order to reflect the financial operations of the company in a true and fair view.

### Preceding Five Years Key Operating and Financial Data

Preceding five years key operating, financial summarized data and graphical representation has shown in page no. 42 & 43.

### Corporate Governance

Fairness, transparency, accountability and the responsibilities are the standard of acceptable corporate behaviour today. As sound corporate governance practice has consistently been followed in carrying out the overall operation of Fareast Life. The company is smoothly running the day to day activities of Fareast within the policy guidelines of the Board of Directors and in accordance with the legal and regulatory framework of different regulatory bodies of the country.

Awareness of corporate governance has grown rapidly worldwide in recent years due to increased legislative and regulatory activities as well as evolving best practice recommendations. Fareast Life as a leading Life Insurance company in Bangladesh led by highly professional people is committed in adopting the highest governance standard and adjusting them as required in protecting the interest of policyholders and shareholders. A comprehensive report about corporate governance scenario of our company has shown in page no. 80.

### Information Technology

Fareast Islami Life Insurance Company Limited has upgraded its IT system successfully for further strengthening and securing the automation of services. Fareast Life has highly experienced and trained professionals working on maintaining and developing the company's IT infrastructure. The IT professionals are constantly innovating and writing in house programs to meet the needs of the company. IT division has implemented Local Area Network (LAN) in its Head Office and Branch Offices. Information and Communication Technology (ICT) has become indispensable for insurance companies in ensuring smooth operational activities and providing efficient services. Fareast Life has recognised this fact and the Board of Directors have adopted a comprehensive ICT policy for the



company. Here it is especially mentionable that the Company has recently implemented online services through its ICT Department for getting prompt services throughout Bangladesh.

#### **Staff Welfare**

The very word staff welfare indicates the financial benefits given to officers and staffs of the company in addition to the salary & allowances. The company has always been given the uppermost preference regarding staff welfare which includes contributory Provident Fund, Gratuity Schemes and Group Insurance facility towards welfare of members of the staff including field as well as desk officers of the company. Recently Company has introduced of house Investment scheme, Car loan on hire purchase system and Benevolent Fund for the Officers and Staffs of the company. We have been striving for developing a sustainable institutional infrastructure for the company. It has been built and put into place a dynamic and growth oriented organizational structure for Ekok Bima (Individual Life) and Sharbojonin Bima (Micro Insurance and Individual Life) by reshuffling the overall activities.

We have also been preparing ourselves to face the challenges of globalization with strategies such as capacity building, using modern technologies, decentralization of operations and training of both desk and development work force at home and abroad with a view to providing excellent services to our valued policyholders and the stakeholders.

#### **Human Resources and Training**

We believe that one of the greatest strengths that an organisation can have is the human capital. Encouraging employees to innovate, think-out-of-the-box, challenge conventions and push boundaries while not letting hierarchy interfere with capability, has been a constant effort. At FLIC the employees have a passion for learning and adapting to changes. "People are the Key of success". Technology can be purchased and copied, neither people can be copied nor their ideas, personalities, motivation and cultural values be copied. Recognizing people as "human and intellectual capital" is very important for any organization. Company has to invest in building that capital and manage that resource wisely and deftly for organizational unity of purpose to create and maintain competitive advantages now and all the time to be successful and profitable.

We all aware that a healthy environment has been there, employees enjoy working with pride. To face the challenge and to meet the demand of required manpower normally, we recruit fresh at the entry level as well as experienced officers in mid and top levels. Extensive training programs both centrally, regionally through the company's training department and development professional cadre of human resources. We are also sending our personnel to Bangladesh Insurance Academy, Bangladesh Insurance Association and other training institutions at home and abroad. Research for improvement of operational activities and quality services are going on. Finally, we have in our company dedicated and highly professional pool of workforce voicing our corporate slogan, 'Efficiency is our strength'.

#### **Contribution to the National Exchequer**

Fareast Islami Life Insurance Company Limited made significant contribution to the government in boosting up its revenue collection. According to prevailing law of the land, the company being a corporate citizen pays Tax on its own income. Besides, the company complies to deduct or paid on account of service tax, stamp duty, tax deducted at source, VAT, dividend distribution tax and other duties and deposited the same to the national exchequer. During the year 2015 under review the company contributed taka 373.08 million to National Exchequer.

#### **Subsidiary Companies**

Fareast Islami Life Insurance Company formed two Subsidiary Companies namely Fareast Islami Securities Ltd. and Fareast Islami Properties Ltd. In the year of 2012 Fareast Islami Securities Ltd. and in the year of 2014 Fareast Islami Properties Ltd. got the Certificate of Incorporation from the Registrar of Joint Stock Companies & Firms.

#### **Corporate Social Responsibilities (CSR)**

Fareast Islami Life Insurance Company Ltd being one of the best corporate companies in the country has been discharging responsibilities to the society since its inception. As we get our business from the society in which we live and operate. We want to give something back to the society. Our corporate social responsibility includes our clients, employees, shareholders, business associates and the society as a whole. Our relationship with the society is one of understanding, trust and credibility. In reciprocation, the citizens feel and acknowledge the significance

and reasons for our existence as a corporate citizen. The company has been performing its social responsibilities by helping the distressed people affected by natural calamities, education welfare, medical treatment and donation to poor people of the society. In the year 2015 company expended 7.99 million taka in Corporate Social Responsibilities sector.

#### Product and Services

We continuously focus on developing, updating and innovative products tailoring to ever changing needs of our customers. We offer customized and competitive products to meet the demand of all types of customers. We have introduced diverse range of products and services to provide to the needs of all our valued clients from the inception of the company. A comprehensive range of Life insurance products and services are awaiting launching very soon with the approval of regulatory authority, such as Health Care Group Insurance Scheme, Monthly Premium Endowment Assurance Plan, Endowment Assurance Plan etc. It is expected that the upcoming products will contribute towards the growth of good business for the company in near future.

#### Pattern of Shareholdings

We hereby confirm that the shareholding pattern of the Company and any transfer of shares during the year are in accordance with statutory requirements. There was no capital infusion by the promoters during the year. The total quantity of shares of the company are 62.29 million. The pattern of shareholdings has shown in page no. 40 & 135.

#### Relation and Communication with Shareholders

We always give priority to our shareholders. The shareholders of the Company are able to collect all required information from our Share Department. Company is able to provide required services to the shareholders through modern technology based share management software. The Company has been arranging regularly Annual General Meetings (AGM) as per rules of Companies Act, 1994 from the inception, where discuss about Company's progress, important activities and developments. As a result, the shareholders get various information about the Company in due time.

#### Acknowledgement

The Directors are grateful to the Insurance Development & Regulatory Authority (IDRA) and Bangladesh Insurance Association (BIA). The

Directors express their gratitude to Shareholders, Members of the Executive Committee, Board Audit Committee, Policy & Claims Committee, Investment & Real Estate Development Committee, Purchase Committee, Shariah Council, Shariah Executive Committee, The Chief Executive Officer, Additional Managing Director & CFO, DMD & Company Secretary, Deputy Managing Director- Human Resource Department, Bangladesh Securities and Exchange Commission, Offices of Dhaka and Chittagong Stock Exchanges Ltd, Bankers and esteemed well wishers for their co-operation, help, support and confidence from time to time. The Directors would also like to take this opportunity to express sincere thanks to its valued customers for their continued patronage. The Directors express their deep sense of appreciation to all employees and field force, who continue to display outstanding professionalism and commitment, enabling the organisation to retain market leadership in its business operations.

May Allah be with all of us.

Ameen.

Ma-assalam.

For and on behalf of the Board of Directors,



(Md. Nazrul Islam)  
Chairman

28 June 2016  
Dhaka

