

# Directors' Report

## Dear Shareholders,

The Directors of Delta Brac Housing Finance Corporation Limited have the pleasure of presenting the Directors' Report of your Company together with audited accounts for the year ended 30<sup>th</sup> June 2016.

## Bangladesh Economy

The national economy posted a healthy GDP growth of 7.05% in FY 2015-16 on the back of relatively strong flow in both private and public investment as well as increase in consumption expenditures during the latter half of the year. Higher implementation of Annual Development Program (ADP) and higher consumption driven by new pay scale for public sector employees and moderate inflation helped in boosting the GDP growth. Manufacturing sector grew the most by 10.10% followed by service sector and agriculture, which grew by 6.70% and 2.60% respectively in the past fiscal.

Average inflation slid to 12 year lows to 5.92% in FY16 on the back of low food inflation, which was well below the government's target of 6.20% for the period. Good domestic harvest, low international commodity prices and political stability helped in keeping inflation manageable. Food inflation dived to 4.92% from 6.68% in the past fiscal. However, non-food inflation surged to 7.45% from 5.99% during the same period. The lagged impact of the new pay scale for government employees and upward adjustment of gas and electricity prices drove the non-food inflation higher; however, a cut in fuel prices in April helped in limiting the non-food inflation during May and June.

Export posted a healthy 9.72% growth in FY16 to reach USD 34.24 billion compared to USD 31.21 billion in FY15. The Ready Made Garments

(RMG) sector grew by 10.21% raking in USD 28.09 billion. During July-May period, import settlement grew marginally by 4.23% in FY16 to USD 36.66 billion from USD 35.17 billion in FY15. The sluggishness is primarily due to continued low oil prices and fall in food imports. In the first 11 months of the fiscal year, import of food grain and petroleum dropped by 26.34% and 28.90% respectively. During this period, capital machinery imports grew 12.87% against 20.76% in the previous fiscal, while industrial raw material increased by 2.61% against 3.52% a year earlier.

Bangladesh received wage earners' remittances equaling USD 14.92 billion in FY16 against USD 15.31 billion in the previous fiscal. The 2.55% drop in remittance has primarily been due to plunge in remittances from workers in the Middle East. The Gulf countries, which host a large Bangladeshi diaspora accounting for over 65% of Bangladeshi workers abroad has been bearing the brunt of continued low oil prices. This has led to lower spending on infrastructure and construction projects, which provides employment for most Bangladeshi workers abroad. In addition, the weakening of other currencies in some of these countries in the recent months also put a negative impact on inward remittance.

Country's FX reserves hit USD 30 billion marks for the first time in history in June, closing at USD 30.14 billion at the end of FY16, which is a whopping 20.45% higher compared to the reserves of USD 25.02 billion at the end of FY15. Higher current account surplus and higher foreign direct investment helped in growing the reserves. FDI flows increased 14.75% to USD 2.10 billion in FY16 from USD 1.83 billion in FY15. Reinvestment of profits earned by the foreign enterprises accounted for majority of the FDI flow, indicating long term commitment of investors.

Strong growth in exports and lull on the import side resulted in large influx of US Dollars during FY16. Bangladesh Bank purchased excess dollars from commercial banks in line with its monetary policy goals to maintain exchange rate stability and protect external competitiveness. Bangladesh Bank ramped up the purchase of greenback buying USD 4.13 billion from the commercial banks in FY16 against USD 3.76 billion during FY15. USD/BDT rate had been on the decline from the beginning of 2016 after a late surge during November and December 2015. There was a spike for a brief period in February 2016 backed by infrastructure related payments when USD/BDT increased to 78.75 from 78.50 in January. The demand for dollars subsided briskly in March with growing exports as the pair fell to 78.40 in early March, a level which has prevailed since then.

The weighted average call money rate has come down drastically during FY16 over the corresponding period last year. The plunge in rates primarily occurred from October 2015 when Central Bank suspended reverse-repo operations, which left the banks overburdened with liquidity amid low domestic private sector credit requirements. Although, the Central bank increased its 30 days bill bid acceptance, the lower rates compared to reverse-repo weighed on call money rates. In January 2016, Central Bank cut the repo rate from 7.25% to 6.75% and reverse-repo rate from 5.25% to 4.75% dragging down the overnight money market rates further.

During the FY16, the premier bourse, Dhaka Stock Exchange (DSE) remained dreary with sporadic uptrend while market turnover was stagnant. A trend of profit booking soon after a period of short rally was witnessed which limited the upward movement. Foreign portfolio investment turnover increased to BDT 35.94 billion during Jan-May 2016 posting a growth of 13.20% over BDT 31.76 billion during Jan-May 2015. However, net portfolio investment dropped to USD 250 million in FY16 from USD 618 million in the previous fiscal. The proportion of foreign portfolio investment compared to market volume

remained trivial. Overall, DSEX ended 2.64% lower from 2015 year end closing.

### Performance of Financial Sector in 2015-16

The Central Bank maintained policy continuity in formulating and implementing inclusive and investment friendly monetary policy. The main objective of Bangladesh Bank's pro-growth monetary policy is moderation and stabilization of CPI inflation alongside supporting output and employment growth. In the monetary policy for the second half of the FY16 (Jan-Jun), the target was set to keep inflation rate at 6.20%, which was 6.50% in the same period of FY15.

Due to the excess liquidity prevalent in the market, the interest rates continued to decline throughout the year. In June 2016, weighted average deposit rate for Scheduled Banks has gone down to 5.54% from 6.80% in June 2015. On the other hand weighted average lending rates of Scheduled banks also went down to 10.39% in June 2016, from 11.67% in June 2015. The interest rate spread also slightly reduced to 4.85% in June 2016 from 4.87% during the same time previous year which indicate that market lending rates and deposit rates decreased at similar pace. Understandably, amidst ample liquidity the overnight rates were relatively low. Call money rate went up slightly in Q1FY15 and reached as high as 5.71% (weighted average). Subsequently it continued to mostly decline for the rest of the FY and stood at 3.70% at the close of June 2016.

The ratio of non-performing loans (NPL), in both gross and net terms, increased at the end of Q3FY16 compared with end of Q2FY16. The ratio of gross NPL to total outstanding loans of the banking sector increased from 8.80% at the end of December 2015 to 9.90% at the end of March 2016. Gross NPL ratio for SCBs and PCBs increased from 21.50% and 4.90% respectively at the end of December 2015 to 24.30% and 5.80% at the end of March 2016. The ratio for FCBs decreased marginally from 7.80% to 7.50% while for SBs it has remained unchanged at 23.20% over the period. However when

compared to previous year's closing figure of 9.70%, the concentration of NPLs among banks has increased only marginally, signaling stability in the banking industry. The non-performing loan (NPL) ratio for NBFIs stood at 8.90% at the close of Q3FY16 compared to previous year's closing of 7.70%.

In Q3FY16, capital adequacy ratio (CAR) of the banking sector decreased marginally to 10.60% from 10.80% in Q2FY16 whereas a minimum of 10.00% is the regulatory requirement. Total risk weighted asset and minimum capital requirement of the banking sector as a whole grew by 2.50% and 2.20% respectively in Q3FY16 over Q2FY16 while total eligible capital increased by 0.40% during this period. However when compared to previous year's closing figure of 10.30%, the capital adequacy ratio (CAR) among banks has increased only marginally by 0.30%. The capital adequacy ratio (CAR) for NBFIs stood at 17.90% at the close of Q3FY16 compared to previous year's closing of 19.70%.

Among the profitability measures, return on assets (ROA) increased from 0.60% at the end of December 2014 to 0.80% at the end of December 2015. The ROA for SCBs improved from (-) 0.60% to (-) 0.04% while the ratio for the PCBs remained almost unchanged at 1.00% over this period. However, the ratio for SBs and FCBs decreased from (-) 0.70% and 3.40% respectively to (-) 1.20% and 2.90% during the same period. Like ROA, return on equity (ROE) of the banking industry also increased to 10.50% at the end of December 2015 from 8.10% at the end of December 2014. The ROE for SCBs, SBs and PCBs improved to (-) 1.47%, (-) 5.80% and 10.80% respectively in December 2015 from (-) 13.50%, (-) 6.00% and 10.30% at the end of December 2014. ROE of the FCBs decreased from 17.70% to 14.60% over the period. The aggregate ROA and ROE for NBFIs stood at 0.60% and 3.90% at the close of Q3FY16 compared to previous year's closing of 2.00% and 11.40% respectively.

During Q3FY16, the growth (year-on-year) of both deposits and advances speeded up compared to the previous quarter. The growth rate of deposits increased from 13.10% at the end of December 2015 to 13.40% at the end of March 2016. The growth of advances increased from 12.60% to 13.80% during this period. Nonetheless, the advance-deposit ratio (ADR) increased from 71.00% at the end of December 2015 to 71.50% at the end of March 2016 but still remained far below the maximum regulatory ceiling. The liquidity position of the banking sector as a whole was higher at the end of March 2016 than in June 2015; leading to ease in the money market conditions.

Government securities (G-sec) yields across all tenors had been decreasing October 2015 onwards following low domestic credit demand and excess liquidity in the market. The Central Bank's decision to cut the repo and reverse repo rates by 50 bps in January brought down the yields further. Yields started to rise from May onwards when Bangladesh Bank announced G-Sec primary auction calendar with higher borrowing requirements. In June, total primary G-Sec issuance increased to BDT 121.50 billion from BDT 69 billion in May. As per the calendar, the primary issuance in July is set at BDT 123.50 billion. The 91 days, 182 days and 364 days T-bill yields in June increased by 134 bps, 50 bps and 79 bps respectively over January. While the yield on 10 year bond slipped marginally by 10bps, the yields on 2 year, 5 year, 15 year and 20 year T-bonds surged by 9 bps, 16 bps, 56 bps and 86 bps over the same period.

Central Bank continued its reform activities this year with a core focus on ensuring financial stability and inclusion of the Banks, Non-bank Financial Institutions (NBFIs) and Micro Finance Institution (MFIs) operating in the market. It also increased its emphasis on increasing green financing. Bangladesh Bank has established a revolving fund titled "Green Transformation Fund" for an amount of USD 200 million to facilitate the relevant export oriented industries to transform

their conventional production systems with eco-friendly and energy efficient technology to meet the current global Environmental and Social (E&S) safeguards compliance standards. In light of the fraudulent activities related to ATM and credit cards, the regulator also advised banks to take a number of precautionary measures to ensure cyber security in the financial sector.

### Real Estate Industry Outlook and Possible Future Development

Riding on relative political stability, price corrections and declining interest rates, Bangladesh's real estate sector started a comeback this year after three years of continuous slump. Since 2012, the real estate sector has been in difficult times due to the intermittent political instability, squeezing of bank loans, a bearish stock market, and lack of adequate gas and electricity supply.

Real estate underwent a boom that reached its peak in 2009-10. Attracted by the boom, many new firms entered the industry and sparked unhealthy competition. But the bubble surpassed its sustainable limit, which leads to its inevitable burst come 2012. As a result, sales have dropped by between 30-50% in the last three years. Because of the slowdown, developers have cut down projects and a huge number of apartments have remained unsold. The number of unsold apartments multiplied by four times, from 3,018 units in 2010 to 12,185 units in 2014, according to the Real Estate & Housing Association of Bangladesh (REHAB), the industry lobby group. At present, the number stands at about 10,000 flats unsold.

After a prolonged bad time, the market is showing turnaround this year. Not that the market has boomed, but number of transaction increased in recent months due to price corrections, relatively stable political condition and lack of investment opportunities in other sectors. The interest rate for bank deposits is very low making it unattractive. Also the rate of home loans is all time low in the market. Taking advantage of these situations,

many customers are finally making deals with the realtors.

The real estate sector remained relatively slow compared to the boom of 2010 although demand is supposed to be on the way up thanks to the rising population of Dhaka city, as well as the rest of the country. As the 11<sup>th</sup> most populous city in the world, according to a United Nations report published in July 2014, the capital city had a population of 17 million the same year. The World Urbanisation Prospects report of 2014 stated that 2010 to 2015 alone saw a 3.60% annual rise in population in Dhaka. It predicts that Dhaka is set to becoming the world's 6th most crowded city by 2030, with a population above 27 million. So there will be huge demand for housing. There must be concerted efforts and policy level support from different government agencies to ensure affordable housing for such a large population.

### Product wise Performance

#### • Performance of Home Loan Operations

During FY 2015-16, interest rates on home loans have plunged to the lowest on record in a climb-down which gives realtors hope for a boom of the property market after a prolonged slump. Against the backdrop of the excess liquidity and rising NPLs prevailing in the financial market, banks are searching for relatively safe and potential investment areas. As a result, apart from the traditional market players, new entrants have entered the home loan market. The Private Commercial Banks (PCBs) and Non-Bank Financial Institutions (NBFIs) involved with home loans are engaged in a price war and have cut down their rates by approximately 3.00% to 5.00% when compared to that of a few years back.

As expected the rejuvenated home loan market has positively impacted our lending figures. Being a housing finance specialist DBH has forecasted the situation prudently and focused on extending its base of core retail clientele while



maintaining the asset quality. The Company's loan book in housing finance grew at a healthy pace of 15.04% to Taka 33.40 billion during the financial year while keeping gross NPL ratio at the level of 0.34% only. During the year, the gross interest income from the housing finance portfolio stood at Taka 3,789.84 million. DBH holds an adjustable rate home loan portfolio and the average rate of interest as well as the gross interest income on the home loan book is decreasing due to the strong downward shift in the market rate of interest.

Even though managing settlements ahead of schedule was a challenge this year, the disbursement figures experienced a hefty rise compared to last year and the Company has retained its position as the specialist housing financier with the largest market share in making new disbursements. Total approvals during the year stood at Taka 13,818.18 million as against Taka 7,715.05 million in the previous year showing a hefty growth by 79.11% from last year comparatives. Total disbursement has grown at a pace of 48.26% and at the end of FY 2015-16 was Taka 11,517.69 million as against Taka 7,768.69 million of preceding financial year. Since inception, it is the highest amount disbursed by the Company in a single year. During the year under review, a total of Taka 7,139.59 million was received by way of repayment of principal on loans through monthly installments and redemption ahead of schedule. Gross non-performing loans as of June 30, 2016 have been fully provided for, as required by Bangladesh Bank, DBH has a loan loss reserve amounting to 1% of standard loans & 5% of special mention accounts.

- **Performance of Deposit Portfolio**

Over the years DBH has established itself as one of the leading depository institution in the industry. The company has earned the trust of the clients by providing transparent & quality service. DBH has kept its focus on deposit collection as its main source of funding mechanism. As a result DBH has managed to fund over 80% of its home loan operations through deposit. At present

the Company offers a diverse deposit product line including Annual Income Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Easy Way Deposit, Children's Deposit, Easy Home Deposit, DBH Platinum Deposit and Day-wise Deposit. In compliance to the regulations of Bangladesh Bank the minimum tenure of the deposits is three months. These products are targeted towards various customer segments comprising of retail and corporate clientele.

At the close of June 30, 2016 the deposit portfolio of DBH stands at Taka 28,727.97 million with an interest payable worth another Taka 738.68 million. As the market shifts downward the rate of interest on the DBH deposit products have also decreased this year.

DBH also provides loan against deposits (LAD) to cater to its customers' urgent financial need. As of June 30, 2016, the LAD portfolio of DBH stands at Taka 170.20 million.

## **Recovery**

FY 2015-16 has been challenging in terms of containing the non performing loan (NPL) figures of the financial industry. At the close of June 30, 2015, the Gross NPL ratio for Banks and NBFIs were 9.70% and 7.70% respectively. Halfway through FY 2015-16, at end of December 31, 2015 the gross NPL ratio for both the sectors increased slightly and stood at 8.80% and 8.90%. However, at the end of 3rd Quarter the amount of aggregate classified loans stood at Taka 594.10 billion for bank which is 9.90% of the total outstanding loans of the banking sector. On the other hand, for NBFIs the amount stood at Taka 41.8 billion which is also 8.90% of the outstanding loans of all NBFIs operating in Bangladesh.

Under such circumstances, DBH has shown steady and resilient performance in maintaining asset quality. According to the classification policy of the Central Bank, at close of June 30, 2016 the NPL of the Company has marginally

increased to 0.34% from 0.30% at end of the preceding financial year. While aggregate NPL ratio for both Banks the NBFIs has gone up, DBH has been successful to restrain the increase to a minimum. Needless to say, this is by far the best figure in the financial industry.

### Funding Operations

Being one of the largest non-bank depository institutions of the industry, the funding composition of the Company has remained significantly reliant on the deposit portfolio. The deposit portfolio of the Company has stood at Taka 28,727.97 million.

The funding of our company comprises of both long term and short term sources of fund to efficiently manage our cost of fund. Term loan portfolio of DBH consists of funds received under Housing Loan refinance Scheme of Bangladesh Bank worth Taka 2,908.03 million, term loans received from international lenders like FMO worth Taka 31.33 million and loans sourced from local markets for Taka 2,056.38 million. Apart from that the shareholder's contribution in the funding mix is 3,608.75 million, which is almost 10.00% of total fund. The Company is continuously striving to source diversified avenues of funding to minimize its cost as well as asset-liability maturity & interest rate mismatch in the balance sheet.

**The funding status of DBH as of June 30, 2016 is presented below:**

Source	Amount in Million Taka
Deposits	28,727.97
Term loans	4,995.74
Equity	3,608.75

### Treasury Operations

In DBH, Treasury acts as a catalyst between the core functions of housing finance & deposit mobilization. Over the years the treasury wing of DBH has evolved from a day-to-day

fund managing unit to a core contributor in strategic decision making related to asset liability mismatch (ALM) and interest rate risk (IRR) mismatch management through in-depth market forecasting, internal liquidity projection and product re-pricing subject to regulatory constraints.

In FY 2015-16, the Central Bank maintained its balanced monetary policy stance with the focus on moderation and stabilization of CPI inflation alongside supporting output and employment growth. Healthy growth in export, increase in foreign direct investment and private sector's foreign-sourced loans coupled with relatively slower growth of import payments due to low petroleum price and lean investment scenario in the local market, has contributed further to an already liquid market. So, the Central Bank was again faced with the challenges of managing this excess liquidity. Weighted average interest rate of deposits and advances have continued to go down during the year but the interest rate spread remained almost same i.e., 4.87% in June 2015 to 4.85% a year later.

As there was sufficient liquidity in the market, the call money rates were also lower. From a weighted average rate of 5.79% in June 2015 it came down to 3.70% at the end of June 2016. During the FY15 the highest weighted average of interest rate for call money was 5.71% during September 2015. Understandably, the treasury department of DBH also had to optimize the funding mix ensuring maximum utilization of low cost funds to operate on a thin margin in a liquid market. With a view to cost minimization as the key objective, the treasury wing maintained its short position to access low cost fund from the inter-bank deposit market as well as the overnight market to reduce overall cost of fund and enhance treasury income. The treasury department contributed a significant portion of the interest income through investment activities during the FY16. Throughout the year the treasury department maintained a well-balanced liquidity position of the company by adhering to the rules and regulations of the Central Bank.

## Investments in Securities

The capital market of the country remained unstable in the financial year. The year ended with DSEX index at 4,507.58 on June 30, 2016 which stood at 4,583.11 at the end of the previous year. In accordance to the market situation DBH has continued to maintain a cautious investment policy. The capital market portfolio of the Company has stood at Taka 272.11 million as of June 30, 2016, due to the various positive adjustment during the year, the provision to this sector has come down to Taka 30.50 million as against of Taka 58.07 million last year.

In addition to that, the Company's outstanding investment in the fixed income securities i.e. in the redeemable preference shares reached at Taka 90.00 million, besides we have also invested Taka 14.5 million in the non-marketable securities. The company has earned Taka 7.05 million from the fixed income securities as on June 30, 2016.

## Human Resources

Being an organization which believes its human resources is one of its best investments, DBH focuses on hiring the right person for the right position and also concentrates on the proper development and motivation of the personnel. The Company places high emphasis on strategy for retention of performers as well.

DBH is committed to equal opportunity, unbiased treatment of all individuals based on job related qualifications. It is also committed to offering its employees fair compensation and benefits, continuous training & development, individual recognition and reward on the basis of merit, open communication, and effective feedback.

The Company's policy is to provide a working environment that is free from intimidation or harassment. To create the finest working environment, DBH assigns high priority to complying with employment rules and regulations

and respecting individual differences and opinions and preventing all forms of discrimination.

The Company never sacrifices its long-term advancement for short-term returns while recognizing the fact that healthy competition in the workplace stimulates personal and career growth, provided that it does not diminish the Company's collaboration, team spirit, or corporate performance as a whole.

It highly promotes the values that are shared across the Company and help to create positive role models of the behaviors and practices established as a whole.

DBH always encourages expression of ideas and concerns by the employees clearly and honestly in a timely and responsible manner and contribution of constructive criticism in order to make relationship with the employees and processes more efficient.

In a bid to keep up with the pace of ever changing business world with regard to altering business processes, embracing technological changes and meet up new compliance and regulatory requirements DBH undertakes training and development plan for its employees and arranges in-house functional training sessions as well as sends them over for attending third party training programs.

## Information Technology

DBH is always focused on automation of business processes and achieving higher operational efficiency through the usage of appropriate and cost-effective Information and communication technology (ICT) solution.

In the financial year, IT department has successfully enhanced network security through implementing VLANs, network firewall, intrusion prevention system (IPS), web and application filtering, up-to-date antivirus system etc. which ensures the confidentiality, security and availability

of information systems in today's highly cyber threatened world. Off-site loan approval system has been introduced which can be used by loan approvers through secured VPN from outside office premises. Centralized software system has been enhanced with new features like online purchase requisition, approval, payment automation, tracking of regulatory reporting, call money management, file movement tracking etc. which improved overall performance. Moreover queue management system has been implemented for better management of customer service. Also centralized e-mail communication is implemented which reduces printing requirements and ensures will easy and faster communication with the clients.

In the coming financial year, IT department will emphasize on real time effectiveness to upgrade the disaster recovery (DR) site as an active-active scenario.

### Internal Control system

DBH has adequate system of internal controls for business processes, with regard to operations, financial reporting, fraud control, compliance with applicable laws and regulations, etc. These internal controls and systems are devised as a part of the principles of good governance and are accordingly implemented within the framework of proper check and balances. Your Company ensures that a reasonably effective internal control framework operates throughout the organisation, which provides assurance with regard to safeguarding the assets, reliability of financial and operational information, compliance with applicable statutes, execution of the transactions as per the authorisation and compliance with the internal policies of the Company.

The internal audit adopts a risk based audit approach and conducts regular audits of all the branches/offices of the Company and evaluates on a continuous basis, the adequacy and effectiveness of the internal control mechanism, adherence to the policies and procedures of the Company as well as the regulatory and legal

requirements. The internal audit department places its findings before the Audit Committee of the Board of Directors at regular intervals. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening the control systems according to the changing business needs from time to time.

### Codes and Standards

The Company has adopted various codes, standards and policies set out by Bangladesh Bank and Bangladesh Securities and Exchange Commission including inter alia Know Your Customer (KYC) Guidelines, Anti Money Laundering Guideline, Asset Liability management Guideline, Directors Code of Conduct, HR Policies, IT Policies and Treasury Manual etc.

The Company has the mechanisms in place to review and monitor adherence to these codes and standards and ensure reporting and compliances as required.

### Credit Rating

Delta Brac Housing Finance Corporation Limited with its strong fundamentals has earned the highest credit rating award for the 10<sup>th</sup> (tenth) consecutive year. Credit Rating Agency of Bangladesh (CRAB) reaffirms AAA in the long term and ST-1 in the short term rating of Delta Brac Housing Finance Corporation Limited in its latest entity rating done based on the Company's year end financials of 2014-2015.

### Key operating and financial data of at least last preceding 5 (five) years

Key operating and financial data of last preceding 5 (five) years is shown under the heading of Operational Highlights and Financial Highlights in the page no. 21 of this annual report. Financial Highlights as required by Bangladesh Bank is also given in page no. 22 of this report.

## Contribution to National Economy

At DBH we believe that we have some responsibilities to the development of country where we operate our business and to the society where we belong. As a financial institute, DBH contributes to the economic prosperity by providing financial products and services to housing sector. Our total credit exposure reached to Tk. 33, 578.60 million as on June 30, 2016. We have extended loan to around 16,617 customers to meet their housing need, which is one of the basic needs of people.

DBH contribute to the national exchequer in the form of income tax, VAT & Excise duty. During the year 2015-16 company's contribution to the national exchequer is given below.

Taka in Million

Particulars	2015 -16	2014 -15
Income Tax paid on company's income	561.57	700.00
Tax collected at source on behalf of Government	286.93	290.64
Value Added Tax (VAT)	28.71	21.88
Excise Duty	29.31	21.90
Total	906.52	1,034.42

Creating employment has a vital impact on the economy and DBH employed as many as 221 employees as on June 30, 2016. Efficient workforce is very important for the organization as we as for the country. Keeping same in view, DBH has spent Tk. 0.65 million for training of its employees. During the year 2015-16, DBH has paid Tk. 274.11 million as salaries and allowances to its employees.

## Awards and Recognitions

### Annual Report 2014-2015 recognized by ICSB:

2<sup>nd</sup> ICSB National Award for Corporate Governance Excellence -2014 was declared on

10 November 2015 where a total of 28 corporate entities won the awards for complying with the Corporate Governance standards based on Securities and Exchange Commission's regulations, guidelines and transparent administration.

Among the awardees in the Non-Banking Financial Institutions category, Delta Brac Housing Finance Corporation Limited (DBH) secured the Bronze Crest.

## Contribution to the society during the year

DBH's responsibilities to the society are manifested in its activities, as a responsible corporate citizen, through its continuous effort to promote ownership of housing, wealth creation and also towards the improvement of the underprivileged of the society.

Corporate Social Responsibility policy of the Company was approved by the Board of Directors in line with the Bangladesh Bank's Guidelines on CSR with a view to engage the institution into a broad range of direct and indirect CSR activities including humanitarian relief and disaster response as well as to widening of advancement opportunities for disadvantaged population segments in the areas of healthcare, education and training as well as greening initiatives etc.

Consequently, during the year we took various projects under CSR fund for the common good of the disadvantaged population segments. The projects details are appended below:

- Blankets distribution among cold stricken poor people.
- Voluntary home building for a poor family at Dhamrai with the assistance of Habitat for Humanity International
- Health (Curative treatment of an individual patient)
- Sponsorship for Campaign for Popular Education (CAMPE)



- Voluntary home renovations for 5 (five) impoverished families at Gazipur with the assistance of Habitat for Humanity International.

### Highlights on Financial Performance

The comparatives on the financial performance of the Company for twelve-month period to June 30, 2016 are presented below:

(Figures in Million Taka)

Particulars	30-Jun-16	30-Jun-15
Operating revenue	4,487	4,569
Interest expenses	2,636	2,785
Operating expenses	398	346
Profit before provisions	1,453	1,438
Profit before tax	1,395	1,259
Net profit after tax	786	685

The operating profit for the period was Taka 1,452.82 million compared to Taka 1,437.76 million of same period of last year reflecting a growth of 1.05%. The Company has made PBT of Taka 1,394.57 million for the reviewed period ended as on June 30, 2016 as against the previous year's figure of Taka 1,259.39 million with a growth of 10.73%.

Operating revenue of the Company decreased by 1.78% over the last year's figure of Taka 4,568.83 million to Taka 4,487.31 million in twelve-month of FY 2015-16 due to decreasing interest rate. Interest income has gone down at the rate of 2.25% from the previous year whereas fees income increased by 27.33%. On the other hand interest expense has also decreased by 5.35% to Taka 2,636.37 million when compared to last year's figure of Taka 2,785.29 million.

As a result, net operating income of the Company has increased by 3.78% from corresponding period of last year. The net operating income stood at Taka 1,850.94 million compared to last year's figure of Taka 1,783.54 million.

### Change of Income Year

Since its inception, the income year of the Company was continuing and commencing from the first day of July and ends on the last day of June i.e. the period was of July- June. Currently, the Government through section- 9 of the Finance Act- 2015 introduced the concept of uniform income year, under which accounting period of all Banks, NBFIs and Insurance Companies shall be commencing from 1<sup>st</sup> day of January and ends on 31<sup>st</sup> day of December i.e. January –December period, and all other companies shall follow the period of July-June.

In order to comply with the said provision of Finance Act, the Board of Directors of the Company approved the change of the accounting year and in this regard, Bangladesh Bank also granted its no objection.

Accordingly, your Company will finalize its next accounts for a short period from July 1, 2016 to December 31, 2016 which will be audited and approved by the shareholders through an Annual General Meeting to be held on or before June 30, 2017.

### Corporate and Financial Reporting Framework

The Members of the Board, in accordance with the Bangladesh Securities & Exchange Commission's Notification no. SEC/CMRRCD/2006-158/134/ Admin/44 dated August 7, 2012; confirmed compliance with the financial reporting framework for the following:

- The financial statements prepared by the Management of DBH, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the issuer company have been maintained.
- 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.

- International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the issuer company's ability to continue as a going concern.

### Going Concern

The financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Board of Directors of DBH has made annual assessment about whether there exists any material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern, including review of budget and future outcome of inherent uncertainties in existence.

Based on the different indications, Directors feel it appropriate to adopt going concern assumptions and no material uncertainty exists in preparing the financial statements.

### Board Meetings and Attendance by the Directors

Attendance by the Directors in the Board are summarized and given in Annexure-i and the fees paid to them for attending the Board Meeting during the year is given in Annexure-ii of this report.

### Shareholding Pattern

Shareholding patterns of the Company as at the end of the year 2015-2016 is shown in Annexure-iii of this report.

### Proposed Dividend

The Board of Directors at the time of considering the annual accounts have recommended @ 35% dividend (30% cash and 5% stock i.e. Tk. 3.00 per share as cash dividend and 1 (one) full share against every 20 shares held), for the year ended June 30, 2016 from the distributable profits of the Company, which is to be approved by the shareholders in the forthcoming AGM.

### Directors' Appointment & Re-appointment

The present Directors of the Company are named in pages 10 to 18 of this report.

In accordance with the Article No. 106 of the Articles of Association of DBH, the following Directors will retire in the 20th Annual General Meeting by rotation and being eligible for re-election, they are seeking re-election to the Board.

- Mr. Faruq A Choudhury (representing BRAC)
- Mr. Nasir A Choudhury (representing GDICL)
- Ms. Adeeba Rahman (representing DLICL)

### Disclosure of information in case of the appointment /re-appointment of the Directors

- a) Brief resume of the Directors are included in page nos. 10 to 18 of this Annual Report
- b) Nature of the expertise of the Directors are also disclosed in the brief profiles
- c) Name of the Directors and entities in which they have interest as Directors are also disclosed in the brief profiles as well as in the notes no. 38.1 of the Financial Statements.

### Appointment of Auditors

M/s. S F Ahmed & Co. Chartered Accountants have been serving DBH for last one year as external auditors and will retire in the forthcoming AGM. According to the Bangladesh Bank as well as BSEC's rules, they are eligible for re-appointment for the next financial period. As the next financial period of the Company will be a short period i.e. July 1, 2016 to December 31, 2016 to facilitate to comply with the provision of Finance Act-2015 i.e. to follow the uniform income year, accordingly, the auditor will be re-appointed for the stated period i.e. for the six months.

As a result, the Board recommended their re-appointment for the period of July, 2016 to December, 2016 with a proportionate fee of Tk. 175,000.00 plus VAT and Bangladesh Bank has also accorded its consent for the re-appointment. The matter will be placed before the shareholders in the forthcoming AGM for approval.

### Corporate Governance

As a listed housing finance company (DBH) with 19 years of compliant history, DBH has a strong institutional framework to meet the regulatory requirement of Corporate Affairs. DBH's experienced Board maintains an overview on the Company through the Supervisory Committees. In addition to bringing valuable perspective to the Board, DBH's independent directors contribute meaningfully through their roles within the committees.

DBH understands sound corporate governance and its importance in retaining and enhancing investors trust. The Company's commitment to values and performance is driven by transparency and integrity, which goes a long way in achieving the top position. It adheres to the core values of credibility and accountability to serve its stakeholders with passion and commitment. Its values and transparent processes act as a catalyst in growth.

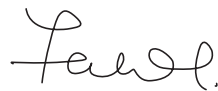
Pursuant to the BSEC's Corporate Governance Guidelines, the following statements are appended as part of this Annual Report:

- (i) Audit Committee Report to the Shareholders;
- (ii) Statement on Financial Statements by Chief Executive Officer (CEO) and Head of Finance;
- (iii) Report on the Corporate Governance; and
- (iv) Certificate regarding compliance of conditions of Corporate Governance.

### Acknowledgement

The Board of Directors of the Company would like to extend their sincere thanks and gratitude to its stakeholders for assistance and guidance from time to time. The Directors of the Company acknowledge their gratitude to its customers, financiers, Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and other regulatory authorities for their guidance and support to the Company and the co-operation extended by the Auditors, and the devoted efforts put in by the Company's employees at all levels to uphold the Company's performance.

For and on behalf of the Board of Directors.



**Faruq A Choudhury**  
Chairman

# Directors' Meeting & Attendance

## Annexure-i

- During the financial year under reporting total five Board Meetings were held and the attendance of the Directors are noted below:

Name of Directors	Nominated by	Total Meeting	Meeting Attended	Change during 2015-2016	
				Date of Board Acceptance	
				Joining	Nomination withdrawn/ changed
Mr. Faruq A Choudhury, Chairman	BRAC	5	4	-	-
Mr. Nasir A. Choudhury	Green Delta Insurance Company Ltd.	5	5	-	-
Mr. Rajeev Sardana, FCA	HDFC Investments Ltd.	3	1	-	24-04-2016
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	5	5	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	5	3	-	-
Mr. Swapan Kumar Sarkar, FCA	Delta Life Insurance Company Ltd.	5	5	-	-
Ms. Adeeba Rahman, ACIL-Life	Delta Life Insurance Company Ltd.	5	5	-	-
Dr. A M R Chowdhury	BRAC	5	3	-	-
Mr. M I Chowdhury	Independent Director	5	5	-	-
Ms. Syeda Rizwana Hasan	Independent Director	2	2	-	29-09-2015
Dr. A K A Mubin	Independent Director	3	3	29-09-2015	-

# Directors' Remuneration

## Annexure-ii

- The Statement of remuneration paid to the Directors during the financial year under reporting are noted below:

Name of Directors	Board		Executive Committee		Audit Committee		Total Fees Paid
	Attendance	Fees	Attendance	Fees	Attendance	Fees	
Mr. Faruq A Choudhury, Chairman	4	26,000	0	0	4	26,000	52,000
Mr. Nasir A. Choudhury	5	31,000	0	0	4	26,000	57,000
Mr. Rajeev Sardana, FCA	1	5,000	0	0	0	0	5,000
Mr. A Z Mohammad Hossain	5	31,000	0	0	4	26,000	57,000
Ms. Mehreen Hassan, Bar- at- Law	3	18,000	2	13,000	0	0	31,000
Mr. Swapan Kumar Sarkar, FCA	5	31,000	0	0	4	26,000	57,000
Ms. Adeeba Rahman, ACII-Life	5	31,000	2	13,000	0	0	44,000
Dr. A M R Chowdhury	3	18,000	2	13,000	0	0	31,000
Mr. M I Chowdhury	5	31,000	0	0	4	26,000	57,000
Ms. Syeda Rizwana Hasan	2	10,000	0	0	0	0	10,000
Dr. A K A Mubin	3	21,000	0	0	0	0	21,000
<b>Total</b>	<b>-</b>	<b>2,53,000</b>	<b>-</b>	<b>39,000</b>	<b>-</b>	<b>1,30,000</b>	<b>4,22,000</b>



# Pattern of Shareholdings

as on 30<sup>th</sup> June 2016

## Annexure-iii

### (i) Shareholding Status of Sponsors/ Directors:

Name of the Shareholders	No. of Share(s) held	Percent (%)
BRAC	21,339,630	18.39
Delta Life Insurance Company Limited	20,456,500	17.63
Green Delta Insurance Company Limited	17,761,727	15.31
Mr. Faruq A Choudhury	23	0.00
Dr. Salehuddin Ahmed	23	0.00

### (ii) Shareholding status of Directors/CEO/CS/CFO/Head of Internal Audit & their spouses & minor children:

Name of the Directors	Nominated by	No. of Share(s) held	Percent (%)
Mr. Faruq A Choudhury, Chairman	BRAC	23	0.00
Mr. Nasir A. Choudhury	Green Delta Insurance Company Ltd.	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	-	-
Mr. Swapan Kumar Sarkar, FCA	Delta Life Insurance Company Ltd.	-	-
Ms. Adeeba Rahman, ACII-Life	Delta Life Insurance Company Ltd.	-	-
Dr. A M R Chowdhury	BRAC	-	-
Mr. M I Chowdhury	Independent Director	-	-
Dr. A K A Mubin	Independent Director	-	-

Name of the Executives	Status	No. of Share(s) held	Percent (%)
Mr. Q. M. Shariful Ala, FCA	Managing Director & CEO	-	-
Mr. Syed Aminul Islam	Head of Finance	-	-
Mr. Jashim Uddin, FCS	Vice President & Company Secretary	-	-
Mr. Shihabuddin Mahmud	In-charge, Internal Audit	-	-

(iii) Top five salaried persons other than CEO, CFO, CS & HIA

Name of the Executives	Status	No. of Share(s) held	Percent (%)
Mr. Nasimul Baten	EVP & Head of Operations	-	-
Mr. Hassan I. Yussouf	EVP & Head of Information Technology	-	-
Mr. A. K. M. Tanvir Kamal	EVP & Head of Credit	-	-
Mr. Tanvir Ahmad	EVP & Head of Human Resources	-	-
Mr. Saiyaf Ejaz	SVP and Head of Recovery, Customer Services & Administration	-	-

(iv) Shareholders holding 10 % or more voting interest in the Company:

Name of the Shareholders	No. of Shares held	Percent (%)
BRAC	21,339,630	18.39
Delta Life Insurance Company Limited	20,456,500	17.63
Green Delta Insurance Company Limited	17,761,727	15.31