



Everyone's Address to a Secured Future



**HIGHEST SAFETY  
DBH DEPOSITS**

- Lowest Nonperforming Loans amongst all Financial Institutions in Bangladesh
- Largest Home Financier - TK.10,000 crore + disbursed
- Deposit Portfolio - Tk.4330 crore +
- 22 Years of Excellence
- Highest AAA credit rating for 13 consecutive years



DBH Fixed Deposits

16562 | website: [www.deltabrac.com](http://www.deltabrac.com)





Everyone's Address  
to a **Secured Future**



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# Letter of Transmittal



**All Shareholders**

Bangladesh Bank  
Registrar of Joint Stock Companies & Firms  
Bangladesh Securities & Exchange Commission  
Dhaka Stock Exchange Ltd.  
Chittagong Stock Exchange Ltd.  
M/s. Aziz Halim Khair Choudhury, Chartered Accountants  
Chairman, Audit Committee

Dear Sir/Madam,

**Re: Annual Report for the year ended December 31, 2018.**

We are pleased to enclose a copy of the Annual Report together with the audited financial statements including balance sheet as at December 31, 2018, profit and loss account, cash flow statement and statement of changes in equity for the year ended on that date along with notes thereon for your kind information and record.

Thank you.

Yours sincerely,

**Jashim Uddin, FCS**  
Company Secretary

# Notice of the 23<sup>rd</sup> Annual General Meeting



Notice is hereby given that the **23<sup>rd</sup> Annual General Meeting** of the Shareholders of the Company will be held on **March 31, 2019 (Sunday)** at 10.30 a.m. at 'Delta Life Conference Hall', Delta Life Tower (13<sup>th</sup> Floor), Plot # 37, Road # 90, Gulshan Circle-2, Dhaka-1212 to transact the following businesses:

1. Consideration and adoption of Directors' Report, Audited Financial Statements for the year ended December 31, 2018 and the Auditors' Report thereon.
2. Declaration of dividend for the year ended December 31, 2018.
3. Appointment/re-appointment of Directors.
4. (a) Re-appointment of statutory auditors and fixation of their remuneration;  
(b) Appointment of a professional for the year 2019 to provide the certificate on compliance on the Corporate Governance Code of BSEC, as well as fixation of their remuneration.

By order of the Board

Sd/-  
**Jashim Uddin, FCS**  
Company Secretary

March 11, 2019

## Notes:

- a. Members whose name appeared on the Depository/Members Register as on "Record Date" i.e. **March 04, 2019** are eligible to attend the Annual General Meeting (AGM) and receive dividend.
- b. A Member may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 89(i) of the Articles of Association. The proxy form, duly completed and stamped at Tk. 20.00, must be deposited at the office not later than 48 hours before the time scheduled for holding the meeting and in default, Form of Proxy will be treated as invalid.
- c. Link of the web address has been sent to the Shareholders to their respective e-mail address to download the Annual Report. Shareholders may also find the annual report in the Financial Report section of the Company's website: **www.deltabrac.com**.
- d. The concerned Merchant Banks and all Depository Participants (DPs) are requested to provide the soft/hard copies of the list of margin clients along with the bank details of the company to the following email address: **sajed@deltabrac.com**/share office of the Company for entitlement of dividend.
- e. The concerned Trustee Board of approved superannuation fund, pension fund, gratuity fund, recognize provident fund and workers participation fund are requested to provide us updated tax rebate certificate on or before **March 20, 2018** through mail/courier.

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের নির্দেশনা অনুযায়ী আসন্ন বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার/কোন ধরনের কুপন প্রদানের ব্যবস্থা থাকবে না।

## Core Values



### Corporate Profile

Delta Brac Housing Finance Corporation Ltd. (DBH) is the pioneer, largest and specialist in Housing Finance Institution in the private sector of the country. After commencing operation in 1996 the company has registered commendable growth in creating home ownership in Dhaka and other major cities of the country. At the same time, the company has been playing an active role in promoting the real estate sector to the large cross sections of prospective clients who had but yet unfulfilled dream of owning a home.

Among all Banks and Financial Institutions of Bangladesh only DBH has been rated the highest 'AAA' credit rating for thirteen consecutive years. The level of credit rating provides a very important indication of the financial safety, security and strength of the concerned Bank or Financial Institution and is particularly relevant to its depositors and other investors such as shareholders and lenders.



### Corporate Responsibility

DBH is recognized as a responsible corporate citizen for its continuous effort to promote ownership of housing, wealth creation and also towards the improvement of the underprivileged and weaker sections of the society. DBH is committed to participate in ventures for improvement of our society by taking development initiatives which contribute to the country's rich cultural heritage.





## Mission

To strengthen the society of the country by continually expanding home ownership.



## Vision

To be the leading financial institution in the country with satisfied customers and employees and to generate value for our shareholders while contributing to the well being of the society.



## Strategic Objectives

- Focus on building deep and long-standing relationships with our clients, customers as well as real-estate developers, and constantly look to improve the quality of our products and services.
- Focus on developing our human resource talents.
- Ensure balanced growth with a disciplined approach to the management of risks and costs.
- Ensure adequate capital and liquidity to sustain our business over the long term.



## Competitive Strengths

DBH is the major player in the housing finance sector in Bangladesh since 1997 and remains one of the leading non-bank financial institutions. Today, we are an acclaimed brand for a high level of customer service; and respected for ethics, values and corporate governance.

We have developed an attractive suite of products that cater to all customer segments, with our primary focus to strengthen the society by expanding home ownership. By leveraging our understanding of customers from different economic segments, we are today in a position to extend a range of products and services in loans as well as deposits through our specialized team members. Thus, we provide one stop facility for our customer needs.



# Corporate Directory



## Head Office

Landmark Building (9<sup>th</sup> Floor)  
12-14 Gulshan North C/A, Gulshan-2, Dhaka-1212  
PABX: 09612 334455, +880 (2) 9842374, 58816001, 9882112, Fax: + 880 (2) 9882110

Corporate Website: [www.deltabrac.com](http://www.deltabrac.com)

Corporate e-mail: [dbh@deltabrac.com](mailto:dbh@deltabrac.com)

DBH Customer Center: 16562 or 09612 222888

## Branches

### Dhanmondi Branch

Pantha Plaza (1<sup>st</sup> Floor), 63/A Lake Circus, Kalabagan  
(West Panthapath), Dhaka-1205  
PABX: 09612 334455, +880 (2) 8130906, 9124112,  
58155745, Fax: +880 (2) 8117264

### Uttara Branch

Union Nahar Square (4<sup>th</sup> Floor),  
Plot- 19, Sonargaon Janapath Road  
Sector 13, Uttara, Dhaka-1230  
PABX: 09612 334455, +880 (2) 8933057, 8991580  
Fax: +880 (2) 8991538, Ext.-107

### Gazipur Branch

Reaz Tower (2<sup>nd</sup> floor), Tangail Road,  
Joydebpur Chowrasta, Gazipur City Corporation,  
Gazipur -1702  
PABX : 09612 334455, 09612 334520

### Agrabad Branch

Makkah Madinah Trade Centre (MMTC)  
6<sup>th</sup> floor (South side)  
78 Agrabad Commercial Area, Chattogram  
PABX : 09612 334455, 09612 334650

### Sylhet Branch

19/A, Kumarpara Road, (1<sup>st</sup> Floor)  
Kumarpara, Sylhet, PABX: 09612 334455  
+ 880 (821) 722489, 722490

### Motijheel Branch

D R Tower (7<sup>th</sup> Floor), 65/2/2, Purana Paltan,  
Box Culvert Road, Dhaka-1000  
PABX: 09612 334455, +880 (2) 47111774,  
47111778, 9565053, Fax: +880 (2) 9554269

### Savar Branch

MK Tower (4<sup>th</sup> floor), B-16/1, Jaleshwar  
Shimultola, Savar, Dhaka  
PABX: 09612 334455, 09612 334500

### Chattogram Branch

BMA Bhaban (5<sup>th</sup> Floor)  
1367, CDA Avenue, GEC Circle, Chattogram  
PABX: 09612 334455, +880 (31) 2551224-6  
Fax: +880 (31) 2551227

### Cumilla Branch

Trical Tower (1<sup>st</sup> Floor)  
House # 634/581, Laksham Road, Cumilla-3500  
PABX: 09612 334455, 09612 334700

## Bankers

Citibank, N.A.  
Commercial Bank of Ceylon PLC  
Dhaka Bank Limited  
IFIC Bank limited  
NRB Bank Limited

Prime Bank Limited  
Pubali Bank Limited  
Standard Chartered Bank  
Standard Bank Limited  
Woori Bank Limited

## Auditors

### M/s. Aziz Halim Khair Choudhury

Chartered Accountants  
Phulbari House, House # 25, Road # 1, Sector # 9, Uttara Model Town, Dhaka-1230

# Board of Directors



**Mr. Nasir A. Choudhury**  
Chairman

**Dr. A M R Chowdhury**  
Vice Chairman

**Mr. A Z Mohammad Hossain**  
Director

**Ms. Mehreen Hassan**, Bar-at-Law  
Director

**Mr. Md. Mujibur Rahman**  
Director

**Mr. Md. Sayeed Ahmed**, FCA, ACMA, CGMA  
Director

**Mr. Mohammed Irfan Syed**  
Director

**Ms. Rasheda K. Choudhury**  
Independent Director

**Major General Syeed Ahmed**, BP, awc, psc (Retd.)  
Independent Director

**Mr. Quazi Mohammad Shariful Ala**, FCA  
Managing Director & CEO



## Profile of the **Board of Directors**



**Nasir A. Choudhury**  
Chairman

**M**r. Nasir A. Choudhury is the Chairman of the Board of Directors of the Company.

Mr. Choudhury is acting as Advisor of Green Delta Insurance Company Limited (GDIC). He is in the insurance profession for over the last 50 years and was the Founding Managing Director of GDIC.

After obtaining his Masters Degree from the University of Dhaka, he started his career in Karachi in the then Pakistan Insurance Corporation in 1958. Mr. Choudhury received advanced training in insurance and reinsurance from UK and Germany during 1961 and 1962. After the liberation of Bangladesh, he was responsible for arranging reinsurance for the newly established Bangladesh Insurance Corporation and subsequently for Sadharan Bima Corporation as General Manager. Mr. Choudhury was the Managing Director of GDIC since its inception (01-01-1986) until his retirement in May 2013.

Mr. Choudhury is an executive committee member of the Federation of Afro-Asian Insurers & Reinsurers (FAIR). He was the Honorable Insurance Advisor of Bangladesh Biman and Bangladesh Shipping Corporation

for decades. He was the Chairman of Bangladesh Insurance Association, the official body of all the private sector insurance companies of the country from 2001 to 2005.

Mr. Choudhury is the Chairman of Green Delta Securities Ltd., Green Delta Capital Ltd. & GD Assist Ltd. He is one of the Sponsor of Union Capital Limited and Director of United Hospital (Pvt.) Limited and Managing Director of Nascom (Pvt.) Ltd. Mr. Choudhury is also the Member of Governing Body of Bangladesh Insurance Academy.

He was honored with "Lifetime Achievement Award" by The DHL-Daily Star in April 2010 for his outstanding contribution towards the development of the insurance industry in Bangladesh. His other notable awards include: Lifetime Achievement Award by Asia Insurance Review as the first Bangladeshi Insurer, Mother Teresa International Award for contributions as a Social Worker, Honesty Award by Campus and Golden Award by Jalalabad Association.

He has been a Director of DBH, nominated by Green Delta Insurance Company Limited, since 1996 and Chairman of DBH since May 2017.



**Dr. A M R Chowdhury**  
Vice Chairman

**D**r. Mushtaque Chowdhury is the Vice Chair of BRAC, the world's largest non-governmental organization. Previously, he was its Deputy Executive Director, founding Director of the Research and Evaluation Division and founding Dean of the James P. Grant School of Public Health. Dr. Chowdhury is also a Professor of Population and Family Health at the Mailman School of Public Health of Columbia University in New York. During 2009-12, he worked as the Senior Adviser to the Rockefeller Foundation, based in Bangkok, Thailand. He also served as a MacArthur Fellow at Harvard University. Dr. Chowdhury holds a PhD from the London School of Hygiene and Tropical Medicine, an MSc from the London School of Economics and a BA (Hon's.) from the University of Dhaka. Dr. Chowdhury had been awarded the prestigious "Medical Award of Excellence" in the year 2017 by US-based Ronald McDonald House Charities (RMHC) for his outstanding contribution to improving health and ensuring wellbeing of children.

Dr. Chowdhury was a coordinator of the UN Millennium Task Force on Child Health and

Maternal Health, set up by the former Secretary General Kofi Annan. He is a co-recipient of the 'Innovator of the Year 2006' award from the Marriott Business School of Brigham Young University in USA and in 2008 he received the PESON oration medal from the Perinatal Society of Nepal. Dr. Chowdhury has published over 150 articles in peer-reviewed international journals including the International Journal on Education, the Lancet, the Social Science & Medicine, The Scientific American and the New England Journal of Medicine.

Dr. Chowdhury is a founder of the Bangladesh Education Watch and Bangladesh Health Watch, two civil society watch-dogs on education and health respectively. He is on the board and committees of several organizations and initiatives, including: Board of Trustees of BRAC University in Bangladesh, and head Group of Scaling up Nutrition (SUN) Movement set up by UN Secretary General.

He has been a Director of DBH, nominated by BRAC, since February 2015 and Vice-Chairman of DBH since May 2017.



**A Z Mohammad Hossain**  
Director

**M**r. A Z Mohammad Hossain after obtaining LL.B degree in 1963 was enrolled as an advocate in the then High Court. He went to the UK for higher studies in the same year.

In 1971 he joined the liberation movement in the UK and became the convener of “Bangladesh Students Action Committee” in the UK. At the request of the then Bangladesh Mission to UK Late Justice Abu Sayeed Chowdhury, he along with 3 others attended and lobbied for Bangladesh at the Inter-Parliamentary Conference

held in Paris. He was also sent by Late Justice Abu Sayeed Chowdhury for the same purpose, to attend the Pug Wash Conference held at Siania, Romania. He returned to Bangladesh in 1995 and took the office of Managing Director of Chandra Spinning Mills Ltd.

He has been a Director of DBH, nominated by Green Delta Insurance Company Limited, since June 2012.





**Mehreen Hassan,** Bar-at-Law  
Director

**M**s. Mehreen Hassan is a Barrister-at-law and Advocate practicing in the High Court Division of the Supreme Court of Bangladesh. Her areas of practice (both litigation and advisory matters) involve mostly Corporate and Commercial laws. She has experience working with several banks and insurance companies on matters involving Banking, Insurance laws and Securities laws. She also practices in the areas of International Arbitration, Admiralty matters, Constitutional and Administrative laws.

Ms. Hassan obtained her Bar-at-law degree from City University, UK in the year 2007 and is a member of the Lincoln's Inn, UK. She completed a mini-pupilage with

Staple Inn Chambers in London prior to returning to Bangladesh in 2007. She is a member of the Dhaka Bar Association and the Supreme Court Bar Association of Bangladesh and also participates in various social and charitable activities through her association with Zonta International Dhaka.

Ms. Hassan has been a Director of DBH, nominated by Delta Life Insurance Company Limited, since June 2012.



**Md. Mujibur Rahman**  
Director

**M**r. Md. Mujibur Rahman was born in 1952 in a respectable Muslim family. He did his B.Com (Hons) and M.Com from the University of Dhaka in 1972 and 1973 respectively. Mr. Rahman was a Director and also a Member of the Audit Committee of Delta Life Insurance Company Limited from May 23, 2012 to September 07, 2014. Beside regular academic education, he participated in various professional courses and seminars at home and abroad. His area of work experience ranges from Management and Administration in Accounts, Finance, Internal Audit, Procurement and Supply Chain and Contract and Commercial Legal Affairs since 1975 in the fields of hospitality, readymade garments and

real estate development. He is presently working as the Executive Director of Shanta Holdings Limited. He is a Director of Shanta Securities Limited and also a member of the Board of Trustees and General Secretary and Treasurer of the philanthropic nonprofit healthcare provider "Centre for Woman and Child Health (CWCH)", a Specialized Hospital dedicated for the treatment of mostly under privileged women & children, operating at EPZ Bypass Road, Ashulia, Savar, Dhaka.

He has been a Director of DBH, nominated by Delta Life Insurance Company Limited, since December 2017.



**Md. Sayeed Ahmed, FCA**  
Director

**M**r. Md. Sayeed Ahmed is a finance and business professional. An experienced banker, Mr. Ahmed now working with Delta Life Insurance Company Limited as Additional Managing Director and Chief Financial Officer. Before joining Delta Life Insurance Company he was working as Deputy Managing Director and Chief Risk Officer of Pubali Bank Limited. During his long career in finance and banking sector, he has got experience in financial administration, credit risk management, treasury management, investment management, core risk management, structured financing and triple bottom line management.

He has completed his B.Com (Honors), Masters and got first class from Department of Accounting and Information

Systems, Dhaka University. He has also MBA credential from IBA, Dhaka University.

Mr. Ahmed is a fellow member of the Institute of Chartered Accountants of Bangladesh and an associate member of the Chartered Institute of Management Accountants (CIMA), UK. He is also a Chartered Global Management Accountant (CGMA). He is an IFRS expert and ICAEW (Institute of Chartered Accountants in England and Wales) trainer in Bangladesh for Advance Level subjects of ACA program. He is also a Director of DLIC Securities Limited.

He has been a Director of DBH, nominated by Delta Life Insurance Company Limited, since December 2017.





**Mohammed Irfan Syed**  
Director

**M**r. M. Irfan Syed received his Bachelor's in Commerce from Dhaka University and his Master's in Business Administration from California University in USA. He also earned a Diploma in Advanced Accounting from the University of Maryland, USA. Mr. Syed started his career with Banque Indosuez, Dhaka in 1986 and then moved to Hong Kong in 1988 to take up a position in international trade finance with the Bank of Credit & Commerce HK Ltd. In 1991 he again returned to Banque Indosuez to join their trade finance team in Dhaka. He left international banking to start his own textile trading company in 1993 &

subsequently joined Beximco Textiles Division in 1995 to organize their marketing & commercial departments, and was later appointed as Head of their Garments Division. In 2001 he moved to USA and worked as an accountant and business head for several non-profit organizations. After almost a decade, Mr. Syed returned to Bangladesh and joined Bank Asia Ltd. to serve from 2010 to 2018 as a Member, Board of Directors and Chairman of the Risk Management Committee.

He has been a Director of DBH, nominated by BRAC, since December 2018.

**Rasheda K. Choudhury**  
Independent Director



**M**s. Rasheda K. Choudhury is the Executive Director of CAMPE, a network of more than a thousand education NGOs, researchers and educator groups in Bangladesh. It is well known for its evidence based advocacy, pro-people campaigns and capacity to mobilise thousands of people particularly at the grassroots level.

Ms. Rasheda is also Member-Secretary of Education Watch, the largest academia-civil society joint initiative that regularly reviews the status of Education in Bangladesh. It has earned wide recognition at home and abroad and inspired Watch initiatives, at the courtesy of GCE and in cooperation with ASPBAE and ANCEFA, in other countries of Asia-Pacific and Africa regions.

Ms. Rasheda is Co-Founder of the Global Campaign for Education (GCE), a civil society movement working to end the global education crisis, operating in almost 100 countries. She is currently the elected Vice-President of GCE. Rasheda is also an elected Member of the CCNGO Coordination Group of UNESCO.

She has been nominated to represent global civil society in the Technical Cooperation Group (TCG) of UNESCO Institute of Statistics (UIS) that has been

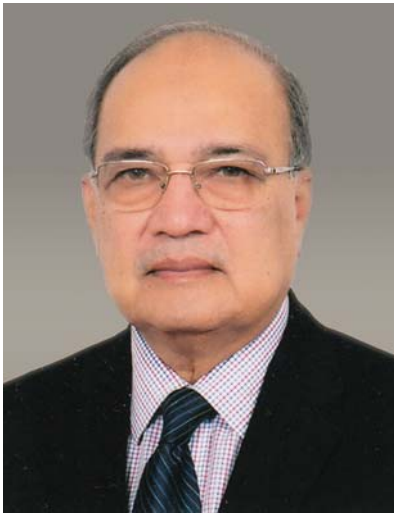
assigned by the UN to work on indicators of SDG-4.

Ms. Rasheda is currently a member of the Consultative Group of ERD (CGE), Government of Bangladesh.

In 2008, Rasheda became an Adviser (Cabinet Minister) to the Interim Non-party Caretaker Government of Bangladesh. Serving in that position involved high-level decision making, particularly in the Ministries of Primary and Mass Education, Cultural Affairs, Women and Children Affairs. Her involvement in the government's decision-making process, even for a short period, has gained recognition for the education campaigners in the country. The pro-learner, pro-quality reforms that she introduced were later accepted and continued by the elected government.

She regularly writes in national newspapers and participates in debates of national and international significance relating to development issues particularly on the right to education, gender justice and inclusive development.

Ms. Rasheda is also an Independent Director of DBH, since December 2017.



**Major Gen. Syeed Ahmed, BP, awc, psc (retd)**  
Independent Director

**M**ajor General Syeed Ahmed BP (retd), is a freedom fighter of the Liberation War of 1971. He served thirty three years in Command, Administrative and Management positions and acquired experience at various echelons of Bangladesh Army and also in later years, in diplomatic postings, as Ambassador and High Commissioner to Kuwait and Kenya.

During his tenure in the military he served as the Principal Staff Officer at the Armed Forces Division under the current Prime Minister. Armed Forces Division operates directly under the Prime Minister as the highest coordinating Headquarters for the three Services (Army, Navy and Air Force) of the Bangladesh Armed Forces. At the Army Headquarters level as Director Military Operations he oversaw the world wide deployment of Bangladesh Armed Forces in UN Peace Keeping Operations.

During his tenure he commanded Divisions, Brigades and Battalions in the field, which included serving as the General Officer Commanding (GOC) of the 19th and the 9th Infantry Division respectively.

He attended Army War College (awc) at Carlyle, Pennsylvania, USA, and National Defense University at Beijing, China.

He is a BA (Honours) graduate in General History from University of Dhaka and completed his SSC and HSC from Faujdarhat Cadet College.

He had served as Advisor and CEO of BRACNet Limited, an Internet Service Provider Company, a joint venture between BRAC of Bangladesh, Defta Partners of USA and KDDI Corporation of Japan.

Mr. Syeed Ahmed is also an Independent Director of DBH, since December 2018.





**Quazi Mohammad Shariful Ala**  
Managing Director & CEO

**M**r. Quazi Mohammad Shariful Ala is the Managing Director & CEO of the Company.

Mr. Ala graduated with a BSc (Economics) first class honours degree from the London School of Economics (LSE), University of London in 1981. He joined the London office of Price Waterhouse in 1981 and qualified as a member of the Institute of Chartered Accountants in England & Wales in 1984. Whilst working at Price Waterhouse, he had exposure to several large multinationals, including Shell Oil and JP Morgan. He is also a fellow Member of the Institute of Chartered Accountants of Bangladesh. Prior to joining DBH in 1997, he was the Finance Director of Green Delta Insurance Company Limited, one of the corporate sponsors of DBH.

He has extensive finance and corporate management experience, primarily in the financial services sector, both in Bangladesh and in the United Kingdom. He has served as a non-executive Director on the Boards of several prominent companies, including BRAC Bank Limited and is also presently in the Board of MJL Bangladesh Limited, Omera Fuels Limited, Omera Petroleum Limited, Unicap Securities Limited and Omera Cylinders Limited.

Mr. Ala has led the executive management team of DBH as the Managing Director & CEO, since 1997.



# Board Committees



## Audit Committee

Major Gen. Syeed Ahmed, BP, awc, psc (Retd.)  
Chairman

Dr. A M R Chowdhury  
Mr. A Z Mohammad Hossain  
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA  
Mr. Md. Mujibur Rahman

## Executive Committee

Ms. Mehreen Hassan, Bar-at-law  
Chairperson

Dr. A M R Chowdhury  
Mr. Mohammed Irfan Syed  
Mr. Q. M. Shariful Ala, FCA



# Management and Executives



**Q. M. Shariful Ala**  
Managing Director & CEO

**Nasimul Baten**  
Head of Operations

**A. K. M. Tanvir Kamal**  
Head of Credit

**Tanvir Ahmad**  
Head of Human Resources

**Md. Hassan Iftekhar Yussouf**  
Head of IT

**Syed Aminul Islam**  
Head of Finance

**Saiyaf Ejaz**  
Head of Recovery, Customer Services & Administration

**Md. Zakaria Eusuf**  
Head of Branch – Head Office

**Md. Golam Rosul**  
Head of Branch - Dhanmondi

**Md. Fakrul Amin**  
Head of Legal

**Moahedul Mowla**  
Head of Branch - Chattogram

**Jashim Uddin**  
Company Secretary &  
Head of Corporate Affairs

**Khandaker Satil Sayeed**  
Financial Controller

**Md. Ariful Bari Rumi**  
Head of Branch - Motijheel

**Mir Md. Mukhlesur Rahman**  
VP - Credit

**Nahid Ahmed**  
Head of Treasury

**Sabed Bin Ahsan**  
Head of Sales

**A. H. M. Mostofa Kamal**  
SAVP – Technical & Property Services

**Kazi Hasanul Islam**  
SAVP - Loans

**Md. Mamunur Rashid Bhuiyan**  
SAVP – Recovery & Legal

**Mohammad Manjurul Alam**  
SAVP - Sales

**Siddartha Sangkor Kirtonia**  
SAVP – IT

**Bidhan Krishna Ghosh**  
AVP – Sales & Regional Branches

**Imtiaz Elahi Sohel**  
AVP - Brand & Communications

**Md. Mamun-Ur-Rashid**  
AVP – IT

**Md. Mustaquimur Rashid**  
AVP - Human Resources

**Md. Rasel Sarker**  
AVP – IT

**Muhammad Abdullah Al Razee**  
Branch Manager – Uttara

**Shahriar Kabir**  
Branch Manager – Agrabad



# Operational and Financial Highlights



(Million Taka)

Operational Highlights	30-Jun-15	30-Jun-16	31-Dec-16	31-Dec-17	31-Dec-18
Loan approvals	7,715	13,818	6,230	15,198	8,632
Loan disbursement	7,769	11,517	6,157	14,711	10,273
Cumulative disbursement	60,616	72,133	78,290	93,001	103,274
Cumulative sanction	61,902	75,720	81,950	97,148	105,780

(Amount in Million Taka except Ratios, EPS and BVPS)

Financial Highlights	30-Jun-15	30-Jun-16	31-Dec-16	31-Dec-17	31-Dec-18
Profit before tax	1,259	1,395	*602.91	1,492	1,607
Profit after tax	685	786	*330.81	949	1,048
Shareholders' fund	3,171	3,609	3,591	4,358	5,040
Total deposit	24,703	28,728	34,394	41,188	43,319
Long term borrowing	4,339	3,446	3,109	2,610	2,219
Housing loan portfolio	29,030	33,397	35,552	42,041	43,427
Total balance sheet size	35,686	40,685	46,472	54,581	57,499
NPL ratio (%)	0.30%	0.34%	0.36%	0.27%	0.30%
Return on equity (average equity)	23.05%	23.19%	18.38%	23.88%	22.30%
Earnings per share	5.90	6.77	**5.43	7.79	8.60
Earnings per share (restated)	5.62	6.45	**5.43	7.79	8.60
Book value per share	27.32	31.10	29.47	35.76	41.36
Dividend cover ratio	1.97	1.94	1.81	2.60	2.46

Loan sanction and loan disbursement figures against 31/12/2016 represents 6 months figures commencing from July 1, 2016 to December 31, 2016.

\* Profit before tax and profit after tax represents profit for the period from July 1, 2016 to December 31, 2016

Return on average equity on December 31, 2016 is calculated by annualizing profit after tax of Tk. 330.81 mn.

\*\* Annualized EPS



# Financial Highlights as Required by Bangladesh Bank



(Figures in million Taka except ratios and per share data)

Financial Highlights	31-Dec-18	31-Dec-17
Paid up Capital	1,219	1,219
Total Capital	5,040	4,358
Capital Surplus/(Deficit)	219	219
Total Assets	57,499	54,581
Total Deposits	43,319	41,188
Total Loans & Advances	43,848	42,243
Total Contingent Liabilities and Commitments	543	830
Credit Deposit Ratio (times)	1.01	1.03
Percentage of Classified Loans against total loans and advances	0.30%	0.27%
Profit after Tax & Provision	1,048	949
Amount of Classified Loans during current year	132.77	115.01
Provision kept against Classified Loans	132.77	115.01
Provision Surplus/ Deficit	459.63	625.10
Cost of Fund	8.30%	6.67%
Interest Earning Assets	54,963	52,232
Non Interest Earning Assets	2,536	2,349
Return on Equity (ROE)	22.30%	23.88%
Return on Asset (ROA)	1.87%	1.88%
Income from Investment	46	43
Earnings per Share	8.60	7.79
Earnings per Share (Restated)	8.60	7.79
Net Income per Share	8.60	7.79
Price Earning Ratio	15.05	17.46

## Historical Record of Dividend Payments



The Company started its journey in early 1997 and was able to pay the dividend to its shareholders since 2000. The historical

record of payment of dividend is given hereunder as general disclosure to the stakeholders of the Company.

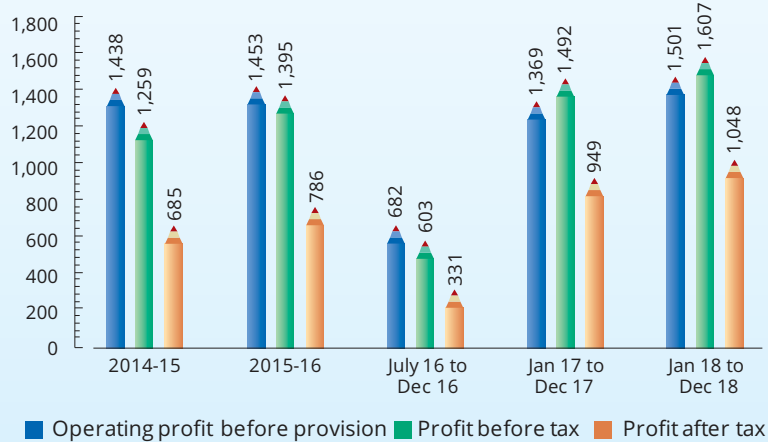
Year	Paid-up Capital (Tk.)	Dividend (%)
1999-2000	20,00,00,000.00	7.50 (Cash)
2000-2001	20,00,00,000.00	12.00 (Cash)
2001-2002	20,00,00,000.00	15.00 (Cash)
2002-2003	20,00,00,000.00	15.00 (Cash)
2003-2004	20,00,00,000.00	18.00 (Cash)
2004-2005	20,00,00,000.00	22.00 (Cash)
2005-2006	22,00,00,000.00	25.00 (10% Stock & 15% Cash)
2006-2007	22,00,00,000.00	30.00 (Cash)
2007-2008	27,00,00,000.00	New Issue of Tk. 500,00,000 (IPO)
2007-2008	35,10,00,000.00	30.00 (Stock)
2008-2009	40,36,50,000.00	32.00 (15% Stock & 17% Cash)
2009-2010	50,45,62,500.00	35.00 (25% Stock & 10% Cash)
2010-2011	1,00,91,25,000.00	100.00 (Stock)
2011-2012	1,16,04,93,750.00	25.00 (15% Stock & 10% Cash)
2012-2013	1,16,04,93,750.00	25.00 (Cash)
2013-2014	1,16,04,93,750.00	25.00 (Cash)
2014-2015	1,16,04,93,750.00	30.00 (Cash)
2015-2016	1,21,85,18,430.00	35.00 (5% Stock & 30% Cash)
July 2016 - Dec 2016 (six months)	1,21,85,18,430.00	15.00 (Cash)
2017	1,21,85,18,430.00	30.00 (Cash)

# Financial Performances



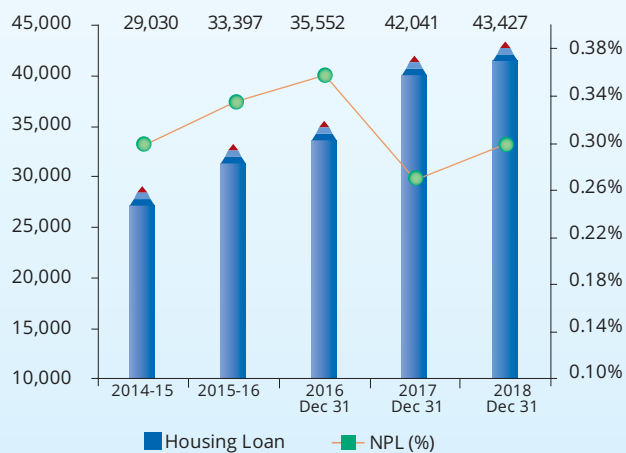
## Profits

Million Taka



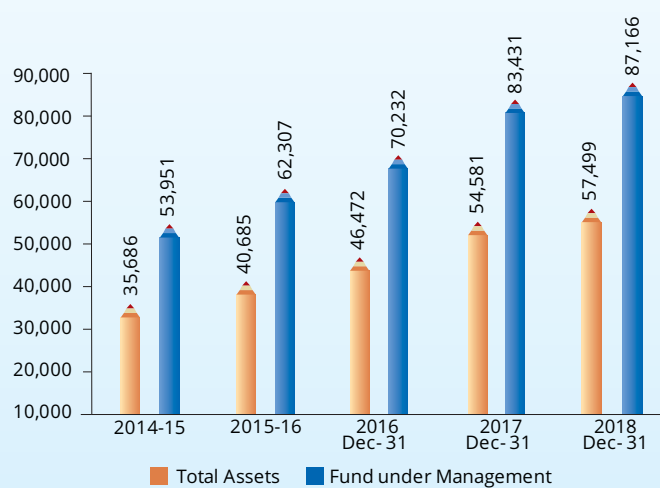
## Housing Loan Portfolio & Performance

Million Taka

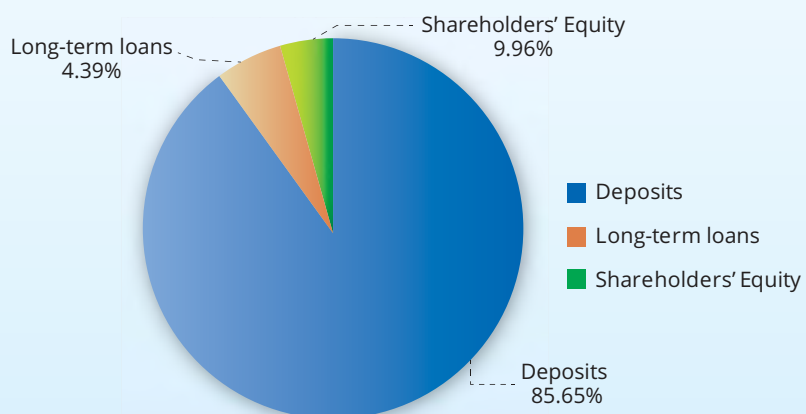


## Total Assets & Fund Under Management

Million Taka



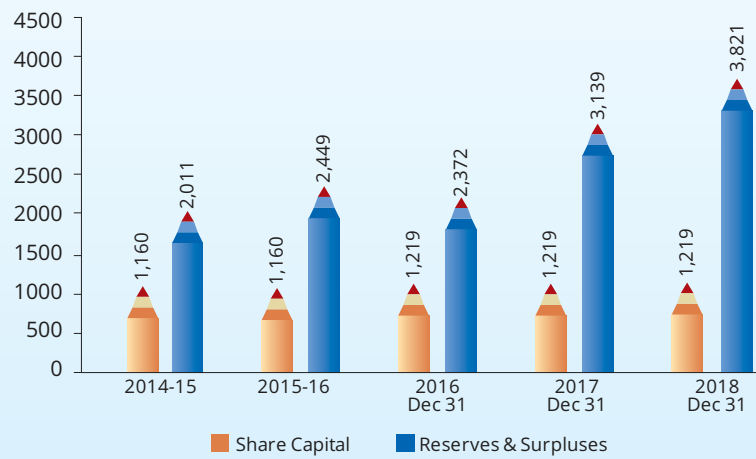
## Fund Employed





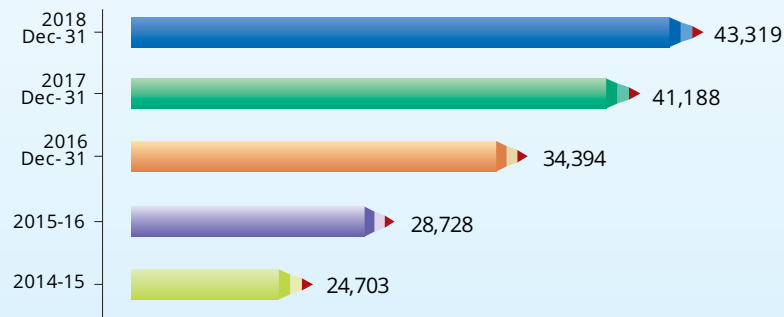
## EQUITY

Million Taka



## Deposits

Million Taka



# Value Added Statement

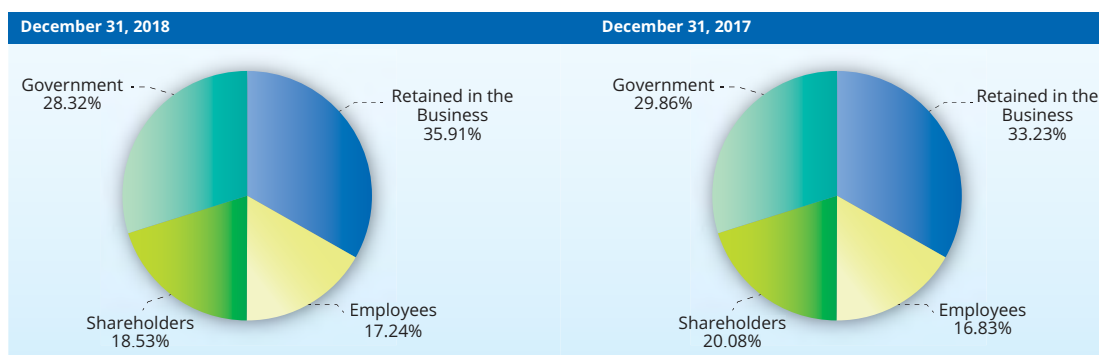


Value added is the wealth DBH has created through extending mortgage loan and various services. The value added statement shows the total worth created and how the same was distributed to meet various

obligations and reward those responsible for its creation. A portion also retained in the business for continued operation and expansion of DBH.

Figures in BDT

	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
<b>Value added</b>				
Net interest income	1,792,775,170	90.88%	1,605,798,609	88.21%
Fees earned	146,116,642	7.41%	149,917,196	8.23%
Investment Income	45,906,426	2.33%	43,484,977	2.39%
Other income	11,239,822	0.57%	18,682,623	1.03%
Operating expense except salary & allowances, depreciation & amortization	(129,244,729)	-6.55%	(121,249,441)	-6.66%
Provision for loan, advances & investments	105,870,631	5.36%	123,773,974	6.80%
<b>Total value added by the company</b>	<b>1,972,663,962</b>	<b>100%</b>	<b>1,820,407,938</b>	<b>100%</b>
<b>Distribution of value added</b>				
<b>Employees</b>				
As salary & allowances	340,063,562	17.24%	306,348,742	16.83%
<b>Provider of capital</b>				
Dividend to ordinary shareholders	426,481,451	18.53%	365,555,529	20.08%
<b>Government</b>				
Income tax	558,636,882	28.32%	543,477,071	29.86%
<b>Retained for business growth</b>				
Earnings retained in the business	621,417,112	34.59%	583,445,772	32.05%
Depreciation and amortization	26,064,955	1.32%	21,580,824	1.18%
<b>Total distribution</b>	<b>1,972,663,962</b>	<b>100%</b>	<b>1,820,407,938</b>	<b>100%</b>



# Market Value Added (MVA) Statement



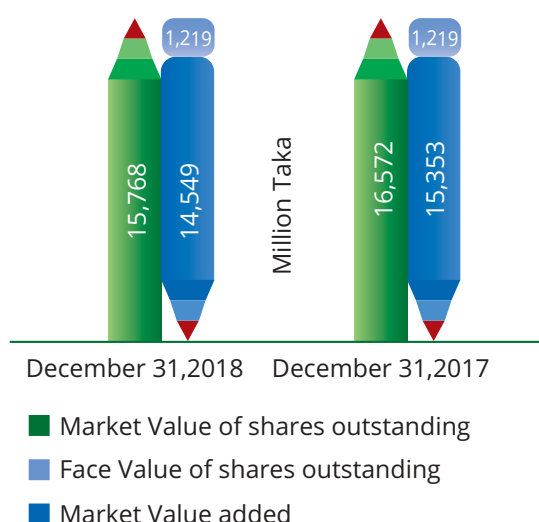
Market value added statement gives a picture of the Company's performance evaluated by the capital market investors through the share price of the company. This statement depicts the difference between the market value of a company and the capital contributed by the investors.

Higher MVA is better for the company. A high MVA indicates that company has created substantial wealth for the shareholders. A negative MVA means that the value of

management's actions and investments are less than the value contributed to the company by the capital market.

Market Value Added represents the confidence that the market places on the future stream of EVAs. The following statement shows how MVA has been arrived at for the year ended December 31, 2018 and for the year ended December 31, 2017.

Particulars	Amount in BDT	
	December 31, 2018	December 31, 2017
Market value of shares outstanding	15,767,628,484	16,571,850,648
Book value of share outstanding	1,218,518,430	1,218,518,430
Market value added	14,549,110,054	15,353,332,218



# Economic Value Added (EVA) Statement



One of the most useful performance measurements to account for the ways in which business value can be added or lost is Economic Value Added or EVA. Another term for this metric is Economic Profit.

Economic Value Added is the surplus generated by an entity after meeting an

equitable charge towards providers of capital. It is the post-tax return on capital employed (adjusted for the tax shield on debt) less the cost of capital employed. Companies which earn higher returns than cost of capital create value, and companies which earn lower returns than cost of capital are deemed harmful for shareholder value.

EVA has been calculated by the following formula:

$$\text{EVA} = \text{Net operating Profit} - \text{Taxes} - \text{Cost of Capital}$$

Particulars	Amount in BDT	
	December 31, 2018	December 31, 2017
Net operating profit	1,500,664,814	1,368,704,398
Provision for taxes	558,636,882	543,477,071
Net operating profit after tax (NOPAT)	942,027,932	825,227,327
<b>Charges for capital</b>		
Capital employed	5,711,283,569	5,102,699,060
Cost of equity (%)	7.45	7.94%
Capital charge	425,490,626	405,154,305
Economic value added	516,537,306	420,073,022
<b>Capital employed</b>		
Shareholder's equity	5,039,979,247	4,357,636,213
Accumulated provision for doubtful accounts and future losses	959,540,524	1,065,411,155
Total capital employed	5,999,519,771	5,423,047,368
Average capital employed	5,711,283,569	5,102,699,060



## Message from the **Chairman**



**Dear Shareholders,** \_\_\_\_\_

I extend a very warm welcome to you all at the 23rd Annual General Meeting (AGM) of the Company. On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to all of you for the cooperation and conviction that you have placed in us over the years.



It is your kind patronage and active support that have always resulted in the continued success for the Company.

Since its inception, DBH has played a prominent role in the development of the housing sector especially to foster the growth of home ownership in the urban areas of the country. We can claim with satisfaction that the Company has contributed substantially to enhance the home ownership levels of the middle and upper middle income population in the major urban areas of the country. The Company strives continually to ensure quality service to the clients by catering to their needs and providing effective and innovative solutions. As a result of this relentless effort to achieve excellence, DBH has recently crossed the milestone of disbursing home loans of Tk. 10,000 crore since inception, which is the highest among all lenders in Bangladesh.

Against the backdrop of rising interest rates and an impending national election, the real estate market has been relatively static during 2018. At the close of December 31, 2018 the housing loan portfolio of DBH stands at Tk.43.43 billion. However, superior asset quality continues to be one of the strong holds of DBH. Even in this challenging macro environment where banks and financial Institutions are experiencing rising defaults, the non- performing loan (NPL) of DBH remains below half percent. Presently, DBH has funds under management in excess of Taka 87.00 billion.

Even though this year the housing finance portfolio growth of DBH has been hindered, our operating profit before provisions has crossed the Tk. 1500.00 million mark. At the close of December 31, 2018 the profit after tax of the Company was Tk. 1047.90 million. Considering the present market circumstances this in itself is a testament to the superb

managerial efficiency of the Company. The Board has recommended 25 percent cash and 10 percent stock dividend out of profit for the year ended December 31, 2018. Company has strong reserve of undistributed earnings worth Tk. 433.99 million.

I am pleased to inform you that DBH has retained its highest credit rating of 'AAA' (triple A) for the 13<sup>th</sup> consecutive years. As a matter of fact, among all local banks and financial institutions, DBH is the only one to have retained the highest credit rating in such a consecutive manner. This reflects the financial strength and steadfastness of the Company.

Real estate sector continues to be one of the driving forces of the national economy. According to the Bangladesh Bureau of Statistics (BBS), the real estate housing and its related business is projected to contribute 7.39 percent to the national GDP this year. Therefore, further strengthening of the real estate sector will reinforce strong backward and forward linkage, employment generation and economic emancipation.

Twenty-three years ago we embarked on our journey as the sole private sector housing finance specialist in the country with a vision to promote home ownership among the growing middle income group of the country. DBH, however realizes that its efforts are miniscule compared to the scale of untapped housing demand especially in the urban areas. According to REHAB there is a demand of at least 100000 new residential units in Dhaka city every year where as REHAB members can supply only 6000 to 8000 units each year. Undoubtedly real estate is one of the most promising sectors of Bangladesh. However a coordinated effort of all the stakeholders is necessary to realize the true potentials of this sector.

Nevertheless, DBH remains unwavering in its commitment to increase home ownership, which in turn provides families with a safe haven, a sense of security-all for the better of the society. Our Company is established on the core values of honesty, excellence in customer service, performance based evaluation, diligence and mutual respect. We conduct our business in a socially responsible and ethically sound manner. This enables us to develop ourselves through innovating strategies, expanding partnership and maximizing value to the shareholders.

However as a specialist housing finance institution we also feel the necessity of increased patronage from regulators and government to optimize our competence. Currently under Central Bank regulations Non-Bank Financial Institutions (NBFI) are not allowed to take term deposits shorter than three months whereas scheduled banks have access to these relatively cheaper funds. However NBFIs are significant contributors in the financial sector and in recent years they have been performing better than their banking counter parts in many areas including controlling bad debt and other compliance. On the other hand, presently the commercial banks at times lack the willingness and the expertise to cater to the housing finance sector due to lower spread and higher tenure of loans in comparison to other investments.

Under the circumstances, in order to ensure a healthy growth of the housing sector and encourage the return of middle income clientele, the Central Bank should take necessary steps to resume housing refinance scheme to support non- bank financial institutions lending in the real estate industry.

Our key objective for 2019 is to source diversified avenues of financially viable funding and penetrate unexplored areas of business expansion, so that we can move forward with our ultimate mission to strengthen the society of the country by continually expanding home ownership. From the macro perspective it may be added that overall investment scenario seems positive spurred by hopes of political stability and positive economic outlook. Therefore the coming year is set to offer us an opportunity of growth and prosperity accompanied by periods of challenges. However we have firm faith in our expertise and motivation to work harder which will propel us to cross over all the predicaments of future.

I thank all our Shareholders and my colleagues in the Board of Directors for their guidance and support. I also convey my sincere appreciation to the Management and staff of DBH. I am also thankful to the Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC) and the Registrar of Joint Stock Companies and Firms and the DSE & CSE for their support. We look forward to another year with hope and confidence.



**Nasir A. Choudhury**  
Chairman

# 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 December 31, 2018.

## Macroeconomic Performance of Bangladesh Economy

Bangladesh is one of the fastest growing economies in the globe. The country has witnessed five years average GDP growth of 6.97% at the end of FY 18. The economy continued to grow rapidly and achieved a record growth of 7.86 percent in FY18, over-performing the Government's FY18 growth target of 7.4 percent. The growth momentum was supported by strong domestic and external demand. A surge in remittance inflows at 17.3 percent, along with strong private sector credit growth boosted consumption demand. At the same time, higher growth in investment-related imports reflected robust investment demand. Export growth also maintained its momentum during this period. Bangladesh Bank projects GDP growth to range from 7.5-7.7 percent for FY19, assuming a continuation of domestic political calm and no further escalation of global trade-related conflicts.

Annual average CPI inflation increased to 5.8 percent in June 2018, marginally higher than the 5.5 percent target ceiling for FY18. This increase in average CPI inflation was broadly tracking the food inflation dynamics driven by flood-related domestic shocks and higher global commodity prices, while non-food inflation witnessed a decreasing trend. Bangladesh Bank's projection shows average inflation for H1 FY19 to be around 5.4-5.8 percent assuming no large domestic and

external shocks. Looking ahead, inflation risks in FY19 from higher global commodity prices and exchange rate movements are on the upside.

In FY18, Bangladesh Bank's monetary and financial policies embraced, alongside price and macro-financial stability objectives, inclusivity and environmental sustainability dimensions, in line with the government's SDG-focused sustainable development agenda. As liquidity condition tightened, BB reduced Cash Reserve Requirement (CRR) by 100 basis points to 5.5 percent and repo rates by 75 basis points to 6.0 percent with effect from April 2018. Moreover, to ease the liquidity conditions, BB increased available repo tenors to 7, 14 and 28 days. Inflationary risk concerns remained largely under control since broad money (M2) growth for FY18, the key determinant of inflation, moderated to 9.2 percent, well below the target of 13.3 percent.

Bangladesh's external sector developments in FY18 have been dominated by import dynamics. Import growth in FY18, reached a high of 25.0 percent. Foreign exchange reserves reached USD 32.94 bn in FY18, down from USD 33.5 bn in FY17. The BDT depreciated against the USD by 3.88% in FY18. Current account deficit was the largest factor behind this widening gap, which is around 3 percent of GDP. However, import decomposition in FY18 reflected a high import of capital goods, food imports due to flood-related weather.

The benchmark DSEX index fell continuously till July 2018. The last half of the year, index maintained a stable position until closing for the year at 5,385.64 with 13.75% drop YoY. The big drop of index during January 2018 to July 2018 was caused due to poor performance of financial sectors as well as the liquidity crisis in



the banking sector. The rest of the year, market showed little positive movement during July to September period, but moved flat by the end of the year.

### Performance of Financial Sector in 2018

Monetary policy stance for 2018 aimed at attaining price and macro-financial stability along with sustainable economic growth. Bangladesh Bank undertook necessary macro-prudential measures that focused on sector composition and quality of credit flows without restricting access to credit for productive sectors. Macro-prudential steps to curb imprudent unproductive lending included closer surveillance on adherence to prescribed Asset-Liability Management (ALM) and Forex Risk Management guidelines, a new directive requiring banks to rationalize their Advance/Deposit Ratios to reduce their over exuberance in lending, and stricter end use surveillance on bank loans including import financing.

Advance to Deposit Ratio (ADR) of the overall banking industry stood at 76.4 percent as on September 2018, 0.3 percentage points lower than that of end-June 2018 and 1.6 percentage points higher than that of end-September 2017.

Effective liquidity management in the banking system ensures the stability in the money market, long term interest rate as well as exchange rate and, thereby, promotes economic growth. Liquidity condition of the banking sector can be assessed by call money rate, Advance Deposit Ratio (ADR) ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). At the beginning of April, 2018 rising demand for liquidity from strong private sector credit growth accompanied by the negative growth in NFAs caused tightening of liquidity conditions. As liquidity condition tightened, BB reduced Cash Reserve Requirement (CRR) by 100 basis points to 5.5 percent and repo rates by 75 basis points to 6.0 percent with effect from April 2018.

Moreover, to ease the liquidity conditions, BB increased available repo tenors to 7, 14 and 28 days. Under this situation, banks can now borrow from BB for longer period. This will give banks and financial institutions a scope to recalibrate their liquidity position in case of adverse conditions.

In December 2018, weighted average deposit rate for Scheduled Banks has increased to 5.26% from 4.91% in December 2017. On the other hand weighted average lending rates of scheduled banks also increased to 9.49% in December 2018, from 9.35% in December 2017. The interest rate spread also slightly reduced to 4.23% in December 2018 from 4.44% during the same time of previous year.

The balance sheet size of the banking sector recorded slight increase and reached BDT 14,072.2 billion at end September 2018. The increase was 0.4 percent from end-June 2018 and 11.6 percent from end-September 2017. However, credit growth needs to be aligned with targeted GDP growth. Banking sector's assets-to-GDP ratio remained almost stable at 62.5 percent at end-September 2018, compared to 62.3 percent at end-June 2018.

Overall NPL in the banking sector has edged up in July-September, 2018. Gross NPL for private commercial banks (PCBs) increased from 6.0 percent in April-June, 2018 to 6.7 percent in July-September, 2018. Gross NPL for SCBs widened further about 3.0 percentage point to 31.2 percent in July-September, 2018, reflecting a weaker provisioning. The system-wide gross NPL moves up by 1.0 percentage point during July-September, 2018 to 11.5 percent.

Gross NPL Ratios by Type of Banks (In Percent)		
Type of Banks	Sep. 17	Sep. 18
State Owned Commercial Banks	29.3	31.2
Specialized Banks	23.8	21.7
Private Commercial Banks	6.0	6.7
Foreign Commercial Banks	7.9	7.1
All Banks	10.7	11.5

Profitability of the banking sector was constrained as observed from a slight decrease in return on assets (ROA) and return on equity (ROE). This decline primarily happened due to high provision requirement against rising NPLs and fall in interest rate spread.

Profitability Ratios by Type of Banks (In percent)		
Type of Banks	Return on Asset (ROA)	
	2017	2018P
All Banks	0.7	0.4
Type of Banks	Return on Equity (ROE)	
	2017	2018P
All Banks	9.6	5.4

P= Provisional

Capital to risk-weighted assets ratio (CRAR) of the banking sector remained unchanged at 10.9 percent at end-September 2018; however, it was above the regulatory minimum requirement of 10 percent. Notable that 48 out of 57 banks maintained CRAR at or above the 10 percent mark.

Capital to Risk Weighted Asset Ratios by Types of Banks (In Percent)		
Type of Banks	Sep. 17	Sep. 18
All Banks	10.6	10.9

Non-Bank Financial Institutions (NBFIs), have been playing a crucial role by providing additional financial services that is not usually provided by the banks. Share of deposits, the major source of fund in FIs' total funds reached 55.9 percent as on September, 2018. Loans and leases comprising 72.6 percent of total assets dominated the asset composition.

Liabilities to assets ratio increased at end-September 2018. FIs' classified loans and leases ratio increased from 9.2 percent at end-June 2018 to 11.2 percent at end-September 2018. FIs' capital adequacy ratio (CAR) decreased slightly and stood at 12.4

percent at end-September 2018. However, the maintained CAR was well above the regulatory requirement of 10 percent.

Bangladesh Bank has also designed stress testing techniques to determine the situations of different financial institutions under which four risk factors- credit, interest rate, equity price and liquidity - are analyzed. At end-September 2018, out of 34 FIs, 4, 18 and 12 were positioned in Green, Yellow, and Red zones respectively on the basis of stress test results.

Bangladesh Bank (BB) took a number of initiatives during the year, which have implications to domestic financial system stability. During the year, some of the important initiatives, taken by Bangladesh Bank, were amendment in Guidelines on Risk Based Capital Adequacy (RBCA) for banks, amendment in Asset Liability Management Guidelines, issuance of Bangladesh Mobile Financial Services (MFS) Regulations 2018, issuance of Agricultural and Rural Credit Policy and Program for FY 2018-19, rationalization of schedule of charges, modification in various foreign exchange regulations to smoothen the foreign exchange market in Bangladesh.

### Real Estate Industry Outlook and Possible Future Development

Home sales are likely to pick up this year after a under-whelming 2018, spurred by hopes of political stability and positive economic growth outlook. Real estate sales always slowed down before the parliamentary elections and this time is no different. People feel encouraged to invest if there is stability. And it can be assumed there will be political and social stability and investment this year. The general expectation is the real estate sector this year will be far better than the last year. Growth slowed down in the last three months of 2018. Many prospective buyers kept their investment on hold in 2018. As a result, overall

sales slipped a bit. The market was also static in first half of 2018 because of interest rate increase. The interest rate rose in the first half of the year in the face of liquidity crisis in the banking sector. The average interest rose to 11 percent in 2018 from 8.5 percent a year earlier because of liquidity crunch. The home loan market shrank to about Tk 5,000 crore in 2018 from about Tk 7,000 crore the previous year. The market is supposed to be better this year. In 2017, interest rates for home loans had dropped to single-digit figures, which had caused a surge in apartment purchase by middle-income families. Unfortunately, at the start of 2018, interest rates increased, which could have caused a slight dip in apartment sales earlier in the year. The exact number of apartments sold in a particular year is hard to come by as not all properties are registered. According to REHAB, the sector is delivering some 6,000 to 8,000 apartments a year now, which is significantly lower than reported sale of 18,000 units in 2011.

The real estate market is expected to bounce back from a prolonged period of stagnation. The housing market went on a downturn in 2012 for intermittent political instability, a bearish stock market and the government's apathy towards providing gas connections to new buildings. Developers said the property price corrections in the past few years have lured in many prospective home buyers. Prices hit rock-bottom at the beginning of 2017, after which it started to pick up little by little. The construction of relatively smaller flats by major developers also attracted the middle-class and fixed income groups. The real estate sector is repositioning itself. The apartment prices have also seen correction. And the developers have paid attention to design features in line with the customers. However, the demand for luxury apartments has not increased, according to developers. It appears that a section of the rich people is more interested in owning a second home abroad.

As the economy is growing and the middle class is expanding, the demand for housing will go up. However, it is not the time for quick growth. Rather this is a time for steady growth. Bangladesh's real estate sector is growing steadily on the back of rapid development of the country, rising demand for housing, expanding middle class and soaring per-capita income. The sector is quite stable, the real estate sector will grow steadily as the economy is growing at a healthy pace and per-capita income is increasing significantly. It is true that the middle- and low-income groups cannot afford an apartment without consistent financial assistance. Most of the countries around the world offer such financial support for their citizens. Unfortunately, we do not have such kind of a support system in Bangladesh. The cost of land is a challenge for making apartments affordable. If developers own the land of a project they can bring down the price of an apartment. If they share the land with someone else, then prices go up. To make housing more affordable, the government may take initiatives to encourage decentralization. They should encourage realtors to build suburbs on the outskirts of Dhaka city to relieve stress from the core areas. If well planned suburbs with proper zoning can be developed in the upcoming areas such as Purbachal and Jheelmil by providing a large chunks of land to reputed developers at a reasonable cost, it would help improve the situation. Developing small parcels of land in an unplanned manner will just result in the same problem. Along with the rising price of land, construction costs are going up for developers. Prices of cement and steel rebar have increased steadily over the last few years. The local currency, taka, has devalued against the US dollar which has also increased the cost of imported items. The registration cost is very high when someone buys a property. The cost is around 16 percent of the property price. If the government takes the initiative to reduce it, it will help to make housing more affordable.

The real estate sector could achieve double-digit growth provided the sector gets policy level supports from the government.

Recently, the government initiated a program for government employees to provide the employees with long-term financial support to purchase an apartment. If the government initiates long-term home loan facilities for the general people as it did for the government employees, more people will be able to afford an apartment. Meanwhile, government officials now can apply for home loans with interest cost as low as 5%. Under this scheme, almost 12 lac employees can avail the benefit. But the scheme is designed as such it will only allow government banks and FI to lend to the government employees under the scheme. As per the present policy, the interest rate of the loans are to remain fixed for the duration of the loan, which will make it impossible for private banks and FIs who does not have access to long term matching fund and who will have to collect funds at competitive rate from the market. If the policy can be reviewed and private sector banks and FIs are also included in the scheme, than more and more people can get the benefits of this program.

## Product wise Performance

### • Performance of Home Loan Operations

During FY 2018, the demand for home loans were slowed down on the back of political uncertainty ahead of national election and interest rates volatility prevailing in the economy. As a result, sale of flats were dropped in the last 3 months of 2018, besides 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 were engaged in intense competition for most of the year.

As expected the home loan market has negatively influenced 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 home loan book in housing finance grew at a meager pace of 3.27% to Taka 43.43 billion during the financial year while keeping gross NPL ratio at the level of 0.30% only. During the year, the gross interest income from the housing finance portfolio stood at Taka 4,842.29 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 increased due to the upward shift in the market rate of interest.

The disbursement figures experienced a serious fall compared to last year but 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 8,632.15 million as against Taka 15,197.98 million in the preceding twelve months. Total disbursement has decreased by 43.20% and at the end of FY 2018 the net figure was Taka 9,443.74 million as against Taka 13,539.23 million in the preceding twelve months. During the year under review, a total of Taka 8,937.37 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 December 31, 2018 have been fully provided for, as required by Bangladesh Bank, DBH has a loan loss reserve amounting to 1% of unclassified outstanding loans.

### • 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 December 31, 2018 the deposit portfolio of DBH stands at Taka 43,318.72 million with an interest payable worth another Taka 1,319.40 million. As the deposit portfolio experienced a growth of 5.17% in FY 2018, gross amount of interest payable on the DBH deposit products have also been increased when compared to that of preceding twelve months.

DBH also provides loan against deposits (LAD) to cater to its customers' urgent financial need. As of December 31, 2018, the LAD portfolio of DBH stood at Taka 379.95 million.

### Recovery

Default loan has affected the country's bank & FI sector that halts the overall economy to grow and deprives honest borrowers to collect required funds. And, for the rise of default culture, Banks & FIs are losing out revenues and need to make provisioning against the bad loans from income. FIs' classified loans and leases ratio increased from 9.2 percent at end-June 2018 to 11.2 percent at end-September 2018.

Classified loan of DBH reached to BDT 132.77 Million with NPL ratio of 0.30% at the end of

2018. While aggregate NPL ratio for both Banks and FIs has gone up, DBH has been successful to restrain the increase to a minimum level. Needless to say, this is by far the best figure in Bank & FI industry. Credit goes to company's management, showing company's commitment to its stakeholders. Special recovery team of the company played contributory role to get that figure with their all-out effort for recovery of loans. Intense follow-up and proper monitoring through frequent customer visits are the keys to efficient and effective recovery system.

### 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. Presently DBH's deposit product line consists of 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. These products are tailored to meet the diversified needs of our retail and corporate client base. The deposit portfolio of the Company has stood at Taka 43,318.72 million.

The funding of our company comprises of both long term and short term sources of fund to efficiently manage our cost of fund. The term loan portfolio of DBH consists of funds received under Housing Loan refinance Scheme of Bangladesh Bank worth Taka 2,219.15 million and term loans received from local markets for Taka 2,420.00 million. Apart from that the shareholder's contribution in the funding mix is Taka 5,039.98 million, which is almost 9.50% 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 December 31, 2018 is presented below:

Source	Amount in Million Taka
Deposits	43,318.72
Term loans	4,639.15
Equity	5,039.98

### Treasury Operations

Growth of private sector credit and the decline of liquidity posed challenges for the entire treasury function of banking industry in 2018. Growing trend of Non-Performing Loans (NPL) increased demand for additional capital and liquidity driving banks profitability downwards.

In DBH, Treasury acts as a catalyst between the core functions of housing finance & deposit mobilization. Amidst all these challenges, DBH Treasury continued to make meaningful contribution for the company in terms of profitability, liquidity management and risk management. And, in the face of these market challenges, the ALM concentration of the company was to source low cost deposit from the market to fund the loan portfolio and maximize spread through exploring new opportunities.

In the period under review, the Central Bank continued its balanced monetary stance to prioritize price stability, while supporting growth and employment generation. Bangladesh Bank adopted policies to facilitate short-term and medium-term macroeconomic management, with monetary and financial policies promoting socially responsible financing, facilitating attainment of the government's near and long-term inclusive, environmentally sustainable growth objectives. Money market remained tight mostly in 2018. Private sector credit growth along with increased cash demand ahead of the national election mopped up liquidity.

Treasury of DBH actively managed the liquidity gaps by managing the flow of assets and

liabilities under strict regulatory requirements. The treasury department reorganized the funding mix and steadily shifted its objective towards attaining stable liquidity as market rates began to edge up during 2018. During the year, with a view to cost minimization as the key objective, the treasury wing focused on sourcing long term funds and term deposits from the public to replace the interbank funds and also accessed fund from 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 this period. 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 year 2018 was a sluggish year for the Bangladesh Stock Market. The benchmark DSEX index fell continuously till July 2018. The last half of the year, index maintained a stable position until closing for the year at 5,385.64 with 13.75% drop YoY. The big drop of index during January 2018 to July 2018 was caused due to poor performance of financial sectors as well as the liquidity crisis in the banking sector. The rest of the year, market showed little positive movement during July to September period, but moved flat by the end of the year. Political uncertainty and exchange rate had a big role too, as most foreign investors opted to realize profit to reduce risk.

Considering the market conditions, we followed wait and see policy and booked some profit when there was a chance. Thus, performance of our portfolio was tiny better than the overall DSEX performances. The total investment of the Company reached to Tk. 607.82 mn at the end of 2018 out of which the outstanding investment in marketable securities was Tk. 358.50 mn. Income from total investment of the Company increased by 5.56% and reached to Tk. 45.90 mn in 2018.

## Human Resources

DBH believes that its best investment is in the human resources, as the Company believes that human resource is the edifice on which the company's performance and productivity are standing on. As human resources are one of the key success factors of the company, DBH maintains its policy of recruiting the very best and implementing continuous programs to develop, motivate and retain its talented and capable human resources.

DBH's commitment towards maintaining a fair and healthy working atmosphere binds it upon keeping an unbiased/impartial approach in all its scope that is, free from all kinds of discrimination based on gender, age, race, national origin, religion, marital status, or any other basis not prohibited by law. This maximizes efficiencies at tasks and helps employees reach their full potentials.

A separate report on human resources has been presented on page no. 116 of this report.

## Information Technology

DBH's Information Technology (IT) department supports company's business objective by developing, maintaining and implementing dynamic, cost-effective & secured Information and Communication Technology (ICT) solutions.

During the financial year 2018, IT department has improved its ICT infrastructure by implementing network security device (i.e., firewall) for "Advanced Persistent Threat" (APT) protection, "Automatic Failover System" of smart-host servers and "Data Guard Broker" in Data center (DC) & Disaster Recovery (DR) sites.

Centralized software system has been enhanced as per changes in business needs and according to the need for process re-engineering. Some of the major accomplishments were enhancement of legal module, customer service module, document release module, Internal Audit module and implementation of online CV submission and recruitment system.

DBH's IT department is working relentlessly to maintain and upgrade its existing infrastructure and software systems as per business demand and technology trend ensuring availability, integrity & confidentiality.

## 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, Code of Conducts for employee as well as the Directors, 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 13 (thirteen) consecutive years. Emerging Credit Rating Limited (ECRL) 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 accounting year ended on 2017.

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

Key operating and financial data of last preceding 5 (five) years has been presented under the heading of Operational and Financial Highlights on the page no. 22 of this annual report. Financial Highlights as required by Bangladesh Bank has also been given on page no. 23 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 as on December 31, 2018 was Tk. 43,848 Million. We have extended loan to around 18,302 customers to meet their housing need, which is one of the basic needs of people.

DBH contributes to the national exchequer in the form of income tax, VAT & Excise duty. Company's contribution to the national exchequer is given below.

Taka in Million

Particulars	December 31, 2018	December 31, 2017
Income Tax paid on company's income	499.48	299.87
Tax collected at source on behalf of Government	395.22	316.70
Value Added Tax (VAT)	32.50	33.69
Excise Duty	49.24	38.83
Total	976.44	689.09

Creating employment has a vital impact on the economy and number of employees of DBH as on December 31, 2018 was 243. Efficient workforce is very important for the organization as we as for the country. Keeping same in view, DBH has spent Tk. 0.36 million for training of its employees. During the period from January 1, 2018 to December 31, 2018, DBH has paid Tk. 340.06 million as salaries and allowances to its employees.

### 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 period we took few projects under CSR fund for the common good of the disadvantaged population segments.

The details of the CSR initiatives have been presented under the head of Corporate Social Responsibility on the page no. 103 of this report.

### Highlights on Financial Performance

(Figures in Million Taka)

Particulars	December 31, 2018	December 31, 2017
Operating revenue	6,058	4,785
Interest expenses	4,062	2,968
Operating expenses	495	449
Profit before provisions	1,501	1,369
Profit before tax	1,607	1,492
Net profit after tax	1,048	949

### Corporate and Financial Reporting Framework

The Members of the Board, in accordance with the Bangladesh Securities & Exchange Commission's Notification no. BSEC/CMRRCD/ 2006-158/ 207/ Admin/ 80 dated June 3, 2018; 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)/ International Financial Reporting Standards (IFRS), 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. (Statement given on page no. 96)
- The 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.
- 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.

A separate report on the matter is given on page no. 113.

## Explanations on Significant Deviations from the last year's results

DBH as a pioneer housing finance Company, mainly finances in mortgage sector and its earnings performances are historically growing in each year. During the year 2018 net profit after tax of the Company has grown by 10.42% than that of last year. Hence, no significant deviations have occurred in the current year's operations from that of last year's operations.

## Board Meetings and Attendance by the Directors

Attendance by the Directors in the Board have been summarized and given in Annexure-i and the fees paid to them for attending the Board Meeting during the period has been given in Annexure-ii of this report.

## Shareholding Pattern

Shareholding patterns of the Company as at the end of the 2018 has been shown in Annexure-iii of this report.

## Proposed Dividend

The Board of Directors at the time of considering the financial statements for the year ending 31 December 2018 have recommended @ 35% dividend [@ 25% cash i.e. Tk. 2.50 per share and @ 10% stock i.e. 1(one) share against every 10 (ten) shares held] from the distributable profits of the Company, which will be placed before the shareholders in the forthcoming AGM for approval.

The Members of the Board agreed in principle and declared that pursuant to the Corporate Governance Code-2018, the Board shall not declare bonus share or stock dividend as interim dividend.

## Directors' Appointment & Re-appointment

The profile of Directors of the Company has been presented in page Nos. 10 to 19 of the Annual Report.

In accordance with the Articles of Association of DBH, the following Directors will retire in the 23rd Annual General Meeting and being eligible for re-election, they are seeking re-election to the Board.

- Mr. Nasir A. Choudhury (representing GDICL)
- Ms. Mehreen Hassan, Bar-at-law (representing DLICL)
- Mr. Mohammed Irfan Syed (representing BRAC)

Pursuant to the Clause 1.2(c) of the CGC-2018, appointment of the following Independent Director shall be approved by the shareholders in the forthcoming AGM.

- Major General Syeed Ahmed BP, (Retd.)

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

- a) Brief resume of the Directors have been included in page nos. 10 to 19 of this Annual Report
- b) Nature of the expertise of the Directors have been disclosed in the brief profiles
- c) Name of the Directors and entities in which they have interest as Directors have also been disclosed in the brief profiles as well as in the notes (no. 41.1) of the Financial Statements.

## Appointment of Auditors

M/s. Aziz Halim Khair Choudhury (AHKC), Chartered Accountants (correspondent of international firm of chartered accountants, PKF International, UK) an eligible chartered accountants firm for auditing the financial institutions as well as listed companies (listed with BB, BSEC & FRC) had been serving DBH for last one year as statutory auditors and will retire in the forthcoming AGM. According to Bangladesh Bank as well as BSEC's rules, they are eligible for re-appointment for the accounting year 2019. Accordingly, the Board recommended to appoint them for the year



2019 with a fee of Tk. 420,000.00 plus VAT, subject to prior approval from Bangladesh Bank.

Hence, the agenda for re-appointment of auditors (AHKC) will be placed before the shareholders for their approval.

### Corporate Governance

As a listed housing finance company (DBH) with 23 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 Codes, 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;
- (iv) Certificate regarding compliance of conditions of Corporate Governance; and
- (v) Statement on minority shareholders rights protection.

A statement of compliance on the Good Governance Guidelines issued by Bangladesh Bank has also been enclosed as a part of this annual report.

### 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.



**Nasir A. Choudhury**  
Chairman

# Directors' Meeting & Attendance



## Annexure-i

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

Name of Directors	Nominated by	Total Meetings	Meetings Attended	Changes during 2018	
				Date of Board Acceptance	
				Joining	Leaving
Mr. Nasir A. Choudhury Chairman	Green Delta Insurance Company Ltd.	6	6	-	-
Dr. A M R Chowdhury Vice Chairman	BRAC	6	5	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	6	4	-	-
Ms. Mehreen Hassan, Bar-at-Law	Delta Life Insurance Company Ltd.	6	4	-	-
Mr. Saif Md. Imran Siddique	BRAC	4	4	-	23-10-2018 (resigned)
Mr. M I Chowdhury	Independent Director	5	4	-	27-12-2018 (tenure completed)
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA	Delta Life Insurance Company Ltd.	6	6	-	-
Mr. Md. Mujibur Rahman	Delta Life Insurance Company Ltd.	6	6	-	-
Ms. Rasheda K. Choudhury	Independent Director	6	3	-	-
Mr. Mohammed Irfan Syed	BRAC	0	0	27-12-2018 (nominated by BRAC)	-
Major General Syeed Ahmed BP, (Retd.)	Independent Director	0	0	27-12-2018 (appointed by the Board)	-

# 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 (Tk.)
	Attendance	Fees (Tk.)	Attendance	Fees (Tk.)	Attendance	Fees (Tk.)	
Mr. Nasir A. Choudhury Chairman	6	48,000	0	0	4	32,000	80,000
Dr. A M R Chowdhury Vice Chairman	5	40,000	4	32,000	4	32,000	104,000
Mr. A Z Mohammad Hossain	4	32,000	0	0	2	16,000	48,000
Ms. Mehreen Hassan, Bar- at- Law	4	32,000	2	16,000	0	0	48,000
Mr. Saif Md. Imran Siddique (Resigned on 23-10-2018)	4	32,000	3	24,000	0	0	56,000
Mr. M I Chowdhury (tenure completed on 27-12- 2018)	4	32,000	0	0	4	32,000	64,000
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA	6	48,000	0	0	4	32,000	80,000
Mr. Md. Mujibur Rahman	6	48,000	0	0	0	0	48,000
Ms. Rasheda K. Choudhury	3	24,000	0	0	0	0	24,000
Mr. Mohammed Irfan Syed (Joined on 27-12-2018)	0	0	0	0	0	0	0
Major General Syeed Ahmed BP, (Retd.) (Joined on 27-12-2018)	0	0	0	0	0	0	0
<b>Total</b>	<b>-</b>	<b>3,36,000</b>	<b>-</b>	<b>72,000</b>	<b>-</b>	<b>1,44,000</b>	<b>5,52,000</b>

# Pattern of Shareholdings



as on 31<sup>st</sup> December 2018

## Annexure-iii

(i) Shareholding position of Sponsors:

Name	No. of Shares held	Percent (%)
BRAC	22,406,611	18.39
Delta Life Insurance Company Limited	21,479,325	17.63
Green Delta Insurance Company Limited	18,649,813	15.31
Mr. Kazi Fazlur Rahman	0	0.00
Mr. Faruq A. Choudhury	24	0.00
Dr. Salehuddin Ahmed	24	0.00
Mr. Q. M. Shariful Ala, FCA	0	0.00
<b>Total</b>	<b>62,535,797</b>	<b>51.32</b>

(ii) Shareholding status of Directors/CEO/CFO/CS/HIAC/HICT & their spouses & minor children:

Name of the Directors	Nominated by	No. of Share(s) held	Percent (%)
Mr. Nasir A. Choudhury, Chairman	Green Delta Insurance Company Ltd.	-	-
Dr. A M R Chowdhury, Vice Chairman	BRAC	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	-	-
Ms. Mehreen Hassan, Bar-at-Law	Delta Life Insurance Company Ltd.	-	-
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA	Delta Life Insurance Company Ltd.	-	-
Mr. Md. Mujibur Rahman	Delta Life Insurance Company Ltd.	-	-
Mr. Mohammed Irfan Syed	BRAC	-	-
Ms. Rasheda K. Choudhury	Independent Director	-	-
Major General Syeed Ahmed BP, (Retd.)	Independent Director	-	-

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

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

Name of the Executives	Status	No. of Share(s) held	Percent (%)
Mr. Nasimul Baten	Head of Operations	-	-
Mr. A. K. M. Tanvir Kamal	Head of Credit	-	-
Mr. Tanvir Ahmad	Head of Human Resources	-	-
Mr. Saiyaf Ejaz	Head of Recovery, Customer Services & Administration	-	-
Mr. Md. Zakaria Eusuf	Head of Branch	-	-

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

Name of the Shareholders	No. of Shares held	Percent (%)
BRAC	22,406,611	18.39
Delta Life Insurance Company Limited	21,479,325	17.63
Green Delta Insurance Company Limited	18,649,813	15.31



# Management Discussion and Analysis



## World Economy 2018

The global economy is navigating rough seas. Global trade and investment have been slowing on the back of increases in bilateral tariffs while many emerging market economies are experiencing capital outflows and a weakening of their currencies. The global economy looks set for a soft landing, with global GDP growth projected to slow from 3.7% in 2018 to 3.5% in 2019-20.

Union and the United Kingdom manage to strike a deal that maintains the closest possible relationship between the parties. In some euro area countries, the exposure of banks to their government debt could weigh on credit growth if risk premia were to increase further, with dampening effects on consumption, investment, GDP growth and ultimately jobs.

Growth performance for 2018 and the outlook for 2019 in the Euro Area are also anticipated

## OECD Economic Outlook Projections:

### Real GDP growth revised down

Year-on-year, %. Arrows for 2018 and 2019 indicate the direction of revisions since September 2018.\*

	2018		2019		2020		2018		2019		2020
World	3.7		3.5	↓	3.5						
G-20	3.8	↓	3.7	↓	3.7						
Australia	3.1	↑	2.9	↓	2.6	Argentina	-2.8	↓	-1.9	↓	2.3
Canada	2.1		2.2	↑	1.9	Brazil	1.2		2.1	↓	2.4
Euro area	1.9	↓	1.8	↓	1.6	China	6.6	↓	6.3	↓	6.0
Germany	1.6	↓	1.6	↓	1.4	India	7.5	↓	7.3	↓	7.4
France	1.6		1.6	↓	1.5	Indonesia	5.2		5.2	↓	5.1
Italy	1.0	↓	0.9	↓	0.9	Mexico	2.2		2.5		2.8
Japan	0.9	↓	1.0	↓	0.7	Russia	1.6	↓	1.5		1.8
Korea	2.7		2.8		2.9	Saudi Arabia	1.7		2.6		2.5
United Kingdom	1.3		1.4	↑	1.1	South Africa	0.7	↓	1.7	↓	1.8
United States	2.9		2.7		2.1	Turkey	3.3	↑	-0.4	↓	2.7

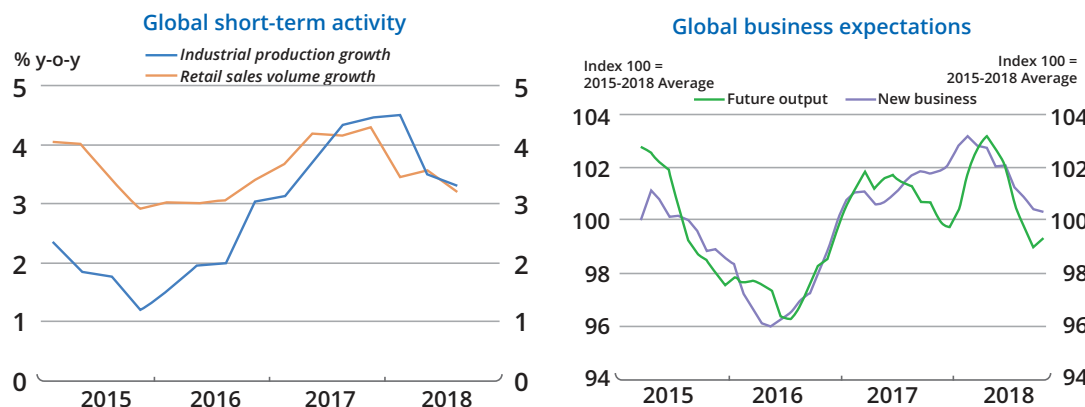
Capital flows, which had fuelled the expansion of emerging market economies, have been reversing towards advanced economies and especially the United States. Trade tensions have heightened uncertainty for businesses and risk disrupting global value chains and investment, especially in regions tightly linked to the United States and China. Political and geopolitical uncertainty has increased in Europe and the Middle East.

Political tensions other than trade have also grown. In the Middle East and Venezuela, geopolitical and political challenges have translated into more volatile oil prices. In Europe, Brexit is an important source of political uncertainty. It is imperative that the European

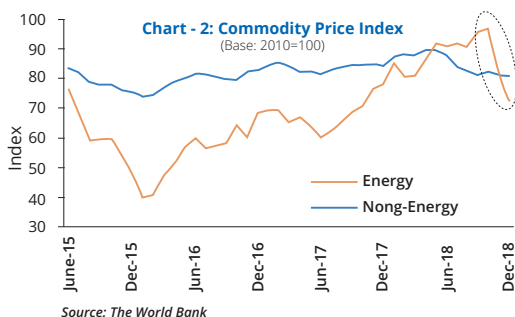
to decline in 2018 and 2019 due to the Brexit and the recently adopted trade measures by the US administration. Among the emerging and the developing economies, China and a number of Asian economies are also expected to experience somewhat a weaker growth in 2019. However, India's growth rate is expected to rise from 6.7 percent in 2017 to 7.5 percent in 2018 and 7.3 percent in 2019, with some support from the structural reforms. Among the oil exporting countries, particularly the Middle East, growth received boost from higher oil prices, though price increases have sharply reversed since November 2018 from higher production.

The ongoing trade tension could have some positive spillover on the Bangladesh economy

Chart - 1: Activity is losing steam



through higher demand for the Bangladeshi readymade garments. The pickup in the construction activities in the Middle East from the high oil prices till October 2018 is expected to support labor demand from Bangladesh. Global energy prices have sharply reversed during the last quarter of 2018. Since October 2018, crude oil prices declined by around 30 percent from their recent highs, reflecting both supply and demand factors. Although given the regulated domestic fuel prices in Bangladesh, oil price decline would have less immediate impact on inflation but it would have positive impact on the current account dynamics. Similarly, global food prices have declined during the second half of 2018 when food production in Bangladesh has also picked up in the aftermath of the floods in 2017. Both global and domestic commodity prices therefore have favorably lessened the short-to medium-term inflation risks in Bangladesh.



Source:

- (1.) Organization for Economic Co-operation and Development (OECD report)
- (2.) Bangladesh Bank's Monetary Policy Statement, January-June 2019

## Bangladesh Economy

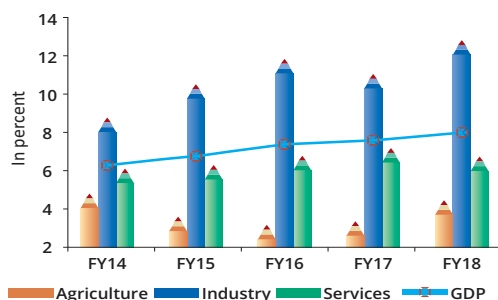
The Bangladesh economy experienced an impressive growth in FY18, underpinned by strong domestic and external demand, as reflected in buoyant public and private investment and consumption, driven by higher exports, remittances and private credit growth. During the period, a good harvest of food production may offset some inflation risks from the pass-through effects of global oil and commodity prices.

Bangladesh has achieved a recorded GDP growth of 7.9 percent in FY18, up from 7.3 percent in FY17 (Chart-3). The robust growth mainly propelled by industry, agriculture and service sectors' activities. The key sectors, industry, services and agriculture grew by 12.1, 6.4 and 4.2 percent respectively (Chart-4).

Chart - 3: Trends in Bangladesh Real GDP Growth



The data of Bangladesh Bureau of Statistics (BBS) showed that GDP at current market price was BDT 22,504.8 billion for FY18 which was 13.9 percent higher than that of the preceding year. In FY18, per capita real GDP and GNI

**Chart - 4: Trends in Sectoral GDP Growth**

Source: Bangladesh Bureau of Statistics

were estimated at BDT 62,477 and BDT 65,326 respectively. During the same period, per capita nominal GDP and GNI were estimated at BDT 137,518 (USD 1675) and 143,789 (USD 1751) respectively.

### Sectoral Growth Rate of GDP

Growth decomposition shows that the industry sector appeared to attain the highest growth followed by services and agriculture sector.

### Agriculture Sector

The growth in agriculture sector increased to 4.2 percent in FY18 from 3.0 percent in FY17. This growth in agriculture sector mainly aided by favorable weather, higher crop prices, and timely supply of inputs and finance.

### Industry Sector

The industry sector, constituting around one-third of gross value-added (GVA) in the economy, grew by around 12.1 percent in FY18, up from 10.2 percent in FY17, led mainly by manufacturing and construction activities.

The Growth in large and medium scale industry increased to 14.3 percent in FY18 from 11.2 percent in FY17, growth in electricity, gas and water supply increased to 9.2 percent in FY18 from 8.5 percent in FY17 and growth in construction increased to 9.9 percent in FY18 from 8.8 percent in FY17. The construction sector received a boost from the government's mega projects implementation. Growth in manufacturing sub-sector increased to 13.4 percent from 11.0 percent over the same period.

### Service Sector

Despite some moderation, the service sector, comprising more than half of GVA, registered a modest growth of 6.4 percent in FY18. Within the sector, larger growth impulse primarily came from the wholesale and retail trade, transport and financial intermediation. The sub-sectors viz. wholesale and retail trade, transport and financial intermediation grew by 7.5, 6.6 and 7.9 percent in FY18 compared to 7.4, 6.8 and 9.1 percent in FY17, respectively.

### Sectoral Share of GDP

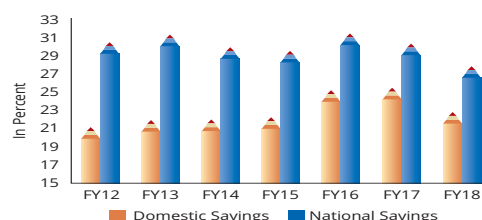
Sectoral share of GDP shows that the service sector appeared to be the largest share followed by industry and agriculture sector.

With the gradual upward trends of GDP, the sectoral composition of GDP has also been changing over the time. Contribution of agriculture sector has been declining and has shifted towards industry sector during the last several years. The contribution of the industry sector in GDP increased to 33.7 percent in FY18. The increasing share was mainly supported by the manufacturing and large & medium scale industries sub-sector whose share in GDP increased by 5.1 percentage points to 22.9 percent and 5.9 percentage points to 19.1 percent respectively in FY18.

The share of agriculture slightly went down to 14.2 percent in FY18 from 14.7 percent in FY17.

### Savings and Investment

Gross Domestic Savings (GDSs) at current market price stood at 22.83 percent of GDP in FY18, lower than 25.3 percent of GDP in the previous fiscal year. Gross National Savings (GNSs) decelerated to 27.42 percent of GDP in FY18 from 29.6 percent in FY17 (Chart-5).

**Chart - 5: Trends in Domestic and National Savings** (In Percent of GDP)

Source: Bangladesh Bureau of Statistics.

Investment as a percent of GDP accelerated to 31.23 percent in FY18 from 30.5 percent in FY17. Public investment to GDP ratio increased to 8.0 percent in FY18 from 7.4 in FY17. The ratio of private investment to GDP increased to 23.26 in FY18 from 23.1 in FY17. It may be noted that private and public investment increased by 14.7 and 22.5 percent respectively in FY18 compared to in FY17.

#### Investment as percent (%) of GDP

	FY16	FY17	FY18
Private	22.99	23.10	23.26
Public	6.66	7.41	7.97
Total	29.65	30.51	31.23

### Banking Sector

The most worrisome development in the banking sector is the unabated rise in classified loans. As a proportion of outstanding loan, the figure increased from 8.8% in December 2015 to 11.5% in September 2018. In terms of absolute amount, the figure was taka 89,339 crores in June 2018 and rose to taka 99,370 crores in September 2018. Fls' classified loans ratio at end September 2018 rose to 11.2%.

### Capital Market

2018 was a choppy year for Bangladesh Capital markets with several headwinds such as rising interest rates owing to liquidity crunch, historic high deficit in current account balance (USD 9.8 billion deficit in FY18), currency (BDT) depreciation on high import payment for importing capital machineries for mega infrastructure and power projects and payment for fuel oil import at high cost as well as tensions and expectations about the outcome of National General Election of 2018.

Market in 2018 has consolidated its position on the base of 2017's staggering return of 24.0%. The market witnessed a reasonable correction of 13.8% in 2018.

Source: (1.) Bangladesh Bank Annual Report 2017-2018  
(2.) Market pulse, Dec 2018 issue

### Overview of the Financial Services Industry

The Bangladesh's financial services sector, comprising of a range of institutions from Commercial and Specialized Banks (private and public), Non-Banking Financial Institutions (NBFIs), Insurance Companies, Co-operative Societies etc., are diverse and expanding rapidly. Over the years, the Government of Bangladesh has initiated several reforms to liberalise this industry and expand its reach to the un-Bank people in the rural and remote areas. Adding a further dimension, the Government and Bangladesh Bank have also allowed new entities such as Mobile Financial Services Provider to enter the financial sector.

Non-Bank Financial Institutions (NBFIs) have been playing a crucial role by providing additional financial services that is not usually provided by the banks. The NBFIs, with more multifaceted products and services have taken their place in the competitive financial market to satisfy the changing demands of the customers. The role of NBFI sector has been growing. The asset of NBFIs increased substantially by 17.82 percent to BDT 841.07 billion in December 2017 which was BDT 713.87 billion in December 2016. At the end of June 2018, total assets of NBFIs increased to BDT 870.30 billion.

Total deposits of the NBFIs increased to BDT 467.98 billion (64.41 percent of total liabilities) in December 2017 from BDT 382.43 billion (63.05 percent of total liabilities) in December 2016 showing an overall growth of 22.37 percent. At the end of June 2018, total deposit of NBFIs increased to BDT 480.1 billion. At the end of June 2018, the NPL for NBFIs was 9.22 percent.

### Loans at Affordable Cost and Term

Availability of suitable funding options to potential home owners is a crucial requirement if the purchase of flats/homes is to accelerate. A large section of population in urban areas are first time borrowers. The traditional funding for the purchase of a flat usually came from the lifetime savings of a family, which is changing as younger generation looks for home ownership.



Banks and FIs are providing longer term loans, flexible repayment factoring to match the customers need. As these needs keep going up, home loan providers will have to find matching resources of stable and long term funds as well as a market for securitization of loan book.

**Pursuant to the Corporate Governance Code, 2018 the management of DBH has prepared the following analysis in relation to the company's position and operations along with brief discussion of changes in the financial statements among others, focusing on :**

**(a) Accounting policies and estimation for preparation of financial statements**

The financial statements have been prepared on a going concern basis and accrual method under historical cost convention and therefore did not take into consideration of the effect of inflation. The preparation and presentation of the financial statements and the disclosure of information have been made in accordance with the DFIM circular no. 11 dated 23<sup>rd</sup> December 2009 in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), the Companies Act 1994, the Financial Institutions Act 1993, Securities and Exchange Rules 1987, the listing rules of Dhaka and Chittagong Stock Exchanges and other applicable laws & regulations in Bangladesh and practices generally followed by Housing Finance Institutions.

As Bangladesh Bank is the primary regulator of Financial Institutions, Bangladesh Bank's guidelines, circulars, notifications and any other requirements are given preference to IAS and IFRS, where any contradictions arises. 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.

**(b) Changes in accounting policies and estimation**

The principle accounting policies had been consistently maintained since inception of the Company except the changes in the Depreciation Method from Reducing Balance Method to Straight Line Method. The Board of Directors approved the changes (Depreciation Method) in the accounting policies on May 26, 2011. Thus, the cost of the fixed asset is recovered through charging in Profit & Loss Account within a reasonable time.

During the year under consideration, the Company has not adopted any change in the accounting policies and estimates.

**(c) Comparative analysis of financial performance and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof**

The financial year 2018 has been challenging

In mn taka except ratios

Particulars	2013	2014	2015	2016	2017	2018
A. Interest Income	4,625	4,533	4,395	4,209	4,573	5,855
B. Profit After Tax	565	648	726	829	949	1,048
C. Average Asset	30,246	33,299	37,180	42,821	50,526	56,040
D. Average Equity	2,347	2,606	2,922	3,351	3,975	4,699
E. Profit Margin (B/A)	12.21%	14.30%	16.52%	19.69%	20.75%	17.90%
F. Asset Turnover (A/C)	15.29%	13.61%	11.82%	9.83%	9.05%	10.45%
G. Financial Leverage (C/D)	12.89	12.78	12.73	12.78	12.71	11.93
H. Return on Equity (E*F*G)	24.07%	24.88%	24.86%	24.73%	23.88%	22.30%

Above figures represent 12 months financial information of each year commencing from 01 January to 31 December of every year.

one with an operating environment, constrained margins and rate volatility both deposits and loans rate. Nonetheless, we have managed to end the year with satisfactory results.

Considering our management excellence in understanding the home loan business and specialization in human capital, we are pleased with the progress of the company. The following DuPont analysis contains in-depth financial performances, dissecting our current year's results.

### Highlights of Key Strengths (DuPont Analysis)

Despite facing numerous external challenges, DBH fared well in 2018 in terms of liquidity, solvency and profitability. Our focus has been on improving asset quality, recovering classified loans, enhancing service excellence and rationalizing costs. The underlying reasons behind this year's financial performance has been noted below:

#### Net Interest Income (+11.64%):

Despite being affected by certain industry challenges, our core activities have produced satisfactory results in 2018. Net interest income (which contributes 89.82% of total operating income) increased by 11.64%. Investment income grew by 5.57%.

#### Interest Income (+28.03%):

Company's interest income, mostly from home loans, increased by 28.03% (BDT1282 million) mainly for following reason:

Loans and advances grew by 3.80% to BDT 43,848 million at year-end 2018 characterized by slower growth in first half but a positive turnaround in the second half of 2018 which eventually affected the average loan balances. Efficient management of interest rate risk management ensured attractive growth of interest income in 2018

#### Interest Expense (+36.89%):

Company's interest expense on deposit and borrowing increased by 36.89% (BDT 1095 million) primarily due to following reason:

Interest expense on deposit increased by 39.05% to BDT 3,658 million in 2018 compared to previous year. Bank and FI industry faced a sudden shortage of liquid funds in 2018 which forced banks and FIs to collect deposit at higher rate. As a result, the average cost of deposit increased to 8.46% as on December 2018 compared to 6.76% in the previous year.

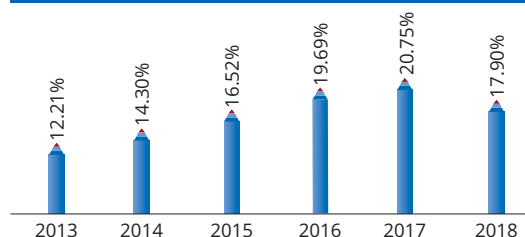
#### Net Operating Profit (+9.64%):

Due to higher growth of operating expenses (10.28%) and slight lower growth of operating income (9.80%), Net operating profit of the company increased by 9.64% and reached at BDT 1,501 million in 2018.

#### Profit After Tax (+10.42%):

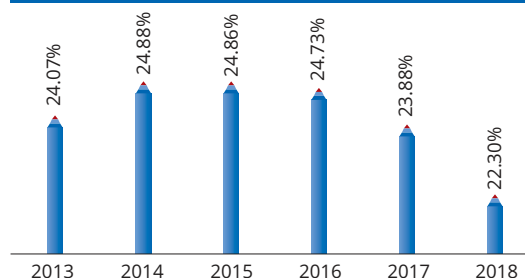
Eventually, the profit after tax of the company increased by 10.42% and stands at BDT 1,048 million due to the factors mentioned above. As a result, our earnings per share (EPS) in 2018 has also increased to BDT 8.60 (BDT 7.79 in 2017).

#### Profit Margin



Profit margin has been consistently over 15% in the last 4 years. Consistent Profit margin achieved by increasing interest income and reducing costs.

#### Return on Equity



There are three major financial metrics that drive return on equity (ROE) of DBH: operating efficiency, asset use efficiency and financial leverage. Though faced with numerous challenges, DBH

has been able to make highest average ROE compared to major competitors in the industry.

### Outlook

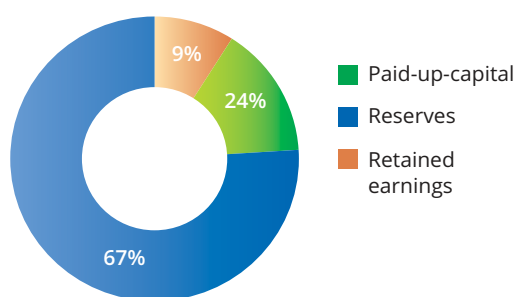
Interest rates volatility during the year appears to have calmed down at the end and expected to have within this range going forward as banks have already more or less adjusted their Advance to deposit (A/D) ratio.

### Capital Adequacy Ratio

DBH has been maintaining the healthy CAR since long to comply with the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for FIs.

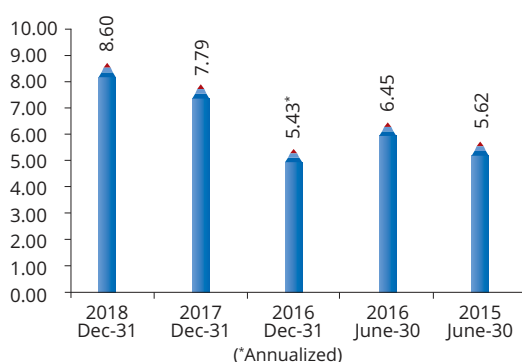
### Shareholders Fund:

#### Shareholders' Funds-2018



### Earnings per share (restated):

Earnings per share (in BDT)



The earnings per share of the company has increased to Tk. 8.60 in 2018 from Tk. 7.79 in 2017, with a growth of 10.42%.

### Cash Flow Analysis

In mn Taka

Particulars	2018	2017
i) Net cash flows from operating activities	1,328.14	2,018.39
ii) Net cash used in investing activities	22.85	-170.03
iii) Net cash used in financing activities	-365.56	-182.78
iv) Net increase / (decrease) in cash and cash equivalents (i+ii+iii)	985.44	1,665.58
v) Cash and cash equivalents at the beginning of the year	10,815.92	9,150.34
vi) Cash and cash equivalents at the end of the year (iv+v)	11,801.36	10,815.92

### Cash Flow from Operating Activities

Cash generated from operating activities before changes in operating assets and liabilities increased by 42% to Tk. 1,508 mn in 2018 compared to previous year. The growth primarily came from increased inflows of receipts from interest income.

### Cash Flow from financing activities

The company paid Tk. 182 mn as dividend in the year 2017 for the half year ended on December 2016. On the other hand, the Company also paid Tk. 365 mn as dividend in the year 2018 against the accounting year 2017.

### Overall scenario

The cash and cash equivalent balance of the company rose to Tk. 11,801 mn in 2018 compared to Tk. 10,816 mn in 2017.

### (d) Comparative financial performances with the peer industry

#### Housing Finance Industry

An overall positivity, propelled by a combination of factors, is expected to push growth in the housing finance industry over the long term. The Government is also continuously strengthening its focus on its "Housing for All" mission. According to this mission, Government

Employees are getting home loan @ 5% (with a Govt. subsidy of 5%). Above all a boost to the affordable housing sector will definitely drive the affordable housing finance industry.

The financial institution industry is marked by high levels of competition with 34 NBFIs operating in the space. The major housing loan providers are some commercial banks, BHBFC, DBH and other few NBFIs.

DBH continued keeping pace outperforming the industry in 2018 in terms of growth of different performance and financial position measures. The impetus of growth can be seen by comparing financial data of DBH with industry's financial information.

Particulars	DBH	Average of Top Five NBFIs (In terms of Asset Size)
Total Asset (MN Taka)	57,652	69,135
Loan Portfolio (MN Taka)	42,712	53,447
NPL Ratio	0.27%	2.24%
Cumulative Written off loan amount (MN Taka)	9.3	794
'AAA' credit rating for ten consecutive years	Thirteen consecutive years	Nil
ROA (Annualized)	1.93%	1.15%
ROE (Annualized)	23.60%	12.45%
Net cash flow from operating activities as a percentage of Interest income	65.25%	42.90%

Notes:

- For the 9 months ending 30 September, 2018 except NPL ratio & written off (as on 31 Dec, 2017); full year data is not publicly available for all companies yet.
- Excluding Investment Corporation of Bangladesh (ICB), IDCOL & Reliance Finance.

The FI industry is still burdened with an alarming amount of non-performing loans (NPLs) that make funds costlier and FIs' operations riskier. DBH has achieved the lowest level of NPL, outperforming its competitors. Most

significantly, DBH has tightened its belt and taking coordinated steps to gear up recovery efforts to hold NPL volume to a level where requirements for financial provisions against such loans could be saddled up to a bare minimum with lesser impact on profitability. All this is expected to bolster business and benefits for all stakeholders over time.

The rising trend and volume of written-off loans of NBFIs indicate lack of due diligence while sanctioning credits. In order to reflect the actual position of classified loan, written off loan must be added to the existing amount of classified loan. If the loan had not been written off, the NPL ratio would have reached to much higher level except DBH due to negligible amount of written off loans.

Among all financial institutions & local banks of Bangladesh only DBH has been rated the highest 'AAA' credit rating for thirteen consecutive years. The level of credit rating provides a very important indication of the financial safety, security and strength of the concerned bank or financial institution and is particularly relevant to its depositors and other investors such as shareholders and lenders.

Last five years have been the years of success and accomplishments for DBH on the operational and financial fronts. Though faced with numerous challenges, DBH has been able to make highest average ROE compared to major competitors in the industry. Despite of a modest growth of its asset base DBH maintained average ROA above the industry ROA.

**(e) Risk and concerns as well as the mitigation plan related to the financial statements**

The Company always concentrates on delivering high value to its stakeholders through appropriate tradeoff between risk and return. A well-structured and proactive risk management system is in place within the Company to address the risks relating to credit, market, liquidity and operations. Details of the Risk Management have been described at notes 2.30 of the Financial Statements on page no. 145 of this annual report.

**(f) Future plan for Company's operation, performance and financial position with justification thereof**

Company is planning to continue its operation with a steady outlook. Considering the market condition, DBH planned its budget for the year 2019, where the total disbursement target is projected to Tk. 12,818 mn which is 25% more than the disbursement figure of 2018.

The Company expects to maintain healthy dividends to its shareholders in line with previous years.

**Going Forward**

Considering the overall situation, we intend to achieve cautious and healthy growth in earnings in the following year as the political situation is expected to improve

in upcoming days. However, we intend to pick up pace in the medium term future by leveraging the opportunities of the country's growing economy. Given the well-tested management excellence, goodwill of the company, relationship with the developers and stakeholders, we are well positioned to reap the benefits from such prospects.



**Q. M. Shariful Ala**  
Managing Director & CEO



# Report on Corporate Governance



Corporate Governance encompasses a set of principles, systems, and practices through which the Board of Directors of the company ensures integrity, transparency, fairness and accountability in the company's relationship with all its stakeholders, viz. regulators, shareholders, creditors, government agencies, bankers, employees, among others. The code of corporate governance is based on the principle of making all the necessary decisions and disclosures, accountability and responsibility towards various stakeholders, complying with all the applicable laws and a continuous commitment of conducting business in a transparent and ethical manner.

A good corporate governance framework incorporates a system of robust checks and balances between key players; namely, the Board, the management, auditors and various stakeholders. We at DBH, have been continuously strengthening the governance practices and have followed a trustworthy, transparent, moral and ethical conduct, both internally and externally, and are committed towards maintaining the highest standards of corporate governance practices and quality of disclosures thereunder, in the best interest of all its stakeholders. DBH believes that it not only has legal, contractual and social responsibilities, but also has obligations towards its stakeholders such as shareholders, bankers, regulators, government agencies, employees, investors, creditors and customers, among others. DBH strives that all its stakeholders have an access to clear, adequate and factual information relating to the Company.

To provide the factual information to the stakeholders, the Company has been maintaining of its official website linked with the website of the Exchanges ([www.deltabrac.com](http://www.deltabrac.com)) since long and the information required to be uploaded (pursuant to the regulatory requirement) uploads regularly.

## 1. BOARD INDEPENDENCE & GOVERNANCE

DBH's Board of Directors plays a pivotal role in ensuring that good corporate governance practices are followed within the Company. The Board of Directors oversees the functioning of the Company and that of its management; and ensures that every decision taken is in the best interest of the stakeholders of the Company. The Board while performing its fiduciary duties recognizes its responsibilities towards the shareholders and other stakeholders, to uphold the highest standards in all matters ensures proper delegation of appropriate authority to the senior officials of the Company for effective management of operations.

The Board of DBH considers that its constitution should comprise Directors with an appropriate mix of skill, experience and personal attributes that allow the Directors individually and the Board collectively to discharge their responsibilities and duties under the law efficiently and effectively, understand the business of the Company and assess the performance of the management.

The composition of the Board embraces diversity. The Directors possess a wide range of local and international experience, expertise and specialized skills to assist in decision-making and leading the Company for the benefit of its shareholders.

### (a) Chairman

The Chairman of the Board is elected by the directors. He is a Non-executive Director, the Board considers that the Chairman works independently.

The Chairman serves as the primary link between the Board and Management, and works with the CEO and Company Secretary to set the agenda of the Board Meeting. He provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities efficiently.

### Responsibilities of the Chairman

The Chairman of the Board shall be responsible for the management, development and effective performance of the Board of Directors. The Chairman is responsible for leadership of the Board. In particular, he will:

- Ensure effective operations of the Board and its committees in conformance with the highest standards of corporate governance;
- Ensure effective communication with shareholders, governments and other relevant constituencies and ensure that the views of these groups are understood by the Board;
- Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision making;
- Ensure that all Board Committees are properly established, composed and operated;
- Support the CEO & Managing Director in strategy formulation and more broadly, provide support and give advice;
- Ensure an effective relationship among Directors, acting as the principal conduit for communication and issues relating to business strategy, planned acquisitions and corporate governance;
- Establish a harmonious and open relationship with the CEO & Managing Director;
- Ensure that Board Committees are properly structured and all corporate governance matters are fully addressed; and
- Encourage active engagement by all members of the Board.

### (b) Chairman & Managing Director/CEO of the Company are different persons

Chairman of the Board and Managing Director of the Company are different persons with different roles and responsibilities, defined by the Board and thereby preventing unregulated

powers of decision making on a single hand. The Chairman is a Non-executive Director while the Managing Director is an Executive, ex-officio Director.

### Role of the Managing Director & CEO

The Managing Director & CEO is the key person and is responsible for running the business of the Company. He is also responsible for formulating as well as implementing Board strategy and policy. The Managing Director is responsible for establishing and executing the Company's operating plan that is necessary to achieve the Company's objectives. He has the overall control on the Company's day-to-day affairs and is accountable to the Board for the financial and operational performance of the Company.

### (c) Criteria for Appointment of Independent Directors

As per the Corporate Governance Code-2018 of Bangladesh Securities and Exchange Commission (BSEC), at least one-fifth of the total directors of the Board shall be Independent Directors.

Thus, in compliance with the Code, two (2) Directors out of the total nine (9) Directors are independent, having no share or interest in DBH. Independence of the respective Independent Directors is confirmed during selection and appointment of the Directors and they remain committed to continue with such independence throughout their tenure.

### Role of Independent Directors

The Independent Directors play a key role in the decision-making process of the Board as they involve in the overall strategy of the Company and oversee the performance of management. The Independent Directors are committed to acting in what they believe is in the best interest of the Company and its stakeholders.

The Independent Directors bring a wide range of experience, knowledge and judgment as they draw on their varied proficiency in economics, finance, management, law and public policy. This wide knowledge of both, their

field of expertise and boardroom practices helps foster varied, unbiased, independent and experienced perspectives. The Company benefits immensely from their inputs in achieving its strategic direction.

#### **(d) DBH's Policy for Induction of Directors**

In relation to the selection and appointment of new Director, the existing Board of Directors possesses the following duties and responsibilities:

- Regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;
- Identify any competencies not adequately represented and agree to the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected;
- The Directors are appointed/re-appointed by the shareholders in the Annual General Meeting (AGM). Casual vacancies, if any, are filled by the Board in accordance with the stipulations of the Companies Act, 1994, and the Articles of DBH;
- The CEO & Managing Director is appointed by the Board subject to the approval of Bangladesh Bank;
- Any change in the members of the Board requires intimation to the Bangladesh Bank, all scheduled Banks and Financial Institutions (FIs), Bangladesh Securities and Exchange Commission (BSEC) and the stock exchanges.

#### **(e) Composition and Category**

The Composition of the Board of Directors of the Company is in compliance with Bangladesh Bank's Circular No. 9 dated September 11, 2002 and the condition nos. 1.1 & 1.2 of Bangladesh Securities and Exchange Commission's Corporate Governance Code dated June 3, 2018. The Board has an optimum combination of Non-Executive and Independent Directors. The Board comprises of total nine (9) Directors,

out of which seven (7) are Non – Executive Directors and two (2) are Independent Directors.

#### **(f) Board's Effectiveness Policy**

The Board has a fiduciary role, responsible for setting the strategic direction and long-term goals of the company. As elected representatives of the shareholders, the Board is expected to use its integrity and capability to vet corporate strategies, policies, plans and major decisions, and to oversee and monitor the management in the interests of the Stakeholders of DBH. Key to good governance in DBH is an informed and well-functioning Board of Directors.

Broadly, the responsibilities of the Board include the followings:

- Reviewing and approving overall business strategy, as well as organization structure, developed and recommended by management;
- Ensuring that decisions and investments are consistent with long-term strategic goals;
- Ensuring that DBH is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- Overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure, controls & procedures and internal controls;
- Providing oversight in ensuring that DBH's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- Overseeing, through the internal Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to

monitor risk by the various risk categories and that it has appropriate independent reporting lines) and the quality of the risk management processes and systems;

- Reviewing any transaction for the acquisition or disposal of material assets.
- Ensuring that the necessary human resources are in place to meet its objectives, as well as appointing and removing executive officers, as deemed necessary;
- Reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- Establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- Providing a balanced and understandable assessment of DBH's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- Ensuring that obligations to shareholders and others are understood and met; and
- Maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken.

#### **(g) Continuing Development Program of Directors**

Each and every Director is expected to make important contributions based on industry knowledge, understanding of the Business model of the company.

The Chairman ensures that all Directors receive a full, formal and tailored induction on joining the Board, facilitated by the senior management and comprising:

- A formal corporate induction, including an introduction to the Board, and a detailed overview of DBH, its strategy, operational structures and business activities;
- The roles and responsibilities of a Director, including statutory duties and responsibilities;
- In case of any new rules, regulations or changes in existing regulations the Board is immediately informed;
- In order to assist them, the Board is always kept updated on any development and changes in the business environment, risk and industry outlook.

Our Directors also attend various workshops arranged by national and international organizations.

#### **(h) Directors Report on Preparation and Presentation of Financial Statements and Corporate Governance**

The Companies Act, 1994, requires the Directors to prepare financial statements for each accounting year. The Board of Directors accepts the responsibility for the preparation of the financial statements (as well as the quarterly financial statements), maintaining adequate records for safeguarding the assets of the Company, preventing and detecting fraud and/or other irregularities, selecting suitable accounting policies and applying those policies consistently and making reasonable and prudent judgments and estimates where necessary.

The Board of Directors are also responsible for the implementation of the best and the most suitable corporate governance practices. A separate statement of the Directors' responsibility for financial reporting and corporate governance has been presented on page no. 115 of this Annual Report.

#### **(i) Annual evaluation of Managing Director & CEO by the Board**

The Board of Directors evaluates the Managing Director & CEO's performance based on the goals set for him, considering the company's

vision and mission at the beginning of each year. The annual financial budget and other job objectives are discussed, reviewed and finalized by the Board at the start of the financial year. The Board considers both financial and non-financial goals during the appraisal of MD's performance.

### **(j) Board nomination and election process**

The Board, as a whole, decides on the nomination of any Board member and composition of the Board and its committees.

The Board of Directors of the Company is in compliance with Bangladesh Bank's Circular No. 9 dated September 11, 2002 and the condition nos. 1.1 & 1.2 of Bangladesh Securities and Exchange Commission's Corporate Governance Code-2018. The Board has an optimum combination of Non-Executive and Independent Directors. The Board comprises of total nine (9) Directors, out of which seven (7) are Non – Executive Directors and two (2) are Independent Directors. The Managing Director is an Executive and ex-officio Director of the Board.

As per DBH's Articles of Association, one-third of the Directors are required to retire from the Board every year, comprising those who have been in office the longest since their last election. A retiring Director shall be eligible for re-election.

All the Non-Executive Directors are nominated by their respective institutions except for the Independent Directors. All the Directors bring forth independent judgment and considerable knowledge to perform their roles effectively. The Board of Directors ensures that the Company's activities are always conducted with adherence to stringent and the highest possible ethical standards and in the best interests of all stakeholders.

## **2. BOARD SYSTEMS AND PROCEDURES**

### **(a) Board Meetings**

The Board meets at least four (4) times a year, once in every 3 (three) months, inter-alia, to discuss and review the financial results, business policies, strategies etc. The maximum interval

between two Board meetings is not more than 3 months. Additional Board Meetings are held by the Company as and when the Company needs merit oversight and guidance. However, in case of business exigency or an urgent matter, approval of the Board is sought through resolution by circulation, which is noted in the subsequent Board Meeting.

The Company circulates the Board/Committee Meeting agenda and related notes/documents well in advance which provides for quick and easy accessibility. As a practice, the Company Secretary reports the compliance status of all the laws applicable to the Board of Directors on quarterly basis. All significant decisions taken by the Board/Committee Members is communicated to the functional head of the concerned department. The Board/Committee Members are apprised of the action taken or proposed to be taken by the Company on the observations/directions given in the previous meeting.

### **(b) Written Code of Conduct for Chairperson, other Board members and CEO**

The Board in its 103<sup>rd</sup> Meeting held on December 27, 2018 laid down and adopted a Code of Conduct for the Chairperson, other Board Members and CEO of the Company in accordance with the Condition No. 1 (7) of the Corporate Governance Code – 2018. This code of conduct has successfully replaced the earlier code of conduct for the Directors and Senior Management approved by the Board in its 70th Meeting held on December 27, 2012, with the objective of enhancing the standards of governance.

However, the Company also adopted separate codes for the members of management and executives of the Company, which was adopted by the Board in its 97th meeting held on December 12, 2017, pursuant to the Code of Conduct for Banks & NBFIs issued by Bangladesh Bank.

Hence, for the year under review, all directors and members of senior management have affirmed their adherence to the provisions of the respective codes.



## Ethics and Compliance

The Board is committed to establish the highest levels of ethics and compliance.

DBH remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in its Code of Conduct that covers, among other issues, the following areas:

- Their relationship with and responsibilities to DBH.
- Their relationship with and responsibilities to customers.
- Compliance with laws and regulations.

- Acting in a professional and ethical manner.
- Protection of business assets.
- Disclosure of conflicts of interest.
- Prohibition of any conduct involving dishonesty, fraud, deceit or misrepresentation including insider trading.

The complete Code of Conduct is available in the Company's website, link of which is: [http://www.deltabrac.com/downloads/Code\\_of\\_Conduct\\_2018.pdf](http://www.deltabrac.com/downloads/Code_of_Conduct_2018.pdf)

and

[http://www.deltabrac.com/downloads/Code\\_of\\_Conduct\\_Chairperson.pdf](http://www.deltabrac.com/downloads/Code_of_Conduct_Chairperson.pdf)

## (c) Attendance in Board of Directors and Committee Meetings

During the financial year under reporting total six (6) Board Meetings, four (4) Audit Committee Meetings & four (4) Executive Committee Meetings were held and the attendance of the Directors are noted below:

Name of Directors	Board		Executive Committee		Audit Committee	
	Total Meetings	Meetings Attended	Total Meetings	Meetings Attended	Total Meetings	Meetings Attended
Mr. Nasir A. Choudhury Chairman	6	6	0	0	4	4
Dr. A M R Chowdhury Vice Chairman	6	5	4	4	4	4
Mr. A Z Mohammad Hossain	6	4	0	0	4	2
Ms. Mehreen Hassan, Bar-at-Law	6	4	4	2	0	0
Mr. Saif Md. Imran Siddique (Resigned on 23-10-2018)	4	4	3	3	0	0
Mr. M I Chowdhury (Tenure completed on 27-12-2018)	5	4	0	0	4	4
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA	6	6	0	0	4	4
Mr. Md. Mujibur Rahman	6	6	0	0	0	0
Ms. Rasheda K. Choudhury, Independent Director	6	3	0	0	0	0
Mr. Mohammed Irfan Syed (Joined on 27-12-2018)	0	0	0	0	0	0
Major General Syeed Ahmed BP, (Retd.) Independent Director (Joined on 27-12-2018)	0	0	0	0	0	0

#### (d) Particulars of Whistle Blower Policy

DBH has a Whistle Blowing Policy in place, which serves as a channel for early identification of corporate fraud or risk by ensuring that employees reporting legitimate concerns on potential wrongdoings occurring within the organization are guaranteed complete confidentiality. Such complaints are investigated and addressed through a formalized procedure.

#### (e) Independence of the Chairman of all Board Committee

The Chairmen of the Committees are selected by the Board. The Board considers that the Chairmen of both the committees are independent.

#### (f) Board Contains a Member with Expert Knowledge and Responsible for Informing Board on Corporate Regulatory Rules, Responsibilities and Implications

DBH's Board of Directors consists of members who possess a wide variety of knowledge and experience in finance, economics, management, business administration, marketing and law. This ensures that together, they formulate the right policy for the development of the business while having the specialized skills and the ability to foresee developments across a larger perspective and with enough independence to audit the management in a balanced manner.

Two of the Directors are Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB). Among others, one Director is PhD, One Director is Barrister-at-law. They normally provide guidance in matters applicable to accounting and audit-related issues to ensure compliance and reliable financial reporting.

Respective qualifications of the Directors are appended in Directors' profile on page nos. 10-19 of this annual report.

#### (g) Nomination and Remuneration Committee (NRC)

The internal Human Resources & Remuneration Committee of DBH is guided by the top management and through which it is also responsible to the Board of Directors.

As per the Bangladesh Bank DFIM Circular Letter No.-18 dated on 26 October, 2011, Directors of Financial Institutions' (FIs) cannot be part of any committee except for Board Audit Committee and Board Executive committee. For which the Board was unable to form the committee named Nomination and Remuneration Committee (NRC) in accordance with the Corporate Governance Code -2018. But, the internal HR and Remuneration committee is fully comprised of the members of the higher Management of DBH. The Head of Human Resources, functions as the Secretary to the Committee.

#### (h) Information Applied to the Board

DBH has incorporated its Governance Framework pursuant to the guidelines prescribed in the Code of Best Practices on Corporate Governance issued by the Bangladesh Securities and Exchange Commission (BSEC), and the Bangladesh Bank on Corporate Governance for Financial Institutions in time to time.

The following Acts, Regulations and Circulars have been followed:

Sl.	Particulars
1	The Companies Act, 1994
2	The Financial Institutions Act, 1993
3	Securities & Exchange Ordinance-1969 and Securities & Exchange Rules 1987
4	Corporate Governance Code-2018 issued by the Bangladesh Securities and Exchange Commission (BSEC) vide notification no. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03/06/2018.

5	Bangladesh Bank's DFIM Circular No. 18, dated; 26 October, 2011.
6	Listing regulations 2015, of the Stock Exchanges
7	Code of Conduct for Banks/FIs issued by Bangladesh Bank on November 6, 2017

The following internal principles and guidelines have also been followed;

Sl.	Particulars
1	Vision and Mission
2	Articles of Association
3	Code of Conduct
4	Code of Ethics
5	Board and Board Sub Committee Charters
6	Policies, Procedures, Directives

#### (i) Disclosure of Board Committees

The Board of Directors have constituted two committees namely – Audit Committee and Executive Committee which enables the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure to assist in the discharge of their duties and responsibilities.

The Committees of the Board meet at regular intervals and have the requisite subject expertise to handle and resolve matters expediently. Minutes of the Committee Meetings are circulated and placed before the Board of Directors in the subsequent Board Meeting for their noting. The Company Secretary acts as a Secretary to all the Committees of the Board.

Detailed composition, meetings and other information of all the Committees of the Board are herein below:

#### Audit Committee

The primary role of the Audit Committee is overseeing the financial reporting process and disclosure of financial information, reviewing the financial statements before submission to the Board, reviewing adequacy of internal control systems and reviewing findings of

internal investigations besides recommending appointment/ removal of statutory auditors and fixing their remuneration.

The Audit Committee of the Board was last re-constituted on December 27, 2018 in compliance with the DFIM Circular No. 13 dated October 2011 of Bangladesh Bank as well as the condition 4 (2) of the Bangladesh Securities and Exchange Commission's (BSEC) Corporate Governance Code- 2018. All the Members of the Audit Committee have the required qualifications and expertise to be a member of the Committee and possess requisite knowledge of accounting and financial management.

A separate report on the activities of the Audit Committee has been presented on the page no. 98 of this annual report.

#### Executive Committee

The Executive Committee of the Board is authorized to review all the proposals of loans and advances above authority delegated to the Managing Director & CEO with an upper limit of Tk. 10.00 crore. During the period under review, 4 (four) meetings of the Executive Committee were held.

The Executive Committee was last reconstituted on December 27, 2018 and the members are: Ms. Mehreen Hassan as its Chairperson, Dr. A M R Chowdhury, Mr. Mohammed Irfan Syed and Mr. Q. M. Shariful Ala, Managing Director & CEO as its members.

#### (j) Role of Company Secretary & his Background

Company Secretary is responsible for advising the Board through the Chairman on all governance matters. He is also responsible for ensuring proper information flow with the Board and its Committees and between the management and the non-executive directors. He is also acting as bridge between the regulators/stakeholders and the Company.

Mr. Jashim Uddin holds the position of Vice President-Company Secretary and Head of Corporate Affairs of DBH. He joined the

Company in December 2007. As a Professional Chartered Secretary he possessed wide knowledge in the area of corporate affairs and holding the Fellow Membership of the Institute of Chartered Secretaries of Bangladesh (ICSB). Prior to joining at DBH, he served two different public listed Banks in various capacities and experienced with managing IPO & Rights of those Banks.

### 3. BOARD SYSTEMS AND AUDIT COMMITTEE

#### (a) Financial Expert in the Audit Committee

The Audit Committee of the Board was last re-constituted on December 27, 2018. All the Members of the Audit Committee have the required qualifications and expertise for appointment in the Committee and possess requisite knowledge of accounting and financial management, one of them is a Fellow Chartered Accountant.

#### (b) Reporting of Internal Auditor to the Audit Committee

The Company's internal control system was commensurate with its size and business nature. The system minimized operational risks through effective control, systemic review and on-going audit. The internal auditors undertook a comprehensive audit of all functional areas and operations, their findings referred to the Audit Committee of the Board.

The Company internalized its legal and technical appraisal functions to ensure optimum control. The Company's multi-level authorization structure ensured that higher exposure levels were duly authorized by personnel and committees with requisite experience and authority. Training programs and guidelines helped to implement linkage between goals and operations.

The Board has ultimate responsibility for establishing an effective system of internal control. The internal control system holds all business risks, including financial, operational and strategic risks. To mitigate all the risks as well as to establish control environment, the board holds its meeting regularly with comprehensive agenda dealing with all major

aspects of business. There is an internal control and compliance department directly reporting to the Board Audit Committee which looks after compliance with the organizational policies by different departments.

DBH made relevant mandatory disclosure in its financial statements under the regulatory framework, including compliance with the provisions of International Financial Reporting Standards (IFRS) as adopted in Bangladesh, besides that it submits all the reports/statements regularly, which are required to submit to the regulators as well as the other stakeholders of the Company. However, a separate report on Internal Control has been given on page no. 96 and 97 of this report.

#### (c) Proportion of Independent Directors in the Audit Committee

The Audit Committee of DBH has been formed pursuant to the Bangladesh Bank's guideline on Internal Control and Compliance (ICC) framework vide their DFIM Circular No.- 13, dated: October 26, 2011 and Bangladesh Securities and Exchange Commission's Corporate Governance code-2018 dated June 3, 2018.

The Audit Committee at DBH was last reconstituted on December 27, 2018 and the present members of the Committee are:

Name	Status in the Committee
Maj. Gen. Syeed Ahmed, BP, awc, psc (Retd.) Independent Director	Chairman
Dr. AMR Chowdhury	Member
Mr. A Z Mohammad Hossain	Member
Mr. Md. Mujibur Rahman	Member
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA	Member

Mr. Jashim Uddin, Company Secretary is also the Secretary of the Audit Committee. The Head of Internal Audit concurrently reports to the Managing Director & CEO as well as to the Audit Committee.

#### **(d) Report by the Audit Committee to the Board about the matters related to Conflict of Interest**

The Audit Committee reports directly to the Board of Directors and under certain circumstances, can also report to the BSEC.

The Audit Committee shall immediately report to the Board of Directors in the following cases:

- > On conflict of interest;
- > Suspected and presumed fraud or irregularity or material defect in the internal control system;
- > Suspected infringement of laws, including securities-related laws, rules and regulations and
- > Any other matter which should be disclosed to the Board of Directors immediately

No such issues arose at DBH during the year ended on 31 December 2018.

#### **(e) Presence of the Chairman of the Audit Committee at the AGM**

The Chairman of the Audit Committee is an Independent Director and was present at the last (22<sup>nd</sup>) Annual General Meeting of the Company.

### **4. TRANSPARENCY & DISCLOSURE COMPLIANCES**

#### **(a) Particulars of Purchase/ Sale of Goods/ Materials/ or Services by the Company for/ to Directors and/ or their Relatives etc.**

No such issues arose at DBH during the year ended 31 December 2018.

#### **(b) Disclosure in the Annual Report about Related Party Transaction**

Transactions with related parties have been made on arm's length basis and are in the ordinary course of business. Detailed transactions with related parties have been

described at notes- 39 of the Financial Statements on the page no. 168 of this annual report.

#### **(c) Disclosure regarding Compliance of IFRS**

The Members of the Board, in accordance with the Bangladesh Securities & Exchange Commission's Corporate Governance Code-2018, confirmed compliance with the financial reporting framework by the International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS), as applicable in Bangladesh for preparation of the financial statements and any departure there from has been adequately disclosed.

#### **(d) Disclosure regarding Compliance of ICSB Secretarial Standards**

The Company has complied with the applicable Secretarial Standards adopted by the 'Institute of Chartered Secretaries of Bangladesh (ICSBY).

#### **(e) Adverse Remarks in the Auditors' Report**

The audit report 2018 contained no adverse observations of the activities by the Statutory Auditors' of the Company.

#### **(f) Certification of Annual Financial Statements by the CEO & CFO**

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) provides a certification on annual basis to the Board of Directors under Condition No.3 (3) (C) of the Corporate Governance Code- 2018 of BSEC.

#### **(g) Presentation of Financial Statements on the Website**

The Company's financial results and official news releases have been displayed on the company's website and also on the websites of the Dhaka Stock Exchange and Chittagong Stock Exchange.



#### **(h) Information relating to Compliance Certificate**

M/s. ARTISAN, Chartered Accountants have certified that the Company has complied with the conditions of Corporate Governance as stipulated under BSEC's Corporate Governance Code- 2018. The said certificate forms part of this Annual Report as an annexure to the Corporate Governance Report of the Board of Directors.

#### **(i) Disclosure made to the prospective foreign/ local investors**

DBH made relevant mandatory disclosure in its financial statements and all price sensitive information under the regulatory framework, including compliance with the provisions of International Financial Reporting Standards (IFRS) as adopted in Bangladesh, besides that it submits all the reports/statements regularly, which are required to submit to the regulators as well as the other stakeholders of the Company and also displayed on the company's website and on the websites of the Dhaka and Chittagong Stock Exchanges for the prospective foreign/ local investors.

We also display some information (like list of Directors, Financial Statements) on the front desk's board at all branches of DBH as required by Bangladesh Bank.

#### **(j) Disclosure Pertaining to the Remuneration Package of Directors in the Annual Report**

Pursuant to the Bangladesh Bank Guideline, Directors of FIs are not entitled to get any remuneration other than attending the meeting of the Board and its committees.

Bangladesh Bank vide its DFIM Circular No. 13 dated November 30, 2015, re-fixed the maximum limit of remuneration/ meeting attendance fees to the Directors for attending meetings of the Board and its committees at Taka 8,000 per meeting per Director.

The details of attendance along with the amount of remuneration of Directors in the meeting of the Board and its committees have

been presented in Annexure-II of the Directors' Report. The amount of remuneration paid to the Directors is also disclosed in Note No. 28 of the audited financial statements.

### **5. TRANSPARENCY AND INTERNAL AUDIT FUNCTIONS**

#### **(a) Establishment of Internal Audit Department in the Company**

The Company's internal control system was commensurate with its size and business nature. The system minimized operational risks through effective control, systemic review and on-going audit. There is an internal control and compliance department directly reporting to the Board Audit Committee which looks after compliance with the organizational policies by different departments.

The internal auditors undertook a comprehensive audit of all functional areas and operations, their findings referred to the Audit Committee of the Board.

#### **(b) Written Role and Responsibility of the Head of Internal Audit**

The Head of Internal Audit (HIA) is the key person who is responsible for ensuring the appropriate level of assurance in relation to the operation of internal controls, risk management and governance. Hence, appropriate governance arrangements would include the HIA having direct, unrestricted access to the accountable officer; a service level agreement (or similar) in place; and a strong audit committee in operation. The duties and responsibilities will also include oversee the following functions:

- (1) Financial reporting including disclosures
- (2) Internal control
- (3) Internal audit
- (4) Compliance with relevant ethical requirements, in particular independence and objectivity
- (5) The statutory audit or external audit
- (6) Remedial actions

### (c) Statement of Directors' Responsibility to Establish Appropriate System on Internal Controls

The Company has taken proper steps and sufficient care in building a system of internal control, which is reviewed, evaluated and updated regularly. The internal audit department of the Company conducts periodic audit to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, a Statement of Directors' responsibility to establish appropriate system on internal controls has been presented on page no. 96 of this report.

### (d) Review of the Adequacy of 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.

### (e) Report of the Internal Audit to the Audit Committee

The internal auditors undertook a comprehensive audit of all functional areas and operations, their findings/report referred to the Audit Committee of the Board for appropriate actions/review.

## 6. SHAREHOLDERS INFORMATION & VALUE ENHANCEMENT

Pattern of shareholdings as on 31<sup>st</sup> December 2018 are given below:

On the basis of Shareholders types:

Group Name	No. of Share holders	No. of Shares	Percent (%)
Sponsors/ Directors	5	62,535,797	51.32
General Public	1,651	3,115,306	2.56
Financial Institutions & other Companies	68	3,450,628	2.83
Foreign Investors	31	52,750,112	43.29
<b>Total :</b>	<b>1,755</b>	<b>121,851,843</b>	<b>100.00</b>

### (a) Number of Shareholding (Parent/ Subsidiary/ Associated Companies and Other Related Parties)

Shareholding position of each Sponsor of the Company has been presented in Annexure-iii on page no. 48 of this annual report.

### (b) Shares held by Directors/ Executives and Relatives of Directors/ Executives

Directors/ Executives and relatives of Directors/ Executives of the Company do not hold any shares, which has been shown in Annexure-iii on page nos. 48 & 49 of this annual report.

### **(c) Shares held by Ten Percent (10%) or more Voting Interests in the Company**

The shareholding position of ten percent (10%) or more voting interests in the Company has been shown in Annexure-iii on page no. 49 of this annual report.

### **(d) Redressal of Investors Complaints**

Corporate Affairs Department of DBH is engaged to redress the complaints of the Shareholders and Investors' related to transfer and transmission of shares, non-receipt of annual reports, dividends and other share related matters.

The department also observes the monthly status of the number of shares in physical as well as dematerialized form.

### **(e) Growth/ Net Worth of the Company during the last 5 years**

Key operating and financial data of last preceding 5 (five) years has been shown under the heading of Operational and Financial Highlights on page no. 22 of this annual report.

### **(f) Cash/ Stock Dividend Paid for the last 5 years**

The Company started its journey in early 1997 and commenced to pay the dividend to its shareholders since 2000, thereafter the Company has been paying dividends regularly. The historical record of payment of dividend has been given on page no. 24 of this annual report as general disclosure to the stakeholders of the Company.

### **(g) EPS of the Company for the last 5 years**

The Earnings per Share (EPS) for the year 2018 stood at Tk. 8.60 in place of Tk. 7.79 in the previous year. This indicates increased profitability and stable asset base despite fierce competition amongst the players within the market.

The last preceding 5 (five) years EPS has been shown under the heading of Operational and Financial Highlights on page no. 22 of this annual report.

### **(h) Periodic Reminders to Shareholding who have not encashed their dividend**

In case of unpaid/unclaimed dividend, we serve our shareholders from our share department throughout the year on the working days. We also try to communicate them with the addresses available to send the dividend properly.

### **(i) To view the level of Shareholders' Satisfaction and Confidence toward the Company**

Market value added statement gives a picture of the Company's performance evaluated by the capital market investors through the share price of the company. This statement depicts the difference between the market value of a company and the capital contributed by the investors.

The level of Shareholders satisfaction and confidence toward the Company has been shown under the heading of Market value added (MVA) statement which has been included on page no. 29 of this annual report.

### **(j) Means of Communication with the Shareholders**

As the owners of DBH, our shareholders are one of our main stakeholders. In order to accommodate shareholders information, we regularly communicate with them across various channels – Stock Exchanges, face to face meetings, Website, Print Media etc.

## **7. STAKEHOLDERS VALUE ENHANCEMENT**

Identification of stakeholders is the key to understanding the expectations from the Company and as such helps pave the pathway towards delivering value and fulfilling those expectations. While shareholders, customers, developers, depositors, suppliers, employees and the government are the prime stakeholders; the regulators, local community, and the environmentally interested groups complete stakeholder circle of DBH.

A separate report named Stakeholders analysis has been presented on page no. 118 of this report.

### **(a) Policy to Encourage Employee's Participation in management**

Employees are considered DBH's most valuable asset and key to DBH's continued success. Employees are deemed key stakeholders as they drive DBH's business forward. They wish to grow with the Company and develop their careers to that they aspire to be, hand-in-hand, whilst the Company progresses.

The employees (officers/ executives/ management personnel) are the main participant in the management decision and they are guided by the Principle of individual opportunity, responsibility and reward based on merit.

### **(b) Payment to Vendors on Time**

DBH pay its vendors on time and the procurement policy is to maintain a good business relationship with all its service providers and material suppliers.

### **(c) Payment of Taxes to the Govt. / Authorities on time**

DBH contributes to the national exchequer in the form of Income Tax, VAT & Excise duty regularly and in timely manner. In return, DBH had been awarded the highest tax payer certificate from NBR for last year. Company's contribution to the national exchequer has been given on page no. 42 of this annual report.

### **(d) Dispute/ Default in Respect of Payment of Govt. Taxes**

The report of dispute/ default in respect of payment of Govt. taxes has been shown under the heading of Contingent liabilities on page no. 163 of this annual report

### **(e) Policy of Supply Chain Management**

DBH rigorously follow up its internal procurement policy and upgrade the policy regularly to ensure strong control and fair treatment of suppliers.

## **8. CORPORATE SOCIAL RESPONSIBILITY**

### **(a) Policy of CSR**

Corporate Social Responsibility (CSR) 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.

The report of Corporate Social Responsibility has been given on page no. 103 of this annual report

### **(b) Particulars of the Forestation and Plantation of Trees**

As an environment-responsive Institution, we initiated Go Green campaign in our Company. DBH ensures borrower has the due environmental clearance certificate from the concerned authorities while granting or renewing credit facilities. DBH has assessed environmental and social issues related to the projects at the time of granting credit facilities which reflects DBH's strong commitment in ensuring environmental and social safeguard of the projects, while creating a sense of accountability for the borrowers.

### **(c) Policy to Prevent Employment of Child Labour in Company's Plants**

DBH ensures while approval of loan proposal to developer that particular developer/ client do not encourages child labour.

### **(d) Whether Employees and their Immediate Family Members take part in Community Welfare Initiative of the Company**

DBH encourages the concept of building homes for the lower income groups. Continuing with its annual tradition, DBH employees took part in the home building activities launched by Habitat for Humanity Bangladesh (HFHB) for

construction of low cost homes and renovating homes for destitute families under the CSR activities of DBH.

#### **(e) Scheme Maintain under CSR Programs**

As a socially responsible Financial Institution, DBH will plough back a part of its profit to the society through various CSR activities. We shall choose initiatives which falls under the values and premises on which the Company operates on.

Accordingly, we try to choose initiatives which satisfy the following areas of activity as per Bangladesh Bank guidelines for CSR:

- Promoting education of the Country;
- Preventive and curative healthcare support in the Country;
- we may also allocate CSR for such other areas as emergency disaster relief, as per the decision of the Management.

### **9. CORPORATE OBJECTIVES, GOVERNANCE INITIATIVES/ RECOGNITIONS**

#### **(a) Award Won by the Company for Corporate Governance**

DBH had been awarded the Bronze Crest twice in the occasions of 2<sup>nd</sup> & 3<sup>rd</sup> ICSB National Award- 2014 & 2015 for the Corporate Governance Excellence (declared on 10 November 2015 & 24 December 2016 respectively). It has also been awarded the Silver Crest for the year 2017 (declared on 10 November 2018).

DBH also won the ICMA Best Corporate Award-2016 (declared on January 28, 2018). It has also been awarded the Bronze Crest by the ICMA best Corporate Award-2017 (declared on December 2018).

#### **(b) Vision and Mission Statement of the Company in the Annual Report**

The Vision and Mission statement of the Company has been given on page no. 7 of this annual report.

#### **(c) Overall Strategic Objectives**

The strategic objectives of the Company has been given on page no. 7 of this annual report.

#### **(d) Core Values and Code of Conduct/ Ethical Principles**

The core values and code of conduct/ ethical principles of the Company has been given on page no. 6 of this annual report.

There are two sets of code of conducts one for the Chairperson, other Board Members and CEO in accordance with Corporate Governance Code-2018 and a code of conduct of DBH as per the COC issued by Bangladesh Bank for all Banks & NBFIs.

#### **(e) Directors' Profiles and their Representation on Board of other Companies & Organization Chart**

The brief resume of the Directors have been included on page nos. 10 to 19 of this Annual Report and as well as their representation on Board of other Companies & organization has also been given in the notes no. 41.1 of the Financial Statements.

### **10. TIMELINESS IN ISSUING FINANCIAL STATEMENTS AND HOLDING AGMs**

DBH holds General Meeting of members once a year and the meeting is being held within 6 (six) months of completion of the respective financial year, as per the guidelines of BSEC as well as the permitted time limit of the Companies Act- 1994. The Company ensures effective interaction with the members at the Annual General Meeting. The Directors pay special attention in answering the various queries raised by the members at the Annual General Meeting.

#### **Resolutions passed at the previous AGM i.e. 22<sup>nd</sup> Annual General Meeting :**

Date & Time: April 19, 2018 at 10:30 AM  
Venue: the "Delta Life Conference Hall" of Delta Life Tower (13th fl.), Plot- 37, Road- 90, Gulshan-2, Dhaka-1212.



### **Resolutions passed by the shareholders on the following:**

- (i) Financial Statements for the period ended January 1, 2017 to December 31, 2017;
- (ii) Dividend @30% cash;
- (iii) Re-election of Directors; Mr. Saif Md. Imran Siddique, Md. Sayeed Ahmed, FCA and Md. Mujibur Rahman. Shareholders also approved the appointment of Independent Director, Ms. Rasheda K. Choudhury; and
- (iv) Appointment of M/s. Aziz Halim Khair Choudhury, Chartered Accountants as external auditor of the Company.

### **11. DELEGATION OF AUTHORITY**

There is clearly spelled out delegation of authority in sanctioning loan as well as the operational and capital expenditure with specific task authority relationship. The board has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes.

### **12. AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

The Company has complied with all mandatory requirements of Corporate Governance Guidelines as enumerated in the Corporate Governance Code- 2018 issued by Bangladesh Securities and

Exchange Commission. M/s. ARTISAN, Chartered Accountants have certified that the Company complied with the conditions of Corporate Governance as stipulated under the Corporate Governance Guidelines except as stated in the remarks column, which has been annexed on page no. 76 of this report.

### **13. RISK MANAGEMENT**

The Company always concentrates on delivering high value to its stakeholders through appropriate trade off between risk and return. A well-structured and proactive risk management system is in place within the Company to address the risks relating to credit, market, liquidity and operations. Details of the Risk Management have been described at notes 2.30 of the Financial Statements on page no. 145 of this report.

### **14. GOING CONCERN**

The board is satisfied that the Company has adequate resources to continue its business for the foreseeable future and consequently considers it appropriate to adopt the going concern basis in preparing the financial statements. A separate statement on the topic has been presented on page no. 113 of this report.

Having reviewed the BSEC's Corporate Governance Code- 2018, the Company's Board issued and signed their declaration of Compliance, a statement of which has been annexed in this report.

**Annexure-A**  
**[As per condition No. 1(5) (xxvi)]**  
**Delta Brac Housing Finance Corporation Ltd.**  
**Declaration by CEO and CFO**

Date: February 07, 2019  
 The Board of Directors  
 Delta Brac Housing Finance Corporation Ltd.  
 Landmark Building (9th Fl)  
 12-14 Gulshan North C/A, Gulshan-2  
 Dhaka-1212

**Subject: Declaration on Financial Statements for the year ended on 31<sup>st</sup> December, 2018.**

Dear Sir(s),

Pursuant to the condition No. 1(5) (xxvi) imposed vide the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of Delta Brac Housing Finance Corporation Ltd. for the year ended on 31<sup>st</sup> December, 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments 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<sup>st</sup> December, 2018 and that to the best of our knowledge and belief:
  - (a) these statements do not contain any materially untrue statement 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,



**Q. M. Shariful Ala**  
 Managing Director & CEO



**Syed Aminul Islam**  
 Head of Finance

**Annexure-B**  
**[Certificate as per condition No. 1(5)(xxvii)]**

**REPORT TO THE SHAREHOLDERS  
OF  
DELTA BRAC HOUSING FINANCE CORPORATION LTD.  
ON COMPLIANCE ON THE CORPORATE GOVERNANCE CODE**

We have examined the compliance status to the Corporate Governance Code Delta Brac Housing Finance Corporation Ltd. for the year ended on 31st December 2018. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3<sup>rd</sup> 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 as stated in the remarks column of the status of the Code.
- 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.

Dhaka, 19 February, 2019



A handwritten signature in black ink, appearing to be "Md. Selim Reza", written over a horizontal line.

**Md. Selim Reza FCA FCS**  
Partner  
ARTISAN  
Chartered Accountants

## Annexure-C

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

Status of compliance with the conditions imposed by the Commission's Notification No.SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

### (Report under Condition No. 9)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1. BOARD OF DIRECTORS:				
1(1)	<b>Size of the Board of Directors:</b> The total number of members of the company's Board of Directors shall not be less than 5 (five) and more than 20 (twenty)	✓		Board comprises 9 Members including 2 Independent Directors
1(2)	<b>Independent Directors:</b>			
1(2) (a)	At least one fifth (1/5) of the total number of Directors shall be Independent Directors	✓		2 (two) Independent Directors namely: (1). Ms. Rasheda K. Choudhury and (2). Maj. Gen. Syeed Ahmed, (Retd.)
1(2)(b)	<b>Independent Director means a Director :</b>			
1(2)(b)(i)	Who either does not hold share in the company or holds less than one (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;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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 is not 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 or any advance to a bank or a Non-Bank Financial Institution (NBFI); and	✓		
1(2)(b)(x)	who has not been convicted for a criminal offence involving moral turpitude;	✓		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM);	✓		Appointment of Maj. Gen. Syeed Ahmed will be placed before the next AGM
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days; and	✓		
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) tenure only:	✓		
<b>1(3)</b>	<b>Qualification of Independent Director :</b>			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business;	✓		
<b>1(3)(b)</b>	<b>Independent director shall have following qualifications:</b>			
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



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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 Tk. 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;			N/A
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 or experiences may be relaxed subject to prior approval of the Commission.			N/A
<b>1(4)</b>	<b>Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer :</b>			
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 (Put ✓ in the appropriate column)		Remarks (if any)
		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.			N/A
<b>1(5)</b>	<b>The Directors' Report to Shareholders:</b>			
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;			N/A
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.;			N/A
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;			N/A
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;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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;	✓		
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;			N/A
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;			N/A
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 :-	✓		<u>Annex # iii.</u> page no. 48
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);			N/A

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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 or reappointment of a director, a disclosure on the following information to the shareholders :-			
1(5)(xxiv)(a)	a brief resume of the director;	✓		
1(5)(xxiv)(b)	nature of his or her expertise in specific functional areas; and	✓		
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 :-	✓		Page no. 50
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;			N/A
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;	✓		
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;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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	✓		Page no. 75
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.	✓		Page no. 77
<b>1(6)</b>	<b>Meetings of the Board of Directors :</b> 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.	✓		
<b>1(7)</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer :</b>			
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;	✓		
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.	✓		
<b>2.</b>	<b>GOVERNANCE OF BOARD OF DIRECTORS OF SUBSIDIARY COMPANY :</b>			
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;			N/A
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;			N/A
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;			N/A



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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;			N/A
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.			N/A
<b>3.</b>	<b>MANAGING DIRECTOR (MD) OR CHIEF EXECUTIVE OFFICER (CEO), CHIEF FINANCIAL OFFICER(CFO), HEAD OF INTERNAL AUDIT AND COMPLIANCE (HIAC) AND COMPANY SECRETARY (CS) :</b>			
<b>3(1)</b>	<b>Appointment :</b>			
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).			N/A
<b>3(2)</b>	<b>Requirement to attend Board of Directors' Meetings:</b> The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	✓		
<b>3(3)</b>	<b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO) :</b>			
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	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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.	✓		
<b>4.</b>	<b>BOARD OF DIRECTORS' COMMITTEE :</b>			
4(i)	Audit Committee; and	✓		
4(ii)	Nomination and Remuneration Committee.		✓	Pursuant to BB circular letter no. 18 dated on 26-10-2011, FIs cannot form more than 2 Committees (AC & EC)
<b>5.</b>	<b>AUDIT COMMITTEE :</b>			
<b>5(1)</b>	<b>Responsibility to the Board of Directors :</b>			
5(1)(a)	The company shall have an Audit Committee as a sub-committee 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.	✓		
<b>5(2)</b>	<b>Constitution of the Audit Committee :</b>			
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 nonexecutive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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.	✓		
<b>5(3)</b>	<b>Chairperson of the Audit Committee :</b>			
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)	✓		
<b>5(4)</b>	<b>Meeting of the Audit Committee :</b>			
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.	✓		
<b>5(5)</b>	<b>Role of Audit Committee :</b>			
5(5)(a)	Oversee the financial reporting process;	✓		
5(5)(b)	monitor choice of accounting policies and principles;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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			N/A
<b>5(6)</b>	<b>Reporting of the Audit Committee :</b>			
<b>5(6)(a)</b>	<b>Reporting to the Board of Directors :</b>			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	✓		
<b>5(6)(a)(ii)</b>	<b>The Audit Committee shall immediately report to the Board on the following findings, if any :-</b>			
5(6)(a)(ii)(a)	report on conflicts of interests;			N/A
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;			N/A
5(6)(a)(ii)(c)	suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			N/A

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5(6)(a)(ii)(d)	any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			N/A
<b>5(6)(b)</b>	<b>Reporting to the Authorities :</b> 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.			N/A
<b>5(7)</b>	<b>Reporting to the Shareholders and General Investors:</b> 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.	✓		
<b>6.</b>	<b>NOMINATION AND REMUNERATION COMMITTEE (NRC) :</b>			
<b>6(1)</b>	<b>Responsibility to the Board of Directors :</b>			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a subcommittee of the Board;		✓	As stated earlier
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;			N/A
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).			N/A
<b>6(2)</b>	<b>Constitution of the NRC :</b>			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;			N/A
6(2)(b)	All members of the Committee shall be non-executive directors;			N/A
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;			N/A
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;			N/A

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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;			N/A
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;			N/A
6(2)(g)	The company secretary shall act as the secretary of the Committee;			N/A
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;			N/A
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.			N/A
<b>6(3)</b>	<b>Chairperson of the NRC :</b>			
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;			N/A
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;			N/A
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders			N/A
<b>6(4)</b>	<b>Meeting of the NRC :</b>			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;			N/A
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;			N/A
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);			N/A



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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.			N/A
<b>6(5)</b>	<b>Role of the NRC :</b>			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;			N/A
<b>6(5)(b)</b>	<b>NRC shall oversee, among others, the following matters and make report with recommendation to the Board :</b>			
<b>6(5)(b)(i)</b>	<b>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:</b>			
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;			N/A
6(5)(b)(i)(b)	the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and			N/A
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;			N/A
6(5)(b)(ii)	devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;			N/A
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;			N/A
6(5)(b)(iv)	formulating the criteria for evaluation of performance of independent directors and the Board;			N/A
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			N/A
6(5)(b)(vi)	developing, recommending and reviewing annually the company's human resources and training policies;			N/A
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.			N/A
<b>7.</b>	<b>EXTERNAL OR STATUTORY AUDITORS :</b>			
<b>7(1)</b>	<b>The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely :</b>			
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;	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
7(1)(iv)	broker-dealer services;	✓		
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.	✓		
<b>8.</b>	<b>MAINTAINING A WEBSITE BY THE COMPANY :</b>			
8(1)	The company shall have an official website linked with the website of the stock exchange.	✓		
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).	✓		
<b>9.</b>	<b>Reporting and Compliance of Corporate Governance :</b>			
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.	✓		The professional who will provide the certificate for the year 2019 will be placed for appointment in the next AGM
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.	✓		

## Annexure-D

Statement of compliance with the good governance guidelines issued by the Bangladesh Bank

Bangladesh Bank vide, DFIM Circular No. 7, dated 25 September 2007, issued a policy on the responsibility & accountability of the Board of Directors, Chairman & Chief Executive of financial institution. The Board of Directors of the Company has taken appropriate steps to comply with the guidelines.

A status report on compliance with those guidelines is stated below:

SL. No.	Particulars	Status of Compliance
1.	<b>Responsibilities and authorities of the Board of Directors:</b>  The Board of Directors should focus mainly on the policy matters and evaluation of the performance of the institution, such as:	
	<b>(a) Work-planning and strategic management:</b>	
	(i) The Board shall determine the Vision/ Mission of the institute. In order to enhance operational efficiency and to ensure business growth, they shall chalk out strategies and work-plans on annual basis.  The Board shall review such strategies on quarterly rests and shall modify accordingly, if required. If any structural modification is required, shall bring those changes with consultation with the management.	Complied
	(ii) The Board shall have its analytical review incorporated in the Annual report as regard to the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders on future plans and strategies.	Complied
	(iii) The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will appraise those on half yearly basis.	Complied
	<b>(b) Formation of sub-committee:</b>	
	Executive Committee may be formed in combination with directors of the Company for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities. Except the Executive Committee and Audit Committee, no other committee or sub-committee can be formed, even in temporary basis.	Complied
	<b>(c) Financial management:</b>	
	(i) Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(ii) 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 recover overdue loan/lease.	Complied

SL. No.	Particulars	Status of Compliance
	(iii) Board shall approve the Company's policy on procurement and collection and shall also approve the expenditures according to policy. The Board to the maximum extent shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget.	Complied
	(iv) The Board shall adopt the process of operation of bank accounts. To ensure transparency in financial matters, groups may be formed among the management to operate bank accounts under joint signatures.	Complied
	<b>(d) Management of loan/lease/investments:</b>	
	(i) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
	(ii) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal.	Complied
	(iii) Any large loan/lease/investment proposal must be approved by the Board.	Complied
	<b>(e) Risk management:</b>	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Complied
	<b>(f) Internal control and compliance management:</b>	
	An Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditors, external auditors and Bangladesh Bank Inspection team as well.	Complied
	<b>(g) Human resource management:</b>	
	Board shall approve the policy on Human Resources Management and Service Rule. The Chairman and directors 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
	<b>(h) Appointment of CEO:</b>	

SL. No.	Particulars	Status of Compliance
	The Board shall appoint a competent CEO for the institution with the prior approval of the Bangladesh Bank and shall approve the proposal for increment of his salary and allowances.	Complied
	<b>(i) Benefits offer to the Chairman:</b>	
	For the interest of the business, the Chairman may be offered an office room, a personal secretary, a telephone at the office and a vehicle subject to the approval of the Board.	Complied
	<b>Responsibilities of the Chairman of the Board of Directors:</b>	
	(a) 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
	(b) The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(c) The Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
	<b>Responsibilities of Managing Director:</b>	
	(a) 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
	(b) For day to day operations, Managing Director shall ensure compliance with the rules and regulation of the Financial Institutions Act, 1993 and other relevant circulars of Bangladesh Bank;	Complied
	(c) All recruitment/promotion, except those of DMD, GM and equivalent positions shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the institution;	Complied
	(d) Managing Director may re-schedule job responsibilities of employees	Complied
	(e) Except for the DMD, GM and equivalent positions, power to transfer and to take disciplinary action shall vested to the Managing Director.	Complied
	(f) 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 MD.	Complied



## Events Highlights



Nasir A. Choudhury, Chairman of Delta Brac Housing Finance Corporation Ltd. (DBH) addressing the 22<sup>nd</sup> Annual General Meeting of the Company.

Honorable Finance Minister A M A Muhith handing over ICMAB Best Corporate Award 2017 trophy under Non-Banking Financial Institutions category to our Head of Finance Syed Aminul Islam.



Honorable Shareholders of DBH participating in the 22<sup>nd</sup> AGM of the Company.



# Report on Internal Control



## Internal Control & Compliance

Financing is a diversified and multifarious monetary activity which involves different types of risks. An effective internal control and compliance system has become essential in order to underpin effective risk management practices and to ensure smooth performance of the finance/bank industry.

DBH has the 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 control 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.

The aim of internal control is to provide reasonable assurance, by means of system of processes and procedures implemented by DBH, that the following objectives may be achieved:

- determine the reliability and integrity of information; (i.e. evaluating the internal control systems and the integrity of financial and operating information produced by those systems);
- determine whether compliance exists with policies, procedures, laws, and regulations;
- determine if assets are safeguarded and verify the existence of those assets;
- review operations or programs for consistency with established management goals and objectives;
- assist executives of the company in the effective and successful performance with analyses, appraisals, recommendations, and other pertinent information concerning the activities being reviewed.

DBH 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.

## Internal control procedure

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 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.

## The key operations and the internal control procedures are described below:

### Financial and accounting information:

With view to ensure safe, secure, stable & effective transaction processing, Finance & Accounts Department of DBH is working with utmost efficiency & professionalism.

Financial and accounting information is prepared centrally on the basis of financial statements generated from the software application that is used by different departments and is in compliance with the IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) as adopted by the ICAB (Institute of Chartered Accountant of Bangladesh) from time to time.

Reports are produced monthly and prepared in the following month to which they relate

whereas full accounting consolidations are produced quarterly and prepared within the following month to which they relate. The preparation of the annual financial statements is the responsibility of the Management under the supervision of the Audit Committee and Company's Auditor. The quarterly & half-yearly Financial Statements are prepared by the Management under the supervision of Audit Committee.

### External financial information

Financial communication to external parties consists of financial statements prepared by the Management, submitted to the Board and reviewed and audited by the Auditors.

### Cash position and financing

Responsibility for fund management is delegated to the treasury wing of the finance department by means of well defined procedures and delegation.

The finance & accounts department is responsible for borrowings and investment which is required to comply with specific procedures such as, position of the banks involved, risk-free investment and monitoring of financial transactions.

Borrowings and investments are monitored on the monthly basis by means of report produced by the treasury and finance & accounts department and submitted to Senior Management.

### Procedures and inspections

With the objectives of producing high quality financial and accounting information, DBH has introduced procedures and instructions tailored to every section. These procedures are grouped by topic and deal mainly with accounting, treasury, regulatory and reporting issues.

The internal control & compliance department is independent from management. It audits the activities and systems of different departments in accordance with an audit plan, particularly in order to assess and improve the accuracy and reliability of the accounting and financial information.

The internal control & compliance department coordinates relations with external auditors.

### Customer relation

With the aims of specifying and formalizing certain practices regarding contractual relations with its clients, DBH has developed a procedure for managing client risk. This includes limit in respect of credit, delegation of authority, security, insurance and documentation.

The legal department analyzes the legal provisions applicable to financing agreements executed between DBH and the clients. We have standard documents defining the conditions with which the agreements should comply in order to reduce the level of risk. These standard documents are regularly reviewed by the concerned departments.

### Human resources

Human resources department develop and oversight the implementation of code of conduct of the organization. Create awareness and good governance across the company, identify the scopes where efficiency of employee can be developed and arrange appropriate training in this regards, Amend existing policies and procedures as per requirements, Evaluate and reward the respective employees for integrity and good work. It carries out the performance evaluation program in each year. This department provides industry information to the management regarding the emolument and benefits. Human Resources department is responsible for ensuring compliance with the service rules and regulations. The internal control & compliance department oversight the aforementioned activities are executed in proficient manner.

### Information technology

The Information Technology Department is responsible for integrating and ensuring the consistency of the hardware and software availability and IT peripherals are efficiently used & managed. In DBH, most data processing is carried out by means of integrated software packages. Network firewall in the form of both hardware and software are implemented within the system and additional IDS (Intrusion Detection system) also deployed to encounter unwanted intruders within the system. All the in-house developed application modules and database are stored in a safe custody on daily, weekly and monthly basis at within and outside business premises. The internal control & compliance department periodically review the IT resources are utilized in an efficient manner and overall economic benefit is utilized.

# Audit Committee Report



The Audit Committee of DBH undertakes, among others, oversight responsibilities on behalf of the Board of Directors by reviewing the financial reporting process, the system of internal controls, the audit process, the management of financial risks and the process of monitoring compliance with the laws and regulations in force including its own code of business conduct. The audit committee on behalf of the Board also strives to implement the business plans and policies, as well as continue its strong vigilance and monitoring on the followings areas:

- Oversee the disclosure of its financial information to ensure that the financial statements is correct, sufficient and credible;
- Recommend the Board, the appointment, re-appointment of the statutory auditor and the fixation of audit fees;
- Review with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval.

## Composition of the Committee

The Board of Directors has been very meticulous in the formation of the Audit Committee, which consist of 5 (five) members. All the members are financially literate and possess the required qualifications in keeping with the spirit & objectives as laid down in the regulatory directives.

The Audit Committee of DBH has been formed pursuant to the Bangladesh Bank's guideline on Internal Control and Compliance (ICC) framework vides their DFIM Circular No.- 13, dated : October 26, 2011 and Bangladesh Securities and Exchange Commission's Corporate Governance Code- 2018.

The current Audit Committee was last reconstituted on December 27, 2018 and the present members of the Committee are:

Name	Status in the Committee	Status in the Board
Maj. Gen. Syeed Ahmed, BP (Retd.)	Chairman	Independent Director
Dr. AMR Chowdhury	Member	Vice-Chairman
Mr. A Z Mohammad Hossain	Member	Director
Mr. Md. Sayeed Ahmed FCA, ACMA,CGMA	Member	Director
Mr. Md. Mujibur Rahman	Member	Director

Mr. Jashim Uddin Company Secretary is also the Secretary of the Audit Committee. The Head of Internal Audit concurrently reports to the Managing Director & CEO as well as to the Audit Committee.

## Activities of the Audit Committee

The Committee normally meets quarterly, but an emergency meeting of the Committee may be called, if required. However, during the period under review, 4 (four) Committee meetings were held. The Committee reviews the financial reporting process, the system of internal control and management of financial & operational risks through the audit process.

Audit Committee reviewed the final accounts for the period of January 1, 2018 to December 31, 2018 and placed its recommendations to the Board of Directors. Based on the review, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the Company and to ensure that its assets are safeguarded properly.

### **Roles and Responsibilities of the Committee**

As set out by Bangladesh Bank and Bangladesh Securities & Exchange Commission, in addition to any other responsibility, which may be assigned from time to time by the Board, the audit committee is responsible for the following matters:

#### **(a) Internal Control**

- (1) Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have understanding of their roles and responsibilities;
- (2) Review the arrangements made by the management for building a suitable Management Information System (MIS) including computerization system and its applications;
- (3) Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management;
- (4) Review the existing risk management procedures for ensuring an effective internal check and control system;
- (5) Review the corrective measures taken by the management as regards the reports relating to fraud-forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and inform the board on a regular basis.

#### **(b) Financial Reporting**

- (1) Review the annual financial statements and determine whether they are complete and consistent with the accounting standards set by the regulatory authority;
- (2) Meet management and the external auditors to review the financial statements before their finalization.
- (3) The chairman of the audit committee shall be present and answerable to reply the accounting and audit related query in the general meeting.

#### **(c) Internal Audit**

- (1) Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made;
- (2) Review the efficiency and effectiveness of internal audit function;
- (3) Review that findings and recommendations made by the internal auditors for removing the irregularities detected and also running the affairs of the Institution are duly considered by the management.

- (4) Recommend the Board in case of change of the accounting policies.

#### **(d) External Audit**

- (1) Review the auditing performance of the statutory auditors and their audit reports;
- (2) Review that findings and recommendations made by the statutory auditors for removing the irregularities detected and also running the affairs of the institution are duly considered by the management;
- (3) Make recommendations to the Board regarding the appointment of the statutory auditors.

#### **(e) Compliance with existing Laws and Regulations**

Review whether the laws and regulations framed by the regulatory authorities (Bangladesh Bank and other bodies) and internal regulations approved by the Board have been complied with.

#### **(f) Other Responsibilities**

- (1) Place reports before the Board on periodic basis regarding findings, recommendations, regularization of the errors & omissions, fraud and forgeries and other irregularities as detected by the internal and statutory auditors and inspectors of regulatory authorities;
- (2) Perform other oversight functions as requested by the Board and evaluate the Committee's own performance on a regular basis.
- (3) Receive and review the report of the internal audit which normally prepares for the higher management.

#### **Reporting to the Board and the Shareholders**

The Committee reports to the Board following each meeting. In addition, the Committee also provides:

- > Copies of minutes of the meeting to the Board;
- > A report annually to the Board/ Shareholders;

#### **Acknowledgement**

The Board Audit Committee expressed its sincere thanks to the members of the Board, management and the statutory auditors for their support in carrying out its duties and responsibilities effectively.



**Maj. Gen. Syeed Ahmed, BP (Retd.)**  
Chairman  
Audit Committee

Date : February 07, 2019

# Green Banking Activities of DBH



Green banking considers all the environmental factors along with financial priorities with an aim to protect the environment as well as to foster the economic development in a more environment friendly way. This concept of Green Banking will be mutually beneficial to the banks, financial institutions and the economy.

DBH has outlined a policy guideline for implementing Green Banking activities in a structured manner in line with standard norms so as to protect environmental degradation and ensure sustainable business practices.

## Environment Friendly Loan Financing

We have incorporated sustainability principles into day-to-day activities of the Company. Our aim is to do best to ensure that the credits we extend to our customers are utilized for environmentally sound and sustainable purposes. DBH complies with environmental standard while financing. Projects with likely adverse impact on environment are strongly discouraged by DBH. As an environment responsive Financial Institution, DBH ensures that the borrower has the due environmental clearance certificate from the concerned authorities while granting or renewing credit facilities. DBH has assessed environmental and social issues related to the projects at the time of granting credit facilities which reflects DBH's strong commitment in ensuring environmental and social safeguard of the projects, while creating a sense of accountability for the borrowers.

DBH also encourages its borrowers to have solar panel in their project at the time of appraising and granting housing loan facilities. In future the company aims to enhance the effort on preserving ecosystem, land, air and water, in line with broad corporate mission of the Company.

## Improved In-house Management & Green practices

The Company has been maintaining a balanced initiative and supporting activity to contain things that may adversely affect the environment. DBH encourages rational use of energy in the office and promotes the spirit of environment friendly action plans. Reduced utilization of electricity and minimum uses of water and paper have become mandatory for the officials.

## Environmental Due Diligence (EDD)

DBH maintains Environmental Due Diligence at the time of processing proposal before placing the same to Management. Few clients of DBH have found applicable for EDD and after conducting Environmental Risk Rating (EnvRR) it is found that few clients have been fallen in the category of low risk and in moderate risk level.



# Report on National Integrity Strategy



Government of Bangladesh formulated its National Integrity Strategy (NIS) as a comprehensive good governance strategy to prevent corruption and improve national integrity in all sphere of life. The NIS is an instrument to enhance integrity and eliminate corruption within institutions. Improved honesty and morality in people, policies and procedures are seen as a vehicle to address and rectify the crisis of integrity that the institutions are presently in. Upon its implementation, the NIS will establish that only people with integrity will become people's representatives, and they will exercise their collective will to instill integrity back into society. The success of the NIS requires continuous political will, and the people and institutions must challenge the political leadership to that end.

The Government of Bangladesh believes that the issue of integrity should not stop at the top level of institutions. Rather, each institution is expected to find mechanisms to implement institution-specific strategies at different tiers. The idea is to let the obligations of integrity reach down to each individual of the institutions. In that respect, every citizen will be part of the NIS.

## NIS and Private Sector:

The private sector is playing an increasingly important role in the socio-economic progress of the country and contributing to wealth creation and value addition to meet the demand of the population. Thus, integrity of this sector is of paramount importance.

To support the total activities of the Government of Bangladesh in establishing NIS, Bangladesh Bank has formed a National Integrity Implementation Cell and under which all banks and FIs are come together to implement the NIS within every financial institution. Accordingly, DBH has formed

a 6 (six) members committee called "Ethics Committee of DBH" headed by Head of Finance of the Company as well as determined a Focal Point. The committee has undertaken the responsibilities to work closely with the Bangladesh Bank and Bangladesh government to implement the NIS and in this regards work plans for current year have been finalized.

During the period under review, total 4 (four) meetings of the Ethics committee were held and following steps have been taken under the NIS implementation program of DBH:

Formulated the revise work plan for 2018-2019, as guided by Bangladesh Bank and accordingly, quarterly reports have been submitted to Bangladesh Bank in timely manner.

- Form a committee called "Innovation Committee" as sub-committee of Ethics Committee.
- Published two selected rhymes from the book "Choray Choray Shuddasar" in the daily newspapers for creating awareness on integrity among the general public.
- Introduced Integrity Award (prize) to encourage the officials of the Company.
- Introduced the revised Code of Conduct for DBH, in line with the Code of Conduct issued by Bangladesh Bank.
- Introduced effective measures for combating money laundering and the financing of terrorism.
- Ensured transparency in all activities of the Company

**Jashim Uddin, FCS**  
Focal Point  
DBH, Ethics Committee

# Corporate Social Responsibility (CSR) at DBH



Delta Brac Housing Finance Corporation Ltd. (DBH) being a corporate citizen derives the resources and benefits from operating in the society in general. It therefore, owes a solemn duty to the less fortunate and the under-privileged members of the society. Thus, Corporate Social Responsibility (CSR) is embedded in our values and informs how we conduct business.

We have put in place very strong and sensible CSR initiatives. CSR is an integral part of corporate culture and ethics of DBH.

## DBH and its Customers

DBH is determined to serve its customer's needs by offering useful financial products and services, while maintaining good relationships with them. We have taken several measures to raise the bar of our service excellence to ensure that customers receive the best possible service. DBH ensures confidentiality of customers' Information and attaches highest importance in complaint management. The Company strives to listen and learn from its stakeholders and to take the appropriate action where it applies, since responsible behavior towards its clients, shareholders and employees is an essential element of Company's daily business.

## DBH and its Employees

DBH has established a competitive and enabling working environment to help employees perform their best. DBH is working with a vision of converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution. Creating a culture of healthy competition driven by knowledge is

what we believe is the best way to prepare our employees to take up challenges of the contemporary business world. DBH ensures equal opportunities for all its employees in terms of both their personal and professional development. DBH ensures health and safety in the workplace while keeping it modern by providing all amenities for its employees. To attract talents and retain competency, we have a balanced compensation scheme comprising financial and qualitative benefits. Besides providing competitive package, DBH provides various welfare schemes to its employees.

## Gender Equality and Women's Empowerment

DBH considers the responsibility for protection of human rights, gender equality and women's empowerment. DBH is successfully developing in bringing diversity in workforce in context of age, gender, ethnicity and locality. DBH strives to strike the balance between male and female employees in the workforce.

## Corporate Governance at DBH

As a strong believer of sustainable growth, principles of good corporate governance form the core values of DBH. In order to achieve transparent and sound corporate governance, we have adopted international best practices to help us sustain in this globalized competitive free market economy. Corporate Governance policy of DBH recognizes the importance of the transparency to all its constituents; including employees, customers, investors and the regulatory authorities demonstrating that the shareholders are the ultimate beneficiaries of the Company's economic activities.

DBH's corporate governance philosophy encompasses not only regulatory and legal

requirements, including the BSEC Regulations and the Bangladesh Bank Guidelines in respect of corporate governance but also other practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders.

### **Environmental Awareness**

As an environment-responsive Institution we initiated Go Green campaign in our Company. DBH ensures borrower has the due environmental clearance certificate from the concerned authorities while granting or renewing credit facilities. DBH has assessed environmental and social issues related to the projects at the time of granting credit facilities which reflects DBH's strong commitment in ensuring environmental and social safeguard of the projects, while creating a sense of accountability for the borrowers.

DBH conducted various CSR activities during the period under reporting i.e. from January 1, 2018 to December 31, 2018. The highlights of the activities taken during the reporting period are as follows:

#### **Education:**

Education is one of the basic rights for every human being. Bangladesh has enormous potential for rapid development in the world economy. The people of the country are ambitious, hardworking and well conscious regarding the value of education. Unfortunately, due to inability, some of the students are unable to get quality education. Without quality education a nation cannot

develop, as education is an essential component of human development and empowerment of nation.

Considering the fact, DBH has come forward to do something in this area and engaged itself with the following projects:

#### **Rajdhani Mohila College:**

Rajdhani Mohila College, Mirpur, Dhaka has been built under the leadership of some courageous sponsors to provide quality education to the female students of lower income families in the area. Since beginning it is doing well for developing the society with quality education.

To develop the College lab facilities further, DBH took an initiative and provided them Tk. 2.00 lac during the year.

#### **National Integrity:**

Under the National Integrity Strategy (NIS) program of the country, Banks and NBFIs are playing a tremendous role for creating awareness among the common people by publishing the Rhymes to the national dailies from the Book 'Choray Choray Shuddasar' published by Bangladesh Bank.

Accordingly, DBH also published two different rhymes and spent an amount of Tk. 0.46 lac only from its CSR fund.



# Disclosures on Capital Adequacy and Market Discipline (CAMD) – Pillar III

## A) Scope of Application

### Qualitative Disclosures:

- (a) These guidelines apply to Delta Brac Housing Finance Corporation Ltd.
- (b) DBH has no subsidiary companies.
- (c) Not Applicable

### Quantitative Disclosures:

- (d) 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.

### Conditions for maintaining regulatory capital:

- i) The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.

### Quantitative Disclosures:

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

Particulars	Amount in Crore Taka
Paid up capital	121.85
Non-repayable share premium account	5.50
Statutory reserve	130.74
General reserve & other reserve	177.50
Retained earning	43.40
Dividend equalization account	25.00

Amount in Crore Taka

- c) The total amount of Tier 2 capital 31.16
- (d) Other deductions from capital -
- (e) Total eligible capital 535.16

## C) Capital Adequacy

### Qualitative Disclosures

- (a) A summary discussion of DBH's approach to assessing the adequacy of its capital to support current and future activities.

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

DBH 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 housing loan and thus increasing retained earnings

- Raise fresh capital by issuing bonus share/right issue.

#### Quantitative Disclosures

Amount in crore Taka

(b) Capital requirement for Credit Risk	249.28
(c) Capital requirement for Market Risk	5.89
(d) Capital requirement for Operational Risk	28.05
(e) Total and Tier 1 capital ratio:	
CAR on Total capital basis (%)	18.90
CAR on Tier 1 capital basis (%)	17.80

#### 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 provisions are maintained according to the relevant Bangladesh Bank Guideline and Specific provisions are maintained as per DBH's internal policy which is much more conservative than 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 DBH:

- 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, DBH 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 Administration Department

An independent Credit Administration Department is in place, at DBH, to scrutinize all loans from risk-weighted point of view and assist the management in creating a high quality portfolio and maximize returns from assets. The Credit department assesses credit risks and suggests mitigations and ensures that adequate security documents are in place before sanction of loan and before disbursement of loans.

#### Special Recovery and Collection 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 Compliance Department

Appropriate internal control measures are in place at DBH. An Internal 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, DBH search for credit reports from Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by Credit Admin Department and Loan Operation 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 crore Taka
Housing Loan	4,321.82
Loan against Deposit	37.99
Staff Loan	13.08
Installment Receivables	9.57
Others	2.31
<b>Total</b>	<b>4,384.77</b>

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

Area	Amount in crore Taka
Dhaka	4,093.83
Chattogram	235.12
Sylhet	24.04
Cumilla	8.67
Gazipur	23.11
<b>Total</b>	<b>4,384.77</b>

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

Sector	Amount in crore Taka
Housing & Real Estate	4,342.73
Others	42.04
<b>Total</b>	<b>4,384.77</b>



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

Particulars	Amount in crore Taka
Repayable on demand	9.57
Not more than 3 months	339.52
Over 3 months but not more than 1 year	855.19
Over 1 year but not more than 5 years	2,348.95
Over 5 years	831.53
<b>Total</b>	<b>4,384.77</b>

- (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 DBH are given below as per Bangladesh Bank guidelines.

Particulars	Amount in crore Taka
Housing loans up to 5 years	0.76
Housing loans over 5 years	12.52
<b>Totals</b>	<b>13.28</b>

- ii) Specific and general provisions:

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

Particulars	Amount in crore Taka
Provision on classified loans and advances	13.28
Provision on unclassified loans and advances	77.57
<b>Total</b>	<b>90.85</b>

- 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 DBH.

Particulars	Amount in crore Taka
Provision on classified loans and advances	1.78
Provision on unclassified loans and advances	(16.40)
<b>Total</b>	<b>(14.62)</b>

Amount in crore Taka

- (g) Gross Non Performing Assets (NPA) 13.28

Non Performing Assets (NPAs) to outstanding Loans and Advances 0.30%

#### Movement of Non-Performing Assets (NPAs)

Amount in crore Taka

Opening Balance	11.50
Additions	3.57
Reductions	1.79
Closing Balance	13.28

#### Movement of Specific Provisions for NPAs

Amount in crore Taka

Opening Balance	0.66
Provisions made during the period	0.30
Write-off	0.00
Written-back of excess provisions	0.00
Closing Balance	0.96

### 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. Mutual funds have been valued at 85% of latest published NAV available as on December, 2018. Unquoted share is valued at cost price or book value as per latest audited accounts.

### 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 crore Taka
Quoted shares (Market price)	29.43
Quoted shares (Cost Price)	35.85
Unquoted shares	1.20

Breakup of Total Investment	
Particulars	Amount in crore Taka
Government securities	0.11
Non marketable securities	5.45
Preference share	9.00
Investment in share (lock-in)	0.37
Marketable Securities	35.85
Commercial paper	10.00

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

Particulars	Amount in crore Taka
Cumulative realized gain (loss)	0.76

(d)

Particulars	Amount in crore Taka
Total unrealized gains(Losses)	(5.10)
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 29.43 crore. Capital requirement is 10% of the said value which stands at BDT 2.94 crore.

General Risk – Market value of investment in equities is BDT 29.43 crore. Capital requirement is 10% of the said value which stands at BDT 2.94 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 Committee (ALCO) monitors the interest rate movement on a regular basis.

DBH 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				
	1 to 30/31 day (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)	290.13	151.47	123.61	198.67	1,138.15
B. Total Rate Sensitive Assets (B)	477.44	564.74	183.91	290.87	618.45
C. Mismatch	187.32	413.27	60.30	92.19	-519.70
D. Cumulative Mismatch	187.32	600.59	660.89	753.09	233.39
E. Mismatch (%)	64.56%	272.84%	48.79%	46.40%	-45.66%

Interest Rate Risk			
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)	4.67	9.34	14.00
Revised Regulatory Capital (BDT in Crore)	539.83	544.49	549.16
Risk Weighted Assets (BDT in Crore)	2,832.12	2,832.12	2,832.12
Revised CAR (%)	19.06%	19.23%	19.39%

### 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 sets limits, reviews and updates 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, 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 reviews 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, DBH 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 of the company. The type and level of mismatch 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 monthly 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 price of equities held by the Company.

Equity Risk is managed by the following manner:

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

## Quantitative Disclosures

(b) The capital requirements for Market Risk:

Amount in crore Taka	
Interest rate risk	-
Equity position risk	5.89
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. The Board delegates its authority to Executive Committee and Managing Director. 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

DBH'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 DBH family. We aim to foster a sense of pride in working for DBH and to be the employer of choice. As such there exists no performance gap in DBH.

### Potential external events

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

Policies and Procedure for mitigating operational risk.

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

### Approach to calculate 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. DBH 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:

Amount in crore Taka

Capital requirement for operational risk:	28.05
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# Report on Going Concern Status of DBH



Delta Brac Housing Finance Corporation Ltd. (DBH) is a non-banking financial institution and continuing its business since 1997, as going concern basis. Financial Statements of a Company are required to be prepared on the basis of going concern concept as per International Accounting Standard (IAS)-1. Under this concept it is assumed that the Company will continue its business indefinitely and will not cease trading or liquidate and therefore the Company must be able to generate enough resources to stay operational.

The Board of Directors of Delta Brac Housing Finance Corporation Limited have made annual assessment about whether there exists a material uncertainty which may cast significant doubt upon the Company's ability to continue as going concern. The Director's assessment of whether the company is a going concern entity involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to company's continuance as a going concern for the foreseeable future.

## Financial Indications

### Less reliance on short term borrowing:

At the end of December 2018, total short term borrowings of the Company were Taka 3,866 million, representing only 7.37% of total liabilities that indicates the Company has least reliance on short term borrowings.

### Continuous financial support from depositors:

The Company has a very good track record and reputation in settlement of its obligation with its lenders/depositors. So, we enjoy easy and fair access to the funding sources to meet

our increasing need for growth. By the end of December 31, 2018 our deposit portfolio has increased by 5.17%, which reflects the growing confidence of depositors/lenders on DBH.

### Positive operating cash flows:

Cash flow statement of the Company for the period ended on December 31, 2018 shows optimistic operating cash flows of Taka 1,328 million.

### Positive key financial ratios:

The Company has very positive financial ratios as evident from financial summary given on page no. 22 of this Annual Report. Such positive financial ratios indicate Company's sound financial strength and good prospects.

### Consistent payment of dividends:

The Company has been paying dividend consistently to its shareholders before listing that reflects Company's long-term viability in operational existence over many years. Historical dividend payment record has been given on page no. 24 of this Annual Report.

### Credibility in payment of obligations:

The Company has strong sincerity in terms of payment of its obligations to the lenders. The Company is very particular in fulfilling the terms of loan agreement.

### Fixed deposit with realistic renewal or repayment:

At the close of 12 months period ended on December 31, 2018, total fixed deposits of the Company were Taka 43,319 million. Based on past experience, we can say that there is every possibility that major part of the deposit would be renewed further.



**Operating Performance growth:**

Though the overall financial sectors suffered during the year, DBH has maintained growth in its operating performance. Company's total loans & advances have increased from Taka 42,243 million to Taka 43,848 million indicating a growth of 3.8% from December 2017. Total operating income is Taka 1,996 million and total profit after tax is Taka 1,048 million at the close of the December 31, 2018. All those indicators support Company's continuance in foreseeable periods.

**Operating Indications****Diversified deposit product:**

Company has also expanded its products/ services line by introducing products like Annual Income Deposit, Day Wise Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Profit First Deposit, and Easy way Deposit etc.

**Corporate environment and employee satisfaction:**

There exists a very good corporate environment in the Company. DBH is an excellent work place with friendly environment. Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like transport benefit, maternity benefit, performance bonus, gratuity, provident fund etc., which considered to be instrumental for employee satisfaction.

**Other Indications****Credit rating**

DBH has been assigned the highest long term rating of 'AAA' and short term rating of 'ST-1' for 13 (thirteen) consecutive years which indicates the consistent upholding of good capital base, quality of assets, good franchise value and management excellence supported by a sound corporate structure.

**Maintenance of sufficient capital:**

As on December 31, 2018, the Company's total paid-up capital stands at Taka 1218.52 million, while the minimum paid-up capital as required by Bangladesh Bank is Taka 1,000.00 million. DBH's capital adequacy ratio is 18.90% against minimum requirement of 10% as set by the regulator under Basel-II.

**Strong equity base:**

As on December 31, 2018, total equity of the Company stands at Taka 5,040 million representing an increase of 16% over December 2017 that reflects company's long-term viability.

**Changes in Government policy:**

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

Based on the above indications, Directors feel it is appropriate to adopt going concern assumption and there is no material uncertainty in preparing the financial statements. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing financial statements.

# Directors' Responsibility Statement



## Responsibility to Financial Statements

The Board of Directors of Delta Brac Housing Finance Corporation Limited would like to inform that the audited accounts containing the Financial Statements for the year ended 31st December 2018 are in conformity with the requirements of the Companies Act- 1994, Financial Institutions Act-1993, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by ICAB, Securities & Exchange Rules-1987 and the Listing Regulations of Dhaka and Chittagong Stock Exchanges and they believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations. These Financial Statements are audited by the Statutory Auditors, M/s. Aziz Halim Khair Choudhury, Chartered Accountants, Dhaka.

In accordance with the provisions of section 185 of the Companies Act- 1994 and based on the information provided by the management, your directors state that:

- (i) In the preparation of accounts, the applicable accounting standards have been followed;
- (ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2018 and the profit of the Company for the year ended on that date;

- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act- 1994 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) They have prepared the annual accounts on going concern basis.

## Responsibility to Internal Control System

The Company has taken proper steps and sufficient care in building a system of internal control, which is reviewed, evaluated and updated regularly. The internal audit department of the Company conducts periodic audit to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

## Opinion of the External Auditors

M/s. Aziz Halim Khair Choudhury, Chartered Accountants, the statutory auditor of the Company have carried out annual audit to review the system of internal controls, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the management together with all the financial records, related data, minutes of shareholders meeting and board meetings, relevant policies and expressed their opinion.

# Report on Human Resources



DBH is an organization which believes its human resources to be one of its best investments. It is the performance and productivity of its manpower which establishes its position. Human resources being one of the highest contributing factors in the success of the company, DBH focuses on hiring the right person for the right position and also concentrate on the proper development and motivation of the personnel. The company also considers strategy for retention of its top performers seriously.

## HR Planning

HR Department, in consultation with other departments, forecasts the future manpower requirements. Then we meet such requirements through recruitment, talent development and succession planning.

The objective of DBH is to recruit the dynamic people who are best suited for the particular job. We also meet our HR requirements through job rotations and job changes. Besides this, the Company places high emphasis on strategy for retention of good performers as well.

In the year under review, total 40 new regular employees were hired of which number of male employees were 32 and female employees were 8. During the year 2018, 24 regular employees were separated from the services of the Company.

Since its human resources gives DBH a clear competitive edge, DBH always aspires of hiring the best of the people with diverse backgrounds. Thus the focus always remains on fostering talent, unleashing potential and providing long-term career growth. Career development at DBH is solely based on merit, performance and productivity.

## Performance Appraisal and Reward

DBH conducts a formal performance appraisal each year. The performance appraisal helps to emphasize on the career growth of our employees and also helps to identify the training needs. This process ensures that the efforts and contributions of each employee are properly recognized and rewarded.

## Training and Development

DBH undertakes training programs as a part of its people development plan and arranges in-house functional training sessions as well as public training programs. Overseas training programs are also recommended every year for the employees with a view to improving their functional skills and competencies.

During the year, several in-house and external training programs were conducted where 91 employees participated and in these training programs, the Company spent about BDT 3.64 lac.

## Benefits Policy

DBH has the following benefits and facilities for its employees:

- Festival Bonus
- Provident Fund
- Gratuity
- Employee loan facilities (home loan, car loan & personal loan) at a subsidized rate
- Group insurance and health insurance coverage
- Annual Incentive Bonus based on performance
- Reward and recognition for employees' hard work and dedication to the Company

## Health, Safety and Employee Well-being

Healthy employees are productive and sustainably engaged in their workplace. We always comply with internal workplace health and safety policies.

All our branches are well equipped with fire alarms, fire extinguishers etc. In addition, periodic fire drills are carried out to test the effectiveness of the fire safety system. Our branches are also equipped with first aid kits.

We have group insurance and hospitalization insurance coverage for the employees.

All our employees enjoy earned leave of 24 days including mandatory annual leave of 2 weeks. Our female employees are entitled to get maternity leave of six months.

## Grievance Management

The Company's policy is to provide a work 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.

It is the policy of Company to handle employee complaint promptly and fairly. The management

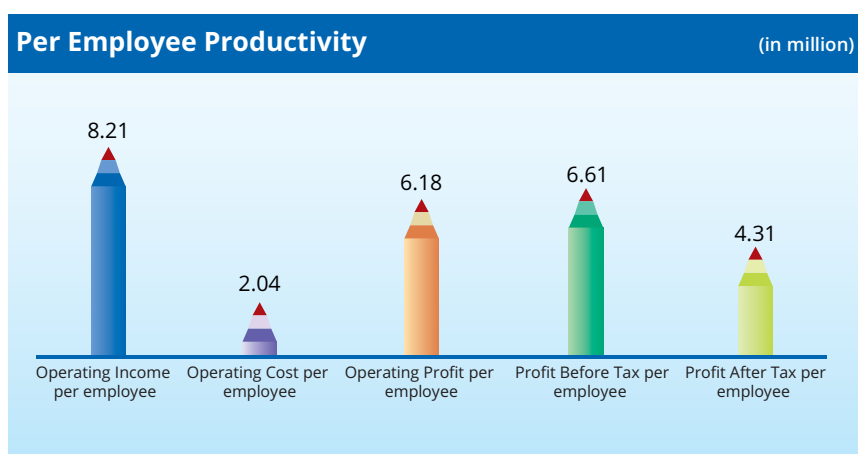
always entertains any kind of complaint or a state of dissatisfaction. The management has set principles and procedures for handling any kind of complaints of the employees. Complaints are handled strictly and actions are taken based on the merit of the issues.

## Human Resource Accounting

Human Resources Accounting is the process of identifying and measuring data about human resources and communicating this information to the interested parties. It was a method by which a cost was assigned to every employee when recruited, and the value that the employee would generate in the future. Human Resource Accounting reflects the potential of the human resources of an organization in monetary terms, in its financial statements.

In 2018, the number of regular employees is 243. Per employee productivity (in BDT million) is as follows:

Operating Income per employee	8.21
Operating Cost per employee	2.04
Operating Profit per employee	6.18
Profit Before Tax per employee	6.61
Profit After Tax per employee	4.31



# Stakeholders Analysis



DBH continues to be an industry leader in the housing finance because of its ability to read the market well and keep a customer focused product and service bouquet at the best pricing. We recognise that we compete and operate on the basis of trust, and it is our stakeholders who are the ultimate mediators of our legitimacy, and therefore our sustainability.

Our journey is to continue the relationships we have created and nurtured with our Stakeholders; our Customers, our Employees, our Depositors, our Regulators, our Shareholders, our Community & Environment. Transparency in our dealings, proactive communication with existing and new customers, best-in-class technology

and processes for enhanced efficiency have all bundled to offer a robust customer centric delivery mechanism. Our powerful communication to engage with potential customers and the community at large has proved effective in seeding the thought of home ownership.

We cooperate with all our stakeholders in order to create sustainable value, and to achieve objectives in a mutually beneficial way. These relationships, through which we hope to create a better tomorrow, for ourselves and all our stakeholders. In order to report, we identified following parties as our key stakeholders, from a sustainability perspective.



Stakeholders	Importance of Stakeholders	Influence by Stakeholders on DBH	DBH's Influence on Stakeholders
Shareholders / Investors	Investors remain DBH's key stakeholder, who having invested capital, requires information on a continuous basis to track DBH's performance and achievements in enhancing shareholders wealth.	High	High
Regulators	As a listed Finance Company and a holder of public deposits, various regulatory bodies are engaged to know DBH's progress, to establish the level of safety, soundness and compliance status.	High	High
Employees	Employees are considered DBH's most valuable asset and key to DBH's continued success. Employees are deemed key stakeholders as they drive DBH's businesses forward. They wish to grow with the Company and develop their careers to that they aspire to be, hand-in-hand, whilst the Company progresses.	High	High
Customers	We consider customers as the bread and butter of DBH's business, who remain interested as they transact with DBH on an ongoing basis. It is important for DBH to sustain business and build bonds with them as the loan period is longer comparing the loan provided by Banks and NBFIs in other sectors.	High	High
Depositors	Funding providers, depositors are an important component of DBH's business, as they support DBH in meeting funding needs. It is necessary to sustain a continued relationship, which will yield mutual benefit for both parties.	High	High
Developers	Suppliers of basic lodging unit to our customers are the developers, and they are the key partners of DBH's business. Most of the businesses of DBH are sourced from developers, as the long term partnerships are proven with mutual benefit.	High	High
Suppliers	Material suppliers have become increasingly important to DBH with the expansion of its network and increasing requirement for stationery and other related supplies.	Medium	Medium
Environment	In an era where protection of environment and its resources has become vital, DBH considers environment aspects of high importance, particularly when DBH considers the project financing to the developers.	Medium	Medium
Society	Society has varying expectations on DBH especially from a broader sustainability perspective. Apart from financial needs, they require corporate to act in a socially responsible manner, for societal benefit.	Medium	Medium
Board Members	Board members are part of the investors/ shareholders. But for the roles and responsibilities, Board members remain vital. By overseeing the management activities, they are providing endless support for DBH's success.	High	High



## Statement on Protection of Minority Shareholders' Interest



Securities regulator of the country, Bangladesh Securities and Exchange Commission (BSEC) has issued the Corporate Governance Code-2018 for the listed companies on comply basis, to establish accountability, transparency as well as to protect minority shareholders interest and to create a position for the investors where from they can make informed investment decision.

The most important protection afforded to minority shareholders comes in the form of a statutory remedy in section 233 of the Companies Act, 1994 of Bangladesh. In order to be eligible to file a petition under the section, the minority shareholder(s) must hold a minimum of ten percent of the issued shares in the case of a company having a share capital. The grounds on which such a petition may be filed by a minority shareholder(s) must be that the affairs of the company are being conducted or the powers of the directors are being exercised in a manner prejudicial to one or more of its shareholders or that the company is acting or is likely to act in a manner which discriminated or is likely to discriminate the interest of any shareholder vis-a-vis the minority shareholders.

The concept of prejudice is extremely wide thereby allowing the court ample scope to exercise its judicial discretion in determining whether a particular conduct falls within the scope of this section. It protects not just the rights of minority shareholders but also their legitimate expectations. A typical case arises where the minority shareholder has invested in the company on the basis of an informal understanding (not reflected in the Articles of the company) that all shareholders will participate in the management of the company through their board positions.

In order to truly unlock the potential of this statutory remedy, certain reforms are

imperative. To name one, the minimum shareholding requirement of 10% should be done away with to ensure that access to the statutory remedy is not outright denied to minority shareholders and public shareholders of listed companies holding less than the required minimum.

Despite the availability of this statutory remedy to minority shareholders of companies in Bangladesh, a growing trend of minority shareholders is to try to protect themselves by non-litigious means like shareholders agreements, specially drafted articles of association (containing, among others, class rights and weighted voting rights) or a combination of these approaches in closely held companies in which they have invested. Moreover, in the event of liquidation, the equity shareholders are entitled to receive remaining assets of the Company after distribution of all liabilities, in the proportion of their shareholdings.

By practicing good corporate culture, DBH has been upholding the interest of its shareholders since its inception. Being a listed company we comply all the rules and regulations of the country and thus protect the interest of minority shareholders as well as all the shareholders. It may be mentioned here that, we have only one class of shares i.e. equity. The shareholders have voting rights in the proportion of their shareholdings. The shareholders are entitled to dividend, if declared and paid by the Company. The shareholders participate in the annual general meeting to appoint-reappoint their representatives as Directors as well as the External Auditors of the Company. Besides, we provide the information flow towards the minority shareholders and keep them updated through various means. Thus, the interests of all the shareholders including the minority shareholders are protected.

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# **DELTA BRAC HOUSING FINANCE CORPORATION LIMITED**

**Auditor's Report and Financial Statements**

as at and for the year ended 31 December 2018



# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Delta Brac Housing Finance Corporation Limited



## Report on the Financial Statements

We have audited the accompanying financial statements of Delta Brac Housing Finance Corporation Limited which comprise the statement of financial position (Balance Sheet) as at 31 December 2018 and the statement of comprehensive income (Profit and Loss Account), statement of changes in equity and cash flow statement 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 of the Company give a true and fair view of the balance sheet as at 31 December 2018 and its profit and loss account & its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

## 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 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Other Information

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 the audit 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 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 misstated materially.

## Responsibilities of Management and those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the 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.

In preparing 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 Audit 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 entity or business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company 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 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 be thought to bear reasonably 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.
- Company so far as it appeared from our examination of those books;
- (iii) the balance sheet and profit and loss account together with the annexed notes dealt with 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) adequate provisions have been made for loans, advances, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
  - (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;

### 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
- (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 found satisfactory;

- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 832 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 DFIM Circular No. 11 dated 23 December 2009 in preparing these financial statements; 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.

Dhaka, 07 February 2019

*Dr. Jamshed S.A. Choudhury.*

**Dr. Jamshed S A Choudhury FCA**

Senior Partner & International Liaison Partner

**Aziz Halim Khair Choudhury**

Chartered Accountants

# Balance Sheet

As at 31 December 2018

## PROPERTY AND ASSETS

### Cash

In hand

Balance with Bangladesh Bank and its agent Bank

### Balance with other banks and financial institutions

In Bangladesh

Outside Bangladesh

### Money at call on short notice

### Investments

Government

Others

### Loans and advances

Loans and advances

### Fixed assets including land, building, furniture and equipments

### Other assets

### Total Assets

## LIABILITIES AND CAPITAL

### Liabilities

### Borrowing from other banks and financial institutions

### Deposits and other accounts

Fixed deposits

Other deposits

### Other liabilities

### Total Liabilities

### Shareholders' equity

Paid-up capital

Share premium

Statutory reserve

Other reserves

Retained earnings

### Total equity

### Total liabilities and Shareholders' equity

## OFF-BALANCE SHEET ITEMS

### Contingent liabilities

Acceptances and endorsement

Letter of guarantee

Irrevocable letter of credits

Bills for collection

Other contingent liabilities

### Total contingent liabilities

### Other commitments

Documentary credit & short-term trade related transaction

Forward assets purchased and forward deposit placed

Undrawn note issuance and revolving underwriting facilities

Undrawn formal standby facilities, credit lines and other commitments

### Total other commitments

### Total Off-Balance Sheet items including contingent liabilities

### Notes:

1. Auditors' Report-Page 1 to 5

2. The annexed notes 1 to 41 form an integral part of these financial statements.

3. These financial statements were approved by the Board of Directors on February 07, 2019 and were signed on its behalf by:

**Nasir A. Choudhury**

Chairman

**Dr. A M R Chowdhury**

Vice Chairman

**Q.M. Shariful Ala, FCA**

Managing Director & CEO

*Dr. Jamsheed S.A. Choudhury*

**Aziz Halim Khair Choudhury**

Chartered Accountants

07 February 2019

Dhaka

Notes	Amount in Taka	
	31 December 2018	31 December 2017
	<b>798,514,488</b>	<b>634,064,843</b>
3.1	106,217	89,700
3.2	798,408,271	633,975,143
	<b>11,779,169,860</b>	<b>10,697,156,711</b>
4.1	11,779,169,860	10,697,156,711
	-	-
5	-	-
6	<b>607,821,066</b>	<b>643,028,086</b>
	1,114,848	1,145,176
	606,706,218	641,882,910
	<b>43,847,701,062</b>	<b>42,243,352,611</b>
7	43,847,701,062	42,243,352,611
8	<b>169,515,890</b>	<b>178,470,140</b>
9	<b>296,259,328</b>	<b>184,780,123</b>
	<b>57,498,981,694</b>	<b>54,580,852,514</b>
10	<b>6,085,478,083</b>	<b>6,515,419,275</b>
	<b>43,318,721,105</b>	<b>41,187,889,744</b>
11	43,318,721,105	41,187,889,744
	-	-
12	<b>3,054,803,259</b>	<b>2,519,907,282</b>
	<b>52,459,002,447</b>	<b>50,223,216,301</b>
13.2	1,218,518,430	1,218,518,430
14	55,000,000	55,000,000
15	1,307,430,064	1,225,083,409
16	2,025,040,000	1,445,040,000
32	433,990,753	413,994,374
	<b>5,039,979,247</b>	<b>4,357,636,213</b>
	<b>57,498,981,694</b>	<b>54,580,852,514</b>
17.1	-	-
	-	-
	-	-
	-	-
	35,969,622	223,985,758
	<b>35,969,622</b>	<b>223,985,758</b>
17.2	-	-
	-	-
	-	-
	-	-
	506,775,000	605,634,964
	<b>506,775,000</b>	<b>605,634,964</b>
	<b>542,744,622</b>	<b>829,620,722</b>

# Profit and Loss Account

For the year ended 31 December 2018

	Notes	Amount in Taka	
		2018	2017
Interest Income	18	5,855,189,028	4,573,375,022
Interest paid on deposits and borrowings etc.	19	(4,062,413,858)	(2,967,576,413)
<b>Net Interest Income</b>		<b>1,792,775,170</b>	<b>1,605,798,609</b>
Income from investment	20	45,906,426	43,484,977
Commission, exchange and brokerage	21	146,116,642	149,917,196
Other operating income	22	11,239,822	18,682,623
<b>Total operating income</b>		<b>1,996,038,060</b>	<b>1,817,883,405</b>
Salary and allowances	23	324,963,562	292,768,742
Rent, taxes, insurance, electricity etc.	24	53,797,572	48,935,777
Legal & professional expenses	25	4,709,869	3,042,989
Postage, stamp, telecommunication etc.	26	8,117,410	7,604,208
Stationery, printing, advertisements etc.	27	14,458,419	11,791,604
Managing Director's salary and fees		15,100,000	13,580,000
Directors' fees and expenses	28	690,716	749,610
Auditors' fees	29	460,000	402,500
Depreciation, repairs & maintenance	30	37,608,567	36,266,666
Other expenses	31	35,467,131	34,036,911
<b>Total operating expenses</b>		<b>495,373,246</b>	<b>449,179,007</b>
<b>Profit before provisions</b>		<b>1,500,664,814</b>	<b>1,368,704,398</b>
Provisions			
Loans and advances	12.1.3	(146,239,976)	(103,379,921)
Diminution in value of investments	12.1.4	40,369,345	(20,394,053)
<b>Total provisions</b>		<b>(105,870,631)</b>	<b>(123,773,974)</b>
<b>Profit before tax</b>		<b>1,606,535,445</b>	<b>1,492,478,372</b>
Provision for tax			
Current	12.2	557,865,603	539,675,404
Deferred	9.3 a	771,279	3,801,667
		558,636,882	543,477,071
<b>Profit after tax</b>		<b>1,047,898,563</b>	<b>949,001,301</b>
<b>Appropriations</b>			
Statutory reserve		82,346,655	189,800,260
General reserve		580,000,000	112,000,000
		662,346,655	301,800,260
<b>Retained surplus</b>		<b>385,551,908</b>	<b>647,201,041</b>
<b>Earnings Per Share</b>	33	<b>8.60</b>	<b>7.79</b>

## Notes:

1. Auditors' Report-Page 1 to 5
2. The annexed notes 1 to 41 form an integral part of these financial statements.
3. These financial statements were approved by the Board of Directors on February 07, 2019 and were signed on its behalf by:

  
**Nasir A. Choudhury**  
Chairman

  
**Dr. A M R Chowdhury**  
Director

  
**Q. M. Shariful Ala, FCA**  
Managing Director & CEO

  
**Dr. Jamshed S.A. Choudhury**  
**Aziz Halim Khair Choudhury**  
Chartered Accountants

07 February 2019  
Dhaka



# Cash Flow Statement

For the year ended 31 December 2018

	Amount in Taka	
	2018	2017
<b>Cash flows from operating activities</b>		
Interest received	5,782,015,643	4,563,278,659
Interest payments	(3,550,601,113)	(2,953,811,910)
Dividend received	38,497,143	29,509,045
Fees and commission received	146,116,642	149,917,196
Paid to employees	(345,071,987)	(345,047,657)
Paid to suppliers and for various operating expenses	(81,940,253)	(117,346,460)
Income tax paid	(499,483,207)	(299,865,959)
Received from other operating activities	18,871,556	32,587,672
Cash generated from operating activities before changes in operating assets and liabilities	1,508,404,424	1,059,220,586
<b>Increase/(decrease) in operating assets and liabilities</b>		
Loans and advances to customers	(1,600,393,913)	(6,406,138,076)
Purchase/Sale of trading securities	(4,823,309)	(71,681,950)
Other assets	(34,644,454)	14,981,971
Loans and deposits from banks and other customers	1,439,864,012	7,394,798,699
Other liabilities	19,737,641	27,206,879
Cash utilized in operating assets and liabilities	(180,260,023)	959,167,523
<b>Net cash generated from operating activities</b>	<b>1,328,144,401</b>	<b>2,018,388,109</b>
<b>Cash flows from investing activities</b>		
Net proceeds (Payments) for sale/purchase of Treasury Bills	30,328	(87,489)
Other investments	40,000,000	(130,000,000)
Purchase of property, plant & equipment	(17,304,148)	(42,627,166)
Proceeds from sell of property, plant & equipment	121,585	2,686,096
<b>Net cash used in investing activities</b>	<b>22,847,765</b>	<b>(170,028,559)</b>
<b>Cash flows from financing activities</b>		
Cash dividend paid	(365,555,529)	(182,777,765)
<b>Net cash used in financing activities</b>	<b>(365,555,529)</b>	<b>(182,777,765)</b>
<b>Net increase in cash and cash equivalents</b>	<b>985,436,637</b>	<b>1,665,581,785</b>
<b>Cash and cash equivalents (net off overdraft) at the beginning of the period</b>	<b>10,815,921,856</b>	<b>9,150,340,071</b>
<b>Cash and cash equivalents (net off overdraft) at the end of the period</b>	<b>11,801,358,493</b>	<b>10,815,921,856</b>

**Notes:**

1. Auditors' Report-Page 1 to 5
2. The annexed notes 1 to 41 form an integral part of these financial statements.
3. These financial statements were approved by the Board of Directors on February 07, 2019 and were signed on its behalf by:

  
**Nasir A. Choudhury**  
 Chairman

  
**Dr. A M R Chowdhury**  
 Director

  
**Q. M. Shariful Ala, FCA**  
 Managing Director & CEO

07 February 2019  
 Dhaka

  
**Dr. Jamshed S.A. Choudhury**  
**Aziz Halim Khair Choudhury**  
 Chartered Accountants

# Statement of Changes in Equity

For the year ended 31 December 2018

Amount in Taka

Particulars	Paid-up Capital	Share Premium	Statutory Reserve	General & Other Reserves	Retained earnings	Total
Balance as on 1 January 2018	1,218,518,430	55,000,000	1,225,083,409	1,445,040,000	413,994,374	4,357,636,213
Net profit (after tax) for the period	-	-	-	-	1,047,898,563	1,047,898,563
Transferred to reserve funds	-	-	82,346,655	580,000,000	(662,346,655)	-
Stock dividend issued	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	(365,555,529)	(365,555,529)
<b>Balance at December 31, 2018</b>	<b>1,218,518,430</b>	<b>55,000,000</b>	<b>1,307,430,064</b>	<b>2,025,040,000</b>	<b>433,990,753</b>	<b>5,039,979,247</b>
<b>Balance at December 31, 2017</b>	<b>1,218,518,430</b>	<b>55,000,000</b>	<b>1,225,083,409</b>	<b>1,445,040,000</b>	<b>413,994,374</b>	<b>4,357,636,213</b>

# Liquidity Statement

As at 31 December 2018

Amount in Taka

Particulars	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Above 5 Years	Total
<b>Assets</b>						
Cash (In hand and balance with Bangladesh Bank and its' agent bank)	798,514,488	-	-	-	-	798,514,488
Balance with other banks and financial institutions	5,423,999,517	5,193,110,000	1,162,060,343	-	-	11,779,169,860
Money at call on short notice	-	-	-	-	-	-
Investments	377,302,548	10,000,000	151,904,170	66,114,848	2,499,500	607,821,066
Loans and advances	95,721,765	3,395,214,474	8,551,872,962	23,489,516,772	8,315,375,089	43,847,701,062
Fixed assets including land, building, furniture and equipments	2,273,907	4,500,484	19,553,297	52,083,983	91,104,219	169,515,890
Other assets	107,073,617	172,766,406	9,164,239	7,255,066	-	296,259,328
<b>Total Assets</b>	<b>6,804,885,843</b>	<b>8,775,591,363</b>	<b>9,894,555,011</b>	<b>23,614,970,670</b>	<b>8,408,978,808</b>	<b>57,498,981,694</b>
<b>Liabilities</b>						
Borrowing from other banks and financial institutions	684,356,663	1,172,043,395	2,269,417,560	944,498,961	1,015,161,505	6,085,478,083
Deposits and other accounts	8,416,998,017	14,579,769,918	19,556,454,876	737,313,566	28,184,728	43,318,721,105
Other liabilities	368,685,432	714,884,950	1,242,242,898	260,348,309	468,641,669	3,054,803,259
<b>Total Liabilities</b>	<b>9,470,040,113</b>	<b>16,466,698,263</b>	<b>23,068,115,334</b>	<b>1,942,160,836</b>	<b>1,511,987,902</b>	<b>52,459,002,447</b>
<b>Net liquidity gap</b>	<b>(2,665,154,270)</b>	<b>(7,691,106,900)</b>	<b>(13,173,560,323)</b>	<b>21,672,809,834</b>	<b>6,896,990,906</b>	<b>5,039,979,247</b>

# Notes to the Financial Statements

As at and for the year ended 31 December 2018

## 1 Company and its activities

### (a) Legal status

Delta Brac Housing Finance Corporation Limited (here-in-after referred to as “DBH” or “the Company”) was incorporated as a public limited company and obtained the Certificate of Commencement of Business under Companies Act 1994 on May 11, 1996. The Company has also been granted license under the Financial Institutions Act 1993 on July 15, 1996. The Company went for public issue in 2007-08 and the shares of the Company are listed in Dhaka and Chittagong Stock Exchange in Bangladesh.

### (b) Nature of business

i) The principal activities of the Company during the year were providing loans for construction of houses, purchases of flats or houses, extension and improvement of existing houses or flats and purchase of housing plots.

ii) The Company has also various investment and financing products like term deposit scheme, cumulative deposit, triple money deposit, double money deposit, annual income deposit, quarterly income deposit, monthly income deposit, easy way deposit etc. for its individual and corporate clients.

## 2 Significant accounting policies and basis of preparation

### 2.01 Statement of compliance

The financial statements have been prepared on a going concern basis and accrual method under historical cost convention and therefore did not take into consideration of the effect of inflation. The preparation and presentation of the financial statements and the disclosure of information have been made in accordance with the DFIM circular no. 11 dated 23rd December 2009 in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), the Companies Act 1994, the Financial Institutions Act 1993, Securities and Exchange Rules 1987, the listing rules of Dhaka and Chittagong Stock Exchanges and other applicable laws & regulations in Bangladesh and practices generally followed by Housing Finance Institutions.

As Bangladesh Bank is the primary regulator of Financial Institutions, the Bangladesh Bank guidelines, circulars, notifications and any other requirements are given preference to IAS and IFRS, where any contradictions arises.

### 2.02 Going concern

The financial statements 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.

### 2.03 Reporting period

These financial statements have been prepared for the period from 1 January 2018 to 31 December 2018.

### 2.04 Functional and presentation currency

These financial statements are presented in Taka, which is the company's functional currency except as indicated. Figures have been rounded off to the nearest taka.

## **2.05 Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance of Bangladesh Bank's requirements**

Bangladesh Bank is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with the 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;

### **i) Measurement of provision for loans and advances (financial assets measured at amortized cost)**

#### **IFRS 9 "Financial Instruments"**

If credit risk has not increased significantly since initial recognition, a 12 month Expected Credit Losses -ECL (Stage 1) is recognised (unless the financial asset is purchased or originated credit-impaired). If credit risk has increased significantly since initial recognition, a lifetime ECL (Stage 2) is recognised which may be significantly higher than a 12 month ECL. The assessment of what is considered to be a significant increase in credit risk therefore may have a significant impact on the loss allowance recognised.

#### **Treatment adopted as per Bangladesh Bank**

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 1% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained irrespective of objective evidence of impairment on loans and advances. 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.

### **ii) Valuation of Investments in quoted and unquoted shares**

#### **IFRS 9 "Financial Instruments"**

IFRS 9 requires entities to measure all investments in equity instruments at fair value (as measured as per IFRS 13 "Fair Value Measurement"), even if those instruments are not quoted in an active market.

#### **Treatment adopted as per Bangladesh Bank**

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 As per Bangladesh Bank DFIM circular No. 02 dated January 31, 2012 for investments in marketable securities and as per Bangladesh Bank DFIM circular No. 05 dated May 11, 2015 for Mutual funds.

### **iii) Recognition of interest income for SMA and classified 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.

#### **Treatment adopted as per Bangladesh Bank**

As per FID circular No. 03, dated 03 May 2006, once an investment on 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.

#### **iv) Presentation of cash and cash equivalents**

##### **IAS 7 “Statement of Cash Flows”**

Cash equivalents 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 equivalents as it is illiquid asset and not available for use in day to day operations.

##### **Treatment adopted as per Bangladesh Bank**

Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.

#### **v) 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.

##### **Treatment adopted as per Bangladesh Bank**

As per DFIM circular No.7, dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against loans and advances.

#### **vi) Presentation and disclosure of Financial Statements and Financial Instruments**

##### **IAS 32 “Financial Instruments: Presentation”**

##### **IFRS 7 “Financial Instruments: Disclosure”**

IAS 32 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.

##### **Treatment adopted as per Bangladesh Bank**

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.

As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IFRS 9. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.

#### **vii) 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.

##### **Treatment adopted as per Bangladesh Bank**

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.



**viii) 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.

**Treatment adopted as per Bangladesh Bank**

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.

**ix) 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.

**Treatment adopted as per Bangladesh Bank**

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.

**x) 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.

**Treatment adopted as per Bangladesh Bank**

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.

**xi) 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.

#### **Treatment adopted as per Bangladesh Bank**

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.

#### **xii) 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.

#### **Treatment adopted as per Bangladesh Bank**

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 neither 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.

#### **xiii) Disclosure of presentation of profit**

##### **IAS/IFRS**

There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

#### **Treatment adopted as per Bangladesh Bank**

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.

## **2.06 Use of estimates and judgments**

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, estimates. Assumptions also require for disclosure of contingent assets and contingent liabilities at the date of financial statements. Such estimates and assumptions are made on historical experience and other factors that are considered reasonable under the required circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected. The key item which involve these judgments, estimates and assumptions are discussed below:

#### **Impairment losses on loans and advances**

In addition to the provision made for loans and advances based on the guideline of Bangladesh Bank, DBH reviews its loans and advances portfolio on monthly basis to assess whether any further allowances/ write back for impairment should be provided in the income statement. The judgment by the management is required in the estimation of these amounts and such estimations are based on assumption about a number of factors though actual results may differ, resulting in future changes to the provisions.

## **2.07 Materiality and aggregation**

Each material item considered by management as significant has been presented separately in financial statements. No amount has been set off unless the DBH has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

## **2.08 Foreign currency transactions**

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Exchange differences are recognized in profit or loss in the period in which they arise.

## **2.09 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 on short notice , etc. are on the basis of their maturity term.
- b) Investments are on the basis of their respective maturity.
- c) Loans and advances are on the basis of their repayment schedule and past trend of early settlement.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realization / amortization.
- f) Borrowings from other banks, financial institutions and agents are as per their maturity/ repayment term.
- g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- h) Other liabilities are on the basis of their payment/ adjustment schedule.

## **2.10 Property, plant and equipments**

### **a. Recognition**

In pursuant to IAS 16 "Property, Plant and Equipment" the cost of an item of property, plant and equipment is recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Fixed assets have been accounted for at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs of enhancement of an existing assets are recognized as a separate asset, only when it is probable that additional future economic benefits associated with the item will flow to the company and the cost of such items can be measured reliably. All other expenditures are charged to the Profit & Loss account during the financial period in which they are incurred.

### **b. Depreciation**

Fixed assets are recorded at historical cost less accumulated depreciation as per IAS-16 "Property, Plant and Equipment". Depreciation is charged on straight line method using the following rates on all fixed assets:

Category of assets	Rates of depreciation per annum	Estimated useful life
Furniture & Fixtures	15% - 20%	5 - 6.67 years
Equipment	20% - 25%	4 - 5 years
Computer and computer equipment	20% - 25%	4 - 5 years
Vehicles	20%	5 years
Building	3%	33.33 years
Intangible asset	20%	5 years
Land	Not depreciated	

Depreciation on newly acquired assets are calculated from the month of acquisition (full month) and no depreciation is charged for the month in which the assets are disposed off.

During this year Computer and computer equipments reported as separate line item from the Equipment in fixed assets schedule.

### c. De-recognition

An item of property, plant and equipment is de-recognized on its disposal. Sale price of fixed assets are determined on the basis of fair value of the assets. Gain or loss on sale of assets are recognized in profit & loss account as per provision of IAS 16 "Property, Plant and Equipment". Such gain or loss is determined as the difference between sales proceeds and carrying amount of the asset.

#### 2.11 Intangible assets

In accordance with IAS 38 "Intangible assets", intangible assets (computer software) are recorded at historical cost less accumulated amortization. Amortization is calculated on straight line method using the rate at 20% (estimated five years useful life).

#### 2.12 Loans - secured

Repayment of mortgage loans is made by way of Equated Monthly Installments (EMI) consisting of principal and interest. There are two modes of interest calculation on loans i.e., monthly reducing or annual reducing method as per loan agreement between customer and DBH. Effective interest rate is same as the rate quoted in case of monthly reducing method but higher under annual reducing method. EMI commences once the entire loans are disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month.

#### 2.13 Investment in securities

Investments are initially recognized at cost including acquisition charges with the investments. After initial recognition, investments in marketable securities except DBH 1st Mutual Fund, Green Delta 1st Mutual Fund and Vanguard AML Rupali Bank Balanced Fund have been valued at cost or market price whichever is lower on an aggregate portfolio basis. Above mutual funds and Peninsula SBC Unit Fund-1 and Peninsula AMCL Unit Fund have been valued at 85 % of latest published NAV as on December 31, 2018 or cost price whichever is lower. Investment in non marketable securities have been valued at cost. Full provision for diminution in value of securities at the year end on aggregate portfolio basis excepts investment in mutual funds and unit funds are made in the financial statements as required by Bangladesh Bank DFIM circular No. 02 dated January 31, 2012. Provision for above mutual funds and unit funds at the year end is made as required by Bangladesh Bank DFIM circular No. 05 dated May 11, 2015.

#### 2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash, FDR, call investment and bank balances. For the purpose of statement of cash flow, cash and cash equivalents are prepared net off bank overdrafts.

## 2.15 Cash Flow Statement

The cash flow statement is prepared using the direct method as stipulated in International Accounting Standard - 7 "Statement of Cash Flows" and in compliance with the instruction of Bangladesh Bank.

## 2.16 Revenue recognition

### Interest income

Interest income from loans and advances is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset (loans and advances) to that asset's net carrying amount.

All other interest income is recognized on accrual basis except interest of the loan accounts considered as non-performing. Interest income is suspended and full provision is made against the interest receivables on all non-performing loans when the installments are outstanding for more than six months or any other accounts which are considered doubtful of recovery on the basis of judgment of the management.

### Fees and other charges on loans

Receipt of loan processing/servicing fees and other fees are recognized as income on the date of receipt while the refund there against, if applicable, are set off with income during the year of refund.

### Dividend income and profit/(loss) on sale of marketable securities

Dividend income is recognized on accrual basis when the right to receive income is established. Profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized and loss is incurred.

## 2.17 Interest suspense account

Interest on non-performing loans is not recognized as revenue and credited to interest suspense account. Non performing loans refer to the loans when the installments are outstanding for more than six months and any other accounts which are considered impaired on the basis of judgments of the management.

## 2.18 Retirement benefit costs

### i) Gratuity scheme

The Company has a funded gratuity scheme for all eligible employees who complete minimum 5 years of confirmed service with the Company. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year. This scheme is approved by the National Board of Revenue (NBR) and administered by an independent Board of Trustees. Actuarial valuation of the gratuity scheme was made in 2015 to assess the adequacy of the liability for the scheme as per International Accounting Standard - 19 "Employee Benefits".

Following benefits are payable on retirement, death or leaving service:

Less than 5 year of confirmed service - Nil

Confirmed service between 5 and 10 year - One month's last drawn basic pay for every completed year of service.

On completion of 10 years confirmed service and above - Two month's last drawn basic pay for every completed years of service.

Maximum benefits - 50 times basic pay.

## **ii) Contributory provident fund**

The Company has a contributory provident fund for its regular employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is contributed equally by the Company and the employees.

### **2.19 Taxation**

#### **Current tax**

Provision for income tax has been made at best estimate keeping in view the provisions of Income Tax Ordinance 1984 and amendments made thereto from time to time. Applicable rate of income tax for the company is 37.5%.

#### **Deferred tax**

Pursuant to IAS - 12 "Income Taxes" deferred tax is provided using the asset & liability method for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine deferred tax as the same rate is expected to be applicable at the time of settlement/adjustment of deferred tax asset or liability.

### **2.20 Provision for loans**

In addition to the provision made for loans and advances based on the guidelines of Bangladesh Bank, the Company's policy is to make provision for the loans and advances to cover the principal amount in respect of non performing loans when installments are outstanding for more than six months and any other overdue accounts on the basis of management's assessment where there are possibilities of impairment in future. The Company has made adequate provision which is more than the minimum regulatory requirement.

### **2.21 Write off**

Write off refers to recognition of the reduced or zero value of an asset. It also refers to an investment for which a return on the investment is now impossible or unlikely. Potential return along with such investment is thus cancelled and removed from ("written off") from the company's balance sheet.

Recovery against debts written off is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there against or are considered recoverable.

### **2.22 Interest expense**

The Company has incurred interest and related expenses on account of term loan, deposit, overdraft and short term loan. In terms of provision of the International Accounting Standard (IAS) -1 "Presentation of Financial Statements" interest expenses are recognized on accrual basis.

### **2.23 Earnings per share**

Earnings Per Share (EPS) has been calculated in accordance with International Accounting Standard - 33 "Earnings Per Share" and shown on the face of profit and loss account and computation shown in note 33.

### **2.24 Related party disclosures**

As per International Accounting Standards (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. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 39.



**2.25 Events after the balance sheet date**

As per IAS 10 "Events after the balance sheet date", all material events occurring after the balance sheet date have been considered and where necessary, adjusted for or disclosed in note 41.3.

**2.26 Contingent liabilities and contingent assets**

The company does not recognize contingent liability and contingent assets but discloses the existence of contingent liability in the financial statements. A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not within the control of the company or present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably.

**2.27 Branch accounting**

The Company has ten offices (head office & nine branches), with no overseas branch as on December 31, 2018. Accounts of the branches are maintained at the head office which are included in the accompanying financial statements.

**2.28 General**

a) Figures appearing in these Financial Statements have been rounded off to the nearest Taka.  
b) Previous year's figures have been rearranged/restated/reclassified, where necessary, in order to conform to current period's presentation.

**2.29 Status of compliance of International Accounting Standards and International Financial Reporting Standards**

Name of the IAS	IAS No.	Status
Presentation of Financial Statements	1	**
Inventories	2	N/A
Statement of Cash Flows	7	**
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Leases	17	N/A
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Governments Assistance	20	Applied
The Effect of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	N/A
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefits Plans	26	N/A
Separate Financial Statements	27	N/A
Investment in Associates and Joint Ventures	28	N/A
Financial Reporting in Hyperinflationary Economics	29	N/A
Financial Instruments: Presentation	32	**
Earnings per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Investment Property	40	N/A
Agriculture	41	N/A

Name of the IFRS	IFRS No.	Status
Share-based Payment	2	N/A
Business Combinations	3	N/A
Insurance Contracts	4	N/A
Non-currents Assets held for sale and discontinued operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments : Disclosures	7	**
Operating Segments	8	N/A
Financial Instruments	9	**
Consolidated Financial Statements	10	N/A
Joint Arrangements	11	N/A
Disclosure of Interests in other Entities	12	N/A
Fair Value Measurement	13	Applied
Regulatory Deferral Accounts	14	N/A
Revenue from Contracts with Customers	15	N/A

\*\* DBH management has followed the principles of IAS & IFRS consistently in the preparation of the financial statements to that extent as applicable to the financial institution. Some of the standards have not been complied with, about which Bangladesh Bank has special guideline. N/A = Not applicable

### 2.30 Financial risk management

The Company always concentrates on delivering high value to its stakeholders through appropriate trade-off between risk and return. A well structured and proactive risk management system comprising risk management forum supported by risk management unit is in place within the Company to address risks relating to credit, market, liquidity and operations. In addition to the industry best practices for assessing, identifying and measuring risks, the Company also considers guidelines for managing core risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and DFIM Circular No. 03 dated 24 January 2016.

#### Credit risk

To encounter and mitigate credit risk, the company employed multilayer approval process, policy for customers maximum asset exposure limit, mandatory search for credit report from Credit Information Bureau, looking into payment performance of customer before financing, annual review of clients, adequate insurance coverage for funded assets, vigorous monitoring and follow up by special assets management team, strong follow up of compliance of credit policies by internal audit department, taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, regular review of market situation and industry exposure etc.

#### Market risk

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. To encounter market risk we are negotiating for facilities that match the maturity structure with ideal interest rate, maintaining a balanced diversification in investments and maintaining prudent provisioning policies. The Company has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating.

### Liquidity Risk

Liquidity risk arises when a company is unable to meet the short term obligation to its lenders and stakeholders. This arises from the adverse mismatch of maturities of assets and liabilities. Liquidity requirements are managed on a day to day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements, anticipated funding requirements from operations, current liquidity positions, collections from financing, available sources of funds and risks and returns.

### Operational Risk

Operational risk is the potential loss arising from a breakdown in company's systems and procedures, internal control, compliance requirements or corporate governance practices that results in human error, fraud, failure, damage of reputations, delay to perform or compromise of the company's interests by employees. Appropriate internal control measures are in place, at the Company, 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.

### Money Laundering and Terrorist Financing Risk

In DBH, money laundering and terrorist financing risk takes two broad dimensions:

- i) Business risk i.e. the risk that DBH may be used for money laundering or terrorism financing &
- ii) Regulatory risk i.e. the risk that DBH fails to meet regulatory obligations under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (amended in 2013).

DBH adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU) and put in place a strict compliance program consisting of the following components to mitigate above risk:

- a) Development and implementation of internal policies, procedures and controls to identify and report instances of money laundering and terrorist financing;
- b) Creation of structure and sub-structure within the organisation, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;
- c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;
- d) Independent testing procedures carried out by internal audit function to ensure effectiveness of AML/CFT program.
- e) Ongoing employee training programs.

### Additional risks required to be addressed under new regulatory requirements

The Integrated Risk Management Guidelines for Financial Institutions which was issued by DFIM through Circular No. 03 dated 24 January 2016 explains a number of following additional risks that financial institutions are now required to address to cover all the major aspects of risks which may arise at any point of time.

### Strategic Risk

Strategic risk means the current or prospective risk to earnings and capital arising from imperfection in business strategy formulation, inefficiencies in implementing business strategy, less adaptability with the changes in the business environment and adverse business decisions. Strategic risk induces operational loss that consequentially hampers the capital base. Major roles of the board of the directors, senior management and business units in managing strategic risks, steps to be followed in the strategic risk management process and also measures for strategic risk control are explained in the guidelines.

Since its inception, DBH has been managing strategic risks which are evident from the dynamic business model of the company over the years. Major organizational units are assigned to address the major strategic risks aspects with a view to minimize the negative impact of those risks.

### **Compliance Risk**

Compliance risk is the risk of legal sanctions, material financial loss or loss to reputation the FI may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best/good practice. Compliance risk is sometimes also referred to as integrity risk because a FI's reputation is closely connected with its adherence to principles of integrity and fair dealing.

The guidelines set out the respective roles of the board, senior management and compliance function units in managing compliance risks and the FI's board of directors is responsible for overseeing the management of the FI's compliance risk. The board should establish a compliance function and approve the FI's policies and processes. The Board discharges its responsibilities itself and through delegation of authorities to Executive Committee, Audit Committee and Risk Management Committee of the Board. The Compliance department of DBH is responsible for assessing compliance risk in relation to institutional matters such as governance, best practices and corporate social responsibility.

The objective is to identify any compliance risks at an early stage that may undermine the integrity and the success of DBH and to mitigate the risks in most appropriate way.

### **Reputation Risk**

Reputational risk is defined as the risk of losses, falling business volume or income as well as reduced value of the company arising from business events that may reduce the confidence of the customers & clients, shareholders, investors, counterparties, business partners, credit rating agencies, regulators and general public on DBH.

The guidelines explain the roles of the Board and senior management in managing reputation risk. The management ensures that DBH is aware of any changes in market perceptions as soon as possible. Accordingly, all business policies and transactions are subjected to careful consideration. DBH takes necessary precautions to avoid business policies and transactions that may result in significant tax, legal or environmental risks. Reputational risk is also factored into major credit decisions that may lead to credit proposal being declined.

### **Environmental and Social Risk**

Environmental risk is a facilitating element of credit risk arising from environmental issues. DBH uses Environmental Risk Rating (EnvRR) while financing to new projects. Company is making its credit appraisal process to be much more stringent from an Environment and Social (E&S) perspective – evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to approving a loan.

## **2.31 Implementation of BASEL-II**

To comply with international best practices to make the FI's capital more risk sensitive as well as to make the FI industry more shock absorbent and stable, Bangladesh Bank provided regulatory capital framework "Risk Based Capital Adequacy for FI's" with effect from 01 January 2012.

DBH management is aware about guideline of Bangladesh Bank and implemented Capital Adequacy requirement according to BASEL-II. BASEL-II implementation committee is headed by Managing Director & CEO.

	31 December 2018 Taka	31 December 2017 Taka
<b>3 Cash</b>		
<b>3.1 Cash in hand</b>		
Local Currency	106,217	89,700
Foreign Currency	-	-
	<b>106,217</b>	<b>89,700</b>
<b>3.2 Balance with Bangladesh Bank and its agent bank</b>		
Bangladesh Bank:		
Local Currency	798,154,638	632,397,734
Foreign Currency	176,777	171,818
	798,331,415	632,569,552
Balance with Sonali Bank being an agent of Bangladesh Bank	76,856	1,405,591
	<b>798,408,271</b>	<b>633,975,143</b>

### 3.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institution Act - 1993 and Financial Institution Rules - 1994 and FID circular no. 6 November 2003 and FID circular no 02 dated November 10, 2004.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on 'Total Term Deposits' which is preserved in current account maintained with Bangladesh Bank. 'Total Term Deposits' means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except banks & Financial Institutions).

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes & coin in BDT), balance with Bangladesh Bank and other banks and Financial Institutions, unencumbered treasury bills & bonds & any other assets approved Government Gazette or by Bangladesh Bank.

#### 3.3.1 Cash Reserve Requirement (CRR)

Required reserve	765,075,429	588,694,942
Actual average reserve maintained	818,039,133	703,448,145
Surplus/(deficit)	<b>52,963,704</b>	<b>114,753,203</b>

#### 3.3.2 Statutory Liquidity Reserve (SLR)

Required reserve (including CRR)	1,617,826,075	1,240,603,898
Actual reserve maintained (including CRR note -3.3.1)	12,168,643,903	3,747,801,851
Surplus/(deficit)	<b>10,550,817,828</b>	<b>2,507,197,953</b>

### 4 Balance with other banks and financial institutions

In Bangladesh (Note 4.1)	11,779,169,860	10,697,156,711
Outside Bangladesh	-	-
	<b>11,779,169,860</b>	<b>10,697,156,711</b>

		31 December 2018 Taka	31 December 2017 Taka
<b>4.1 In Bangladesh</b>			
Current deposits		664,218,942	708,404,500
Short-term deposits		1,791,840,918	2,748,752,211
Fixed deposits		9,323,110,000	7,240,000,000
		<b>11,779,169,860</b>	<b>10,697,156,711</b>
<b>4.2 Maturity grouping of balance with other banks and financial institutions</b>			
Payable on demand		1,843,999,517	708,404,500
Up to 1 month		3,580,000,000	7,188,752,211
Over 1 month but not more than 3 months		5,193,110,000	2,350,000,000
Over 3 months but not more than 6 months		50,000,000	450,000,000
Over 6 months but not more than 1 year		1,112,060,343	-
Over 1 year but not more than 5 years		-	-
Over 5 years		-	-
		<b>11,779,169,860</b>	<b>10,697,156,711</b>
<b>5 Money at call on short notice</b>		-	-
<b>6 Investments</b>			
Government securities:		1,114,848	1,145,176
Other investments:			
Non marketable securities (Note-6.1)		54,499,500	54,499,500
Preference Share		90,000,000	130,000,000
Commercial Paper		100,000,000	100,000,000
Investment in share (Lock-in)		3,702,085	4,713,480
Marketable securities (Note-6.2)		358,504,633	352,669,930
		606,706,218	641,882,910
		<b>607,821,066</b>	<b>643,028,086</b>
<b>6.1 Investment in non marketable securities</b>			
	No. of shares		
Bangladesh Rating Agencies Ltd.	24,995	2,499,500	2,499,500
Peninsula SBC Unit Fund-1	4,000,000	40,000,000	40,000,000
Peninsula AMCL BDBL Unit Fund-1	250,000	2,500,000	2,500,000
Energyprima Ltd. ( Pre-IPO shares)	100,000	9,500,000	9,500,000
		<b>54,499,500</b>	<b>54,499,500</b>



		31 December 2018 Taka	31 December 2017 Taka
<b>6.2 Investment in marketable securities</b>			
Sectors	Market price Taka	Cost price	Cost price
Bank	29,023,775	36,744,370	23,968,460
Cement	2,877,576	2,975,593	1,678,144
Engineering	9,989,484	10,406,606	12,986,027
Financial Institutions	2,568,000	2,981,388	4,017,572
Food & Allied	4,635,290	4,978,873	465,883
Fuel & Power	8,002,161	9,138,051	31,800,521
IT Sector	-	-	423,969
Mutual Funds	176,693,400	219,207,081	219,207,100
Paper & Printing	905,627	864,560	-
Pharmaceuticals & Chemicals	37,919,390	46,940,161	38,044,370
Services & Real Estate	1,864,000	2,123,383	3,006,977
Tannery Industries	3,509,900	3,588,596	2,378,965
Telecommunication	15,084,276	18,017,444	14,597,324
Textile	980,020	488,107	94,618
Miscellaneous	256,780	50,420	-
	<b>294,309,679</b>	<b>358,504,633</b>	<b>352,669,930</b>

All investment in marketable securities are valued on an aggregate portfolio basis except DBH First Mutual Fund, Green Delta Mutual Fund and Vanguard AML Rupali Bank Balanced Fund. Mutual Funds have been valued at 85% of latest published NAV available as on December 31, 2018. As on December 31, 2018 there was Tk. 37,626,437 provision on investment in marketable listed securities and Tk. 13,375,250 for non marketable securities (Bangladesh Rating Agencies Ltd., Peninsula SBC Unit Fund-1 and Peninsula AMCL BDBL Unit Fund-1). Market value has been determined on the basis of the value of securities at last trading date of December 2018 (last trading date was December 27, 2018).

### 6.3 Maturity grouping of investments:

On demand	334,802,548	332,118,914
Up to 1 month	42,500,000	42,923,969
Over 1 month but not more than 3 months	10,000,000	10,063,523
Over 3 months but not more than 6 months	23,202,085	24,277,004
Over 6 months but not more than 1 year	128,702,085	100,000,000
Over 1 year but not more than 5 years	66,114,848	131,145,176
Over 5 years	2,499,500	2,499,500
	<b>607,821,066</b>	<b>643,028,086</b>

	31 December 2018 Taka	31 December 2017 Taka
<b>7 Loans and advances</b>		
<b><i>Inside Bangladesh</i></b>		
Housing Loan - secured	43,218,185,476	41,863,893,563
Instalment Receivable - Housing Loan	95,721,765	74,917,996
Staff loan	130,783,885	110,316,998
Loan against Deposits	379,948,490	183,355,895
Others	23,061,446	10,868,159
	<b>43,847,701,062</b>	<b>42,243,352,611</b>
<b><i>Outside Bangladesh</i></b>	-	-
	<b>43,847,701,062</b>	<b>42,243,352,611</b>
<b>7.1 Maturity grouping of loans and advances</b>		
Repayable on demand	95,721,765	74,917,996
Not more than 3 months	3,395,214,474	3,085,023,910
Over 3 months but not more than 1 year	8,551,872,962	8,223,253,983
Over 1 year but not more than 5 years	23,489,516,772	22,599,945,834
Over 5 years	8,315,375,089	8,260,210,888
	<b>43,847,701,062</b>	<b>42,243,352,611</b>
<b>7.2</b>		
a) Loans and advances to institutions in which directors have interest	-	-
b) Loans and advances to chief executive	-	-
c) Loans and advances to senior executives	23,089,618	15,467,521
d) Loans and advances to customer group:		
i) Housing loan - customer	43,290,817,623	41,923,344,038
ii) Staff loan-housing & others	130,783,885	110,316,998
iii) Loan to depositors	379,948,490	183,355,895
iv) Others	23,061,446	10,868,159
	<b>43,847,701,062</b>	<b>42,243,352,611</b>
e) Details of loan and advances industry-wise		
i) Housing Finance/ Real Estate	43,427,346,620	42,041,045,419
ii) Others	420,354,442	202,307,192
	<b>43,847,701,062</b>	<b>42,243,352,611</b>

	31 December 2018 Taka	31 December 2017 Taka
<b>7.3 Loans and advances - geographical location-wise</b>		
<b>Inside Bangladesh:</b>		
Urban		
Dhaka	40,938,330,451	39,506,108,220
Chattogram	2,351,187,173	2,501,392,251
Sylhet	240,354,794	220,321,439
Cumilla	86,740,826	15,530,701
Gazipur	231,087,818	-
	<b>43,847,701,062</b>	<b>42,243,352,611</b>
<b>Outside Bangladesh:</b>	-	-
	<b>43,847,701,062</b>	<b>42,243,352,611</b>

#### 7.4 Details of large loans and advances

There were no clients with outstanding amount and classified loans/advances exceeding 15% of total capital of the institution.

#### 7.5 Particulars of Loans and advances

i) Loans and advances considered good in respect of which the financial institution is fully secured.	43,825,054,085	42,231,752,037
ii) Loans and advances considered good against which the financial institution holds no security other than the debtors personal security.	22,302,988	8,766,305
iii) Loan and advances considered good and secured by the personal security of one or more parties in addition to personal guarantee of debtors.	343,989	2,834,269
iv) Loan and advances adversely classified: for which no provision is created.	-	-
	<b>43,847,701,062</b>	<b>42,243,352,611</b>
v) Loans and advances due by directors and officers of the financial institution or any of them either separately or jointly with any other persons.	130,783,885	110,316,998
vi) Loans and advances due by companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in case of private companies, as members.	-	-
vii) Maximum total amount of advances including temporary advances made at any time during the period to director, managers or officers of the financial institution or any of them either separately or jointly with any other person.	130,783,885	110,316,998

	31 December 2018 Taka	31 December 2017 Taka
viii) Maximum total amount of advances, including temporary advances, granted during the period to companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in the case of private companies as members.	-	-
ix) Due from other bank and financial institutions	-	-
x) Information in respect of classified loans and advances		
a) Classified loans for which interest/ profit not credited to income		
i) Increase/(decrease) of provision (specific)	(162,475,723)	(168,589,409)
ii) Amount of written off debt against fully provided debts	-	4,483,440
iii) Amount of debt recovered against the debt which was previously written off	-	-
b) Amount of provision kept against loan classified as bad/loss at balance sheet date	83,054,826	58,313,388
c) Amount of interest creditable to interest suspense account	43,146,271	39,273,393
xi) Cumulative amount of written off loans and advances		
Opening Balance	9,347,446	4,864,006
Amount written off during the year	-	4,483,440
Amount recovered against loans and advances previously written off	-	-
Balance of written off loans and advances yet to be recovered	9,347,446	9,347,446
The amount of written off loans, advances and leases for which law suits have been filed	9,425,086	9,425,086
<b>7.6 Classification of loans and advances</b>		
<b>Unclassified:</b>		
Standard (including Staff Loan, Loan against Deposits and Others)	43,653,690,992	42,077,514,932
Special mention account (SMA)	61,239,789	50,831,874
	<b>43,714,930,781</b>	<b>42,128,346,806</b>
<b>Classified:</b>		
Sub-standard	23,983,807	38,842,972
Doubtful	25,731,648	17,849,445
Bad/loss	83,054,826	58,313,388
	<b>132,770,281</b>	<b>115,005,805</b>
	<b>43,847,701,062</b>	<b>42,243,352,611</b>

**7.7 Calculation of provision for loans and advances as per Loan Classification Report as on December 31, 2018.**

Nature	Base for provision	Rate (%)	Provision required
Standard	43,142,958,617	1	431,429,586
Special mentioned account	54,695,306	5	2,734,765
Sub-standard	553,323	20	110,665
Doubtful	560,811	50	280,406
Bad	9,241,128	100	9,241,128
Staff - standard	130,783,885	1	1,307,839
Loan against deposit - standard	379,948,490	1	3,799,485

	31 December 2018 Taka	31 December 2017 Taka
<b>8 Fixed assets including land, building, furniture and equipment:</b>		
<i>Freehold assets (Cost):</i>		
Furniture & fixtures	63,255,436	53,711,665
Office equipment	31,177,095	28,405,659
Computer and computer equipments	44,362,523	42,187,450
Vehicles	41,729,821	41,584,821
Building	108,128,476	108,128,476
Land	12,092,849	12,092,849
Intangible asset	7,295,936	5,627,129
	308,042,136	291,738,049
<b>Less: Accumulated depreciation</b>	138,526,246	113,267,909
	<b>169,515,890</b>	<b>178,470,140</b>
Detailed are shown in annexure A.		
<b>9 Other assets</b>		
Accounts receivable (Note-9.1)	200,152,404	128,718,992
Advances, deposits and prepayments (Note-9.2)	91,190,976	51,317,382
Stamps and pay order in hand	3,866,315	2,922,838
Deferred tax assets (Note-9.3)	1,049,633	1,820,911
	<b>296,259,328</b>	<b>184,780,123</b>
<b>9.1 Account receivables</b>		
Interest receivable	191,494,850	118,403,125
Dividend receivable	7,588,219	7,810,671
Sundry receivable	1,069,335	2,505,196
	<b>200,152,404</b>	<b>128,718,992</b>

	31 December 2018 Taka	31 December 2017 Taka
<b>9.2 Advances, deposits and prepayments</b>		
Advance to employees	670,600	1,270,400
Advance to suppliers	-	1,238,455
Advance against office premises	79,501,100	42,000,000
Security deposits	3,685,000	3,636,230
Prepaid expenses	1,365,410	818,365
Advance rent	5,968,866	2,353,932
	<b>91,190,976</b>	<b>51,317,382</b>
<b>9.3 Deferred tax assets</b>		
Opening balance	1,820,911	5,622,578
Less: Reduced during the year (Note-9.3 a)	771,279	3,801,667
	<b>1,049,632</b>	<b>1,820,911</b>
<b>9.3 a Calculation of deferred tax</b>		
Carrying amount of Fixed Assets (excluding land)	157,423,041	151,977,404
Tax base value of Fixed Assets	160,222,062	155,197,704
Deductible temporary difference	2,799,021	3,220,300
Applicable tax rate	37.50%	40.00%
i) Deferred tax assets on fixed assets	1,049,633	1,288,120
Carrying amount-Loss on sale of securities	-	5,327,916
Tax base	-	-
Deductible temporary difference	-	5,327,916
Applicable tax rate	10%	10%
ii) Deferred tax assets on loss on sale of securities	-	532,792
Total deferred tax assets ( i+ ii)	1,049,633	1,820,912
Deferred tax (liability)/assets at the beginning of the year	1,820,912	5,622,579
Deferred tax (income)/Expense	<b>771,279</b>	<b>3,801,667</b>
<b>10 Borrowing from other banks and financial institutions</b>		
Inside Bangladesh (Note 10.1)	6,085,478,083	6,515,419,275
Outside Bangladesh	-	-
	<b>6,085,478,083</b>	<b>6,515,419,275</b>



	31 December 2018 Taka	31 December 2017 Taka
<b>10.1 Inside Bangladesh</b>		
a Secured Short-term & long-term loans:		
Pubali Bank Limited	1,000,000,000	1,000,000,000
Standard Chartered Bank	-	400,000,000
Citi Bank, NA	300,000,000	200,000,000
Commercial Bank of Ceylon plc	1,120,000,000	1,233,160,000
	<b>2,420,000,000</b>	<b>2,833,160,000</b>
b Unsecured long-term loan:		
Bangladesh Bank (Housing refinance)	2,219,152,228	2,496,959,577
	<b>2,219,152,228</b>	<b>2,496,959,577</b>
c Bank overdraft:		
Commercial Bank of Ceylon plc	11,475,519	354,381
Woori Bank	161,581,302	89,974,897
The Farmers Bank Ltd.	-	161,348,967
Standard Chartered Bank	18,412,908	-
BRAC Bank Ltd.	6,320,340	-
Standard Bank Ltd.	69,640,969	66,697,710
Exim Bank Ltd.	300,000,000	-
Pubali Bank Ltd	208,894,817	180,816,500
NRB Bank Ltd.	-	16,107,243
	<b>776,325,855</b>	<b>515,299,698</b>
d Call loans:		
Meghna Bank Ltd.	40,000,000	-
Mutual Trust Bank Ltd.	150,000,000	-
Southeast Bank Ltd.	300,000,000	80,000,000
Sonali Bank Ltd.	180,000,000	90,000,000
National Bank Ltd.	-	500,000,000
	<b>670,000,000</b>	<b>670,000,000</b>
Total inside Bangladesh(a+b+c+d)	<b>6,085,478,083</b>	<b>6,515,419,275</b>
<b>10.2 Security against borrowings from other banks and financial institutions</b>		
Secured	3,196,325,855	3,348,459,698
Unsecured	2,889,152,228	3,166,959,577
	<b>6,085,478,083</b>	<b>6,515,419,275</b>

The aforesaid secured short term & long term loans (10.1 a) except Citi Bank NA are secured by first charge on company's all present and future movable and immovable assets including book debts ranking pari-passu security charges with other lenders of the company. Bank overdraft except overdraft from CBC and Pubali Bank Ltd are secured by FDR. Short-term loans (10.1 a) from Citi Bank NA are secured by FDR.

	31 December 2018 Taka	31 December 2017 Taka
<b>10.3 Maturity grouping of borrowings from other banks and financial institutions</b>		
Payable on demand	670,000,000	670,000,000
Up to 1 month	14,356,663	416,310,691
Over 1 month but within 3 months	1,172,043,395	158,020,995
Over 3 months but within 1 year	2,269,417,560	3,048,293,584
Over 1 year but within 5 years	944,498,961	977,200,527
Over 5 years	1,015,161,505	1,245,593,477
	<b>6,085,478,083</b>	<b>6,515,419,275</b>
<b>11 Deposits and other accounts</b>		
Fixed deposits ( Note: 11.1)	<b>43,318,721,105</b>	<b>41,187,889,744</b>
<b>11.1 Fixed deposits</b>		
Opening balance	41,187,889,744	34,393,955,116
Addition during the year	99,758,335,701	100,930,029,774
	140,946,225,445	135,323,984,890
Repayment made during the year	97,627,504,340	94,136,095,146
Closing balance	<b>43,318,721,105</b>	<b>41,187,889,744</b>
<b>11.2 Group-wise break-up of deposits and others accounts</b>		
Government	529,299,176	656,215,510
Bank	13,500,000,000	16,990,000,000
Other institutions	15,158,915,801	11,109,740,815
Individuals	14,130,506,128	12,431,933,419
	<b>43,318,721,105</b>	<b>41,187,889,744</b>

	31 December 2018 Taka	31 December 2017 Taka
<b>11.3 Maturity analysis of deposits</b>		
Payable on demand	-	-
Up to 1 month	2,886,898,644	3,652,687,306
Over 1 month but within 6 months	4,619,989,086	4,149,392,215
Over 6 months but within 1 year	10,477,558,235	13,244,598,565
Over 1 year but within 5 years	110,597,035	146,682,797
Over 5 years but within 10 years	20,031,422,568	15,878,710,213
Over 10 years	5,192,255,537	4,115,818,648
	<b>43,318,721,105</b>	<b>41,187,889,744</b>
<b>12 Other liabilities</b>		
Provision for loans & investment (Note: 12.1)	959,540,525	1,065,411,155
Provision for income tax (Note: 12.2)	365,338,741	306,956,346
Interest suspense (Note: 12.3)	43,146,271	39,273,393
Other payables (Note:12.4)	1,686,777,722	1,108,266,388
	<b>3,054,803,259</b>	<b>2,519,907,282</b>
<b>12.1 Provision for loans and investment</b>		
Opening balance	1,065,411,155	1,190,938,075
Provision written off	-	(1,752,946)
Provision recovered for the year	-	-
Provision charged/ (released) for the year	(105,870,631)	(123,773,974)
Provision no longer required written back.	-	-
Recoveries of amounts previously written off	-	-
Closing balance	<b>959,540,524</b>	<b>1,065,411,155</b>
<b>12.1.1 General provision</b>		
Opening balance	423,035,928	357,826,440
Charged during the year	16,235,747	65,209,488
Closing balance	<b>439,271,675</b>	<b>423,035,928</b>
<b>12.1.2 Specific provision</b>		
Opening balance	631,742,885	802,085,240
Provision written off	-	(1,752,946)
Provision recovered during the year	-	-
Provision charged/ (released) for the year	(162,475,723)	(168,589,409)
Provision no longer required written back.	-	-
Recoveries of amounts previously written off	-	-
Closing balance	<b>469,267,162</b>	<b>631,742,885</b>

	31 December 2018 Taka	31 December 2017 Taka
<b>12.1.3 Provision on loans and advances</b>		
General Provision charged during the year	16,235,747	65,209,488
Specific Provision charged/(released) during the year	(162,475,723)	(168,589,409)
	<b>(146,239,976)</b>	<b>(103,379,921)</b>
<b>12.1.4 Provision for diminutions in the value of investments</b>		
Opening balance	10,632,342	31,026,395
Provision charged/(released) during the year	40,369,345	(20,394,053)
Closing balance	<b>51,001,687</b>	<b>10,632,342</b>
<b>12.2 Provision for income tax including deferred tax</b>		
Opening balance	306,956,346	67,146,901
Addition during the year (Current tax)	557,865,603	539,675,404
Tax paid	(499,483,208)	(299,865,959)
	<b>365,338,741</b>	<b>306,956,346</b>
Deferred tax liability	-	-
Closing balance	<b>365,338,741</b>	<b>306,956,346</b>
<b>12.3 Interest suspense</b>		
Opening balance	39,273,393	46,305,240
Interest suspended during the year	3,872,878	-
Written off suspended interest during the year	-	(7,031,847)
Closing balance	<b>43,146,271</b>	<b>39,273,393</b>
<b>12.4 Other payables</b>		
Interest payable on deposits & loans	1,337,940,448	826,127,703
Sundry creditors	139,207,012	92,663,355
Unclaimed instruments	16,154,948	13,182,207
Payable to clients	85,963,385	83,953,102
Loan under litigation	9,650,310	4,935,579
Privileged creditors	94,276,660	84,237,142
Liability for expenses	3,584,959	3,167,300
	<b>1,686,777,722</b>	<b>1,108,266,388</b>

**13 Share capital****13.1 Authorized capital**

199,950,000 Ordinary shares of Tk. 10 each	1,999,500,000	1,999,500,000
5,000 Preference shares of Tk.100 each	500,000	500,000
	<b>2,000,000,000</b>	<b>2,000,000,000</b>

**13.2 Issued, subscribed, called and paid-up capital****Ordinary shares**

121,851,843 Ordinary shares of Taka 10 each	1,218,518,430	1,218,518,430
	<b>1,218,518,430</b>	<b>1,218,518,430</b>

**13.3 Capital of the Company is held by the following shareholders****Ordinary shares****Local shareholders:**

	31 December 2018	
	No of shares	Taka
BRAC	22,406,611	224,066,110
Delta Life Insurance Company Ltd	21,479,325	214,793,250
Green Delta Insurance Company Ltd	18,649,813	186,498,130
General shareholders	6,565,982	65,659,820
	<b>69,101,731</b>	<b>691,017,310</b>

**Foreign shareholders:**

General shareholders	52,750,112	527,501,120
	<b>52,750,112</b>	<b>527,501,120</b>
	<b>121,851,843</b>	<b>1,218,518,430</b>

**13.4 Break-up of Paid-up capital:**

31 December 2018			
Date of Issue	Number of Shares	Face Value	Amount
11 May, 1996 to 28 June, 1998	2000000	100	200,000,000
12-Dec-06	200000	100	20,000,000
9-Apr-08	500000	100	50,000,000
2-Dec-08	810000	100	81,000,000
23-Nov-09	526500	100	52,650,000
8-Dec-10	1009125	100	100,912,500
22-Nov-11	5045625	100	504,562,500
<b>Total</b>	<b>10091250</b>	<b>100</b>	<b>1,009,125,000</b>
Face Value Change (2011)	100912500	10	1,009,125,000
14-Nov-12	15136875	10	151,368,750
24-Nov-16	5802468	10	58,024,680
<b>Total paid-up capital</b>	<b>121851843</b>	<b>10</b>	<b>1,218,518,430</b>

	31 December 2018 Taka	31 December 2017 Taka
<b>13.5 Capital adequacy ratio - As per BASEL-II</b>		
<b>1. Tier-1 (Core Capital)</b>		
1.1 Fully Paid-up Capital/Capital Deposited with BB	1,218,518,430	1,218,518,430
1.2 Statutory Reserve	1,307,430,064	1,225,083,409
1.3 Non-repayable Share premium account	55,000,000	55,000,000
1.4 General Reserve	1,775,040,000	1,195,040,000
1.5 Retained Earnings	433,990,753	413,994,374
1.6 Minority interest in Subsidiaries	-	-
1.7 Non-Cumulative irredeemable Preferences shares	-	-
1.8 Dividend Equalization Account	250,000,000	250,000,000
1.9 Others (if any item approved by Bangladesh Bank)	-	-
<b>1.10 Sub-Total (1.1 to 1.9)</b>	<b>5,039,979,247</b>	<b>4,357,636,213</b>
<b>Deductions from Tier-1 (Core Capital )</b>		
1.11 Book value of Goodwill and value of any contingent assets which are shown as assets	-	-
1.12 Shortfall in provisions required against classified assets	-	-
1.13 Shortfall in provisions required against investment in shares	-	-
1.14 Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities.	-	-
1.15 Any investment exceeding the approved limit.	-	-
1.16 Investments in subsidiaries which are not consolidated	-	-
1.17 Increase in equity capital resulting from a securitization exposure	-	-
1.18 Other (if any)	-	-
1.19 Sub Total (1.11-1.18)	-	-
<b>1.20 Total Eligible Tier-1 Capital (1.10-1.19)</b>	<b>5,039,979,247</b>	<b>4,357,636,213</b>
<b>2 .Tier-2 (Supplementary Capital)</b>		
2.1 General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	311,596,738	296,827,503
2.2 Assets Revaluation Reserves up to 50%	-	-
2.3 Revaluation Reserve for Securities up to 45%	-	-
2.4 Revaluation reserve for equity instrument up to 10%	-	-
2.5 All other preference shares	-	-
2.6 Other (if any item approved by Bangladesh Bank)	-	-
2.7 Sub-Total (2.1 to 2. 6)	<b>311,596,738</b>	<b>296,827,503</b>
2.8 Applicable Deductions (if any)	-	-
<b>2.9 Total Eligible Tier-2 Capital (2.7-2.8)</b>	<b>311,596,738</b>	<b>296,827,503</b>
<b>Total capital</b>	<b>5,351,575,985</b>	<b>4,654,463,716</b>

	31 December 2018 Taka	31 December 2017 Taka
Total risk weighted assets	28,321,158,188	27,130,186,905
Required capital based on risk weighted assets(10%)	2,832,115,819	2,713,018,691
Surplus	2,519,460,166	1,941,445,025
Capital Adequacy Ratio:		
On core capital	17.80%	16.06%
On actual capital (against standard of minimum 10%)	18.90%	17.16%
Supplementary Capital to risk weighted assets	1.10%	1.09%
<b>14 Share premium account</b>		
Ordinary shares	55,000,000	55,000,000
	<b>55,000,000</b>	<b>55,000,000</b>
<b>15 Statutory reserve</b>		
Opening balance	1,225,083,409	1,035,283,149
Add: addition during the year (20% of profit after tax)	82,346,655	189,800,260
Closing balance	<b>1,307,430,064</b>	<b>1,225,083,409</b>
This reserve has been created as per the provision of Financial institution Act-1993 and Financial institution Rules-1994.		
<b>16 Other reserves</b>		
Contingency Reserve (Note 16.1)	1,075,000,000	1,075,000,000
General Reserve (Note 16.2)	700,000,000	120,000,000
Dividend equalization reserve (Note 16.3)	250,000,000	250,000,000
Capital redemption reserve	40,000	40,000
	<b>2,025,040,000</b>	<b>1,445,040,000</b>
An amount of Tk. 40,000/- was transferred in 2013-14 out of profit to "Capital redemption reserve" in redeeming 400 no's of preference share @ Tk. 100 each as per section 154(1)(C) of Companies Act 1994.		
<b>16.1 Contingency reserve</b>		
Opening balance	1,075,000,000	850,000,000
Add: addition during the year	-	225,000,000
Closing balance	<b>1,075,000,000</b>	<b>1,075,000,000</b>
<b>16.2 General reserve</b>		
Opening balance	120,000,000	8,000,000
Add: addition during the year	580,000,000	112,000,000
Closing balance	<b>700,000,000</b>	<b>120,000,000</b>



	31 December 2018 Taka	31 December 2017 Taka
<b>16.3 Dividend equalization reserve</b>		
Opening balance	250,000,000	200,000,000
Add: addition during the year	-	50,000,000
Closing balance	<b>250,000,000</b>	<b>250,000,000</b>
<b>17 Business commitments and contingencies</b>		
<b>17.1 Contingent liabilities</b>	<b>35,969,622</b>	<b>223,985,758</b>

The said amount claimed by the tax authority for the assessment year 2004-05, 2005-06, 2014-15 and 2015-16 assessed by disallowing statutory reserve and some other heads and simple interest charged on net tax payable as per assessment order.

Consequently, there is a contingent liability for the above amounts which have not been recognized as liability in anticipation of consequential relief would be granted in favor of the Company.

#### 17.2 Other commitments

In the normal course of business, the company makes various commitments, contracts and disbursements. No material losses are anticipated as a result of these transactions. Details are given below:

Housing finance commitments outstanding	506,775,000	605,634,964
Bank borrowing commitments outstanding	-	-
<b>17.3 Capital expenditure commitments</b>		
a) Contracted and incurred but not provided for in the accounts	Nil	Nil
b) Approved by the Board but not contracted for	Nil	Nil

#### 17.4 Unacknowledged debts

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

		Amount in Taka	
		2018	2017
<b>18</b>	<b>Interest income</b>		
	Interest on loans	4,842,290,202	3,789,549,216
	Interest on placement with other banks & BB FX deposits	998,891,638	775,996,849
	Interest on short term investment	14,007,188	7,828,957
		<b>5,855,189,028</b>	<b>4,573,375,022</b>
<b>19</b>	<b>Interest paid on deposits and borrowings etc.</b>		
	Interest on term loans	119,466,471	149,736,307
	Interest on deposits	3,658,391,685	2,630,900,193
	Interest on short-term borrowing	269,611,362	173,371,090
	Interest on overdraft	14,944,340	13,568,823
		<b>4,062,413,858</b>	<b>2,967,576,413</b>
<b>20</b>	<b>Income from investments</b>		
	Gain/(loss) on sale of marketable securities	7,566,646	16,452,129
	Dividend income	38,274,692	26,983,562
	Interest on Treasury Bond	65,088	49,286
		<b>45,906,426</b>	<b>43,484,977</b>
<b>21</b>	<b>Commission, exchange and brokerage</b>		
	Loan fees	87,265,889	104,985,914
	Other charges and fees	58,850,753	44,931,282
		<b>146,116,642</b>	<b>149,917,196</b>
<b>22</b>	<b>Other operating income</b>		
	Property service income	4,908,600	5,635,798
	Gain on sale of fixed assets	-	2,596,365
	Miscellaneous income	6,331,222	10,450,460
		<b>11,239,822</b>	<b>18,682,623</b>
<b>23</b>	<b>Salary and allowances</b>	<b>324,963,562</b>	<b>292,768,742</b>
Salary and allowances include annual contribution of Tk.9,565,442 to DBH Staff Provident Fund and Tk. 9,417,841 to DBH Employees Gratuity Fund which are recognised by NBR.			
<b>24</b>	<b>Rent, taxes, insurance, electricity etc.</b>		
	Rent, rates & taxes	44,503,327	40,067,746
	Insurance	2,813,252	2,753,767
	Electricity	6,038,857	5,671,382
	Water	442,136	442,882
		<b>53,797,572</b>	<b>48,935,777</b>

		Amount in Taka	
		2018	2017
<b>25</b>	<b>Legal and professional expenses</b>		
	Law charges	3,477,369	2,309,989
	Other professional charges	1,232,500	733,000
		<b>4,709,869</b>	<b>3,042,989</b>
<b>26</b>	<b>Postage, stamp, telecommunication etc.</b>		
	Postage & courier service	771,627	579,887
	Stamp expenses	3,820,293	3,285,416
	Telephone & internet	3,525,490	3,738,905
		<b>8,117,410</b>	<b>7,604,208</b>
<b>27</b>	<b>Stationery, printing, advertisements etc.</b>		
	Printing	1,941,017	1,859,980
	Stationery	1,691,730	1,763,155
	Publicity and advertisement	10,825,672	8,168,469
		<b>14,458,419</b>	<b>11,791,604</b>
<b>28</b>	<b>Directors' fees and expenses</b>		
	Fees for attending meeting	552,000	592,000
	Incidental meeting expenses	138,716	157,610
		<b>690,716</b>	<b>749,610</b>
<b>29</b>	<b>Statutory annual audit fees (including VAT)</b>	460,000	402,500
		<b>460,000</b>	<b>402,500</b>
<b>30</b>	<b>Depreciation/Amortization, repairs &amp; maintenance</b>		
	<b>Depreciation/Amortization:</b>		
	Freehold assets	25,056,471	20,768,818
	Intangible assets	1,008,484	812,006
		<b>26,064,955</b>	<b>21,580,824</b>
	<b>Repairs &amp; maintenance:</b>		
	Vehicle	1,768,237	1,490,062
	Office equipment & premises	6,800,542	8,843,264
	Computer hardware & software	2,974,833	4,352,516
		<b>11,543,612</b>	<b>14,685,842</b>
		<b>37,608,567</b>	<b>36,266,666</b>

		Amount in Taka	
		2018	2017
<b>31 Other expenses</b>			
Staff training & recruitment expense	671,307	1,281,286	
Office security	3,137,782	3,047,230	
Transportation, traveling & conveyance	19,507,420	14,950,412	
Canteen expense	1,816,559	2,552,548	
Business promotion & entertainment	976,710	873,591	
Car fuel	1,920,307	1,809,594	
Books and papers	72,875	72,124	
Bank charges	3,940,114	5,110,505	
Loss on sale of fixed assets	71,858	-	
Donation, subscription and Fees	1,910,033	2,524,200	
Public relation & AGM expense	347,436	464,658	
Outsource agency charges	360,000	345,000	
Brokerage	186,864	208,474	
Staff welfare expense	547,866	797,289	
	<b>35,467,131</b>	<b>34,036,911</b>	
<b>32 Retained earnings</b>			
Opening balance	413,994,374	224,571,098	
Add: Profit after tax for the year transferred from Profit & Loss Account	1,047,898,563	949,001,301	
Accumulated profit available for distribution	<b>1,461,892,937</b>	<b>1,173,572,399</b>	
Less: Appropriations			
Transferred to statutory reserve	82,346,655	189,800,260	
Transferred to general reserve	580,000,000	112,000,000	
Transferred to contingency reserve	-	225,000,000	
Transferred to dividend equalization reserve	-	50,000,000	
Cash dividend paid for last year	365,555,529	182,777,765	
	<b>1,027,902,184</b>	<b>759,578,025</b>	
Closing balance	<b>433,990,753</b>	<b>413,994,374</b>	
<b>33 Earnings per share</b>			
Profit after Tax	1,047,898,563	949,001,301	
Profit available for ordinary shareholders	<b>1,047,898,563</b>	<b>949,001,301</b>	
Number of shares outstanding for calculating basic EPS	<b>121,851,843</b>	<b>121,851,843</b>	
Basic earnings per share	<b>8.60</b>	<b>7.79</b>	

No diluted earning per share is required to be calculated for the year as there was no convertible securities for dilution during the year.

		Amount in Taka	
		2018	2017
<b>34 Net asset value (NAV) per share</b>			
Shareholders' Equity	5,039,979,247	4,357,636,213	
Number of Share	121,851,843	121,851,843	
Net asset value (NAV) per share	<b>41.36</b>	<b>35.76</b>	
<b>35 Net operating cash flows per share (NOCFPS)</b>			
Net cash from operating activities	1,328,144,401	2,018,388,109	
Number of Share	121,851,843	121,851,843	
<b>Net operating cash flows per share (NOCFPS)</b>	<b>10.90</b>	<b>16.56</b>	

**36 Reconciliation of net profit with cash flows from operation activities on direct method:**

Particulars	Amount in Taka		Remarks
	2018	2017	
Profit after tax	1,047,898,563	949,001,301	
Provision for income tax	558,636,882	543,477,071	Non cash item
Depreciation	26,064,955	21,580,824	Non cash item
Provision for Loans and advances	(146,239,976)	(103,379,921)	Non cash item
Provision for Diminution in value of investment	40,369,345	(20,394,053)	Non cash item
Interest Suspense	3,872,878	(7,031,847)	Non cash item
Gain/loss on sale of fixed assets	71,858	(2,596,364)	Non-operating item
Accrual for dividend, lad and interest receivable	(76,823,811)	(539,034)	Changes in accrual
Accrual for expenses	558,773,693	(20,308,674)	Changes in accrual
Purchase & sale of trading securities	(4,823,309)	(71,681,949)	(Inc)/Dec of assets
Loans and advances	(1,600,393,913)	(6,406,138,076)	(Inc)/Dec of assets
Other Assets	(39,381,210)	14,259,213	(Inc)/Dec of assets
Loan and deposit from Banks and Customer	1,439,864,012	7,394,798,698	Inc/(Dec) of liabilities
Other liabilities	19,737,641	27,206,879	Inc/(Dec) of liabilities
Income tax paid	(499,483,207)	(299,865,959)	
<b>Net cash flows from operating activities</b>	<b>1,328,144,401</b>	<b>2,018,388,109</b>	

**37 Dividend on ordinary shares****Proposed dividend:**

The Board of Directors in its 104th meeting held on February 07, 2019 has recommended cash dividend @ 25% i.e. Taka 2.50 per ordinary share and stock dividend @ 10% (i.e. one bonus share for every ten ordinary shares held) for the year ended 31 December 2018 for placement before the shareholders for approval at 23rd AGM of the company.

**38 Foreign currency inward/outward remittance**

During this year no such transaction occurred that should be reported.

**39 Related party transactions**

The company has entered into transactions with other entities in normal course of business that fall within the definition of related party as per International Accounting Standard-24 "Related Party Disclosures". The terms of related party transaction are not significantly different from those that could have been obtained from third parties. The significant related party transactions are as follows:

Name of the related parties	Relationship	Particulars	Expenses incurred during the year (Taka)
Delta Life Insurance Company Limited	Shareholder	Insurance premium	1,379,846
Green Delta Insurance Company Limited	Shareholder	Insurance premium	1,412,136

**40 Number of employees**

During the year under audit, there were 220 (2017: 180) employees employed for the full period and 56 (2017: 97) employees for less than full period at a remuneration of Taka 3,000 and above per month.

#### 41. General Disclosure

##### 41.1 Name of Directors and entities in which they have interest as Director as at 31 December 2018:

Name	Position at DBH	Involvement in other organization	
		Name of the Organization in which they have interest	Position
Mr. Nasir A. Choudhury	Chairman	Green Delta Insurance Company Ltd.	Advisor
		Nascom (Pvt.) Ltd.	Managing Director
		United Hospital (Pvt) Ltd.	Director (Representing GDIC)
		Green Delta Securities Ltd.	Chairman
		Green Delta Capital Ltd.	Chairman
		GD Assist Ltd.	Chairman
Dr. A M R Chowdhury	Vice Chairman	BRAC	Vice Chairperson
Mr. A Z Mohammad Hossain	Director	Chandra Spinning Mills Ltd.	Managing Director
Ms. Mehreen Hassan Bar-at-Law	Director	Nil	Nil
Mr. Md. Sayeed Ahmed FCA, ACMA, CGMA	Director	Delta Life Insurance Company Ltd.	Additional Managing Director & CFO
		DLIC Securities Ltd.	Director
Mr. Md. Mujibur Rahman	Director	Shanta Holdings Limited	Executive Director
		Shanta Securities Limited	Director
		Centre for Women and Child Health (CWCH)	Member of the Board of Trustees and General Secretary and Treasurer
Mr. Mohammed Irfan Syed	Director	Nil	Nil
Ms. Rasheda K. Choudhury	Independent Director	Campaign for Popular Education (CAMPE)	Executive Director
Major General Syeed Ahmed BP, (Retd.)	Independent Director	Nil	Nil



## 41.2 Audit committee

The Audit Committee consists of the following Directors of the Board:

Name	Status with the Company	Status with the Committee	Educational Qualification
Major General Syeed Ahmed (Retd.)	Independent Director	Chairman	BA (Honours), BP, awc, psc
Dr. A M R Chowdhury	Vice Chairman	Member	PhD
Mr. A Z Mohammad Hossain	Director	Member	L.L.B
Mr. Md. Sayeed Ahmed	Director	Member	FCA, ACMA, CGMA
Mr. Md. Mujibur Rahman	Director	Member	M.COM

During the period from January 2018 to December 2018, the audit committee of the Board conducted 4 (four) meetings.

Sl. No.	Meeting No	Meeting Date
1	42	7-Mar-18
2	43	19-Apr-18
3	44	18-Jul-18
4	45	31-Oct-18

The Committee discussed among others, the following issues:

Review of Internal Compliance Report.

Review of the un-audited quarterly financial statements and the audited financial statements.

Appointment / Re-appointment of Statutory Auditors.

## 41.3 Events after the Balance Sheet date

There is no material adjusting or non-adjusting events after the balance sheet date.

## 41.4 Comparative information

Comparative figures have been re-arranged wherever considered necessary to ensure better comparability with the current period without causing any impact on the profit and value of assets and liabilities as reported in the financial statements.

## Annexure-A

### Schedule of Fixed assets and Intangible assets

Particulars	Cost				Depreciation / Amortization				Written down value as at 31 December 2018
	Balance as on 1 January 2018	Additions during the year	Disposals during the year	Balance as at 31 December 2018	Balance as on 1 January 2018	Charged for the year	Adjustment on disposals	Balance as at 31 December 2018	
Free hold assets:									
Furniture & fixtures	53,711,665	10,165,948	622,177	63,255,436	36,845,993	5,305,148	477,741	41,673,400	21,582,036
Office Equipment	28,405,659	3,002,321	230,885	31,177,095	21,042,420	2,474,183	230,878	23,285,725	7,891,370
Computer and computer equipments	42,187,450	2,175,073	-	44,362,523	27,999,128	5,721,138	-	33,720,266	10,642,257
Vehicles	41,584,821	292,000	147,000	41,729,821	14,497,688	8,338,017	97,999	22,737,706	18,992,115
Building	108,128,476	-	-	108,128,476	10,492,570	3,217,985	-	13,710,555	94,417,921
Land	12,092,849	-	-	12,092,849	-	-	-	-	12,092,849
	286,110,920	15,635,342	1,000,062	300,746,200	110,877,799	25,056,471	806,618	135,127,652	165,618,548
Intangible asset:									
Software	5,627,129	1,668,807	-	7,295,936	2,390,110	1,008,484	-	3,398,594	3,897,342
Total 2018	291,738,049	17,304,149	1,000,062	308,042,136	113,267,909	26,064,955	806,618	138,526,246	169,515,890
Total 2017	264,143,636	42,627,166	15,032,753	291,738,049	106,630,104	21,580,827	14,943,022	113,267,909	178,470,140



DELTA BRAC HOUSING FINANCE  
CORPORATION LIMITED

**Head Office:** Landmark Building (9<sup>th</sup> Floor)  
12-14 Gulshan North C/A, Gulshan-2,  
Dhaka-1212, PABX: 09612 334455,  
+880 (2) 9842374, Fax: + 880 (2) 9882110  
E-mail: dbh@deltabrac.com  
Web: www.deltabrac.com

## Proxy Form

I/We .....  
of ..... being a member of Delta Brac  
Housing Finance Corporation Ltd. and a holder of ..... shares hereby appoint  
Mr./Ms ..... of ..... as my/our proxy to vote for me/  
us and on my/our behalf at the **23<sup>rd</sup> Annual General Meeting** of the Company to be held on **March  
31, 2019 (Sunday)** and any adjournment thereof.

Signed this ..... day of ..... 2019.

Signature .....

Name .....

Folio/BO ID No. .... Member

Revenue  
Stamp

Signature .....

Name .....

Folio/BO ID No. .... Proxy

### NOTES:

- 1) This form of proxy, duly completed, must be deposited at least 48 hours before the meeting at the registered office. Proxy is invalid if not duly signed and stamped.
- 2) Signature of the Shareholders should agree with the Specimen Signature registered with the Company and Depository Register.



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Web: www.deltabrac.com

## Attendance Slip

I/We hereby record my/our attendance at the 23<sup>rd</sup> Annual General Meeting of **Delta Brac Housing Finance Corporation Limited** on **March 31, 2019 (Sunday)** at 10.30 a.m. at 'Delta Life Conference Hall', Delta Life Tower (13<sup>th</sup> Floor), Plot # 37, Road # 90, Gulshan Circle # 2, Dhaka-1212 as a holder of ..... shares of the Company.

Signature .....

Name .....

(Member/Proxy)

Folio/BO ID No. ....

**Note:** Shareholders attending the meeting in person or by proxy are requested to complete the Attendance Slip and hand it over at the entrance of the meeting hall.



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