

Eighteenth  
Annual Report  
2013-2014





# DBH wins

DHL-Daily Star  
Bangladesh Business Awards  
Best Financial Institution  
2013

We thank all our clients and stakeholders.  
This award is as much yours as it is ours.



Home is  
Where We Belong



To find that place that fills the heart  
with happiness, that quietens the  
longing in the soul with peace and  
soothes with pleasure, our body. This  
is to have found the four walls that  
represent our fondest dreams, express  
our deepest emotions and end our  
search for stability. This.... is to belong.  
This is 'coming home'.

*DBH opens the door to your home.*

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Home is  
Where We Belong



# 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.  
A. Qasem & Company, Auditor  
Chairman, Audit Committee

Dear Sir/Madam,

### **Re: Annual Report for the year ended June 30, 2014.**

We are pleased to enclose a copy of the Annual Report together with the audited financial statements including balance sheet as at June 30, 2014, income statement, 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 18<sup>th</sup> Annual General Meeting

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the Company will be held on November 25, 2014 (Tuesday) at 11.00 a.m. at The Eden Ball Room of Hotel Amari, House- 47, Road- 41, Gulshan-2, Dhaka-1212, to transact the following business:

1. Consideration and adoption of Directors' Report, Audited Financial Statements for the year ended June 30, 2014 and the Auditors' Report thereon.
2. Declaration of dividend for the year ended June 30, 2014.
3. Appointment/Re-appointment of Directors.
4. Appointment of Auditors and fixation of their remuneration.

By order of the Board

Sd/-

**Jashim Uddin, FCS**

Company Secretary

Dated: November 2, 2014

Notes:

- a. Shareholders whose names appeared on the Depository/Members Register as on “**Record Date**” i.e. **September 25, 2014** are eligible to attend the Annual General Meeting (AGM) and receive dividend.
- b. A shareholder 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. In case of non-receipt of Annual Report of the Company sent through courier, Shareholders may collect the same from the Company's Share Department. Annual Report is also available in Financial Report section of the Company's website: **www.deltabrac.com**

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

## Core Values

- Honesty, integrity and ethics in all aspects of business
- Outstanding service to the customer, above all else
- Individual opportunity, responsibility and reward based on merit
- Hard work and continuous self-improvement, never being satisfied
- Respect and concern for the individual employee

## 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 the early 1997 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 eight 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 towards our rich cultural heritage.



## 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.

## Mission

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

## 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.

# Corporate Directory

## Head Office

Landmark Building (9th Floor)  
12-14 Gulshan North C/A, Gulshan-2, Dhaka-1212  
Phone: +880 (2) 8822374, 9882112, Fax: + 880 (2) 9882110

## Branches

### Dhanmondi Branch

Pantha Plaza (1st Floor)  
63/A Lake Circus, Kalabagan  
(West Panthapath), Dhaka-1205  
Phone: +880 (2) 8130906, 9134211  
Fax: +880 (2) 8117264

### Motijheel Branch

Printers Bhaban (6th floor)  
5 RAJUK Avenue, Motijheel C/A, Dhaka-1000  
Phone: +880 (2) 7111774, 7111778  
Fax: +880 (2) 9554269

### Uttara Branch

Union Nahar Square  
Plot 19 (4th floor)  
Sonargaon Janapath Road  
Sector 13, Uttara, Dhaka – 1230  
PH: 88-02-8933057, 8991580  
Fax: 88-02-8991538 Ext.-107

### Chittagong Branch

BMA Bhaban (5th floor)  
1367, CDA Avenue  
GEC Circle, Chittagong  
Phone: +880 (31) 2551224-6  
Fax: +880 (31) 2551227

### Sylhet Branch

19/A, Kumarpara Road, (1st Floor) Kumarpara, Sylhet,  
Tel: + 880 (821) 722489-90

## Bankers

BRAC Bank Limited  
Citibank, N.A.  
Commercial Bank of Ceylon PLC  
HSBC  
Prime Bank Limited  
Pubali Bank Limited  
Standard Chartered Bank  
NRB Bank Limited

## Auditors

A. Qasem & Co.  
Chartered Accountants,  
Gulshan Pink City,  
Suites # 01-03, Level # 7,  
Plot # 15, Road # 103  
Gulshan Avenue, Dhaka-1212

## Corporate Website

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

## Corporate E-mail

[dbh@deltabrac.com](mailto:dbh@deltabrac.com)

## Profile of the Board of Directors



**Mr. Faruq A Choudhury** is the Chairman of the Board of Directors of the Company. Born in 1934, he joined the then Pakistan Foreign Service in 1956, after having graduated with Honours in English. Subsequently, as a part of his training programme, he studied International Law at the Fletcher School of Law and Diplomacy, Tufts University, USA. He also underwent training at the Foreign Service Institute Washington DC and at the British Foreign Office in London. He studied the French Language at the Alliance Francaise in Paris.

Mr. Choudhury had diplomatic assignments in Rome, Beijing, The Hague and Algiers before being posted as a Director at the Pakistan Foreign Office. After the emergence of Bangladesh, he was appointed as the Chief of Protocol and later served as Deputy High Commissioner in London and Ambassador to the UAE in Abu Dhabi and as Ambassador to the then EEC and Benelux Countries in Brussels. Later he was appointed as Additional Foreign Secretary in 1982. From 1984 to 1986 he was Foreign Secretary and when SAARC was launched in 1985, he served as the Secretary General of the first SAARC summit. In 1986, he was appointed as High Commissioner to India in New Delhi from where he retired in 1992.

He took over as Advisor BRAC in 1992 and served in that capacity till 2006. He is a Member of the Governing Body of BRAC and Member of the Board of Trustees of BRAC University.

He has been a Director of DBH, nominated by BRAC, since 1996.



**Mr. Nasir A. Choudhury**, Advisor of Green Delta Insurance Company Limited (GDIC) has been in the insurance profession for over the last 50 years. 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 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 one of the sponsors of Union Capital Limited and Director of Progressive Life Insurance Co. Limited and United Hospital (Pvt.) Limited and Chairman & Managing Director of Nascom (Pvt.) Ltd. Mr. Choudhury is also an Executive Committee Member of Bangladesh Insurance Association.

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.

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



**Mr. Rajeev Sardana** is a member of the Institute of Chartered Accountants of India. He has been working, since 1986, in different capacities for Housing Development Finance Corporation Limited (HDFC), the largest housing finance institution in India. He is presently working as a member of the Executive Management of the Corporation. He has also been involved in consultancy assignments undertaken by HDFC in various countries across Asia to support and establish their housing finance institutions.

An alumnus of Shri Ram College of Commerce, University of Delhi, Mr. Sardana did his articles training with S B Billomoria & Company, Chartered Accountants, who are now part of the Deloitte group.

He has been a Director of DBH, nominated by HDFC Investments Limited, since March 2012.





**Mr. 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.



**Ms. Mehreen Hassan** is a Barrister-at-law and Advocate practising 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



**Mr. Swapan Kumar Sarkar** is a Fellow Member of the Institute of Chartered Accountants of Bangladesh. Prior to joining the services of Delta Life Insurance Company Limited as Senior Vice President in the year 1997, he served at different levels in local and international companies. He had been promoted to the position of Deputy Managing Director of the Company in the year 2006. Now, he is serving as the Managing Director & CEO of Delta Life Insurance Company Limited.

Mr. Sarkar completed B. Com. (Hons) and M. Com. majoring in Management from the Dhaka University before starting his career as a trainee accountant with Rahman Rahman Huq & Co. Chartered Accountants and worked there till 1981 after qualifying as a Qualified Assistant. He went abroad in the year 1990 to join as the Management Accountant in Chilanga Cement Limited, Zambia a subsidiary of Commonwealth Development Corporation and served there till December 1994. He also served as Chief Accountant in National Milling Co. Limited, Zambia from September 1995 to October 1996.

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



**Mr. Shameran Abed** manages BRAC's microfinance operations, which serves more than five million clients in 7 countries in Asia and Africa and has a loan portfolio of more than \$1 (one) billion. He also serves on the board of BRAC Bank's mobile financial services subsidiary, bKash. Additionally, he sits on the Steering Committee of the Microfinance Network, an exclusive network of the world's largest and most admired microfinance institutions, and is a member of the World Economic Forum Financial Inclusion Steering Committee. Shameran is a lawyer by training, having been called to the Bar of England and Wales from the Honourable Society of Lincoln's Inn in London.

He has been a Director of DBH, nominated by BRAC, since July 2013.



**Ms. Adeeba Rahman** is an Associate of Chartered Insurance Institute (ACII-Life) UK and Chartered Insurer. She did her MBA from Rochester Institute of Technology (R.I.T.), New York, USA. She is also experienced in working with two International Banks, two Life Insurance Companies at different levels, as well as gathered experience from a renowned Securities Company and a Tea Company.

At the beginning of her service with Life Insurance Company, Ms. Rahman joined in Delta Life Insurance Company Ltd. in January 2002. In her service time, she was Head of Marketing, Underwriting, Policy Servicing, Actuarial, Human Resource Development and Control & Compliance department and developed as well as executed various strategic guidelines and action plans of the Company. She chaired the Claims Committee and assisted in claim control and faster claim processing at Delta Life Insurance Company.

Ms. Rahman served as Additional Managing Director of Popular Life Insurance Company Ltd. from March 2006 to March 2013. She was responsible and performed various important services.

Being a Chartered Insurer and an Associate Member of Chartered Insurance Institute, UK accompanied by long outstanding experience of more than 14 years in almost all the areas of life insurance business. Ms. Adeeba Rahman, joined again in Delta Life Insurance Company Ltd. and serving as Additional Managing Director and is responsible for supervising and controlling the activities of some important departments like Business Development, Actuarial, IT, Re-insurance, Claims and Servicing etc.

She was a Shareholder Director of Delta Life Insurance Company Ltd. from the year 1998 to July 2013.

She has been a Director of DBH, nominated by Delta Life Insurance Company Limited, since December 2013.



**Mr. Mahibul Islam Chowdhury** did his M. A. in History from the University of Dhaka and M.S. in Agricultural Extension Programme from the University of Wisconsin, Madison, U.S.A. He joined the Govt. Services of the then Pakistan and continued his services in Bangladesh also for 33 long years. He served the country in various capacities and was appointed as the Secretary, Ministry of Information in the year 1999, later he was appointed as the Secretary, Ministry of Land and served the position till his retirement in the year 2002.

Mr. Islam was awarded a Gold Medal of Honour by 'The American Biographical Institute' for outstanding performance to develop the socio-economic condition of the poor people of Bangladesh. He was also Awarded the Presidential Gold Medal for his contribution to develop the rural infrastructure in 1978.

After his retirement, he took over as an Executive Director of Silver Line Group and served there till December, 2010. At present, he is the Chairman of Social Development Foundation (SDF), appointed by the Government of Bangladesh, Independent Director of Prime Finance & Investment Ltd, Chairman, Managing Committee of Rajdhani Mohila College, Rupnagar, Mirpur, Dhaka and also Advisor- E.N.T Foundation & Cancer Hospital, Dhaka.

He is also an Independent Director of DBH, since December 2012.



**Ms. Syeda Rizwana Hasan** is an enrolled lawyer with the Supreme Court of Bangladesh. Ms. Rizwana did her masters and graduation in law from the University of Dhaka with distinction. She has been working, since 1993, in different capacities for BELA (Bangladesh Environmental Lawyers Association), a national NGO. Presently, she is working as Chief Executive of BELA and her main focus is to promote the notion of environmental justice in Bangladesh.

As the Chief Executive of BELA, Ms. Rizwana is responsible for the overall co-ordination of the activities of BELA that include research, awareness, raising public interest litigation (PIL) and advocacy. She has a few publications to her credit. Notable amongst these are “Laws Regulating Environment in Bangladesh” and “Judicial Decisions on Environment in South Asia”.

Ms. Rizwana is the Chairperson of RDRS, a leading Bangladeshi NGO. She is a member of other NGOs including FIVDB, Nijera Kori and Association of Land Reforms and Development (ALARD). Her organization is a member of the NGO Platform on Ship Breaking, IUCN.

Ms. Rizwana and BELA, the organization that she runs, have received many prestigious awards. Remarkable amongst these are ‘M. Saleem Ullah Memorial Gold Medal 2009’, ‘Annanya Top Ten Award’, ‘Celebrating Womenhood’ (2008) by Creative Statement and South Asia Partnership based in Nepal and ‘Goldman Environmental Prize’ (2009). She has been named as one of the 40 Environmental Heroes of the World by the TIME Magazine. Recognizing her impassioned leadership, uncompromising courage in the campaign of judicial activism, Rizwana has been awarded with the ‘Ramon Magsaysay Award’ in 2012.

She has been an independent Director of DBH, since December 2012





**Mr. 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 worked in the London office of Price Waterhouse 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 of the Institute of Chartered Accountants of Bangladesh. Prior to joining DBH, he was the Finance Director of Green Delta Insurance Company Limited, one of the corporate sponsors of DBH.

He has more than 30 years of 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 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

Mr. Mahibul Islam Chowdhury  
Chairman

Mr. Faruq A Choudhury

Mr. Nasir A. Choudhury

Mr. A Z Mohammad Hossain

Mr. Swapan Kumar Sarkar, FCA

## Executive Committee

Ms. Mehreen Hassan, Bar-at-Law  
Chairperson

Mr. Shameran Abed, Bar-at-Law

Ms. Syeda Rizwana Hasan

Mr. Q. M. Shariful Ala, FCA

## Management & Executives

Managing Director & CEO	AVP
<b>Q. M. Shariful Ala</b>	<b>Nahid Ahmed</b> Manager - Treasury
EVP	<b>Sabed Bin Ahsan</b> Branch Manager - Uttara
<b>Tanvir Ahmad</b> Head of Human Resources	<b>A. H. M. Mostofa Kamal</b> Manager - Technical
<b>Nasimul Baten</b> Head of Operations	<b>Mir Md. Mukhlesur Rahman</b> Manager - Credit
<b>A. K. M. Tanvir Kamal</b> Head of Credit	<b>Md. Ariful Bari Rumi</b> Branch Manager - Motijheel
<b>Md. Hassan Iftekhar Yussouf</b> Head of IT	<b>Md. Abdul Wadud</b> Manager - Finance & Accounts
SVP	Manager
<b>Saiyaf Ejaz</b> Head of Recovery and Administration	<b>Mohammad Manjurul Alam</b> Manager - Sales (Deposits)
<b>Syed Aminul Islam</b> Head of Finance	<b>Imtiaz Elahi</b> Manager - Brand & Communications
VP	<b>Kazi Hasanul Islam</b> Manager - Loans
<b>Md. Fakrul Amin</b> Head of Legal	<b>Oliul Haque Khandaker</b> Manager - Administration
<b>Md. Zakaria Eusuf</b> Head of Branch - Head Office	<b>Siddhartho Sangkor Kirtonia</b> Manager - IT
<b>Ashfakul Islam</b> VP - IT	<b>A. S. M. Muahidur Rahman</b> Manager - Loans
<b>Moahedul Mowla</b> Head of Branch - Chittagong	<b>Md. Saiful Alam Talukder</b> Manager - Loans
<b>Md. Golam Rosul</b> Head of Branch- Dhanmondi	
SAVP	
<b>Tabassum Samad Chowdhury</b> Head of Deposit Operations	
<b>Khandaker Imran Habib</b> Manager - Sales (Deposits)	
<b>Khandaker Satil Sayeed</b> Head of Internal Audit	
<b>Jashim Uddin</b> Company Secretary	

# Operational and Financial Highlights

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

Operational Highlights					
	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14
Loan sanction	7,006	6,128	5,757	5,405	6,834
Loan disbursement	7,158	6,460	5,904	5,357	6,583
Cumulative disbursement	28,537	34,997	40,901	46,258	52,841
Cumulative sanction	30,063	36,191	41,948	47,353	54,187

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

Financial Highlights					
	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14
Profit before tax	640	907	765	1,009	1,199
Profit after tax	307	502	404	528	607
Shareholders' fund	1,305	1,756	2,151	2,569	2,776
Total deposit	12,630	13,308	15,751	19,540	21,550
Long term borrowing	5,351	7,131	7,087	7,218	5,039
Housing loan portfolio	17,721	21,115	23,598	24,901	26,831
Total balance sheet size	22,049	24,501	27,641	33,004	33,945
NPL ratio (%)	0.11%	0.14%	0.20%	0.26%	0.22%
Return on equity (average equity)	27.39%	34.40%	21.27%	22.95%	22.78%
Earnings per share	7.37	9.75	3.91	4.47	5.15
Earnings per share (restated)	2.56	4.24	3.4	4.47	5.15
Book value per share	29.84	32.83	20.32	21.27	23.92



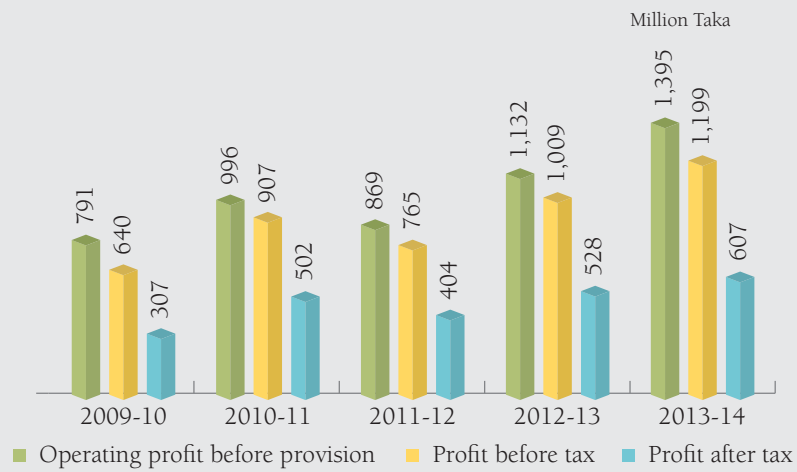
## Financial Highlights as required by Bangladesh Bank

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

As at and for the year ended

Financial Highlights	30-Jun-14	30-Jun-13
Paid up capital	1,160	1,160
Total capital	2,776	2,569
Capital surplus/(deficit)	160	160
Total assets	33,945	33,004
Total deposits	21,550	19,540
Total loans & advances	27,087	25,267
Total contingent liabilities and commitments	444	434
Credit deposit ratio (times)	1.26	1.29
Percentage of classified loans against total loans and advances	0.22%	0.26%
Profit after tax & provision	607	528
Amount of classified loans during current year	58.81	64.43
Provision kept against classified loans	58.81	64.43
Provision surplus/ deficit	475.82	335.24
Cost of fund	11.32%	12.15%
Interest earning assets	32,864	31,932
Non interest earning assets	1,081	1,072
Return on investment (ROI)	22.78%	22.95%
Return on asset (ROA)	1.81%	1.74%
Income from investment	20	2
Earnings per share	5.15	4.47
Net Income per share	5.15	4.47
Price earning ratio	12.04	14.81

## Profits



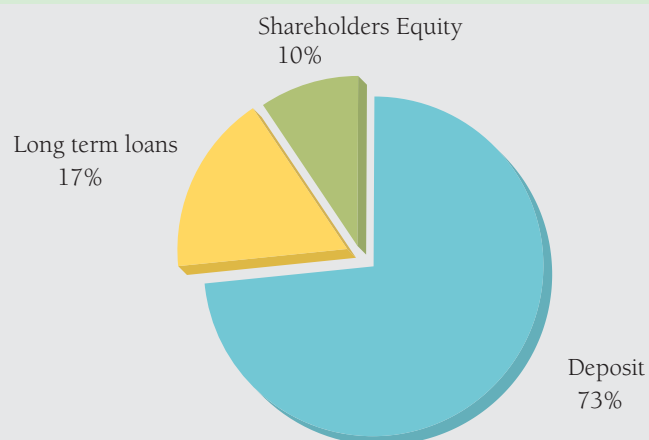
## Housing Loan Portfolio & Performance



## Total Assets & Fund Under Management

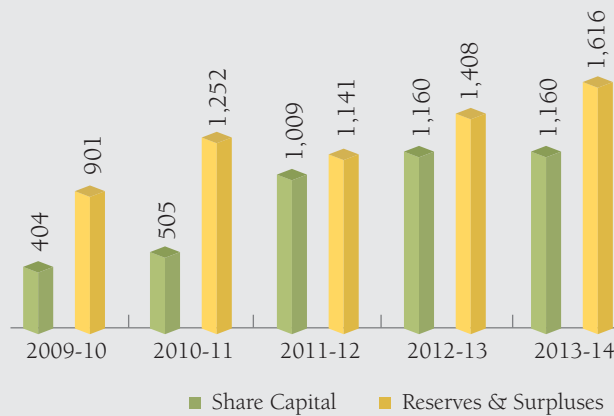


## Fund Employed



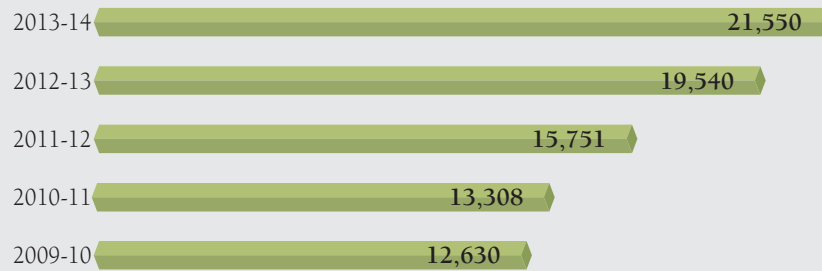
## Equity

Million Taka



## Deposits

Million Taka



# Value Added Statement

For the year ended June 30, 2014

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

Particulars	2013-2014		2012-2013	
	Amount	%	Amount	%
<b>Value added</b>				
Net interest income	1,556,474,860	110.75%	1,295,011,061	107.09%
Fees earned	98,475,718	7.01%	90,863,669	7.52%
Investment income	19,602,473	1.39%	2,396,211	0.20%
Other income	28,284,739	2.01%	28,263,069	2.34%
Operating expense except salary & allowances, depreciation & amortization	(101,919,945)	-7.25%	(84,359,993)	-6.98%
Provision for loan, advances & investments	(195,513,637)	-13.91%	(122,935,786)	-10.17%
<b>Total value added by the company</b>	<b>1,405,404,208</b>	<b>100%</b>	<b>1,209,238,231</b>	<b>100%</b>
<b>Distribution of value added</b>				
<b>Employees</b>				
As Salary & Allowances	192,617,383	13.71%	186,607,930	15.43%
<b>Provider of capital</b>				
Dividend to ordinary shareholders	290,123,438	20.64%	290,123,438	23.99%
Dividend to preference shareholders	10,000,000	0.71%	10,000,000	0.83%
<b>Government</b>				
Income tax	591,849,677	42.11%	480,189,361	39.71%
<b>Retained for business growth</b>				
Retained earnings	307,220,124	21.86%	228,359,727	18.89%
Depreciation and amortization	13,593,586	0.97%	13,975,775	1.15%
<b>Total distribution</b>	<b>1,405,404,208</b>	<b>100%</b>	<b>1,209,238,231</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 June 30, 2014 and 2013.

Particulars	Amount in BDT	
	2013-2014	2012-2013
Market value of shares outstanding	7,195,061,250	7,682,468,625
Book value of shares outstanding	1,160,493,750	1,160,493,750
Market value added	6,034,567,500	6,521,974,875



## 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 shareholders 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	
	2013-2014	2012-2013
Net operating profit	1,394,706,876	1,131,608,312
Provision for taxes	591,849,677	480,189,361
Net operating profit after tax (NOPAT)	802,857,199	651,418,951

Charges for capital		
Capital employed	3,449,305,282	2,979,774,229
Cost of equity (%)	12.10%	13.50%
Capital charge	417,365,939	402,269,521
<b>Economic value added</b>	<b>385,491,260</b>	<b>249,149,430</b>

Capital employed as on June 30		
Shareholder's equity	2,775,786,130	2,568,566,006
Accumulated provision for doubtful accounts and future losses	874,886,032	679,372,395
Total capital employed	3,650,672,162	3,247,938,401
Average capital employed	3,449,305,282	2,979,774,229

# Message from the Chairman

Dear Shareholders,

I extend a very warm welcome to you all at the 18th 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 appreciation to you all for the unrelenting support and faith that you have placed in us and in our accomplishments for the last eighteen years.

As we all know, FY 2013-14, has been a very difficult year for all the participants operating in the financial market including DBH. Nevertheless, being a market specialist, we maneuvered through these extremely strenuous conditions by improvising our specialization, financial depth and steadfastness to retain the leading position in the industry.

The languid conditions prevailing in the real estate sector coupled with a sense of skepticism in the overall economy stemming from political uncertainty continued to affect our portfolio growth especially during first half of the year. Total assets employed by the Company stood at Taka 33.94 billion as on June 30, 2014. However, superior asset quality continues to be one of the strengths 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 48.64 billion.

Even though this year the housing finance portfolio growth of DBH has been hindered, our operating profit before provisions has experienced a healthy rise of 23.25 percent to Taka 1,394.71 million. The Board has recommended Tk. 2.50 per share (25%) as cash dividend out of profit for the year ended June 30, 2014.

I am pleased to inform you that DBH has retained its **highest credit rating of 'AAA' (triple A) for the 8th consecutive year**. 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 in itself is a testament to the outstanding financial resilience of the Company.

This year, DBH was also honored with the **DHL-Daily Star Bangladesh Business Awards as "Best Financial Institution of the Year 2013"** in recognition of its distinguished performance and as a role model in the corporate financial sector. This award is the most prestigious business award in Bangladesh. The Award not only reflects our strong and consistent performance, but also the unique contribution that DBH has made to the development and enlargement of the financial sector through introducing private sector housing finance in Bangladesh.

The business in the real estate sector has continued to exhibit disappointing figures. The data with the Real Estate and Housing Association of Bangladesh (REHAB), a group of 1,200 realtors, show more than 22,000 ready flats remaining unsold for long for varied reasons. Undoubtedly, this is the highest number of unsold flats in the country's apartment business since the 80s. The share-market debacle, decline in expatriate buyers, high interest on bank loans and prolonged halt in gas and electricity connections had a negative impact on the housing business. A coordinated effort of all the stakeholders is desperately needed to facilitate a swift recovery for saving hundreds and thousands of direct and indirect dependants of this sector.

Under the circumstances, in order to revive the growth of the once booming housing sector and encourage the return of middle income clientele, the Central Bank should take necessary steps to resume housing



refinance schemes to support economically viable financing in the real estate industry. Moreover the relevant authorities should take necessary steps to enhance existing tax benefits on investment in real estate to promote circulation of money in this sector.

Another key constraint facing the real estate sector is shortage of serviced land in the urban areas for building multi-family housing units. Acute shortage of land has resulted in very high land price which has failed to come down significantly even in this bearish market. It is not possible for the developers to make the apartments affordable to a larger clientele unless the cost of the land is brought down to a reasonable level. In this connection, the Government should come forward and increase the supply of serviced land to the developers for building multi-family houses by expanding the metropolitan areas; and thereby make it possible for the housing finance companies to lend to an ever-increasing clientele.

Our principal objective for 2014 - 2015 is to source diversified avenues of economical funding, broaden our customer base and to deepen the relationship we have with our customers, harnessing the growing strength of the DBH brand and our core competency. From the macro perspective, it may be added that overall investment scenario seems uncertain with lack of investment activity and very lean credit growth in the private sector. Therefore, 2014 - 2015 is once again set to be a very challenging year for all the market participants including DBH. However, we have firm faith in our expertise and motivation to develop ourselves through innovating strategies, expanding partnership and maximizing value to the shareholders.

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 for their dedication and hard work under the able guidance of the Managing Director. 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 exploit the opportunities and face the challenges which will arise in the coming days.



**Faruq 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 30th June 2014.

## Bangladesh Economy

The national economy held on to its overall growth impetus despite the lethargic atmosphere prevailing in financial sector. Preliminary estimate from the Bangladesh Bureau of Statistics (BBS) shows a GDP growth rate of 6.12 percent in FY14 compared to 6.18 percent in FY13. Although the estimated growth is lower than the government's growth target of 7.2 percent, it is higher than World Bank projection of 5.4 percent for the period.

Going back to the review of FY 13-14, point-to-point inflation rate, which hovered between 7.50 percent and 7.44 percent since January 2014, came down to 6.97 percent in June 2014. Disruption in supply due to continued strikes and blockades since the beginning of FY 14 led average food inflation to rise. However, the Central Bank has recently raised the cash reserve requirements for banks by 50 basis points, which is expected to reduce inflationary pressure on the economy by way of withdrawing excess liquidity from the market.

The country's exports earnings marked a robust growth of 12.56 percent during Jul-May FY14 compared with the same period of the previous fiscal despite a series of adverse developments on the domestic front. Total earning from exports stood at USD 27.38 billion during Jul-May FY14 against USD 24.32 billion in Jul-May FY13. On the other hand, import payments which declined by 4.03 percent in FY13, marked an increase of 20.34 percent during Jul-Apr FY14 and stood at USD 33.9 billion against USD 28.2 billion during the same period of the preceding year. The country's trade deficit reduced marginally to USD 5.89 billion in the first ten months of the current financial year from USD 5.92 billion during the corresponding period of FY13 due to higher export receipts.

Year-on-year remittance growth, which suffered declines since August 2013, has reversed its trend starting from February 2014. However, wage earners' remittance inflow has been slightly lower in the current fiscal standing at USD 14.21 billion during FY14, which is 1.71 percent lower than the inflow during FY13, against a growth of 12.60 percent in FY13. In the current fiscal year with the decline in trade deficit together with an inflow in the capital and financial account, foreign exchange reserve has increased consistently and stood at USD 21.5 billion on 30th June 2014 which is sufficient to cover the import payments of approximately 6.5 months.

Since the beginning of the year, Bangladesh Taka (BDT) has appreciated marginally against the US dollar (USD) by about 0.15 percent. The USD/BDT rate stood at 77.75 at the start of 2014 and gradually decreased to 77.63 by the end of June. Weak demand for US dollars to settle import payments, rising trend of FDI and strong export earnings have virtually contributed to the Taka's appreciation. Bangladesh Bank has purchased USD 5.15 billion from the commercial banks in FY14. According to the central bank records, this is the highest amount of dollar bought from the market by Bangladesh Bank since the FY05.

The premier bourse, Dhaka Stock Exchange (DSE) witnessed a mixed year. The benchmark index (DSEX), advanced in excess of 4.50 percent till June 2014 from January 2014. However, market turnover has seen a heavy decline over the latter half of the year to near BDT 2.50 billion per day from the BDT 8.6 billion level in January 2014. This decline is attributed to Bangladesh Bank's limiting the total investment of commercial

banks in capital market. On the brighter side, net foreign investment in Dhaka stocks shot up on the back of solid economic fundamentals despite political turmoil in the middle of the year.

Finally, regarding growth in real economy, Bangladesh Bureau of Statistics' (BBS) provisional estimates reveal slower growth in manufacturing sector contributed to slower GDP growth. However, agricultural growth is higher in FY 14. The services sector, which is over half of GDP, proved resilient in FY14 and according to these preliminary estimates by BBS, it grew at about 5.80 percent.

#### **Performance of Financial Sector in 2013-14**

In FY 2013-14 the Central Bank adopted a monetary stance to preserve external sector stability, building up reserves and avoiding excessive volatility of the exchange rate, ensure credit growth in productive sectors to attain targeted real GDP growth with a careful consideration to managing inflation. Banking sector repayment and profitability indicators have shown mixed performance throughout the fiscal year.

The ratio of non-performing loans (NPL), in both gross and net terms, increased at the end of Q3FY14 compared with end of Q2FY14. Gross NPL went up from 8.9 percent at the end of Q2FY14 to 10.5 percent at the end of Q3FY14. The deterioration was across the board for all type of banks except FCBs, but particularly for SOCBs and specialized banks. During Q3 FY14, the capital adequacy ratio (CAR) for all banks decreased slightly to 11.3 percent from 11.5 percent in Q2FY14 though still surpassing the minimum 10 percent regulatory requirement. Among the profitability measures, return on asset (ROA) in the banking sector improved from 0.64 percent at the end of December 2012 to 0.90 percent at the end of December 2013. Return on equity (ROE) of the banking industry also increased to 10.8 percent at the end of December 2013 from 8.2 percent at the end of December 2012.

Call money rates have declined since their peaks in early 2012 when they were around 20 percent, and also fell in H2FY13 from around 10 percent in January 2013 to around 7.0 percent in June 2013 and around 7-8 percent in H1FY14. In H2FY14 call money rates fell further from 7.17 percent in January 2014 to 6.23 percent in June 2014. High liquidity levels are also reflected in below average loan to deposit ratios.

Government security rates also fell, including long term bond yields. The rate of 30-day Bangladesh Bank bills decreased to 6.92 percent in March 2014 from 7.62 percent in March 2013. Overall yields on short term treasury bills e.g., 91-day decreased to 7.22 percent in March, 2014 from 8.90 percent in March, 2013 and 182-day, 364-day treasury bills rates fell to 7.72 and 8.20 percent respectively at end of March, 2014 from 10.60 and 11.05 percent respectively at the end of March, 2013. Yields on long-term bonds such as 5-year, 10-year, 15-year, 20-year BGTB also decreased to 10.63 and 11.70, 11.97 and 12.12 percent at the end of March, 2014 from 11.82, 12.10, 12.38 and 12.48 percent respectively in March, 2013. The spread between lending and deposit rates increased from 5.06 percent at end of Q3FY13 to 5.15 percent at the end of Q3FY14 as the deposit rate have fallen faster than lending rates.

#### **Real Estate Industry Outlook and Possible Future Development**

The situation in real estate sector has improved slightly compared to preceding financial year. The main reason is the improvement of political situation in recent months, but the sales of the apartment has not increased significantly. The general level of price has not changed much to improve the affordability of general customers, but developers are offering discount to potential buyers to strike any deal.

The interest rate of housing loans has come down significantly in recent months; as a result more customers are willing now to buy property with the help of the housing loan. Many Banks and financial institutions are again back in the market which makes it more competitive than it was few months back.

Developers are still going slow in signing new projects because of the apprehension of further price correction in the market. They are offering less cash to the land owners for their land for signing new projects because of present situation related to sales and price, but most of the land owners are not willing to accept lower bids from the developers, As a result, new projects signing of the developers are not increasing that much.

Government kept the provision to invest undisclosed income in real estate by paying a certain amount of tax in last year's budget, but that did not attract many customers because of anticipated harassment from other government agencies. The provision may or may not be continued in next year as nothing specific has been mentioned in this year's budget. But some features of proposed budget like increase of property registration cost (which is already at a very high level compared to our neighboring countries), payment of rental by bank cheques if rent is above Tk. 25,000, increase of wealth tax may affect the struggling real estate sector adversely.

It seems that it will take time for the market to recover from the present situation. Realtors were looking for some incentive from the government for the sector like declaring the industry as a productive sector, introducing one window service system for getting different approvals for constructing a project, but nothing has been offered from the government yet. Realtors and housing financiers also sought immediate formation of a Tk. 50 billion fund to extend long term credit to the low and mid income level customers at a single digit interest rate for purchasing smaller flats, but no such fund has been allocated in this year's proposed budget.

### **Performance of Home Loan Operations**

Against the backdrop of languid circumstances prevailing in the real estate sector as well as the overall economy, the performance of DBH home loan operations has been respectable. Depressing macroeconomic conditions i.e. bearish capital market; political uncertainty, lack of investment appetite in the business community has created a grim scenario in the financial sector. Being a housing finance specialist DBH has forecasted the situation prudently and focused on maintaining the health of its existing portfolio and strengthening its focus on core retail clientele. The Company's loan book in housing finance grew at a very moderate pace of 7.75 percent to Taka 26.83 billion during the financial year while keeping gross NPL ratio at the level of 0.22 percent only. During the year, the gross interest income from the housing finance portfolio stood at Taka 3,884 million. DBH holds an adjustable rate home loan portfolio and the average rate of interest on the home loan book is decreasing in line with the downward shift in the market rate of interest.

Even though managing settlements ahead of schedule was a challenge this year, the disbursement figures experienced a healthy rise compared to last year and your Company has retained its position as the Financial Institution with the largest market share. Total approvals during the year stood at Taka 6,834 million as against Taka 5,405 million in the previous year showing a growth of by 26 percent from last year comparatives. Total disbursement at the end of FY 2013-14 was Taka 6,583 million as against Taka 5,356 million of preceding financial year. During the year under review, a total of Taka 4,676 million was received by way of repayment of principal on loans through monthly installments and redemption ahead of schedule. Gross non-performing loans as of June 30, 2014 have been fully provided for and additionally, as required by Bangladesh Bank, DBH has a loan loss reserve amounting to 1% of outstanding loans.

### **Performance of Deposit Portfolio**

DBH's deposit portfolio remains the principal focus of the Company's funding mechanism. Over 70 percent of funding for DBH's home loan operation is sourced through the deposit products. At present the Company offers a diverse deposit product line comprising of Annual Income Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Profit First Deposit, Easy Way Deposit, DBH Platinum 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 with almost equal weight on institutional and retail deposits. At present individual & institutional clients hold almost equal shares of the deposit basket.

At the close of June 30, 2014 the deposit portfolio of DBH stands at Taka 21,550 million with an interest payable amounting to Taka 1,208 million. As the market shifts downward the rate of interest on the DBH deposit products have also significantly decreased this year.

DBH also provides loan against deposits (LAD) to cater to its customers' urgent financial need. As of June 30,



2014, the LAD portfolio of DBH stands at Taka 245 million.

### Recovery

During the first half of the FY 2013-14, the overall business activities almost came to a standstill, following frequent spells of blockade and shutdown. As a result, the amount of classified loans of the banking industry continued to mark a gradual rise, and reached Tk. 567.20 billion in the third quarter (July-Sept), which was nearly 13 per cent of the total outstanding loans among all the scheduled banks operating in the country.

Under such circumstances, the home loan portfolio of DBH has performed reasonably well this year. According to the classification policy of the Central Bank, at close of June 30, 2014 the NPL of the Company has marginally decreased to 0.22 percent from 0.26 percent at end of the preceding financial year. Needless to say, this is one of the lowest figures in the overall financial industry.

### Funding Operations

Excess liquidity stemming from slow down in investment activity remained a primary concern for the year. Banks were seen significantly lowering one year term deposit rates to the level of 9.00 percent and below to reduce cost of fund on the surplus fund. Interest rates continued to decline during the financial year but the spread between lending and deposit rates rose indicating that lending rates have declined by less than deposit rates.

The funding composition of the Company has remained significantly reliant on the deposit portfolio. The deposit products are designed to cater to diversified needs of retail and corporate clientele. The deposit portfolio of the Company has stood at Taka 21,550 million.

Long-term loan portfolio of DBH consists of funds received under Housing Loan Refinance Scheme of Bangladesh Bank worth Taka 3,467 mn, long term loans received from international lenders like FMO & Triodos Custody B.V. worth Taka 368 mn and loans sourced from local markets for Taka 1,203 mn. Apart from that, the shareholder's contribution in the funding mix is around 9.50 percent at the close of financial year. The Company is continuously striving to source diversified avenues of funding to minimize its cost as well as asset-liability maturity and interest rate mismatch in the balance sheet.

The funding status of DBH as of June 30, 2014 is presented below:

Source	Amount in Million Taka
Deposits	21,550
Long term loans	5,039
Equity	2,776

### Treasury Operations

The core function of the treasury department at DBH is optimizing liquidity, establishing and maintaining access to short-term as well as longer term financing with a view to measuring, monitoring, and controlling of interest rate risk (IRR) and asset-liability maturity (ALM) mismatch of the balance sheet.

Understandably, in FY 2013-14 the Central Bank has been faced with challenges of managing excess liquidity. In view of the market condition, the Central Bank adopted balanced monetary policy stance designed to encourage private sector growth by financing creditworthy clients for productive purposes to support the attainment of the government's FY14 real GDP growth target while keeping it consistent with the targeted 7.00 percent average inflation rate for FY14. In order to cushion the impact of domestic disruptions on businesses, BB also undertook a number of important policy steps which include broadening the scope of the Export Development Fund, and reducing the borrowing costs, as well as instructing banks to offer loan rescheduling

facilities to genuine borrowers facing cash flow difficulties, especially SMEs, who are temporarily affected by the recent strikes and disruptions.

As expected, during the year treasury department of DBH was also focused in managing excess liquidity by optimizing utilization of surplus fund in a profitable manner with a core consideration to interest rate movement in the market. The treasury wing intensified its position from long to short to access low cost fund from the money market to reduce overall cost of fund and enhance treasury income. As the real-estate market remained dull during the year and resultantly there was a lack of demand for fund in the core business a significant amount of income was earned through treasury investment activities.

### **Investments in Securities**

The performance of the capital market was more or less dismal this year as the Dhaka Stock Exchange index (DSEX) ended slightly lower than previous year at 4480.52 points. The capital market portfolio of the Company stands at Taka 268 million as of June 30, 2014. In view of the present condition of bourses, DBH has adopted a conservative investment policy and remain vigilant to seize the market opportunity.

The Company also has an investment of Taka 90 million in the Preference Shares and Taka 12 million in non-marketable securities. The earnings from this sector increased substantially and reached Taka 19.60 million as on June 30, 2014 against Taka 2.40 million of the previous year.

### **Human Resources**

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

It is committed to equal opportunity, unbiased treatment of all individuals based on job related qualifications.

DBH is also committed to offering its employees fair compensation and benefits, continuous training & development, individual recognition and reward on the basis of merit, open communication, and effective feedback.

The Company's policy is to provide a 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.

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

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

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

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.

### **Information Technology**

Information technology is playing imperative role to process routine and maintain critical business information in a quick and efficient manner. Innovation in information technology has been a major driving force behind a highly developed logistics and communications infrastructure and that information technology has now become a key component of a corporation's business strategy. Delta Brac Housing Finance Corporation Ltd

(DBH) being a pioneer in home loan industry is not an exception.

The company is aspiring to achieve operational excellence constantly, conducting the business in a safe, environmentally sustainable and economically optimum manner, employing a diverse, innovative and results-oriented team motivated to deliver excellence and sustain a robust management system.

In last financial year, IT department has successfully implemented many system processes, those had significant impact on overall performance. IT security, data backup and redundancy was another major improvement area for IT department. Information security standards, procedures and comprehensive data loss prevention program has been successfully developed and implemented by the IT department, which ensures all information system functional and secured. The security programs are also in compliance with relevant laws, regulations and policies to minimize or eliminate risk and audit findings. Data backup in multiple levels and easy data recovery process has been developed in case of any disaster. This year IT department has also isolated the production environment and development environment to increase system security.

### **Redemption of Preference Shares**

DBH issued 400 redeemable and cumulative preference shares of Tk. 100.00 each including the premium amount of Tk. 249,000.00 per share in the name of Industrial Promotion and Development Company (IPDC) carrying preferential rights. Pursuant to the subscription agreement executed with the IPDC the Preference Shares were liable to be redeemed by July 1, 2014, accordingly the entire amount has been settled and redeemed on June 30, 2014.

### **Credit Rating**

Delta Brac Housing Finance Corporation Limited with its strong fundamentals has earned the highest credit rating award for the 8th (eighth) consecutive year. Credit Rating Agency of Bangladesh (CRAB) reaffirmed AAA in the long term and ST-1 in the short term rating of Delta Brac Housing Finance Corporation Limited in its latest entity rating done based on the Company's year end financials of 2012-2013.

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

Key operating and financial data of last preceding 5 (five) years is shown under the heading of Operational Highlights and Financial Highlights in the page no. 18 of this annual report. Financial Highlights as required by Bangladesh Bank is also given in page no. 19 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 institution, DBH contributes to the economic prosperity by providing financial products and services to housing sector. Our total credit exposure as on June 30 was Tk.27,087 Million.

DBH contributed to the national exchequer in the form income tax, VAT & Excise duty. During the year 2013-14 company's contribution to the national exchequer is given below.

Taka in Million

Particulars	2013-14	2012-13
Income Tax paid on company's income	601.11	402.46
Tax collected at source on behalf of Government	252.44	243.90
Value Added Tax (VAT)	21.09	17.21
Excise Duty	22.92	21.67
<b>Total</b>	<b>897.56</b>	<b>685.24</b>

Creating employment has a vital impact on the economy and DBH employed 195 employees as on June 30 2014. Efficient workforce is very important for the organization as well as for the country. Keeping same in view, DBH has spent Tk.3.10 million for training of its employees. During the year 2013-14, DBH has paid Tk.192.62 million as salaries and allowances to its employees.

### Awards and Recognitions

#### Best Financial Institution Award:

The Bangladesh Business Awards were introduced in 2000 and are given annually to individuals and companies for their excellence in business by DHL Express and the Daily Star. Delta Brac Housing Finance Corporation Limited, one of the top non-bank financial institutions was awarded the prestigious 'The Best Financial Institution of the Year' for the year 2013 by DHL Express and the Daily Star, for providing an opportunity to own houses in cities to the middle and lower middle class.

#### Annual Report 2012-2013 recognized by ICMAB:

The Annual Report for the year 2012-2013 of Delta Brac Housing Finance Corporation Limited (DBH) was awarded the 2nd prize by ICMAB as 'Best Corporate Awards'.

### Donation for the society

DBH's responsibilities to the society are manifested in its activities during the year, some of which were as follows:

#### Education

We are committed to promote talented young people and give them a fair chance to develop their skills and complete their education, in order to do so, DBH's Board has approved a total grant of Tk. 48,00,000.00 (Taka Forty Eight Lac) in order to provide scholarships under the title of 'DBH Scholars' to economically disadvantaged students of BRAC University. Also, our Board decided that future grants for additional scholarships can be considered based on the Company's year to year profitability and other CSR commitments.

#### Shelter Assistance

DBH donated an amount of Tk. 300,000.00 to Habitat for Humanity International in 2014 for the purpose of organizing, One Build Events as well as technical support for a community in Savar, which was started on June 20, 2014. Over 15 DBH's volunteers joined together to improve the community and living conditions of underprivileged families in the area.

#### Other Support

DBH considers the society as an extended family. We are always at their side when they are in distress and need our help. In the winter months of 2013-14, we distributed 1000 (one thousand) blankets to the cold hit people of the Country.

### Highlights on Financial Performance

The comparatives on the financial performance of the Company for twelve-month period to June 30, 2014 are presented below:

(Figures in Million Taka)

Particulars	30-Jun-14	30-Jun-13
Operating revenue	4,781	4,454
Interest expenses	3,079	3,037
Operating expenses	308	285
Profit before provisions	1,395	1,132
Profit before tax	1,199	1,009
Net profit after tax	607	528

The operating profit for the period was Taka 1,394.71 million compared to Taka 1,131.61 million of same period of last year reflecting a growth of 23.25%. The Company has made Profit Before Tax of Taka 1,199.19 million for the reviewed period ended as on June 30, 2014 as against the previous year's figure of Taka 1,008.67 million with a growth of 18.89%.

Operating revenue of the Company increased by 7.36 % over the last year's figure of Taka 4,453.51 million to Taka 4,781.43 million in twelve-month of FY2013-14. Interest income has grown at the rate of 7.00% from the previous year whereas fees income increased by 8.38 %. On the other hand interest expense has increased by 1.37% to Taka 3,078.59 million when compared to last year's figure of Taka 3,036.98 million.

As a result, net operating Income of the Company has increased by 20.21 % from corresponding period of last year. The net operating income stood at Taka 1,702.84 million compared to last year's figure of Taka 1,416.53 million.

### Corporate and Financial Reporting Framework

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

- The financial statements prepared by the Management of DBH, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the issuer company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the issuer company's ability to continue as a going concern.

### Going Concern

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

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

#### **Board Meetings and Attendance by the Directors**

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

#### **Shareholding Pattern**

Shareholding patterns of the Company as at the end of the year 2013-2014 is shown in Annexure-iii of this report.

#### **Proposed Dividend**

The Board of Directors at the time of considering the annual accounts have recommended @ 25% cash dividend to be paid to the shareholders out of profit of the year 2013-14, which is to be approved by the shareholders in the forthcoming AGM.

#### **Directors' Appointment & Re-appointment**

The present Directors of the Company are named in pages 9 to 15 of this report.

In accordance with the Article No. 106 of the Articles of Association of DBH, the following Directors will retire in the 18th Annual General Meeting by rotation and being eligible for re-election, they are seeking re-election to the Board.

- Mr. Faruq A. Choudhury (representing BRAC)
- Mr. A Z Mohammad Hossain (representing Green Delta Insurance Co. Ltd.)
- Mr. Rajeev Sardana (representing HDFC Ltd.)

Article 102 of the Articles of Association also requires that any Director appointed by the Board to fill the casual vacancies since last Annual General Meeting shall retire in the next Annual General Meeting. Accordingly, Ms. Adeeba Rahman (representing Delta Life Insurance Co. Ltd.) shall retire in the forthcoming Annual General Meeting and being eligible, she is seeking re-election.

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

- a) Brief resume of the Directors are included in page nos. 9 to 15 of this Annual Report
- b) Nature of the expertise of the Directors are also disclosed in the brief profiles
- c) Name of the Directors and entities in which they have interest as Directors are also disclosed in the brief profiles as well as in the notes no. 39.1 of the Financial Statements.

#### **Appointment of Auditor**

Messrs A. Qasem & Co., Chartered Accountants, had been re-appointed as the statutory auditors for the financial year 2013-2014 for the second term. Since they are eligible for re-appointment for further one year term, the Board of Directors recommended to re-appoint them for the year 2014-15 as statutory auditor and Bangladesh Bank has also accorded its consent in this regard. The matter will be placed before the AGM for shareholders' approval.

#### **Corporate Governance**

DBH has long been committed to maintaining high standards of Corporate Governance. Accordingly, your Company has complied with the provisions of Corporate Governance Guidelines dated August 7, 2012 and amendment thereof issued by the Bangladesh Securities & Exchange Commission. Pursuant to the Guidelines, the following statements are appended as part of this Annual Report:

- (i) Audit Committee Report to the Shareholders;



- (ii) Certification on Financial Statements by CEO and CFO;
- (iii) Report on the Corporate Governance;
- (iv) Certificate regarding compliance of the conditions of Corporate Governance Guidelines.

#### Acknowledgement

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

For and on behalf of the Board of Directors.



**Faruq A Choudhury**  
Chairman

# Directors' Meeting & Attendance

Annexure-i

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

Name of Directors	Nominated by	Total Meetings	Meetings Attended	Change during 2013-2014	
				Date of Board Acceptance	
				Joining	Nomination withdrawn/ Changed
Mr. Faruq A Choudhury, Chairman	BRAC	6	6	-	-
Mr. Nasir A. Choudhury	Green Delta Insurance Company Ltd.	6	5	-	-
Mr. Muhammad A. (Rume) Ali	BRAC	2	0	-	01-11-2013
Mr. Rajeev Sardana, FCA	HDFC Investments Ltd.	6	4	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	6	5	-	-
Ms. Mehreen Hassan, Bar-at- Law	Delta Life Insurance Company Ltd.	6	6	-	-
Mr. Swapan Kumar Sarkar, FCA	Delta Life Insurance Company Ltd.	6	6	-	-
Mr. Shameran Bahar Abed, Bar- at- Law	BRAC	5	3	02-07-2013	-
Ms. Adeeba Rahman, ACII-Life	Delta Life Insurance Company Ltd.	3	3	04-12-2013	-
Mr. Mahibul Islam Chowdhury	Independent Director	6	6	-	-
Ms. Syeda Rizwana Hasan	Independent Director	6	2	-	-

## Directors' Remunerations

Annexure-ii

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

Name of Directors	Board		Audit Committee		Total Fees Paid
	Attendance	Fees	Attendance	Fees	
Mr. Faruq A Choudhury, Chairman	6	30,000.00	4	20,000.00	50,000.00
Mr. Nasir A. Choudhury	5	25,000.00	5	25,000.00	50,000.00
Mr. Muhammad A. (Rume) Ali	0	0	0	0	0
Mr. Rajeev Sardana, FCA	4	20,000.00	0	0.00	20,000.00
Mr. A Z Mohammad Hossain	5	25,000.00	5	25,000.00	50,000.00
Ms. Mehreen Hassan, Bar- at- Law	6	30,000.00	2	10,000.00	40,000.00
Mr. Swapan Kumar Sarkar, FCA	6	30,000.00	3	15,000.00	45,000.00
Mr. Shameran Bahar Abed, Bar- at- Law	3	15,000.00	0	0.00	15,000.00
Ms. Adeeba Rahman, ACII-Life	3	15,000.00	0	0.00	15,000.00
Mr. Mahibul Islam Chowdhury	6	30,000.00	5	25,000.00	55,000.00
Ms. Syeda Rizwana Hasan	2	10,000.00	0	0.00	10,000.00
<b>Total</b>	-	<b>2,30,000.00</b>	-	<b>1,20,000.00</b>	<b>3,50,000.00</b>

# Pattern of shareholdings as on 30th June 2014

Annexure-iii

(i) Shareholding Status of Sponsors/ Promoters & Pre-IPO Shareholders:

Name of the Shareholders	No. of Share(s) held	Percent (%)
BRAC	21,339,630	18.39
Delta Life Insurance Company Limited	20,456,500	17.63
Green Delta Insurance Company Limited	17,761,727	15.31
HDFC Investments Limited	14,183,801	12.22
International Finance Corporation (IFC)	14,183,801	12.22
Mr. Faruq A Choudhury	23	0.00
Dr. Salehuddin Ahmed	23	0.00

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

Name of the Directors	Nominated by	No. of Share(s) held	Percent (%)
Mr. Faruq A Choudhury, Chairman	BRAC	23	0.00
Mr. Nasir A. Choudhury	Green Delta Insurance Company Ltd.	-	-
Mr. Rajeev Sardana, FCA	HDFC Investments Ltd.	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	-	-
Mr. Swapan Kumar Sarkar, FCA	Delta Life Insurance Company Ltd.	-	-
Mr. Shameran Bahar Abed, Bar- at- Law	BRAC	-	-
Ms. Adeeba Rahman, ACII-Life	Delta Life Insurance Company Ltd.	-	-
Mr. Mahibul Islam Chowdhury	Independent Director	-	-
Ms. Syeda Rizwana Hasan	Independent Director	-	-
Name of the Executives	Status	No. of Share(s) held	Percent (%)
Mr. Q. M. Shariful Ala, FCA	Managing Director & CEO	-	-
Mr. Syed Aminul Islam	SVP & Head of Finance	-	-
Mr. Khandaker Satil Sayeed	SAVP & Head of Internal Compliance	-	-
Mr. Jashim Uddin, FCS	AVP & Company Secretary	-	-

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

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

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

Name of the Shareholders	No. of Share(s) held	Percent (%)
BRAC	21,339,630	18.39
Delta Life Insurance Company Limited	20,456,500	17.63
Green Delta Insurance Company Limited	17,761,727	15.31
HDFC Investments Limited	14,183,801	12.22
International Finance Corporation (IFC)	14,183,801	12.22

## DHL- Daily Star Best Financial Institution Award

DBH has been awarded the DHL-Daily Star Best Financial Institution Award for 2013 at the 14th DHL-Daily Star Bangladesh Business Award ceremony on 28th March, 2014.







## Belonging Means Sharing Time Together

Mr. Faruq A Choudhury,  
Chairman of Delta  
Brac Housing Finance  
Corporation Ltd. (DBH)  
addressing the 17th  
Annual General Meeting  
of the Company.



Honorable  
Shareholders of DBH  
participating in the  
17th AGM of the  
Company



DBH rated the  
highest AAA for the  
8th consecutive year.  
Credit Rating Agency  
of Bangladesh (CRAB)  
handed over the Credit  
Rating Report.



DBH's cumulative home loan disbursements crossed Taka 5,000 crore on handing over a loan cheque to clients Sawda Sharmin and Md. Mahbubur Rahman by Head of Operation Nasimul Baten at a function in DBH's Gulshan Head Office.



Treasurer of BRAC University is seen receiving a cheque of the scholarship of Tk.48 lac from the SVP & Head of Finance of DBH at the office of DBH. Managing Director & CEO of DBH, Company Secretary of DBH, CFO of BRAC and RMO & PRO of Brac University were also present on the occasion

Employees of Delta Brac Housing Finance Corporation Ltd. (DBH) took part in the volunteers-sponsorship home building activities launched by Habitat for Humanity International Bangladesh (HFHIB) at Savar-Rajashon in Dhaka.



# Report on Corporate Governance

The growing principles of good corporate governance comprise a set of systems, procedures, policies, practices and standards to be put in place by a corporate to ensure that the relationship with various stakeholders is maintained in the most transparent manner. The spirit of good corporate governance is transparency, disclosure, accountability and integrity which are crucial to have effective corporate discipline. It goes beyond rules and regulations that the Regulator can put in place. It is about ethics and the values which drive companies in the conduct of their business.

Corporate Governance involves a set of relationships amongst the Company's management, its Board of Directors, its members, its auditors and other stakeholders. These relationships involve various rules and incentives, through which the objectives of the Company are set, and the means of attaining these objectives as well as monitoring the performances. Companies around the world are realizing that better corporate governance adds considerable value to their operational performances:

It improves ideas by inducting the independent directors;

It rationalizes the management and monitoring;

It limits the liability of top management and directors;

It assures the integrity of financial reports;

It has long term reputational effects among key stakeholders.

## Corporate Governance at DBH

DBH's corporate governance philosophy encompasses not only regulatory and legal requirements, but also other practices aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders'.

DBH is committed to function such corporate governance norms and practices that simulates the long term interests of the members, strengthens the accountability of its management and Board of Directors and that entrusts other stakeholders' trust in the Company.

## Board of Directors

The Board of Directors of the Company plays a key role, as they oversee the functioning of the organization and ensures that it continues to operate in the best interest of all the stakeholders. Thus, the Company strives to keep its Board well-informed, independent and actively involved in the important decision making process pertaining to the Company.

The Board while performing its fiduciary duties recognizes its responsibilities towards its members and other stakeholders to uphold the highest standards in all matters concerning the Company and for the purpose empowers responsible officials to implement its broad policies and guidelines. The Company's business is conducted by its employees under the directions of the Managing Director and overall supervision of the Board.

In order to comply with the BSEC's notification dated August 7, 2012 on Corporate Governance, the Board of DBH has appointed 2 (two) eminent personalities as Independent Director of the Company. Thus, the Board of DBH comprises of 10 (ten) members of which eight are Non-Executive Nominated Directors and two Independent Directors. The goal has been to form a Board, which is cohesive and has the expertise for quick and informed decision making.

### Changes in the Board

Delta Life Insurance Company Ltd. a Sponsor Shareholder of the Company had nominated Ms. Adeeba Rahman in the vacant position of their nominated Director Mr. Shamsuddin Chowdhury. She was subsequently appointed as Director by the Board on December 4, 2013.

### Board Meetings

The Company holds at least four Board meetings in a year, one in each quarter inter-alia to review the financial results of the Company. The gap between the two Board Meetings does not exceed three months. Apart from the four scheduled Board Meetings, additional Board Meetings are also convened to address the specific requirements of the Company. Urgent matters are also approved by the Board by passing resolutions through circulation. During the year under review 6 (six) meetings of the Board were held.

### Meeting Attendance & Directors Remuneration

The Board members receive only fees for attending Board/Committee meetings and they are not allowed other remuneration or incentive. According, to the ceiling fixed by the Bangladesh Bank the Directors get an amount of Tk. 5,000 per meeting.

### Board Committees

There are two committees constituted by the Board Members to assist the Board in discharging its responsibilities – the Audit Committee and the Executive Committee. The Board at the time of constitution of each committee fixes the terms of reference for each committee and also delegates power from time to time. The minutes of the meetings of all the committees are circulated to the Board for its information.

### 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 was last reconstituted on September 12, 2013 which is comprised of Mr. Mahibul Islam Chowdhury as the Chairman, Mr. Faruq A Choudhury, Mr. Nasir A. Choudhury, Mr. A Z Mohammad Hossain, and Mr. Sawpan Kumar Sarkar, FCA as its members. A separate report on the activities of the Audit Committee is attached in the page no. 61 to 63 of this report.

### Executive Committee

The Executive Committee is authorized to review all the proposals of loans and advances above authority delegated to the Managing Director & CEO.

The Executive Committee was last reconstituted on September 12, 2013 and the members are: Ms. Mehreen Hassan Bar-at Law as its Chairperson, Mr. Shameran Abed Bar-at-Law, Ms. Syeda Rizwana Hasan and Mr. Q. M. Shariful Ala FCA, Managing Director & CEO as its members. Mr. Muhammad A. (Rume) Ali was also a member of the committee at the time of formation of the committee, but his position has fallen vacant since his resignation dated November 1, 2013.

### 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.

### Role of the Chairman

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 Meetings. He provides leadership to the Board and ensures

that the Board works effectively and discharges its responsibilities efficiently.

#### **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 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.

#### **Role of the Company Secretary**

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.

#### **Role of the Head of Internal Control & Compliance**

The head of Internal Control and Compliance is responsible for reporting to the Board Audit Committee regarding deviations from accounting and internal control system. He is also leading the internal audit team of the Company.

#### **Internal Control and Compliance**

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 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 is given in page no. 59 and 60 of this report.

#### **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 are described at notes 2.29 of the Financial Statements in the page no. 93 of this report.

#### **Related Party Transactions**

Transactions with related parties are made on arm's length basis and are in the ordinary course of business. Detailed transactions with related parties are described at notes- 37 of the Financial Statements in the page no. 114 of this annual report.

#### **Auditors Certificate on Corporate Governance**

The Company has complied with all mandatory requirements of Corporate Governance Guidelines as enumerated in the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 and its subsequent amendments by Bangladesh Securities and Exchange Commission. Mr. S. Abdur Rashid FCS, Chartered Secretary in Practice has certified that the Company has complied with the conditions of Corporate Governance as stipulated under the Corporate Governance Guidelines which is annexed in the page no. 58.

#### **Statement of CEO and the CFO regarding Financial Statements**

A separate statement as to the fairness and presentation of the Financial Statements of the Company is given in page no. 77 of this report.

#### **Observance of BAS and BFRS & Applicable Laws**

The Directors confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A statement on implementations of the different accounting standards is set out at notes 2.28 of the accounts in page no. 92 of this annual report.

#### **Employee Health & Safety**

DBH maintains internal health and safety policies and procedures and national regulations to ensure a safe working environment. We are working with our employees to ensure that health and safety standards are maintained and improved. DBH provides adequate life and hospitalization insurance coverage to all its permanent employees.

#### **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.

#### **Annual General Meeting (AGM)**

DBH holds General Meeting of shareholders once a year and the Company ensures effective interaction with the shareholders at the Annual General Meeting. The Directors pay special attention in answering the various queries raised by the shareholders at the Annual General Meeting.

Resolutions passed at the previous AGM i.e. 17th Annual General Meeting are as follows:

Date & Time: December 4, 2013 at 11:00 AM Venue: La Vita Hall of Lakeshore Hotel & Apartments, Gulshan, Dhaka

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

- Financial Statements for the year ended June 30, 2013
- Dividend @ 25% cash
- Re-election of Directors named Mr. Muhammad A (Rume) Ali, Mr. Nasir A Choudhury and Mr. Shameran Abed. The shareholders also confirmed the appointment of Mr. Mahibul Islam Chowdhury and Ms. Syeda Rizwana Hasan as independent Directors of the Company.



- Appointment of M/s. A. Qasem & Co., Chartered Accountants as external auditor of the Company.

#### General Information for the Shareholders

The Company's financial results and official news releases are also displayed on the company's website and on the websites of the Dhaka Stock Exchange and Chittagong Stock Exchange and the news required to publish in the daily newspapers are also published accordingly.

#### Shareholding Pattern of the Company as on 30th June 2014

On the basis of shareholders types:

Group Name	No. of Share holder(s)	No. of Share(s)	Percentage(%)
Sponsors/ Promoters & Pre-IPO Shareholders (Local)	5	59,557,903	51.32
Sponsors/ Promoters & Pre-IPO Shareholders (Foreign)	2	28,367,602	24.44
General Public	3215	6,908,615	5.95
Financial Institutions & Other Companies	139	15,205,027	13.10
Foreign Investors	4	6,010,228	5.18
Total :	3365	116,049,375	100.00

Distribution schedule of each class of equity security setting out of the number of holders and percentage:

Shareholding Range	Number of Shareholder(s)	No. of Shares	Percentage (%)
1 - 500	1382	313,616	0.27
501 - 5000	1653	2,859,880	2.46
5001 - 10000	138	988,541	0.85
10001 - 20000	88	1,179,821	1.02
20001 - 30000	25	613,711	0.53
30001 - 40000	20	691,789	0.60
40001 - 50000	14	640,786	0.55
50001 - 100000	14	999,947	0.86
100001 - 1000000	20	5,691,656	4.90
1000001 to above	11	102,069,628	87.95
Total :	3365	116,049,375	100.00

Having reviewed the BSEC's Corporate Governance guideline as last amended on July 21, 2013, the Company's Board issued and signed their declaration of Compliance, a statement of which is given in this report.

## Annexure- A

Status of compliance with the conditions imposed by the Commission's Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance status as on June 2014		Remarks
		Complied	Not Complied	
<b>1.0</b>	<b>Board of Directors</b>			
1.1	Board's Size: Board members shall not be less than 5 (Five) and more than 20 (Twenty)	√	-	-
<b>1.2</b>	<b>Independent Director:</b>			
1.2 (i)	Independent Director: At least 1/5th	√	-	-
1.2 (ii)	For the purpose of this clause "independent director" means a director-	-	-	-
1.2(ii) a	Independent directors do not hold any share or hold less than one percent (1%) shares	√	-	-
1.2(ii) b	Independent directors do not connected with the company's sponsor or director or shareholder who holds 1% or more shares	√	-	-
1.2(ii) c	Independent directors do not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated company	√	-	-
1.2(ii) d	Independent directors are not the members, directors or officers of any stock exchange	√	-	-
1.2(ii) e	Independent directors are not the members, directors or officers of any stock exchange or an intermediary of the capital market	√	-	-
1.2(ii) f	Independent directors are/were not the partners or executives during preceding 3 (three) years of any statutory audit firm	√	-	-
1.2(ii) g	They are not the Independent directors in more than 3 (three) listed companies	√	-	-
1.2(ii) h	They are not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non bank financial institution (NBF1)	√	-	-
1.2(ii) i	They are not been convicted for a criminal offence involving moral turpitude	√	-	-
1.2(iii)	The independent directors shall be nominated by the board of directors and approved in the AGM	√	-	-
1.2(iv)	The post of independent directors cannot remain vacant for more than 90 days	√	-	No such vacancy created

Condition No.	Title	Compliance status as on June 2014		Remarks
		Complied	Not Complied	
1.2(v)	The board shall lay down a code of conduct of all board members and annual compliance of the code to be recorded	√	-	-
1.2(vi)	The tenure of office of an independent directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	√	-	-
<b>1.3</b>	<b>Qualification of Independent Director (ID)</b>			
1.3(i)	Independent Director shall be knowledgeable individual with integrity, ability to ensure compliance with laws and make meaningful contribution	√	-	-
1.3(ii)	Being a Business Leader/ Corporate Leader / Bureaucrat/ UniversityTeacher (Economics /Business /Law)/ Professionals like CA/CMA/CS having 12 years of management/ professional experience	√	-	-
1.3(iii)	In special cases above qualification may be relaxed by the commission	-	-	N/A
1.4	Positions of Chairman of the Board and Chief Executive Officer shall be filled by different individuals	√	-	-
<b>1.5</b>	<b>Directors' Report to Shareholders</b>			
1.5(i)	Industry outlook and possible future developments in the industry	√	-	-
1.5(ii)	Segment-wise or product-wise performance	√	-	-
1.5(iii)	Risks and concerns	√	-	-
1.5(iv)	A discussion on cost of goods sold, gross profit margin and net profit margin	√	-	-
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss	-	-	No such matters to report
1.5(vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	√	-	-
1.5(vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	-	-	No such matters to report
1.5(viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	-	-	No such matters to report

Condition No.	Title	Compliance status as on June 2014		Remarks
		Complied	Not Complied	
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	-	-	No such matters to report
1.5(x)	Remuneration to directors including independent directors	√	-	-
1.5(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operation, cash flows and changes in equity	√	-	-
1.5(xii)	Proper books of account of the issuer company have been maintained.	√	-	-
1.5(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statement and that the accounting estimates are based on reasonable and prudent judgement.	√	-	-
1.5(xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√	-	-
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√	-	-
1.5(xvi)	There are no significant doubts upon the 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 thereof should be disclosed.	√	-	-
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	-	-	No such matters to report
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√	-	-
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	-	-	N/A
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		-
1.5(xxi)	<b>The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:</b>			

Condition No.	Title	Compliance status as on June 2014		Remarks
		Complied	Not Complied	
1.5(xxi) a	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	-	-	N/A
1.5(xxi) b	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√	-	-
1.5(xxi) c	Executives (Top 5 salaried employees other than above)	√	-	-
1.5(xxi) d	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√	-	-
<b>1.5(xxii)</b>	<b>In case of appointment/re-appointment of a director the company shall disclose the following information to the shareholders:</b>			
1.5(xxii) a	a brief resume of the director;	√	-	-
1.5(xxii) b	nature of his/her expertise in specific functional areas;	√	-	-
1.5(xxii) c	names of companies in which the person also holds the directorship and the membership of committees of the board.	√	-	-
<b>2.0</b>	<b>Chief Financial Officer, Head of Internal Audit &amp; Company Secretary</b>			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and defining of their respective roles, responsibilities and duties	√	-	-
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	√	-	-
<b>3</b>	<b>Audit Committee:</b>			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	√	-	-
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√	-	-
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√	-	-
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	√	-	-
3.1(ii)	Constitution of Audit Committee with Board Members including one Independent Director	√	-	-
3.1(iii)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	√	-	-

Condition No.	Title	Compliance status as on June 2014		Remarks
		Complied	Not Complied	
3.1(iv)	Filling of Casual Vacancy in Committee	√	-	-
3.1(v)	The company secretary shall act as the secretary of the Committee.	√	-	-
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√	-	-
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2(i)	Chairman of the Audit Committee shall be an Independent Director	√	-	-
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√	-	-
<b>3.3</b>	<b>Role of Audit Committee</b>			
3.3 (i)	Oversee the financial reporting process	√	-	-
3.3 (ii)	Monitor choice of accounting policies and principles.	√	-	-
3.3 (iii)	Monitor Internal Control Risk management process.	√	-	-
3.3 (iv)	Oversee hiring and performance of external auditors.	√	-	-
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√	-	-
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√	-	-
3.3 (vii)	Review the adequacy of internal audit function.	√	-	-
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√	-	-
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√	-	-
3.3 (x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results.	-	-	No such matters to report
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√	-	-
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-	-	-	-

Condition No.	Title	Compliance status as on June 2014		Remarks
		Complied	Not Complied	
3.4.1 (ii) a	Report on conflicts of interests;	-	-	No such matters to report
3.4.1 (ii) b	Suspected or presumed fraud or irregularity or material defect in the internal control system;	-	-	No such matters to report
3.4.1 (ii) c	Suspected infringement of laws, including securities related laws, rules and regulations;	-	-	No such matters to report
3.4.1 (ii) d	Any other matter which shall be disclosed to the Board of Directors immediately.	-	-	No such matters to report
3.4.2	Reporting to the Authorities	-	-	No such matters to report
3.5	Reporting to the Shareholders and General Investors	√	-	-
<b>4</b>	<b>External/Statutory Auditors:</b>			
4 (i)	Appraisal or valuation services or fairness opinions.	√	-	-
4 (ii)	Financial information systems design and implementation.	√	-	-
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	√	-	-
4 (iv)	Broker-dealer services.	√	-	-
4 (v)	Actuarial services.	√	-	-
4 (vi)	Internal audit services.	√	-	-
4 (vii)	Any other service that the Audit Committee determines.	√	-	-
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√	-	-
4 (ix)	Audit/certification services on compliance of CG as required under condition 7(i)	√	-	-
<b>5</b>	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	-	-	N/A



Condition No.	Title	Compliance status as on June 2014		Remarks
		Complied	Not Complied	
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	-	-	N/A
5 (iii)	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
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	-	-	N/A
5 (v)	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>6</b>	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):</b>			
6 (i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	√	-	-
6 (i) a	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√	-	-
6 (i) b	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√	-	-
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√	-	-
<b>7</b>	<b>Reporting and Compliance of Corporate Governance:</b>			
7 (i)	The company shall obtain a certificate from a Professional Accountant/Secretary (Chartered Accountant/Cost & Management accountant/ Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√	-	-
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√	-	-

# Certificate on Compliance of Corporate Governance Guidelines

## Certificate on Compliance of Corporate Governance Guidelines

[ Issued under Condition # 7(i) of Corporate Governance Guidelines of BSEC vide Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 ]

I have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by **Delta Brac Housing Finance Corporation Limited** ("the Company") for the year ended 30 June 2014. Such compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission ("BSEC").

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements or future viability of the Company.

According to the information and explanations provided to me by the Company, I hereby certify that the Company has complied with all the conditions of aforesaid Corporate Governance Guidelines of BSEC .



**S. Abdur Rashid FCS**



Dhaka, 20 October 2014

# Report on Internal Control

## Objectives

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:

- To 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);
- To determine whether compliance exists with policies, procedures, laws, and regulations;
- To determine if assets are safeguarded and verify the existence of those assets;
- To review operations or programs for consistency with established management goals and objectives;
- To assist members of our organization in the effective and successful performance of their responsibilities by providing them with analyses, appraisals, recommendations, and other pertinent information concerning the activities being reviewed.

As in the case with any control system, the Company's internal system cannot guarantee that all risk of error or fraud is fully eliminated or controlled and safeguarded.

## Internal control procedure

DBH believes on the principle of decentralization of authority and responsibility. Consequently, responsibility for the implementation of appropriate internal control procedures governing risk management, financial control and compliance with legislation is delegated to the managers of each department of the Company.

To ensure the consistency of Company's procedures with each department, senior management relies on the functional department to draw up the procedures necessary for the proper operation of controls, issue instructions regarding their implementation and ensure compliance with the said instructions.

The key operations and the internal control procedures applicable to them are described below:

Internal control procedures in respect of 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 from 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**

While ensuring a performance driven culture and better learning environment, DBH has been engaged in minimizing operating costs and maximizing profit at the optimal context. In connection with this view, the Human Resources department organizes career and skills development training for those positions requiring a high level of responsibility. It carries out the performance evaluation program in each year. This department provides industry information to the management as to the emolument and benefits. Human Resources department is responsible for ensuring compliance with the service rules and regulations.

### **Information technology**

The Information Technology Department is responsible for integrating and ensuring the consistency of the hardware and software used. In DBH, most data processing is carried out by means of integrated software packages. Back up of the data base is stored in a safe custody on daily basis at outside business premises.

# Audit Committee Report

The Audit Committee on behalf of the Board strives to ensure effective implementation of the processes set out in the business plans and policies. Its aim is to ensure that high standards of corporate reporting, control and compliance are achieved through which business effectiveness enhances in these areas and reduces the risks of the business.

## Purpose of Audit Committee

Board Audit Committee is a subcommittee of the Board and is operated by the terms of reference fixed by the Board. Main purpose of the Board Audit Committee is to assist the Board in its oversight of:

- i) The performance of the Company's internal compliance functions;
- ii) Compliance by the Company with legal and regulatory requirements;
- iii) The qualifications, independence and performance of the Company's independent auditor and
- iv) The financial statements, whether it reflects true and fair view of the state of affairs of the Company.

## Composition of the 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 Guidelines dated August 7, 2012.

The Audit Committee at DBH was last reconstituted on September 12, 2013 and the present members of the Committee are:

- |                                 |            |
|---------------------------------|------------|
| 1. Mr. Mahibul Islam Chowdhury  | - Chairman |
| 2. Mr. Nasir A Choudhury        | - Member   |
| 3. Mr. Faruq A Choudhury        | - Member   |
| 4. Mr. A Z Mohammad Hossain     | - Member   |
| 5. Mr. Swapan Kumar Sarkar, FCA | - 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.

## Meeting of the Audit Committee

The Committee normally meets quarterly, but an emergency meeting of the Committee may be called, if required. However, during the year under review, 5 (five) 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 annual financial statements for the year 2013-2014 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.

**(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.

**(d) External Audit**

- (1) Review the auditing performance of the external auditors and their audit reports;
- (2) Review that findings and recommendations made by the external 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 external 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 external 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 Auditors for their support in carrying out of its duties and responsibilities effectively.



**Mahibul Islam Chowdhury**

Chairman

Audit Committee

Date : September 10, 2014



# Green Banking Activities of DBH

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**

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 fallen in the category of low risk and in moderate risk level.

# Corporate Social Responsibility (CSR) at DBH

Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce, stakeholders and society at large. DBH always strives to the integration of ethical, social and environmental criteria in business decision making process.

We have put in place very strong and sensible CSR initiatives. CSR is an integral part of corporate culture and ethics of DBH. DBH recognizes and always upholds the rights of various group of stakeholders and treats them fairly.

## DBH and its Customers

DBH has developed working systems, applied modern technology and made available knowledgeable and skilled people so as to ensure that customers receive the best possible service. DBH ensures confidentiality of customer's 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 is working with a vision of converting human resources into human capital through appropriate knowledge, skills, abilities and personal attribution. DBH ensures equal opportunities for all its employees in terms of both their personal and professional development. A healthy environment has been created where employees enjoy working with pride. DBH ensures health and safety in the workplace while keeping it modern by providing all amenities for its employees. Besides providing competitive package, DBH provides various welfare schemes to its employees.

## Gender Equality and Women's Empowerment

DBH promotes 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

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 SEC 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 Financial Institution, 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 financial year 2013-2014. The highlights of the activities taken during the reporting period are as follows:

- DBH has come forward to stand by the cold stricken people of the country for distribution of blankets among the poor. DBH has delivered 950 piece blankets to BRAC to distribute the blankets among the poor to address the misery of the poor and floating people, who are the worst sufferers in the chilling cold sweeping through many districts of the country and 50 piece blankets were distributed among the peons and the drivers of the Company.
- DBH encourages the concept of building homes for the lower income groups. Continuing with its yearly tradition, DBH donated cash funds to Habitat for Humanity International Bangladesh (HFHIB) to assist in building houses for the poor people.
- DBH has given scholarship worth of Tk.48 lac to the deserving and meritorious students of BRAC University

# Disclosures on Capital Adequacy and Market Discipline (CAMD)

## A) Scope of Application

### Qualitative Disclosures:

- (a) These guidelines applies 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 maintain 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	116.05
Non-repayable share premium account	5.50
Statutory reserve	67.49
General Reserve & other reserve	40.80
Retained earning	31.74
Dividend equalization account	16.00
(c) The total amount of Tier 2 capital	20.87
(d) Other deductions from capital	-
(e) Total eligible capital	298.44

## 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 of 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	166.92
(c) Capital requirement for Market Risk	3.24
(d) Capital requirement for Operational Risk	21.35
(e) Total and Tier 1 capital ratio:	
• CAR on Total capital basis (%)	15.58
• CAR on Tier 1 capital basis (%)	14.49

## 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 and 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 suggest 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	2660.35
Loan against Deposit	24.47
Staff Loan	12.37
Installment Receivables	11.53
Total	2708.72

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

Area	Amount in crore Taka
Dhaka	2472.37
Chittagong	221.03
Sylhet	15.32
Total	2708.72

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

Sector	Amount in crore Taka
Housing & Real Estate	2683.11
Others	25.61
Total	2708.72

(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	11.53
Not more than 3 months	119.48
Over 3 months but not more than 1 year	349.18
Over 1 year but not more than 5 years	1234.97
Over 5 years	993.56
Total	2708.72

(f) By major industry or counterparty 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 upto 5 years	1.53
Housing loans over 5 years	4.35
Totals	5.88

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	5.88
Provision on unclassified loans and advances	70.75
Total	76.63

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	(0.56)
Provision on unclassified loans and advances	17.73
Total	17.17

Amount in crore Taka

(g) Gross Non Performing Assets (NPAs)

5.88

Non Performing Assets (NPAs) to outstanding Loans and Advances

0.22%

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

Amount in crore Taka

Opening Balance	6.44
Additions	1.76
Reductions	2.32
Closing Balance	5.88

**Movement of Specific Provisions for NPAs**

Amount in crore Taka

Opening Balance	0.61
Provisions made during the period	1.05
Write-off	-
Written-back of excess provisions	-
Closing Balance	1.66

**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; and

- Total equity shares holdings except Bangladesh Rating Agency Ltd. are for capital gain purpose and share holding of Bangladesh Rating Agency Ltd. are for relationship and strategic purpose.
- 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. On the other, 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)	16.20
Quoted shares (Cost Price)	26.81
Unquoted shares	1.20

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

Particulars	Amount in crore Taka
Cumulative realized gain	0.273

- (d)

Particulars	Amount in crore Taka
Total unrealized gains(Losses)	(10.86)
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 16.20 crore. Capital requirement is 10% of the said value which stands at BDT 1.62 crore.
  - General Risk – Market value of investment in equities is BDT 16.20 crore. Capital requirement is 10% of the said value which stands at BDT 1.62 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	Maturitywise 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)	79.99	81.07	92.01	140.47	303.15
B. Total Rate Sensitive Assets (B)	124.08	233.47	242.87	231.83	220.50
C. Mismatch	44.09	152.39	150.86	91.37	-82.65
D. Cumulative Mismatch	44.09	196.48	347.34	438.70	356.06
E. Mismatch (%)	55.12%	187.98%	163.96%	65.04%	-27.26%

Interest Rate Risk			
Magnitude of Shock	Minor 2%	Moderate 4%	Major 6%
Change in the Value of Bond Portfolio (BDT in Crore )	0.00	0.00	0.00
Net Interest Income (BDT in Crore)	7.12	14.24	21.36
Revised Regulatory Capital (BDT in Crore)	305.56	312.68	319.80
Risk Weighted Assets (BDT in Crore)	1914.59	1914.59	1914.59
Revised CAR (%)	15.96%	16.33%	16.70%

### 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 and 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 purposes the company uses Standardize (rule based) Approach. Capital charge for interest rate risk and foreign exchange risk is not applicable to our company as because we do not have such balance sheet items.

#### Market Risk Management System

A system for managing Market Risk is in place where clearly 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 liability and takes decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

### **Continuous Monitoring**

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

### **Equity Risk Management**

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

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	3.24
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 calculating capital charge for operational risk:**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. 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.

#### **Qualitative disclosure:**

b) Capital requirement for operational risk:	Amount in crore Taka
Capital requirement for operational risk:	21.35

# 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 30th June 2014 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. A. Qasem & Co. 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 30th June, 2014 and of 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 safeguarding 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. A. Qasem & Co., Chartered Accountants, the external 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.

## Certification on Financial Statements by CEO and CFO

The financial statements of the Delta Brac Housing Finance Corporation Ltd. are prepared in compliance with International Accounting Standard (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standard (BFRS), as applicable in the Country, and any departure there-from has been adequately disclosed.

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. The form and substance of transactions and the Company's state of affairs reasonably presented. To ensure this, the Company has taken proper and adequate care in installing a system of internal control and accounting records. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

In this regard, we also certify to the Board that:-

- (i) We have reviewed financial statements for the year 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 together present a 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 transaction entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.



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



**Syed Aminul Islam**  
SVP & Head of Finance



# Delta Brac Housing Finance Corporation Limited

## Auditors' Report and Audited Financial Statements

For the year ended 30 June 2014

# Independent Auditors' Report

To

**The Shareholders of Delta Brac Housing Finance Corporation Ltd.**

We have audited the accompanying financial statements of Delta Brac Housing Finance Corporation Ltd. (DBH or "the Company") which comprise the Balance Sheet as at 30 June 2014 and the Profit & Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Financial Institution Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2014 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and comply with the Financial Institution Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

**We also report that,**

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the Company's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account;
- d) the expenditure incurred and payment made were for the purpose of the Company's business;
- e) the financial statements have been drawn up in conformity with the rules and regulations issued by Bangladesh Bank to the extent applicable to the Company;
- f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- g) the Company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets;
- h) the information and explanations required by us have been received and found satisfactory;

Dated: Dhaka  
September 11, 2014



**A. Qasem & Co**  
Chartered Accountants

## Balance Sheet

As at 30 June 2014


	Notes	June 30, 2014 Taka	June 30, 2013 Taka
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>		<b>503,538,692</b>	<b>442,063,889</b>
In hand	3.1	80,512	68,348
Balance with Bangladesh Bank and its agent Bank	3.2	503,458,180	441,995,541
<b>Balance with other banks and financial institutions</b>		<b>5,804,562,037</b>	<b>6,674,686,774</b>
In Bangladesh	4.1	5,804,562,037	6,674,686,774
Outside Bangladesh		-	-
<b>Money at call on short notice</b>	5	-	-
<b>Investments</b>	6	<b>370,108,738</b>	<b>358,102,856</b>
Government		-	-
Others		370,108,738	358,102,856
<b>Loans and advances</b>	7	<b>27,087,224,077</b>	<b>25,299,425,396</b>
<b>Fixed assets including land, building, furniture and equipments</b>	8	<b>26,214,052</b>	<b>35,849,017</b>
<b>Other assets</b>	9	<b>153,285,180</b>	<b>193,943,005</b>
<b>Total Assets</b>		<b>33,944,932,776</b>	<b>33,004,070,937</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowing from other banks and financial institutions</b>	10	<b>7,052,079,138</b>	<b>8,249,598,998</b>
<b>Deposit and others accounts</b>		<b>21,549,503,042</b>	<b>19,539,937,251</b>
Fixed deposits	11.1	21,549,503,042	19,539,937,251
Other deposits		-	-
<b>Other liabilities</b>	12	<b>2,567,564,466</b>	<b>2,645,968,682</b>
<b>Total Liabilities</b>		<b>31,169,146,646</b>	<b>30,435,504,931</b>
<b>Shareholders equity</b>			
Paid-up capital	13.2 a	1,160,493,750	1,160,493,750
Preference share capital	13.2 b	-	40,000
Share premium	14	55,000,000	154,960,000
Statutory reserve	15	674,873,901	553,405,189
Other reserves	16	568,040,000	378,000,000
Retained earnings	32	317,378,479	321,667,067
<b>Total equity</b>		<b>2,775,786,130</b>	<b>2,568,566,006</b>
<b>Total liabilities and Shareholders' equity</b>		<b>33,944,932,776</b>	<b>33,004,070,937</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	17.1		
Acceptances and endorsement		-	-
Letter of guarantee		-	-
Irrevocable letter of credits		-	-
Bills for collection		-	-
Other contingent liabilities		71,985,456	72,780,156
<b>Total contingent liabilities</b>		<b>71,985,456</b>	<b>72,780,156</b>
<b>Other commitments</b>	17.2		
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		372,055,789	360,958,548
<b>Total other commitments</b>		<b>372,055,789</b>	<b>360,958,548</b>
<b>Total Off-Balance Sheet items including contingent liabilities</b>		<b>444,041,245</b>	<b>433,738,704</b>

### Notes:

- The annexed notes 1 to 39 form an integral part of these financial statements.
- These financial statements were approved by the Board of Directors on September 10, 2014 and were signed on its behalf by:

  
**Faruq A Choudhury**  
Chairman

  
**Nasir A. Choudhury**  
Director

  
**Swapan Kumar Sarkar, FCA**  
Director

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

  
**A. Qasem & Co.**  
Chartered Accountants

Dated, Dhaka  
September 11, 2014

## Profit and Loss Account

For the year ended 30 June 2014

	Notes	2013-2014 Taka	2012-2013 Taka
Interest Income	18	4,635,068,844	4,331,988,167
Interest paid on deposits and borrowings, etc.	19	3,078,593,984	3,036,977,106
<b>Net interest income</b>		<b>1,556,474,860</b>	<b>1,295,011,061</b>
Income from investment	20	19,602,473	2,396,211
Commission, exchange and brokerage	21	98,475,718	90,863,669
Other operating income	22	28,284,739	28,263,069
<b>Total operating income</b>		<b>1,702,837,790</b>	<b>1,416,534,010</b>
Salary and allowances	23	182,017,383	176,007,930
Rent, taxes, insurance, electricity, etc.	24	33,163,896	31,308,471
Legal & professional expenses	25	1,401,448	1,688,337
Postage, stamp, telecommunication, etc.	26	5,287,243	6,174,577
Stationery, printing, advertisements, etc.	27	19,266,286	7,476,970
Managing Director's salary and fees		10,600,000	10,600,000
Directors' fees and expenses	28	1,071,140	748,296
Auditors' fees	29	258,750	230,000
Depreciation, repair & maintenance	30	20,668,817	20,936,128
Other expenses	31	34,395,951	29,754,989
<b>Total operating expenses</b>		<b>308,130,914</b>	<b>284,925,698</b>
<b>Profit before provisions</b>		<b>1,394,706,876</b>	<b>1,131,608,312</b>
Provision for			
Loans and advances	12.2.3	171,740,627	152,189,661
Diminution in value of investments	12.2.4	23,773,010	(29,253,875)
<b>Total provisions</b>		<b>195,513,637</b>	<b>122,935,786</b>
<b>Profit before tax</b>		<b>1,199,193,239</b>	<b>1,008,672,526</b>
Provision for tax			
Current	12.3	592,645,854	483,016,633
Deferred	9.3 a	(796,177)	(2,827,272)
		591,849,677	480,189,361
<b>Profit after tax</b>		<b>607,343,562</b>	<b>528,483,165</b>
<b>Appropriations</b>			
Statutory reserve		121,468,712	105,696,633
General reserve		-	-
Dividend on preference share		10,000,000	10,000,000
		131,468,712	115,696,633
<b>Retained surplus</b>		<b>475,874,850</b>	<b>412,786,532</b>
<b>Earnings Per Share</b>	33	<b>5.15</b>	<b>4.47</b>

### Notes:

- The annexed notes 1 to 39 form an integral part of these financial statements.
- These financial statements were approved by the Board of Directors on September 10, 2014 and were signed on its behalf by:

  
Faruq A Choudhury  
Chairman

  
Nasir A. Choudhury  
Director

  
Swapan Kumar Sarkar, FCA  
Director

  
Q.M. Shariful Ala, FCA  
Managing Director & CEO

Dated, Dhaka  
September 11, 2014

  
A. Qasem & Co.  
Chartered Accountants

## Cash Flow Statement

For the year ended 30 June 2014


	2013-2014 Taka	2012-2013 Taka
<b>Cash flows from operating activities</b>		
Interest received	4,737,912,077	4,232,738,724
Interest paid	(3,340,230,024)	(3,071,657,496)
Dividend received	5,805,097	799,320
Fees and commission received	98,475,718	90,863,669
Paid to employees	(198,138,992)	(185,893,091)
Paid to suppliers and for various operating expenses	(83,979,078)	(78,814,033)
Income tax paid	(601,112,288)	(402,464,710)
Received from other operating activities	30,859,588	12,556,086
Cash generated from operating activities before Changes in operating assets and liabilities	649,592,098	598,128,469
<b>Increase/(decrease) in operating assets and liabilities</b>		
Loans and advances to customers	(1,799,272,712)	(1,229,502,870)
Other assets	(28,554,186)	55,510,595
Loans and deposits from banks and other customers	750,701,417	4,648,948,997
Other liabilities	(15,274,498)	40,554,030
Cash utilized in operating assets and liabilities	(1,092,399,979)	3,515,510,752
<b>Net cash generated from operating activities</b>	<b>(442,807,881)</b>	<b>4,113,639,221</b>
<b>Cash flows from investing activities</b>		
Net proceed from investment in trading securities	77,994,119	92,514,479
Other investments	(90,000,000)	-
Purchase of property, plant & equipment	(3,996,390)	(6,528,453)
Proceeds from sell of property, plant & equipment	196,640	1,091,084
<b>Net cash used in investing activities</b>	<b>(15,805,631)</b>	<b>87,077,110</b>
<b>Cash flows from financing activities</b>		
Redemption of preference shares including premium	(100,000,000)	-
Payment of preference share dividend	(20,000,000)	(10,000,000)
Cash dividend paid	(290,123,438)	(100,912,500)
Payment for finance lease	(1,257,631)	(1,510,846)
<b>Net cash used in financing activities</b>	<b>(411,381,069)</b>	<b>(112,423,346)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(869,994,581)</b>	<b>4,088,292,985</b>
<b>Cash and cash equivalents (net off overdraft) at the beginning of the period</b>	<b>6,814,786,075</b>	<b>2,726,493,090</b>
<b>Cash and cash equivalents (net off overdraft) at the end of the period</b>	<b>5,944,791,494</b>	<b>6,814,786,075</b>

### Notes:

1. The annexed notes 1 to 39 form an integral part of these financial statements.
2. These financial statements were approved by the Board of Directors on September 10, 2014 and were signed on its behalf by:

  
Faruq A Choudhury  
Chairman

  
Nasir A. Choudhury  
Director

  
Swapan Kumar Sarkar, FCA  
Director

  
Q.M. Shariful Ala, FCA  
Managing Director & CEO

Dated, Dhaka  
September 11, 2014

  
A. Qasem & Co.  
Chartered Accountants

## Statement of Changes in Equity

For the year ended 30 June 2014

Amount in Taka

Particulars	Paid-up capital	Preference share Capital	Share premium	Statutory reserve	General & other reserves	Retained earnings	Total
Balance as on 1 July 2013	1,160,493,750	40,000	154,960,000	553,405,189	378,000,000	321,667,067	2,568,566,006
Net profit (after tax) for the period	-	-	-	-	-	607,343,562	607,343,562
Transferred to reserve funds	-	-	-	121,468,712	190,040,000	(311,508,712)	-
Cash dividend paid						(290,123,438)	(290,123,438)
Redemption of preference share		(40,000)	(99,960,000)			-	(100,000,000)
Preference share dividend	-	-	-	-	-	(10,000,000)	(10,000,000)
<b>Balance as on 30 June 2014</b>	<b>1,160,493,750</b>	<b>-</b>	<b>55,000,000</b>	<b>674,873,901</b>	<b>568,040,000</b>	<b>317,378,479</b>	<b>2,775,786,130</b>
<b>Balance as on 30 June 2013</b>	<b>1,160,493,750</b>	<b>40,000</b>	<b>154,960,000</b>	<b>553,405,189</b>	<b>378,000,000</b>	<b>321,667,067</b>	<b>2,568,566,006</b>



## Liquidity Statement

As at 30 June 2014

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)	503,538,692	-	-	-	-	503,538,692
Balance with other banks and financial institutions	854,562,037	3,900,000,000	1,050,000,000	-	-	5,804,562,037
Money at call on short notice	-	-	-	-	-	-
Investments	248,109,238	-	27,500,000	72,000,000	22,499,500	370,108,738
Loans and advances	442,788,303	867,380,345	3,491,756,935	12,349,672,867	9,935,625,627	27,087,224,077
Fixed assets including land, building, furniture and equipments	1,078,450	1,962,650	7,482,611	12,033,725	3,656,616	26,214,052
Other assets	57,562,597	63,202,496	27,954,117	4,565,970	-	153,285,180
<b>Total Assets</b>	<b>2,107,639,317</b>	<b>4,832,545,491</b>	<b>4,604,693,663</b>	<b>12,438,272,562</b>	<b>9,961,781,743</b>	<b>33,944,932,776</b>
<b>Liabilities</b>						
Borrowing from other banks and financial institutions	1,669,886,813	196,736,412	846,553,894	2,255,038,557	2,083,863,462	7,052,079,138
Deposits and other accounts	779,987,827	1,534,064,555	3,589,588,680	328,271,804	15,317,590,176	21,549,503,042
Other liabilities	364,492,959	434,019,941	994,480,075	478,495,378	296,076,113	2,567,564,466
<b>Total liabilities</b>	<b>2,814,367,599</b>	<b>2,164,820,908</b>	<b>5,430,622,649</b>	<b>3,061,805,739</b>	<b>17,697,529,751</b>	<b>31,169,146,646</b>
<b>Net liquidity gap</b>	<b>(706,728,282)</b>	<b>2,667,724,583</b>	<b>(825,928,986)</b>	<b>9,376,466,823</b>	<b>(7,735,748,008)</b>	<b>2,775,786,130</b>

# Notes to the Financial Statements

as at and for the year ended 30 June 2014

## 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. The Company also provides services for purchase, sale and transfer of real estate assets.

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, profit first 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 Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), 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 BAS and BFRS, where any contradiction 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 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.

#### **2.04 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. Assumptions also requires for disclosure of contingent assets and contingent liabilities at the date of financial statements. Such estimate 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 are revised and in any future period 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 judgments by the management are 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.

#### **2.05 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.

#### **2.06 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.

#### **2.07 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 and financial institutions 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.

## 2.08 Property, plant and equipments

### a. Recognition

In pursuant to BAS 16 “Property, plant and equipment” the cost of an item of property, plant and equipments 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 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.

Pursuant to BAS - 17 “Leases”, fixed asset (motor vehicle) acquired under finance lease is accounted for at the lower of present value of minimum lease payments under the lease agreement and the fair value of asset. The related obligation under the lease is accounted for as liability. Finance charges are allocated to accounting period in manner so as to provide a constant rate of charge on the outstanding liability.

### b. Depreciation

Fixed assets are recorded at historical cost less accumulated depreciation as per BAS-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 & Fixture	15% - 20%	5- 6.67 years
Equipment	20% -25%	4- 5 years
Vehicles (both freehold and leasehold)	20%	5 years
Building	3%	33.33 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.

### 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 BAS 16 property, plant & equipments. Such gain or loss is determined as the difference between sales proceeds and carrying amount of the asset.

## 2.09 Intangible assets

In accordance with BAS 38 “ Intangible assets”, intangible assets 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).

## 2.10 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.

## **2.11 Investment in securities**

Investments are initially recognized at cost including acquisition charges with the investments. After initial recognition, investments in marketable securities have been valued at cost or market price whichever is lower on an aggregate portfolio basis. 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 is made in the financial statements as required by Bangladesh Bank DFIM circular No. 02 dated January 31, 2012.

## **2.12 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.

## **2.13 Cash Flow Statements**

The statement of cash flows is prepared using the direct method as stipulated in Bangladesh Accounting Standard - 7 "Cash Flow Statements" and in compliance with the instruction of Bangladesh Bank.

## **2.14 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.

### **Grant from IFC**

During the year under audit company received a grant from IFC under the agreement of "Performance Based Grant Initiative (PBGI)" between IFC and DBH for the purpose of expanding its target market segment to include informal sector borrowers and expand outreach to lower and middle income target segments.

Subjects to the terms and conditions during the year DBH received \$130,000 (in 2012-13: \$194,000.00) equivalent BDT 10,030,000 (in 2012-13 BDT 15,566,200) from IFC.

As per BAS 20, "Accounting for Government Grants and Disclosure of Government Assistance" the grant is recognized in profit and loss account on a systematic basis over the period in which the entity recognized the related cost as expenses for which the grants are intended to compensate.

## **2.15 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.

## **2.16 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 2012 to assess the adequacy of the liability for the scheme as per Bangladesh 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 year 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.

## **2.17 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 42.5%.

### **Deferred tax**

Pursuant to BAS - 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.

#### **2.18 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.

#### **2.19 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 canceled 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.

#### **2.20 Interest expense**

The Company has incurred interest and related expenses on account of term loan, deposit, ZCB, overdraft, finance lease and short term loan. In terms of provision of the Bangladesh Accounting Standard (BAS) -1 "Presentation of Financial Statements" interest expenses are recognized on accrual basis.

#### **2.21 Prior year adjustment**

During the last year, a minor adjustment was made to Retained earnings, Tax Payable and Statutory reserve to accurately reflect the calculation of prior year interest expense, in line with the requirement of BAS-8 : Accounting Policies, changes in Accounting Estimates and Errors.

#### **2.22 Earnings per share**

Earnings Per Share (EPS) has been calculated in accordance with Bangladesh Accounting Standard - 33 "Earnings Per Share" and shown on the face of profit and loss account and computation shown in note 33.

#### **2.23 Related party disclosures**

As per Bangladesh Accounting Standards (BAS) 24 "Related Party Disclosures", parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. 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 37.

#### **2.24 Events after the balance sheet date**

As per BAS 10 "Events after the balance sheet date", all material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed in note 39.3.

#### **2.25 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 probable 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.



## 2.26 Branch accounting

The Company has six offices (head office & five branches), with no overseas branch as on June 30, 2014. Accounts of the branches are maintained at the head office which are included in the accompanying financial statements.

## 2.27 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.

## 2.28 Status of compliance of Bangladesh Accounting Standards and Bangladesh Financial Reporting standards

Name of the BAS	BAS No.	Status
Presentation of Financial Statements	1	**
Inventories	2	N/A
Statement of Cash Flows	7	Applied
Accounting Policies, Change 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
Lease	17	Applied
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	Applied
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefits Plans	26	N/A
Consolidated and Separate Financial Statements	27	N/A
Investment in Associates	28	N/A
Investment in Joint Ventures	31	N/A
Financial Instruments: Presentations	32	**
Earnings Per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provision, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	**
Investment Property	40	N/A
Agriculture	41	N/A

Name of the BFRS	BFRS No.	Status
Share Base Payment	2	N/A
Business Combination	3	N/A
Insurance Contracts	4	N/A
Non-Currents Assets held for sale and discontinued operation	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments : Disclosure	7	**
Operating Segment	8	N/A

\*\* DBH management has followed the principles of BAS & BFRS 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

## 2.29 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.

### 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 operational risk management 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.

### 2.30 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.

		June 30, 2014 Taka	June 30, 2013 Taka
<b>3</b>	<b>Cash</b>		
3.1	Cash in hand		
	Local Currency	80,512	68,348
	Foreign Currency	-	-
		<b>80,512</b>	<b>68,348</b>
3.2	<b>Balance with Bangladesh Bank and its' agent</b>		
	Bangladesh Bank		
	Local Currency	503,254,674	441,800,675
	Foreign Currency	159,158	157,714
		<b>503,413,832</b>	<b>441,958,389</b>
	Balance with Sonali Bank being an agent of Bangladesh Bank	44,348	37,152
		<b>503,458,180</b>	<b>441,995,541</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 Deposit' 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, investment at call, unencumbered treasury bill, prize bond, savings certificate & any other assets approved by Bangladesh Bank.

	June 30, 2014 Taka	June 30, 2013 Taka
<b>3.3.1 Cash Reserve Requirement (CRR)</b>		
Required reserve	489,531,156	436,875,222
Actual average reserve maintained	510,506,789	447,438,139
Surplus/(deficit)	20,975,633	10,562,917
<b>3.3.2 Statutory Liquidity Reserve (SLR)</b>		
Required reserve (including CRR)	1,067,852,044	977,603,401
Actual reserve maintained (including CRR note -3.3.1)	1,857,941,571	7,116,592,949
Surplus/(deficit)	790,089,527	6,138,989,548
<b>4 Balance with other banks and financial institutions</b>		
In Bangladesh (Note 4.1)	5,804,562,037	6,674,686,774
Outside Bangladesh	-	-
	<b>5,804,562,037</b>	<b>6,674,686,774</b>
<b>4.1 In Bangladesh</b>		
Current deposits	28,409,540	42,662,099
Short-term deposits	26,152,497	35,372,279
Fixed deposits	5,750,000,000	6,596,652,396
	<b>5,804,562,037</b>	<b>6,674,686,774</b>
<b>4.2 Maturity grouping of balance with other banks and financial institutions</b>		
Payable on demand	28,409,540	42,662,099
Up to 1 month	826,152,497	1,235,372,279
Over 1 month but not more than 3 months	3,900,000,000	4,315,000,000
Over 3 month but not more than 6 months	1,050,000,000	880,000,000
Over 6 month but not more than 1 year	-	201,652,396
Over 1 year but not more than 5 years	-	-
Over 5 years	-	-
	<b>5,804,562,037</b>	<b>6,674,686,774</b>
<b>5 Money at call on short notice</b>	-	-
<b>6 Investments</b>		
Government securities	-	-
Other investments		
Non marketable securities (Note-6.1)	11,999,500	11,999,500
Bonds (Orascom Telecom - Amortizing Senior Secured Bond)	-	80,000,000
United power- redeemable preference share	90,000,000	-
Marketable securities (Note-6.2)	268,109,238	266,103,356
	<b>370,108,738</b>	<b>358,102,856</b>

		June 30, 2014 Taka	June 30, 2013 Taka
<b>6.1</b>	<b>Investment in non marketable securities</b>		
	No. of shares		
	Bangladesh Rating Agencies Ltd.	24,995	2,499,500
	Energyprima Ltd. ( Pre-IPO shares)	100,000	9,500,000
		11,999,500	11,999,500

<b>6.2</b>	<b>Investment in marketable securities</b>			
Sectors	Market price 2013-2014 Taka	Cost price Taka	Cost price Taka	
Bank	4,100,700	4,614,723	-	
Financial Institutions	-	-	482,361	
Engineering	12,461,008	18,762,806	23,257,692	
Fuel & Power	3,465,200	4,298,923	6,294,850	
Insurance	11,934,854	18,298,448	16,304,375	
Investment	122,452,475	213,171,903	209,742,081	
Miscellaneous	185,725	351,421	538,997	
Pharmaceuticals & Chemicals	1,570,120	1,780,839	-	
Tannery Industries	-	-	4,090,011	
Telecommunication	939,000	966,410	-	
Travel and leisure	-	-	1,873,379	
Textile	4,920,660	5,863,765	3,519,610	
	162,029,742	268,109,238	266,103,356	

All investment in marketable securities are valued on an aggregate portfolio basis. As on June 30, 2014 there was TK.106,079,496 gross unrealized loss on investment in marketable listed securities and Tk 2,499,500 for non marketable securities(Bangladesh Rating Agencies Ltd). Full provision for which has been recognized in the financial statements. Market value has been determined on the basis of the value of securities at last trading date of June 2014 (last trading date was June 30, 2014).

<b>6.3</b>	<b>Maturity grouping of investments</b>		
	On demand	248,109,238	246,103,356
	Upto 1 month	-	-
	Over 1 month but not more than 3 months	-	-
	Over 3 months but not more than 6 months	27,500,000	9,500,000
	Over 6 months but not more than 1 year	-	80,000,000
	Over 1 year but not more than 5 years	72,000,000	-
	Over 5 years	22,499,500	22,499,500
		370,108,738	358,102,856

	June 30, 2014 Taka	June 30, 2013 Taka
<b>7 Loans and advances</b>		
Inside Bangladesh		
Housing loan - secured	26,603,532,594	24,689,345,793
Installment receivable - Housing loan	115,322,370	92,867,621
Staff loan	123,654,297	127,739,216
Loan against deposits	244,714,816	389,472,766
	<u>27,087,224,077</u>	<u>25,299,425,396</u>
Outside Bangladesh	-	-
	<u>27,087,224,077</u>	<u>25,299,425,396</u>
<b>7.1 Maturity grouping of loans and advances</b>		
Repayable on demand	115,322,370	92,867,621
Not more than 3 months	1,194,846,278	1,475,347,059
Over 3 months but not more than 1 years	3,491,756,935	3,187,501,484
Over 1 year but not more than 5 years	12,349,672,867	11,575,260,337
Over 5 years	9,935,625,627	8,968,448,895
	<u>27,087,224,077</u>	<u>25,299,425,396</u>
<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	12,508,774	14,149,941
d) Loans and advances to customer group		
i) Housing loan - customer	26,718,854,964	24,782,213,414
ii) Staff loan-housing & others	111,145,523	113,589,275
iii) Loan to depositors	244,714,816	389,472,766
	<u>27,087,224,077</u>	<u>25,299,425,396</u>
e) Details of loan and advances industry-wise		
i) Housing Finance/ Real Estate	26,831,066,041	24,901,350,025
ii) Others	256,158,036	398,075,371
	<u>27,087,224,077</u>	<u>25,299,425,396</u>
<b>7.3 Loans and advances - geographical location-wise</b>		
Inside Bangladesh		
Urban		
Dhaka	24,723,725,474	22,975,191,882
Chittagong	2,210,297,359	2,171,664,243
Sylhet	153,201,244	152,569,271
	<u>27,087,224,077</u>	<u>25,299,425,396</u>
Outside Bangladesh	-	-
	<u>27,087,224,077</u>	<u>25,299,425,396</u>

	June 30, 2014 Taka	June 30, 2013 Taka
<b>7.4 Details of large loans and advances</b>		
There were no clients with outstanding amount and classified loans/advances exceeding 15% of total capital of the institution.		
<b>7.5 Particulars of Loans and advances</b>		
i) Loans and advances considered good in respect of which the financial institution is fully secured.	27,081,668,862	25,292,972,934
ii) Loans and advances considered good against which the financial institution holds no security other than the debtors personal security.	-	-
iii) Loan and advances considered good and secured by the personal security of one or more parties in addition to personal guarantee of debtors.	5,555,215	6,452,462
iv) Loan and advances adversely classified: for which no provision is created.	-	-
	<u>27,087,224,077</u>	<u>25,299,425,396</u>
v) Loans and advances due by officers of the financial institution or any of them either separately or jointly with any other persons.	123,654,297	127,739,216
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 managers or officers of the financial institution or any of them either separately or jointly with any other person.	130,702,807	130,620,250
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		



	June 30, 2014 Taka	June 30, 2013 Taka
i) Increase/(decrease) of provision (specific)	154,476,260	141,755,346
ii) Amount of written off debt against fully provided debts	-	4,941,646
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	48,990,280	43,358,896
c) Amount of interest creditable to interest suspense account	33,697,414	24,538,519
xi) Cumulative amount of written off loans and advances		
Opening Balance	4,941,646	-
Amount written off during the year	-	4,941,646
Amount recovered against loans and advances previously written off	-	-
Balance of written off loans and advances yet to be recovered	4,941,646	4,941,646

## 7.6 Classification of loans and advances

Unclassified		
Standard (including Staff Loan and Loan against Deposits)	26,928,875,328	25,201,630,094
Special mention account (SMA)	99,537,992	33,360,475
	27,028,413,320	25,234,990,569
Classified		
Sub-standard	9,820,477	10,715,023
Doubtful	-	10,360,908
Bad/loss	48,990,280	43,358,896
	58,810,757	64,434,827
	27,087,224,077	25,299,425,396

## 7.7 Calculation of provision for loans and advances as per Loan Classification Report as on 30 June 2014.

Nature	Base for provision	Rate (%)	Provision required
Standard	26,560,506,215	1	265,605,062
Special Mentioned account	92,723,026	5	4,636,151
Sub- standard	4,491,901	20	898,380
Doubtful	-	50	-
Bad	15,668,582	100	15,668,582
Staff - standard	123,654,297	1	1,236,543
Loan against deposit - standard	244,714,816	1	2,447,148

	June 30, 2014 Taka	June 30, 2013 Taka
<b>8 Fixed assets including land, building, furniture and equipments</b>		
Freehold assets (Cost)		
Furniture & fixture	38,861,571	38,591,063
Office equipment	46,812,565	47,253,041
Vehicles	14,530,889	14,230,186
Building	4,785,450	4,785,450
Land	1,143,750	1,143,750
Intangible asset	1,135,230	820,095
Leasehold assets		
Motor vehicle	-	6,600,000
	107,269,455	113,423,585
Less: Accumulated depreciation	81,055,403	77,574,568
	26,214,052	35,849,017
Detailed are shown in annexure A.		
<b>9 Other assets</b>		
Accounts receivable (Note-9.1)	132,249,628	174,572,251
Advances, deposits and prepayments (Note-9.2)	8,007,172	7,458,432
Deferred tax assets (Note-9.3)	10,965,207	10,169,030
Stamps and pay order in hand	2,063,173	1,743,292
	153,285,180	193,943,005
<b>9.1 Accounts receivable</b>		
Interest receivable	96,643,638	169,283,946
Dividend receivable	1,574,154	80,500
Sundry receivable	34,031,836	5,207,805
	132,249,628	174,572,251
<b>9.2 Advances, deposits and prepayments</b>		
Advance to employees	235,806	179,151
Advance to suppliers	1,870,000	1,020,000
Security deposits	3,004,000	3,004,000
Advance rent	2,897,366	3,255,281
	8,007,172	7,458,432
<b>9.3 Deferred tax assets</b>		
Balance as on July 1	10,169,030	7,341,758
Add: Addition during the year (note-9.3 a)	796,177	2,827,272
	10,965,207	10,169,030

	June 30, 2014 Taka	June 30, 2013 Taka
<b>9.3 a Calculation of deferred tax</b>		
Carrying amount of Fixed Assets(excluding land)	23,742,440	32,390,227
Tax base value of Fixed Assets	41,221,608	47,352,809
Deductible temporary difference	17,479,168	14,962,582
Applicable tax rate	42.50%	42.50%
i) Deferred tax assets on fixed assets	7,428,646	6,359,097
Carrying amount-Loss on sale of securities	35,365,604	38,099,326
Tax base	-	-
Deductible temporary difference	35,365,604	38,099,326
Applicable tax rate	10%	10%
ii) Deferred tax assets on loss on sale of securities	3,536,561	3,809,933
Total deferred tax assets ( i+ ii)	10,965,207	10,169,030
Deferred tax (liability)/assets at the beginning of the year	10,169,030	7,341,758
Deferred tax income	796,177	2,827,272
<b>10 Borrowing from other banks and financial institutions</b>		
Inside Bangladesh (Note 10.1)	6,683,762,471	6,349,865,664
Outside Bangladesh (Note 10.2)	368,316,667	1,899,733,334
	<u>7,052,079,138</u>	<u>8,249,598,998</u>
<b>10.1 Inside Bangladesh</b>		
a Secured long-term loans		
Pubali Bank Limited	1,050,000,000	1,350,000,000
Commercial Bank of Ceylon plc	153,040,000	219,640,000
	<u>1,203,040,000</u>	<u>1,569,640,000</u>
b Unsecured long-term loan		
Bangladesh Bank (housing refinance)	3,467,413,236	3,748,261,076
	<u>3,467,413,236</u>	<u>3,748,261,076</u>

		June 30, 2014 Taka	June 30, 2013 Taka
c	Bank Overdraft		
	Commercial Bank of Ceylon plc	159,557,273	107,042,131
	Citi Bank N.A	507,940	3,772,655
	HSBC	9,072,577	10,312,417
	Standard Chartered Bank	86,165,562	180,836,432
	Standard Bank Ltd.	108,002,966	953
	Midland Bank Ltd.	284	-
	United Commercial Bank Ltd.	245	-
	Dhaka Bank Ltd.	2,388	-
		363,309,235	301,964,588
d	Call loans		
	The City Bank Ltd.	-	140,000,000
	United Commercial Bank Ltd.	100,000,000	150,000,000
	Dutch Bangla Bank Ltd.	370,000,000	100,000,000
	Pubali Bank Ltd.	-	50,000,000
	Mutual Trust Bank Ltd.	-	30,000,000
	South East Bank Ltd.	-	60,000,000
	Eastern Bank Ltd.	-	50,000,000
	Standard Bank Ltd.	-	150,000,000
	Farmers Bank Ltd.	50,000,000	-
	Sonali Bank Ltd.	150,000,000	-
	Agrani Bank Ltd.	150,000,000	-
	Prime Bank Ltd.	150,000,000	-
	The Premier Bank Ltd.	60,000,000	-
	Brac Bank Ltd.	110,000,000	-
	NRB Global Bank Ltd.	150,000,000	-
	Meghna Bank Ltd.	160,000,000	-
	Janata Bank Ltd.	100,000,000	-
	Basic Bank Ltd.	100,000,000	-
		1,650,000,000	730,000,000
	Total inside Bangladesh(a+b+c+d)	6,683,762,471	6,349,865,664
10.2	<b>Outside Bangladesh</b>		
	Netherlands Development Finance Company (FMO)	156,666,667	1,688,083,334
	Triodos	211,650,000	211,650,000
		368,316,667	1,899,733,334
10.3	<b>Security against borrowings from other banks and financial institutions</b>		
	Secured	1,934,665,902	3,771,337,922
	Unsecured	5,117,413,236	4,478,261,076
		7,052,079,138	8,249,598,998

	June 30, 2014 Taka	June 30, 2013 Taka
The aforesaid secured long term loans(10.1 a), loans from outside Bangladesh(10.2) and overdraft from Commercial Bank of Ceylon (CBC) 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 are secured by FDR.		
<b>10.4 Maturity grouping of borrowings from other banks and financial institutions</b>		
Payable on demand	1,650,000,000	1,031,964,588
Up to 1 month	19,886,813	19,886,946
Over 1 month but within 3 months	196,736,412	198,493,912
Over 3 months but within 1 year	846,553,894	688,015,492
Over 1 year but within 5 years	2,255,038,557	3,467,498,007
Over 5 years	2,083,863,462	2,843,740,053
	<u>7,052,079,138</u>	<u>8,249,598,998</u>
<b>11 Deposits and other accounts</b>		
Fixed deposits ( Note: 11.1)	<u>21,549,503,042</u>	<u>19,539,937,251</u>
<b>11.1 Fixed Deposits</b>		
Balance as on 01 July	19,539,937,251	15,751,200,293
Addition during the year	<u>30,567,499,247</u>	<u>23,027,002,437</u>
	50,107,436,498	38,778,202,730
Repayment made during the year	<u>28,557,933,456</u>	<u>19,238,265,479</u>
Balance as at 30 June	<u>21,549,503,042</u>	<u>19,539,937,251</u>
<b>11.2 Group-wise break-up of deposits and others accounts</b>		
Government	-	-
Bank	700,000,000	300,000,000
Other institutions	9,469,274,909	9,346,174,253
Individuals	<u>11,380,228,133</u>	<u>9,893,762,998</u>
	<u>21,549,503,042</u>	<u>19,539,937,251</u>
<b>11.3 Maturity analysis of deposits</b>		
Payable on demand	-	-
Up to 1 month	779,987,827	533,533,698
Over 1 month but within 6 months	2,803,491,920	2,744,876,690
Over 6 months but within 1 year	2,320,161,315	2,382,646,742
Over 1 year but within 5 years	328,271,804	438,901,047
Over 5 years but within 10 years	12,946,961,418	11,735,615,000
Over 10 years	<u>2,370,628,758</u>	<u>1,704,364,074</u>
	<u>21,549,503,042</u>	<u>19,539,937,251</u>

	June 30, 2014 Taka	June 30, 2013 Taka
<b>12 Other liabilities</b>		
Liabilities under finance lease (Note: 12.1)	-	1,257,631
Provision for loans & investment (Note: 12.2)	874,886,032	679,372,395
Provision for income tax (Note: 12.3)	170,118,829	178,585,263
Interest suspense (Note: 12.4)	33,697,414	24,538,519
Other payables (Note:12.5)	1,488,862,191	1,762,214,874
	<u>2,567,564,466</u>	<u>2,645,968,682</u>
<b>12.1 Liabilities under finance lease</b>		
Balance as on July 1	1,257,631	2,768,477
Add: addition during the year	-	-
	<u>1,257,631</u>	<u>2,768,477</u>
Less: Repayment during the year	1,257,631	1,510,846
Balance at 30 June	<u>-</u>	<u>1,257,631</u>
<b>12.1.1 Aging analysis of liabilities under finance lease</b>		
Up to 1 month	-	134,237
Over 1 month but within 3 months	-	272,514
Over 3 months but within 1 year	-	850,880
Over 1 year but within 5 years	-	-
Over 5 years	-	-
	<u>-</u>	<u>1,257,631</u>
<b>12.2 Provision for loans and investment</b>		
Balance as on July 1	679,372,395	561,070,354
Provision written off	-	(4,633,745)
Provision recovered for the year	-	-
Provision charged for the year	195,513,637	122,935,786
Provision recovered for the year	-	-
Balance as on 30 June	<u>874,886,032</u>	<u>679,372,395</u>
<b>12.2.1 General Provision</b>		
Balance as on July 1	252,024,386	241,590,071
Charged during the year	17,264,367	10,434,315
Balance as on 30 June	<u>269,288,753</u>	<u>252,024,386</u>
<b>12.2.2 Specific Provision</b>		
Balance as on July 1	342,542,023	205,420,422
Provision written off	-	(4,633,745)
Provision recovered during the year	-	-
Provision charged for the year	154,476,260	141,755,346
Provision no longer required written back.	-	-
Balance as on 30 June	<u>497,018,283</u>	<u>342,542,023</u>

	June 30, 2014 Taka	June 30, 2013 Taka
<b>12.2.3 Provision on Loans and advances</b>		
General Provision charged during the year	17,264,367	10,434,315
Specific Provision charged during the year	154,476,260	141,755,346
	<u>171,740,627</u>	<u>152,189,661</u>
<b>12.2.4 Provision for diminutions in the value of investments</b>		
Balance as on July 1	84,805,986	114,059,861
Provision during the year	23,773,010	(29,253,875)
Balance as on 30 June	<u>108,578,996</u>	<u>84,805,986</u>
<b>12.3 Provision for income tax including deferred tax</b>		
Balance as on July 1	178,585,263	97,696,563
Prior year adjustment	-	336,777
	<u>178,585,263</u>	<u>98,033,340</u>
Addition during the year (Current tax)	592,645,854	483,016,633
Tax paid	(601,112,288)	(402,464,710)
	<u>170,118,829</u>	<u>178,585,263</u>
Deferred tax liability	-	-
Balance as on June 30	<u>170,118,829</u>	<u>178,585,263</u>
<b>12.4 Interest suspense</b>		
Balance as on July 1	24,538,519	14,531,515
Interest suspended during the year	9,158,895	10,314,905
Recovery of suspended interest during the year	-	-
Written off suspended interest during the year	-	(307,901)
	<u>33,697,414</u>	<u>24,538,519</u>
<b>12.5 Other payables</b>		
Interest payable on deposit & loans	1,237,568,280	1,499,204,188
Sundry creditors	80,778,390	66,565,855
Unclaimed instruments	23,624,461	23,503,223
Payable to clients	54,232,764	51,408,705
Loan under litigation	14,158,103	5,492,518
Privileged creditors	75,557,520	102,327,900
Liability for expenses	2,942,673	3,712,485
Preference share dividend payable	-	10,000,000
	<u>1,488,862,191</u>	<u>1,762,214,874</u>



	June 30, 2014 Taka	June 30, 2013 Taka
<b>13 Share Capital</b>		
<b>13.1 Authorized capital</b>		
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
	<u>2,000,000,000</u>	<u>2,000,000,000</u>
<b>13.2 Issued, subscribed, called and paid -up capital</b>		
(a) Ordinary shares		
116,049,375 Ordinary shares Taka 10 each on 1st July (2012-13: 100,912,500 Ordinary shares Taka 10 each)	1,160,493,750	1,009,125,000
15,136,875 Ordinary shares Taka 10 each issued as bonus share	-	151,368,750
	<u>1,160,493,750</u>	<u>1,160,493,750</u>
b) Preference share capital		
400 Shares of TK. 100 each (Issued at a premium of 249,900 per share in cash)	-	40,000

Redeemable preference share issued by DBH has been redeemed during this year including premium as per the terms and conditions of "Subscription agreement" as amended there-to from time to time between DBH and IPDC of Bangladesh Ltd.

<b>13.3 Capital of the Company is held by the following shareholders</b>	<b>2013-2014</b>	
	<b>No. of shares</b>	<b>Taka</b>
Ordinary shares		
Local shareholders		
BRAC	21,339,630	213,396,300
Delta Life Insurance Company Ltd	20,456,500	204,565,000
Green Delta Insurance Company Ltd	17,761,727	177,617,270
General shareholders	22,113,688	221,136,880
	<u>81,671,545</u>	<u>816,715,450</u>
Foreign shareholders		
International Finance Corporation	14,183,801	141,838,010
HDFC Investments Ltd (HIL), India	14,183,801	141,838,010
General shareholders	6,010,228	60,102,280
	<u>34,377,830</u>	<u>343,778,300</u>
	<u>116,049,375</u>	<u>1,160,493,750</u>

**13.4 Classification of shareholders by holding as required by Regulation 37 of the listing Regulation of Dhaka Stock Exchange Ltd.**

Shareholding range	No. of shareholders	No. of shares	% of share holding
01-500	1382	313,616	0.27
501-5000	1653	2,859,880	2.47
5001-10000	138	988,541	0.85
10001-20000	88	1,179,821	1.02
20001-30000	25	613,711	0.53
30001-40000	20	691,789	0.60
40001-50000	14	640,786	0.55
50001-100000	14	999,947	0.86
100001-1000000	20	5,691,656	4.90
Over 1000000	11	102,069,628	87.95
		116,049,375	100

June 30, 2014 Taka	June 30, 2013 Taka
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**13.5 Capital Adequacy Ratio - As per BASEL-II**

**1. Tier-1 (Core Capital)**

1.1	Fully Paid-up Capital/Capital Deposited with BB	1,160,493,750	1,160,493,750
1.2	Statutory Reserve	674,873,901	553,405,189
1.3	Non-repayable Share premium account	55,000,000	55,000,000
1.4	General Reserve	408,040,000	248,000,000
1.5	Retained Earnings	317,378,479	321,667,067
1.6	Minority interest in Subsidiaries	-	-
1.7	Non-Cumulative irredeemable Preferences shares	-	-
1.8	Dividend Equalization Account	160,000,000	130,000,000
1.9	Others (if any item approved by Bangladesh Bank)	-	-
1.10	<b>Sub-Total (1.1 to 1.9)</b>	<b>2,775,786,130</b>	<b>2,468,566,006</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	<b>Sub Total (1.11-1.18)</b>	<b>-</b>	<b>-</b>
1.20	<b>Total Eligible Tier-1 Capital (1.10-1.19)</b>	<b>2,775,786,130</b>	<b>2,468,566,006</b>

	June 30, 2014 Taka	June 30, 2013 Taka
<b>2 .Tier-2 (Supplementary Capital)</b>		
2.1 General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	208,650,035	191,442,271
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	-	100,000,000
2.6 Other (if any item approved by Bangladesh Bank)	-	-
2.7 Sub-Total (2.1 to 2. 6)	208,650,035	291,442,271
2.8 Applicable Deductions if any	-	-
2.9 <b>Total Eligible Tier-2 Capital (2.7-2.8)</b>	208,650,035	291,442,271
<b>Total capital</b>	<b>2,984,436,165</b>	<b>2,760,008,277</b>
Total risk weighted assets	19,150,649,647	17,590,214,749
Required capital based on risk weighted assets(10%)	1,915,064,965	1,759,021,475
Surplus	1,069,371,200	1,000,986,802
Capital Adequacy Ratio		
On core capital	14.49%	14.03%
On actual capital (against standard of minimum 10%)	15.58%	15.69%
Supplementary Capital to risk weighted assets	1.09%	1.66%
<b>14 Share premium account</b>		
Preference shares	-	99,960,000
Ordinary shares	55,000,000	55,000,000
	55,000,000	154,960,000
Share premium account in respect of preference share is applied for redemption of redeemable preference share premium as per section 57(2)(d) of Companies Act 1994.		
<b>15 Statutory reserve</b>		
Balance as on July 1	553,405,189	447,617,428
Prior year adjustment	-	91,128
	553,405,189	447,708,556
Add: addition during the year (20% of profit after tax)	121,468,712	105,696,633
Balance as on June 30	674,873,901	553,405,189

This reserve has been created as per the provision of Financial institution Rules 1993.

	June 30, 2014 Taka	June 30, 2013 Taka
<b>16 Other reserves</b>		
Contingency Reserve (Note 16.1)	400,000,000	240,000,000
General Reserve (Note 16.2)	8,000,000	8,000,000
Dividend equalization reserve (Note 16.3)	160,000,000	130,000,000
Capital redemption reserve	40,000	-
	<u>568,040,000</u>	<u>378,000,000</u>

An amount of Tk 40,000/- has been transferred out of profit to "Capital redemption reserve" in redeeming 400 nos of preference share @ Tk 100 each as per section 154(1)(C) of Companies Act 1994.

#### 16.1 Contingency Reserve

Balance as on July 1	240,000,000	160,000,000
Add: addition during the year	160,000,000	80,000,000
Balance at 30 June	<u>400,000,000</u>	<u>240,000,000</u>

#### 16.2 General Reserve

Balance as on July 1	8,000,000	8,000,000
Add: addition during the year	-	-
Balance at 30 June	<u>8,000,000</u>	<u>8,000,000</u>

#### 16.3 Dividend equalization reserve

Balance as on July 1	130,000,000	100,000,000
Add: addition during the year	30,000,000	30,000,000
Balance at 30 June	<u>160,000,000</u>	<u>130,000,000</u>

### 17 Business commitments and contingencies

<b>17.1 Contingent liabilities</b>	71,985,456	72,780,156
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The said amount claimed by the tax authority for the assessment year 2004-05, 2005-06, 2007-08, 2009-10 assessed by disallowing accrued interest on deposits, statutory reserve, profit on sale of marketable securities 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 like the previous and subsequent years. However we have enough tax provision to cover the above amount, if any liability arises in future.

#### 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	372,055,789	360,958,548
Bank borrowing commitments outstanding	-	-

	June 30, 2014 Taka	June 30, 2013 Taka
<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
<b>17.4 Unacknowledged debts</b>		
The Company had no claim, legal or other against it, which has not been acknowledged as debt at the balance sheet date.		
	2013-2014 Taka	2012-2013 Taka
<b>18 Interest income</b>		
Interest on loans	3,950,894,027	3,771,784,000
Interest on placement with other banks & BB FX deposits	681,798,428	485,096,097
Interest on short term investment	2,376,389	75,108,070
	<u>4,635,068,844</u>	<u>4,331,988,167</u>
<b>19 Interest on deposits and borrowing</b>		
Interest on term loans	467,371,570	638,327,967
Interest on deposits	2,507,710,770	2,361,379,606
Interest on short-term borrowing	97,365,889	23,774,248
Interest on non-convertible zero coupon bond	-	4,972,455
Interest on overdraft	6,071,363	8,271,920
Interest on finance lease	74,392	250,910
	<u>3,078,593,984</u>	<u>3,036,977,106</u>
<b>20 Income from investments</b>		
Gain/(loss) on sale of marketable securities	2,733,722	(14,636,353)
Dividend income	7,298,751	607,564
Interest on Orascom Telecom Bond	9,570,000	16,425,000
	<u>19,602,473</u>	<u>2,396,211</u>
<b>21 Commission, exchange and brokerage</b>		
Loan fees	57,100,435	52,134,249
Other charges and fees	41,375,283	38,729,420
	<u>98,475,718</u>	<u>90,863,669</u>
<b>22 Other operating income</b>		
Property service income	8,025,051	1,249,412
Gain on sale of fixed assets	158,873	1,070,630
Grant from IFC	10,030,000	15,566,200
Miscellaneous income	10,070,815	10,376,827
	<u>28,284,739</u>	<u>28,263,069</u>

	2013-2014 Taka	2012-2013 Taka
<b>23 Salary and allowances</b>	<b>182,017,383</b>	<b>176,007,930</b>
Salary and allowances include annual contribution of Tk. 6,226,938 (2012-13: Tk.5,762,728) to provident fund and Tk. 10,097,593 (2012-13: Tk. 9,877,360) to gratuity fund.		
<b>24 Rent, taxes, insurance, electricity, etc</b>		
Rent, rates & taxes	26,480,290	24,979,902
Insurance	2,090,929	2,113,866
Electricity	4,245,842	3,855,799
Water	346,835	358,904
	<b>33,163,896</b>	<b>31,308,471</b>
<b>25 Legal and professional expenses</b>		
Law charges	702,501	1,017,312
Other professional charges	698,947	671,025
	<b>1,401,448</b>	<b>1,688,337</b>
<b>26 Postage, stamps, telecommunication, etc.</b>		
Postage & courier service	907,450	1,012,643
Stamp expenses	882,172	2,280,677
Telephone & internet	3,497,621	2,881,257
	<b>5,287,243</b>	<b>6,174,577</b>
<b>27 Stationery, printing, advertisements, etc.</b>		
Printing	2,636,457	2,753,032
Stationery	1,111,915	1,175,750
Publicity and advertisement	15,517,914	3,548,188
	<b>19,266,286</b>	<b>7,476,970</b>
<b>28 Directors' fees and expenses</b>		
Fees for attending meeting	350,000	220,000
Incidental meeting expenses	721,140	528,296
	<b>1,071,140</b>	<b>748,296</b>
<b>29 Auditors' fees</b>		
Statutory annual audit fees (including VAT)	258,750	230,000
	<b>258,750</b>	<b>230,000</b>

	2013-2014 Taka	2012-2013 Taka
<b>30 Depreciation, repairs &amp; maintenance</b>		
Depreciation		
Freehold assets	12,343,171	12,512,713
Leasehold assets	1,071,304	1,285,564
Intangible assets	179,111	159,498
	<u>13,593,586</u>	<u>13,957,775</u>
Repairs & Maintenance		
Vehicle	1,092,700	996,930
Office equipment & premises	3,289,677	3,600,580
Computer hardware & software	2,692,854	2,380,843
	<u>7,075,231</u>	<u>6,978,353</u>
	<u>20,668,817</u>	<u>20,936,128</u>
<b>31 Other expenses</b>		
Staff training & recruitment expense	3,094,959	4,400,912
Office security	2,243,836	1,791,667
Transportation, traveling & conveyance	11,187,994	9,297,360
Canteen expense	2,072,897	2,450,816
Business promotion & entertainment	676,127	435,661
Car fuel	1,721,917	1,864,941
Books and papers	83,197	87,925
Bank charges	3,036,462	2,248,074
Donation, subscription and Fees	5,488,000	3,238,129
Public relation & AGM expense	751,407	527,949
Outsource agency charges	4,039,155	3,411,555
	<u>34,395,951</u>	<u>29,754,989</u>
	<b>June 30, 2014 Taka</b>	<b>June 30, 2013 Taka</b>
<b>32 Retained earnings</b>		
Balance as on July 01	321,667,067	270,797,274
Prior year adjustment	-	364,511
	<u>321,667,067</u>	<u>271,161,785</u>
Add: Profit after tax for the year transferred from Profit & Loss Account	607,343,562	528,483,165
Accumulated profit available for distribution	<u>929,010,629</u>	<u>799,644,950</u>
Less: Appropriations		
Transferred to statutory reserve	121,468,712	105,696,633
Transferred to contingency reserve	160,000,000	80,000,000
Transferred to dividend equalization reserve	30,000,000	30,000,000
Transferred to capital redemption reserve	40,000	-
Dividend on preference share	10,000,000	10,000,000
Cash dividend paid for last year	290,123,438	100,912,500
Issue of bonus shares for previous year	-	151,368,750
	<u>611,632,150</u>	<u>477,977,883</u>
Balance as on June 30	<u>317,378,479</u>	<u>321,667,067</u>



	2013-2014 Taka	2012-2013 Taka
<b>33 Earnings Per Share</b>		
Profit after Tax	607,343,562	528,483,165
Less: Preference share dividend	10,000,000	10,000,000
Profit available for ordinary shareholders	597,343,562	518,483,165
Number of shares outstanding for calculating basic EPS	116,049,375	116,049,375
Basic earnings per share	5.15	4.47

No diluted earning per share is required to be calculated for the year as there was no convertible securities for dilution during the year.

### 34 Dividend on Preference Shares

A dividend of Tk. 25,000 (2012-2013 and 2013-2014 @ Tk. 25,000) per preference share of Tk.100 each amounting to Tk 20,000,000 was paid during the year under audit.

### 35 Dividend on ordinary shares

#### a) Proposed dividend:

The Board of Directors in its 79th meeting held on September 10, 2014 has recommended cash dividend @ 25% i.e. Taka 2.50 per ordinary share for the year ended 30 June 2014 for placement before the shareholders for approval at 18th AGM of the company.

#### b) Dividend to non -resident shareholders:

The Company's non resident shareholders as on 30 June 2014 include two foreign investors (International Finance Corporation and HDFC Investments Ltd, India ) holding total 28,367,602 shares (2012-13 :28,367,602). The shareholders in its 17th AGM approved 25% cash dividend for the year ended 30 June 2013. Cash dividend Tk. 70,919,005 remitted duly after deduction of tax applicable as per law to the non resident shareholders during the year under review.

### 36 Foreign currency inward/outward remittance

Name of the Organization	Currency	Particulars	Amount in FC	Amount in Tk.
<b>Outward Remittance</b>				
FMO	BDT	Principal	-	1,531,416,667
FMO	BDT	Interest		126,996,559
FMO	BDT	Pre payment charge		11,015,625
Triodos	BDT	Principal		-
Triodos	BDT	Interest		30,530,832
Singapore Institute of Management	SGD	Membership & training fees	5,040	333,841
<b>Inward remittance</b>				
International Finance Corporation (IFC)	USD	Grant	130,000	10,030,000

### 37 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 Bangladesh 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	1,242,723
Green Delta Insurance Company Limited	Do	Insurance premium	848,206

Name of the related parties	Relationship	Particulars	Received during the year Taka
International Finance Corporation ( IFC)	Shareholder	Grant	10,030,000

### 38 Number of Employees

During the year under audit, there were 169 (2012-2013: 159) employees employed for the full period and 26 (2012-2013:37) employees for less than full period at a remuneration of Taka 3,000 and above per month.

### 39. General Disclosure

#### 39.1 Name of Directors and entities in which they have interest as Director as at 30 June 2014:

Name	Position at DBH	Involvement in other organization	
		Name of the Organization in which they have interest	Position
Mr. Faruq A. Choudhury	Chairman	BRAC	Member, Governing Body
Mr. Nasir A. Choudhury	Director	Green Delta Insurance Company Ltd.	Advisor
		Nascom (Pvt.) Ltd.	Managing Director
		Progressive Life Insurance Co. Ltd.	Director (Representing GDIC)
		United Hospital (Pvt) Ltd	Director (Representing GDIC)
		Green Delta Securities Ltd.	Chairman (Representing GDIC)
		Green Delta Capital Ltd.	Chairman (Representing GDIC)
Mr. A Z Mohammad Hossain	Director	Chandra Spinning Mills Ltd	Managing Director
Mr. Rajeev Sardana, FCA	Director	HDFC Ltd.	Member of the Executive Management of HDFC
Ms. Mehreen Hassan, Bar-at-Law	Director	Nil	Nil
Mr. Swapan Kumar Sarkar, FCA	Director	Delta Life Insurance Company Ltd.	Managing Director & CEO
		DLIC Securities Ltd.	Chairman
Mr. Shameran Abed, Bar-at-Law	Director	Microfinance Operations, BRAC	Director
		bKash	Director
Ms. Adeeba Rahman, ACII- Life	Director	Delta Life Insurance Company Ltd.	Additional Managing Director

Name	Position at DBH	Involvement in other organization	
		Name of the Organization in which they have interest	Position
Mr. Mahibul Islam Chowdhury	Independent	Social Development Foundation(SDF)	Chairman
	Director	Prime Finance & Investment Ltd.	Independent Director
		Rajdhani Mohila College	Chairman, Managing Committee
Ms. Syeda Rizwana Hasan	Independent	Bangladesh Environmental Lawyers Association (BELA)	Chief Executive
	Director	Rangpur Dinajpur Rural Services (RDRS)	Chairperson
		Federation of NGOs in Bangladesh	Member, Board
		NGO Forum on Ship Breaking	Member, Executive Board
		SANDEE	Member, Board

### 39.2 Audit Committee

The Audit Committee consists of the following Directors of the Board:

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. Mahibul Islam Chowdhury	Independent Director	Chairman	MA
Mr. Faruq A. Choudhury	Chairman	Member	B.A. (Honors) & Diploma in International Law (Tufts University, USA)
Mr. Nasir A. Choudhury	Director	Member	MA
Mr. A Z Mohammad Hossain	Director	Member	L.L.B
Mr. Swapan Kumar Sarkar	Director	Member	FCA

During the period from July 2013 to June 2014, the audit committee of the Board conducted 5 (five) meetings.

Sl No	Meeting No	Meeting Date
1	22nd	02/07/2013
2	23rd	12/09/2013
3	24th	14/11/2013
4	25th	30/01/2014
5	26th	24/04/2014

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.

### 39.3 Events after the Balance Sheet date

There is no material adjusting or non-adjusting events after the balance sheet date.

### 39.4 Comparative Information

Previous year's figures have been re-arranged whenever considered necessary to conform to current year's presentation.

## Schedule of fixed assets and intangible assets

Particulars	Cost			Depreciation/Amortization				Written down value at 30 June 2014
	Balance as on 1 July 2013	Additions during the year	Disposals during the year	Balance as at 30 June 2014	Balance as on 1 July 2013	Charged for the year	Adjustment on disposals	Balance as at 30 June 2014
<b>Free hold assets</b>								
Furniture & fixture	38,591,063	511,376	240,868	38,861,571	27,043,623	3,925,886	240,833	30,728,676
Equipment	47,253,041	2,754,176	3,194,652	46,812,565	34,195,500	5,677,978	3,177,194	36,696,284
Vehicles	14,230,186	415,703	115,000	14,530,889	8,498,391	2,621,613	94,727	11,025,277
Building	4,785,450	-	-	4,785,450	1,627,320	117,694	-	1,745,014
Land	1,143,750	-	-	1,143,750	-	-	-	-
	<b>106,003,490</b>	<b>3,681,255</b>	<b>3,550,520</b>	<b>106,134,225</b>	<b>71,364,834</b>	<b>12,343,171</b>	<b>3,512,754</b>	<b>80,195,251</b>
<b>Lease hold assets</b>								
Motor vehicle	6,600,000	-	6,600,000	-	5,528,693	1,071,304	6,599,997	-
<b>Intangible assets</b>								
Software	820,095	315,135	-	1,135,230	681,041	179,111	-	860,152
<b>Total 2013-14</b>	<b>113,423,585</b>	<b>3,996,390</b>	<b>10,150,520</b>	<b>107,269,455</b>	<b>77,574,568</b>	<b>13,593,586</b>	<b>10,112,751</b>	<b>81,055,403</b>
<b>Total 2012-13</b>	<b>110,095,661</b>	<b>6,528,453</b>	<b>3,200,529</b>	<b>113,423,585</b>	<b>66,796,868</b>	<b>13,957,775</b>	<b>3,180,075</b>	<b>77,574,568</b>
								<b>35,849,017</b>



**Delta Brac Housing Finance  
Corporation Ltd.**

Head Office: Landmark Building  
12-14 Gulshan North C/A, Gulshan-2  
Dhaka-1212, Bangladesh  
Tel: 8822374, 9882112, Fax: 9882110  
Dhaka-1212, Bangladesh  
Web: www.deltabrac.com  
E-mail: dbh@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 18th Annual General Meeting of the Company to be held on  
November 25, 2014 (Tuesday) and any adjournment thereof.  
Signed this ..... day of ..... 2014.

Signature.....  
Name .....  
(Member)

Revenue  
Stamp of  
Tk. 20

Signature.....  
Name .....  
(Proxy)

Folio/BO ID No.....

Folio/BO ID No.....

### 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.



**Delta Brac Housing Finance  
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Head Office: Landmark Building  
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Dhaka-1212, Bangladesh  
Tel: 8822374, 9882112, Fax: 9882110  
Dhaka-1212, Bangladesh  
Web: www.deltabrac.com  
E-mail: dbh@deltabrac.com

## Attendance Slip

I/We hereby record my/our attendance at the 18<sup>th</sup> Annual General Meeting of Delta Brac Housing Finance Corporation Limited at the Eden Ball Room of Hotel Amari, House- 47, Road- 41, Gulshan-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.



# Highest Security

AAA rating  
8<sup>th</sup> consecutive year



DBH Home Loans | DBH Deposits







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