

DELTA BRAC HOUSING FINANCE CORPORATION LIMITED

Auditors' Report and Financial Statements *as at and for the year ended 30 June 2016*

 **S. F. AHMED & CO.**
Chartered Accountantssince 1958

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**AUDITORS' REPORT TO THE SHAREHOLDERS
OF
DELTA BRAC HOUSING FINANCE CORPORATION LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Delta Brac Housing Finance Corporation Limited, which comprise the statement of financial position (Balance Sheet) as at 30 June 2016 and the statement of comprehensive income (Profit & Loss Account), statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of the company in accordance with Bangladesh Financial Reporting Standards (BFRS), Financial Institutions Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchanges Rules 1987 and other applicable laws and regulations. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of these financial statement of the company 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 the financial statements of the company based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements of the company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of the company. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements of the company 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 of the company.

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 of the company prepared in accordance with Bangladesh Financial Reporting Standards (BFRSSs), give a true and fair view of the state of the Financial Position of the company as at 30 June 2016 and of the results of its financial performance and statement of cash flows for the year then ended and comply with the Financial Institutions Act 1993, The Companies Act 1994, the rules and regulations issued by the Bangladesh Bank, the Securities and Exchanges Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

In accordance with companies Act 1994, Securities and Exchange Rules 1987, the Financial Institutions Act 1993 as amended in 2013 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) the statement of financial position (Balance Sheet) and statement of comprehensive income (Profit and Loss Account) together with the annexed notes 1 to 38 dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditure incurred was for the purpose of the company business;
- (v) the financial position of the company as at 30 June 2016 and the profit for the year then ended have been properly reflected in the financial statements and the financial statements have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- (vi) the financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (vii) adequate provisions have been made for advances and other assets which are, in our opinion doubtful of recovery;
- (viii) the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;
- (ix) the information and explanations required by us have been received and found satisfactory;
- (x) the company has no overseas branches;
- (xi) 80% of the risk-weighted assets have been audited;
- (xii) we have spent approximately 785 man hours for the audit of books & accounts of company.



Dated, Dhaka;
September 01, 2016

S. F. Ahmed & Co.
S. F. Ahmed & Co.
Chartered Accountants

Delta Brac Housing Finance Corporation Limited
Balance Sheet
As at 30 June 2016

	Notes	June 30, 2016 Taka	June 30, 2015 Taka
PROPERTY AND ASSETS			
Cash		538,107,410	540,453,046
In hand	3.1	73,760	69,383
Balance with Bangladesh Bank and its agent Bank	3.2	538,033,650	540,383,663
Balance with other banks and financial institutions		5,862,512,234	5,332,811,224
In Bangladesh	4.1	5,862,512,234	5,332,811,224
Outside Bangladesh		-	-
Money at call on short notice	5	-	-
Investments	6	427,696,230	364,409,364
Government		1,085,379	-
Others		426,610,851	364,409,364
Loans and advances		33,578,603,761	29,248,299,327
Loans and advances	7	33,578,603,761	29,248,299,327
Fixed assets including land, building, furniture and equipments	8	148,522,410	115,956,056
Other assets	9	129,073,890	84,632,801
Total Assets		40,684,515,935	35,686,561,818
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from other banks and financial institutions	10	6,095,892,172	5,308,507,195
Deposit and other accounts		28,727,974,768	24,703,115,270
Fixed deposits	11.1	28,727,974,768	24,703,115,270
Other deposits		-	-
Other liabilities	12	2,251,897,601	2,504,022,937
Total Liabilities		37,075,764,541	32,515,645,402
Shareholders' equity			
Paid-up capital	13.2	1,160,493,750	1,160,493,750
Share premium	14	55,000,000	55,000,000
Statutory reserve	15	969,121,267	811,924,646
Other reserves	16	1,008,040,000	781,540,000
Retained earnings	32	416,096,377	361,958,020
Total equity		3,608,751,394	3,170,916,416
Total liabilities and Shareholders' equity		40,684,515,935	35,686,561,818
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1		
Acceptances and endorsement		-	-
Letter of guarantee		-	-
Irrevocable letter of credits		-	-
Bills for collection		-	-
Other contingent liabilities		16,739,437	16,739,437
Total contingent liabilities		16,739,437	16,739,437
Other commitments	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		496,672,133	404,305,000
Total other commitments		496,672,133	404,305,000
Total Off-Balance Sheet items including contingent liabilities		513,411,570	421,044,437


Notes:

1. Auditors' Report-Page 1 & 2
2. The annexed notes 1 to 38 form an integral part of these financial statements.
3. These financial statements were approved by the Board of Directors on September 01, 2016 and were signed on its behalf by:


Faruq A. Choudhury
Chairman



Nasir A. Choudhury
Director


Adeeba Rahman, ACII- Life
Director


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

Dated, Dhaka;
September 01, 2016




S. F. Ahmed & Co.
Chartered Accountants

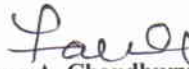
Delta Brac Housing Finance Corporation Limited

Profit and Loss Account For the year ended 30 June 2016


	Notes	2015-2016 Taka	2014-2015 Taka
Interest Income	18	4,323,704,965	4,423,424,248
Interest paid on deposits and borrowings etc	19	2,636,374,395	2,785,293,321
Net Interest Income		1,687,330,570	1,638,130,927
Income from investment	20	10,311,414	12,986,809
Commission, exchange and brokerage	21	132,923,056	104,390,616
Other operating income	22	20,370,503	28,028,566
Total operating income		1,850,935,543	1,783,536,918
Salary and allowances	23	262,046,454	228,428,656
Rent, taxes, insurance, electricity, etc.	24	41,983,185	35,918,099
Legal & professional expenses	25	1,517,083	1,391,877
Postage, stamp, telecommunication, etc.	26	6,628,121	6,045,565
Stationery, printing, advertisements, etc.	27	11,063,911	8,560,048
Managing Director's salary and fees		12,060,000	12,730,000
Directors' fees and expenses	28	1,319,084	821,241
Auditors' fees	29	301,875	287,500
Depreciation, repairs & maintenance	30	28,938,605	22,266,077
Other expenses	31	32,258,671	29,328,087
Total operating expenses		398,116,989	345,777,150
Profit before provisions		1,452,818,554	1,437,759,768
Provisions			
Loans and advances	12.1.3	85,817,053	228,880,313
Diminution in value of investments	12.1.4	(27,571,135)	(50,512,555)
Total provisions		58,245,918	178,367,758
Profit before tax		1,394,572,636	1,259,392,010
Provision for tax			
Current	12.2	606,419,209	571,656,355
Deferred	9.3 a	2,170,324	2,481,931
		608,589,533	574,138,286
Profit after tax		785,983,103	685,253,724
Appropriations			
Statutory reserve		157,196,621	137,050,745
General reserve		-	-
		157,196,621	137,050,745
Retained surplus		628,786,482	548,202,979
Earnings Per Share	33	6.77	5.90

Notes:

1. Auditors' Report-Page 1 & 2
2. The annexed notes 1 to 38 form an integral part of these financial statements.
3. These financial statements were approved by the Board of Directors on September 01, 2016 and were signed on its behalf by:


Faruq A. Choudhury
Chairman



Nasir A. Choudhury
Director


Adeeba Rahman, ACII- Life
Director


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

Dated, Dhaka;
September 01, 2016




S. F. Ahmed & Co.
Chartered Accountants

Delta Brac Housing Finance Corporation Limited


Cash Flow Statement


For the year ended 30 June 2016

	2015-2016 Taka	2014-2015 Taka
Cash flows from operating activities		
Interest received	4,330,402,142	4,480,355,752
Interest payments	(3,044,416,772)	(2,856,959,405)
Dividend received	17,095,742	10,577,363
Fees and commission received	132,923,056	104,390,616
Paid to employees	(264,062,561)	(249,974,984)
Paid to suppliers and for various operating expenses	(100,129,305)	(90,407,629)
Income tax paid	(561,569,510)	(700,000,823)
Received from other operating activities	10,014,019	25,272,858
 Cash generated from operating activities before Changes in operating assets and liabilities	 520,256,811	 723,253,748
Increase/(decrease) in operating assets and liabilities		
Loans and advances to customers	(4,334,439,716)	(2,172,321,601)
Purchase/Sale of trading securities	30,298,513	(34,300,627)
Other assets	(46,413,597)	31,107,847
Loans and deposits from banks and other customers	4,711,250,517	1,344,190,669
Other liabilities	33,734,322	(39,393,742)
Cash utilized in operating assets and liabilities	394,430,039	(870,717,454)
 Net cash generated from operating activities	 914,686,850	 (147,463,706)
Cash flows from investing activities		
Net proceeds(Payments) for sale/purchase of Treasury Bills	(1,085,379)	-
Other investments	(92,500,000)	40,000,000
Purchase of property, plant & equipment	(50,217,665)	(103,516,530)
Proceeds from sell of property, plant & equipment	3,625,735	417,600
 Net cash used in investing activities	 (140,177,309)	 (63,098,930)
Cash flows from financing activities		
Cash dividend paid	(348,148,125)	(290,123,438)
 Net cash used in financing activities	 (348,148,125)	 (290,123,438)
 Net increase in cash and cash equivalents	 426,361,416	 (500,686,074)
 Cash and cash equivalents (net off overdraft) at the beginning of the year	 5,444,105,420	 5,944,791,494
 Cash and cash equivalents (net off overdraft) at the end of the year	 5,870,466,836	 5,444,105,420

Notes:

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Faruq A. Choudhury
Chairman

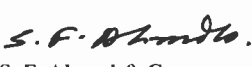

Nasir A. Choudhury
Director


Adeeba Rahman, ACII- Life
Director


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



Dated, Dhaka;
September 01, 2016


S. F. Ahmed & Co.
Chartered Accountants

Delta Brac Housing Finance Corporation Limited

Statement of Changes in Equity

For the year ended 30 June 2016

Particulars	Amount in Taka				
	Paid-up Capital	Share Premium	Statutory Reserve	General & Other Reserves	Retained earnings
Balance as on 1 July 2015	1,160,493,750	55,000,000	811,924,646	781,540,000	361,958,020
Net profit (after tax) for the period	-	-	-	-	785,983,103
Transferred to reserve funds	-	-	157,196,621	226,500,000	(383,696,621)
Cash dividend paid					(348,148,125)
Balance as on June 30, 2016	1,160,493,750	55,000,000	969,121,267	1,008,040,000	416,096,377
Balance as on June 30, 2015	1,160,493,750	55,000,000	811,924,646	781,540,000	361,958,020
					3,170,916,416



Delta Brac Housing Finance Corporation Limited

Liquidity Statement

As at June 30, 2016

Particulars	Amount in Taka				
	up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Above 5 Years
Assets					
Cash (In hand and balance with Bangladesh Bank and its' agent bank)	538,107,410	-	-	-	538,107,410
Balance with other banks and financial institutions	912,512,234	3,700,000,000	1,250,000,000	-	5,862,512,234
Money at call on short notice	-	-	-	-	-
Investments	246,646,538	-	87,464,813	91,085,379	427,696,230
Loans and advances	821,379,035	1,264,430,922	5,258,809,313	17,305,756,072	33,578,603,761
Fixed assets including land, building, furniture and equipments	1,525,067	3,013,332	12,823,652	38,246,825	148,522,410
Other assets	28,738,592	35,064,866	61,745,713	3,524,719	129,073,890
Total Assets	2,548,908,876	5,002,509,120	6,670,843,491	17,438,612,995	40,684,515,935
Liabilities					
Borrowing from other banks and financial institutions	588,191,946	392,926,173	2,262,068,238	1,260,743,363	6,095,892,172
Deposits and other accounts	771,023,990	4,671,682,677	4,877,117,677	140,278,226	28,727,974,768
Other liabilities	196,621,752	322,450,288	1,148,500,506	216,389,808	2,251,897,601
Total liabilities	1,555,837,688	5,387,059,138	8,287,686,421	1,617,411,397	37,075,764,541
Net liquidity gap	993,071,187	(384,550,018)	(1,616,842,930)	15,821,201,598	3,608,751,394

S.F. AHMED

Delta Brac Housing Finance Corporation Limited
Notes to the Financial Statements
as at and for the year ended 30 June 2016

1 Company and its activities

(a) Legal status

Delta Brac Housing Finance Corporation Limited (here-in-after referred to as "DBH" or "the Company") was incorporated as a public limited company and obtained the Certificate of Commencement of Business under Companies Act 1994 on May 11, 1996. The Company has also been granted license under the Financial Institutions Act 1993 on July 15, 1996. The Company went for public issue in 2007-08 and the shares of the Company are listed in Dhaka and Chittagong Stock Exchange in Bangladesh.

(b) Nature of business

i) The principal activities of the Company during the year were providing loans for construction of houses, purchases of flats or houses, extension and improvement of existing houses or flats and purchase of housing plots.

ii) The Company has also various investment and financing products like term deposit scheme, cumulative deposit, triple money deposit, double money deposit, annual income deposit, quarterly income deposit, monthly income deposit, easy way deposit etc. for its individual and corporate clients.

2 Significant accounting policies and basis of preparation

2.01 Statement of compliance

The financial statements have been prepared on a going concern basis and accrual method under historical cost convention and therefore did not take into consideration of the effect of inflation. The preparation and presentation of the financial statements and the disclosure of information have been made in accordance with the DFIM circular no. 11 dated 23rd December 2009 in conformity with 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 contradictions arises.

2.02 Going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

2.03 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, estimates. 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 is revised and in any future periods affected. The key item which involve these judgments, estimates and assumptions are discussed, below:

Impairment losses on loans and advances

In addition to the provision made for loans and advances based on the guideline of Bangladesh Bank, DBH reviews its loans and advances portfolio on monthly basis to assess whether any further allowances/ write back for impairment should be provided in the income statement. The judgments by the management is required in the estimation of these amounts and such estimations are based on assumption about a number of factors though actual results may differ, resulting in future changes to the provisions.

2.05 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, financial institutions and agents are as per their maturity/ repayment term.
- g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- h) Other liabilities are on the basis of their payment/ adjustment schedule.

2.08 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.



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	Estimated useful life
Furniture & Fixtures	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 & equipment. 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 (computer software) are recorded at historical cost less accumulated amortization. Amortization is calculated on straight line method using the rate at 20% (estimated five years useful life).

2.10 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 except DBH 1st Mutual Fund and Green Delta 1st Mutual Fund have been valued at cost or market price whichever is lower on an aggregate portfolio basis. Mutual Funds have been valued at 85 % of latest published NAV as on June 30, 2016 or cost price whichever is lower. Investment in non marketable securities have been valued at cost. Full provision for diminution in value of securities at the year end on aggregate portfolio basis excepts investment in mutual funds is made in the financial statements as required by Bangladesh Bank DFIM circular No. 02 dated January 31, 2012. Provision for mutual funds at the year end is made as required by Bangladesh Bank DFIM circular No. 05 dated May 11, 2015.

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 cash flow statement 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 from IFC \$30,000 (in 2014-15: \$90,000.00) equivalent BDT 2,317,500 (in 2014-15 BDT 6,930,000).

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 as expenses the related cost 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 2015 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 40%.

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, overdraft, 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 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.

2.22 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 36.



2.23 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 38.3.

2.24 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.

2.25 Branch accounting

The Company has six offices (head office & five branches), with no overseas branch as on June 30, 2016. Accounts of the branches are maintained at the head office which are included in the accompanying financial statements.

2.26 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.

2.27 Status of compliance of Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards

<u>Name of the BAS</u>	<u>BAS No.</u>	<u>Status</u>
Presentation of Financial Statements	1	**
Inventories	2	N/A
Statement of Cash Flows	7	Applied
Accounting Policies, Change in Accounting Estimates and	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	N/A
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of	20	Applied
Governments Assistance		
The Effect of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	N/A
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefits Plans	26	N/A
Separate Financial Statements	27	N/A
Investment in Associates	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



<u>Name of the BFRS</u>	<u>BFRS No.</u>	<u>Status</u>
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
Consolidated Financial Statements	10	N/A
Joint Arrangements	11	N/A
Disclosure of Interests in other Entities	12	N/A
Fair Value Measurement	13	Applied
Regulatory Deferral Accounts	14	N/A

** 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

2.28 Financial risk management

The Company always concentrates on delivering high value to its stakeholders through appropriate trade-off between risk and return. A well structured and proactive risk management system comprising risk management forum supported by risk management unit is in place within the Company to address risks relating to credit, market, liquidity and operations. In addition to the industry best practices for assessing, identifying and measuring risks, the Company also considers guidelines for managing core risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and DFIM Circular No. 03 dated 24 January 2016.

Credit risk

To encounter and mitigate credit risk, the company employed Multilayer approval process, policy for customers maximum asset exposure limit, mandatory search for credit report from Credit Information Bureau, looking into payment performance of customer before financing, annual review of clients, adequate insurance coverage for funded assets, vigorous monitoring and follow up by special assets management team, strong follow up of compliance of credit policies by internal audit department, taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, regular review of market situation and industry exposure etc.

Market risk

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. To encounter market risk we are negotiating for facilities that match the maturity structure with ideal interest rate, maintaining a balanced diversification in investments and maintaining prudent provisioning policies. The Company has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating.



Liquidity Risk

Liquidity risk arises when a company is unable to meet the short term obligation to its lenders and stakeholders. This arises from the adverse mismatch of maturities of assets and liabilities. Liquidity requirements are managed on a day to day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements, anticipated funding requirements from operations, current liquidity positions, collections from financing, available sources of funds and risks and returns.

Operational Risk

Operational risk is the potential loss arising from a breakdown in company's systems and procedures, internal control, compliance requirements or corporate governance practices that results in human error, fraud, failure, damage of reputations, delay to perform or compromise of the company's interests by employees. Appropriate internal control measures are in place, at the Company, to address operational risks. The Company has also established an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk.

Money Laundering and Terrorist Financing Risk

In DBH, money laundering and terrorist financing risk takes two broad dimensions:

- i) Business risk i.e. the risk that DBH may be used for money laundering or terrorism financing &
- ii) Regulatory risk i.e. the risk that DBH fails to meet regulatory obligations under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (amended in 2013).

DBH adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU) and put in place a strict compliance program consisting of the following components to mitigate above risk:

- a) Development and implementation of internal policies, procedures and controls to identify and report instances of money laundering and terrorist financing;
- b) Creation of structure and sub-structure within the organisation, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;
- c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;
- d) Independent testing procedures carried out by internal audit function to ensure effectiveness of AML/CFT program.
- e) Ongoing employee training programs.

Additional risks required to be addressed under new regulatory requirements

The Integrated Risk Management Guidelines for Financial Institutions which was issued by DFIM through Circular No. 03 dated 24 January, 2016 explains a number of following additional risks that financial institutions are now required to address to cover all the major aspects of risks which may arise at any point of time.

Strategic Risk

Strategic risk means the current or prospective risk to earnings and capital arising from imperfection in business strategy formulation, inefficiencies in implementing business strategy, less adaptability with the changes in the business environment and adverse business decisions. Strategic risk induces operational loss that consequentially hampers the capital base. Major roles of the board of the directors, senior management and business units in managing strategic risks, steps to be followed in the strategic risk management process and also measures for strategic risk control are explained in the guidelines.

Since its inception, DBH has been managing strategic risks which are evident from the dynamic business model of the company over the years. Major organizational units are assigned to address the major strategic risks aspects with a view to minimize the negative impact of those risks.



Compliance Risk

Compliance risk is the risk of legal sanctions, material financial loss, or loss to reputation the FI may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best/good practice. Compliance risk is sometimes also referred to as integrity risk, because a FI's reputation is closely connected with its adherence to principles of integrity and fair dealing.

The guidelines set out the respective roles of the board, senior management and compliance function units in managing compliance risks and the FI's board of directors is responsible for overseeing the management of the FI's compliance risk. The board should establish a compliance function and approve the FI's policies and processes. The Board discharges its responsibilities itself and through delegation of authorities to Executive Committee, Audit Committee and Risk Management Committee of the Board. The Compliance department of DBH is responsible for assessing compliance risk in relation to institutional matters such as governance, best practices and corporate social responsibility.

The objective is to identify any compliance risks at an early stage that may undermine the integrity and the success of DBH and to mitigate the risks in most appropriate way.

Reputation Risk

Reputational risk is defined as the risk of losses, falling business volume or income as well as reduced value of the company arising from business events that may reduce the confidence of the customers & clients, shareholders, investors, counterparties, business partners, credit rating agencies, regulators and general public on DBH.

The guidelines explain the roles of the Board and senior management in managing reputation risk. The management ensures that DBH is aware of any changes in market perceptions as soon as possible. Accordingly, all business policies and transactions are subjected to careful consideration. DBH takes necessary precautions to avoid business policies and transactions that may result in significant tax, legal or environmental risks. Reputational risk is also factored into major credit decisions that may lead to credit proposal being declined.

Environmental and Social Risk

Environmental risk is a facilitating element of credit risk arising from environmental issues. DBH uses Environmental Risk Rating (EnvRR) while financing to new projects. Company is making its credit appraisal process to be much more stringent from an Environment and Social (E&S) perspective – evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to approving a loan.

2.29 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.



	30 June 2016 Taka	30 June 2015 Taka
3 Cash		
3.1 Cash in hand		
Local Currency	73,760	69,383
Foreign Currency	-	-
	<u>73,760</u>	<u>69,383</u>
3.2 Balance with Bangladesh Bank and its' agents		
Bangladesh Bank:		
Local Currency	537,725,609	540,190,951
Foreign Currency	161,291	159,694
	<u>537,886,900</u>	<u>540,350,645</u>
Balance with Sonali Bank being an agent of Bangladesh Bank	146,750	33,018
	<u>538,033,650</u>	<u>540,383,663</u>
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.		
3.3.1 Cash Reserve Requirement (CRR)		
Required reserve	530,797,513	520,599,322
Actual average reserve maintained	544,825,445	540,717,512
Surplus/(deficit)	<u>14,027,932</u>	<u>20,118,189</u>
3.3.2 Statutory Liquidity Reserve (SLR)		
Required reserve (including CRR)	1,117,748,863	1,113,600,439
Actual reserve maintained (including CRR note -3.3.1)	1,817,686,060	1,723,104,576
Surplus/(deficit)	<u>699,937,197</u>	<u>609,504,138</u>
4 Balance with other banks and financial institutions		
In Bangladesh (Note 4.1)	5,862,512,234	5,332,811,224
Outside Bangladesh	-	-
	<u>5,862,512,234</u>	<u>5,332,811,224</u>
4.1 In Bangladesh		
Current deposits	81,180,884	52,551,187
Short-term deposits	31,331,350	30,260,037
Fixed deposits	5,750,000,000	5,250,000,000
	<u>5,862,512,234</u>	<u>5,332,811,224</u>
4.2 Maturity grouping of balance with other banks and financial institutions		
Payable on demand	81,180,884	52,551,187
Up to 1 month	831,331,350	480,260,037
Over 1 month but not more than 3 months	3,700,000,000	3,850,000,000
Over 3 month but not more than 6 months	1,250,000,000	950,000,000
Over 6 month but not more than 1 year	-	-
Over 1 year but not more than 5 year	-	-
Over 5 years	-	-
	<u>5,862,512,234</u>	<u>5,332,811,224</u>



	30 June 2016 Taka	30 June 2015 Taka
5 Money at call on short notice	-	-
6 Investments		
Government securities:	1,085,379	-
Other investments:		
Non marketable securities (Note-6.1)	11,999,500	11,999,500
Preference Share	90,000,000	50,000,000
Commercial Paper	50,000,000	-
Investment in Peninsula AMCL Unit Fund	2,500,000	-
Marketable securities (Note-6.2)	272,111,351	302,409,864
	426,610,851	364,409,364
Total	427,696,230	364,409,364

6.1 Investment in non marketable securities

	No. of shares		
Bangladesh Rating Agencies Ltd.	24,995	2,499,500	2,499,500
Energyprima Ltd. (Pre-IPO shares)	100,000	9,500,000	9,500,000
		11,999,500	11,999,500

6.2 Investment in marketable securities

<u>Sectors</u>	Market price 2015-2016 Taka	Cost price	Cost price
Bank	1,952,484	2,108,376	3,640,039
Financial Institutions	-	-	175,000
Engineering	12,953,200	16,780,606	20,214,020
Fuel & Power	10,108,237	14,024,814	16,527,850
Insurance	-	-	19,511,271
Mutual Funds	125,800,000	209,742,081	209,742,081
Food & Allied	-	-	2,907,764
Pharmaceuticals & Chemicals	18,267,404	16,883,126	10,982,774
Services and Real Estate	1,846,000	1,919,943	3,820,068
Telecommunication	5,094,000	5,687,459	960,634
Cement	2,256,310	2,410,774	852,991
Ceramics Sector	-	-	763,604
Textile	1,484,911	1,628,595	12,311,769
IT Sector	892,000	925,577	-
	180,654,546	272,111,351	302,409,864

All investment in marketable securities are valued on an aggregate portfolio basis except DBH First Mutual Fund and Green Delta Mutual Fund. Mutual Funds have been valued at 85% of latest published NAV available as on June 30, 2016. As on June 30, 2016 there was TK.27,995,806 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 2016 (last trading date was June 30, 2016).

6.3 Maturity grouping of investments:

On demand	246,646,538	282,409,864
Upto 1 month	-	-
Over 1 month but not more than 3 months	-	-
Over 3 month but not more than 6 months	67,464,813	9,500,000
Over 6 month but not more than 1 year	20,000,000	10,000,000
Over 1 year but not more than 5 year	91,085,379	60,000,000
Over 5 years	2,499,500	2,499,500
	427,696,230	364,409,364



	30 June 2016 Taka	30 June 2015 Taka
7 Loans and advances		
<i>Inside Bangladesh</i>		
Housing Loan - secured	33,197,272,277	28,810,637,123
Installment Receivable - Housing Loan	93,951,367	104,598,044
Staff loan	117,177,501	125,302,400
Loan against Deposits	170,202,616	207,761,760
	33,578,603,761	29,248,299,327
<i>Outside Bangladesh</i>	-	-
	33,578,603,761	29,248,299,327
7.1 Maturity grouping of loans and advances		
Repayable on demand	93,951,367	104,598,044
Not more than 3 months	1,991,858,590	1,492,863,629
Over 3 month but not more than 1 years	5,258,809,313	3,942,737,737
Over 1 year but not more than 5 year	17,305,756,072	13,802,640,495
Over 5 years	8,928,228,419	9,905,459,422
	33,578,603,761	29,248,299,327
7.2		
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	11,126,923	11,819,652
d) Loans and advances to customer group:		
i) Housing loan - customer	33,291,223,644	28,915,235,167
ii) Staff loan-housing & others	106,050,578	113,482,748
iii) Loan to depositors	170,202,616	207,761,760
	33,578,603,761	29,248,299,327
e) Details of loan and advances industry-wise		
i) Housing Finance/ Real Estate	33,397,096,893	29,029,650,501
ii) Others	181,506,868	218,648,826
	33,578,603,761	29,248,299,327
7.3 Loans and advances - geographical location-wise		
<i>Inside Bangladesh</i>		
Urban		
Dhaka	31,029,731,233	26,864,838,332
Chittagong	2,373,804,247	2,226,542,265
Sylhet	175,068,281	156,918,730
	33,578,603,761	29,248,299,327
<i>Outside Bangladesh:</i>	-	-
	33,578,603,761	29,248,299,327
7.4 Details of large loans and advances		
There were no clients with outstanding amount and classified loans/advances exceeding 15% of total capital of the institution.		
7.5 Particulars of Loans and advances		
i) Loans and advances considered good in respect of which the financial institution is fully secured.	33,575,313,766	29,243,431,701
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.	3,289,995	4,867,626
iv) Loan and advances adversely classified: for which no provision is created.	-	-
	33,578,603,761	29,248,299,327



	30 June 2016 Taka	30 June 2015 Taka
v) Loans and advances due by directors and officers of the financial institution or any of them either separately or jointly with any other persons.	119,472,027	129,465,584
vi) Loans and advances due by companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in case of private companies, as members.	-	-
vii) Maximum total amount of advances including temporary advances made at any time during the period to director, managers or officers of the financial institution or any of them either separately or jointly with any other person.	132,126,066	130,240,167
viii) Maximum total amount of advances, including temporary advances, granted during the period to companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in the case of private companies as members.	-	-
ix) Due from other bank and financial institutions	-	-
x) Information in respect of classified loans and advances		
a) Classified loans for which interest/ profit not credited to income		
i) Increase/(decrease) of provision (specific)	43,528,631	205,276,920
ii) Amount of written off debt against fully provided debts	-	-
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	53,048,942	49,111,034
c) Amount of interest creditable to interest suspense account	42,314,134	39,621,245
xi) Cumulative amount of written off loans and advances		
Opening Balance	4,864,006	4,941,646
Amount written off during the year	-	424,743
Amount recovered against loans and advances previously written off	-	502,383
Balance of written off loans and advances yet to be recovered	4,864,006	4,864,006
The amount of written off loans, advances and leases for which law suits have been filed	4,941,646	4,941,646

7.6 Classification of loans and advances

Unclassified:

Standard (including Staff Loan and Loan against Deposits)	33,451,039,294	29,122,019,094
Special mention account (SMA)	15,014,761	38,604,063
	33,466,054,055	29,160,623,157

Classified

Sub-standard	41,149,850	7,240,783
Doubtful	18,350,914	31,324,353
Bad/loss	53,048,942	49,111,034
	112,549,706	87,676,170
	33,578,603,761	29,248,299,327

7.7 Calculation of provision for loans and advances as per Loan Classification Report as on June 30, 2016.

Nature	Base for provision	Rate (%)	Provision required
Standard	33,163,659,177	1	331,636,592
Special mentioned account	13,403,498	5	670,175
Sub- standard	5,065,359	20	1,013,072
Doubtful	-	50	-
Bad	8,178,488	100	8,178,488
Staff - standard	117,177,501	1	1,171,775
Loan against deposit - standard	170,202,616	1	1,702,026



	30 June 2016 Taka	30 June 2015 Taka
8 Fixed assets including land, building, furniture and equipments:		
<i>Freehold assets (Cost):</i>		
Furniture & fixture	45,955,381	40,718,496
Office equipment	56,884,997	52,169,990
Vehicles	36,777,629	18,187,079
Building	90,782,563	85,283,922
Land	12,092,849	10,851,357
Intangible asset	3,834,359	1,675,730
	<u>246,327,778</u>	<u>208,886,574</u>
Less: Accumulated depreciation	97,805,368	92,930,518
	<u>148,522,410</u>	<u>115,956,056</u>
Detailed are shown in annexure A.		
9 Other assets		
Accounts receivable (Note-9.1)	73,938,737	62,170,143
Advances, deposits and prepayments (Note-9.2)	46,536,345	11,665,563
Deferred tax assets (Note-9.3)	6,312,952	8,483,276
Stamps and pay order in hand	2,285,856	2,313,819
	<u>129,073,890</u>	<u>84,632,801</u>
9.1 Account receivables		
Interest receivable	56,795,241	56,664,248
Dividend receivable	2,562,367	2,241,692
Sundry receivable	14,581,129	3,264,203
	<u>73,938,737</u>	<u>62,170,143</u>
9.2 Advances, deposits and prepayments		
Advance to employees	618,505	286,805
Advance to suppliers	112,000	4,722,917
Advance against office premises	38,984,788	-
Security deposits	3,096,000	3,096,000
Prepaid expenses	1,685,980	259,854
Advance rent	2,039,072	3,299,987
	<u>46,536,345</u>	<u>11,665,563</u>
9.3 Deferred tax assets		
Balance as on July 1	8,483,276	10,965,207
Add: Addition during the year (note-9.3 a)	(2,170,324)	(2,481,931)
	<u>6,312,952</u>	<u>8,483,276</u>
9.3 a Calculation of deferred tax		
Carrying amount of Fixed Assets(excluding land)	125,607,093	103,568,765
Tax base value of Fixed Assets	131,197,625	116,371,030
Deductible temporary difference	5,590,532	12,802,265
Applicable tax rate	40%	40%
i) Deferred tax assets on fixed assets	2,236,213	5,120,906
Carrying amount-Loss on sale of securities	40,767,387	33,623,695
Tax base	-	-
Deductible temporary difference	40,767,387	33,623,695
Applicable tax rate	10%	10%
ii) Deferred tax assets on loss on sale of securities	4,076,739	3,362,370
Total deferred tax assets (i+ ii)	6,312,952	8,483,276
Deferred tax (liability)/assets at the beginning of the year	8,483,276	10,965,207
Deferred tax income/(Expense)	<u>(2,170,324)</u>	<u>(2,481,931)</u>



	30 June 2016 Taka	30 June 2015 Taka
10 Borrowing from other banks and financial institutions		
Inside Bangladesh (Note 10.1)	6,064,558,839	5,002,857,195
Outside Bangladesh (Note 10.2)	31,333,333	305,650,000
	6,095,892,172	5,308,507,195
10.1 Inside Bangladesh		
a Secured Short-term & long-term loans		
Pubali Bank Limited	1,450,000,000	750,000,000
Citi Bank, NA	200,000,000	200,000,000
Commercial Bank of Ceylon plc	406,380,000	96,460,000
	2,056,380,000	1,046,460,000
b Unsecured long-term loan		
Bangladesh Bank (housing refinance)	2,908,026,031	3,187,238,345
	2,908,026,031	3,187,238,345
c Bank overdraft		
Commercial Bank of Ceylon plc	12,992,757	270,002,757
Citi Bank N.A	23,909,918	23,162,677
HSBC	-	5,145,802
Standard Chartered Bank		75,418,089
Standard Bank Ltd.	229,145,145	45,332,422
Midland Bank Ltd.	-	10,076,389
Social Islami Bank Ltd.	250,065,972	-
Pubali Bank Ltd	14,039,016	-
South Bangla Agriculture & Commerce Bank Ltd	-	974
NRB Bank	-	19,740
	530,152,808	429,158,850
d Call loans		
United Commercial Bank Ltd.	-	40,000,000
Dutch Bangla Bank Ltd.	-	50,000,000
Pubali Bank Ltd.	-	40,000,000
Mutual Trust Bank Ltd.	-	60,000,000
Sonali Bank Ltd.	100,000,000	50,000,000
Agrani Bank Ltd.	110,000,000	-
A B Bank	110,000,000	-
Janata Bank Ltd.	80,000,000	50,000,000
Basic Bank Ltd.	170,000,000	50,000,000
	570,000,000	340,000,000
Total inside Bangladesh(a+b+c+d)	6,064,558,839	5,002,857,195
10.2 Outside Bangladesh		
Netherlands Development Finance Company (FMO)	31,333,333	94,000,000
Triodos	-	211,650,000
	31,333,333	305,650,000



	30 June 2016 Taka	30 June 2015 Taka
10.3 Security against borrowings from other banks and financial institutions		
Secured	2,617,866,141	1,781,268,850
Unsecured	3,478,026,031	3,527,238,345
	6,095,892,172	5,308,507,195
The aforesaid secured short term & long term loans (10.1 a) except Citi Bank NA, loans from outside Bangladesh(10.2) and overdraft from Commercial Bank of Ceylon (CBC) and Pubali Bank Ltd are secured by first charge on company's all present and future movable and immovable assets including book debts ranking pari-passu security charges with other lenders of the company. Bank overdraft except overdraft from CBC and Pubali Bak Ltd are secured by FDR. Short-term loan (10.1 a) from Citi Bank NA is secured by FDR.		
10.4 Maturity grouping of borrowings from other banks and financial institutions		
Payable on demand	570,000,000	340,000,000
Up to 1 month	18,191,946	18,191,946
Over 1 month but within 3 months	392,926,173	193,133,912
Over 3 months but within 1 year	2,262,068,238	1,311,882,260
Over 1 year but within 5 years	1,260,743,363	1,612,749,284
Over 5 years	1,591,962,451	1,832,549,793
	6,095,892,171	5,308,507,195
11 Deposits and other accounts		
Fixed deposits (Note: 11.1)	28,727,974,768	24,703,115,270
11.1 Fixed deposits		
Balance as on 01 July	24,703,115,270	21,549,503,042
Addition during the year	59,376,510,724	43,031,208,580
	84,079,625,994	64,580,711,622
Repayment made during the year	55,351,651,226	39,877,596,352
Balance as at 30 June	28,727,974,768	24,703,115,270
11.2 Group-wise break-up of deposits and others accounts		
Government	-	-
Bank	6,700,000,000	3,400,000,000
Other institutions	9,501,853,574	9,479,057,032
Individuals	12,526,121,194	11,824,058,238
	28,727,974,768	24,703,115,270
11.3 Maturity analysis of deposits		
Payable on demand	-	-
Up to 1 month	771,023,990	1,172,407,040
Over 1 month but within 6 months	8,688,589,335	6,340,500,055
Over 6 months but within 1 year	860,211,019	1,781,058,829
Over 1 year but within 5 years	140,278,226	380,456,561
Over 5 years but within 10 years	14,509,214,980	12,737,460,303
Over 10 years	3,758,657,218	2,291,232,482
	28,727,974,768	24,703,115,270
12 Other liabilities		
Provision for loans & investment (Note: 12.1)	1,111,784,023	1,053,538,105
Provision for income tax (Note: 12.2)	86,624,060	41,774,361
Interest suspense (Note: 12.3)	42,314,134	39,621,245
Other payables (Note:12.4)	1,011,175,384	1,369,089,226
	2,251,897,601	2,504,022,937



	30 June 2016 Taka	30 June 2015 Taka
12.1 Provision for loans and investment		
Balance as on July 1	1,053,538,105	874,886,032
Provision written off	-	(218,068)
Provision recovered for the year	-	-
Provision charged for the year	58,245,918	178,367,758
Provision recovered for the year	-	-
Recoveries of amounts previously written off	-	502,383
Balance as on 30 June	1,111,784,023	1,053,538,105
12.1.1 General provision		
Balance as on July 1	292,892,146	269,288,753
Charged during the year	42,288,422	23,603,393
Balance as on 30 June	335,180,568	292,892,146
12.1.2 Specific provision		
Balance as on July 1	702,579,518	497,018,283
Provision written off	-	(218,068)
Provision recovered during the year	-	-
Provision charged for the year	43,528,631	205,276,920
Provision no longer required written back.	-	-
Recoveries of amounts previously written off	-	502,383
Balance as on 30 June	746,108,149	702,579,518
12.1.3 Provision on loans and advances		
General Provision charged during the year	42,288,422	23,603,393
Specific Provision charged during the year	43,528,631	205,276,920
	85,817,053	228,880,313
12.1.4 Provision for diminutions in the value of investments		
Balance as on July 1	58,066,441	108,578,996
Provision during the year	(27,571,135)	(50,512,555)
Balance as on 30 June	30,495,306	58,066,441
12.2 Provision for income tax including deferred tax		
Balance as on July 1	41,774,361	170,118,829
Addition during the year (Current tax)	606,419,209	571,656,355
Tax paid	(561,569,510)	(700,000,823)
	86,624,060	41,774,361
Deferred tax liability	-	-
Balance as on June 30	86,624,060	41,774,361
12.3 Interest suspense		
Balance as on July 1	39,621,245	33,697,414
Interest suspended during the year	2,692,889	6,130,506
Written off suspended interest during the year	-	(206,675)
	42,314,134	39,621,245



30 June 2016 Taka	30 June 2015 Taka
757,859,819	1,165,902,196
88,455,059	72,648,767
27,784,993	25,547,407
71,372,613	55,532,993
2,750,600	9,004,311
60,486,256	38,576,469
2,466,044	1,877,083
1,011,175,384	1,369,089,226

12.4 Other payables

Interest payable on deposit & loans
Sundry creditors
Unclaimed instruments
Payable to clients
Loan under litigation
Privileged creditors
Liability for expenses

13 Share capital

13.1 Authorized capital

199,950,000 Ordinary shares of Tk. 10 each
5,000 Preference shares of Tk. 100 each

1,999,500,000	1,999,500,000
500,000	500,000
2,000,000,000	2,000,000,000

13.2 Issued, subscribed, called and paid -up capital

Ordinary shares

116,049,375 Ordinary shares Taka 10 each on 1st July
(2014-15: 116,049,375 Ordinary shares Taka 10 each)

1,160,493,750	1,160,493,750
1,160,493,750	1,160,493,750

13.3 Capital of the Company is held by the following shareholders

Ordinary shares

Local shareholders:

BRAC

Delta Life Insurance Company Ltd

Green Delta Insurance Company Ltd

General shareholders

Foreign shareholders:

HDFC Investments Ltd (HIL), India

International Finance Corporation

General shareholders

2015-2016	
No of shares	Taka
21,339,630	213,396,300
20,456,500	204,565,000
17,761,727	177,617,270
15,032,494	150,324,940
74,590,351	745,903,510
11,483,801	114,838,010
10,393,823	103,938,230
19,581,400	195,814,000
41,459,024	414,590,240
116,049,375	1,160,493,750

13.4 Capital adequacy ratio - As per BASEL-II

1. Tier-1 (Core Capital)

- 1.1 Fully Paid-up Capital/Capital Deposited with BB
- 1.2 Statutory Reserve
- 1.3 Non-repayable Share premium account
- 1.4 General Reserve
- 1.5 Retained Earnings
- 1.6 Minority interest in Subsidiaries
- 1.7 Non-Cumulative irredeemable Preferences shares
- 1.8 Dividend Equalization Account
- 1.9 Others (if any item approved by Bangladesh Bank)
- 1.10 Sub-Total (1.1 to 1.9)

1,160,493,750	1,160,493,750
969,121,267	811,924,646
55,000,000	55,000,000
808,040,000	608,040,000
416,096,377	361,958,020
-	-
-	-
200,000,000	173,500,000
-	-
3,608,751,394	3,170,916,416



30 June 2016 Taka	30 June 2015 Taka
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Deductions from Tier-1 (Core Capital)

1.11	Book value of Goodwill and value of any contingent assets which are shown as assets	-	-
1.12	Shortfall in provisions required against classified assets	-	-
1.13	Shortfall in provisions required against investment in shares	-	-
1.14	Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities.	-	-
1.15	Any investment exceeding the approved limit.	-	-
1.16	Investments in subsidiaries which are not consolidated	-	-
1.17	Increase in equity capital resulting from a securitization exposure	-	-
1.18	Other (if any)	-	-
1.19	Sub Total (1.11-1.18)	-	-
1.20	Total Eligible Tier-1 Capital (1.10-1.19)	3,608,751,394	3,170,916,416

2 .Tier-2 (Supplementary Capital)

2.1	General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	233,848,234	208,258,100
2.2	Assets Revaluation Reserves up to 50%	-	-
2.3	Revaluation Reserve for Securities up to 45%	-	-
2.4	Revaluation reserve for equity instrument up to 10%	-	-
2.5	All other preference shares	-	-
2.6	Other (if any item approved by Bangladesh Bank)	-	-
2.7	Sub-Total (2.1 to 2. 6)	233,848,234	208,258,100
2.8	Applicable Deductions if any	-	-
2.9	Total Eligible Tier-2 Capital (2.7-2.8)	233,848,234	208,258,100

Total capital

Total risk weighted assets	21,750,496,888	19,432,276,186
Required capital based on risk weighted assets(10%)	2,175,049,689	1,943,227,619
Surplus	1,667,549,939	1,435,946,897
Capital Adequacy Ratio:		
On core capital	16.59%	16.32%
On actual capital (against standard of minimum 10%)	17.67%	17.39%
Supplementary Capital to risk weighted assets	1.08%	1.07%

14 Share premium account

Ordinary shares	55,000,000	55,000,000
	55,000,000	55,000,000

15 Statutory reserve

Balance as on July 1	811,924,646	674,873,901
Add: addition during the year (20% of profit after tax)	157,196,621	137,050,745
Balance as on June 30	969,121,267	811,924,646

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



	30 June 2016 Taka	30 June 2015 Taka
16 Other reserves		
Contingency Reserve (Note 16.1)	800,000,000	600,000,000
General Reserve (Note 16.2)	8,000,000	8,000,000
Dividend equalization reserve (Note 16.3)	200,000,000	173,500,000
Capital redemption reserve	40,000	40,000
	1,008,040,000	781,540,000

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	600,000,000	400,000,000
Add: addition during the year	200,000,000	200,000,000
Balance at 30 June	800,000,000	600,000,000

16.2 General reserve

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

16.3 Dividend equalization reserve

Balance as on July 1	173,500,000	160,000,000
Add: addition during the year	26,500,000	13,500,000
Balance at 30 June	200,000,000	173,500,000

17 Business commitments and contingencies

17.1 Contingent liabilities	16,739,437	16,739,437
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The said amount claimed by the tax authority for the assessment year 2004-05 and 2005-06 assessed by disallowing statutory reserve 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	496,672,133	404,305,000
Bank borrowing commitments outstanding	-	-

17.3 Capital expenditure commitments

a) Contracted and incurred but not provided for in the accounts	Nil	Nil
b) Approved by the Board but not contracted for	Nil	Nil

17.4 Unacknowledged debts

The Company had no claim, legal or other against it, which has not been acknowledged as debt at the balance sheet date.



	01 July 2015 to 30 June 2016 Taka	01 July 2014 to 30 June 2015 Taka
18 Interest income		
Interest on loans	3,789,838,912	3,877,136,464
Interest on placement with other banks & BB FX deposits	532,638,970	546,287,784
Interest on short term investment	1,227,083	-
	4,323,704,965	4,423,424,248
19 Interest on deposits and borrowing		
Interest on term loans	237,636,972	323,728,869
Interest on deposits	2,301,218,101	2,307,841,081
Interest on short-term borrowing	88,097,499	147,832,188
Interest on overdraft	9,421,823	5,891,183
	2,636,374,395	2,785,293,321
20 Income from investments		
Gain/(loss) on sale of marketable securities	(7,143,692)	1,741,909
Dividend income	17,416,417	11,244,900
Interest on Treasury Bond	38,689	-
	10,311,414	12,986,809
21 Commission, exchange and brokerage		
Loan fees	85,960,530	67,702,146
Other charges and fees	46,962,526	36,688,470
	132,923,056	104,390,616
22 Other operating income		
Property service income	4,189,627	5,529,161
Gain /(Loss) on sale of fixed assets	3,251,481	-
Grant from IFC	2,317,500	6,930,000
Miscellaneous income	10,611,895	15,569,405
	20,370,503	28,028,566
23 Salary and allowances	262,046,454	228,428,656
Salary and allowances include annual contribution of Tk. 7,164,189 (2014-15: Tk.6,634,674) to provident fund and Tk. 7,032,413 (2014-15: Tk.23,597,597) to gratuity fund.		
24 Rent, taxes, insurance, electricity, etc		
Rent, rates & taxes	34,622,038	28,772,137
Insurance	1,746,647	2,165,414
Electricity	5,248,012	4,599,556
Water	366,488	380,992
	41,983,185	35,918,099
25 Legal and professional expenses		
Law charges	1,031,583	613,071
Other professional charges	485,500	778,806
	1,517,083	1,391,877



	01 July 2015 to 30 June 2016 Taka	01 July 2014 to 30 June 2015 Taka
26 Postage, stamps, telecommunication, etc.		
Postage & courier service	1,098,674	945,103
Stamp expenses	2,657,009	2,196,337
Telephone & internet	2,872,438	2,904,125
	6,628,121	6,045,565
27 Stationery, printing, advertisements, etc.		
Printing	1,832,627	2,239,549
Stationery	1,603,542	1,374,864
Publicity and advertisement	7,627,742	4,945,635
	11,063,911	8,560,048
28 Directors' fees and expenses		
Fees for attending meeting	422,000	255,000
Incidental meeting expenses	897,084	566,241
	1,319,084	821,241
29 Statutory annual audit fees (including VAT)		
	301,875	287,500
	301,875	287,500
30 Depreciation, repairs & maintenance		
Freehold assets	17,013,638	13,150,853
Intangible assets	263,419	153,108
	17,277,057	13,303,961
<u>Repairs & Maintenance</u>		
Vehicle	1,759,601	1,382,385
Office equipment & premises	5,719,726	4,473,836
Computer hardware & software	4,182,221	3,105,895
	11,661,548	8,962,116
	28,938,605	22,266,077
31 Other expenses		
Staff training & recruitment expense	733,528	587,573
Office security	2,447,548	2,368,110
Transportation, traveling & conveyance	13,288,295	11,373,241
Canteen expense	3,037,991	1,430,027
Business promotion & entertainment	856,794	855,709
Car fuel	2,018,171	1,677,339
Books and papers	78,091	77,766
Bank charges	3,628,602	2,501,717
Loss sale of fixed assets	-	52,965
Donation, subscription and Fees	2,979,093	2,006,275
Public relation & AGM expense	464,433	523,324
Outsource agency charges	2,169,110	5,081,125
Brokerage	447,015	627,706
Staff welfare expense	110,000	165,210
	32,258,671	29,328,087



	01 July 2015 to 30 June 2016 Taka	01 July 2014 to 30 June 2015 Taka
32 Retained earnings		
Balance as on July 01	361,958,020	317,378,479
Add: Profit after tax for the year transferred from Profit & Loss Account	785,983,103	685,253,724
Accumulated profit available for distribution	1,147,941,123	1,002,632,203
Less: Appropriations		
Transferred to statutory reserve	157,196,621	137,050,745
Transferred to contingency reserve	200,000,000	200,000,000
Transferred to dividend equalization reserve	26,500,000	13,500,000
Cash dividend paid for last year	348,148,125	290,123,438
	731,844,746	640,674,183
Balance as on June 30	416,096,377	361,958,020

33 Earnings per share		
Profit after Tax	785,983,103	685,253,724
Profit available for ordinary shareholders	785,983,103	685,253,724
Number of shares outstanding for calculating basic EPS	116,049,375	116,049,375
Basic earnings per share	6.77	5.90

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 ordinary shares

a) Proposed dividend:

The Board of Directors in its 89th meeting held on September 01, 2016 has recommended cash dividend @ 30% i.e. Taka 3.00 per ordinary share and stock dividend @ 5% (i.e. one bonus share for every twenty ordinary shares held) for the year ended 30 June 2016 for placement before the shareholders for approval at 20th AGM of the company.

b) Dividend to non -resident shareholders:

The Company's non resident shareholders as on 30 June 2016 include two foreign investors (International Finance Corporation and HDFC Investments Ltd, India) holding total 21,877,624 shares (2014-15 - 28,367,602). The shareholders in its 19th AGM approved 30% cash dividend for the year ended 30 June 2015. Cash dividend Tk. 85,102,806/- remitted duly after deduction of tax applicable as per law to the non resident shareholders during the year under review.

35 Foreign currency inward/outward remittance

Name of the Organization	Currency	Particulars	Amount in FC	Amount in Tk.
FMO	BDT	Principal		62,666,667
FMO	BDT	Interest	-	7,901,771
Triodos	BDT	Principal		211,650,000
Triodos	BDT	Interest	-	18,370,872
Singapore Institute of Management	SGD	Membership & training fees	134	9,263
HDFC	USD	Training	2,573	205,518
Inward remittance				
International Finance Corporation (IFC)	BDT	Grant		2,317,500



36 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	892,113
Green Delta Insurance Company Limited	Do	Insurance premium	854,534

Name of the related parties	Relationship	Particulars	Received during the year Taka
International Finance Corporation (IFC)	Shareholder	Grant	2,317,500

37 Number of employees

During the year under audit, there were 174 (2014-2015: 162) employees employed for the full period and 47 (2014-2015: 52) employees for less than full period at a remuneration of Taka 3,000 and above per month.



38. General Disclosure

38.1 Name of Directors and entities in which they have interest as Director as at 30 June 2016:

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
		Green Delta Capital Ltd.	Chairman
		GD Assist Ltd.	Chairman
Mr. A Z Mohammad Hossain	Director	Chandra Spinning Mills Ltd	Managing Director
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
Ms. Adeeba Rahman, ACII- Life	Director	Delta Life Insurance Company Ltd.	Additional Managing Director
Dr. A M R Chowdhury	Director	BRAC	Vice Chairperson
Mr. M I Chowdhury	Independent Director	Social Development Foundation(SDF)	Chairman
		Rajdhani Mohila College	Chairman, Managing Committee
Dr. A K A Mubin	Independent Director	National Tea Company	Chairman
		Doer	Chairman
		National Credit Rating	Board Member
		Peninsula Asset Management Company Limited.	Chairman



38.2 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. M I Chowdhury Mr. Faruq A. Choudhury	Independent Director Chairman	Chairman Member	MA 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 2015 to June 2016, the audit committee of the Board conducted 4 (four) meetings.

SI No	Meeting No	Meeting Date
1	31st	29/09/2015
2	32nd	11/11/2015
3	33rd	26/01/2016
4	34th	24/04/2016

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.

38.3 Events after the Balance Sheet date

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

38.4 Comparative information

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



