

# 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 2015.

## Bangladesh Economy

Despite being challenged by political instability, weak global markets and structural constraints, the overall economic growth of Bangladesh has carried on its track in the fiscal year 2014-15. The fiscal year ended with quite a few macroeconomic high points including lower inflation, declining interest rate, stable exchange rate, manageable fiscal deficit, positive balance of payments and augmented foreign exchange reserves.

On looking back, in the FY 14-15 Bangladesh has been able to maintain its journey towards achieving sustainable economic growth. According to the provisional estimate of Bangladesh Bureau of Statistics (BBS) Bangladesh's GDP has grown at a rate of 6.51 percent in the FY 14-15 which were 6.06 and 6.01 in the previous two years respectively. The GDP growth rate for FY 14-15 was 0.8 percentage point lower than the targeted 7.3 percent. Among the large contributing sectors in GDP, the industrial sector and service sector achieved higher growth rates than previous year and has grown at a rate of 9.60 percent and 5.83 percent respectively. On the contrary growth rate of agricultural sector has gone down to 3.04 percent from 4.37 percent in the previous fiscal year.

Annual average inflation has gradually decreased throughout the FY 14-15 and reached 6.40 percent in June 2015 from 7.3 percent in the previous year. On a point-to-point basis overall inflation in July 2014 was 7.04 percent and has reduced by 0.79

basis points to reach 6.25 percent in June 2015. However, while food inflation followed a declining trend, non-food inflation increased. With careful monitoring and guideline Bangladesh Bank has contained the inflation rate within the targeted 6.5 percent.

Exports rose by 3.35 percent year-on-year to USD 31.2 billion in FY 2015 from USD 30.19 billion in FY 2014. Exports have been riding on the slow lane for the majority of FY 14-15 period as garments exports, which makes up for the lion's share of Bangladesh's export earnings showed limited growth. Exporters also faced added difficulties in Euro zone, which accounts for close to 60% of the country's export earnings, as Euro zone growth remained sluggish and Euro depreciated by over 20 percent against the Bangladesh Taka (BDT) hurting price competitiveness. But from March this year, exports started picking up due to the apparel retailers' reinstatement of confidence in Bangladeshi garments industry after positive notes on workers safety standards by two foreign inspection agencies Accord and Alliance.

Imports grew by 12.20 percent to USD 37.23 billion during the first 11 months against USD 33.18 billion in the corresponding period of the previous fiscal year, whereas import settlements for July-May period amounted to USD 35.17 billion, up 3.81% from USD 33.88 billion for the same period of last fiscal year. Payment of import bills for fuel shrank due to slump in price in the international market. As per Central Bank reports, capital machinery and raw materials imports made up most of the rise in imports, which also indicates to rising investments and an expansion of production capacity in the near term.

Bangladesh has turned back the trend towards growing remittance and in the first nine months of FY 14-15 total remittance inflow stood at USD 15.31 billion. This was 7.60 percent higher than the

amount at the same time of last year. Trade deficit increased in FY 14-15 as compared to the previous year, due to increased foreign investment. Capital and financial account surplus increased and the Balance of Payment account maintained an overall surplus of USD 3.59 billion as of May 2015. This has also led to an increase in the Foreign Currency reserve in the fiscal year 2014-15. As on June 30, 2015 the foreign currency reserve stands at USD 25.02 billion which is enough to meet the import expenses of 7 months.

During the first four months of FY 15, BDT gained steadily against the US Dollar, with the pair trading at 77.40 at the end of September. In November and December, there was a hike in demand for the greenback backed by sluggish exports and large payments for petroleum products, capital machinery and government infrastructure projects when dollar jumped to trade at around 77.95 against Taka. From the beginning of January 2015, the FX market cooled down gradually as political unrest deterred import orders in the beginning months and exports and remittances also picked up in the following months. By the end of January, USD/BDT dropped to 77.80. USD/BDT traded unchanged at 77.80 from the end of January till the end of the fiscal year.

In FY 2014-15 the Dhaka Stock Exchange (DSE) improved both in terms of index value and trade volume. The number of listed companies and issued securities grew at a reasonable pace. At the end of June 2015, the number of listed securities at DSE stood at 555 which was 536 in June 2014. Market capitalization of DSE stood at BDT 3247.31 billion at June 30, 2015. DSEX Index increased by 2.29 percent on a year-on-year basis and closed the year on 4,583.11 points.

### **Performance of Financial Sector in 2014-15**

In FY 2014-15 the Central Bank maintained policy continuity in formulating and implementing inclusive and investment friendly monetary policy. The policy was aimed at achieving the desired level of growth while keeping inflation within a

tolerable limit. To stimulate growth by providing financial assistance to the productive sector was one of the key objectives of the monetary policy for the FY 2014-15. In the monetary policy for the second half of the FY 15 (Jan-Jun), the target was set to keep inflation rate at 6.5 percent, which was 7.35 percent in FY 13-14.

Due to the excess liquidity prevalent in the market, interest rates continued to decline throughout the year. In June 2015, weighted average deposit rate for scheduled banks has gone down to 6.80 percent from 7.79 percent in June 2014. On the other hand weighted average lending rates of scheduled banks also went down to 11.67 percent in June 2015, from 13.10 percent in June 2014. The interest rate spread also reduced to 4.87 percent in June 2015 from 5.31 percent during the same time previous year which indicate that market lending rates decreased more than the rates on deposits. Understandably, amidst ample liquidity the overnight rates were relatively low. Call money rate went up at the beginning of Q3FY15 and reached as high as 8.57 percent (weighted average). Subsequently it continued to decline for the rest of the FY and stood at 5.79 percent at the close of June 2015.

The ratio of non-performing loans (NPL), in both gross and net terms, increased at the end of Q3FY15 compared to the end of Q2FY15. Gross NPL went up from 9.7 percent at the end of Q2FY15 to 10.5 percent at the end of Q3FY15. The deterioration was across the board for all type of banks except FCBs, but particularly for SOCBs and specialized banks. Unstable macroeconomic conditions and the withdrawal of relaxation in the loan rescheduling standard might have contributed to the accumulation of higher reported non-performing loans. However when compared to previous year's closing figure, the concentration of NPLs among banks has decreased marginally, indicating a positive sign for the banking industry. The non-performing loan (NPL) ratio for NBFIs stood at 7 percent at the close of Q3FY15 compared to previous year's closing of 5.4 percent.

During Q3FY15, the capital adequacy ratio (CAR) for all banks remained unchanged from previous year's closing of 10.70 percent marginally surpassing the minimum regulatory requirement of 10 percent. On the other hand the capital adequacy ratio for the NBFIs decreased marginally from 21.2 percent of Q2FY15 and closed at 20.1 percent by the end of Q3FY15. Risk weighted assets (RWA) for the Banks & NBFIs stood at 6461.0 billion and 5116.5 billion respectively.

Among the profitability measures, both the return on assets (ROA) and return on equity (ROE) decreased by 0.06 and 3.1 percentage points at the end of Q3FY15 with respect to the position of the previous quarter, and reached the level of 0.64 and 5.6 percent respectively. For the NBFIs the ROA and ROE were 1.2 percent and 6.7 percent in the 3rd quarter of FY 15 which is a marked decrease from 2nd quarter results of 2.0 percent and 10.9 percent.

At the end of February in FY 2014-15 internal credit increased by 10.64 percent which was 11.78 percent during the same time period of previous year. Within this time period, credit in private sector grew by 13.61 percent while net credit in public sector had a negative growth of 4.58 percent. At the end of Q3FY15 total outstanding loans and advances of the banking industry stood at Taka 5,481.3 billion. The weighted average advance to deposit ratio (ADR) for all the banks was 70.5 percent at the end of March 2015 which again reflects the languid investment scenario prevailing in the economy.

Government security rates also fell, including long term bond yields. The rate of 30-day Bangladesh Bank bills decreased to 5.25 percent in June 2015 from 5.9 percent in June 2014. Overall yields on short term treasury bills e.g., 91-day decreased to 5.39 percent in June 2015, from 6.85 percent in June, 2014 and 182-day, 364-day treasury bills rates fell to 6.35 and 6.7 percent respectively at end of June, 2015 from 7.54 and 8.00 percent respectively at the end of June, 2014. Yields on long-term bonds such as 2-year, 5-year, 10-year,

15-year, 20-year BGTB also decreased to 8.5, 9.45, 10.82, 11.4 and 11.97 percent at the end of June 2015 from 8.80, 10.10, 11.67, 11.97 and 12.12 percent respectively in June, 2014.

Central Bank continued its reform activities this year with a core focus on ensuring financial stability and inclusion of the Banks, Non-bank Financial Institutions (NBFIs) and Micro Finance Institution (MFIs) operating in the market. It also increased its emphasis on increasing SME financing and women empowerment. The directive of BB to establish women entrepreneur help desk in every financial institution was an important step towards promoting women entrepreneurship. The Central Bank has also taken strong initiatives to prevent Money Laundering and Terrorist Financing by creating awareness about Anti Money Laundering and Combating Terrorist Finance.

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

The real estate sector is still going through the recovery stage from the setback it suffered in 2011. The sector had been performing well from 2004 to 2009 period in all aspects. The price started to increase sharply in 2009-10 due to huge influx of undisclosed money in the real estate sector, mostly derived from the capital market. After the crash of stock market in 2010-11, the real estate sector was severely affected in terms of expansion, development and turnover. The stagnant situation is continuing for almost four years now. The demand for real estate market is still very high, but the unstable and uncertain economic situation created by volatile political situation has downsized people's investment in country's real estate sector. Also the price level, though corrected in recent years by 20-25%, is still considered high for the middle income households. Interest rates of housing loans have come down significantly in recent months. Reduced price of flats coupled with lower level of interest rate on housing loan are making some customers interested to invest in property. But

the anticipation of further price correction and uncertainty about political situation are causing large group of these customers to hold back. Developers are offering lower package to the land owners in their quest to reduce the price of the apartments, but many land owners are not agreeing to their proposals, so number of new projects undertaken by the developers are still on the lower side. They are mostly involved in completing and selling the unsold apartments of the projects they have signed earlier and they are facing difficulty to match the prevailing market rate or the price the customers are willing to pay compared to the high consideration they paid to the landowners to take these projects.

The private real estate developers have a modest contribution to reduce demand and supply gap in national housing. In spite of inadequate policy support, these real estate developers have been doing their business by mainly catering to the upper and upper-middle income group, although the middle income and low income households are still untapped. With the largest segment of the population belonging to these income groups, the real estate business has a huge growth prospect in this country. But the development of affordable housing in our country is still in a nascent stage. Developers are citing lack of demand for not undertaking township projects outside the city area. Prospective buyers on the other hand are blaming lack of community services like good schools, colleges, hospitals, lack of proper transportation facilities for showing less interest to live outside the city area. Real estate market must be expanded to reduce the load on city centre areas. That will help the price to be established at a sustainable level which will be beneficial for the growth of real estate sector. But for that government initiatives are required to improve the connectivity of the outskirt areas with the city centre.

The Government took some measures to boost real estate sector but these seem to have failed to achieve any fruitful result. The activities of REHAB to redress and rejuvenate the slow moving

real estate sector leave much to be desired. The policies of Government, Central Bank need to be reviewed, analyzed and evaluated to make it more helpful for the real estate sector. The situation may not improve in coming months unless Government comes up with something for the sector like declaring it as productive sector, give customers incentive for investing in local property market, reducing registration cost, allocating land to developers under public-private partnership, reintroducing refinance scheme for housing loans for middle income group customers, particularly for first time buyers.

### Product wise Performance

#### • Performance of Home Loan Operations

The real estate sector has been suffering from sluggish growth for a couple of years now. Customers are yet to gain the lost confidence on the industry and as a result developers are finding it very difficult to dispatch their large inventory of unsold flats. The market is still going through a gradual price correction to bring real estate property within the reach of the middle income group. Factors like political uncertainty, lack of investment growth and poor standard of developers are affecting the growth of the industry negatively. Weak customer confidence is also forcing the prime customer group, the expatriate buyers, to invest in offshore real estates. As a result, the real estate companies have become cash strapped with thousands of unsold ready apartments in their hands which have given rise to soaring non-performing loans (NPL) for the banks investing in commercial real estate.

In light of such a scenario the performance of DBH Home Loan operations has been respectable. 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 8.19 percent to Taka 29.03 billion during the financial year

while keeping gross NPL ratio at the level of 0.30 percent only. During the year, the gross interest income from the housing finance portfolio stood at Taka 3,849.82 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 the Company has retained its position as the specialist housing financier with the largest market share in making new disbursements. Total net approvals during the year stood at Taka 7,715.05 million as against Taka 6,834.06 million in the previous year showing a growth of 15.57 percent from last year comparatives. Total disbursement at the end of FY 2014-15 was Taka 7,768.69 million as against Taka 6,582.88 million of preceding financial year. During the year under review, a total of Taka 5,559.21 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, 2015 have been fully provided for and additionally, as required by Bangladesh Bank, DBH has a loan loss reserve amounting to 1% of standard loans & 5% of special mention accounts.

#### • Performance of Deposit Portfolio

Over the years DBH has established itself as one of the leading depository institution in the industry. The Company has earned the trust of the clients by providing transparent & quality service. DBH has kept its focus on deposit collection as its main source of funding mechanism. As a result DBH has managed to fund over 80 percent of its home loan operations through deposit. At present the Company offers a diverse deposit product line including Annual Income Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Profit First Deposit, Easy Way Deposit, Children's Deposit,

Easy Home 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 the close of June 30, 2015 the deposit portfolio of DBH stands at Taka 2,4703.12 million with an interest payable worth another Taka 1,139.66 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, 2015, the LAD portfolio of DBH stands at Taka 207.76 million.

#### Recovery

FY 2014-15 has experienced mixed progress in terms of containing the non performing loan (NPL) figures of the Financial Industry. At the close of June 30, 2014, the Gross NPL ratio for Banks and NBFIs were 10.80% and 5.40% respectively. Halfway through FY 2014-15, at end of December 31, 2014 the gross NPL ratio for both the sectors improved slightly and stood at 9.70% and 5.30%. However, at the end of 3rd Quarter the amount of aggregate classified loans stood at Taka 546.6 billion for bank which is 10.5% of the total outstanding loans of the banking sector. On the other hand, for NBFIs the amount stood at Taka 27.6 billion which is 7.00% of the outstanding loans of all NBFIs operating in Bangladesh.

Under such circumstances, DBH has shown steady and resilient performance in maintaining asset quality. According to the classification policy of the Central Bank, at close of June 30, 2015 the NPL of the Company has marginally increased to 0.30 percent from 0.22 percent at end of the preceding financial year. While aggregate NPL ratio for both Banks and NBFIs has gone up, DBH has been successful to restrain the increase to a minimum.

Needless to say, this is by far the best figure in the financial industry.

### Funding Operations

Being one of the largest non-bank depository institutions of the industry, the funding composition of the Company has remained significantly reliant on the deposit portfolio. The deposit products are tailored to meet the diversified needs of our retail and corporate client base. The deposit portfolio of the Company has stood at Taka 24,703.12 million.

The funding of our company comprises of both long term and short term sources of fund to efficiently manage our cost of fund. Long-term loan portfolio of DBH consists of funds received under Housing Loan refinance Scheme of Bangladesh Bank worth Taka 3,187.24 million, long term loans received from international lenders like FMO & Triodos Custody B.V. worth Taka 305.65 million and loans sourced from local markets for Taka 846.46 million. Apart from that the shareholder's contribution in the funding mix is 3170.92 million, which is almost 10.00 percent of total fund. The Company is continuously striving to source diversified avenues of funding to minimize its cost as well as asset-liability maturity & interest rate mismatch in the balance sheet.

The funding status of DBH as of June 30, 2015 is presented below:

Source	Amount in Million Taka
Deposits	24,703.12
Long term loans	4,339.35
Equity	3,170.92

### Treasury Operations

In DBH, Treasury acts as a catalyst between the core functions of housing finance & deposit mobilization. Over the years the treasury wing of

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

In FY 2014-15, the Central Bank maintained its balanced monetary policy stance designed to foster private sector growth by channeling funds into productive sectors with a view to supporting the attainment of the real GDP growth objective while keeping it consistent with the targeted 6.50 percent average inflation rate for FY 15. Increased remittance inflow and relatively slower growth of investment led to a highly liquid market. So, the Central Bank was faced with the challenges of managing this excess liquidity. Weighted average interest rate of deposits and advances had gradually gone down during the year and interest rate spread decreased further i.e., 5.31% in June 2014 to 4.87% a year later.

As there was sufficient liquidity in the market, the call money rates were also lower. From a weighted average rate of 6.25 percent in June 2014 it came down to 5.79 percent at the end of June 2015. During the FY 15 the highest weighted average of interest rate for call money was 8.57 percent during January 2015. Understandably, the treasury department of DBH also had to optimize the funding mix ensuring maximum utilization of low cost funds to operate on a thin margin in a liquid market. By setting cost minimization as the key objective, 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. The treasury department contributed a significant portion of the interest income through investment activities during the FY 15. Throughout the year the treasury department maintained a well-balanced liquidity position of the company by adhering to the rules and regulations of the Central Bank.

## Investments in Securities

The capital market of the country showed positive indications of rejuvenating in this financial year. The year ended with DSEX index at 4,583.11 on June 30, 2015 which stood at 4,480.52 at the end of the previous year. The market reached its highest point with DSEX index 5,334.04 on October 2014. In accordance to the market situation DBH has continued to maintain a cautious investment policy. The capital market portfolio of the Company stands at Taka 302.41 million as of June 30, 2015.

In addition to that, the Company also invested Taka 50.00 million in the redeemable preference share of United Capital Limited and Taka 12 million in non-marketable securities. The company has earned taka 12.99 million from this sector as on June 30, 2015.

## Human Resources

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

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

programs overseas on different personal and functional development programs for increasing their levels of skills and competencies.

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

At DBH, effective internal communications and free flow of ideas, open door, fairness, commitment, teamwork and highest standards of professional excellence and integrity are always appreciated.

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

## Information Technology

Information Technology (IT) has become a key component of today's business strategy and is playing an imperative role in business operation. Information & Communication Technology (ICT) infrastructures and innovative software solutions have become the driving force of corporate business. From the inception, DBH is aspiring to achieve operational excellence through use of IT in an optimized and cost-effective manner and the whole business processes/operation is now automated through a robust centralized software within a secured computer network system.

The centralized software is maintaining crucial business data in an efficient manner and produces reports as required for daily business need and decision making. As a result, an automated way of work is defined and executed through IT systems with accuracy, authenticity & optimum performance.

In the financial year, a number of processes/modules of the centralized software system has been enhanced as well as new modules have been implemented which improved overall performance significantly. Some of the enhanced processes/modules are - document/information checklist validation for deposit creation, maker-checker validation for deposit encashment, call center solution for recovery etc. Moreover, software requirement management module was improved and technical documentation was done to meet compliance. IT security systems, disaster recovery, data processing and redundancy, comprehensive data loss prevention programs were also improved. Power backup system was also upgraded for uninterrupted supply (by ATX switch) and longer time backup. Business Continuity Plan (BCP), Disaster Recovery Plan (DRP) has been formulated and IT Security policy has been revised. Above accomplishment ensures that the information system is functional, secured and compliant.

A highly motivated, diverse and innovative team is performing to develop, maintain and secure the existing system regularly as well as to implement new/upgraded systems when required.

### **Codes and Standards**

The Company has adopted various codes, standards and policies set out by Bangladesh Bank and Bangladesh Securities and Exchange Commission including inter alia Know Your Customer (KYC) Guidelines, Anti Money Laundering Guideline, Asset Liability Management

Guideline, Directors Code of Conduct, HR Policies, IT Policies and Treasury Manual etc.

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

### **Credit Rating**

Delta Brac Housing Finance Corporation Limited with its strong fundamentals has earned the highest credit rating award for the 9th (Ninth) 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 2013-2014.

### **Key Operating and Financial data of at least last preceding 5 (five) years**

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

### **Contribution to National Economy**

At DBH we believe that we have some responsibilities to the development of the country where we operate our business and to the society where we belong. As a financial institute, DBH contributes to the economic prosperity by providing financial products and services to housing sector. Our total credit exposure as on June 30 amount to Tk. 29,248 Million. We have extended loan to around 15,621 customers to meet their housing need, which is one of the basic needs of people.



DBH contributes to the national exchequer in the form of income tax, VAT & excise duty. During the year 2014-15 company's contribution to the national exchequer is given below.

Taka in Million

Particulars	2014 -15	2013 -14
Income Tax paid on company's income	700.00	601.11
Tax collected at source on behalf of Government	290.64	252.44
Value Added Tax (VAT)	21.88	21.09
Excise Duty	21.90	22.92
<b>Total</b>	<b>1,034.42</b>	<b>897.56</b>

Creating employment has a vital impact on the economy and DBH employed as many as 214 employees as on June 30, 2015. Efficient workforce is very important for the organization as well as for the country. During the year 2014-15, DBH has paid Tk. 241.16 million as salaries and allowances to its employees.

### Contribution to the society

DBH's responsibilities to the society are manifested in its activities. As a responsible corporate citizen DBH continuously promotes ownership of housing, wealth creation and also the improvement of the underprivileged and weaker section of the society.

The Board of Directors in its 81<sup>st</sup> Meeting held on February 23, 2015 approved the Corporate Social Responsibility policy of the Company in line with the Bangladesh Bank Guideline on CSR with a view to engaging the institution into a broad range of direct and indirect CSR activities including humanitarian relief and disaster response as well as widening advancement opportunities for disadvantaged population segments with support in areas of healthcare, education and training as well as greening initiatives etc.

The Board further, in its 83rd Meeting held on August 13, 2015 approved the allocation of an amount of Tk. 6.5 million as CSR Fund, to carry out various CSR activities during the period of 2015-2016 as per approved guidelines of DBH's CSR Policy.

### Contribution during the year

DBH consider the society as an extended family. We are always at their side when they are in distress and in need of our help. We distributed 2000 (two thousand) blankets at a cost of Tk. 5,30,500.00 to the cold hit people of the Country through the exclusive channel of BRAC.

Further, DBH contributed an amount of Tk. 5,00,000.00 to the development fund of the Liberation War Museum, Bangladesh which was established to commemorate heroic struggle of Bengalee nation for democracy and national rights.

### Highlights on Financial Performance

The comparatives on the financial performance of the Company for twelve-month period to June 30, 2015 are presented below:

(Figures in Million Taka)

Particulars	30-Jun-15	30-Jun-14
Operating revenue	4,569	4,781
Interest expenses	2,785	3,071
Operating expenses	346	316
Profit before provisions	1,438	1,395
Profit before tax	1,259	1,199
Net profit after tax	685	607

The operating profit for the period was Taka 1,437.76 million compared to Taka 1,394.71 million of same period of last year reflecting a growth of 3.09%. The Company has made PBT of Taka 1,259.39 million for the reviewed period

ended as on June 30, 2015 as against the previous year's figure of Taka 1,199.19 million with a growth of 5.02%.

Operating revenue of the Company decreased by 4.45% over the last year's figure of Taka 4,781.43 million to Taka 4,568.83 million in twelve-month of FY2014-15. Interest income has gone down by 4.57 % from the previous year whereas fees income increased by 6.01%. On the other hand interest expense has decreased by 9.30% to Taka 2785.29 million when compared to last year's figure of Taka 3071.02 million.

As a result, net operating income of the Company has increased by 4.28% from corresponding period of last year. The net operating income stood at Taka 1,783.54 million compared to last year's figure of Taka 1,710.41 million.

### **Awards and Recognitions**

#### **Annual Report 2013-2014 recognized by ICMAB:**

ICMAB Best Corporate Awards-2014 was declared on 20 January 2015 where a total of 66 corporate entities won the awards for their outstanding performance especially in maintaining corporate governance.

Delta Brac Housing Finance Corporation Limited (DBH) was awarded the 'Best Corporate Awards-2014' in the Non-Banking Financial Institution category and won the 3rd prize.

#### **National Award 2014 for Best Presented Annual Report by ICAB:**

The Institute of Chartered Accountants of Bangladesh (ICAB) introduced the National Award for Best Presented Annual Report annually since 2001 and they have given their 14<sup>th</sup> National Award for Best Presented Annual Report-2014 in 10 separate categories for preparing and publishing annual reports 2013 with disclosure of "maximum relevant information in a more transparent way".

Delta Brac Housing Finance Corporation Limited, one of the top non-bank financial institution was awarded the prestigious 'The Best Presented Annual Report for the year 2013' and received the Certificate of Appreciation as a token of recognition of excellence in the financial services.

### **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 exist any material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern, including review of budget and future outcome of inherent uncertainties in existence.

Based on the different indications, Directors feel it appropriate to adopt going concern assumptions and no material uncertainty exists in preparing the financial statements. A report on going concern policy is included in the annual report in page no. 81.

## 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 2014-2015 is shown in Annexure-iii of this report.

## Proposed Dividend

The Board of Directors at the time of considering the annual accounts have recommended @ 30% cash dividend to be paid to the shareholders out of profit of the year 2014-15, 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 17 of this report.

In accordance with the Article No. 106 of the Articles of Association of DBH, the following Directors will retire in the 19<sup>th</sup> Annual General Meeting by rotation and being eligible for re-election, they are seeking re-election to the Board.

- Ms. Mehreen Hassan, Bar-at-law  
(representing DLIC)
- Mr. Swapan Kumar Sarkar, FCA  
(representing DLIC)

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, the following Director shall retire in the forthcoming Annual General Meeting and being eligible, he is seeking re-election.

- Dr. A M R Chowdhury  
(representing BRAC)

In order to comply with the Bangladesh Securities and Exchange Commission's (BSEC's) Corporate Governance Guidelines (CGG) dated August 7, 2012 the Board of DBH have re-appointed the existing Independent Director, Mr. M I Chowdhury for a further term of 3 (three) years. As other Independent Director, Ms. Rizwana Hasan was not eligible for re-appointment, in her place the Board appointed Dr. A K A Mubin, former Secretary of the Government of Bangladesh for a term of three years.

Pursuant to the Clause 1.2 (iii) of the CGG, appointment/re-appointment of the following Independent Directors shall be approved by the shareholders in the forthcoming AGM.

- Mr. M I Chowdhury
- Dr. A K A Mubin

### 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 17 of this Annual Report
- b) Nature of the expertise of the Directors are also disclosed in the brief profiles
- c) Name of the Directors and entities in which they have interest as Directors are also disclosed in the brief profiles as well as in the notes no. 38.1 of the Financial Statements.

### Appointment of Auditor

Messrs A. Qasem & Co., Chartered Accountants have been serving as the auditor of the Company for the last 3 (three) consecutive years and will retire in the forthcoming AGM. Since, they are not eligible for re-appointment for the financial year 2015-16 as per BSEC as well as Bangladesh Bank's regulations, consequently the Board of Directors have recommended to appoint M/S. S. F. Ahmed & Co., Chartered Accountants and Bangladesh Bank has also accorded its consent in this regard. Finally the matter will be placed before the shareholders in the AGM for approval.

### Corporate Governance

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

DBH understands sound corporate governance and its importance in retaining and enhancing investors trust. The Company's commitment to values and performance is driven by transparency

and integrity, which goes a long way in achieving the top position. It adheres to the core values of credibility and accountability to serve its stakeholders with passion and commitment. Its values and transparent processes act as a catalyst in growth.

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

- (i) Audit Committee Report to the Shareholders
- (ii) Statement on Financial Statements by Chief Executive Officer (CEO) and Head of Finance
- (iii) Report on the Corporate Governance
- (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 four Board Meetings were held and the attendance of the Directors are noted below:

Name of Directors	Nominated by	Total Meeting	Meeting Attended	Change during 2014-2015	
				Date of Board Acceptance	
				Joining	Nomination withdrawn
Mr. Faruq A Choudhury, Chairman	BRAC	4	3	-	-
Mr. Nasir A. Choudhury	Green Delta Insurance Company Ltd.	4	4	-	-
Mr. Rajeev Sardana, FCA	HDFC Investments Ltd.	4	2	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	4	3	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	4	3	-	-
Mr. Swapan Kumar Sarkar, FCA	Delta Life Insurance Company Ltd.	4	2	-	-
Mr. Shameran Bahar Abed, Bar- at- Law	BRAC	2	2	-	23-02-2015
Ms. Adeeba Rahman, ACII-Life	Delta Life Insurance Company Ltd.	4	4	-	-
Dr. A M R Chowdhury	BRAC	1	0	23-02-2015	-
Mr. M I Chowdhury	Independent Director	4	4	-	-
Ms. Syeda Rizwana Hasan	Independent Director	4	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		Executive Committee		Audit Committee		Total Fees Paid
	Attendance	Fees	Attendance	Fees	Attendance	Fees	
Mr. Faruq A Choudhury, Chairman	3	15,000.00	0	0	3	15,000.00	30,000.00
Mr. Nasir A. Choudhury	4	20,000.00	0	0	4	20,000.00	40,000.00
Mr. Rajeev Sardana, FCA	2	10,000.00	0	0	0	0	10,000.00
Mr. A Z Mohammad Hossain	3	15,000.00	0	0	4	20,000.00	35,000.00
Ms. Mehreen Hassan, Bar- at- Law	3	15,000.00	1	5,000.00	0	0	20,000.00
Mr. Swapan Kumar Sarkar, FCA	2	10,000.00	0	0	4	20,000.00	30,000.00
Mr. Shameran Bahar Abed, Bar- at- Law	2	10,000.00	0	0	0	0	10,000.00
Ms. Adeeba Rahman, ACII-Life	4	20,000.00	1	5,000.00	0	0	25,000.00
Dr. A M R Chowdhury	0	0	0	0	0	0	0
Mr. M I Chowdhury	4	20,000.00	0	0	4	20,000.00	40,000.00
Ms. Syeda Rizwana Hasan	2	10,000.00	1	5,000.00	0	0	15,000.00
<b>Total</b>	-	<b>1,45,000.00</b>	-	<b>15,000.00</b>	-	<b>95,000.00</b>	<b>2,55,000.00</b>

# Pattern of Shareholdings as on 30<sup>th</sup> June 2015

## 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.	-	-
Ms. Adeeba Rahman, ACII-Life	Delta Life Insurance Company Ltd.	-	-
Dr. A M R Chowdhury	BRAC	-	-
Mr. M I 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	Managing Director & CEO	-	-
Mr. Syed Aminul Islam	SVP & Head of Finance	-	-
Mr. Khandaker Satil Sayeed	SAVP & Head of Internal Compliance	-	-
Mr. Jashim Uddin, FCS	SAVP & 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	SVP and Head of Recovery & Administration	-	-

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

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