



Highest Rated Financial Institution in Bangladesh

Delta Brac Housing Finance Corporation Limited (DBH) has been awarded Triple A (AAA) credit rating consecutively for the last 6 years by the Credit Rating Agency of Bangladesh Ltd.

Let's Achieve Together



We know some investments are timeless, that's why we have been helping to secure your dreams for the future, ever since we came into being. Your home and your savings are part of your dreams.

Homes and savings are what makes who we are. We are DBH, the only Financial Institution of the country rated AAA for the last six years consecutively.

ANNUAL REPORT 2011-2012 ►





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LETTER OF TRANSMITTAL

All Shareholders,
Bangladesh Bank,
Registrar of Joint Stock Companies & Firms,
Securities & Exchange Commission,
Dhaka Stock Exchange Ltd. and
Chittagong Stock Exchange Ltd.

Dear Sir/Madam,

Re: Annual Report for the year ended June 30, 2012.

Enclosed please find a copy of the Annual Report together with the audited financial statements including balance sheet as at June 30, 2012, income statement, cash flow statement and statement of changes in equity for the year ended June 30, 2012 along with notes thereon for your kind information and record.

Thank you.

Yours sincerely,



Jashim Uddin, FCS
Company Secretary

NOTICE OF THE 16TH ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of the Company will be held on November 14, 2012 (Wednesday) at 11.00 a.m. at the La Vita Hall of Lakeshore Hotel & Apartments, Road- 41, House- 46, Gulshan-2, Dhaka-1212 to transact the following business:

1. Consideration and adoption of Directors' Report, Audited Financial Statements for the year ended June 30, 2012 and the Auditors' Report thereon.
2. Declaration of dividend for the year ended June 30, 2012.
3. Appointment/Re-appointment of Directors.
4. Appointment of Auditors and fixation of their remuneration.

By order of the Board

Sd/-
Jashim Uddin, FCS
Company Secretary

Dated: October 18, 2012

Notes:

- a. The Record Date of the Company was 13th September 2012 and the name of Shareholders in the Register of Members on the Record Date will be eligible to attend the meeting and shall be entitled for the dividend to be declared at the AGM.
- b. A shareholder may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 89(i) of the Articles of Association. The proxy form, duly completed and stamped, must be deposited at the office not later than 48 hours before the time scheduled for holding the meeting and in default, Form of Proxy will be treated as invalid.

CORE VALUES

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

CORPORATE PROFILE

Delta Brac Housing Finance Corporation Ltd. (DBH) is the pioneer, largest and specialist in Housing Finance institution in the private sector of the Country. After commencing operation in the early 1997, the company has, registered commendable growth in creating home ownership in Dhaka and other major cities of the Country. At the same time, the Company has been playing an active role in promoting the real estate sector to the large cross sections of prospective clients who had but yet unfulfilled dream of owning a sweet home.

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

CORPORATE RESPONSIBILITY

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

VISION

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

MISSION

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

STRATEGIC OBJECTIVES

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

CORPORATE DIRECTORY

Head Office

Landmark Building (9th Floor)

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

Branches

Dhanmondi Branch

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

Motijheel Branch

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

Uttara Branch

House no. 79/A (3rd Floor)
Road no. 7, Sector no. 4
Uttara Model Town, Dhaka-1230
Phone: +880 (2) 8933057
Fax: +880 (2) 8958605

Chittagong Branch

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

Sylhet Branch

19/A, Kumarpara Road, (1st Floor)
Kumarpara, Sylhet, Tel: + 880 (821) 2830352

Bankers

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

Auditors

S. F. Ahmed & Co.
Chartered Accountants
Associate Firm of Ernst & Young
House # 25, Road # 13A, Block-D, Banani,
Dhaka-1213, Phone: 9894026, 8833327
Fax: 88-02-8825135

Corporate Website

www.deltabrac.com

Corporate E-mail

dbh@deltabrac.com

Keeping your
dreams safe.

An experience of over 15 years



PROFILE OF THE BOARD OF DIRECTORS



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

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

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

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

PROFILE OF THE BOARD OF DIRECTORS



Mr. Nasir A. Choudhury, Managing Director and Chief Executive Officer of Green Delta Insurance Company Limited has been in the insurance profession for over the last 50 years. After obtaining his Masters Degree from the University of Dhaka, he started his career in Karachi in the then Pakistan Insurance Corporation in 1958. Mr. Choudhury received advanced training in insurance and reinsurance from UK and Germany during 1961 and 1962. After liberation of Bangladesh, he was responsible for arranging reinsurance for the newly established Bangladesh Insurance Corporation and subsequently for Sadharan Bima Corporation as General Manager.

Mr. Choudhury is an executive committee member of Federation of Afro-Asian Insurers & Reinsurers (FAIR). He was the Honorable Insurance Advisor of Bangladesh Biman and Bangladesh Shipping Corporation for decades. A widely travelled person, Mr. Choudhury is intimately associated and acquainted with leading personalities in the insurance and reinsurance markets in UK, Germany, France, Switzerland, Middle East, Africa, Malaysia, Japan, Korea, Singapore etc. He was the Chairman of Bangladesh Insurance Association, the official body of all the private sector insurance companies of the country from 2001 to 2005.

Mr. Choudhury is one of the sponsors of Union Capital Limited and Director of Progressive Life Insurance Co. Limited and United Hospital (Pvt.) Limited and Chairman & Managing Director of Nascom (Pvt.) Ltd. Mr. Choudhury is also a Committee Member of the Metropolitan Chamber of Commerce & Industry and Executive Committee Member of Bangladesh Insurance Association. He was the Member of Advisory Committee, Securities & Exchange Commission, and Governing Body of Bangladesh Insurance Academy.

He was honored with “Lifetime Achievement Award” by The DHL-Daily Star in April 2010 for his outstanding contribution towards the development of the insurance industry in Bangladesh.

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

PROFILE OF THE BOARD OF DIRECTORS



Mr. Muhammad A. (Rumee) Ali served at different levels in local and international banking sector. Prior to joining in BRAC, he served as the Deputy Governor of Bangladesh Bank. With his appointment as Country Head and General Manager of Grindlays Bangladesh in March 1997, Mr. Ali became the first Bangladeshi to head a major international bank in Bangladesh. In July 2000, following the takeover of ANZ Grindlays by Standard Chartered Bank, Ali was appointed the CEO of the Standard Chartered Group in Bangladesh, heading both Standard Chartered Bank and Standard Chartered Grindlays Bank. His banking experience includes stints in India, United Kingdom and Australia. Mr. Ali was elected a Fellow of the Bangladesh Institute of Bankers in 2001.

Mr. Ali is the Chairman of BRAC Bank Limited, BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, bKash Limited and Documenta TM Limited and is a member of the boards of several organizations including International Chamber of Commerce, Bangladesh. He is also a member of Global Steering Committee of the 'Performance Based Grants Initiative' of the International Finance Corporation and the Technical Advisory Committee of Bangladesh Investment Climate Fund. At present, he is the Vice Chairman of Bangladesh Association of Banks and Vice President of Bangladesh Employers Federation. He received a number of awards including C. R. Das Research Council Gold Medal for 'Banker of the year-1995', Atish Dipanker Award for Banking-2000, 'CEO of the Year -2000' by Junior Chamber International, Bangladesh and Sorojini Naidu Award for Banking-2008. Mr. Ali received his B.A. (Honours) and M.A. in Economics from Dhaka University. Mr. Ali was born in Dhaka, Bangladesh in 1951.

He has been a Director of DBH, nominated by BRAC, since 2007.



Mr. Ishtiaq Mohiuddin is the Director Microfinance of BRAC since June 2009. Mr. Mohiuddin graduated with a BSc (Accounting) degree and did MBA from the Southeastern Louisiana University, Hammond, Louisiana, U.S.A. He joined BRAC as MELA Manager (Micro Enterprise Lending & Assistance) and worked for almost 5 (five) years.

Mr. Mohiuddin went abroad in January 2000 and worked at different International Banks and Financial Institutions for almost 7 (seven) years. He also received extensive training in the relevant field at home and abroad. He joined at FINCA International, USA as Country Director after that worked for Caribbean Microfinance Limited as Regional Manager- Eastern Caribbean and Scotiabank & TD Bank, Toronto as credit analyst. He was also Independent Consultant of ShoreCap Exchange, Chicago, U.S.A., prior to joining BRAC finally in June 2009.

He has been a Director of DBH, nominated by BRAC, since 2010.

PROFILE OF THE BOARD OF DIRECTORS



Mr. Rajeev Sardana is a member of the Institute of Chartered Accountants of India. He has been working, since 1987, in different capacities for Housing Development Finance Corporation Limited (HDFC), the largest housing finance institution in India. He is presently working as the Sr. General Manager, National Head - Self Employed Business and Loan against Property and also the Business Head, Eastern Region of HDFC. He has also been involved in consultancy assignments undertaken by HDFC in various countries across Asia to support and establish their housing finance institutions.

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

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



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

Ms. Hassan obtained her Bar-at-law degree from City University, UK in the year 2007 and is a member of the Lincoln's Inn, UK. She completed a mini-pupilage with Staple Inn Chambers in London prior to returning to Bangladesh in 2007. She is a member of the Dhaka Bar Association and the Supreme Court Bar Association of Bangladesh and also participates in various social and charitable activities through her association with Zonta International Dhaka.

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

PROFILE OF THE BOARD OF DIRECTORS



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

In 1971 he joined the liberation movement in the UK and become the convener of “Bangladesh Students Action Committee” in the UK. At the request of the then Bangladesh High Commissioner to UK Late Justice Abu Sayeed Chowdhury, he attended and lobbied for Bangladesh at the Inter-Parliamentary Conference held in Paris. He was also sent by Late Justice Abu Syeed Chowdhury for the same purpose to attend the Pug Wash Conference held at Siania, Romania. He returned to Bangladesh in 1995 and took the office of Managing Director of Chandra Spinning Mills Ltd.

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



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

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

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

PROFILE OF THE BOARD OF DIRECTORS



Mr. Shamsuddin Chowdhury is a Fellow Member of the Institute of Chartered Accountants of Bangladesh. He has been serving the Delta Life Insurance Company Ltd. since July 2005. Now, he is holding the position of Head of Accounts & Operations, Micro Ins. Division of the Company. Prior to Join Delta Life Insurance Company Ltd. as Head of Internal Audit and Investigation Department, he served various local and international organizations at different levels.

Mr. Chowdhury completed his practical training from S. F. Ahmed & Co. one of the most renowned CA firms of Bangladesh. He served DANIDA for two years and GTZ (currently known as GIZ) for about sixteen years. Then he worked as freelance consultant for three years. Mr. Chowdhury also worked as Financial Management, Disbursement and Administration Specialist of UNFPA for HIV Aids Prevention Project (HAPP) funded by World Bank, DFID and GOB. He developed various manuals and participated in various review missions and programs organized by Local and International NGO's. He is a widely travelled person and visited USA, Germany, Netherlands, Belgium, Singapore, Thailand, Pakistan, Dubai, Nepal, India and Sri Lanka.

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



Mr. Quazi Mohammad Shariful Ala is the Managing Director & CEO of the Company. Mr. Ala graduated with a BSc (Economics) first class honours degree from the London School of Economics (LSE), University of London. He trained and worked in the London office of Price Waterhouse for seven years and qualified as a member of the Institute of Chartered Accountants in England & Wales in 1984. He is also a fellow of the Institute of Chartered Accountants of Bangladesh. Prior to joining DBH, he was the Finance Director of Green Delta Insurance Company Limited, one of the corporate sponsors of DBH.

He has more than 30 years of corporate management experience primarily in the financial services sector both in Bangladesh and in the United Kingdom. He is also a non-executive Director on the Boards of several prominent companies, including Omera Fuels Limited and Omera Petroleum Limited, and a member of the Executive Committee of the Institute of Bankers, Bangladesh (IBB).

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

BOARD COMMITTEES

Audit Committee

Mr. Nasir A. Choudhury

Mr. Faruq A Choudhury

Mr. Ishtiaq Mohiuddin

Ms. Mehreen Hassan

Mr. A Z Mohammad Hossain

Executive Committee

Mr. Muhammad A. (Rume) Ali

Mr. Ishtiaq Mohiuddin

Mr. Q. M. Shariful Ala

Where we belong
makes who we are.



MANAGEMENT & EXECUTIVES

Q. M. Shariful Ala

Managing Director & CEO

Tanvir Ahmad

EVP & Head of Human Resources

Nasimul Baten

EVP & Head of Operations

A. K. M. Tanvir Kamal

EVP & Head of Credit

Md. Hassan Iftekhhar Yussouf

EVP & Head of IT

Syed Aminul Islam

SVP & Head of Finance

Saiyaf Ejaz

VP and Head of Recovery & Administration

Md. Zakaria Eusuf

VP & Head of Branch

Ashfakul Islam

VP - IT

Moahedul Mowla

SAVP & Head of Branch

Md. Fakrul Amin

SAVP & Head of Legal

Tabassum Samad Chowdhury

SAVP & Head of Deposit Operations

Md. Golam Rosul

SAVP & Branch Manager

Sabed Bin Ahsan

AVP & Branch Manager

Khandaker Imran Habib

AVP & Manager - Sales (Deposits)

Md. Ariful Bari Rumi

AVP & Branch Manager

Khandaker Satil Sayeed

AVP & Head of Internal Audit

Jashim Uddin

AVP & Company Secretary

Nahid Ahmed

Manager - Treasury

Mohammad Manjurul Alam

Manager - Sales (Deposits)

Md. Mamunur Rashid Bhuiyan

Manager - Recovery & Legal

Sadhan Kumer Das

Manager - Customer Services

Kazi Hasanul Islam

Manager - Loans

A. H. M. Mostofa Kamal

Manager - Technical

Oliul Haque Khandaker

Manager - Administration

Siddhartho Sangkor Kirtonia

Manager - IT

A. S. M. Muahidur Rahman

Manager - Loans

Mir Md. Mukhlesur Rahman

Manager - Credit

Md. Saiful Alam Talukder

Manager - Loans

Md. Abdul Wadud

Manager - Accounts & Finance

OPERATIONAL AND FINANCIAL HIGHLIGHTS

(Million Taka)

Operational Highlights					
	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12
Loan approvals	4,634	5,197	7,006	6,128	5,757
Loan disbursement	4,002	5,327	7,158	6,460	5,904
Cumulative disbursement	16,052	21,379	28,537	34,997	40,901
Cumulative sanction	17,860	23,057	30,063	36,191	41,948

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

Financial Highlights					
	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12
Profit before tax	342	433	640	907	765
Profit after tax	176	234	307	502	404
Shareholders' fund	843	1,067	1,305	1,756	2,151
Total deposit	6,764	9,846	12,630	13,308	15,751
Long term borrowing	2,278	3,312	5,351	7,131	7,087
Housing loan portfolio	9,818	13,249	17,721	21,115	23,598
Total balance sheet size	11,012	16,386	22,049	24,501	27,641
NPL ratio (%)	0.18%	0.12%	0.11%	0.14%	0.20%
Return on equity (average equity)	18.10%	22.64%	19.73%	32.81%	20.69%
Earnings per share	7.20	6.38	7.37	9.75	3.91
Earnings per share (restated)	1.65	2.22	2.95	4.88	3.91
Book value per share	21.17	23.95	29.84	16.41*	20.32

* Restated Figure

FINANCIAL HIGHLIGHTS AS REQUIRED BY THE BANGLADESH BANK

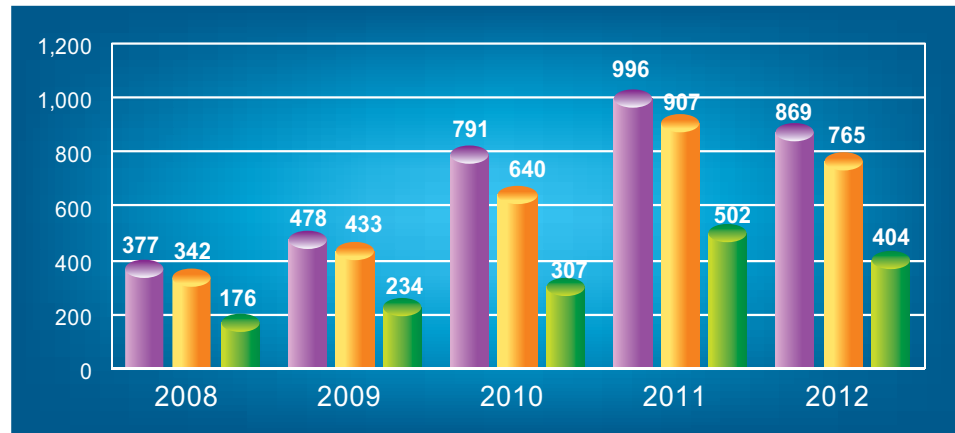
(Million Taka)

Particulars	30-Jun-12	30-Jun-11
Paid up capital	1,009.13	504.56
Total capital	2,151	1,756
Capital surplus/(deficit)	1,141	1,252
Total assets	27,641	24,501
Total deposits	15,751	13,308
Total loans & advances	24,039	21,669
Total contingent liabilities and commitments	508	455
Credit deposit ratio (times)	1.53	1.63
Percentage of classified loans against total loans and advances	0.20%	0.14%
Profit after tax & provision	404	502
Amount of classified loans during current year	27.72	17.84
Provision kept against classified loans	27.72	17.84
Provision surplus/deficit	197.41	229.20
Cost of fund	11.07%	8.92%
Interest earning assets	26,726	23,666
Non interest earning assets	915	835
Return on investment (ROI)	20.69%	32.81%
Return on asset (ROA)	1.55%	2.16%
Income from investments	34	272
Earnings per share	3.91	4.88*
Net income per share	3.91	10
Price earning ratio	21.24	24

* Restated Figure

PROFITS

Million Taka



■ Operating profit before provision ■ Profit before Tax ■ Profit after Tax

HOUSING LOAN PORTFOLIO & PERFORMANCE

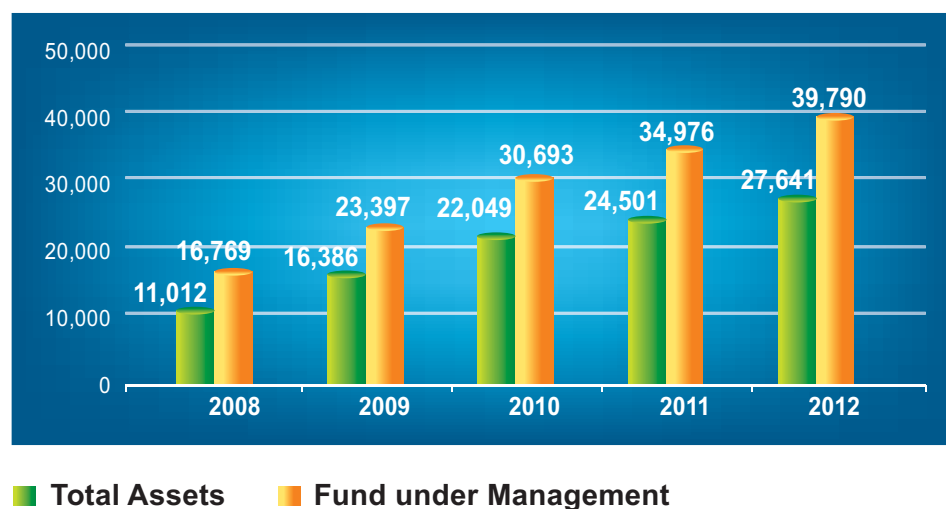
Million Taka



■ Housing Loan ▲ NPL (%)

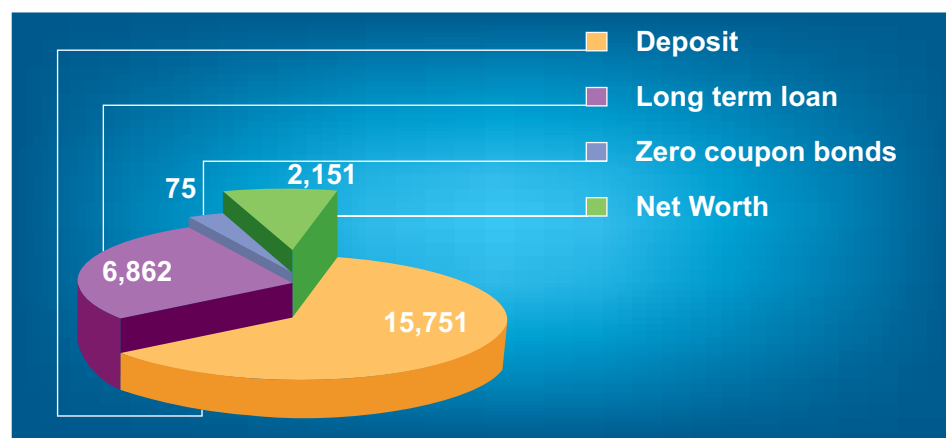
TOTAL ASSETS & FUND UNDER MANAGEMENT

Million Taka



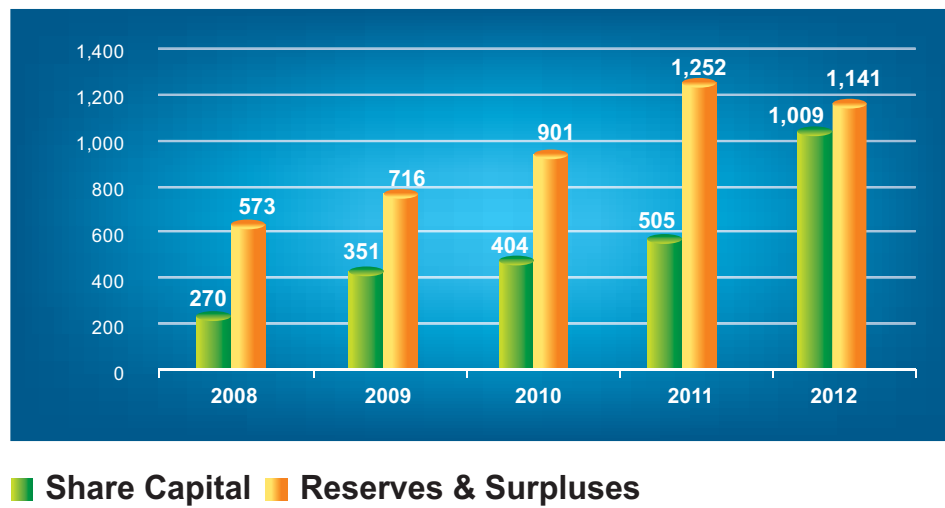
FUND EMPLOYED

Million Taka



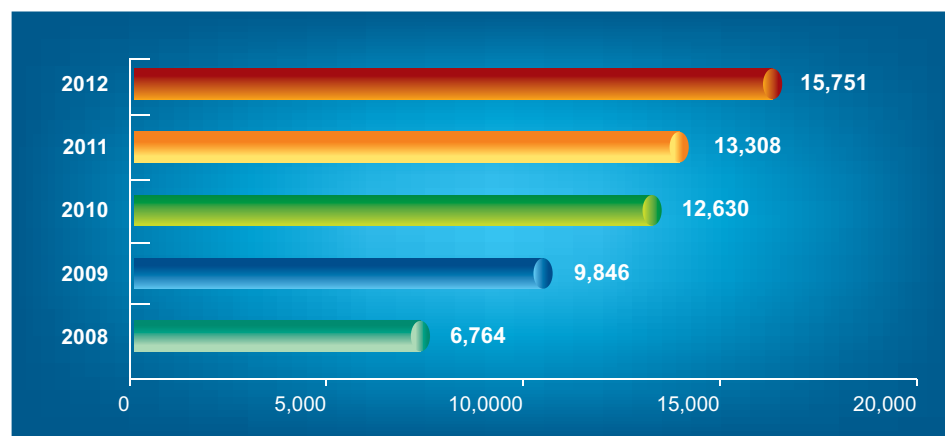
EQUITY

Million Taka



DEPOSITS

Million Taka



VALUE ADDED STATEMENT

For the year ended June 30, 2012

Value added is the wealth DBH has created through extending mortgage loan and various services. The value added statement shows the total worth created and how the same was distributed to meet various obligations and reward those responsible for its creation. A portion also retained in the business for continued operation and expansion of DBH.

Particulars	2011-2012		2010-2011	
	Amount (Taka)	%	Amount (Taka)	%
Value added				
Net interest income	982,609,534	103.40%	889,811,628	81.83%
Fees earned	92,043,624	9.69%	98,313,707	9.04%
Investment income	34,316,820	3.61%	272,392,532	25.05%
Other income	19,677,700	2.07%	4,762,710	0.44%
Operating expense except salary & allowances, depreciation	(73,625,330)	-7.75%	(88,582,710)	-8.15%
Provision for loan, advances & investments	(104,752,443)	-11.02%	(89,338,817)	-8.22%
Total value added by the company	950,269,905	100%	1,087,359,050	100%
Distribution of Value added				
Employees				
As salary & allowances	171,839,001	18.08%	159,576,984	14.68%
Provider of Capital				
Dividend to ordinary shareholders	252,281,250	26.55%	504,562,500	46.40%
Dividend to preference shareholders	10,000,000	1.05%	10,000,000	0.92%
Government				
Income tax	360,452,703	37.93%	404,815,432	37.23%
Expansion and business growth				
Retained earning	141,961,569	14.94%	(12,494,677)	-1.15%
Depreciation	13,735,382	1.45%	20,898,811	1.92%
Total distribution	950,269,905	100%	1,087,359,050	100%

MARKET VALUE ADDED (MVA) STATEMENT

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

Higher MVA is better for the company. A high MVA indicates that company has created substantial wealth for the shareholders. A negative MVA means that the value of management's actions and investments are less than the value contributed to the company by the capital market.

Market Value Added represents the confidence that the market places on the future stream of EVAs. The following statement shows how MVA has been arrived at for the year ended June 30, 2012 and 2011.

Particulars	Amount in BDT	
	2011-2012	2010-2011
Market value of shares outstanding	8,436,285,000	11,964,438,281
Book value of shares outstanding	1,009,125,000	504,562,500
Market value added	7,427,160,000	11,459,875,781

ECONOMIC VALUE ADDED (EVA) STATEMENT

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

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

EVA has been calculated by the following formula:

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

Particulars	Amount in BDT	
	2011-2012	2010-2011
Net operating profit	869,447,965	996,222,072
Provision for taxes	360,452,703	404,815,432
Net operating profit after tax (NOPAT)	508,995,262	591,406,640
Charges for capital		
Capital employed	2,462,112,425	1,942,093,974
Cost of equity (%)	12.96%	9.20%
Capital Charge	319,089,770	178,672,646
Economic Value Added	189,905,492	412,733,994
Capital employed as on June 30		
Shareholder's equity	2,150,539,702	1,756,296,883
Accumulated provision for doubtful accounts and future losses	561,070,354	456,317,911
Average shareholders' equity	2,462,112,425	1,942,093,974

Bonding brings happiness
to our homes.



MESSAGE FROM THE CHAIRMAN

It is a great pleasure for me to welcome you all to the 16th Annual General Meeting (AGM) of the Company. On behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to you all for the unrelenting support and faith that you have placed in us and in our accomplishments for the last sixteen years.

In the year 2011 – 2012 our strength and resilience have been truly tested in substantially harsh macroeconomic surroundings. However our years of experience in the housing finance market coupled with our financial depth and steadfastness enabled us to retain the leading position in the industry.

Amidst the prolonged slowdown of sales in the real estate sector, housing loan portfolio of DBH has grown by a moderate 12 percent to Taka 23.60 billion. Total assets employed increased by 13 percent to Taka 27.64 billion as on June 30, 2012. It may be worth mentioning that in the face of difficult economic situation the quality of our assets also continues to be strong with non-performing loans remaining below quarter percent. Presently, DBH has funds under management in excess of Taka 39.79 billion. Recently the cumulative home loan disbursement of DBH has crossed Taka 40.00 billion mark; the highest amount of home loans disbursed by a single private financial institution in the housing sector.

Our operating profit before provisions has fallen by 13 percent to Taka 869 million principally reflecting the fall in earnings from the marketable investments and the diminution of the market value of the capital market portfolio. Even though the aggregate profitability of the Company has decreased, the pretax return from the core business i.e., housing finance of DBH has registered 30 percent growth on a year to year basis. At the close of June 30, 2012 profit before provisions excluding income from marketable securities was Taka 858 million. The Board has recommended 15% stock and 10% cash dividend out of profit for the year ended June 30, 2012.

You are aware of the fact that DBH has retained its highest credit rating of 'AAA' (triple A) for the 6th consecutive year. As a matter of fact, among all local banks and financial institutions, DBH is the only one to have retained the highest credit rating in such a successive manner. This is also a testament to the unfaltering financial health of the Company.

The housing and real estate sector is one of the key components of the national economy. According to the Central Bank, the real estate housing and its related business is projected to contribute over 6 percent to the national GDP this year. Further developments in this sector will foster greater employment generation, industrial expansion, foreign direct investment (FDI) and economic growth.

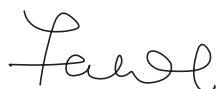


Since its inception over a decade ago DBH has played a pivotal role in channeling affordable funding into the real estate industry. We can take pride in the fact that DBH has been the driving force in the formation of the privatized housing finance industry which is regarded as the prerequisite to sustained growth of the real estate sector. As the housing finance specialist, the Company strives continually to adapt to changing circumstances and come up with innovative solutions to ensure high quality service to our clients.

One key constraint facing the real estate sector is the Dhaka based centralized urbanization. This has created scarcity of serviced land as well as undue acceleration of real estate prices in the urban areas. In the recent times the problems have been further intensified by the high price of construction materials and the interest rate hike prevailing in the market. Government patronage is considered necessary to develop affordable housing for the middle and low income group of the society. In this connection, the Government should bring the policy makers, city planners, the developers and the housing financiers under a common policy framework to ensure better coordination and control and thereby make the vision of affordable housing for all a reality.

As a specialist housing finance institution we also feel that the absence of low cost funding is the restraining factor in reaching low income clientele. Unlike the commercial banks we do not have access to such cheaper funds from current and savings accounts. The inflationary pressure and liquidity crunch prevalent in the economy has made operating conditions more difficult. On the other hand, presently the commercial banks are at times unwilling to lend in the real estate sector due to lower spread and higher tenure of loans in comparison to other investments. Under the circumstances, in order to ensure a healthy growth of the housing sector, the Central Bank should take necessary steps to resume housing refinance scheme to support non- bank financial institutions lending in the real estate industry.

Our primary objectives for 2012–2013 are to extend our client base, source new avenues of economical funding and maximize the value of the DBH entity. From the industrial perspective it may be added that even with the resumption of electricity connections to residential units the real estate sector is yet to regain its vibrancy. We may have to wait for a deceleration of the inflationary pressure to observe a real change in the economic scenario. Therefore the outlook for 2012–2013 remains uncertain. Our strengths remain in the form of conservative balance sheet with adequate liquidity, high quality portfolio, strong capital base and skilled human resources. Therefore we believe we have what it takes to exploit opportunities and face the challenges which will arise in the coming days.



Faruq A Choudhury
Chairman

Some investments
are timeless.



DIRECTORS' RESPONSIBILITY STATEMENT

Responsibility to Financial Statements

The Board of Directors of Delta Brac Housing Finance Corporation Limited would like to inform that the audited accounts containing the Financial Statements for the year ended 30th June 2012 are in conformity with the requirements of the Companies Act, 1994, Financial Institutions Act- 1993, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by ICAB, Securities & Exchange Rules- 1987 and the Listing Regulations of the Dhaka and Chittagong Stock Exchange and they believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations. These Financial Statements are audited by the Statutory Auditors, M/s. S. F. Ahmed & Co. (associate firm of Ernst & Young) Chartered Accountants, Dhaka.

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

- (i) In the preparation of accounts, the applicable accounting standards have been followed;
- (ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2012 and of the profit of the Company for year ended on that date;
- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1994 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- (iv) They have prepared the annual accounts on a going concern basis.

Responsibility to Internal Control System

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

Opinion of the External Auditors

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

DIRECTORS' REPORT

Dear Shareholders,

The Directors of Delta Brac Housing Finance Corporation Limited have the pleasure in presenting the Directors' Report of your Company together with audited accounts for the year ended 30th June 2012.

Bangladesh Economy

Against the backdrop of persisting turmoil in Europe and sluggish recovery of U.S. economy, Bangladesh has done reasonably well in maintaining its growth momentum. Bangladesh Bureau of Statistics (BBS) shows a GDP growth rate of 6.32 percent in FY 2012, which was lower than the government's growth target of 7 percent. GDP growth, however, slowed down from last fiscal's 6.7 percent mainly due to a slowdown in growth in agriculture which fell to 2.53 percent from 5.13 percent in the previous fiscal. The government has set a much higher target for GDP growth in FY 2013 at 7.2 percent. This growth expectation hinges on a sharp rise in foreign direct investment (FDI), an improvement in infrastructure and power and the economic situation in key trading partners – Europe & U.S.A.

In several respects FY 2011-12 was a year of contrast. The first half (H1FY12) witnessed significant balance of payments pressures due to high global oil prices and low aid disbursements, forcing significant depreciation of the Taka and foreign exchange reserve depletion. Government's borrowing from the banking sector also rose sharply during this period and inflation rose to double-digits levels. In the second half of the fiscal year (H2FY12) external pressures eased due to monetary tightening, lower import demand and proactive steps to secure alternative sources of external financing. Government borrowing from the banking sector in H2FY12 was also more conservative. The more restrained monetary stance, adequate domestic food grain output and moderate global commodity prices contributed to point-to-point inflation falling to single digits. The Taka/US dollar exchange rate stabilized and external reserves rose to 10.3 billion USD in June 2012 from 9.4 billion USD in January 2012.

Inflation spiked in the first half of the FY 2011-12 but was on a downhill track during the latter part. The second half of FY12 have seen moderating inflation pressures as point-to-point inflation has declined from a peak of 11.97% in September to 8.56% in June. This decline has largely been due to lower food price inflation though of late non-food inflation has also declined, from a peak of 13.96% in March to 11.72% in June 2012. This high twelve month average is due to a number of factors including the lagged effect of high domestic credit growth in FY2011, exchange rate depreciation and recent upward adjustments in energy and petroleum prices.

Pace of exports have fallen in FY 2012 on the back of a slowdown in European economies. Export earnings in the first eleven months of FY2012 stood at about USD 22.0 billion, which is 7.0 percent higher than that of the same period in the previous fiscal. The government had set a USD 26.5 billion target for FY 2012 export, 15.6 percent higher than the export earnings in FY 2011. On the other hand, imports have not seen a significant reduction in this fiscal due to higher import demand for fuel, leading to heightened pressure on the Balance of Payment (BOP) position. The country's current account balance stood at a surplus of USD 509 million in the July-April 2012 period, after having fallen to a deficit of USD 372 million in July-October period. While the current account, and overall external balance has improved, the slow-down in exports is of concern for the coming days.

Remittance growth, which slowed down slightly in FY 2011, picked up pace in FY 2012. Remittances have been buoyed by larger numbers of Bangladeshi workers moving abroad over the past year and may have been helped by the depreciation of the Taka. In the first eleven months of the fiscal, remittance inflow exceeded USD 1.0 billion every month except September and November 2011. Total remittance inflow stood at USD 11.75 billion from July-May FY 2012, which was 10.54 percent higher than the corresponding period of the previous fiscal. Renewed economic vibrancy in the Middle East Countries along with depreciation of the BDT against currencies of major migrant destinations have helped to attain the growth in remittance.

A slowdown in exports coupled with high import payments pushed the reserves lower in spite of the aforementioned pick up in remittance inflow. However, as mentioned above the government took a number of steps to maintain reserves, and BOP stability, including the confirmation of a USD 987 million IMF-ECF support, the first tranche of which was received at the end of April 2012. Foreign exchange market liquidity improved to the extent that all foreign exchange overdrafts given by the Central Bank to commercial banks, amounting to around \$500 million at the end of 2011, were eliminated by June 2012. As of June 19, 2012, FX reserves reached USD 10.0 billion (3.57 months of import coverage).

The Taka's value which had fallen by around 15% against the US dollar in the twelve months preceding mid January 2012 reached a new equilibrium in early 2012 and has since remained stable. In January 2011, the USD/BDT rate stood at 70.55 at that period and started to increase throughout the year at a modest pace. Devaluation picked up pace in December 2011 with rates rising from 76.90 on December 1, 2011 to 84.45 by January 30, 2012 - marking an increase of 9.8 percent in a span of two months. The pressure on the currency persisted on the back of a slowdown in export growth (mainly due to the prevailing crisis in Europe), a rise in imports (especially of oil) coupled with a modest growth in remittance. However, post January 2012, the BDT started to regain some of its strength and eventually hovering around 81.80 at year closing.

The Dhaka Stock Exchange (DSE) witnessed a dismal performance in FY 2011-12. The benchmark index, Dhaka Stock Exchange General Index (DGEN), fell in excess of 33 percent year to date, till mid June of 2012. Market capitalization, which was about USD 53 billion at its peak in December 2010, fell to close to USD 30 billion by June 2012. Market liquidity also declined, with average daily turnover of USD 51 million in the first half of 2012, as compared to about USD 89 million in 2011. Turnover had increased for brief periods in early January and at the end of March 2012, but remained low for much of the remaining days with the lowest values being hit in June 2012.

Performance of Financial Sector in 2011-12

The Central Bank pursued a cautiously restrained monetary stance adopted to curb inflationary expectations and external sector pressures, throughout FY 2011-12. Performance of major indicators of banking sector reflecting in movement of the risk weighted capital asset ratio, the gross NPL ratio and the net NPL ratio, ROE for all banks at the end of third quarter of FY 2011-12 mostly remained at a comparable level relative to the closing figures of the previous financial year. The gross NPL ratio and the net NPL ratio of overall banking sector slightly increased and the risk weighted capital asset ratio declined to some extent during this year.

The risk weighted capital asset ratio for all banks was recorded at 11.31 percent at the end of March 2012, slightly lower than that of 11.35 percent during second quarter of the financial year. The ratio of gross NPL of the banking sector decreased marginally to 6.57 percent in the March quarter of FY 2011-12 from 7.14 percent at the close of June, 2011. However this is slightly higher than the second quarter figure of 6.12 percent of current fiscal year. Same can be said about the net NPL ratio. The net NPL ratio decreased from 1.29 percent at the close of FY 2010-11 to 1.07 percent in the March quarter of FY 2011-12. But it has moved up from December quarter figure of 0.70 percent. The ROA for overall banking sector turned up to 1.54 percent in December 2011 compared with June 2011 low of 1.31 percent.

The disbursement of credit by banks increased by 20 percent and stood at Taka 5,069,642 million at end June 30, 2012, which was Tk. 4,224,757 million during the preceding year. On the resources side bank deposit figures grew by 18.92 percent on a year to year basis and was 4,584,485 million at the close of FY 2011-12. At the retail level both deposit and lending rates rose in FY 2011-12 due to inflationary pressure and liquidity shortage in the market. Also Bangladesh Bank focused more on monitoring interest rate spreads so that they remain below 5% except for SME lending and consumer lending. Interest rate spreads have on average slightly fallen – from 5.68% in February to 5.45% in May 2012. However they continue to remain high for Foreign Commercial Banks (FCBs), whose average spreads are almost double that of the average of other banks.

Central Bank continued its reform activities this year to strengthen the operational techniques of the banks and financial institutions. Fully automated clearing and settlement of interbank paper based and electronic payments and transfers introduced by BB have continued to facilitate online banking and e-commerce. Banks are now partnering creatively with regulated Micro Finance Institutions (MFIs) and mobile telephone/smart card based IT platforms in devising cost effective modes of financial service delivery to the new customer bases being built up in poorer rural and urban populations. Moreover upgraded IT platform in BB's Credit Information Bureau enable faster lending decision making with online access to credit information; BB's new IT platform comprising ERP, core banking and data warehouse with gateways for banks now enable the latter to furnish reports and returns online.

Moreover BB's directive on Green Banking has initiated practices of environmental risk assessment of new and ongoing projects before making financing decisions. Besides, the Corporate Social Responsibility (CSR) mainstreaming guidelines are engaging banks into adoption of energy efficient and harmful emission minimizing internal processes and practices.

Real Estate Industry Outlook and Possible Future Development

Real estate industry continued to face sluggish business throughout the year. According to a survey by the realtors, apartment sales plunged by 43 percent in last two years. The sluggish trend began in late 2010 due to various reasons like high inflation, liquidity crisis, stoppage of the housing refinance scheme, capital market crash, lack of utility connections and overall economic crisis.

The price of the properties has increased to a level which is unaffordable to the middle income group customers, the biggest segment of the urban population. Scarcity of serviced land and high prices of raw materials caused increase in the price of flats. The stalemate in utility connections along with a mandatory rule of installing solar panels in new building took a toll on the sector, delaying the process of handing over thousands of ready apartments to the buyers. According to REHAB, around 16000 ready flats are yet to be handed over to buyers due to lack of electricity and gas connections.

Non-resident Bangladeshis were an important buying group of real estate sector, but economic downturn in the USA and Euro zone countries and political turmoil in the Middle East region affected the Bangladeshis living there, who were directly or indirectly contributing to real estate sales earlier. Due to liquidity crunch, the interest rate of housing loans has gone up quite significantly, from 10%-11% level to 16%-17% level in one year. For majority of the clients, the present interest rate made the monthly installments difficult to service with their limited monthly income. Also the high price of the properties forced them to look for higher loan amount, which is again not feasible considering their limited repayment capacity.

The prospect of an immediate rebound in the housing market looks bleak in the face of a gloomy economic outlook, pressure from a volatile capital market, along with high inflation and a slowdown in growth of exports and remittance earnings. The deterioration of the political environment will also hurt the sector. The fall in sales may put brakes on the skyrocketing prices of the apartments, but for the majority of people, the present level of price of the property is already unaffordable. As a result of these, developers have become very cautious and signing of new projects dropped by almost 50 percent.

Government must focus on infrastructure development to improve the connectivity of Dhaka city with its outskirt areas, that will ease the pressure on property price as developers and customers will be encouraged to go outside the city area. Also a government housing refinance scheme is required to support the middle and lower income group customers to take loans at an affordable price.

Highlights on Financial Performance

The comparatives on the financial performance of the Company for twelve-month period to June 30, 2012 are presented below:

(Figures in Million Taka except for Ratios)

Particulars	30-Jun-12	30-Jun-11
Operating revenue	3,604	3,065
Interest expenses	2,476	1,800
Operating expenses	259	269
Profit before provisions	869	996
Profit before tax excluding income from marketable securities	858	658
Profit before tax	765	907
Net profit after tax	404	502

Even though the overall current year profitability of the Company has decreased, the pretax return from the core business of DBH has registered 30 percent growth. At the close of June 30, 2012 profit before tax excluding income from marketable securities was Taka 858 million.

However due to the provisioning for diminution in value of marketable securities the aggregate profit before tax and net profit after tax of the company have fallen by 16 percent and 20 percent respectively. At the close of June 30, 2012 profit before tax reached Taka 765 million and the net profit after tax was a slightly over Taka 404 million.

Operating revenue of the Company has increased by 18% over the last year's figure of Taka 3,065 million to Taka 3,604 million in the twelve months of FY 2011-12. During the FY 2011-12 interest income has grown at the rate of 29 percent from the previous year. However, due to the continued downturn in the capital market the income from investment has experienced a dull year and decreased by almost 87 percent when compared to the respective figure of previous financial year.

Net interest income of the Company has exceeded the corresponding figure of last year at the rate of 10%. As a result, the net interest income stood at Taka 983 million compared to last year's figure of Taka 890 million.

Gross profit and net profit margin of the company have decreased to 24 percent and 11 percent respectively this year reflecting the impact of higher interest expense on liability side due to interest rate movement in the market and the capital market slump.

Product wise Performance

- **Performance of Home Loan Operations**

The home loan wing of the company operated in a considerably challenging environment during this financial year. Difficult macroeconomic conditions i.e. dismal condition in capital market, high inflation, liquidity issues, high interest rates in the financial market coupled with sector specific deterrents like exorbitantly priced real estates and lack of gas and electricity connections have adversely affected the demand side of the housing finance sector. Being a housing finance specialist DBH has improvised its years of experience in this situation and gone selective in approval and fresh disbursements of loans. This strategy has enabled the home loan wing to sustain its asset quality while earning healthy rate of return. The Company's loan book in housing finance grew at a moderate pace of 12 percent during the financial year. As at June 30, 2012 home loan portfolio of DBH was Taka 23,598 million. DBH's asset quality continued to be stable at very low delinquencies during the year, with a gross NPL ratio of 0.20 percent only.

During the year, the disbursement slowed down compared to last year but your Company has retained its position as the Financial Institution with the largest market share. Recently the cumulative home loan disbursement of DBH has crossed Taka 40.00 billion mark; the highest amount of home loans disbursed by a single private financial institution in the housing sector.

Total approvals during the year stood at Taka 5,757 million as against Taka 6,128 million in the previous year and slowed down by 6% from last year comparatives. Total disbursement at the end of FY 2011-12 was Taka 5,904 million as against Taka 6,460 million of FY 2010-11. During the year under review, a total of Taka 3,460 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, 2012 have been fully provided for and additionally, as required by Bangladesh Bank, DBH has a loan loss reserve amounting to 1% of outstanding loans.

- **Performance of Deposit Portfolio**

DBH's deposit portfolio is the lifeline of the Company's funding operations. Over 60 percent of funding for DBH's home loan operation is sourced through the deposit products. At present the Company offers a rich deposit product line comprising of annual income deposit, annual plus income deposit,

monthly income deposit, quarterly income deposit, flexible fixed deposit, cumulative deposit, profit first deposit, easy way deposit, children's deposit and easy home deposit. The minimum tenure of the deposits is six 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, 2012 the deposit portfolio of DBH stands at Taka 15,751 million with an interest payable worth another Taka 1,388 million. In line with the market movement the rate of interest on both new and maturing deposits have moved up gradually this year.

DBH also provides loan against deposits (LAD) to cater to its customers' urgent financial need. As of June 30, 2012, the LAD portfolio of DBH stands at Taka 433 million.

Recovery

The last financial year has been a particularly challenging one for the entire economy of Bangladesh. With rising interest rates, liquidity crisis and a slump in property sales, DBH has also seen a slight increase in its nonperforming loan (NPL) portfolio. According to DBH's provisioning policy of maintaining 100 percent provision for any loan overdue for more than 180 days, NPL stood at 0.20 percent in FY 2011-12. However, according to Bangladesh Bank categorization for nonperforming loan / industry practice of loan classification for FIs, NPL in the same period stood at Taka 27.72 million, which is merely 0.12 percent of the total outstanding loans. Although there has been an increase compared to the previous years, still these are the best figures in the industry. Also noteworthy is the fact that during its entire tenure since inception, DBH has not written off any loans. This outstanding accomplishment has been made possible by the diligent recovery department of DBH.

Funding Operations

Amidst inflationary pressure and resulting of high interest rates funding has been an expensive issue for the participants in the financial market. Banks and Non-Bank Financial Institutions were seen scampering for fund by offering interest rates sky rocketing to 15 to 17 percent for a one year term deposit.

The funding composition of the Company has remained substantially tilted towards the deposit portfolio. DBH's deposit product line consists of various types of liability products sourcing resources from individual savers and corporate bodies. The deposit portfolio of the Company has stood at Taka 15,751 million.

Apart from that the shareholder's contribution in the funding mix is around 9.00 percent at the close of financial year. The Company is examining new avenues of low cost funding to further strengthen the home loan operations.

The funding status of DBH as of June 30, 2012 is presented below:

Source	Amount in Million Taka
Deposits	15,751
Long term loans	6,862
Zero coupon bonds	75
Equity	2,151

Treasury Operations

FY 2011-12 has been a year of mixed fortunes for DBH's treasury function. The Central Bank has followed a restrained monetary policy throughout the year to keep inflationary pressures in check and channel growth of bank credit to productive sectors. The policy rates i.e., REPO and reverse REPO rates were increased a total of 325 basis point to 7.75 percent and 5.75 percent by the end of March 2012. Sluggish trend in remittance, foreign aid and export inflow coupled with increasing petroleum import payments created liquidity shortage in the overnight market. By January 2012, call money rates sky rocketed to 20 percent and remained around 15 percent for most of the year. Banks raised deposit rates which hit a record high of 15 percent and beyond to finance their fund scarcity.

Predictably volatile overnight market prevented the treasury wing to pursue significant short term borrowing. Fortunately surplus of resources created due to selective lending strategy coupled with a prolonged lean period in real estate sector allowed treasury to earn lucrative return on the overnight market investments.

Investments in Securities

The market value of the investment in marketable securities declined as the national stock indices continued to tumble downwards throughout the year reaching its very low in June 2012. The capital market portfolio of the Company stands at Taka 319 million as of June 30, 2012.

The Company also has an investment of Taka 120 million in long term bonds and Taka 12 million in non-marketable securities. The earnings from this sector decreased substantially and reached Taka 34 million as on June 30, 2012 against Taka 272 million of the previous year.

Human Resources

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

DBH is committed to maintaining a healthy and fair work environment, free from discrimination based on gender, age, race, national origin, religion, marital status, or any other basis not prohibited by law. In short, the aim is to maintain the place of work and surrounding conditions in a manner that permits employees to work to the highest effectiveness and to their full potentials.

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

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

It's a demand of evolving business environment that the human resources of the company requires training for every changing process, customer preferences, numerous new technology applications, compliance and regulatory requirements. DBH conducted several training programs in various functional areas as per individual employee's requirement during the year. Employees also attended training programs overseas on different personal and functional development programs for increasing their levels of skills and competencies.

Information Technology

Technology continues to be both a motivator and facilitator of change in the financial services industry. The structure of the industry has changed significantly in recent years as financial service providers have taken advantage of opportunities created by technology and invested heavily on advanced information communication technology (ICT). This is also true for Delta Brac Housing Finance Corporation Ltd (DBH). The Company is driving to upgrade its IT platform regularly and making required investment to bring about changes in technological infrastructures to bring efficiency to its operation and have more satisfied customers.

FY 2011-12 has been quite a busy year for the IT wing of the Company. The Company has shifted from decentralized data warehousing to real time centralized data base built on Storage Area Network (SAN) technology to ensure better data management. This has also enabled DBH to implement a state of the art disaster recovery (DR) site which can resume company operations within minutes if a disaster strikes at the main site. Needless to say, the implementation of a good DR solution has put the Company a step ahead of others regarding ICT safety.

DBH has also come a long way in automation of its departments. As you may be aware the Company has its own software to combine and integrate all the operations of the Company and to have efficient use of the information. This year the trained and experienced team of the IT department has successfully automated the payroll and performance appraisal system of the human resources department. The age old manual loan sanction process of the credit department has also been replaced by an innovative online sanction system developed by our in house IT personnel. This has eradicated the need for unnecessary physical movement of file as well as minimized the loan processing time.

Credit Rating

Delta Brac Housing Finance Corporation Limited with its strong fundamentals has earned the highest credit rating award for the sixth consecutive year. Credit Rating Agency of Bangladesh (CRAB) reaffirms AAA in the long term and ST-1 in the short term rating of Delta Brac Housing Finance Corporation Limited in its latest entity rating done based on the Company's year end financials of 2010-2011.

Rating Year	Long Term	Short Term
2006	AAA	ST-1
2007	AAA	ST-1
2008	AAA	ST-1
2009	AAA	ST-1
2010	AAA	ST-1
2011	AAA	ST-1

The rating reflects the Company's strength in consistently high earning generation, high asset quality as well as adequate internal fund generation. Financial Institutions rated AAA in the long term belong to "Extremely Strong Capacity & Highest Quality" category. Financial Institutions rated in the short term "ST-1" category are considered to have the highest capacity for timely repayment of obligations.

Significant deviations from the last year's operating result

Operating profit for the year 2011-2012 has slightly decreased i.e. 13% only. Although the deviations are not that significant, but we want to disclose the underlying reasons for the better understanding of the stakeholders of the Company, which are as follows:

- Decrease in profit against the investment in the marketable securities, as the capital market of the country was volatile throughout the year;
- High cost of fund due to the hike in interest rates against the fixed deposit received from the depositors;
- Low growth of disbursement, due to ongoing stagnation in the property market

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. 19 of this annual report. Financial Highlights as required by Bangladesh Bank is also given in page no. 20 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, 2012 amount to Tk. 23,094 Million. We have extended loan to several thousands of families to meet their housing need, which is one of the basic needs of people.

DBH contribute to the national exchequer in the form of income tax, VAT & Excise duty. During the year 2011-12 company's contribution to the national exchequer is given below.

Taka in Million		
Particulars	2011-12	2010-11
Income Tax paid on company's income	431.02	345.05
Tax collected at source on behalf of Government	180.67	131.04
Value Added Tax (VAT)	17.48	18.61
Excise Duty	5.16	5.43
Total	634.33	500.13

Creating employment has a vital impact on the economy and DBH employed 181 employees as on June 30, 2012. Efficient workforce is very important for the organization as well as for the country. Keeping

same in view, DBH has spent Tk. 0.92 million for training of its employees. During the year 2011-12, DBH has paid Tk. 171.84 million as salaries and allowances to its employees.

Corporate and Financial Reporting Framework

The Members of the Board, in accordance with the Securities & Exchange Commission's Notification no. SEC/CMRRCD/2006-158/Admin/129/43 dated July 3, 2012; confirm compliance with the financial reporting framework for the following:

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

Going Concern

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

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

Board Meetings and Attendance by the Directors

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

Shareholding Pattern

Shareholding patterns of the Company as at the end of the year 2011-2012 is shown in Annexure-iii of this report.

Proposed Dividend

The Board of Directors at the time of considering the annual accounts has recommended 15% stock dividend (bonus shares) and 10% cash dividend to be paid to the shareholders out of profit of the year 2011-2012.

Directors' Appointment & Re-appointment

The present Directors of the Company are named in pages 10 to 15 of this report.

In accordance with the Article No. 106 of the Articles of Association of DBH, Mr. Faruq A Choudhury, Director (representing BRAC) will retire in the 16th Annual General Meeting by rotation and being eligible for re-election, he is seeking re-election to the Board.

Article 102 of the Articles of Association also requires that any Director appointed by the Board since last Annual General Meeting shall retire in the next Annual General Meeting. Accordingly, the following Directors shall retire in the forthcoming Annual General Meeting and are eligible for re-appointment.

- Mr. Rajeev Sardana (representing HDFC Investments Limited)
- Ms. Mehreen Hassan (representing Delta Life Insurance Company Limited)
- Mr. A Z Mohammad Hossain (representing Green Delta Insurance Company Limited)
- Mr. Swapan Kumar Sarkar, FCA (representing Delta Life Insurance Company Limited)
- Mr. Shamsuddin Chowdhury, FCA (representing Delta Life Insurance Company Limited)

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

- a) Brief resume of the Directors are included in page nos. 10 to 15 of this Annual Report
- b) Nature of the expertise of the Directors are also disclosed in the brief profiles
- c) Name of the Directors and entities in which they have interest as Directors are also disclosed in the brief profiles.

Appointment of Auditor

Messrs S. F. Ahmed & Co., Chartered Accountants (representative of Ernst & Young in Bangladesh) 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 2012-13 as per Bangladesh Bank regulations, the Board of Directors recommended to appoint M/S. A. Qasem & Co., Chartered Accountants, a cooperating firm of PricewaterhouseCoopers (PwC), subject to prior permission from Bangladesh Bank. Finally the matter will be placed before the shareholders in the AGM for approval.

Report on the compliance of the conditions of SEC's notification

In accordance with the Securities & Exchange Commission's Notification no. SEC/CMRRCD/2006-158/Admin/129/43 dated July 3, 2012, the Directors are required to confirm compliance of certain conditions. The notification was issued for ensuring good governance practices in the listed companies and the conditions are imposed on comply basis and shall have to be complied within December 31, 2012.

A statement on the compliance of the SEC's conditions is given in the page no. 56 to 61 of this annual report, under the report on corporate governance. The conditions not yet complied by the Company are required to be met within December 31, 2012.

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 customers, financiers, Bangladesh Bank, Securities and Exchange Commission (SEC), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and other regulatory authorities for their guidance and support to the Company and the valuable advice rendered and co-operation extended by the Auditors, and the devoted efforts put in by the Company's employees at all levels to uphold the Company's performance.

For and on behalf of the Board of Directors



Faruq A Choudhury
Chairman

Directors' Meeting & Attendance

Annexure-i

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

Name of Directors	Nominated by	Total Meeting	Meeting Attended	Change during 2011-2012	
				Date of Board Acceptance	
				Joining	Resignation
Mr. Faruq A Choudhury Chairman	BRAC	5	5	-	-
Mr. Nasir A. Choudhury	Green Delta Insurance Company Ltd.	5	5	-	-
Mr. Muhammad A. (Rume) Ali	BRAC	5	3	-	-
Mr. Ishtiaq Mohiuddin	-Do-	5	5	-	-
Dr. Syed Mukarram Ali	Delta Life Insurance Company Ltd.	3	2	-	21-03-2012
Mr. Nurul Huda	-Do-	3	3	-	21-03-2012
Mr. Mohammed Syedul Islam	-Do-	3	3	-	21-03-2012
Mr. Pradeep Kumar Mukherjee	HDFC Investments Ltd.	3	0	-	21-03-2012
Mr. M. Muhibur Rahman	Green Delta Insurance Company Ltd.	3	3	-	21-03-2012
Mr. Rajeev Sardana	HDFC Investments Ltd.	1	1	21-03-2012	-
Mr. Syed Moinuddin Ahmed	Green Delta Insurance Company Ltd.	2	2	21-03-2012	06-06-2012
Mr. A Z Mohammad Hossain	-Do-	0	0	06-06-2012	-
Ms. Mehreen Hassan, Bar-at-Law	Delta Life Insurance Company Ltd.	0	0	06-06-2012	-
Mr. Q. M. Shariful Ala, Managing Director & CEO	-	5	5	-	-

Directors' Remunerations

Annexure-ii

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

Name of Directors	Board		Audit Committee		Total Fees Paid
	Attendance	Fees	Attendance	Fees	
Mr. Faruq A Choudhury Chairman	5	25,000	4	20,000	45,000
Mr. Nasir A. Choudhury	5	25,000	4	20,000	45,000
Mr. Muhammad A. (Rume) Ali	3	15,000	0	0	15,000
Mr. Ishtiaq Mohiuddin	5	25,000	0	0	25,000
Dr. Syed Mukarram Ali	2	10,000	0	0	10,000
Mr. Nurul Huda	3	15,000	0	0	15,000
Mr. Mohammed Syedul Islam	3	15,000	3	15,000	30,000
Mr. Pradeep Kumar Mukherjee	0	0	0	0	0
Mr. M. Muhibur Rahman	3	15,000	2	10,000	25,000
Mr. Rajeev Sardana	1	5,000	0	0	5,000
Mr. Syed Moinuddin Ahmed	2	10,000	0	0	10,000
Mr. A Z Mohammad Hossain	0	0	1	5,000	5,000
Ms. Mehreen Hassan, Bar- at- Law	0	0	1	5,000	5,000
Total	-	1,60,000	-	75,000	2,35,000

Pattern of shareholdings as on 30th June 2012

Annexure-iii

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

Name of the Shareholders	No. of Share(s) held	Percent (%)
BRAC	18,556,200	18.39
Delta Life Insurance Company Limited	17,500,000	17.34
Green Delta Insurance Company Limited	15,444,980	15.31
HDFC Investments Limited	12,333,740	12.22
International Finance Corporation (IFC)	12,333,740	12.22
Mr. Faruq A Choudhury	20	0.00
Dr. Salehuddin Ahmed	20	0.00
Mr. Q. M. Shariful Ala	20	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	20	0.00
Mr. Nasir A. Choudhury	Green Delta Insurance Company Ltd.	-	-
Mr. Muhammad A. (Rumee) Ali	BRAC	-	-
Mr. Ishtiaq Mohiuddin	BRAC	-	-
Mr. Rajeev Sardana	HDFC Investments Ltd.	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	-	-

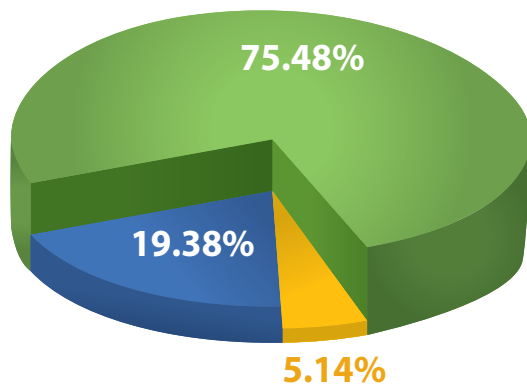
Name of the Executives	Status	No. of Share(s) held	Percent (%)
Mr. Q. M. Shariful Ala	Managing Director & CEO	20	0.00
Mr. Syed Aminul Islam	Finance Controller	-	-
Mr. Jashim Uddin, FCS	Manager- Corporate Affairs and Company Secretary	-	-
Mr. Khandaker Satil Sayeed	Manager - Internal Compliance	-	-

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

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

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

Name of the Shareholders	No. of Share(s) held	Percent (%)
BRAC	18,556,200	18.39
Delta Life Insurance Company Limited	17,500,000	17.34
Green Delta Insurance Company Limited	15,444,980	15.31
HDFC Investments Limited	12,333,740	12.22
International Finance Corporation (IFC)	12,333,740	12.22

SHAREHOLDING PATTERN

- **Sponsors & Pre-IPO Shareholders**
BRAC, Delta Life Insurance Co. Limited, Green Delta Insurance Co. Limited, IFC and HDFC Investments Limited
- **General shareholders**
- **Foreign Investors**

EVENTS



Mr. Faruq A Choudhury, Chairman of Delta Brac Housing Finance Corporation Ltd. (DBH) addressing the 15th Annual General Meeting of the Company. It was also attended by Board Members and the general shareholders.

Board Members at the 15th Annual General Meeting of the Company.



15th Annual General Meeting of the Company attended by the general shareholders.

DBH rated the highest AAA for the 6th consecutive year. Mr. Hamidul Huq, Managing Director of Credit Rating Agency of Bangladesh (CRAB) handed over the Credit Rating Report to Mr. Q. M. Shariful Ala, Managing Director and CEO of DBH.



DBH's cumulative home loan disbursements crossed Taka 4,000 crore on handing over a loan cheque to their clients Sheikh Md. Saidul Alam and Zakia Sultana by Head of Branch Md. Zakaria Eusuf at a function in DBH's Gulshan Head Office.

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is about promoting corporate fairness, transparency and accountability. It is about how an organization is managed viz., its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders.

Corporate Governance deals with laws, procedures, practices and implicit rules that determine a Company's ability to take informed managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, depositors, customers, the State and employees. There is a global consensus about the objective of "good Corporate Governance maximizing long-term shareholders value."

Corporate Governance at DBH

DBH's corporate governance policies recognize the importance of the transparency to all its constituents; including employees, customers, investors, and the regulatory authorities demonstrating that the shareholders are the ultimate beneficiaries of the Company's economic activities.

In addition to the primary role of monitoring corporate performance, the function of the Board includes approving a business plan, reviewing and approving annual budgets and borrowing limits, fixing exposure limits and ensuring that our shareholders are kept informed about our plans, strategies and performance. To enable the Board of Directors to discharge these responsibilities effectively, the management provides detailed reports on performance to the Board on quarterly basis. The Board of Directors also functions through various committees such as the Audit Committee and the Executive Committee.

Ethics & Compliance

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

We are performing ethically and efficiently to generate long-term value and wealth for all its stakeholders. The Corporate Governance principles of the Company ensures that the Board remains informed, independent and involved in the Company and there are ongoing efforts towards better corporate governance to mitigate "non business" risks. The Board periodically reviews the compliance of all applicable laws and gives appropriate directions, wherever necessary.

Delegation of Authority

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

Board of Directors

The basic responsibility of the Board is to provide effective governance over the Company's affairs exercising its reasonable business judgments on behalf of the Company. The Company's business is

conducted by its employees under the direction of the Managing Director and the overall supervision of the Board. The Board members have collective experience in diverse fields like finance, banking, insurance, economics, corporate laws and administration.

According to the SEC's notification dated July 3, 2012 on Corporate Governance, the Board of a listed company shall be comprised of 5 to 20 members whereas, Bangladesh Bank vide its FID Circular No. 9, dated September 11, 2002 directed the Non-Bank Financial Institutions to limit their Board members to 9 – 11. To comply with both the guidelines, the Board of DBH comprises of ten [10] members of which nine [9] are Non-Executive nominated Directors and an Executive Director. The Managing Director is the only Executive Director on the Board. The goal has been to form a Board, which is cohesive and has the expertise for quick and informed decision making.

Role of the Board

The Board of Directors is in full control of the Company's affairs and is also accountable to the shareholders. The Board is committed to achieve greater financial performances and long term prosperity, while meeting stakeholders' expectations of sound corporate governance practices.

The Board duly complies with the guidelines issued by Bangladesh Bank regarding the responsibility and accountability of the Board, its Chairman and Chief Executive/Managing Director, vide DFIM Circular No. 7 dated September 25, 2007.

Role of the Chairman

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

Chairman & Managing Director/CEO of the Company are different person

Chairman of the Board and Managing Director of the Company are different persons with different roles and responsibilities, defined by the Board and thereby preventing unregulated powers of decision making on a single hand. The Chairman is a Non-executive Director while the Managing Director is an Executive Director.

Role of the Managing Director & CEO

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

Role of the Company Secretary

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

Role of the Head of Internal Control & Compliance

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

Meeting Attendance & Directors Remuneration

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

Board Meetings

The Company holds at least four Board meetings in a year, one in each quarter inter-alia to review the financial results of the Company. The gap between the two Board Meetings does not exceed three months. Apart from the four scheduled Board Meetings, additional Board Meetings are also convened to address the specific requirements of the Company. Urgent matters are also approved by the Board by passing resolutions through circulation. During the year under review 5 (five) meetings of the Board were held.

The following information has been given to the Board either as a part of the agenda of the meeting or by way of presentation during the meeting:

- Annual operating plans, budgets and performances
- Quarterly, half-yearly and annual results of the Company
- Minutes of the meeting of other committees of the Board of Directors
- Significant regulatory matters
- Detailed risk analysis and asset liability management report
- Details of Investments
- Detailed recovery and NPL statements
- Such other material and significant information

The Board performs following functions in addition to overseeing the overall business and management:

- Review, monitor and approve major financial and business strategies and corporate actions.
- Assess critical risks facing by the Company – review options for their mitigations.
- Ensures that the processes are in place for maintaining the integrity of :
 - The Company.
 - The financial statements.

- Compliance with law.
- Relationship with customers and shareholders.
- Delegation of appropriate authority to the Senior Executives of the Company for effective management of operations.

Changes in the Board

HDFC Investments Ltd. a promoter & pre-IPO shareholder of the Company had changed its representative Mr. Pradeep Kumar Mukherjee and in his place they nominated Mr. Rajeev Sardana, who was subsequently appointed as Director by the Board on March 21, 2012.

Due to the recent regulatory restrictions which do not permit directors of Insurance Companies to act as directors of Financial Institutions, the Directors representing Green Delta Insurance Company Ltd. i.e. Mr. M. Muhibur Rahman and the Directors representing Delta Life Insurance Co. Ltd. i.e. Dr. Syed Mukarram Ali, Mr. Nurul Huda and Mr. Mohammed Syedul Islam had resigned from their positions as Directors of DBH. Green Delta initially nominated Mr. Syed Moinuddin Ahmed as Director of DBH, who was appointed by the Board on March 21, 2012. He was finally replaced by Mr. A Z Mohammad Hossain, who has been appointed by the Board on June 6, 2012

Delta Life Insurance Co. Limited nominated Ms. Mehreen Hassan, Bar-at-Law who was appointed by the Board on June 6, 2012. They also nominated Mr. Swapan Kumar Sarkar, FCA and Mr. Shamsuddin Chowdhury, FCA to fulfill their quota and the appointments were subsequently approved by the Board on August 14, 2012.

Board Committees

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

Audit Committee

The primary role of the Audit Committee is overseeing the financial reporting process and disclosure of financial information, reviewing the financial statements before submission to the Board, reviewing adequacy of internal control systems and reviewing findings of internal investigations besides recommending appointment/ removal of statutory auditors and fixing their remuneration.

The Audit Committee at DBH last reconstituted on June 6, 2012 which is comprised of Mr. Nasir A. Choudhury as the Chairman, Mr. Faruq A Choudhury, Mr. A Z Mohammad Hossain, Mr. Ishtiaq Mohiuddin and Ms. Mehreen Hassan, Bar-at-Law, as its members. A separate report on the activities of the Audit Committee is attached in the page no. 66 to 68 of this report.

Internal Control and Compliance

The Board has ultimate responsibility for establishing an effective system of internal control. The internal control system holds all business risks, including financial, operational and strategic risks. To mitigate all the risks as well as to establish control environment, the board holds its meeting regularly with comprehensive agenda dealing with all major aspects of business. There is an internal control and compliance department directly reporting to the Board Audit Committee which looks after compliance with the organizational policies by different departments.

DBH made relevant mandatory disclosure in its financial statements under the regulatory framework, including compliance with the provisions of International Financial Reporting Standards (IFRS) as adopted in Bangladesh, besides that it submits all the reports/statements regularly, which are required to submit to the regulator as well as the other stakeholders of the Company. However, a separate report on Internal Control is given in page no. 63 and 64 of this report.

Risk Management

The Company always concentrates on delivering high value to its stakeholders through appropriate tradeoff between risk and return. A well structured and proactive risk management system is in place within the Company to address the risks relating to credit, market, liquidity and operations. Details of the Risk Management are described at notes 2.28 of the Financial Statements in the page no. 95 of this report.

Executive Committee

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

The Executive Committee of the Company last reconstituted on November 22, 2011 and the members are: Mr. Muhammad A. (Rumee) Ali, Mr. Ishtiaq Mohiuddin, and Mr. Q. M. Shariful Ala, Managing Director & CEO as its members.

Related Party Transactions

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

Statement of CEO and the Head of Finance regarding Financial Statements

A separate statement as to the fairness and presentation of the Financial Statements of the Company is given in page no. 65 of this report.

Observance of BAS and BFRS & Applicable Laws

The Directors confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A statement on implementations of

the different accounting standards is set out at notes 2.27 of the accounts in page no. 94 of this annual report.

Employee Health & Safety

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

Redressal of Investors complaints

Corporate Affairs Department of DBH is engaged to redress the complaints of the Shareholders and investors, related to transfer and transmission of shares, non-receipt of annual reports, dividends and other share related matters. The department also observes the quarterly status of the number of shares in physical as well as dematerialized form.

Annual General Meeting (AGM)

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

Resolutions passed at the previous AGM i.e. 15th Annual General Meeting

Date & Time: 22 November 2011 at 11:00 AM

Venue: Army Golf Club, Dhaka Cantonment, Dhaka

Resolutions passed by the shareholders:

- Financial Statements for the year ended June 30, 2011
- Dividend (Stock @100% i.e. one bonus share for each share held)
- Re-election of Directors named Dr. Syed Mukarram Ali, Mr. Nasir A Choudhury, Mr. Nurul Huda and Mr. M. Muhibur Rahman
- Re-appointment of Auditors M/S. S. F. Ahmed & Co., Chartered Accountants as external auditor of the Company
- Special resolution to change the denomination of shares of Tk. 100.00 to Tk. 10.00 and amend the Capital Clause of the Memorandum and Articles of Association.

General Information for the Shareholders

The Company's financial results and official news release are also displayed on the Company's web site and on the websites of the Dhaka Stock Exchange and Chittagong Stock Exchange and the news required to publish in the daily newspaper are also published accordingly.

Information of forthcoming i.e. Sixteenth (16th) Annual General Meeting:

Date : November 14, 2012, Time 11.00 AM

Venue : La Vita Hall of Lakeshore Hotel & Apartments, Road No. 41, House No. 46, Gulshan- 2, Dhaka.

Financial Reporting Calendar : 2011-12 (1st of July to 30th June)

Record date : September 13, 2012

Proposed dividend : Stock @ 15% and Cash @ 10%

Dividend Payment dates : The final dividend if declared by the shareholders at the Annual General Meeting shall be paid on or before December 13, 2012, i.e. within 30 days from the date of declaration.

Listing on Stock Exchanges : (i) Dhaka Stock Exchange Ltd.
(ii) Chittagong Stock Exchange Ltd.

ISIN Number for CDBL – BD0621DBH007

Shareholding Pattern of the Company as on 30th June 2012**On the basis of shareholders types:**

Group Name	No. of Shareholder(s)	No. of Share(s)	Percentage (%)
Sponsors/ Promoters & Pre-IPO Shareholders (Local)	6	51,501,240	51.04
Sponsors/ Promoters & Pre-IPO Shareholders (Foreign)	2	24,667,480	24.44
General Public	3560	8,496,975	8.42
Financial Institutions & Other Companies	195	11,056,585	10.96
Foreign Investors	3	5,190,220	5.14
Total :	3766	100,912,500	100.00

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

Shareholding Range	Number of Shareholder(s)	No. of Shares	Percentage (%)
1 - 500	1245	438,310	0.43
501 - 5000	2147	3,794,560	3.76
5001 - 10000	170	1,239,145	1.23
10001 - 20000	88	1,269,180	1.26
20001 - 30000	29	727,760	0.72
30001 - 40000	22	752,660	0.75
40001 - 50000	10	458,160	0.45
50001 - 100000	27	1,837,680	1.82
100001 - 1000000	nil	nil	nil
1000001 to above	28	90,395,045	89.58
Total :	3766	100,912,500	100.00

Having reviewed the SEC's Corporate Governance guideline as last amended on July 3, 2012, the Company's Board issued and signed their declaration of Compliance, a statement of which is given in this report:

Annexure- A

Status of compliance with the conditions imposed by the Commission's Notification No.SEC/CMRRCD/2006-158/129/Admin/43 dated 03 July 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

Condition no.	Title	Compliance status	Remarks
1.0	Board of Directors		
1.1	Board's Size: Board members shall not be less than 5 (Five) and more than 20 (Twenty)	Complied	-
1.2	Independent Director:		
1.2 (i)	Independent Director: At least 1/5th	Will be complied by Dec. 31, 2012	-
1.2 (ii)	For the purpose of this clause "independent director" means a director-	-	-
1.2(ii) a	Independent directors do not hold any share or hold less than one percent (1%) shares	Will be followed	-
1.2(ii) b	Independent directors do not connected with the company's sponsor or director or shareholder who holds 1% or more shares	Will be followed	-
1.2(ii) c	Independent directors do not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated company	Will be followed	-
1.2(ii) d	Independent directors are not the members, directors or officers of any stock exchange	Will be followed	-
1.2(ii) e	Independent directors are not the members, directors or officers of any stock exchange or an intermediary of the capital market	Will be followed	-
1.2(ii) f	Independent directors are/were not the partners or executives during preceding 3 (three) years of any statutory audit firm	Will be followed	-
1.2(ii) g	They are not the Independent directors in more than 3 (three) listed companies	Will be followed	-
1.2(ii) h	They are not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non bank financial institution (NBFI)	Will be followed	-
1.2(ii) i	They are not been convicted for a criminal offence involving moral turpitude	Will be followed	-
1.2(iii)	The independent directors shall be nominated by the board of directors	Will be followed	-
1.2(iv)	The post of independent directors cannot remain vacant for more than 90 days	Will be followed	-
1.2(v)	The board shall lay down a code of conduct of all board members and annual compliance of the code to be recorded	Complied	-

Condition no.	Title	Compliance status	Remarks
1.2(vi)	The tenure of office of an independent directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	Will be followed	-
1.3	Qualification of Independent Director (ID)		
1.3(i)	Independent Director shall be knowledgeable individual with integrity	Will be followed	-
1.3(ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experience	Will be followed	-
1.3(iii)	In special cases above qualification may be relaxed by the commission	Will be followed	-
1.4	Positions of Chairman of the Board and Chief Executive Officer shall be filled by different individuals	Complied	-
1.5	Directors' Report to Shareholders		
1.5(i)	Industry outlook and possible future developments in the industry	Complied	-
1.5(ii)	Segment-wise or product-wise performance	Complied	-
1.5(iii)	Risks and concerns	Complied	-
1.5(iv)	A discussion on cost of goods sold, gross profit margin and net profit margin	Complied	-
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss	N/A	-
1.5(vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	Complied	-
1.5(vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	No such matters to report	-
1.5(viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	No such matters to report	-
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	No such matters to report	-
1.5(x)	Remuneration to directors including independent directors	Complied	-
1.5(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operation, cash flows and changes in equity	Complied	-
1.5(xii)	Proper books of account of the issuer company have been maintained.	Complied	-
1.5(xiii)	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.	Complied	-

Condition no.	Title	Compliance status	Remarks
1.5(xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	Complied	-
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	Complied	-
1.5(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	Complied	-
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	Complied	-
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	Complied	-
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	No such matters arisen	-
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	Complied	-
1.5(xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:		
1.5(xxi) a	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	Complied	-
1.5(xxi) b	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	Complied	-
1.5(xxi) c	Executives;	Complied	-
1.5(xxi) d	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	Complied	-
1.5(xxii)	In case of appointment/re-appointment of a director the company shall disclose the following information to the shareholders:		
1.5(xxii) a	a brief resume of the director;	Complied	-
1.5(xxii) b	nature of his/her expertise in specific functional areas;	Complied	-
1.5(xxii) c	names of companies in which the person also holds the directorship and the membership of committees of the board.	Complied	-
2.0	Chief Financial Officer, Head of Internal Audit & Company Secretary		
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and defining of their respective roles, responsibilities and duties	Complied	-

Condition no.	Title	Compliance status	Remarks
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	Complied	-
3	Audit Committee:		
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	Complied	-
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	Complied	-
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	Complied	-
3.1	Constitution of the Audit Committee		
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	Complied	-
3.1(ii)	Constitution of Audit Committee with Board Members including one Independent Director	Will be followed	-
3.1(iii)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	Complied	-
3.1(iv)	Filling of Casual Vacancy in Committee	Complied	-
3.1(v)	The company secretary shall act as the secretary of the Committee.	Complied	-
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	Will be followed	-
3.2	Chairman of the Audit Committee		
3.2(i)	Chairman of the Audit Committee shall be an Independent Director	Will be followed	-
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	Complied	-
3.3	Role of Audit Committee		
3.3 (i)	Oversee the financial reporting process	Complied	-
3.3 (ii)	Monitor choice of accounting policies and principles.	Complied	-
3.3 (iii)	Monitor Internal Control Risk management process.	Complied	-
3.3 (iv)	Oversee hiring and performance of external auditors.	Complied	-
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	Complied	-
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	Complied	-
3.3 (vii)	Review the adequacy of internal audit function.	Complied	-
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	Complied	-

Condition no.	Title	Compliance status	Remarks
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	Complied	-
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results.	No such matters to report	-
3.4	Reporting of the Audit Committee		
3.4.1	Reporting to the Board of Directors		
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	Complied	-
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-	-	-
3.4.1 (ii) a	Report on conflicts of interests;	No such matters to report	-
3.4.1 (ii) b	Suspected or presumed fraud or irregularity or material defect in the internal control system;	No such matters to report	-
3.4.1 (ii) c	Suspected infringement of laws, including securities related laws, rules and regulations;	No such matters to report	-
3.4.1 (ii) d	Any other matter which shall be disclosed to the Board of Directors immediately.	Complied	-
3.4.2	Reporting to the Authorities	No such matters to report	-
3.5	Reporting to the Shareholders and General Investors	Complied	-
4	External/Statutory Auditors:		
4 (i)	Appraisal or valuation services or fairness opinions.	Complied	-
4 (ii)	Financial information systems design and implementation.	Complied	-
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	Complied	-
4 (iv)	Broker-dealer services.	Complied	-
4 (v)	Actuarial services.	Complied	-
4 (vi)	Internal audit services.	Complied	-
4 (vii)	Any other service that the Audit Committee determines.	Complied	-
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	Complied	-
5	Subsidiary Company		
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	N/A	-

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

Highest Safety
AAA credit rating for
the 6th consecutive year



REPORT ON INTERNAL CONTROL

Objectives

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

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

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

Internal control procedure

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

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

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

Internal control procedures in respect of financial and accounting information

Financial and accounting information is prepared centrally on the basis of financial statements generated from the software application that is used by different departments and is in compliance with the IAS and IFRS as adopted by the ICAB and as per the rules and regulations issued by Bangladesh Bank.

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

External financial information

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

Cash position and financing

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

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

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

Procedures and inspections

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

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

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

Customer relation

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

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

Human resources

The Human Resources department organizes career and skills development for those positions requiring a high level of responsibility. It carries out the performance evaluation program in each year. This department provides industry information to the management as to the emolument and benefits. It also ensures that information for management reports is obtained and circulated. Human Resources department is responsible for ensuring compliance with the service rules and regulations.

Information technology

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

STATEMENT ON FINANCIAL STATEMENTS BY CEO AND HEAD OF FINANCE

The financial statements of the Delta Brac Housing Finance Corporation Limited are prepared in compliance with International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS) and other applicable laws, rules and regulations.

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

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

- (i) We have reviewed financial statements for the year and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transaction entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.



Q. M. Shariful Ala
Managing Director & CEO



Syed Aminul Islam
SVP & Head of Finance

AUDIT COMMITTEE REPORT

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

Purpose of Audit Committee

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

- i) The performance of the Company's internal compliance functions,
- ii) Compliance by the Company with legal and regulatory requirements and
- iii) The qualifications, independence and performance of the Company's independent auditor.

Composition of the Committee

Bangladesh Bank vide DFIM Circular No.- 13, dated: October 26, 2011 issued a guideline on Internal Control and Compliance (ICC) framework according to which an Audit Committee has been formed comprising of 5 (five) members of the Board who possess knowledge on finance and accounts. The Committee at DBH was last reconstituted on June 6, 2012 and the members are:

- | | | | |
|----|----------------------------|---|----------|
| 1. | Mr. Nasir A. Choudhury | - | Chairman |
| 2. | Mr. Faruq A Choudhury | - | Member |
| 3. | Mr. Ishtiaq Mohiuddin | - | Member |
| 4. | Ms. Mehreen Hassan | - | Member |
| 5. | Mr. A. Z. Mohommad Hossain | - | Member |

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

Meeting of the Audit Committee

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

Audit Committee reviewed the annual financial statements for the year 2011-2012 and placed its recommendations to the Board of Directors. Based on the review, the Audit Committee is of the view that the internal control and compliance procedures are adequate to present a true and fair view of the activities and financial status of the Company and to ensure that its assets are safeguarded properly.

Roles and Responsibilities of the Committee

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

(a) Internal Control

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

(b) Financial Reporting

- (1) Review the annual financial statements and determine whether they are complete and consistent with the accounting standards set by the regulatory authority;
- (2) Meet management and the external auditors to review the financial statements before their finalization.

(c) Internal Audit

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

(d) External Audit

- (1) Review the auditing performance of the external auditors and their audit reports;
- (2) Review that findings and recommendations made by the external auditors for removing the irregularities detected and also running the affairs of the institution are duly considered by the management;

- (3) Make recommendations to the Board regarding the appointment of the external auditors.

(e) Compliance with existing Laws and Regulations

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

(f) Other Responsibilities

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

Reporting to the Board and the Shareholders

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

- Copies of minutes of the Meeting to the Board;
- A report annually to the Board/ Shareholders;
- Additional reports to the Board, if required.

Acknowledgement

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



Nasir A. Choudhury
Chairman
Audit Committee

Assured Returns
Secure Future
Safe Dreams.



DISCLOSURE ON CAPITAL ADEQUACY & MARKET DISCIPLINE (CAMD)

A) Scope of Application

Qualitative Disclosures:

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

Quantitative Disclosures:

- (d) Not Applicable

B) Capital Structure

Qualitative Disclosures

- (a) Summary information on terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or Tier 2.

Tier 2 Capital includes:

- i) General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) of Credit Risk;
- ii) Redeemable preference shares.

Conditions for maintain regulatory capital:

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

Quantitative Disclosures:

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

Particulars	Amount in Crore Taka
Paid up capital	100.91
Non-repayable share premium account	5.50
Statutory reserve	44.76
General Reserve & other reserve	16.80
Retained earning	27.08
Dividend equalization account	10.00

- (c) The total amount of Tier 2 capital 25.56
- (d) Other deductions from capital -
- (e) Total eligible capital 230.62

C) Capital Adequacy

Qualitative Disclosures

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

- **Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)**

DBH has applied Standard Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach of Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying capital charge for market risk and operational risk by reciprocal of the minimum capital adequacy ratio i.e. 10% as on June 30, 2012 and adding the resulted figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Capital as numerator to derive Capital Adequacy Ratio.

- **Strategy to Achieve the required Capital Adequacy:**

- Rigorous monitoring of overdue loans to bring those under 90 days overdue;
- Financing clients having good rating as per company's policy.
- Using benefit of credit risk mitigation by taking eligible collaterals against transactions;
- Focusing more to increase the spread on Housing loan and thus increasing retained earnings.
- Raise fresh capital by issuing bonus share/right issue.

Quantitative Disclosures	Amount in crore Taka
(b) Capital requirement for Credit Risk	1,24.50
(c) Capital requirement for Market Risk	4.09
(d) Capital requirement for Operational Risk	17.19
(e) Total and Tier 1 capital ratio:	
• CAR on Total capital basis (%)	15.82
• CAR on Tier 1 capital basis (%)	14.07

D) Credit Risk

Qualitative Disclosures

- (a) The general qualitative disclosure requirement with respect to credit risk, including :

- Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted or per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

- Description of approaches followed for specific and general allowances and statistical methods;

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

Discussion on FI's credit risk management policy:

Implementation of various strategies to minimize risk:

To encounter and mitigate credit risk, the following control measures are taken place at DBH:

- Vigorous monitoring and follow up by fully dedicated recovery and collection team;
- Strong follow up of compliance of credit policies by appraiser and credit department;
- Taking collateral and performing valuation and legal vetting on the proposed collateral by members of our own dedicated technical and legal department;
- Seeking legal opinion from external lawyer for any legal issues if required;
- Regular review of market situation and industry exposures;
- Insurance coverage for funded assets.

In addition to the best industry practices for assessing, identifying and measuring risks, DBH also considers Guideline for Managing Core Risks of Financial Institutions issued by Bangladesh Bank for management of risks.

- **Approved Credit Policy by the Board of Directors**

The Board of Directors has approved the credit policy for the company where major policy guidelines, growth strategy, exposure limits and risk management strategies have been described/stated. Credit policy is regularly updated to cope up with the changing global, environmental and domestic scenarios.

- **Separate Credit Administration Department**

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

- **Special Recovery and Collection Team**

A strong recovery team monitors the performance of the loans and advances, identify early sign of delinquencies in portfolio, and take corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

- **Independent Internal Compliance Department**

Appropriate internal control measures are in place at DBH. An Internal Compliance Department has been established to ensure compliance with all internal guidelines, Bangladesh Bank guidelines, operational procedures, and adequacy of internal control and documentation procedures.

- **Credit Evaluation**

To mitigate credit risk, DBH search for credit report from Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by Credit Admin Department and Loan Operation Department to understand the liability condition and repayment behavior of the client. Depending on the reports, opinions are taken from the concerned related parties for better understanding about client's credit worthiness.

- **Credit Approval Process**

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multilayer system. Depending on the size of the loan, a multilayer approval system is designed. As smaller loan are very frequent and comparatively less risky, lower sanctioning authority is set to improve processing time and associated risk. Bigger loans require more scrutiny as the associated risk is higher hence sanctioning authority is higher as well.

- **Early Warning System**

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It helps the company to grow its credit portfolio with ultimate objective to protect the interest of the stakeholders.

- **Methods used to measure Credit Risk**

As per the directives of Bangladesh bank, 'The Standardize Approach' is applied by the company to measure its Credit Risk.

Quantitative Disclosures

(b) Total gross credit risk exposures broken down by major types of credit exposure.

Particulars	Amount in crore Taka
Housing Loan	2,338.16
Loan against Deposit	43.29
Staff Loan	13.44
Installment Receivables	9.01
Total	2,403.90

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

Area	Amount in crore Taka
Dhaka	2,174.77
Chittagong	213.99
Sylhet	15.14
Total	2,403.90

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

Sector	Amount in crore Taka
Housing & Real Estate	2,359.84
Others	44.06
Total	2,403.90

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

Particulars	Amount in crore Taka
Repayable on demand	9.01
Not more than 3 months	104.05
Over 3 months but not more than 1 year	294.11
Over 1 year but not more than 5 years	1,012.63
Over 5 years	984.10
Total	2,403.90

- (f) By major industry or counterparty type:

- i) Amount of impaired loans and if available, past due loans, provided separately

The amount of classified loans and advances/investments of DBH are given below as per Bangladesh Bank guidelines.

Particulars	Taka in Million
Housing Loans up to 5 years	4.63
Housing Loans over 5 years	23.09
Total	27.72

- ii) Specific and general provisions

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

Particulars	Taka in Million
Provision on classified loans and advances / investments	27.72
Provision on unclassified loans and advances / investments	533.35
Total	561.07

- iii) Charges for specific allowances and charge-offs during the period.

During the year the specific and general provisions were made on the amount of classified and unclassified of loans and advances / investments of DBH.

Particulars	Taka in Million
Provision on classified loans and advances / investments	9.88
Provision on unclassified loans and advances / investments	(10.82)
Total	(0.94)

Amount in crore Taka

(g) Gross Non Performing Assets (NPAs)

2.77

Non Performing Assets (NPAs) to outstanding Loans and Advances

0.12%

Movement of Non Performing Assets (NPAs)

Amount in crore Taka

Opening Balance	1.78
Additions	1.26
Reductions	0.27
Closing Balance	2.77

Movement of Specific Provisions for NPAs

Amount in crore Taka

Opening Balance	0.04
Provisions made during the period	0.58
Write-off	-
Written-back of excess provisions	-
Closing Balance	0.62

E) Equities: banking book positions

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and Strategic reasons; and

Total equity shares holdings except Dan & Bradstreet Rating Agency Bangladesh Ltd. are for capital gain purpose and shares holding of Dan & Bradstreet Rating Agency Bangladesh Ltd. are for relationship and strategic purpose

Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

- Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and conditions of regulatory authority. On the other, unquoted share is valued cost price or book value as per latest audited accounts.

Quantitative Disclosures

- (b) Value disclosed in the balance sheet of investments, as well as the fair value of those investments, for quoted securities, a comparison to publicly quoted share values where share price is materially different from fair value.

Particulars	Amount in crore Taka
Quoted shares	20.46
Unquoted shares	1.20

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

Particulars	Amount in crore Taka
Cumulative realized losses	2.35

- (d)

Particulars	Amount in crore Taka
Total unrealized gains (Losses)	(11.41)
Total latent revaluation gains (Losses)	-
Any amounts of the above included in Tier 2 Capital	-

- (e) Capital requirements broken down by appropriate equity groupings, consistent with FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital
- Specific Risk –Market value of investment equities in BDT 20.46 crore. Capital requirement is 10% of the said value which stands at BDT 2.05 crore.
 - General Risk –Market value of investment in equities is 20.46 crore. Capital requirement is 10% of the said value which stands at BDT 2.05 crore.

F) Interest rate in the banking book

Qualitative Disclosures

- (a) The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of an assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis. DBH measure the interest rate risk by calculating maturity gap between Risk Sensitive Asset (RSA) and Risk Sensitive Liabilities (RSL) i.e. a positive maturity gap affect company's profitability positively with the increment of interest rate and a negative maturity gap affect company's profitability adversely with the increment of interest rate.

Quantitative Disclosures

- (b) The increase (decline) in earning (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

Interest Rate Risk-Increase in Interest Rate: (BDT in Crore) Where applicable

Particulars	Maturitywise Distribution of Assets-Liabilities				
	1 to 30/31 day (One month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year
A. Total Rate Sensitive Liabilities (A)	44.42	60.73	57.67	119.66	256.62
B. Total Rate Sensitive Assets (B)	259.1	44.67	39.25	103.96	209.71
C. Mismatch	214.68	-16.06	-18.42	-15.7	-46.91
D. Cumulative Mismatch	214.68	198.62	180.2	164.5	117.59
E. Mismatch (%)	483.25%	-26.45%	-31.93%	-13.12%	-18.28%

Interest Rate Risk			
Magnitude of Shock	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio (BDT in Crore)	-0.3	-0.6	-0.91
Net Interest Income (BDT in Crore)	2.35	4.7	7.06
Revised Regulatory Capital (BDT in Crore)	232.59	234.64	236.69
Risk Wighted Assets (BDT in Crore)	1454.66	1454.66	1454.66
Revised CAR (%)	15.99%	16.13%	16.27%

G) Market Risk**Qualitative Disclosures**

- (a) Views of BOD on trading/investment activities

All the Market risk related policies/guidelines are duly approved by Senior Management. The Senior Management sets limit and review and updates the compliance on regular basis aiming to mitigate market risk.

Method used to measure Market risk

Market risk is the probability of losing assets in balance sheet and off-balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardize (rule based) Approach. Capital charge for interest rate risk and foreign exchange risk is not applicable to our company as because we do not have such balance sheet items.

Market Risk Management System

A system for managing Market Risk is in place where clearly guideline has been given regarding long-term, short-term funding, liquidity contingency plan, local regulatory compliance etc. Treasury manages the Market risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following manner:

Interest Risk Management

Treasury Department reviews the risk of changes in the income of the company as result of movements in the market interest rates. In the normal course of business, DBH tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

Market analysis

Market analysis over interest rate movements are reviewed by the Treasury Department of the company. The type and level of mismatch interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and earning value perspective.

GAP analysis

ALCO has established guidelines in line with central bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular monthly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between rate sensitive assets and rate sensitive liability and take decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

Continuous Monitoring

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

Equity Risk Management

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

DBH minimizes the equity risks by portfolio diversification as per investment guideline of senior management.

Quantitative Disclosures

(b) The capital requirements for Market Risk:	Amount in crore Taka
Interest rate risk	-
Equity position risk	4.09
Foreign Exchange Position and Commodity risk (If any)	-

H) Operational Risk:

Qualitative disclosure:

a) Views of Board on the system to reduce Operational Risk:

All the policies and guidelines of internal control and compliances are established as per advice of the Board. The Board delegates its authority to Executive Committee and Managing Director. Audit Committee of the Board oversees the activities of internal Control and compliance as per good governance guideline issued by Securities and Exchange Commission.

Performance gap of executives and staff

DBH's recruitment policy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the requirements of the job (both now and in future), matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. Favourable job responsibilities are increasingly attracting greater participation from different level of employees in the DBH family. We aim to foster a sense of pride in working for DBH and to be the employer of choice. As such there exists no performance gap in DBH.

Potential external events

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

Policies and Procedure for mitigating operational risk:

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

Approach to calculating capital charge for operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. DBH uses indicator approach for calculating capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

Quantitative Disclosures:

b) Capital requirement for operational risk:

Particulars	Amount in crore Taka
Capital requirement for operational risk:	17.19

INDEPENDENT AUDITORS' REPORT

To

The Shareholders of Delta Brac Housing Finance Corporation Ltd.

We have audited the accompanying financial statements of Delta Brac Housing Finance Corporation Ltd. (DBH or 'the company'), which comprise the balance sheet as at 30 June 2012 and the Profit and Loss Account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the financial statements prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) give a true and fair view of the financial position of Delta Brac Housing Finance Corporation Ltd. as of 30 June 2012, and results of its financial performance and its cash flows for the year then ended and comply with the Financial Institution Act 1993, the Financial Institution rules 1994, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ii. in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- iii. the company's balance sheet and profit and loss account 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's business;
- v. adequate provisions have been made for housing loans considered to be doubtful;
- vi. the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- vii. the company has followed the instructions used by the Bangladesh Bank in the matters of housing loans, classification, provisioning and suspension of interest;
- viii. the company has so far complied with the relevant laws pertaining to reserves and maintaining of liquid assets; and
- ix. we have reviewed over 80% of risk weighted assets of the company and we have spent 1,085 person hours to the audit of the financial statements of the company.

Dated, Dhaka;
26 August 2012


S. F. Ahmed & Co.
Chartered Accountants

BALANCE SHEET

As at 30 June 2012


	Notes	2012 Taka	2011 Taka
PROPERTY AND ASSETS			
Cash	3		
In hand	3.1	75,513	87,391
Balance with Bangladesh Bank and its agent Bank	3.2	372,631,166	333,698,026
		372,706,679	333,785,417
Balance with other banks and financial institutions in Bangladesh	4	929,059,560	1,769,016,706
Money at call on short notice	5	1,650,000,000	60,000,000
Investments	6		
Government		-	-
Others		450,617,335	506,875,189
		450,617,335	506,875,189
Loans and advances	7	24,039,007,094	21,668,604,021
Fixed assets including land, building, furniture and equipments	8	43,298,793	40,764,116
Other assets	9	156,054,640	121,470,483
Total Assets		27,640,744,101	24,500,515,932
LIABILITIES AND CAPITAL			
LIABILITIES			
Borrowing from other banks and financial institutions	10	7,312,695,521	7,388,371,512
Deposit and others accounts			
Fixed deposits	11.1	15,751,200,293	13,307,831,582
Other deposits		-	-
Other liabilities	12	2,426,308,585	2,048,015,955
Total Liabilities		25,490,204,399	22,744,219,049
Shareholders equity			
Paid-up capital	13.2 a	1,009,125,000	504,562,500
Preference share capital	13.2 b	40,000	40,000
Share premium	14	154,960,000	154,960,000
Statutory reserve	15	447,617,428	366,768,865
Other reserve	16	268,000,000	428,000,000
Retained earnings	32	270,797,274	301,965,518
Total equity		2,150,539,702	1,756,296,883
Total liabilities and Shareholders' equity		27,640,744,101	24,500,515,932
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsement	17.1	-	-
Letter of guarantee		-	-
Irrevocable letter of credits		-	-
Bills for collection		-	-
Other contingent liabilities		59,923,470	59,923,470
Total contingent liabilities		59,923,470	59,923,470
Other commitments			
Documentary credit & short-term trade related transaction	17.2	-	-
Forward assets purchased and forward deposit placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		448,325,383	394,625,000
Total other commitments		448,325,383	394,625,000
Total Off-Balance Sheet items including contingent liabilities		508,248,853	454,548,470

The annexed notes 1 to 39 form an integral part of these financial statements.



Faruq A Choudhury
Chairman


Nasir A. Choudhury
Director


Mehreen Hassan
Director


Q. M. Shariful Ala
Managing Director & CEO

Dated, Dhaka;
26 August 2012



S. F. Ahmed & Co.
Chartered Accountants

PROFIT AND LOSS ACCOUNT

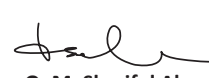
For the year ended 30 June 2012

	Notes	2011-2012 Taka	2010-2011 Taka
Interest Income	18	3,458,388,798	2,689,316,304
Interest paid on deposits and borrowings etc	19	2,475,779,264	1,799,504,676
Net Interest Income		982,609,534	889,811,628
Income from investment	20	34,316,820	272,392,532
Commission, exchange and brokerage	21	92,043,624	98,313,707
Other operating income	22	19,677,700	4,762,710
Total operating income		1,128,647,678	1,265,280,577
Salary and allowances	23	161,239,001	150,026,984
Rent, taxes, insurance, electricity, etc.	24	29,018,305	24,204,704
Legal & professional expenses	25	987,466	1,763,074
Postage, stamp, telecommunication, etc.	26	5,641,031	5,720,239
Stationery, printing, advertisements, etc.	27	5,154,014	24,732,876
Managing Director's salary and fees		10,600,000	9,550,000
Directors' fees and expenses	28	478,283	631,955
Auditors' fees	29	218,500	189,750
Depreciation, repair & maintenance	30	20,507,885	28,313,833
Other expenses	31	25,355,228	23,925,090
Total operating expenses		259,199,713	269,058,505
Profit before provisions		869,447,965	996,222,072
Provision for:			
Loans and advances	12.2.1,2	(938,916)	92,978,120
Diminution in value of investments	12.2.3	105,691,359	(3,639,303)
Total provisions		104,752,443	89,338,817
Profit before tax		764,695,522	906,883,255
Provision for tax			
Current	12.3	363,658,608	409,755,367
Deferred	9.3 a	(3,205,905)	(4,939,935)
		360,452,703	404,815,432
Profit after tax		404,242,819	502,067,823
Appropriations			
Statutory reserve		80,848,563	100,413,565
General reserve		-	-
Dividend on preference share		10,000,000	10,000,000
		90,848,563	110,413,565
Retained surplus		313,394,256	391,654,258
Earnings Per Share (restated)	33	3.91	4.88

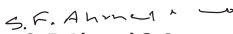

Faruq A Choudhury
Chairman


Nasir A. Choudhury
Director


Mehreen Hassan
Director


Q. M. Shariful Ala
Managing Director & CEO

Dated, Dhaka;
26 August 2012


S. F. Ahmed & Co.
Chartered Accountants

CASH FLOW STATEMENT (DIRECT METHOD)

For the year ended 30 June 2012

	2011 - 2012 Taka	2010 - 2011 Taka
<u>Cash flows from operating activities</u>		
Interest received	3,451,354,875	2,693,521,415
Interest payments	(2,151,836,677)	(1,543,150,268)
Dividend received	35,575,537	15,869,940
Fees and commission received	97,183,699	101,631,638
Paid to employees	(182,837,450)	(157,110,327)
Paid to suppliers and for various operating expenses	(79,874,758)	(66,139,829)
Income tax paid	(431,015,421)	(345,047,514)
Received from other operating activities	(9,932,514)	233,882,302
Cash generated from operating activities before changes in operating assets and liabilities	728,617,291	933,457,357
<u>Increase/(decrease) in operating assets and liabilities</u>		
Loans and advances to customers	(2,330,841,134)	(3,594,500,323)
Other assets	(38,041,381)	(23,587,334)
Loans and deposits from banks and other customers	2,406,847,767	1,631,019,492
Other liabilities	32,285,089	23,783,826
Cash utilized in operating assets and liabilities	70,250,341	(1,963,284,339)
Net cash from operating activities	798,867,632	(1,029,826,982)
<u>Cash flows from investing activities</u>		
Net proceed from Investment in trading securities	56,257,854	498,618,132
Purchase of property, plant & equipment	(16,381,244)	(19,390,047)
Proceeds from sell of property, plant & equipment	1,118,348	979,989
Net cash from investing activities	40,994,958	480,208,074
<u>Cash flows from financing activities</u>		
Payments for redemption of loan & debt security	(7,480,700)	(7,480,700)
Payment of Preference share dividend	(10,000,000)	(10,000,000)
Cash dividend paid	-	(40,365,000)
Payment for finance lease	(1,743,426)	(1,661,284)
Net cash from financing activities	(19,224,126)	(59,506,984)
Net increase in cash and cash equivalents	820,638,464	(609,125,892)
Cash and cash equivalents (net off overdraft) at the beginning of the period	1,905,854,626	2,514,980,518
Cash and cash equivalents (net off overdraft) at the end of the period	2,726,493,090	1,905,854,626



Faruq A Choudhury
Chairman


Nasir A. Choudhury
Director


Mehreen Hassan
Director


Q. M. Shariful Ala
Managing Director & CEO

Dated, Dhaka;
26 August 2012


S. F. Ahmed & Co.
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2012

Amount in Taka

Particulars	Paid up Capital	Preference Share Capital	Share Premium	Statutory Reserve	General & Other Reserves	Retained earnings	Total
Balance as on 1 July, 2011	504,562,500	40,000	154,960,000	366,768,865	428,000,000	301,965,518	1,756,296,883
Net profit (after tax) for the period	-	-	-	-	-	404,242,819	404,242,819
Transferred to reserve funds	-	-	-	80,848,563	60,000,000	(140,848,563)	-
Stock dividend issued	504,562,500	-	-	-	(220,000,000)	(284,562,500)	-
Preference share dividend	-	-	-	-	-	(10,000,000)	(10,000,000)
Balance as on June 30, 2012	1,009,125,000	40,000	154,960,000	447,617,428	268,000,000	270,797,274	2,150,539,702
Balance as on June 30, 2011	504,562,500	40,000	154,960,000	366,768,865	428,000,000	301,965,518	1,756,296,883

LIQUIDITY STATEMENT

As at June 30, 2012

Amount in Taka

Particulars	up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Above 5 Years	Total
Assets						
Cash	372,706,679	-	-	-	-	372,706,679
Balance with other Banks and Financial Institutions	580,940,747	150,000,000	196,466,417	1,652,396	-	929,059,560
Money at Call and on short notice	1,650,000,000	-	-	-	-	1,650,000,000
Investments	298,617,835	-	49,500,000	80,000,000	22,499,500	450,617,335
Loans and advances	441,130,448	689,446,007	2,941,129,569	10,126,253,486	9,841,047,584	24,039,007,094
Fixed assets including premises, furniture and fixture	957,982	1,915,963	8,621,835	22,239,647	9,563,366	43,298,793
Other assets	86,220,197	13,436,220	46,410,564	9,987,659	-	156,054,640
Total Assets	3,430,573,888	854,798,190	3,242,128,385	10,240,133,188	9,873,110,450	27,640,744,101
Liabilities						
Borrowing from other banks and financial institutions	404,459,942	110,327,708	682,468,197	2,716,417,924	3,399,021,750	7,312,695,521
Deposits	415,051,699	1,073,695,698	2,855,043,695	489,264,493	10,918,144,708	15,751,200,293
Other liabilities	327,913,702	455,448,195	858,650,975	500,837,849	283,457,864	2,426,308,585
Total liabilities	1,147,425,343	1,639,471,601	4,396,162,867	3,706,520,266	14,600,624,322	25,490,204,399
Net liquidity gap	2,283,148,545	(784,673,411)	(1,154,034,482)	6,533,612,922	(4,727,513,872)	2,150,539,702

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2012

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 Exchanges in Bangladesh.

(b) Nature of business

i) The principal activities of the Company during the year were providing loans for construction of houses, purchases of flats or houses, extension and improvement of existing houses or flats and purchase of housing plots. The Company also provides services for purchase, sale and transfer of real estate assets.

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

2 Significant accounting policies

2.01 Statement of compliance & basis of preparation

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.

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. 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 whether a further allowances 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 as considered by management 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 and 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 and lease 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 and equipments

a. Recognition

The cost of an item of property, plant and equipments shall be recognized as an assets 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 per annum	Estimated useful life
Furniture & Fixture	15% - 20%	5- 6.67 years
Equipment	20% -25%	4- 5 years
Vehicles	20%	5 years
Building	3%	33.33 years
Land	Not depreciated	

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

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.

Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and carrying amount of the asset and is recognized in profit or loss account.

c. Sale of Fixed Assets

Sale price of fixed assets are determined on the basis of fair value of the assets. Gain or loss on sale of assets are recognized in profit & loss account as per provision of BAS 16 Property, Plant & Equipments.

2.09 Intangible assets

Intangible assets (computer software) are recorded at historical cost less accumulated amortization. These are amortized on straight line method using the rate at 20% (Estimated five years useful life).

2.10 Accounting for changes in accounting estimates

BAS-8 states that the effect of a change in an accounting estimate is to be applied prospectively by inclusion in the current accounting period and, if relevant, in future accounting period. The carrying amount of assets, liabilities or equity may be changed following a change in accounting estimates in the period of the change.

As per Para 61 of the BAS 16, any changes in the depreciation method shall be accounted for as a changes in an accounting estimate in accordance with BAS-8.

DBH changed its depreciation method from reducing to straight line for depreciating property, plant and equipment in 2010-11. As a result an additional depreciation of Taka 10,743,208 was charged to profit and loss account in that year. Management takes the view that this policy provides reliable and more relevant information because it deals more accurately with the components of property, plant and equipment and is based on up-to-date values.

2.11 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.

2.12 Investment in securities

Investments are initially recognized at cost including acquisition charges with the investments. After initial recognition, investments in marketable ordinary shares have been valued at cost or market price whichever is lower on an aggregate portfolio basis. Investment in non marketable shares have been valued at cost. Full provision for diminution in value of shares as on closing of the year on aggregate portfolio basis is made in the financial statements as required by Bangladesh Bank DFIM circular No. 02 dated January 31, 2012.

2.13 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.

2.14 Cash Flow Statements

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

2.15 Revenue recognition

Interest income

Interest income from loans - secured 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-secured) 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 qualitative judgment.

Fees and other charges on loans

Receipt of loan processing/servicing 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 in the period in which the dividend is declared and approved in AGM whereas 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.

Subject to the terms and conditions DBH already received from IFC \$156,000.00 (BDT 12,268,825.00) from total sanctioned amount of \$300,000.00

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.

2.16 Interest suspense account

Interest on non-performing loans is not recognized as revenue and credited to interest suspense account.

2.17 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 2010 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.

2.18 Taxation

Current tax

Provision for income tax has been made at best estimate keeping in view the provisions of Income Tax Ordinance 1984 and amendment made thereto from time to time. Applicable rate of income tax for the company is 42.5%.

Deferred tax

Pursuant to BAS - 12 "Income Taxes" deferred tax is provided using the asset & liability method for all temporary timing differences arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. Tax rate prevailing at the balance sheet date is used to determine deferred tax as the same rate is expected to be applicable at the time of settlement/ adjustment of deferred tax asset or liability.

2.19 Provision for loans

The Company's policy is to ensure that the balance of provision for loans is adequate to cover the principal amount in respect of non-performing loans when the installments are outstanding for more than six months and any other accounts which are considered doubtful of recovery. The company has made adequate provision which is more than the minimum regulatory requirement.

2.20 Interest expense

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

2.21 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 disclosure

As per Bangladesh Accounting Standards (BAS) 24 "Related Party Disclosures", parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 37.

2.23 Events after the balance sheet date

All material events occurring after the balance sheet date has been considered and where necessary, adjusted for or disclosed in note 39.3.

2.24 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 recognize 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, 2012. 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

Name of the BAS	BAS No.	Status
Presentation of Financial Statements	1	**
Inventories	2	N/A
Cash Flow Statement	7	Applied
Accounting Policies, Change in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Lease	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Governments Assistance	20	Applied
The Effect of Change in Foreign Exchange Rates	21	Applied
Borrowing Cost	23	Applied
Related Party Disclosure	24	Applied
Accounting and Reporting by Retirement Benefits Plan	26	N/A
Consolidated and Separate Financial Statements	27	N/A
Investment in Associates	28	N/A
Interest in Joint Ventures	31	N/A
Financial Instruments: Disclosure and Presentations	32	**
Earnings Per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provision, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	**
Investment Property	40	N/A
Agriculture	41	N/A
Name of the BFRS	BFRS No.	Status
Share Base Payment	2	N/A
Business Combination	3	N/A
Insurance Contracts	4	N/A
Non-Currents Assets held for sale and discontinued operation	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments : Disclosure	7	**
Operating Segment	8	N/A

** DBH management has followed the principles of BAS & BFRS consistently in the preparation of the financial statements to that extent as applicable to the financial institution. Some of the standards have not been complied with, about which Bangladesh Bank has special guideline.

2.28 Financial risk management

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

Credit risk

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

Market risk

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

Liquidity risk

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

Operational risk

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

2.29 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" which is effective from 01 January 2012.

DBH management is aware about guideline of Bangladesh Bank and implementing new Capital Adequacy requirement according to BASEL-II. BASEL-II implementation committee is headed by Managing Director & CEO. Adequate training to the concerned staff on BASEL-II is given for better understanding and smooth implementation of the Capital Adequacy requirement.

	2011-2012 Taka	2010-2011 Taka
3 Cash		
3.1 Cash in hand		
Local Currency	75,513	87,391
Foreign Currency	-	-
	<u>75,513</u>	<u>87,391</u>
3.2 Balance with Bangladesh Bank and its agents		
Bangladesh Bank:		
Local Currency	372,421,558	325,102,620
Foreign Currency	166,238	151,374
	<u>372,587,796</u>	<u>325,253,994</u>
Balance with Sonali Bank being an agent of Bangladesh Bank	43,370	8,444,032
	<u>372,631,166</u>	<u>333,698,026</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	368,156,234	314,925,240
Actual reserve maintained	<u>373,289,761</u>	<u>320,211,754</u>
Surplus/(deficit)	<u>5,133,527</u>	<u>5,286,514</u>

	2011-2012 Taka	2010-2011 Taka
3.3.2 Statutory Liquidity Reserve (SLR)		
Required reserve (including CRR)	845,580,901	721,880,774
Actual reserve maintained (including CRR note -3.3.1)	2,951,600,001	2,162,650,749
Surplus/(deficit)	2,106,019,100	1,440,769,975
4 Balance with other banks and financial institutions		
In Bangladesh (Note 4.1)	929,059,560	1,769,016,706
Outside Bangladesh	-	-
	929,059,560	1,769,016,706
4.1 In Bangladesh		
Current deposits	12,713,849	297,009
Short-term deposits	68,226,898	40,119,697
Fixed deposits	848,118,813	1,728,600,000
	929,059,560	1,769,016,706
4.2 Maturity grouping of balance with other banks and financial institutions		
Payable on demand	12,713,849	297,009
up to 1 month	568,226,898	1,040,119,697
Over 1 month but not more than 3 months	150,000,000	120,000,000
Over 3 month but not more than 6 months	30,000,000	100,000,000
Over 6 month but not more than 1 year	166,466,417	505,481,187
Over 1 year but not more than 5 year	1,652,396	3,118,813
Over 5 years	-	-
	929,059,560	1,769,016,706
5 Money at call and on short notice		
Jamuna Bank Limited	160,000,000	-
Marcantile Bank Limited	150,000,000	60,000,000
Mutual Trust bank Limited	160,000,000	-
Prime Bank Limited	150,000,000	-
Southeast Bank Limited	100,000,000	-
Standard Bank Limited	120,000,000	-
International Leasing and Financial Services Limited	200,000,000	-
Lanka Bangla Finance Limited	230,000,000	-
Prime Finance and Investment Limited	150,000,000	-
Union Capital Limited	180,000,000	-
Premier Leasing and Finance Limited	30,000,000	-
Reliance Finance Limited	20,000,000	-
	1,650,000,000	60,000,000
6 Investments		
Government securities	-	-
Other investments:		
Non marketable securities (Note-6.1)	12,029,500	11,999,500
Bonds (Orascom Telecom - Amortizing Senior Secured Bond)	120,000,000	160,000,000
Marketable securities (Note-6.2)	318,587,835	334,875,689
	450,617,335	506,875,189

		2011-2012 Taka	2010-2011 Taka
6.1	Investment in non marketable securities		
	No. of Shares		
	Dan & Bradstreet Rating Agency Bangladesh Ltd.	24,995	2,499,500
	Energyprima Ltd. (Pre-IPO shares)	100,000	9,500,000
	Unique Hotel & Resorts Ltd.(IPO shares)	400	30,000
		12,029,500	11,999,500
6.2	Investment in marketable securities		
	Sectors	Market price 2011-2012 Taka	Cost price Cost price
	Bank	14,695,470	16,527,259
	Cement	-	-
	Ceramics Sector	3,021,000	3,752,769
	Engineering	16,205,000	27,308,710
	Financial Institutions	7,806,250	7,151,867
	Fuel & Power	7,387,350	10,322,967
	Insurance	19,956,354	26,616,464
	Investment	125,000,000	209,742,080
	Miscellaneous	1,754,000	3,525,984
	Pharmaceuticals & Chemicals	3,923,900	6,960,187
	Tannery Industries	4,361,050	6,269,185
	Telecommunication	417,600	410,363
	Textile	-	-
		204,527,974	318,587,835
			334,875,689
All investment in marketable securities are valued on an aggregate portfolio basis. As on June 30, 2012 there was TK.114,059,861 gross unrealized loss on investment in marketable listed securities. 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 2012 (last trading date was June 28, 2012).			
6.3	Maturity grouping of investments		
	On demand	298,617,835	293,608,655
	upto 1 month	-	11,267,034
	Over 1 month but not more than 3 months	-	10,000,000
	Over 3 month but not more than 6 months	9,500,000	-
	Over 6 month but not more than 1 year	40,000,000	41,500,000
	Over 1 year but not more than 5 year	80,000,000	128,000,000
	Over 5 years	22,499,500	22,499,500
		450,617,335	506,875,189
7	Loans and advances		
	Inside Bangladesh		
	Housing Loan - secured	23,381,578,296	20,941,268,765
	Installment Receivable - Housing Loan	90,115,085	50,553,146
	Staff Loan	134,413,765	133,118,229
	Loan against Deposits	432,899,948	543,663,881
		24,039,007,094	21,668,604,021
	Outside Bangladesh	-	-
		24,039,007,094	21,668,604,021

	2011-2012 Taka	2010-2011 Taka
7.1 Maturity grouping of loans and advances		
Repayable on Demand	90,115,085	50,553,146
Not more than 3 months	1,040,461,370	962,405,268
Over 3 month but not more than 1 years	2,941,129,569	1,160,841,932
Over 1 year but not more than 5 year	10,126,253,486	6,275,152,600
Over 5 years	9,841,047,584	13,219,651,075
	<u>24,039,007,094</u>	<u>21,668,604,021</u>
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	16,060,812	33,670,799
d) Loans and advances to customer group:		
i) Housing Loan - Customer	23,471,693,381	20,991,821,911
ii) Staff Loan-Housing & Others	118,352,953	99,447,430
iii) Loan to Depositors	432,899,948	543,663,881
	<u>24,039,007,094</u>	<u>21,668,604,021</u>
e) Details of loan and advances industry-wise		
i) Housing Finance/ Real Estate	23,598,366,401	21,114,565,540
ii) Others	440,640,693	554,038,481
	<u>24,039,007,094</u>	<u>21,668,604,021</u>
7.3 Loans and advances - geographical location-wise		
Inside Bangladesh		
<i>Urban</i>		
Dhaka	21,747,688,643	19,620,388,410
Chittagong	2,139,901,282	1,939,614,825
Sylhet	151,417,169	108,600,786
	<u>24,039,007,094</u>	<u>21,668,604,021</u>
Outside Bangladesh:	-	-
	<u>24,039,007,094</u>	<u>21,668,604,021</u>
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.	24,030,076,980	21,656,029,082
ii) Loans and advances considered good against which the financial institution holds no security other than the debtors personal security.	-	-
iii) Loans and advances considered good and secured by the personal security of one or more parties in addition to personal guarantee of debtors.	8,930,114	12,574,939

	2011-2012 Taka	2010-2011 Taka
iv) Loans and advances adversely classified: for which no provision is created.	-	-
	24,039,007,094	21,668,604,021
v) Loans and advances due by officers of the financial institution or any of them either separately or jointly with any other persons.	134,413,765	133,118,229
vi) Loans and advances due by companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in case of private companies, as members.	-	-
vii) Maximum total amount of advances including temporary advances made at any time during the period to managers or officers of the financial institution or any of them either separately or jointly with any other person.	144,676,171	133,118,229
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 loan and advances.		
a) Classified loans for which interest/ profit not credited to income		
i) Increase/(decrease) of provision (specific)	(24,242,947)	55,318,743
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	14,917,345	2,340,486
c) Amount of interest creditable to interest suspense account	14,531,515	12,542,172
xi) Cumulative amount of written of loan and advances.		
Opening Balance	-	-
Amount written off during the year	-	-
Amount recovered against loans and advances previously written off	-	-
Balance of written off loans and advances yet to be recovered	-	-

	2011-2012 Taka	2010-2011 Taka
7.6 Classification of loans and advances		
<i>Unclassified:</i>		
Standard (including Staff Loan and Loan against Deposits)	23,955,097,323	21,643,904,638
Special mention account (SMA)	56,190,440	6,862,536
	<u>24,011,287,763</u>	<u>21,650,767,174</u>
<i>Classified</i>		
Sub-standard	-	3,905,328
Doubtful	12,801,986	11,591,033
Bad/loss	14,917,345	2,340,486
	<u>27,719,331</u>	<u>17,836,847</u>
	<u>24,039,007,094</u>	<u>21,668,604,021</u>

7.7 Calculation of provision for loans and advances as per Loan Classification Report as on June 30, 2012.

Nature	Base for provision	Rate (%)	Provision required
Standard	23,387,783,610	1	233,877,836
Special Mentioned account	52,389,120	5	2,619,456
Sub- standard	-	20	-
Doubtful	1,648,590	50	824,295
Bad	5,410,075	100	5,410,075
Staff	134,413,765	1	1,344,138
Loan against Deposit - Standard	432,899,948	1	4,328,999
Bonds (Orascom Telecom - Amortizing Senior Secured Bond)	120,000,000	1	1,200,000

8 Fixed assets including land, building, furniture and equipments:

Freehold assets (Cost):

Furniture & fixture	35,024,251	33,272,475
Office equipment	44,672,789	35,272,571
Vehicles	16,709,226	14,135,225
Building	4,785,450	4,785,450
Land	1,143,750	1,143,750
Intangible asset	1,160,195	1,160,195

Leasehold assets:

Motor vehicle	6,600,000	8,600,000
	<u>110,095,661</u>	<u>98,369,666</u>
Less: Accumulated depreciation	66,796,868	57,605,550
	<u>43,298,793</u>	<u>40,764,116</u>

Detailed are shown in annexure A.

	2011-2012 Taka	2010-2011 Taka
9 Other assets		
Accounts receivable (Note-9.1)	140,336,842	110,440,573
Advances, deposits and prepayments (Note-9.2)	8,376,040	6,894,057
Deferred tax assets (Note-9.3)	7,341,758	4,135,853
	<u>156,054,640</u>	<u>121,470,483</u>
9.1 Accounts receivable		
Interest receivable	79,151,676	87,730,349
Sundry receivable	61,185,166	22,710,224
	<u>140,336,842</u>	<u>110,440,573</u>
9.2 Advances, deposits and prepayments		
Advance to employees	201,851	161,596
Advance to suppliers	405,000	-
Security deposits	3,095,990	3,110,150
Advance rent	3,278,095	1,744,170
Stamps and pay order in hand	1,395,104	1,878,141
	<u>8,376,040</u>	<u>6,894,057</u>
9.3 Deferred tax assets		
Balance as on July 1	4,135,853	(804,082)
Add: Addition during the year (note-9.3 a)	3,205,905	4,939,935
	<u>7,341,758</u>	<u>4,135,853</u>
9.3 a Calculation of deferred tax		
Carrying amount of Fixed Assets(excluding land)	38,833,350	36,711,079
Tax base value of Fixed Assets	50,587,376	46,442,497
Deductible temporary difference	<u>11,754,026</u>	<u>9,731,418</u>
Applicable tax rate	42.50%	42.50%
i) Deferred tax assets on fixed assets	<u>4,995,461</u>	<u>4,135,853</u>
Carrying amount-Loss on sale of secondary shares	23,462,973	-
Tax base	-	-
Deductible temporary difference	<u>23,462,973</u>	<u>-</u>
Applicable tax rate	10%	10%
ii) Deferred tax assets on loss on sale of secondary shares	<u>2,346,297</u>	<u>-</u>
Total deferred tax assets (i + ii)	<u>7,341,758</u>	<u>4,135,853</u>
Deferred tax (liability)/assets at the beginning of the year	<u>4,135,853</u>	<u>(804,082)</u>
Deferred tax income	<u>3,205,905</u>	<u>4,939,935</u>

	2011-2012 Taka	2010-2011 Taka
10 Borrowing from other banks and financial institutions		
Inside Bangladesh (Note 10.1)	5,154,462,188	5,035,891,695
Outside Bangladesh (Note 10.2)	2,158,233,333	2,352,479,817
	<u>7,312,695,521</u>	<u>7,388,371,512</u>
10.1 Inside Bangladesh		
<i>Secured long-term loans</i>		
Uttara Bank Limited	39,162,128	72,022,359
Pubali Bank Limited	450,000,000	130,000,000
Commercial Bank of Ceylon plc	179,760,000	126,520,000
	<u>668,922,128</u>	<u>328,542,359</u>
<i>Zero Coupon Bond</i>		
Prime Bank Limited	75,000,000	150,000,000
	<u>75,000,000</u>	<u>150,000,000</u>
<i>Unsecured long-term loan</i>		
Bangladesh Bank (housing refinance)	4,035,266,910	4,300,401,839
	<u>4,035,266,910</u>	<u>4,300,401,839</u>
<i>Bank Overdraft</i>		
Prime Bank Limited	-	35,255,715
Commercial Bank of Ceylon plc	56,011,920	208,840,748
Citi Bank N.A	1,680,455	2,976,204
HSBC	-	9,874,830
Standard Chartered Bank	167,580,775	-
	<u>225,273,150</u>	<u>256,947,497</u>
<i>Short term loan</i>		
Citibank N A	150,000,000	-
	<u>150,000,000</u>	<u>-</u>
Total inside Bangladesh	<u>5,154,462,188</u>	<u>5,035,891,695</u>
10.2 Outside Bangladesh		
Netherlands Development Finance Company (FMO)	1,946,583,333	2,140,829,817
Triodos	211,650,000	211,650,000
	<u>2,158,233,333</u>	<u>2,352,479,817</u>
10.3 Security against borrowings from other banks and financial institutions		
Secured	3,277,428,611	3,087,969,673
Unsecured	4,035,266,910	4,300,401,839
	<u>7,312,695,521</u>	<u>7,388,371,512</u>

The aforesaid secured loans and overdraft from Commercial Bank of Ceylon (CBC) are secured by first charge on company's all present and future movable and immovable assets including book debts ranking pari-passu security charges with other lenders of the company. Bank overdraft except overdraft from CBC are secured by FDR.

	2011-2012 Taka	2010-2011 Taka
10.4 Maturity grouping of borrowings from other banks and financial institutions		
Payable on demand	225,273,150	256,947,497
Up to 1 month	179,186,792	26,190,574
Over 1 month but within 3 months	110,327,708	125,450,137
Over 3 months but within 1 year	682,468,197	556,883,217
Over 1 year but within 5 years	2,716,417,924	2,512,568,553
Over 5 years	3,399,021,750	3,910,331,534
	<u>7,312,695,521</u>	<u>7,388,371,512</u>
11 Deposits and other accounts		
Fixed deposits (Note: 11.1)	<u>15,751,200,293</u>	<u>13,307,831,582</u>
11.1 Fixed Deposits		
Balance as on 01 July	13,307,831,582	12,630,107,690
Addition during the year	17,222,627,803	13,712,925,694
	<u>30,530,459,385</u>	<u>26,343,033,384</u>
Repayment made during the year	14,779,259,092	13,035,201,802
Balance as at 30 June	<u>15,751,200,293</u>	<u>13,307,831,582</u>
11.2 Group-wise break-up of deposits and other accounts		
Government	-	-
Bank	300,000,000	300,000,000
Other institutions	7,187,893,131	6,994,025,129
Individuals	8,263,307,162	6,013,806,453
	<u>15,751,200,293</u>	<u>13,307,831,582</u>
11.3 Maturity analysis of deposits		
Payable on demand	-	-
Up to 1 month	415,051,699	312,859,094
Over 1 month but within 6 months	1,983,864,760	1,402,964,238
Over 6 months but within 1 year	1,944,874,633	1,555,124,175
Over 1 year but within 5 years	489,264,493	645,208,450
Over 5 years but within 10 years	9,492,392,428	8,059,472,568
Over 10 years	1,425,752,280	1,332,203,057
	<u>15,751,200,293</u>	<u>13,307,831,582</u>
12 Other liabilities		
Liabilities under finance lease (Note: 12.1)	2,768,477	4,511,903
Provision for loans & investment (Note: 12.2)	561,070,354	456,317,911
Provision for income tax (Note: 12.3)	97,696,563	165,053,375
Interest suspense (Note: 12.4)	14,531,515	12,542,172
Other payables (Note: 12.5)	1,750,241,676	1,409,590,594
	<u>2,426,308,585</u>	<u>2,048,015,955</u>

	2011-2012 Taka	2010-2011 Taka
12.1 Liabilities under finance lease		
Balance as on July 1	4,511,903	6,173,187
Add: addition during the year	-	-
	4,511,903	6,173,187
Less: Repayment during the year	1,743,426	1,661,284
Balance at 30 June	2,768,477	4,511,903
12.1.1 Aging analysis of liabilities under finance lease		
Up to 1 month	119,129	148,267
Over 1 month but within 3 months	241,843	301,319
Over 3 months but within 1 year	1,149,875	1,293,839
Over 1 year but within 5 years	1,257,630	2,768,478
Over 5 years	-	-
	2,768,477	4,511,903
12.2 Provision for loans and investment		
Balance as on July 1	456,317,911	366,979,094
Provision written off	-	-
Provision charged for the year	104,752,443	89,338,817
Provision recovered for the year	-	-
Balance as on 30 June	561,070,354	456,317,911
12.2.1 General Provision		
Balance as on July 1	218,286,040	180,626,663
Charged during the year	23,304,031	37,659,377
Balance as on 30 June	241,590,071	218,286,040
12.2.2 Specific Provision		
Balance as on July 1	229,663,369	174,344,626
Provision written off	-	-
Provision recovered during the year	-	-
Provision charged for the year	(24,242,947)	55,318,743
Provision no longer required written back.	-	-
Balance as on 30 June	205,420,422	229,663,369
12.2.3 Provision for diminutions in the value of investments		
Balance as on July 1	8,368,502	12,007,805
Provision during the year	105,691,359	(3,639,303)
Balance as on 30 June	114,059,861	8,368,502
12.3 Provision for income tax including deferred tax		
Balance as on July 1	165,053,375	100,345,522
Addition during the year (Current tax)	363,658,608	409,755,367
Tax paid	(431,015,420)	(345,047,514)
	97,696,563	165,053,375
Deferred tax liability	-	-
	97,696,563	165,053,375

	2011-2012 Taka	2010-2011 Taka
12.4 Interest suspense		
Balance as on July 1	12,542,172	10,524,145
Interest suspended during the year	1,989,343	2,018,027
Recovery of suspended interest during the year	-	-
Written off suspended interest during the year	-	-
	<u>14,531,515</u>	<u>12,542,172</u>
12.5 Other payables		
Interest payable on deposit & loans	1,534,676,994	1,220,516,187
Sundry creditors	59,318,371	75,048,894
Unclaimed instruments	22,021,927	8,983,281
Payable to clients	43,763,624	37,629,476
Loan under litigation	1,872,167	2,585,330
Privileged creditors	73,074,654	50,927,511
Liability for expenses	5,513,939	3,899,915
Preference share dividend payables	10,000,000	10,000,000
	<u>1,750,241,676</u>	<u>1,409,590,594</u>
13 Share Capital		
13.1 Authorized capital		
199,950,000 Ordinary shares of Tk. 10 each	1,999,500,000	1,999,500,000
5,000 Preference shares of Tk. 100 each	500,000	500,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>
13.2 Issued, subscribed, called and paid -up capital		
(a) Ordinary shares		
50,456,250 Ordinary shares Taka 10 each on 1st July (2010-11: 40,365,000 ordinary shares of Taka 10 each)	504,562,500	403,650,000
50,456,250 Ordinary shares Taka 10 each issued as bonus share	504,562,500	-
10,091,250 Ordinary shares Taka 10 each issued as bonus share	-	100,912,500
	<u>1,009,125,000</u>	<u>504,562,500</u>
b) Preference share capital		
400 Shares of TK. 100 each (Issued at a premium of 249,900 per share in cash)	40,000	40,000

The face value of the company's shares were splitted on December 01, 2012 from Tk 100 per share to Tk 10 per share and share lot of the company also changed from 50 nos to 500 nos of shares per lot.

2011-2012	
No. of shares	Taka

13.3 Capital of the Company is held by the following shareholders

a) Ordinary shares

Local shareholders:

Delta Life Insurance Company Ltd	17,500,000	175,000,000
BRAC	18,556,200	185,562,000
Green Delta Insurance Company Ltd	15,444,980	154,449,800
General shareholder	24,743,840	247,438,400
	<u>76,245,020</u>	<u>762,450,200</u>

Foreign shareholders:

International Finance Corporation	12,333,740	123,337,400
HDFC Investments Ltd (HIL), India	12,333,740	123,337,400
	<u>24,667,480</u>	<u>246,674,800</u>

b) Preference shareholders

Industrial Promotion and Development Company of Bangladesh Ltd	400	40,000
	<u>100,912,900</u>	<u>1,009,165,000</u>

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

Shareholding range	No. of shareholders	No. of shares	% of share holding
01-500	1245	438,310	0.43%
501-5,000	2147	3,794,560	3.76%
5,001-10,000	170	1,239,145	1.23%
10,001-20,000	88	1,269,180	1.26%
20,001-30,000	29	727,760	0.72%
30,001-40,000	22	752,660	0.75%
40,001-50,000	10	458,160	0.45%
50,001-100,000	27	1,837,680	1.82%
100,001-1,000,000	0	-	0.00%
Over 1,000,000	28	90,395,045	89.58%
		<u>100,912,500</u>	<u>100%</u>

	2011-2012 Taka	2010-2011 Taka
13.5 Capital Adequacy Ratio - As per BASEL-II		
1. Tier-1 (Core Capital)		
1.1 Fully Paid-up Capital/Capital Deposited with BB	1,009,125,000	-
1.2 Statutory Reserve	447,617,428	-
1.3 Non-repayable share premium account	55,000,000	-
1.4 General Reserve	168,000,000	-
1.5 Retained Earnings	270,797,274	-
1.6 Minority interest in subsidiaries	-	-
1.7 Non-Cumulative irredeemable preferences shares	-	-
1.8 Dividend Equalization Account	100,000,000	-
1.9 Others (if any item approved by Bangladesh Bank)	-	-
1.10 Sub-Total (1.1 to 1.9)	2,050,539,702	-
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 to 1.18)	-	-
1.20 Total eligible Tier-1 Capital (1.10-1.19)	2,050,539,702	-
2 .Tier-2 (Supplementary Capital)		
2.1 General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	155,620,486	-
2.2 Assets Revaluation Reserves	-	-
2.3 Revaluation Reserve for Securities	-	-
2.4 All other preference shares(including premium)	100,000,000	-
2.5 Other (if any item approved by Bangladesh Bank)	-	-
2.6 Sub-Total (2.1 to 2. 5)	255,620,486	-
2.7 Applicable Deductions if any	-	-
Total eligible Tier-2 Capital (2.6-2.7)	255,620,486	-
3 .Tier-3 (Additional Supplementary Capital)	-	-
Total capital	2,306,160,188	-

	2011-2012 Taka	2010-2011 Taka
Total risk weighted assets	14,577,490,806	-
Required capital based on risk weighted assets(10%)	1,457,749,081	-
Surplus	848,411,107	-
Capital Adequacy Ratio:		
On core capital(against standard of minimum 5%)	14.07%	-
On actual capital (against standard of minimum 10%)	15.82%	-

*Comparative figures for Capital Adequacy Ratio are not provided because the disclosure only became applicable to financial institutions from January 2012.

14 Share premium account

Preference shares	99,960,000	99,960,000
Ordinary shares	55,000,000	55,000,000
	<u>154,960,000</u>	<u>154,960,000</u>

15 Statutory reserve

Balance as on July 1	366,768,865	266,355,300
Add: addition during the year (20% of profit after tax)	80,848,563	100,413,565
Balance at 30 June	<u>447,617,428</u>	<u>366,768,865</u>
This reserve has been created as per the provision of Financial institution Rules 1993.		

16 Other reserve

Contingency Reserve (Note 16.1)	160,000,000	340,000,000
General Reserve (Note 16.2)	8,000,000	18,000,000
Dividend equalization reserve (Note 16.3)	100,000,000	70,000,000
	<u>268,000,000</u>	<u>428,000,000</u>

16.1 Contingency Reserve

Balance as on July 1	340,000,000	260,000,000
Add: addition during the year	30,000,000	80,000,000
Less: Bonus issued	(210,000,000)	-
Balance at 30 June	<u>160,000,000</u>	<u>340,000,000</u>

16.2 General Reserve

Balance as on July 1	18,000,000	18,000,000
Add: addition during the year	-	-
Less: Bonus issued	(10,000,000)	-
Balance at 30 June	<u>8,000,000</u>	<u>18,000,000</u>

	2011-2012 Taka	2010-2011 Taka
16.3 Dividend equalization reserve		
Balance as on July 1	70,000,000	30,000,000
Add: addition during the year	30,000,000	40,000,000
Balance at 30 June	100,000,000	70,000,000
17 Business commitments and contingencies		
17.1 Contingent liabilities	59,923,470	59,923,470
<p>Tk. 59,923,470 for the assessment year 2007-2008 assessed by the Deputy Commissioner of Taxes by disallowing accrued interest on deposits and simple interest charged on net tax payable as per assessment order. The above amount is due to disallowances of accrued interest on deposit and for simple interest thereon.</p> <p>Consequently, there is a contingent liability for the above amounts which have not been recognized as liability in anticipation of consequential relief will be granted in favour of the Company since accrued interest on deposits has been accepted as allowable expense for the assessment year 2008-09. We have enough tax provision to cover the above amount, if any liability arise in future.</p>		
17.2 Other Commitments		
<p>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:</p>		
Housing finance commitments outstanding	448,325,383	394,625,000
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		
<p>The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.</p>		
18 Interest income		
Interest on loans	3,129,371,154	2,426,080,451
Interest on placement with other banks & BB FX deposits	133,571,408	222,694,290
Interest on short term investment	195,446,236	40,541,563
	3,458,388,798	2,689,316,304

	2011-2012 Taka	2010-2011 Taka
19 Interest on deposits and borrowing		
Interest on term loans	587,793,456	401,384,215
Interest on deposits	1,851,101,969	1,309,912,972
Interest on short-term borrowing	6,664,097	46,335,389
Interest on non-convertible zero coupon bond	12,370,855	19,787,751
Interest on overdraft	17,402,337	8,984,191
Interest on finance lease	446,550	671,432
Borrowing cost	-	12,428,726
	<u>2,475,779,264</u>	<u>1,799,504,676</u>
20 Income from investments		
Gain/(loss) on sale of marketable securities	(23,462,973)	229,119,592
Dividend income	35,819,793	15,897,940
Interest on Orascom Telecom Bond	21,960,000	27,375,000
	<u>34,316,820</u>	<u>272,392,532</u>
21 Commission, exchange and brokerage		
Loan fees	57,779,352	63,765,301
Other charges and fees	34,264,272	34,548,406
	<u>92,043,624</u>	<u>98,313,707</u>
22 Other operating income		
Property service income	1,261,634	1,434,779
Gain on sale of fixed assets	1,007,165	-
Grant from IFC	12,268,825	-
Miscellaneous income	5,140,076	3,327,931
	<u>19,677,700</u>	<u>4,762,710</u>
23 Salary and allowances	<u>161,239,001</u>	<u>150,026,984</u>
Salary and allowances include annual contribution of Tk.5,297,738 to provident fund and Tk. 7,614,332 to gratuity fund.		
24 Rent, taxes, insurance, electricity, etc		
Rent, rate & taxes	24,173,171	20,538,581
Insurance	1,376,460	721,748
Electricity	3,111,856	2,637,653
Water	356,818	306,722
	<u>29,018,305</u>	<u>24,204,704</u>
25 Legal and professional expense		
Law charges	472,425	472,999
Other professional charges	515,041	1,290,075
	<u>987,466</u>	<u>1,763,074</u>

	2011-2012 Taka	2010-2011 Taka
26 Postage, stamps and telecommunication		
Postage & courier service	953,655	888,496
Stamp expenses	1,606,538	1,733,338
Telephone & internet	3,080,838	3,098,405
	<u>5,641,031</u>	<u>5,720,239</u>
27 Stationery, printing, advertisement etc.		
Printing	2,742,298	3,515,930
Stationery	1,432,472	2,021,392
Publicity and advertisement	979,244	19,195,554
	<u>5,154,014</u>	<u>24,732,876</u>
28 Director's fees		
Honorium for attending meeting	235,000	310,000
Incidental expense for attending meeting	243,283	321,955
	<u>478,283</u>	<u>631,955</u>
29 Auditors fees		
Statutory annual audit fees (including VAT)	218,500	189,750
	<u>218,500</u>	<u>189,750</u>
30 Depreciation, repairs & maintenance		
Freehold assets	11,848,139	18,814,608
Leasehold assets	1,727,746	1,816,182
Intangible assets	159,497	268,021
	<u>13,735,382</u>	<u>20,898,811</u>
Repairs & Maintenance:		
Vehicle	1,481,305	965,638
Office equipment & premises	3,230,503	4,645,337
Computer hardware & software	2,060,695	1,804,047
	<u>6,772,503</u>	<u>7,415,022</u>
	<u>20,507,885</u>	<u>28,313,833</u>
31 Other expenses		
Staff training & recruitment expense	1,151,046	2,220,099
Office security	1,495,616	1,082,115
Transportation, traveling & conveyance	8,565,741	8,112,841
Canteen expense	1,488,854	1,330,833
Business promotion & entertainment	507,780	722,473
Car fuel	1,544,695	1,294,683
Books and papers	98,945	114,143
Bank charges	1,696,817	1,872,253
Subscription and Fees	5,603,746	1,186,240
Public relation & AGM expense	326,208	372,710
Outsource agency charges	2,875,780	2,812,139
Loss on disposal of fixed asset	-	2,689,316
Miscellaneous expense	-	115,245
	<u>25,355,228</u>	<u>23,925,090</u>

	2011-2012 Taka	2010-2011 Taka
32 Retained earnings		
Balance as on July 01	301,965,518	171,588,760
Add: Profit after tax for the year transferred from Profit & Loss Account	404,242,819	502,067,823
Accumulated profit available for distribution	706,208,337	673,656,583
Less: Appropriations		
Transferred to statutory reserve	80,848,563	100,413,565
Transferred to contingency reserve	30,000,000	80,000,000
Transferred to dividend equalization reserve	30,000,000	40,000,000
Dividend on preference share	10,000,000	10,000,000
Cash dividend paid for last year	-	40,365,000
Issue of bonus shares for previous year	284,562,500	100,912,500
	435,411,063	371,691,065
Balance as on June 30	270,797,274	301,965,518
33 Earnings Per Share		
Profit after Tax	404,242,819	502,067,823
Less: Preference share dividend	10,000,000	10,000,000
Profit available for ordinary shareholders	394,242,819	492,067,823
Number of shares outstanding for calculating basic EPS	100,912,500	100,912,500
Basic earnings per share(restated)	3.91	4.88

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

34 Dividend on Preference Shares

A dividend of Tk. 25,000 (2010-2011 :Tk. 25,000) per preference share of Tk.100 each amounting to Tk 10,000,000 is payable during the year under audit.

35 Dividend on ordinary shares

a) Proposal of dividend:

The board of directors in its 68th meeting held on 14 August 2012 has recommended cash dividend @10% and stock dividend @ 15% for the year ended 30 June 2012 for placement before shareholders for approval at 16th AGM of the company.

b) Bonus share issued to non -resident shareholders:

The Company's non resident shareholders as on 30 June 2012 include two foreign investors holding total 24,667,480 shares (2010-11 :12,333,740). The shareholders in its 15th AGM approved 100% stock dividend for the year ended 30 June 2011. Accordingly 12,333,740 bonus shares amounting to Tk.123,337,400 were issued to non resident shareholders during the year under review.

36 Foreign currency inward/outward remittance

Name of the Organization	Currency	Particulars	Amount in FC	Amount in Tk.
<u>Outward Remittance</u>				
FMO	BDT	Principal		194,246,484
FMO	BDT	Interest		242,427,773
Triodos	BDT	Principal		-
Triodos	BDT	Interest		24,027,406
Singapore Institute of Management	SGD	Membership	160.5	10,417
HDFC Ltd	USD	Renewal fees		
		Training fees	5791	465,651
<u>Inward remittance</u>				
International Finance Corporation (IFC)	USD	Grant	96,000	7,813,825

37 Related party transactions

The company has entered into transactions with other entities in normal course of business that fall within the definition of related party as per Bangladesh Accounting Standard - 24 "Related Party Disclosures". The terms of related party transaction are not significantly different from those that could have been obtained from third parties. The significant related party transactions are as follows:

Name of the related parties	Relationship	Particulars	Expenses incurred Taka	Balance payable as at 30 June 2012 Taka
Delta Life Insurance Company Limited	Shareholder	Insurance premium	1,091,480	-
Green Delta Insurance Company Limited	Do	Insurance premium	673,440	-

Name of the related parties	Relationship	Particulars	Received during the year Taka
International Finance Corporation (IFC)	Shareholder	Grant	12,268,825

38 Number of Employees

During the year under audit, there were 149 (2010-2011: 147) employees employed for the full period and 32 (2010-2011:22) employees for less than full period at a remuneration of Taka 3,000 and above per month.

39 General Disclosure

39.1 Name of Directors and entities in which they have interest as Director as at 30 June 2012:

Name	Position 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. Muhammad A. (Rumee) Ali	Director	BRAC Bank Ltd.	Chairman
		Brac BD Mail Network Ltd.	Director
		Documenta TM Ltd.	Chairman
		Bangladesh Netting Factory Ltd.	Chairman
		BRAC Karnafuli Tea Co. Ltd.	Director
		BRAC Kayacherra Tea Co. Ltd.	Director
		BRAC Banshkhali Tea Co. Ltd.	Director
		BRAC Kodala Tea Co. Ltd.	Director
		BRAC Industries Limited	Director
		BRAC Services Ltd. (BRAC Centre Inn)	Chairman
		BRAC EPL Investments Ltd.	Chairman
		BRAC EPL Stock Brokerage Ltd.	Chairman
		BRAC	Member, Governing Body
		BRAC Foundation	Member, Governing Body
		bkash Ltd.	Chairman
		BRAC Sajaan Exchange Ltd.	Chairman
Mr. Nasir A. Choudhury	Director	Green Delta Insurance Company Ltd.	Managing Director & CEO
		Nascom (Pvt.) Ltd.	Chairman & MD
		Green Delta Securities Ltd.	Chairman
		Progressive Life Insurance Co. Ltd.	Nominated Director (Representing Green Delta Insurance Ltd.)
		United Hospital (Pvt) Ltd.	Nominated Director (Representing Green Delta Insurance Ltd.)
		Green Delta LR Financial Services Ltd.	Chairman
		Green Delta LR Holdings Ltd.	Chairman
Mr. A Z Mohammad Hossain	Director	Chandra Spinning Mills Ltd.	Managing Director
Mr. Rajeev Sardana	Director	HDFC Ltd.	Senior GM, Eastern Region India
Mr. Ishtiaq Mohiuddin	Director	BRAC	Director, Microfinance BRAC & BRAC International
		SAJIDA Foundation	Member of General Body
Ms. Mehreen Hassan, Bar-at-Law	Director	Nil	Nil
Mr. Q.M. Shariful Ala	Managing Director & CEO	BRAC Bank Ltd.	Nominated Director (Representing BRAC)
		Omera Fuels Ltd.	Director
		Omera Petroleum Ltd.	Director

39.2 Audit Committee

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

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. Nasir A. Choudhury	Director	Chairman	MA
Mr. Faruq A Choudhury	Chairman	Member	MA
Mr. A Z Mohammad Hossain	Director	Member	LL.B
Mr. Ishtiaq Mohiuddin	Director	Member	MBA
Ms. Mehreen Hassan	Director	Member	Bar-at-law

During the period from July 2011 to June 2012, the audit committee of the Board conducted 4 (four) meetings.

SI No	Meeting No	Meeting Date
1	14th	15-Sep-11
2	15th	23-Jan-12
3	16th	27-Feb-12
4	17th	27-Jun-12

The Committee discussed among others, the following issues:

Review of Internal compliance Report.

Review of the audited financial statements.

39.3 Events after the Balance Sheet date

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

39.4 Comparative Information

Previous year's figures have been rearranged whenever considered necessary to conform current year's presentation.

Annexure-A

Fixed assets including land, building, furniture and equipments - at cost less accumulated depreciation

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N				Written down value of 30 June 2012
	Balance as on 1 July 2011	Additions during the year	Disposals during the year	Balance as at 30 June 2012	Balance as on 1 July 2011	Charged for the year	Adjustment on dispos- als	Balance as at 30 June 2012
Free hold assets:								
Furniture & fixture	33,272,475	1,855,343	103,567	35,024,251	19,111,760	4,156,745	61,372	23,207,133
Equipment	35,272,571	11,025,898	1,625,680	44,672,789	24,605,459	5,359,300	1,556,693	28,408,066
Vehicles	14,135,225	3,500,001	926,000	16,709,226	7,278,876	2,214,400	926,000	8,567,276
Building	4,785,450	-	-	4,785,450	1,391,932	117,694	-	1,509,626
Land	1,143,750	-	-	1,143,750	-	-	-	1,143,750
	88,609,471	16,381,242	2,655,247	102,335,466	52,388,027	11,848,139	2,544,065	61,692,101
Lease hold assets:								
Motor vehicle	8,600,000	-	2,000,000	6,600,000	4,515,382	1,727,746	1,999,999	4,243,129
Intangible asset								
Software	1,160,195	-	-	1,160,195	702,141	159,497	-	861,638
Total 2012	98,369,666	16,381,242	4,655,247	110,095,661	57,605,550	13,735,382	4,544,064	66,796,868
Total 2011	93,705,058	19,390,048	14,725,440	98,369,666	47,762,879	20,898,811	11,056,140	57,605,550
								40,764,116



**Delta Brac Housing Finance
Corporation Ltd.**

Head Office: Landmark Building
12-14 Gulshan North C/A, Gulshan-2
Dhaka-1212, Bangladesh
Tel: 8822374, 9882112, Fax: 9882110
Web: www.deltabrac.com
E-mail: dbh@deltabrac.com

Proxy Form

I/We
of being a member
of Delta Brac Housing Finance Corporation Ltd. and a holder of shares hereby appoint
Mr./Ms. of as my/our
proxy to vote for me/us and on my/our behalf at the 16th Annual General Meeting of the Company to be held on
November 14, 2012 (Wednesday) and any adjournment thereof.

Signed this day of 2012.

Signature

Name

(Member)

Revenue
Stamp

Signature

Name

(Proxy)

Folio/BO ID No.

Folio/BO ID No.

NOTES:

- 1) This form of proxy, duly completed, must be deposited at least 48 hours before the meeting at the registered office. Proxy is invalid if not duly signed and stamped.
- 2) Signature of the Shareholders should agree with the Specimen Signature registered with the Company and Depository Register.



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Attendance Slip

I/We hereby record my/our attendance at the 16th Annual General Meeting of Delta Brac Housing Finance Corporation Limited at **La Vita Hall of Lakeshore Hotel & Apartments, Road- 41, House- 46, Gulshan-2, Dhaka-1212** as a holder of shares of the Company.

Signature

Name

(Member/Proxy)

Folio/BO ID No.

Note: Shareholders attending the meeting in person or by proxy are requested to complete the Attendance Slip and hand it over at the entrance of the meeting hall.