

Directors' Report

Dear Shareholders,

The Directors of Delta Brac Housing Finance Corporation Limited have the pleasure of presenting the Directors' Report of your Company together with audited accounts for the year ended December 31, 2017.

Bangladesh Economy

The national economy posted a healthy GDP growth rate of 7.28 % in fiscal year 2017 on the back of strong growth in industrial and service sectors. Industrial sector accounting for 32.4% of GDP witnessed a growth of 10.20% whereas service sector accounting for 52.90% of GDP enjoyed a growth of 6.70%. There were promising signs as private investment's share in GDP slightly increased to 23.10% in FY17 from 22.99% in FY16 along with gradually increasing public investment.

Average annual inflation showed mixed trend in fiscal year 2017. Average annual inflation has decreased to 5.44% at the end of June 2017 down from 5.92% a year earlier. Inflation rate gradually decreased since July 2016 until April 2017, as the rate increased in remaining two months of FY17. Rising food inflation due to flash flood related crop losses in the Northern haor region from the middle of FY17 mainly accounted for the headline inflation.

Export earnings in FY17 fell down by 1.70% while import growth increased 9.00%. Exports stood at USD 34,019 million in FY17 from USD 33,441 million in FY16. During the same period the total import payments increased to USD 43,491 million from USD 39,901 million in FY16. As import grew faster than export, trade deficit widened to USD 9472 million over the same period from USD 6,460 million in FY16. Current account turned negative USD 1,480

million in FY17 from surplus of USD 4,262 million in FY16. Nevertheless, overall balance of payments (BoP) continued in surplus from continuing growth in capital account. Gross international foreign exchange reserve stood at 33.40 billion and representing around 8 months of projected import coverage.

Wage earner's remittance saw a steep decline during FY17, dropping by 14.50% to USD 12,591 million from USD 14,717 million in the last fiscal year. Sharp fall in oil prices forced Gulf Cooperation Council (GCC) governments to undertake economic reforms to scale down government spending including lowering of public and private investment programs and adopt austerity measures, which ultimately impacted worker remittances from these countries. Moreover increased use of digital hundi discouraged channeling remittance through the banking system.

USD/BDT pair held stable for most of 2017 during the first quarter of the fiscal year and the national currency started to depreciate against US Dollar from the second quarter due to downturn of wage earners' remittance and export receipts vis-à-vis growth of import payments. The USD/BDT pair, which traded at BDT 78.40 at the beginning of FY2017, closed at BDT 80.59 at year end resulting in 2.81% depreciation of BDT against USD in a single year.

During the January-June period of 2017, call money rates have been on upward trend, as credit growth outpaced deposit growth, "excess liquidity" moderated and global monetary tightening continued. As this dynamic plays out, the call money interest rates are expected to edge up and be within the corridors set by repo and reverse repo rates. Balancing the scope of growth and risk of inflation against the

backdrop of monetary tightening in advanced economies the central bank decided to keep the policy rates unchanged at its previous level with reverse repo at 4.75% and repo at 6.75%.

Dhaka Stock Exchange delivered a stellar performance during FY17. In July, from the very outset of FY 17, stock market started to recover as upbeat macroeconomic indicators and a steady political situation boosted investor confidence. Improvement in participation from both local and foreign investors contributed to recovery as DSEX index stood at 5656.05 on June 30, 2017 from 4507.58 a year earlier posting a 25.47% y-o-y growth. Investor sentiment was largely aided by the policy support extended by Bangladesh Bank to banks in adjusting their capital market exposure without selling shares. A stable money-market, lower deposit rates and overall a stable economic situation contributed to accelerated market participation in the year.

Performance of Financial Sector in 2017

The Central Bank maintained policy continuity in formulating and implementing inclusive and investment friendly balanced monetary policy. The main objective of Bangladesh Bank's monetary policy is to prioritize price stability, while supporting growth and employment generation. Bangladesh Bank adopted policies to facilitate short-term and medium-term macroeconomic management, with monetary and financial policies promoting socially responsible financing, facilitating attainment of the government's near and long-term inclusive, environmentally sustainable growth objectives.

The interest rates continued to decline for the first three quarters of the year and gradually moved up in the final couple of months. In December 2017, weighted average deposit rate for Scheduled Banks has gone down to 4.91 % from 5.22 % in December 2016. On the other hand weighted average lending rates of scheduled banks also went down to 9.35 % in December 2017, from 9.93 % in December 2016. The interest rate spread also slightly

reduced to 4.44% in December 2017 from 4.71% during the same time previous year. During 2017, though below 4.00% level, call money rates have been on upward trend, as credit growth outpaced deposit growth and "excess liquidity" moderated gradually.

The gross NPL ratio rose to 10.7% at end-September 2017, increasing by 60 basis points from 10.1% of end-June 2017. Non-performing loans net of specific loan loss provisions and interest suspense to total loans increased slightly to 2.9% as compared to 2.6% of end-June 2017. Besides, non performing loans net of specific loan loss provisions and interest suspense to the provision maintenance ratio, at end-September 2017, increased to 86.3% from 85.8% recorded at end-June 2017. Fls' asset quality declined at end-September 2017. The amount of non-performing loans and leases increased from BDT 52.0 billion at end-June 2017 to BDT 55.9 billion at end- September 2017 and the ratio of non performing loans and leases to total loans and leases increased slightly from 8.9 to 9.4% during the same period.

In the review period, a majority of the banks were compliant to the minimum Capital to Risk (Weighted) Assets Ratio (CRAR) requirement at end-September 2017. Pertinently, 31 out of 57 banks were able to maintain their capital ratios of 10.0% or higher in line with Pillar 1 of the Basel III capital framework. Moreover, a substantial share of banking assets was concentrated within the CRAR compliant group of banks. CRARs of 31 banks were within the range of 10-15% and their assets accounted for nearly 67.0% of the total banking industry's assets at end-September 2017 indicating that a significant portion of the banking sector assets are managed by the CRAR compliant banks. At end-September 2017, the banking sector aggregate CRAR changed to 10.7% from 10.9% of end-June 2017. The capital adequacy ratio (CAR) of the NBFI sector decreased slightly from 13.7% of the June quarter of CY17 to 13.3% in the September quarter of CY17. It

is to mention that the maintained CAR was well above the minimum regulatory requirement.

In the review period, profitability of the banking sector slightly increased. Return on assets (ROA) and return on equity (ROE) of the banking sector stood at 0.4 and 5.9% respectively against 0.3 and 3.7% of the respective ratios of the preceding quarter. Almost 91.0% of the banks' ROA was up to 2.0%. On the other hand, 75.4% of the banks' ROE was higher than 5.0%.

The balance sheet size of the banking sector stood at BDT 12,608.7 billion at end-September 2017, recording an increase of 1.9% from BDT 12,370.3 billion of end-June 2017 and 11.6% from BDT 11,296.6 billion of end-September 2016 position. Maximum portion of the banking industry's assets were held by PCBs. It is to mention that banking sector assets-to-GDP ratio stood at 63.8% at end-September 2017 which was 62.6% at the end of the preceding quarter and 65.2% at end-September 2016. ADR of the overall banking industry has increased by 90 basis points at end-September 2017 to 74.8% from 73.9 of end-June 2017.

The upward trend in treasury yields (91-day, 182-day and 364-day) continued in the September quarter of 2017 also. The rates of Bangladesh Bank bills (7-day, 14-day and 30-day) remained almost the same in Q1FY18 as the past five quarters at 2.98, 2.98 and 2.97 respectively. Yield curve was a little bit flat at the end of September 2017 compared to that of September 2016.

During the calendar year 2017, Bangladesh Bank (BB) has taken a number of initiatives having implications to domestic financial system stability. BB issued 'Prudential Guidelines for Agent Banking Operation in Bangladesh', which contains guidelines with regard to approval process of agent banking operation, agency contract and permissible activities, responsibilities of bank, assessment of agent, agent operations, technology for settlement

of transactions, AML/CFT requirement, measures for customer protection, reporting requirements and supervisory oversight, among other relevant issues. Considering the necessity of improving the electronic payment systems and the growth of domestic credit card operations, BB also issued guidelines on credit card operations of banks to ensure safe, secure and efficient operations of credit cards as a payment instrument.

Real Estate Industry Outlook and Possible Future Development

Real Estate sector showed a good turn around in 2017. The situation started to improve in 2016 and developers enjoyed a favorable year in 2017. Because of price correction, many customers finally booked or purchased flats from developers in this year. The interest rate of housing loan was very low and loans were widely available as most banks and FIs were offering housing loans at low rates. The stable political situation also helped the economic activities and expedited the property purchase decisions. As a result of all these developer enjoyed a very good year in 2017

But starting from November, 2017 liquidity situation in private sector banks and financial institutions started to become tight. Interest rate of deposits were going up and fierce competition started among banks and FIs to mobilize new funds and it intensified when Bangladesh Bank declared to reduce AD ratio to 83.5% level from existing 85% level. Also irregularities and malpractices of different banks were frequently coming in the media as a result deposit withdrawal spree by government organizations took its toll in the banking sector which also badly affected the FI industry as most of the FIs are dependent on banks for their operations. Because of AD ratio adjustment and because of liquidity situation, the home loan disbursements along with other loan disbursements were reduced significantly from the prevailing level. The whole Banking

industry and the FI sector became deposit focused to improve their AD ratio and also to mobilize funds to keep their operations going.

In the pricing aspect, the prices of properties in most locations have not changed from 2015-16 level. The developers are still cautious about taking new projects because of the price correction that took place during 2012-2015 period. Many small developers have exited the industry in terms of taking new projects, but the established ones consolidated their position after absorbing the setbacks mainly created by the new and inexperienced developers.

The outskirts areas continued to flourish. The ongoing mega transport projects also increased demand for housing in those areas. Purbachal project is almost ready that will bring appx. 33,000 serviced plots in the supply side, which may help developers to get serviced plots for developments. If the liquidity situation improves, housing sector is expected to grow in coming years.

Product wise Performance

• Performance of Home Loan Operations

During FY 2017, the demand for home loans continued to improve on the back of political stability and low interest rates prevailing in the economy. As a result, apart from the traditional market players, new entrants have entered the home loan market. The Private Commercial Banks (PCBs) and Non-Bank Financial Institutions (NBFIs) involved with home loans were engaged in intense competition for most of the year.

As expected the revitalized home loan market has positively influenced our lending figures. Being a housing finance specialist DBH has forecasted the situation prudently and focused on extending its base of core retail clientele while maintaining the asset quality. The

Company's home loan book in housing finance grew at a healthy pace of 18.28% to Taka 42.05 billion during the financial year while keeping gross NPL ratio at the level of 0.27% only. During the year, the gross interest income from the housing finance portfolio stood at Taka 3,789 million. DBH holds an adjustable rate home loan portfolio and the average rate of interest as well as the gross interest income on the home loan book decreased due to the downward shift in the market rate of interest.

Even though managing settlements ahead of schedule was a challenge this year, the disbursement figures experienced a hefty rise compared to last year and the Company has retained its position as the specialist housing financier with the largest market share in making new disbursements. Total approvals during the year stood at Taka 15,197.98 million as against Taka 14,534.31 million in the preceding twelve months. Total disbursement has grown at a pace of 18.37% and at the end of FY 2017 was net Taka 13,539.23 million as against Taka 11,438.03 million in the preceding twelve months. Since inception, it is the highest amount disbursed by the Company in a single year. During the year under review, a total of Taka 8,241.24 million was received by way of repayment of principal on loans through monthly installments and redemption ahead of schedule. Gross non-performing loans as of December 31, 2017 have been fully provided for, as required by Bangladesh Bank, DBH has a loan loss reserve amounting to 1% of outstanding loans.

• Performance of Deposit Portfolio

Over the years DBH has established itself as one of the leading depository institution in the industry. The company has earned the trust of the clients by providing transparent & quality service. DBH has kept its focus on deposit collection as its main source of funding mechanism. As a result DBH has managed to

fund over 80% of its home loan operations through deposit. At present the Company offers a diverse deposit product line including Annual Income Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Easy Way Deposit, Children's Deposit, Easy Home Deposit, DBH Platinum Deposit and Day-wise Deposit. In compliance to the regulations of Bangladesh Bank the minimum tenure of the deposits is three months. These products are targeted towards various customer segments comprising of retail and corporate clientele.

At the close of December 31, 2017 the deposit portfolio of DBH stands at Taka 41,187.89 million with an interest payable worth another Taka 793.97 million. As the deposit portfolio experienced a healthy growth of 20% in FY 2017, gross amount of interest payable on the DBH deposit products have also increased when compared to that of preceding twelve months.

DBH also provides loan against deposits (LAD) to cater to its customers' urgent financial need. As of December 31, 2017, the LAD portfolio of DBH stands at Taka 183.36 million.

Recovery

The year 2017 has been challenging for the financial industry in terms of containing the non performing loan (NPL) figures. At the close of September quarter, the Gross NPL ratios for Banks and NBFIs sectors have worsened significantly from the previous year closing and stood at 10.10% and 9.40% respectively. At the end of 2016 the gross NPL ratios for both the sectors were 9.20% and 7.40% respectively. At the end of September 2017 the amount of aggregate classified loans stood at Taka 803.1 billion for banks and on the other hand, for NBFIs the figure was Taka 55.90 billion.

Under such circumstances, DBH has

shown steady and resilient performance in maintaining asset quality. According to the classification policy of the Central Bank, at close of December 31, 2017 the NPL of the Company has marginally improved to 0.27% from 0.32% at end of the preceding financial year. While aggregate NPL ratio for both Banks the NBFIs has gone up, DBH has been successful to restrain the increase to a minimum. Needless to say, this is by far the best figure in the financial industry.

Funding Operations

Being one of the largest non-bank depository institutions of the industry, the funding composition of the Company has remained significantly reliant on the deposit portfolio. Presently DBH's deposit product line consists of Annual Income Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Easy Way Deposit, Children's Deposit, Easy Home Deposit, DBH Platinum Deposit and Day-wise Deposit. These products are tailored to meet the diversified needs of our retail and corporate client base. The deposit portfolio of the Company has stood at Taka 41,187.89 million.

The funding of our company comprises of both long term and short term sources of fund to efficiently manage our cost of fund. The term loan portfolio of DBH consists of funds received under Housing Loan refinance Scheme of Bangladesh Bank worth Taka 2,496.96 million and term loans received from local markets for Taka 2,833.16 million. Apart from that the shareholder's contribution in the funding mix is Taka 4,357.64 million, which is almost 8.00% of total fund. The Company is continuously striving to source diversified avenues of funding to minimize its cost as well as asset-liability maturity & interest rate mismatch in the balance sheet.

The funding status of DBH as of December 31, 2017 is presented below:

Source	Amount in Million Taka
Deposits	41,187.89
Term loans	5,330.12
Equity	4,357.64

Treasury Operations

In DBH, Treasury acts as a catalyst between the core functions of housing finance & deposit mobilization. Over the years the treasury wing of DBH has evolved from a day-to-day fund managing unit to a core contributor in strategic decision making related to asset liability mismatch (ALM) and interest rate risk (IRR) mismatch management through in-depth market forecasting, internal liquidity projection and product re-pricing subject to regulatory constraints.

In the period under review, the Central Bank continued its balanced monetary stance to prioritize price stability, while supporting growth and employment generation. Bangladesh Bank adopted policies to facilitate short-term and medium-term macroeconomic management, with monetary and financial policies promoting socially responsible financing, facilitating attainment of the government's near and long-term inclusive, environmentally sustainable growth objectives.

BB's monetary stance and measures have helped to avoid volatility in the call money market in 2017. During July 2017- December 2017, average volume of transaction in the call money market increased by Taka 475 billion, up by 40% when compared to that of the same period of the preceding year. During 2017, call money rates have been on upward trend, as credit growth outpaced deposit growth, "excess liquidity" moderated and global monetary tightening continued. As this dynamic plays

out, the call money interest rates are expected to edge up and be within the corridors set by repo and reverse repo rates. The average spread between weighted average interest rate of deposits and advances have narrowed down during the second half of CY 2017 i.e., 4.70% in June 2017 to 4.40% 5 months later in November 2017.

Understandably, the treasury department of DBH reorganized the funding mix and steadily shifted its objective towards attaining stable liquidity as market rates began to edge up during the close of 2017. During the first three quarters of the year, with a view to cost minimization as the key objective, the treasury wing maintained its short position to access low cost fund from the inter-bank deposit market as well as the overnight market to reduce overall cost of fund and enhance treasury income. The treasury department contributed a significant portion of the interest income through investment activities during this period. However in the fourth quarter, treasury department focused on sourcing long term funds and term deposits from the public to replace the interbank funds. Throughout the year the treasury department maintained a well-balanced liquidity position of the company by adhering to the rules and regulations of the Central Bank.

Investments in Securities

The benchmark index of Dhaka Stock Exchange, DSEX registered 24% capital gain return in the year 2017 as market participants' optimism was reflected in a gargantuan turnover, increasing by a very large 76.6% compared to 2016. The average daily turnover was BDT 8.75 billion in 2017 with comparison to that of BDT 4.94 billion in 2016. In accordance with the Market condition, your Company has also increased its capital market portfolio from Taka 285.70 million in December, 2016 to Taka 352.67 million in 2017.

In addition to that, the Company's outstanding investment in the fixed income securities i.e. in the redeemable preference shares reached at Taka 130.00 million, besides our investment reached at Taka 54.5 million in the non-marketable securities. The company has earned Taka 43.48 million from the capital market operations within the period from January 1, 2017 to December 31, 2017.

Human Resources

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

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

A separate report on human resources has been presented on page no. 97 of this report.

Information Technology

In DBH, ICT infrastructure and software systems are being governed, closely monitored and upgraded with the changes of technology trends and business needs as well as for the improvement of operational efficiency.

In the last financial year, IT department has successfully implemented several new modules in the existing centralized software system,

some of which are "Central file processing Hub", "Post sanction approvals management", "Collateral database" and "Document scanning management" etc. Moreover some modules like Prepayment, Easy Deposits, Legal, ROI change, EFTN etc. has been re-engineered for better performance.

ICT Infrastructure has also been upgraded. Implemented Real time active-active DR site is with both data and instance redundancy which includes Active Directory, Mail Server, File system and Database. Our DR site has been enhanced with new SSD storage. Central Patch management system for all workstations has also been implemented.

Unlike others, Cyber security is a big concern of us. We have appropriate control system for Cyber security & risk management which is regularly monitored. Our ICT security policy has been updated as per regulator's guideline.

Internal Control system

DBH has adequate system of internal controls for business processes, with regard to operations, financial reporting, fraud control, compliance with applicable laws and regulations, etc. These internal controls and systems are devised as a part of the principles of good governance and are accordingly implemented within the framework of proper check and balances. Your Company ensures that a reasonably effective internal control framework operates throughout the organisation, which provides assurance with regard to safeguarding the assets, reliability of financial and operational information, compliance with applicable statutes, execution of the transactions as per the authorisation and compliance with the internal policies of the Company.

The internal audit adopts a risk based audit approach and conducts regular audits of all the branches/offices of the Company and evaluates on a continuous basis, the adequacy and effectiveness of the internal control mechanism, adherence to the policies and

procedures of the Company as well as the regulatory and legal requirements. The internal audit department places its findings before the Audit Committee of the Board of Directors at regular intervals. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening the control systems according to the changing business needs from time to time.

Codes and Standards

The Company has adopted various codes, standards and policies set out by Bangladesh Bank and Bangladesh Securities and Exchange Commission including inter alia Know Your Customer (KYC) Guidelines, Anti Money Laundering Guideline, Asset Liability management Guideline, Code of Conducts for employee as well as the Directors, HR Policies, IT Policies and Treasury Manual etc.

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

Credit Rating

Delta Brac Housing Finance Corporation Limited with its strong fundamentals has earned the highest credit rating award for the 12th (twelve) 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 ended on 2016.

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

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

Bangladesh Bank has also been given on page no. 23 of this report.

Contribution to National Economy

At DBH we believe that we have some responsibilities to the development of country where we operate our business and to the society where we belong. As a financial institute, DBH contributes to the economic prosperity by providing financial products and services to housing sector. Our total credit exposure as on December 31, 2017 amount to Tk. 42,243 Million. We have extended loan to around 18,258 customers 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. Company's contribution to the national exchequer is given below.

Taka in Million

Particulars	December 31, 2017	December 31, 2016
Income Tax paid on company's income	561.49	290.89
Tax collected at source on behalf of Government	316.70	166.05
Value Added Tax (VAT)	33.69	15.76
Excise Duty	38.83	--
Total	950.71	472.70

Creating employment has a vital impact on the economy and DBH employed as many as 277 employees as on December 31, 2017. Efficient workforce is very important for the organization as we as for the country. Keeping same in view, DBH has spent Tk. 1.28 million for training of its employees. During the period from January 1, 2017 to December 31, 2017, DBH has paid Tk. 306.35 million as salaries and allowances to its employees.

Contribution to the society during the year

DBH's responsibilities to the society are manifested in its activities, as a responsible corporate citizen, through its continuous effort to promote ownership of housing, wealth creation and also towards the improvement of the underprivileged of the society.

Corporate Social Responsibility policy of the Company was approved by the Board of Directors in line with the Bangladesh Bank's Guidelines on CSR with a view to engage the institution into a broad range of direct and indirect CSR activities including humanitarian relief and disaster response as well as to widening of advancement opportunities for disadvantaged population segments in the areas of healthcare, education and training as well as greening initiatives etc.

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

The details of the CSR initiatives have been presented under the head of Corporate Social Responsibility on the page no. 83 of this report.

Highlights on Financial Performance

(Figures in Million Taka)

Particulars	December 2017	July 2016 to December 2016
Operating revenue	4,785	2,209
Interest expenses	2,968	1,324
Operating expenses	449	203
Profit before provisions	1,369	682
Profit before tax	1,492	603
Net profit after tax	949	331

As December 2016 figures are for 6 (six) months period and December 2017 figures are for 12 (twelve) months period, they are not comparable.

Corporate and Financial Reporting Framework

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

- The financial statements prepared by the Management of DBH, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the issuer company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS)/ 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 therefrom 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 have been summarized and given in Annexure-i and the fees paid to them for attending the Board Meeting during the period has been given in Annexure-ii of this report.

Shareholding Pattern

Shareholding patterns of the Company as at the end of the 2017 has been shown in Annexure-iii of this report.

Proposed Dividend

The Board of Directors at the time of considering the final accounts for the period of January 2017 to December 2017 have recommended @ 30% cash dividend from the distributable profits of the Company, which will be placed before the shareholders in the forthcoming AGM for approval.

Directors' Appointment & Re-appointment

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

In accordance with the Articles of Association of DBH, the following Directors will retire in the 22nd Annual General Meeting and being eligible for re-election, they are seeking re-election to the Board.

- Mr. Saif Md. Imran Siddique (representing BRAC)
- Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA (representing DLICL)
- Mr. Md. Mujibur Rahman (representing DLICL)

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

- Ms. Rasheda K. Choudhury

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

- a) Brief resume of the Directors have been included in page nos. 10 to 19 of this Annual Report
- b) Nature of the expertise of the Directors have been disclosed in the brief profiles
- c) Name of the Directors and entities in which they have interest as Directors have also been disclosed in the brief profiles as well as in the notes (no. 38.1) of the Financial Statements.

Appointment of Auditors

M/s. S F Ahmed & Co. Chartered Accountants have been serving DBH for last 3 (three) terms as external auditors and will retire in the forthcoming AGM. According to the Bangladesh Bank as well as BSEC's rules, they are not eligible for further re-appointment.

As a result, the Board recommended to appoint M/s. Aziz Halim Khair Choudhury, Chartered Accountants as external auditors for the year 2018 with a fee of Tk. 400,000.00 plus VAT, subject to prior approval from Bangladesh Bank. The matter will be placed before the shareholders in the forthcoming AGM for approval.

Corporate Governance

As a listed housing finance company (DBH) with 22 years of compliant history, DBH has a strong institutional framework to meet the regulatory requirement of Corporate Affairs. DBH's experienced Board maintains an overview on the Company through the Supervisory Committees. In addition to bringing valuable perspective to the Board, DBH's independent directors contribute meaningfully through their roles within the committees.

DBH understands sound corporate governance and its importance in retaining and enhancing investors trust. The Company's commitment to values and performance is driven by transparency and integrity, which goes a long way in achieving the top position. It adheres to the core values of credibility and accountability to serve its stakeholders with passion and commitment. Its values and transparent processes act as a catalyst in growth.

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

- (i) Audit Committee Report to the Shareholders;
- (ii) Statement on Financial Statements by Chief Executive Officer (CEO) and Head of Finance;
- (iii) Report on the Corporate Governance; and
- (iv) Certificate regarding compliance of conditions of Corporate Governance.

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

Acknowledgement

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

For and on behalf of the Board of Directors.



Nasir A. Choudhury
Chairman

Directors' Meeting & Attendance

Annexure-i

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

Name of Directors	Nominated by	Total Meeting	Meeting Attended	Changes during 2017	
				Date of Board Acceptance	
				Joining	Nomination withdrawn/changed
Mr. Faruq A Choudhury (01-01-2017 to 17-05-2017)	BRAC	3	0	-	17-05-2017 (deceased)
Mr. Nasir A. Choudhury Chairman	Green Delta Insurance Company Ltd.	7	7	-	-
Dr. A M R Chowdhury Vice Chairman	BRAC	7	7	-	-
Mr. A Z Mohammad Hossain	Green Delta Insurance Company Ltd.	7	4	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	7	6	-	-
Mr. Swapan Kumar Sarkar, FCA	Delta Life Insurance Company Ltd.	6	5	-	07-12-2017 (resigned)
Ms. Adeeba Rahman, ACII-Life	Delta Life Insurance Company Ltd.	6	6	-	13-11-2017 (resigned)
Mr. Saif Md. Imran Siddique	BRAC	1	1	12-10-2017 (nominated by BRAC)	-
Mr. M I Chowdhury	Independent Director	7	7	-	-
Dr. A K A Mubin	Independent Director	5	5	-	13-08-2017 (resigned)
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA	Delta Life Insurance Company Ltd.	0	0	12-12-2017 (nominated by DLIC)	-
Mr. Md. Mujibur Rahman	Delta Life Insurance Company Ltd.	0	0	12-12-2017 (nominated by DLIC)	-
Ms. Rasheda K. Choudhury	Independent Director	0	0	12-12-2017 (appointed by the Board)	-

Directors'

Remuneration

Annexure-ii

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

Name of Directors	Board		Executive Committee		Audit Committee		Total Fees Paid
	Attendance	Fees	Attendance	Fees	Attendance	Fees	
Mr. Faruq A Choudhury (01-01-2017 to 17-05-2017)	0	0	0	0	0	0	0
Mr. Nasir A. Choudhury Chairman & Nominated Director	7	56,000	0	0	3	24,000	80,000
Dr. A M R Chowdhury Vice Chairman & Nominated Director	7	56,000	3	24,000	0	0	80,000
Mr. A Z Mohammad Hossain Nominated Director	4	32,000	0	0	4	32,000	64,000
Ms. Mehreen Hassan, Bar- at- Law Nominated Director	6	48,000	4	32,000	0	0	80,000
Mr. Swapan Kumar Sarkar, FCA Nominated Director (Resigned on 07-12-2017)	5	40,000	0	0	4	32,000	72,000
Ms. Adeeba Rahman, ACII-Life Nominated Director (Resigned on 13-11-2017)	6	48,000	4	32,000	0	0	80,000
Mr. Saif Md. Imran Siddique Nominated Director (Joined on 12-10-2017)	1	8,000	0	0	0	0	8,000
Mr. M I Chowdhury Independent Director	7	56,000	0	0	4	32,000	88,000
Dr. A K A Mubin Independent Director (Resigned on 13-08-2017)	5	40,000	0	0	0	0	40,000
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA Nominated Director (Joined on 12-12-2017)	0	0	0	0	0	0	0
Mr. Md. Mujibur Rahman Nominated Director (Joined on 12-12-2017)	0	0	0	0	0	0	0
Ms. Rasheda K. Choudhury Independent Director (Joined on 12-12-2017)	0	0	0	0	0	0	0
Total	-	3,84,000	-	88,000	-	1,20,000	5,92,000

(Note: Mr. Faruq A Choudhury died on 17-05-2017 and he could not attend the meetings due to illness.)

Pattern of Shareholdings

as on 31st December 2017

Annexure-iii

(i) Shareholding position of Sponsors:

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

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

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

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

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

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

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

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