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AMAR STOCK

Independent Auditor's Report
To the Shareholders of Delta Brac Housing Finance Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Delta Brac Housing Finance Corporation Limited which comprises the statement of financial position (Balance Sheet) as at 31 December 2018 and the statement of comprehensive income (Profit and Loss Account), statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the balance sheet as at 31 December 2018 and its profit and loss account & its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our Auditor's report thereon. The Annual Report is expected to be made available to us after the date of the audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be misstated materially.

Responsibilities of Management and those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs as explained in note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be thought to bear reasonably on our independence, and where applicable, related safeguards.

- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, 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 accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;

(iii) the balance sheet and profit and loss account together with the annexed notes dealt with the report are in agreement with the books of account and returns;

(iv) the expenditures incurred were for the purpose of the Company's business for the year;

(v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;

(vi) adequate provisions have been made for loans, advances, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;

(vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;

(viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;

(ix) statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;

(x) taxes and other duties were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;

(xi) nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;

(xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;

(xiii) based on our work as mentioned above under the Auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;

(xiv) the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans found satisfactory;

(xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 832 person hours for the audit of the books and accounts of the Company;

(xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;

(xvii) the Company has complied with the DFIM Circular No. 11 dated 23 December 2009 in preparing these financial statements; and

(xviii) all other issues which, in our opinion, are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dr. Jamshed S.A. Choudhury.

Dhaka, 07 February 2019

Dr. Jamshed S A Choudhury FCA
Senior Partner & International Liaison Partner

AMARSTOCK

AHKC
AZIZ HALIM KHAIR CHOUDHURY
CHARTERED ACCOUNTANTS

Delta Brac Housing Finance Corporation Limited
Balance Sheet
As at 31 December 2018

	Notes	Amount in Taka	
		31 December 2018	31 December 2017
PROPERTY AND ASSETS			
Cash		**798,514,488**	**634,064,843**
In hand	3.1	106,217	89,700
Balance with Bangladesh Bank and its agent Bank	3.2	798,408,271	633,975,143
Balance with other banks and financial institutions		**11,779,169,860**	**10,697,156,711**
In Bangladesh	4.1	11,779,169,860	10,697,156,711
Outside Bangladesh		-	-
Money at call on short notice	5	-	-
Investments	6	**607,821,066**	**643,028,086**
Government		1,114,848	1,145,176
Others		606,706,218	641,882,910
Loans and advances		**43,847,701,062**	**42,243,352,611**
Loans and advances	7	43,847,701,062	42,243,352,611
Fixed assets including land, building, furniture and equipments	8	**169,515,890**	**178,470,140**
Other assets	9	**296,259,328**	**184,780,123**
Total Assets		**57,498,981,694**	**54,580,852,514**
LIABILITIES AND CAPITAL			
Liabilities			
Borrowing from other banks and financial institutions	10	**6,085,478,083**	**6,515,419,275**
Deposits and other accounts		**43,318,721,105**	**41,187,889,744**
Fixed deposits	11	43,318,721,105	41,187,889,744
Other deposits		-	-
Other liabilities	12	**3,054,803,259**	**2,519,907,282**
Total Liabilities		**52,459,002,447**	**50,223,216,301**
Shareholders' equity			
Paid-up capital	13.2	1,218,518,430	1,218,518,430
Share premium	14	55,000,000	55,000,000
Statutory reserve	15	1,307,430,064	1,225,083,409
Other reserves	16	2,025,040,000	1,445,040,000
Retained earnings	32	433,990,753	413,994,374
Total equity		**5,039,979,247**	**4,357,636,213**
Total liabilities and Shareholders' equity		**57,498,981,694**	**54,580,852,514**
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.1		
Acceptances and endorsement		-	-
Letter of guarantee		-	-
Irrevocable letter of credits		-	-
Bills for collection		-	-
Other contingent liabilities		35,969,622	223,985,758
Total contingent liabilities		**35,969,622**	**223,985,758**
Other commitments	17.2		
Documentary credit & short-term trade related transaction		-	-
Forward assets purchased and forward deposit placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		506,775,000	605,634,964
Total other commitments		**506,775,000**	**605,634,964**
Total Off-Balance Sheet items including contingent liabilities		**542,744,622**	**829,620,722**

Notes:

1. Auditors' Report-Page 1 to 5
2. The annexed notes 1 to 41 form an integral part of these financial statements.
3. These financial statements were approved by the Board of Directors on February 07, 2019 and were signed on its behalf by:

Nasir A. Choudhury
Chairman

Dr. A M R Chowdhury
Vice Chairman

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

07 February 2019
Dhaka

Dr. Jamshed S.A. Choudhury.
Aziz Halim Khair Choudhury
Chartered Accountants

AHKC

MARSTOCK

Delta Brac Housing Finance Corporation Limited

Profit and Loss Account

For the year ended 31 December 2018

AHKC
AZIZ HALIM KHAIR CHOUDHURY
CHARTERED ACCOUNTANTS

	Notes	Amount in Taka	
		2018	2017
Interest Income	18	5,855,189,028	4,573,375,022
Interest paid on deposits and borrowings etc.	19	(4,062,413,858)	(2,967,576,413)
Net Interest Income		**1,792,775,170**	**1,605,798,609**
Income from investment	20	45,906,426	43,484,977
Commission, exchange and brokerage	21	146,116,642	149,917,196
Other operating income	22	11,239,822	18,682,623
Total operating income		**1,996,038,060**	**1,817,883,405**
Salary and allowances	23	324,963,562	292,768,742
Rent, taxes, insurance, electricity etc.	24	53,797,572	48,935,777
Legal & professional expenses	25	4,709,869	3,042,989
Postage, stamp, telecommunication etc.	26	8,117,410	7,604,208
Stationery, printing, advertisements etc.	27	14,458,419	11,791,604
Managing Director's salary and fees		15,100,000	13,580,000
Directors' fees and expenses	28	690,716	749,610
Auditors' fees	29	460,000	402,500
Depreciation, repairs & maintenance	30	37,608,567	36,266,666
Other expenses	31	35,467,131	34,036,911
Total operating expenses		**495,373,246**	**449,179,007**
Profit before provisions		**1,500,664,814**	**1,368,704,398**
Provisions			
Loans and advances	12.1.3	(146,239,976)	(103,379,921)
Diminution in value of investments	12.1.4	40,369,345	(20,394,053)
Total provisions		**(105,870,631)**	**(123,773,974)**
Profit before tax		**1,606,535,445**	**1,492,478,372**
Provision for tax			
Current	12.2	557,865,603	539,675,404
Deferred	9.3 a	771,279	3,801,667
		558,636,882	543,477,071
Profit after tax		**1,047,898,563**	**949,001,301**
Appropriations			
Statutory reserve		82,346,655	189,800,260
General reserve		580,000,000	112,000,000
		662,346,655	301,800,260
Retained surplus		**385,551,908**	**647,201,041**
Earnings Per Share	33	**8.60**	**7.79**

Notes:

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Chairman

Dr. A M R Chowdhury
Vice Chairman

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

Dr. Tamshed S. A. Choudhury.

07 February 2019
Dhaka

Aziz Halim Khair Choudhury
Chartered Accountants

AMARSTOCK

Delta Brac Housing Finance Corporation Limited

Cash Flow Statement

For the year ended 31 December 2018

	Amount in Taka	
	2018	2017
Cash flows from operating activities		
Interest received	5,782,015,643	4,563,278,659
Interest payments	(3,550,601,113)	(2,953,811,910)
Dividend received	38,497,143	29,509,045
Fees and commission received	146,116,642	149,917,196
Paid to employees	(345,071,987)	(345,047,657)
Paid to suppliers and for various operating expenses	(81,940,253)	(117,346,460)
Income tax paid	(499,483,207)	(299,865,959)
Received from other operating activities	18,871,556	32,587,672
Cash generated from operating activities before changes in operating assets and liabilities	1,508,404,424	1,059,220,586
Increase/(decrease) in operating assets and liabilities		
Loans and advances to customers	(1,600,393,913)	(6,406,138,076)
Purchase/Sale of trading securities	(4,823,309)	(71,681,950)
Other assets	(34,644,454)	14,981,971
Loans and deposits from banks and other customers	1,439,864,012	7,394,798,699
Other liabilities	19,737,641	27,206,879
Cash utilized in operating assets and liabilities	(180,260,023)	959,167,523
Net cash generated from operating activities	**1,328,144,401**	**2,018,388,109**
Cash flows from investing activities		
Net proceeds(Payments) for sale/purchase of Treasury Bills	30,328	(87,489)
Other investments	40,000,000	(130,000,000)
Purchase of property, plant & equipment	(17,304,148)	(42,627,166)
Proceeds from sell of property, plant & equipment	121,585	2,686,096
Net cash used in investing activities	**22,847,765**	**(170,028,559)**
Cash flows from financing activities		
Cash dividend paid	(365,555,529)	(182,777,765)
Net cash used in financing activities	**(365,555,529)**	**(182,777,765)**
Net increase in cash and cash equivalents	**985,436,637**	**1,665,581,785**
Cash and cash equivalents (net off overdraft) at the beginning of the period	**10,815,921,856**	**9,150,340,071**
Cash and cash equivalents (net off overdraft) at the end of the period	**11,801,358,493**	**10,815,921,856**

Notes:

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Managing Director & CEO

Dr. Tamsked S.A. Choudhury.

07 February 2019
Dhaka

Aziz Halim Khair Choudhury
Chartered Accountants

AHKC
AZIZ HALIM KHAIR CHOUDHURY
CHARTERED ACCOUNTANTS
EXCLUSIVE CORRESPONDENT FIRM OF PKF INTERNATIONAL

Delta Brac Housing Finance Corporation Limited

Statement of Changes in Equity

For the year ended 31 December 2018

Amount in Taka

Particulars	Paid-up Capital	Share Premium	Statutory Reserve	General & Other Reserves	Retained earnings	Total
Balance as on 1 January 2018	1,218,518,430	55,000,000	1,225,083,409	1,445,040,000	413,994,374	4,357,636,213
Net profit (after tax) for the period	-	-	-	-	1,047,898,563	1,047,898,563
Transferred to reserve funds	-	-	82,346,655	580,000,000	(662,346,655)	-
Stock dividend issued	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	(365,555,529)	(365,555,529)
Balance at December 31, 2018	**1,218,518,430**	**55,000,000**	**1,307,430,064**	**2,025,040,000**	**433,990,753**	**5,039,979,247**
Balance at December 31, 2017	**1,218,518,430**	**55,000,000**	**1,225,083,409**	**1,445,040,000**	**413,994,374**	**4,357,636,213**

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Delta Brac Housing Finance Corporation Limited
Liquidity Statement
As at 31 December 2018

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 (In hand and balance with Bangladesh Bank and its' agent bank)	798,514,488	-	-	-	-	798,514,488
Balance with other banks and financial institutions	5,423,999,517	5,193,110,000	1,162,060,343	-	-	11,779,169,860
Money at call on short notice	-	-	-	-	-	-
Investments	377,302,548	10,000,000	151,904,170	66,114,848	2,499,500	607,821,066
Loans and advances	95,721,765	3,395,214,474	8,551,872,962	23,489,516,772	8,315,375,089	43,847,701,062
Fixed assets including land, building, furniture and equipments	2,273,907	4,500,484	19,553,297	52,083,983	91,104,219	169,515,890
Other assets	107,073,617	172,766,406	9,164,239	7,255,066	-	296,259,328
Total Assets	**6,804,885,843**	**8,775,591,363**	**9,894,555,011**	**23,614,970,670**	**8,408,978,808**	**57,498,981,694**
Liabilities						
Borrowing from other banks and financial institutions	684,356,663	1,172,043,395	2,269,417,560	944,498,961	1,015,161,505	6,085,478,083
Deposits and other accounts	8,416,998,017	14,579,769,918	19,556,454,876	737,313,566	28,184,728	43,318,721,105
Other liabilities	368,685,432	714,884,950	1,242,242,898	260,348,309	468,641,669	3,054,803,259
Total liabilities	**9,470,040,113**	**16,466,698,263**	**23,068,115,334**	**1,942,160,836**	**1,511,987,902**	**52,459,002,447**
Net liquidity gap	(2,665,154,270)	(7,691,106,900)	(13,173,560,323)	21,672,809,834	6,896,990,906	5,039,979,247

AHKC STOCK

Delta Brac Housing Finance Corporation Limited

Notes to the Financial Statements
as at and for the year ended 31 December 2018

1 Company and its activities

(a) Legal status

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

(b) Nature of business

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

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

2 Significant accounting policies and basis of preparation

2.01 Statement of compliance

The financial statements have been prepared on a going concern basis and accrual method under historical cost convention and therefore did not take into consideration of the effect of inflation. The preparation and presentation of the financial statements and the disclosure of information have been made in accordance with the DFIM circular no. 11 dated 23rd December 2009 in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), the Companies Act 1994, the Financial Institutions Act 1993, Securities and Exchange Rules 1987, the listing rules of Dhaka and Chittagong Stock Exchanges and other applicable laws & regulations in Bangladesh and practices generally followed by Housing Finance Institutions.

As Bangladesh Bank is the primary regulator of Financial Institutions, the Bangladesh Bank guidelines, circulars, notifications and any other requirements are given preference to IAS and IFRS, where any contradictions arises.

2.02 Going concern

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

2.03 Reporting period

These financial statements have been prepared for the period from 1 January 2018 to 31 December 2018.

2.04 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.

AZIZ HALIM KHAIR CHOUDHURY AHKC CHARTERED ACCOUNTANTS

2.05 Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with the standards of IAS and IFRS. As such the company has departed from those contradictory requirements of IFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed below;

i) Measurement of provision for loans and advances (financial assets measured at amortized cost)

IFRS 9 "Financial Instruments"

If credit risk has not increased significantly since initial recognition, a 12 month Expected Credit Losses -ECL (Stage 1) is recognised (unless the financial asset is purchased or originated credit-impaired). If credit risk has increased significantly since initial recognition, a lifetime ECL (Stage 2) is recognised which may be significantly higher than a 12 month ECL. The assessment of what is considered to be a significant increase in credit risk therefore may have a significant impact on the loss allowance recognised.

Treatment adopted as per Bangladesh Bank

As per FID circular No. 08, dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and FID circular No. 03, dated 29 April 2013 , a general provision at 1% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained irrespective of objective evidence of impairment on loans and advances. Also provision for sub-standard investments, doubtful investments and bad losses has to be provided at 20%, 50% and 100% respectively for investments depending on the duration of overdue.

ii) Valuation of Investments in quoted and unquoted shares

IFRS 9 "Financial Instruments"

IFRS 9 requires entities to measure all investments in equity instruments at fair value (as measured as per IFRS 13 "Fair Value Measurement"), even if those instruments are not quoted in an active market.

Treatment adopted as per Bangladesh Bank

As per FID circular No. 08, dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made As per Bangladesh Bank DFIM circular No. 02 dated January 31, 2012 for investments in marketable securities and as per Bangladesh Bank DFIM circular No. 05 dated May 11, 2015 for Mutual funds.

iii) Recognition of interest income for SMA and classified loans and advances

IFRS 9 "Financial Instruments"

Income from financial assets measured at amortized cost is recognized through effective interest rate method over the term of the investment. Once a financial asset is impaired, investment income is recognized in profit and loss account on the same basis based on revised carrying amount.

AZIZ HALIM KHAIR CHOUDHURY AHKC CHARTERED ACCOUNTANTS

Treatment adopted as per Bangladesh Bank

As per FID circular No. 03, dated 03 May 2006, once an investment on loans and advances is termed as "Special Mention Account (SMA)", interest income from such investments are not allowed to be recognized as income, rather the respective amount needs to be credited as a liability account like: interest suspense account.

iv) Presentation of cash and cash equivalents

IAS 7 "Statement of Cash Flows"

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and only include those investments which are for a short tenure like: 3 months or less period. In the light of above, balance with Bangladesh Bank and fixed term deposits should be treated as investment asset rather than cash equivalents as it is illiquid asset and not available for use in day to day operations.

Treatment adopted as per Bangladesh Bank

Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all NBFIs. The templates of financial statements provided detail presentation for statement of cash flows.

v) Measurement of deferred tax asset

IAS 12 "Income Tax"

A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Treatment adopted as per Bangladesh Bank

As per DFIM circular No.7, dated 31 July 2011, no deferred tax asset can be recognized for any deductible temporary difference against loans and advances.

vi) Presentation and disclosure of Financial Statements and Financial Instruments

IAS 32 "Financial Instruments: Presentation"
IFRS 7 "Financial Instruments: Disclosure"

IAS 32 and IFRS 7 require specific presentation and disclosure relating to all financial instruments.

Treatment adopted as per Bangladesh Bank

Bangladesh Bank has issued templates for financial statements vide DFIM Circular No. 11, dated 23 December 2009 which will strictly be followed by all banks and NBFIs.

As per Bangladesh Bank guidelines, financial instruments are categorized, recognized and measured differently from those prescribed in IFRS 9. As such some disclosure and presentation requirements of IFRS 7 and IAS 32 have not been made in the accounts.

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vii) Preparation of "Statement of Cash Flows"

IAS 7 "Statement of Cash Flows"

The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Treatment adopted as per Bangladesh Bank

As per DFIM Circular No. 11, dated 23 December 2009, Cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.

viii) Current/ Non-current distinction

IAS-1 "Presentation of Financial Statement"

As per Para 60 of IAS-1 "Presentation of Financial statement" an entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position.

Treatment adopted as per Bangladesh Bank

As per DFIM Circular No. 11, dated 23 December 2009, Bangladesh Bank has issued templates for financial statements which is applicable for all the Financial Institutions. In this templates, there is no current and non-current segmentation of assets and liabilities.

ix) Off-balance sheet items

IAS 1 "Presentation of Financial Statements"

There is no concept of off-balance sheet items in any IFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Treatment adopted as per Bangladesh Bank

As per DFIM Circular No. 11, dated 23 December 2009, off-balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

x) Complete set of financial statements

IAS 1 "Presentation of Financial Statements"

As per IAS 1: "Presentation of Financial Statements" complete set of financial statements are
i) statement of financial position,
ii) statement of profit or loss and other comprehensive income,
iii) statement of changes in equity,
iv) statement of cash flows,
v) notes, comprising significant accounting policies and other explanatory information and
vi) statement of financial position at the beginning of preceding period for retrospective restatement

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Treatment adopted as per Bangladesh Bank

As per DFIM Circular No. 11, dated 23 December 2009, complete set of financial statements are

i) balance sheet,
ii) profit and loss account,
iii) statement of cash flows,
iv) statement of changes in equity,
v) statement of liquidity,
vi) notes, comprising significant accounting policies and other explanatory information.

xi) Intangible asset

IAS 1 "Presentation of Financial Statements"

As per IAS 1"Presentation of Financial Statements'' para 54, the statement of financial position shall include separate line item for intangible assets.

Treatment adopted as per Bangladesh Bank

As per DFIM Circular No. 11, dated 23 December 2009, there is no option for separate line item for intangible asset in the balance sheet. We present intangible asset in the balance sheet as part of fixed assets and provide details in annexure-A as separate line item.

xii) Other comprehensive income

IAS 1 "Presentation of Financial Statements"

As per IAS 1: "Presentation of Financial Statements" Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single OCI statement.

Treatment adopted as per Bangladesh Bank

Bangladesh Bank has issued templates for financial statements which will strictly be followed by financial institutions. The templates of financial statements issued by Bangladesh Bank neither include Other Comprehensive Income (OCI) nor are the elements of OCI allowed to be included in a single OCI statement. As such the financial institution does not prepare the Other Comprehensive Income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

xiii) Disclosure of presentation of profit

IAS/IFRS

There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

Treatment adopted as per Bangladesh Bank

As per DFIM circular no 11, dated 23 December 2009, an appropriation of profit should be disclosed in the face of profit and loss account

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2.06 Use of estimates and judgments

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, estimates. Assumptions also require for disclosure of contingent assets and contingent liabilities at the date of financial statements. Such estimates and assumptions are made on historical experience and other factors that are considered reasonable under the required circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected. The key item which involve these judgments, estimates and assumptions are discussed below:

Impairment losses on loans and advances

In addition to the provision made for loans and advances based on the guideline of Bangladesh Bank, DBH reviews its loans and advances portfolio on monthly basis to assess whether any further allowances/ write back for impairment should be provided in the income statement. The judgment 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.

2.07 Materiality and aggregation

Each material item considered by management as significant has been presented separately in financial statements. No amount has been set off unless the DBH has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.08 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.

2.09 Liquidity Statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases:-

a) Balance with other banks and financial institutions, money at call on short notice , etc. are on the basis of their maturity term.
b) Investments are on the basis of their respective maturity.
c) Loans and advances are on the basis of their repayment schedule and past trend of early settlement.

d) Fixed assets are on the basis of their useful lives.
e) Other assets are on the basis of their realization / amortization.
f) Borrowings from other banks, financial institutions and agents are as per their maturity/ repayment term.
g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
h) Other liabilities are on the basis of their payment/ adjustment schedule.

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2.10 Property, plant and equipments

a. Recognition

In pursuant to IAS 16 "Property, Plant and Equipment" the cost of an item of property, plant and equipment is recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Fixed assets have been accounted for at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs of enhancement of an existing assets are recognized as a separate asset, only when it is probable that additional 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 IAS-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 & Fixtures	15% - 20%	5- 6.67 years
Equipment	20% - 25%	4 - 5 years
Computer and computer equipment	20% - 25%	4 - 5 years
Vehicles	20%	5 years
Building	3%	33.33 years
Intangible asset	20%	5 years
Land	Not depreciated	

Depreciation on newly acquired assets are calculated from the month of acquisition (full month) and no depreciation is charged for the month in which the assets are disposed off.

During this year Computer and computer equipments reported as separate line item from the Equipment in fixed assets schedule.

c. De-recognition

An item of property, plant and equipment is de-recognized on its disposal. Sale price of fixed assets are determined on the basis of fair value of the assets. Gain or loss on sale of assets are recognized in profit & loss account as per provision of IAS 16 "Property, Plant and Equipment". Such gain or loss is determined as the difference between sales proceeds and carrying amount of the asset.

2.11 Intangible assets

In accordance with IAS 38 "Intangible assets", intangible assets (computer software) are recorded at historical cost less accumulated amortization. Amortization is calculated on straight line method using the rate at 20% (estimated five years useful life).

2.12 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.

2.13 Investment in securities

Investments are initially recognized at cost including acquisition charges with the investments. After initial recognition, investments in marketable securities except DBH 1st Mutual Fund, Green Delta 1st Mutual Fund and Vanguard AML Rupali Bank Balanced Fund have been valued at cost or market price whichever is lower on an aggregate portfolio basis. Above mutual funds and Peninsula SBC Unit Fund-1and Peninsula AMCL Unit Fund have been valued at 85 % of latest published NAV as on December 31, 2018 or cost price whichever is lower. Investment in non marketable securities have been valued at cost. Full provision for diminution in value of securities at the year end on aggregate portfolio basis excepts investment in mutual funds and unit funds are made in the financial statements as required by Bangladesh Bank DFIM circular No. 02 dated January 31, 2012. Provision for above mutual funds and unit funds at the year end is made as required by Bangladesh Bank DFIM circular No. 05 dated May 11, 2015.

2.14 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.

2.15 Cash Flow Statement

The cash flow statement is prepared using the direct method as stipulated in International Accounting Standard - 7 "Statement of Cash Flows" and in compliance with the instruction of Bangladesh Bank.

2.16 Revenue recognition

Interest income

Interest income from loans and advances is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset (loans and advances) to that asset's net carrying amount.

All other interest income is recognized on accrual basis except interest of the loan accounts considered as non-performing. Interest income is suspended and full provision is made against the interest receivables on all non-performing loans when the installments are outstanding for more than six months or any other accounts which are considered doubtful of recovery on the basis of judgment of the management.

Fees and other charges on loans

Receipt of loan processing/servicing fees and other fees are recognized as income on the date of receipt while the refund there against, if applicable, are set off with income during the year of refund.

Dividend income and profit/(loss) on sale of marketable securities

Dividend income is recognized on accrual basis when the right to receive income is established. Profit or loss arising from the sale of securities is accounted for only when shares are sold in the market and profit is realized and loss is incurred.

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2.17 Interest suspense account

Interest on non-performing loans is not recognized as revenue and credited to interest suspense account. Non performing loans refer to the loans when the installments are outstanding for more than six months and any other accounts which are considered impaired on the basis of judgments of the management.

2.18 Retirement benefit costs

i) Gratuity scheme

The Company has a funded gratuity scheme for all eligible employees who complete minimum 5 years of confirmed service with the Company. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year. This scheme is approved by the National Board of Revenue (NBR) and administered by an independent Board of Trustees. Actuarial valuation of the gratuity scheme was made in 2015 to assess the adequacy of the liability for the scheme as per International 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.

2.19 Taxation

Current tax

Provision for income tax has been made at best estimate keeping in view the provisions of Income Tax Ordinance 1984 and amendments made thereto from time to time. Applicable rate of income tax for the company is 37.5%.

Deferred tax

Pursuant to IAS - 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.

2.20 Provision for loans

In addition to the provision made for loans and advances based on the guidelines of Bangladesh Bank, the Company's policy is to make provision for the loans and advances to cover the principal amount in respect of non performing loans when installments are outstanding for more than six months and any other overdue accounts on the basis of management's assessment where there are possibilities of impairment in future. The Company has made adequate provision which is more than the minimum regulatory requirement.

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2.21 Write off

Write off refers to recognition of the reduced or zero value of an asset. It also refers to an investment for which a return on the investment is now impossible or unlikely. Potential return along with such investment is thus cancelled and removed from ("written off") from the company's balance sheet.

Recovery against debts written off is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there against or are considered recoverable.

2.22 Interest expense

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

2.23 Earnings per share

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

2.24 Related party disclosures

As per International Accounting Standards (IAS) 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 39.

2.25 Events after the balance sheet date

As per IAS 10 "Events after the balance sheet date", all material events occurring after the balance sheet date have been considered and where necessary, adjusted for or disclosed in note 41.3.

2.26 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 possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not within the control of the company or present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably.

2.27 Branch accounting

The Company has ten offices (head office & nine branches), with no overseas branch as on December 31, 2018. Accounts of the branches are maintained at the head office which are included in the accompanying financial statements.

2.28 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.

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2.29 Status of compliance of International Accounting Standards and International Financial Reporting Standards

Name of the IAS	IAS No.	Status
Presentation of Financial Statements	1	**
Inventories	2	N/A
Statement of Cash Flows	7	**
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Reporting Period	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Leases	17	N/A
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Governments Assistance	20	Applied
The Effect of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	N/A
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefits Plans	26	N/A
Separate Financial Statements	27	N/A
Investment in Associates and Joint Ventures	28	N/A
Financial Reporting in Hyperinflationary Economics	29	N/A
Financial Instruments: Presentation	32	**
Earnings per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Investment Property	40	N/A
Agriculture	41	N/A
Name of the IFRS	**IFRS No.**	**Status**
Share-based Payment	2	N/A
Business Combinations	3	N/A
Insurance Contracts	4	N/A
Non-currents Assets held for sale and discontinued operations	5	N/A
Exploration for and Evaluation of Mineral Resources	6	N/A
Financial Instruments : Disclosures	7	**
Operating Segments	8	N/A
Financial Instruments	9	**
Consolidated Financial Statements	10	N/A
Joint Arrangements	11	N/A
Disclosure of Interests in other Entities	12	N/A
Fair Value Measurement	13	Applied
Regulatory Deferral Accounts	14	N/A
Revenue from Contracts with Customers	15	N/A

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

N/A = Not applicable

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2.30 Financial risk management

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

Credit risk

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

Market risk

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

Liquidity Risk

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

Operational Risk

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

Money Laundering and Terrorist Financing Risk

In DBH, money laundering and terrorist financing risk takes two broad dimensions:
i) Business risk i.e. the risk that DBH may be used for money laundering or terrorism financing &
ii) Regulatory risk i.e. the risk that DBH fails to meet regulatory obligations under the Money Laundering Prevention Act 2012 and Anti-Terrorism Act 2009 (amended in 2013).
DBH adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU) and put in place a strict compliance program consisting of the following components to mitigate above risk:
a) Development and implementation of internal policies, procedures and controls to identify and report instances of money laundering and terrorist financing;
b) Creation of structure and sub-structure within the organisation, headed by a Central Compliance Unit (CCU), for AML and CFT compliance;
c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU;
d) Independent testing procedures carried out by internal audit function to ensure effectiveness of AML/CFT program.
e) Ongoing employee training programs.

Additional risks required to be addressed under new regulatory requirements

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

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

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

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

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

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

Reputation Risk

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

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

Environmental and Social Risk

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

2.31 Implementation of BASEL-II

To comply with international best practices to make the FI's capital more risk sensitive as well as to make the FI industry more shock absorbent and stable, Bangladesh Bank provided regulatory capital framework "Risk Based Capital Adequacy for FI's" with effect from 01 January 2012.

DBH management is aware about guideline of Bangladesh Bank and implemented Capital Adequacy requirement according to BASEL-II. BASEL-II implementation committee is headed by Managing Director & CEO.

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		31 December 2018 Taka	31 December 2017 Taka
3	**Cash**		
3.1	**Cash in hand**		
	Local Currency	106,217	89,700
	Foreign Currency	-	-
		106,217	**89,700**
3.2	**Balance with Bangladesh Bank and its agent bank**		
	Bangladesh Bank:		
	Local Currency	798,154,638	632,397,734
	Foreign Currency	176,777	171,818
		798,331,415	632,569,552
	Balance with Sonali Bank being an agent of Bangladesh Bank	76,856	1,405,591
		798,408,271	**633,975,143**

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 Deposits' 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, unencumbered treasury bills & bonds & any other assets approved Government Gazette or by Bangladesh Bank.

3.3.1	**Cash Reserve Requirement (CRR)**		
	Required reserve	765,075,429	588,694,942
	Actual average reserve maintained	818,039,133	703,448,145
	Surplus/(deficit)	**52,963,704**	**114,753,203**
3.3.2	**Statutory Liquidity Reserve (SLR)**		
	Required reserve (including CRR)	1,617,826,075	1,240,603,898
	Actual reserve maintained (including CRR note -3.3.1)	12,168,643,903	3,747,801,851
	Surplus/(deficit)	**10,550,817,828**	**2,507,197,953**
4	**Balance with other banks and financial institutions**		
	In Bangladesh (Note 4.1)	11,779,169,860	10,697,156,711
	Outside Bangladesh	-	-
		11,779,169,860	**10,697,156,711**
4.1	**In Bangladesh**		
	Current deposits	664,218,942	708,404,500
	Short-term deposits	1,791,840,918	2,748,752,211
	Fixed deposits	9,323,110,000	7,240,000,000
		11,779,169,860	**10,697,156,711**
4.2	**Maturity grouping of balance with other banks and financial institutions**		
	Payable on demand	1,843,999,517	708,404,500
	Up to 1 month	3,580,000,000	7,188,752,211
	Over 1 month but not more than 3 months	5,193,110,000	2,350,000,000
	Over 3 months but not more than 6 months	50,000,000	450,000,000
	Over 6 months but not more than 1 year	1,112,060,343	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	-	-
		11,779,169,860	**10,697,156,711**

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		31 December 2018 Taka	31 December 2017 Taka
5	**Money at call on short notice**	-	-
6	**Investments**		
	Government securities:	1,114,848	1,145,176
	Other investments:		
	Non marketable securities (Note-6.1)	54,499,500	54,499,500
	Preference Share	90,000,000	130,000,000
	Commercial Paper	100,000,000	100,000,000
	Investment in share (Lock-in)	3,702,085	4,713,480
	Marketable securities (Note-6.2)	358,504,633	352,669,930
		606,706,218	641,882,910
		607,821,066	**643,028,086**

6.1 Investment in non marketable securities

	No. of shares		
Bangladesh Rating Agencies Ltd.	24,995	2,499,500	2,499,500
Peninsula SBC Unit Fund-1	4,000,000	40,000,000	40,000,000
Peninsula AMCL BDBL Unit Fund-1	250,000	2,500,000	2,500,000
Energyprima Ltd. (Pre-IPO shares)	100,000	9,500,000	9,500,000
		54,499,500	**54,499,500**

6.2 Investment in marketable securities

Sectors	Market price Taka	Cost price	Cost price
Bank	29,023,775	36,744,370	23,968,460
Cement	2,877,576	2,975,593	1,678,144
Engineering	9,989,484	10,406,606	12,986,027
Financial Institutions	2,568,000	2,981,388	4,017,572
Food & Allied	4,635,290	4,978,873	465,883
Fuel & Power	8,002,161	9,138,051	31,800,521
IT Sector	-	-	423,969
Mutual Funds	176,693,400	219,207,081	219,207,100
Paper & Printing	905,627	864,560	-
Pharmaceuticals & Chemicals	37,919,390	46,940,161	38,044,370
Services & Real Estate	1,864,000	2,123,383	3,006,977
Tannery Industries	3,509,900	3,588,596	2,378,965
Telecommunication	15,084,276	18,017,444	14,597,324
Textile	980,020	488,107	94,618
Miscellaneous	256,780	50,420	-
	294,309,679	**358,504,633**	**352,669,930**

All investment in marketable securities are valued on an aggregate portfolio basis except DBH First Mutual Fund, Green Delta Mutual Fund and Vanguard AML Rupali Bank Balanced Fund. Mutual Funds have been valued at 85% of latest published NAV available as on December 31, 2018. As on December 31, 2018 there was Tk. 37,626,437 provision on investment in marketable listed securities and Tk. 13,375,250 for non marketable securities (Bangladesh Rating Agencies Ltd., Peninsula SBC Unit Fund-1 and Peninsula AMCL BDBL Unit Fund-1). Market value has been determined on the basis of the value of securities at last trading date of December 2018 (last trading date was December 27, 2018).

6.3 Maturity grouping of investments:

On demand	334,802,548	332,118,914
Up to 1 month	42,500,000	42,923,969
Over 1 month but not more than 3 months	10,000,000	10,063,523
Over 3 months but not more than 6 months	23,202,085	24,277,004
Over 6 months but not more than 1 year	128,702,085	100,000,000
Over 1 year but not more than 5 years	66,114,848	131,145,176
Over 5 years	2,499,500	2,499,500
	607,821,066	**643,028,086**

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		31 December 2018 Taka	31 December 2017 Taka
7	**Loans and advances**		
	Inside Bangladesh		
	Housing Loan - secured	43,218,185,476	41,863,893,563
	Installment Receivable - Housing Loan	95,721,765	74,917,996
	Staff loan	130,783,885	110,316,998
	Loan against Deposits	379,948,490	183,355,895
	Others	23,061,446	10,868,159
		43,847,701,062	**42,243,352,611**
	Outside Bangladesh	-	-
		43,847,701,062	**42,243,352,611**
7.1	**Maturity grouping of loans and advances**		
	Repayable on demand	95,721,765	74,917,996
	Not more than 3 months	3,395,214,474	3,085,023,910
	Over 3 months but not more than 1 years	8,551,872,962	8,223,253,983
	Over 1 year but not more than 5 years	23,489,516,772	22,599,945,834
	Over 5 years	8,315,375,089	8,260,210,888
		43,847,701,062	**42,243,352,611**
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	23,089,618	15,467,521
	d) Loans and advances to customer group:		
	i) Housing loan - customer	43,290,817,623	41,923,344,038
	ii) Staff loan-housing & others	130,783,885	110,316,998
	iii) Loan to depositors	379,948,490	183,355,895
	iv) Others	23,061,446	10,868,159
		43,847,701,062	**42,243,352,611**
	e) Details of loan and advances industry-wise		
	i) Housing Finance/ Real Estate	43,427,346,620	42,041,045,419
	ii) Others	420,354,442	202,307,192
		43,847,701,062	**42,243,352,611**
7.3	**Loans and advances - geographical location-wise**		
	Inside Bangladesh:		
	Urban	-	-
	Dhaka	40,938,330,451	39,506,108,220
	Chattogram	2,351,187,173	2,501,392,251
	Sylhet	240,354,794	220,321,439
	Cumilla	86,740,826	15,530,701
	Gazipur	231,087,818	-
		43,847,701,062	**42,243,352,611**
	Outside Bangladesh:	-	-
		43,847,701,062	**42,243,352,611**

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.	43,825,054,085	42,231,752,037
ii) Loans and advances considered good against which the financial institution holds no security other than the debtors personal security.	22,302,988	8,766,305
iii) Loan and advances considered good and secured by the personal security of one or more parties in addition to personal guarantee of	343,989	2,834,269
iv) Loan and advances adversely classified: for which no provision is created.	-	-
	43,847,701,062	**42,243,352,611**

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	31 December 2018 Taka	31 December 2017 Taka
v) Loans and advances due by directors and officers of the financial institution or any of them either separately or jointly with any other	130,783,885	110,316,998
vi) Loans and advances due by companies or firms in which the directors of the financial institution have interest as directors, partners or managing	-	-
vii) Maximum total amount of advances including temporary advances made at any time during the period to director, managers or officers of the financial institution or any of them either separately or jointly with any other person.	130,783,885	110,316,998
viii) Maximum total amount of advances, including temporary advances, granted during the period to companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in the case of private companies as members.	-	-
ix) Due from other bank and financial institutions	-	-
x) Information in respect of classified loans and advances		
a) Classified loans for which interest/ profit not credited to income		
i) Increase/(decrease) of provision (specific)	(162,475,723)	(168,589,409)
ii) Amount of written off debt against fully provided debts	-	4,483,440
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	83,054,826	58,313,388
c) Amount of interest creditable to interest suspense account	43,146,271	39,273,393
xi) Cumulative amount of written off loans and advances		
Opening Balance	9,347,446	4,864,006
Amount written off during the year	-	4,483,440
Amount recovered against loans and advances previously written off	-	-
Balance of written off loans and advances yet to be recovered	9,347,446	9,347,446
The amount of written off loans, advances and leases for which law suits have been filed	9,425,086	9,425,086

7.6 Classification of loans and advances

Unclassified:		
Standard (including Staff Loan, Loan against Deposits and Others)	43,653,690,992	42,077,514,932
Special mention account (SMA)	61,239,789	50,831,874
	43,714,930,781	**42,128,346,806**
Classified:		
Sub-standard	23,983,807	38,842,972
Doubtful	25,731,648	17,849,445
Bad/loss	83,054,826	58,313,388
	132,770,281	**115,005,805**
	43,847,701,062	**42,243,352,611**

7.7 Calculation of provision for loans and advances as per Loan Classification Report as on December 31, 2018.

Nature	Base for provision	Rate (%)	Provision required
Standard	43,142,958,617	1	431,429,586
Special mentioned account	54,695,306	5	2,734,765
Sub-standard	553,323	20	110,665
Doubtful	560,811	50	280,406
Bad	9,241,128	100	9,241,128
Staff - standard	130,783,885	1	1,307,839
Loan against deposit - standard	379,948,490	1	3,799,485

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		31 December 2018 Taka	31 December 2017 Taka
8	**Fixed assets including land, building, furniture and equipment:**		
	Freehold assets (Cost):		
	Furniture & fixtures	63,255,436	53,711,665
	Office equipment	31,177,095	28,405,659
	Computer and computer equipments	44,362,523	42,187,450
	Vehicles	41,729,821	41,584,821
	Building	108,128,476	108,128,476
	Land	12,092,849	12,092,849
	Intangible asset	7,295,936	5,627,129
		308,042,136	291,738,049
	Less: Accumulated depreciation	138,526,246	113,267,909
		169,515,890	**178,470,140**
	Detailed are shown in annexure A.		
9	**Other assets**		
	Accounts receivable (Note-9.1)	200,152,404	128,718,992
	Advances, deposits and prepayments (Note-9.2)	91,190,976	51,317,382
	Stamps and pay order in hand	3,866,315	2,922,838
	Deferred tax assets (Note-9.3)	1,049,633	1,820,911
		296,259,328	**184,780,123**
9.1	**Account receivables**		
	Interest receivable	191,494,850	118,403,125
	Dividend receivable	7,588,219	7,810,671
	Sundry receivable	1,069,335	2,505,196
		200,152,404	**128,718,992**
9.2	**Advances, deposits and prepayments**		
	Advance to employees	670,600	1,270,400
	Advance to suppliers	-	1,238,455
	Advance against office premises	79,501,100	42,000,000
	Security deposits	3,685,000	3,636,230
	Prepaid expenses	1,365,410	818,365
	Advance rent	5,968,866	2,353,932
		91,190,976	**51,317,382**
9.3	**Deferred tax assets**		
	Opening balance	1,820,911	5,622,578
	Less: Reduced during the year (Note-9.3 a)	771,279	3,801,667
		1,049,632	**1,820,911**
9.3 a	**Calculation of deferred tax**		
	Carrying amount of Fixed Assets (excluding land)	157,423,041	151,977,404
	Tax base value of Fixed Assets	160,222,062	155,197,704
	Deductible temporary difference	2,799,021	3,220,300
	Applicable tax rate	37.50%	40.00%
	i) Deferred tax assets on fixed assets	1,049,633	1,288,120
	Carrying amount-Loss on sale of securities	-	5,327,916
	Tax base	-	-
	Deductible temporary difference	-	5,327,916
	Applicable tax rate	10%	10%
	ii) Deferred tax assets on loss on sale of securities	-	532,792
	Total deferred tax assets (i+ ii)	1,049,633	1,820,912
	Deferred tax (liability)/assets at the beginning of the year	1,820,912	5,622,579
	Deferred tax (income)/Expense	**771,279**	**3,801,667**

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		31 December 2018 Taka	31 December 2017 Taka
10	**Borrowing from other banks and financial institutions**		
	Inside Bangladesh (Note 10.1)	6,085,478,083	6,515,419,275
	Outside Bangladesh	-	-
		6,085,478,083	**6,515,419,275**
10.1	**Inside Bangladesh**		
a	***Secured Short-term & long-term loans:***		
	Pubali Bank Limited	1,000,000,000	1,000,000,000
	Standard Chartered Bank	-	400,000,000
	Citi Bank, NA	300,000,000	200,000,000
	Commercial Bank of Ceylon plc	1,120,000,000	1,233,160,000
		2,420,000,000	**2,833,160,000**
b	***Unsecured long-term loan:***		
	Bangladesh Bank (Housing refinance)	2,219,152,228	2,496,959,577
		2,219,152,228	**2,496,959,577**
c	***Bank overdraft:***		
	Commercial Bank of Ceylon plc	11,475,519	354,381
	Woori Bank	161,581,302	89,974,897
	The Farmers Bank Ltd.	-	161,348,967
	Standard Chartered Bank	18,412,908	-
	BRAC Bank Ltd.	6,320,340	-
	Standard Bank Ltd.	69,640,969	66,697,710
	Exim Bank Ltd.	300,000,000	-
	Pubali Bank Ltd	208,894,817	180,816,500
	NRB Bank Ltd.	-	16,107,243
		776,325,855	**515,299,698**
d	***Call loans:***		
	Meghna Bank Ltd.	40,000,000	-
	Mutual Trust Bank Ltd.	150,000,000	-
	Southeast Bank Ltd.	300,000,000	80,000,000
	Sonali Bank Ltd.	180,000,000	90,000,000
	National Bank Ltd.	-	500,000,000
		670,000,000	**670,000,000**
	Total inside Bangladesh(a+b+c+d)	**6,085,478,083**	**6,515,419,275**

10.2 Security against borrowings from other banks and financial institutions

Secured	3,196,325,855	3,348,459,698
Unsecured	2,889,152,228	3,166,959,577
	6,085,478,083	**6,515,419,275**

The aforesaid secured short term & long term loans (10.1 a) except Citi Bank NA are secured by first charge on company's all present and future movable and immovable assets including book debts ranking pari-passu security charges with other lenders of the company. Bank overdraft except overdraft from CBC and Pubali Bank Ltd are secured by FDR. Short-term loans (10.1 a) from Citi Bank NA are secured by FDR.

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	31 December 2018 Taka	31 December 2017 Taka

10.3 Maturity grouping of borrowings from other banks and financial institutions

Payable on demand	670,000,000	670,000,000
Up to 1 month	14,356,663	416,310,691
Over 1 month but within 3 months	1,172,043,395	158,020,995
Over 3 months but within 1 year	2,269,417,560	3,048,293,584
Over 1 year but within 5 years	944,498,961	977,200,527
Over 5 years	1,015,161,505	1,245,593,477
	6,085,478,083	**6,515,419,275**

11 Deposits and other accounts

Fixed deposits (Note: 11.1)	**43,318,721,105**	**41,187,889,744**

11.1 Fixed deposits

Opening balance	41,187,889,744	34,393,955,116
Addition during the year	99,758,335,701	100,930,029,774
	140,946,225,445	135,323,984,890
Repayment made during the year	97,627,504,340	94,136,095,146
Closing balance	**43,318,721,105**	**41,187,889,744**

11.2 Group-wise break-up of deposits and others accounts

Government	529,299,176	656,215,510
Bank	13,500,000,000	16,990,000,000
Other institutions	15,158,915,801	11,109,740,815
Individuals	14,130,506,128	12,431,933,419
	43,318,721,105	**41,187,889,744**

11.3 Maturity analysis of deposits

Payable on demand	-	-
Up to 1 month	2,886,898,644	3,652,687,306
Over 1 month but within 6 months	4,619,989,086	4,149,392,215
Over 6 months but within 1 year	10,477,558,235	13,244,598,565
Over 1 year but within 5 years	110,597,035	146,682,797
Over 5 years but within 10 years	20,031,422,568	15,878,710,213
Over 10 years	5,192,255,537	4,115,818,648
	43,318,721,105	**41,187,889,744**

12 Other liabilities

Provision for loans & investment (Note: 12.1)	959,540,525	1,065,411,155
Provision for income tax (Note: 12.2)	365,338,741	306,956,346
Interest suspense (Note: 12.3)	43,146,271	39,273,393
Other payables (Note:12.4)	1,686,777,722	1,108,266,388
	3,054,803,259	**2,519,907,282**

12.1 Provision for loans and investment

Opening balance	1,065,411,155	1,190,938,075
Provision written off	-	(1,752,946)
Provision recovered for the year	-	-
Provision charged/ (released) for the year	(105,870,631)	(123,773,974)
Provision no longer required written back.	-	-
Recoveries of amounts previously written off	-	-
Closing balance	**959,540,524**	**1,065,411,155**

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	31 December 2018 Taka	31 December 2017 Taka
12.1.1 General provision		
Opening balance	423,035,928	357,826,440
Charged during the year	16,235,747	65,209,488
Closing balance	**439,271,675**	**423,035,928**
12.1.2 Specific provision		
Opening balance	631,742,885	802,085,240
Provision written off	-	(1,752,946)
Provision recovered during the year	-	-
Provision charged/ (released) for the year	(162,475,723)	(168,589,409)
Provision no longer required written back.	-	-
Recoveries of amounts previously written off	-	-
Closing balance	**469,267,162**	**631,742,885**
12.1.3 Provision on loans and advances		
General Provision charged during the year	16,235,747	65,209,488
Specific Provision charged/(released) during the year	(162,475,723)	(168,589,409)
	(146,239,976)	**(103,379,921)**
12.1.4 Provision for diminutions in the value of investments		
Opening balance	10,632,342	31,026,395
Provision charged/(released) during the year	40,369,345	(20,394,053)
Closing balance	**51,001,687**	**10,632,342**
12.2 Provision for income tax including deferred tax		
Opening balance	306,956,346	67,146,901
Addition during the year (Current tax)	557,865,603	539,675,404
Tax paid	(499,483,208)	(299,865,959)
	365,338,741	**306,956,346**
Deferred tax liability	-	-
Closing balance	**365,338,741**	**306,956,346**
12.3 Interest suspense		
Opening balance	39,273,393	46,305,240
Interest suspended during the year	3,872,878	-
Written off suspended interest during the year	-	(7,031,847)
Closing balance	**43,146,271**	**39,273,393**
12.4 Other payables		
Interest payable on deposits & loans	1,337,940,448	826,127,703
Sundry creditors	139,207,012	92,663,355
Unclaimed instruments	16,154,948	13,182,207
Payable to clients	85,963,385	83,953,102
Loan under litigation	9,650,310	4,935,579
Privileged creditors	94,276,660	84,237,142
Liability for expenses	3,584,959	3,167,300
	1,686,777,722	**1,108,266,388**
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
	2,000,000,000	**2,000,000,000**

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	31 December 2018 Taka	31 December 2017 Taka

13.2 Issued, subscribed, called and paid-up capital

Ordinary shares		
121,851,843 Ordinary shares of Taka 10 each	1,218,518,430	1,218,518,430
	1,218,518,430	**1,218,518,430**

13.3 Capital of the Company is held by the following shareholders

	31 December 2018	
	No of shares	Taka
Ordinary shares		
Local shareholders:		
BRAC	22,406,611	224,066,110
Delta Life Insurance Company Ltd	21,479,325	214,793,250
Green Delta Insurance Company Ltd	18,649,813	186,498,130
General shareholders	6,565,982	65,659,820
	69,101,731	**691,017,310**
Foreign shareholders:		
General shareholders	52,750,112	527,501,120
	52,750,112	**527,501,120**
	121,851,843	**1,218,518,430**

13.4 Break-up of Paid-up capital:

Date of Issue	Number of Shares	31 December 2018 Face Value	Amount
11 May, 1996 to 28 June, 1998	2000000	100	200,000,000
12-Dec-06	200000	100	20,000,000
9-Apr-08	500000	100	50,000,000
2-Dec-08	810000	100	81,000,000
23-Nov-09	526500	100	52,650,000
8-Dec-10	1009125	100	100,912,500
22-Nov-11	5045625	100	504,562,500
Total	**10091250**	**100**	**1,009,125,000**
Face Value Change (2011)	100912500	10	1,009,125,000
14-Nov-12	15136875	10	151,368,750
24-Nov-16	5802468	10	58,024,680
Total paid-up capital	**121851843**	**10**	**1,218,518,430**

	31 December 2018 Taka	31 December 2017 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	1,218,518,430	1,218,518,430
1.2	Statutory Reserve	1,307,430,064	1,225,083,409
1.3	Non-repayable Share premium account	55,000,000	55,000,000
1.4	General Reserve	1,775,040,000	1,195,040,000
1.5	Retained Earnings	433,990,753	413,994,374
1.6	Minority interest in Subsidiaries	-	-
1.7	Non-Cumulative irredeemable Preferences shares	-	-
1.8	Dividend Equalization Account	250,000,000	250,000,000
1.9	Others (if any item approved by Bangladesh Bank)	-	-
1.10	**Sub-Total (1.1 to 1.9)**	**5,039,979,247**	**4,357,636,213**

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		31 December 2018 Taka	31 December 2017 Taka
	Deductions from Tier-1 (Core Capital)		
1.11	Book value of Goodwill and value of any contingent assets which are shown as assets	-	-
1.12	Shortfall in provisions required against classified assets	-	-
1.13	Shortfall in provisions required against investment in shares	-	-
1.14	Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities.	-	-
1.15	Any investment exceeding the approved limit.	-	-
1.16	Investments in subsidiaries which are not consolidated	-	-
1.17	Increase in equity capital resulting from a securitization exposure	-	-
1.18	Other (if any)	-	-
1.19	Sub Total (1.11-1.18)	-	-
1.20	**Total Eligible Tier-1 Capital (1.10-1.19)**	**5,039,979,247**	**4,357,636,213**
	2 .Tier-2 (Supplementary Capital)		
2.1	General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	311,596,738	296,827,503
2.2	Assets Revaluation Reserves up to 50%	-	-
2.3	Revaluation Reserve for Securities up to 45%	-	-
2.4	Revaluation reserve for equity instrument up to 10%	-	-
2.5	All other preference shares	-	-
2.6	Other (if any item approved by Bangladesh Bank)	-	-
2.7	Sub-Total (2.1 to 2. 6)	311,596,738	296,827,503
2.8	Applicable Deductions (if any)	-	-
2.9	**Total Eligible Tier-2 Capital (2.7-2.8)**	311,596,738	296,827,503
	Total capital	**5,351,575,985**	**4,654,463,716**
	Total risk weighted assets	28,321,158,188	27,130,186,905
	Required capital based on risk weighted assets(10%)	2,832,115,819	2,713,018,691
	Surplus	2,519,460,166	1,941,445,025
	Capital Adequacy Ratio:		
	On core capital	17.80%	16.06%
	On actual capital (against standard of minimum 10%)	18.90%	17.16%
	Supplementary Capital to risk weighted assets	1.10%	1.09%
14	**Share premium account**		
	Ordinary shares	55,000,000	55,000,000
		55,000,000	**55,000,000**
15	**Statutory reserve**		
	Opening balance	1,225,083,409	1,035,283,149
	Add: addition during the year (20% of profit after tax)	82,346,655	189,800,260
	Closing balance	**1,307,430,064**	**1,225,083,409**

This reserve has been created as per the provision of Financial institution Act-1993 and Financial institution Rules-1994.

	31 December 2018 Taka	31 December 2017 Taka
16 Other reserves		
Contingency Reserve (Note 16.1)	1,075,000,000	1,075,000,000
General Reserve (Note 16.2)	700,000,000	120,000,000
Dividend equalization reserve (Note 16.3)	250,000,000	250,000,000
Capital redemption reserve	40,000	40,000
	2,025,040,000	**1,445,040,000**

An amount of Tk. 40,000/- was transferred in 2013-14 out of profit to "Capital redemption reserve" in redeeming 400 no's of preference share @ Tk. 100 each as per section 154(1)(C) of Companies Act 1994.

16.1 Contingency reserve		
Opening balance	1,075,000,000	850,000,000
Add: addition during the year	-	225,000,000
Closing balance	**1,075,000,000**	**1,075,000,000**
16.2 General reserve		
Opening balance	120,000,000	8,000,000
Add: addition during the year	580,000,000	112,000,000
Closing balance	**700,000,000**	**120,000,000**
16.3 Dividend equalization reserve		
Opening balance	250,000,000	200,000,000
Add: addition during the year	-	50,000,000
Closing balance	**250,000,000**	**250,000,000**
17 Business commitments and contingencies		
17.1 Contingent liabilities	**35,969,622**	**223,985,758**

The said amount claimed by the tax authority for the assessment year 2004-05, 2005-06, 2014-15 and 2015-16 assessed by disallowing statutory reserve and some other heads and simple interest charged on net tax payable as per assessment order.

Consequently, there is a contingent liability for the above amounts which have not been recognized as liability in anticipation of consequential relief would be granted in favor of the Company.

17.2 Other commitments

In the normal course of business, the company makes various commitments, contracts and disbursements. No material losses are anticipated as a result of these transactions. Details are given below:

Housing finance commitments outstanding	506,775,000	605,634,964
Bank borrowing commitments outstanding	-	-

17.3 Capital expenditure commitments

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

17.4 Unacknowledged debts

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

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		Amount in Taka	
		2018	2017
18	**Interest income**		
	Interest on loans	4,842,290,202	3,789,549,216
	Interest on placement with other banks & BB FX deposits	998,891,638	775,996,849
	Interest on short term investment	14,007,188	7,828,957
		5,855,189,028	**4,573,375,022**
19	**Interest paid on deposits and borrowings etc.**		
	Interest on term loans	119,466,471	149,736,307
	Interest on deposits	3,658,391,685	2,630,900,193
	Interest on short-term borrowing	269,611,362	173,371,090
	Interest on overdraft	14,944,340	13,568,823
		4,062,413,858	**2,967,576,413**
20	**Income from investments**		
	Gain/(loss) on sale of marketable securities	7,566,646	16,452,129
	Dividend income	38,274,692	26,983,562
	Interest on Treasury Bond	65,088	49,286
		45,906,426	**43,484,977**
21	**Commission, exchange and brokerage**		
	Loan fees	87,265,889	104,985,914
	Other charges and fees	58,850,753	44,931,282
		146,116,642	**149,917,196**
22	**Other operating income**		
	Property service income	4,908,600	5,635,798
	Gain on sale of fixed assets	-	2,596,365
	Miscellaneous income	6,331,222	10,450,460
		11,239,822	**18,682,623**
23	**Salary and allowances**	**324,963,562**	**292,768,742**

Salary and allowances include annual contribution of Tk.9,565,442 to DBH Staff Provident Fund and Tk. 9,417,841 to DBH Employees Gratuity Fund which are recognised by NBR.

24	**Rent, taxes, insurance, electricity etc.**		
	Rent, rates & taxes	44,503,327	40,067,746
	Insurance	2,813,252	2,753,767
	Electricity	6,038,857	5,671,382
	Water	442,136	442,882
		53,797,572	**48,935,777**
25	**Legal and professional expenses**		
	Law charges	3,477,369	2,309,989
	Other professional charges	1,232,500	733,000
		4,709,869	**3,042,989**
26	**Postage, stamp, telecommunication etc.**		
	Postage & courier service	771,627	579,887
	Stamp expenses	3,820,293	3,285,416
	Telephone & internet	3,525,490	3,738,905
		8,117,410	**7,604,208**

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		Amount in Taka	
		2018	2017
27	**Stationery, printing, advertisements etc.**		
	Printing	1,941,017	1,859,980
	Stationery	1,691,730	1,763,155
	Publicity and advertisement	10,825,672	8,168,469
		14,458,419	**11,791,604**
28	**Directors' fees and expenses**		
	Fees for attending meeting	552,000	592,000
	Incidental meeting expenses	138,716	157,610
		690,716	**749,610**
29	**Statutory annual audit fees (including VAT)**	460,000	402,500
		460,000	**402,500**
30	**Depreciation/Amortization, repairs & maintenance**		
	Depreciation/Amortization:		
	Freehold assets	25,056,471	20,768,818
	Intangible assets	1,008,484	812,006
		26,064,955	**21,580,824**
	Repairs & maintenance:		
	Vehicle	1,768,237	1,490,062
	Office equipment & premises	6,800,542	8,843,264
	Computer hardware & software	2,974,833	4,352,516
		11,543,612	**14,685,842**
		37,608,567	**36,266,666**
31	**Other expenses**		
	Staff training & recruitment expense	671,307	1,281,286
	Office security	3,137,782	3,047,230
	Transportation, traveling & conveyance	19,507,420	14,950,412
	Canteen expense	1,816,559	2,552,548
	Business promotion & entertainment	976,710	873,591
	Car fuel	1,920,307	1,809,594
	Books and papers	72,875	72,124
	Bank charges	3,940,114	5,110,505
	Loss on sale of fixed assets	71,858	-
	Donation, subscription and Fees	1,910,033	2,524,200
	Public relation & AGM expense	347,436	464,658
	Outsource agency charges	360,000	345,000
	Brokerage	186,864	208,474
	Staff welfare expense	547,866	797,289
		35,467,131	**34,036,911**
32	**Retained earnings**		
	Opening balance	413,994,374	224,571,098
	Add: Profit after tax for the year transferred from Profit & Loss Account	1,047,898,563	949,001,301
	Accumulated profit available for distribution	**1,461,892,937**	**1,173,572,399**
	Less: Appropriations		
	Transferred to statutory reserve	82,346,655	189,800,260
	Transferred to general reserve	580,000,000	112,000,000
	Transferred to contingency reserve	-	225,000,000
	Transferred to dividend equalization reserve	-	50,000,000
	Cash dividend paid for last year	365,555,529	182,777,765
		1,027,902,184	**759,578,025**
	Closing balance	**433,990,753**	**413,994,374**

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AZIZ HALIM KHAIR CHOUDHURY AHKC CHARTERED ACCOUNTANTS

	Amount in Taka	
	2018	2017

33 Earnings per share

Profit after Tax	1,047,898,563	949,001,301
Profit available for ordinary shareholders	**1,047,898,563**	**949,001,301**
Number of shares outstanding for calculating basic EPS	**121,851,843**	**121,851,843**
Basic earnings per share	8.60	7.79

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 Net asset value (NAV) per share

Shareholders' Equity	5,039,979,247	4,357,636,213
Number of Share	121,851,843	121,851,843
Net asset value (NAV) per share	**41.36**	**35.76**

35 Net operating cash flows per share (NOCFPS)

Net cash from operating activities	1,328,144,401	2,018,388,109
Number of Share	121,851,843	121,851,843
Net operating cash flows per share (NOCFPS)	**10.90**	**16.56**

36 Reconciliation of net profit with cash flows from operation activities on direct method:

Particulars	Amount in Taka 2018	Amount in Taka 2017	Remarks
Profit after tax	1,047,898,563	949,001,301	
Provision for income tax	558,636,882	543,477,071	Non cash item
Depreciation	26,064,955	21,580,824	Non cash item
Provision for Loans and advances	(146,239,976)	(103,379,921)	Non cash item
Provision for Diminution in value of investment	40,369,345	(20,394,053)	Non cash item
Interest Suspense	3,872,878	(7,031,847)	Non cash item
Gain/loss on sale of fixed assets	71,858	(2,596,364)	Non-operating item
Accrual for dividend, lad and interest receivable	(76,823,811)	(539,034)	Changes in accrual
Accrual for expenses	558,773,693	(20,308,674)	Changes in accrual
Purchase & sale of trading securities	(4,823,309)	(71,681,949)	(Inc)/Dec of assets
Loans and advances	(1,600,393,913)	(6,406,138,076)	(Inc)/Dec of assets
Other Assets	(39,381,210)	14,259,213	(Inc)/Dec of assets
Loan and deposit from Banks and Customer	1,439,864,012	7,394,798,698	Inc/(Dec) of liabilities
Other liabilities	19,737,641	27,206,879	Inc/(Dec) of liabilities
Income tax paid	(499,483,207)	(299,865,959)	
Net cash flows from operating activities	**1,328,144,401**	**2,018,388,109**	

37 Dividend on ordinary shares

Proposed dividend:

The Board of Directors in its 104th meeting held on February 07, 2019 has recommended cash dividend @ 25% i.e. Taka 2.50 per ordinary share and stock dividend @ 10% (i.e. one bonus share for every ten ordinary shares held) for the year ended 31 December 2018 for placement before the shareholders for approval at 23rd AGM of the company.

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38 Foreign currency inward/outward remittance

During this year no such transaction occurred that should be reported.

39 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 International Accounting Standard-24 "Related Party Disclosures". The terms of related party transaction are not significantly different from those that could have been obtained from third parties. The significant related party transactions are as follows:

Name of the related parties	Relationship	Particulars	Expenses incurred during the year (Taka)
Delta Life Insurance Company Limited	Shareholder	Insurance premium	1,379,846
Green Delta Insurance Company Limited	Shareholder	Insurance premium	1,412,136

40 Number of employees

During the year under audit, there were 220 (2017: 180) employees employed for the full period and 56 (2017: 97) employees for less than full period at a remuneration of Taka 3,000 and above per month.

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41. General Disclosure

41.1 Name of Directors and entities in which they have interest as Director as at **31 December 2018:**

Name	Position at DBH	Involvement in other organization	
		Name of the Organization in which they have interest	Position
Mr. Nasir A. Choudhury	Chairman	Green Delta Insurance Company Ltd.	Advisor
		Nascom (Pvt.) Ltd.	Managing Director
		United Hospital (Pvt) Ltd.	Director (Representing GDIC)
		Green Delta Securities Ltd.	Chairman
		Green Delta Capital Ltd.	Chairman
		GD Assist Ltd.	Chairman
Dr. A M R Chowdhury	Vice Chairman	BRAC	Vice Chairperson
Mr. A Z Mohammad Hossain	Director	Chandra Spinning Mills Ltd.	Managing Director
Ms. Mehreen Hassan, Bar-at-Law	Director	Nil	Nil
Mr. Md. Sayeed Ahmed, FCA, ACMA, CGMA	Director	Delta Life Insurance Company Ltd.	Additional Managing Director & CFO
		DLIC Securities Ltd.	Director
Mr. Md. Mujibur Rahman	Director	Shanta Holdings Limited	Executive Director
		Shanta Securities Limited	Director
		Centre for Women and Child Health (CWCH)	Member of the Board of Trustees and General Secretary and Treasurer
Mr. Mohammed Irfan Syed	Director	Nil	Nil
Ms. Rasheda K. Choudhury	Independent Director	Campaign for Popular Education (CAMPE)	Executive Director
Major General Syeed Ahmed BP, (Retd.)	Independent Director	Nil	Nil

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AZIZ HALIM KHAIR CHOUDHURY CHARTERED ACCOUNTANTS

41.2 Audit committee

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

Name	Status with the Company	Status with the Committee	Educational Qualification
Major General Syeed Ahmed (Retd.)	Independent Director	Chairman	BA (Honours), BP, awc, psc
Dr. A M R Chowdhury	Vice Chairman	Member	PhD
Mr. A Z Mohammad Hossain	Director	Member	L.L.B
Mr. Md. Sayeed Ahmed	Director	Member	FCA, ACMA, CGMA
Mr. Md. Mujibur Rahman	Director	Member	M.COM

During the period from January 2018 to December 2018, the audit committee of the Board conducted 4 (four) meetings.

Sl. No.	Meeting No	Meeting Date
1	42	7-Mar-18
2	43	19-Apr-18
3	44	18-Jul-18
4	45	31-Oct-18

The Committee discussed among others, the following issues:

Review of Internal Compliance Report.
Review of the un-audited quarterly financial statements and the audited financial statements.
Appointment / Re-appointment of Statutory Auditors.

41.3 Events after the Balance Sheet date

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

41.4 Comparative information

Comparative figures have been re-arranged wherever considered necessary to ensure better comparability with the current period without causing any impact on the profit and value of assets and liabilities as reported in the financial statements.

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Annexure-A

Schedule of Fixed assets and Intangible assets:

Amount in Taka

Particulars	Cost				Depreciation/Amortization				Written down value as at 31 December 2018
	Balance as on 1 January 2018	Additions during the period/year	Disposals during the period/year	Balance as at 31 December 2018	Balance as on 1 January 2018	Charged for the period/year	Adjustment on disposals	Balance as at 31 December 2018	
Free hold assets:									
Furniture & fixtures	53,711,665	10,165,948	622,177	63,255,436	36,845,993	5,305,148	477,741	41,673,400	21,582,036
Office Equipment	28,405,659	3,002,321	230,885	31,177,095	21,042,420	2,474,183	230,878	23,285,725	7,891,370
Computer and computer equipments	42,187,450	2,175,073	-	44,362,523	27,999,128	5,721,138	-	33,720,266	10,642,257
Vehicles	41,584,821	292,000	147,000	41,729,821	14,497,688	8,338,017	97,999	22,737,706	18,992,115
Building	108,128,476	-	-	108,128,476	10,492,570	3,217,985	-	13,710,555	94,417,921
Land	12,092,849	-	-	12,092,849	-	-	-	-	12,092,849
	286,110,920	**15,635,342**	**1,000,062**	**300,746,200**	**110,877,799**	**25,056,471**	**806,618**	**135,127,652**	**165,618,548**
Intangible asset:									
Software	5,627,129	1,668,807	-	7,295,936	2,390,110	1,008,484	-	3,398,594	3,897,342
Total 2018	**291,738,049**	**17,304,149**	**1,000,062**	**308,042,136**	**113,267,909**	**26,064,955**	**806,618**	**138,526,246**	**169,515,890**
Total 2017	**264,143,636**	**42,627,166**	**15,032,753**	**291,738,049**	**106,630,104**	**21,580,827**	**14,943,022**	**113,267,909**	**178,470,140**

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CHARTERED ACCOUNTANTS

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