



Rating Report (surveillance)

Delta Brac Housing Finance Corporation Limited

Ratings

Long Term :	AAA
Short Term :	ST-1

Previous Ratings

Date of Rating	Long Term	Short Term
December 1, 2010	AAA	ST-1
November 12, 2009	AAA	ST-1

Date of Rating: December 27, 2011

Validity: December 31, 2012

Rating Based on: Audited financial statement up to 30 June 2011 and other relevant quantitative as well as qualitative information up to the date of rating declaration.

Methodology: CRAB's Financial Institution Rating Methodology (www.crab.com.bd)

Analysts:

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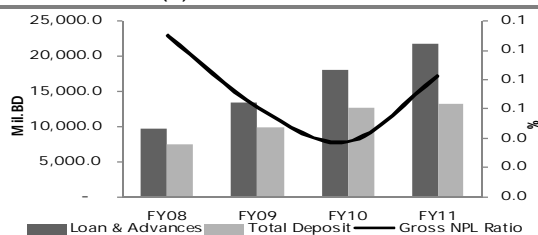
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Financial Highlights

(Mil. BDT)	June'11	June'10
Loans	21,668.6	18,062.7
Deposit	13,307.8	12,630.1
Gross NPL	17.8	6.8
Total Operating Income	1,265.3	1,036.7
Profit After Tax	502.1	307.4
NIM (%)	4.1	4.2
Gross NPL Ratio (%)	0.1	0.0



COMPANY PROFILE

Delta Brac Housing Finance Corporation Ltd. was incorporated in May 1996 as a pioneer housing finance institution in the private sector. The Company was sponsored by local institutions (BRAC, Green Delta Insurance Co., Delta Life Insurance Co.) and subsequently foreign institutions (HDFC Investment and IFC) joined. DBH went to IPO in FY08. It offers full range of housing finance services for retail and corporate customers. The paid up capital of the Company reached BDT 504.6 million at the end of FY11. The Company has 5 branches in Dhaka, Chittagong and Sylhet along with its head office and has a diverse portfolio of more than 12,500 loans and 11,946 deposit clients.

RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has retained **AAA** (Pronounced Triple A) rating in the long term and **ST-1** rating in the short term of Delta Brac Housing Finance Corporation Limited (hereinafter also referred to as DBH or the Company) based on audited financials up to 30 June 2011 and other relevant information.

Financial Institutions rated **AAA** in the long term belong to "Extremely strong capacity & Highest Quality" cohort. Financial Institutions rated "**AAA**" have extremely strong capacity to meet their financial commitments. **AAA** is judged to be of highest quality with minimal credit risk.

Financial Institutions rated in the short term "**ST-1**" category are considered to have the highest capacity for timely repayment of obligations. Financial Institutions rated in this category are characterized with excellent position in terms of liquidity, internal fund generation and access to alternative sources of funds.

The rating reflects the Company's strength in high quality assets, stable earnings, operational efficiency as well as adequate internal fund generation. Rating also considers the strong market share of the Company. On the other hand, principal concern of the Company is concentrated single line of business and existing risk factors inherent to country's housing sector.

DBH's earnings and profitability have been considerably good and stable in the last few years. Net interest income has consistently been the major revenue source with an average of 79.7% for the last five years which reflects DBH's focus at its core housing finance with diverse client base. However DBH investment income grew by 69.0% in FY11 resulted from its initiative to diversify income sources as well as ensure earning stability. On the back of higher growth of major contributing sources, DBH's profit after tax reached BDT 502.1 million in FY10 registering a growth of 63.4%.

Reduced lending rate affected the net interest margin (NIM) marginally. However, net profit margin of the company improved significantly (by 10.0 percentage points) resulted from the reduction in provision expense as well as lower growth of operating expense. DBH maintained relatively low cost to income ratio (FY11: 21.3%) as well as staff cost to income ratio (FY10: 12.6%) reflecting the better operational efficiency of the Company. Other profitability ratios of DBH improved during FY11.

Company's total asset was dominated by loans (FY11: 88.4% of total) which grew by 20.0% in FY11. DBH's loan portfolio is less concentrated having major exposures with retail clients.

Continuous low NPL reflects conservative underwriting culture of DBH. DBH's total loan portfolio reached BDT 21,668.6 million in FY11. Gross NPL (in absolute amount) increased to BDT 17.8 million in FY11 from BDT 6.80 million in FY10 million. Therefore, gross NPL ratio of DBH increased to 0.08% from 0.04% in FY10 which was still insignificant compared to the total loan portfolio. DBH's prudent loan appraisal process along with efficient monitoring and collection helps to attain such asset quality. Besides these, conservative provisioning policy provides additional cushion to the credit risks involved in the business. DBH maintained provision of BDT 447.9 million against required provision of BDT 217.2 million during the period.

In addition to that DBH keeps mortgage of property (mostly residential property) against the loans disbursed. As a result the asset quality is always safeguarded due to DBH's nature of business in the housing sector.

DBH's funding structure reflects moderate liquidity along with dependable line of credit. In FY11, total fund of the Company reached BDT 20,696.1 million which was dominated by term deposit (64.3% of total fund) followed by borrowing from other local and foreign institutions (35.7% of total). However, deposit growth was lower during the period which was reflected in the increased dependence on outside borrowing. Of the total deposit, 52.6% was collected from different institutions followed by individual public. DBH actively participated in the call money market throughout the year to take the arbitrage of the interest rate.

Shareholders' equity of DBH grew by 34.6% and reached BDT 1,756.3 million in FY11 resulted from internal capital generation. As of June 2011, total capital (tier 1+tier 2) of DBH was BDT 1,907.0 million. Capital adequacy ratio reached 14.1% at the end of September'11 under Basel II. DBH has also created a dividend equalization fund to ensure stable return to its shareholders. Maintenance of contingency reserves ensures DBH's ability to confront any uncertain situation.