DIRECTORS' REPORT

Dear Shareholders,

The Directors of Delta Brac Housing Finance Corporation Limited have the pleasure of presenting the Directors' Report of your Company together with audited accounts for the year ended December 31, 2020.

Macroeconomic Performance of Bangladesh Economy

The year 2020 began with a cloud of uncertainty hanging over the horizon. The novel coronavirus was spreading in Europe, the destination of over 60 percent exports from Bangladesh, after wreaking havoc in China, its largest trading partner. COVID-19 pandemic continued to spread and impacted Bangladesh economy since March 2020, reflecting in a sharp decline in growth rate of real gross domestic product (GDP) to 5.24 percent in FY20 as compared to a record high of 8.15 percent growth in FY19. In response to combat against the possible economic disruptions because of the pandemic, Bangladesh has been taking extensive fiscal measures.

To protect the people and the economy, the government rolled out a massive Tk. 120,000-crore stimulus package. It capped bank interest rates below single digit to help firms and businesses borrow at a low rate. But the biggest support came from farmers who continue to feed the country and the migrant workers who proved the grim forecasts wrong, sending home a record amount of remittance. The robust flow of remittance lifted the country's foreign exchange reserves to record highs and put the country on a firm footing.

Despite economic slowdown, growth rate of Bangladesh in 2020 was projected to be the highest among all South Asian countries as estimated by the International Monetary Fund (IMF), World Bank (WB) and Asian Development Bank (ADB) (Table 1). Table 1 shows that only Bangladesh, Bhutan and Nepal will manage positive growth rates in 2020, where Bangladesh's performance would be much better than others.

Table 1: Growth outlook for South Asian countries

	IMF			World Bank			ADB		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Afghanistan	3.9	-5.0	4.0	3.9	-5.5	2.5	3.0	-5.0	1.5
Bangladesh	8.2	3.8	4.4	8.1	2.0	1.6	8.2	5.2	6.8
Bhutan	3.8	0.6	-0.5	3.8	1.5	1.8	4.4	2.4	1.7
India	4.2	-10.3	8.8	4.2	-9.6	5.4	4.2	-9.0	8.0
Maldives	5.7	-18.6	12.7	5.9	-19.5	9.5	5.9	-20.5	10.5
Nepal	7.1	0.0	2.5	7.0	0.2	0.6	7.0	2.3	1.5
Pakistan	1.9	-0.4	1.0	1.9	-1.5	0.5	1.9	-0.4	2.0
Sri Lanka	2.3	-4.6	5.3	2.3	-6.7	3.3	2.3	-5.5	4.1

Sources: World Economic Outlook, October 2020; World Bank, October 2020; Asian Development Bank Outlook, September 2020.

A broad-based recovery in economic activities started in Q1FY21 which is reflected in key macroeconomic indicators well supported by fiscal and monetary measures in response to COVID-19 pandemic. The recovery was evidenced in resilient agriculture, robust industry and fairly performed service sectors. Exports turned around registering a 2.58 percent growth in Q1FY21, reflecting strengthened external demand. A strong growth in remittance inflows by 48.60 percent helped boost domestic demand, particularly consumption in Q1FY21. Although headline CPI inflation (p-t-p) remained broadly stable, it nudged slightly up in Q1FY21, reaching 5.97 percent in September 2020, driven by food inflation. Food inflation picked up to 6.50 percent in September 2020, triggered mainly by supply disruptions because of floods in the north-western part of the country and rising food prices in the global markets, among other factors. On the other hand, non-food inflation declined to 5.12 percent in September 2020 on account of subdued demand of many non-food items in the face of COVID-19. .

Table: 2 The key economic indicators of Bangladesh:

Table I.I: Macroeconomic Framework: Key Economic Indicators

Indicators	FY15	FY16	FY17	FY18	FY19	FY20
Real GDP	6.6	7.1	7.3	7.9	8.2	5.2
GDP deflator	5.8	6.8	5.3	5.6	4.2	4.5
CPI Inflation (average)	6.4	5.5	5.9	5.8	5.5	5.6
CPI Inflation (point to point)	6.3	5.9	5.4	5.5	5.7	6.0
In percent of GDP						
Gross domestic Savings	22.1	25.0	25.3	22.8	25.0	25.3
Gross domestic investment	28.9	29.7	30.5	31.2	31.6	31.8
Total revenue	10.9	10.5	10.5	10.8	10.1	9.0
Tax	9.0	9.0	8.8	9.2	8.8	8.1
Nontax	1.5	1.2	1.4	1.3	1.0	0.9
Total expenditure	13.8	13.9	13.5	14.7	14.6	13.9
Current expenditure	8.0	7.5	6.5	6.8	7.0	7.0
Annual development program	4.7	5.0	5.5	6.6	6.6	5.8
Other expenditure (residual)	1.1	1.4	1.4	1.3	1.1	1.0
Overall balance (excluding grants)	-2.9	-3.4	-2.9	-3.9	-4.5	-4.9
Financing (net)	2.9	3.4	2.9	3.9	4.5	4.9
Domestic financing	1.8	2.2	1.9	2.1	2.8	3.0
Banking System	-0.5	0.2	-0.9	-0.1	0.7	2.2
Non-Bank	2.3	2.0	2.7	2.1	2.1	0.8
Current account balance	1.8	1.9	-0.6	-3.6	-1.8	-1.5
Overall balance	2.2	2.3	1.3	-0.3	0.0	1.1
Growth in Percent						
Money and credit						
Private sector credit	13.2	16.6	15.7	17.0	11.3	8.6
Broad money (M2)	12.4	16.4	10.9	9.2	9.9	12.6
External Sector						
Exports, f.o.b.	3.1	8.9	1.7	6.4	9.1	-17.1
Imports, f.o.b.	3.0	5.9	9.0	25.2	1.8	-8.6
In million USD						
Exports, f.o.b.	30,697	33,441	34,019	36,285	32,830	32,830
Imports, f.o.b.	37,662	39,901	43,491	54,463	50,691	50,691
Gross official reserves	25,021	30,176	33,407	32,944	36,037	36,037
In terms of month of imports	6.5	7.2	6.6	6.0	5.5	5.4
Memorandum items:						
Nominal GDP (in billion Taka)	**15,158**	**17,329**	**19,758**	**22,505**	**25,425**	**27,964**

Source: Bangladesh Bank; Ministry of Finance and Bangladesh Bureau of Statistics.

The current account balance turned into a surplus of USD 3534 million in Q1FY21 led by hefty remittance inflows in tandem with a rebound in export growth. Consequently, the overall balance of payment resulted in a surplus of USD 3098 million in Q1FY21. Despite the large surplus in BOP, nominal exchange rate of BDT against USD remained broadly stable as a consequence of BB's net purchase of USD 2427 million during the quarter under review. M2 growth edged up to 13.92 percent (y/y) at the end of Q1FY21, hinging upon a robust Net Financial Asset (NFA) growth on the back of inflows of huge remittance and foreign loan. Although the growth of credit to the private sector recovered slightly to 9.48 percent in September 2020 with the favor of easy monetary policy, lower than the target for December 2020. On the other hand, the growth of public sector credit moderated somewhat because of a large inflow of foreign loans, and a rise in the sale of national saving certificates.

The downward revision of policy rates pulled interest rates down in the inter-bank money markets and retail markets. The weighted-average interest rate on lending moderated further to 7.79 percent in September 2020, remaining well below the ceiling of 9.0 percent. The overall banking sector performance improved in Q1FY21, reflected in a decline in ratio of non-performing loan aided by the loan moratorium facility, a rise in capital adequacy, and an enhancement of provision to be maintained against classified loans. Favored by the expansionary monetary policy and appropriate capital market policy supports, the capital market bounced back during the period under review, which is visible in rising share prices, turnover, and market capitalization.

UK-based Centre for Economics and Business Research in their recent publications said that the reopening of the economy in June was a very bold move and proved to be a judicious one, as the virus did not go out of control. The food production, remittance, the stimulus package, the reopening, and the uptick in domestic demand and exports put the country on the path of recovery. "Despite the Covid-19 pandemic, Bangladesh was able to escape a contraction in 2020,"

Source: BB quarterly July-Sept, 2020
Daily Star Bangladesh

Performance of Financial Sector in 2020

Bangladesh Bank (BB) has released monetary policy review assessing the central bank's monetary policy stance for the current fiscal year (FY21), accommodating growth supportive needs while attaining the targeted inflation. Against the backdrop of the COVID-19 pandemic, the government of Bangladesh and BB undertook a series of timely and appropriate initiatives such as stimulus packages of more than BDT1.21 trillion, policy relaxations, low cost refinance schemes, etc., among others, to support weaker segments of the economy, to ensure sufficient liquidity in the banking system and to enhance private sector credit growth. Aided by those prompt policy initiatives, the economic recovery of Bangladesh remained at the forefront among the neighboring South Asian economies and attained a 5.2 percent growth rate in FY20. In December, 2020, the outstanding loans in the private sector stood at Tk. 11,41,342 crore and the year-on-year credit growth stood at 8.37% against the target of 11.5%.

Initiatives of Bangladesh Bank:

The central bank undertook a number of initiatives to protect the financial sector from the adverse impact of COVID-19 pandemic. Simultaneously, BB has also aligned itself with the government's effort on implementing stimulus package to revive the economy from the COVID-19 fallout. A number of the important policy initiatives are highlighted briefly below:

Fixation of Interest Rate Cap: Bangladesh Bank fixed the cap of interest rate of all loans to be given by the banks (except credit card) at 9% effective from April 1, 2020.

Reduction of Cash Reserve Ratio (CRR): The cash reserve ratios were re-fixed at 4% from 5.5% for all the scheduled banks and at 1.5% from 2.5% for all the NBFIs. This allowed the financial entities to utilize around Tk. 350 crore, kept as CRR with the BB. Moreover, BB reduced the bank rate from 5.00 to 4.00 percent in July 2020, which had remained unchanged at 5.00 percent since 2003, rationalizing it with the current interest rate regime.

Reduction in Repo Rate: BB also slashed its repo rate from 6.00 to 4.75 percent in three stages during March - July 2020, aimed at infusing more liquidity in the banking system and enabling banks to extend more credit to the priority sectors at lower rate of interest during the pandemic period. Consequently, the interest rate in the call money market and interbank repo rate continued to decline from 5.14 and 5.96 percent in March 2020 to 2.12 and 0.75 percent in December 2020, respectively, reflecting an expansionary monetary policy stance.

Increase in Advance to Deposit ratio (ADR): The ADR was increased with a view to enhance the lending capacity of the banks and facilitate implementation of the stimulus packages announced by the government. The ADR was increased to 87% for conventional banks and to 92% for the Islamic Shariah-Based banks from 85% and 90% respectively.

Stimulus Package: Government responded with an expansionary fiscal policy and approved 23 stimulus packages worth a total of Tk. 1,24,053 crore (as of January, 2021) to combat the deceleration of economic growth and expedite the private sector credit growth. Banks and NBFIs are the key channels of the disbursement of these packages.

Payment Deferrals: A moratorium facility on loan installments payments was announced by BB from 1st January to 31st December, 2020. As per the directive, default of payment of installments by the borrower will not downgrade the classification of the loans and the banks and FIs will also not impose any late fee or penalty on the borrowers against the overdue loan installments.

Dividend Policy: Bangladesh Bank has restricted all the banks to disburse any cash dividend above 17.5% and also capped total dividend payment at 35%. Four dividend slabs were set for the banks based on their liquidity position. For the, NBFIs, with capital adequacy ratio (CAR) of less than 10% and more than 10% default loans will not be able to declare any dividend and the NBFIs, who have taken deferrals facility for their provisioning deficit will not be allowed to declare any dividend until the deferral is over. The central bank also enacted a dividend cap of 30 per cent on non-bank financial institutions (NBFIs) of which the NBFIs can pay maximum 15% as cash dividend.

Banking Sector:

The banking sector was feared to face a two-fold blow, stemming from Covid-19 and lending rate cap. But the end of 2020 showed a rather positive picture with two major performance indicators - profitability and loan recovery - being better than expected. Total operating profits in the banking sector declined by only 7.16% last year from the previous year when industry insiders had assumed that the 9% lending rate cap will erode profits by 40%. Non-performing loans (NPLs) stood at Tk. 88,734 crore as of December 2020, down 5.93% year-on-year. This decline has resulted the provisioning shortfall against loan's in the country's banking system to fall by over 98% in the last quarter of the year 2020. However, with the anticipation that there will be spike in the gross NPLs as soon as the regulatory forbearance issued for the year 2020 would be over, BB directed all the banks to maintain an additional 1% provisioning against loans which have enjoyed deferral/time extension.

NPL by Type of Banks (In Billion)

Type of Banks	Dec. 19	Dec. 20
State-Owned Commercial Banks	439. 94	422.74
Private Commercial Banks	441.74	399.16
Foreign Commercial Banks	21.04	20.32
Development Finance Institutions	40.62	40.62
Total	**943.34**	**882.84**

The growth of bank deposits rose from 10.5 percent at the end of Q4FY20 to 12.4 percent (from BDT 13,054.73 billion to BDT 13,454.36 billion) at the end of QIFY21 amid COVID-19 pandemic, reflecting mainly higher remittance inflows (49.05 percent year-on-year). Moreover, the growth of advances also witnessed a slight increase from 9.0 percent at the end of Q4FY20 to 9.6 percent (from BDT 10,647.13 billion to BDT 10,655.7 billion) at the end of QIFY21; loan disbursement from the stimuli packages might help such acceleration. As the bank deposits grew at a faster pace than bank advances, the overall ADR fell from 76.2 percent at the end of Q4FY20 to 74.0 percent at the end of Q1FY21.

Lower credit demand, cautious lending behavior of the banks, stable deposit growth, money injection by the central bank for the stimulus packages, policy relaxation by the central bank and upward trend of remittance, accelerated the liquidity in the banking sector by 95% year-on-year to Tk 204,700 crores in December, 2020.

In response to the interest cap on lending rate, a gap between lending and deposit interest rates both in nominal and real terms has started to narrow down since April 2020 but widened slightly in December 2020 as the banks have gradually declined their interest rates on deposit products as compared to that for financing or investment products. This move left the savers at distress, mostly the small ones. The weighted average interest rate spread stood at 3.07% in December. As banks preferred to invest their excess funds in the risk-free government securities, T-bills and bond markets experienced a precipitous plunge of yields. This further induced the net sales of savings certificates to register around four-time rise year-on-year in the first six months of the fiscal 2020-21, exceeding the target fixed for the whole fiscal year. In July-December, the net sales of savings Instruments Increased to Tk. 20,487 Crore in contrast to only Tk. 5,433 Crore over the same period a year ago. It may be mentioned that the government's net borrowing from the state-sponsored savings instruments stood at Tk. 257.02 billion in the first seven months of fiscal year (FY) 2020-21. The amount is 28.51 percent or Tk. 57.02 billion higher than the total target set for the current FY.

Interest Rate Movement (In Percent)

Instruments	Dec.20	Dec.19
T- Bills:		
91- day	0.53	7.01
182- day	1.12	7.61
364- day	1.91	8.04
Call Money Rate	2.12	4.50
Lending Rate (All Banks)	7.61	9.68
Deposit Rate (All Banks)	4.54	5.70

NBFI Sector:

Country's Non-Bank Financial Institutions (NBFIs) also performed better in the indicators such as the deposits and the loan collections despite the Covld-19 pandemic. The plunge in the deposit rate in the banking sector and availability of comparatively better rates in NBFIs increased the amount of deposits in the country's NBFIs by 3.28% or Tk. 1420.46 crore quarter-on-quarter in July-September, 2020. The number of accounts in NBFIs also increased to 6.81 lakh from 6.64 lakh at the end of June, 2020. This prove to have a very positive effect in restoring the confidence of the depositors which was seriously hampered in 2019 following the government's move to liquidate People's Leasing and Financial Services Limited.

Loan disbursement by the NBFIs during the period slightly dropped by 0.83% to Tk. 68,931 Crore. Industries are the top borrowers to the NBFIs who got one-third of the total loans disbursed in July-September quarter. Compared to the previous quarter, credit disbursements to the industrial sector rose by more than 23% in the third quarter. On the other hand, the July-September quarter saw a sharp rise in construction and consumer loan disbursements. During the period, loan disbursement to construction sector surged 599% compared to the second quarter to Tk. 355 crore, while consumer loan disbursement spiked by 163% to Tk. 835 crore. Though the loan disbursement in the third quarter was less than the previous quarter, loan collections by the entities increased by more than 39%. The total collection during this period was Tk. 6,717 crore, up from Tk. 4,820 crore in April-June quarter.

NBFIs' classified loans and leases significantly increased by 26.61 percent in April 20 - June 20 quarter from the previous quarter. It stood at Tk. 89.06 billion at end June 2020 from Tk. 70.34 billion at end of March 2020. The ratio of classified loans and leases increased to 13.29 percent at end June 2020, which is 2.78 percentage points higher than the previous quarter and 2.32 percentage points higher from June 2019.

Policy relaxation by Bangladesh Bank to restore resilience in the shock absorbing capacity of the FIs during the COVID-19 pandemic has induced most of the FIs to earn higher profitability in April 20 - June 20 quarter though the aggregated asset quality has deteriorated from the last quarter as well as from the same quarter of the last year. The Return on Assets (ROA) and Return on Equity (ROE) at end June 2020 stood at 0.57 percent and 5.32 percent respectively compared to 0.14 percent and 1.27 percent respectively recorded in the last quarter and 0.21 percent and 1.75 percent in the same quarter of 2019.

Therefore, shortcoming such as the sectoral image crisis resulted from 5-6 ailing NBFIs, loan scams, soaring non-performing loans (NPLs), problems with interest rates and low demand for funds from the private sector that caused a substantial decline in the growth of the NBFIs. In this regard, Bangladesh Leasing and Finance Companies Association (BLFCA), a forum of the NBFIs, has sought a refinancing scheme of Tk. 10,000 crore from BB to save the ailing financial sector.

NBFIs were categorized as "A", "B" and "C" instead of "green", "yellow" and "red" as an indication of their financial health in accordance with the results of the stress testing. At end - June 2020, out of 33 FIs, 4, 18, and 11 were positioned in Green, Yellow, and Red zones respectively on the basis of stress test result.

Bangladesh's capital market yielded the highest returns in 2020 among Asia's emerging economies. DSEX, the benchmark index of the Dhaka Stock Exchange, gained 21.3 per cent, the highest among its peers, despite the 66-day recess for the countrywide general shutdown to slow the spread of coronavirus. DSEX closed 2020 at 5,402 points despite being on a free fall between January and March as investors all over the world panic sold as the novel coronavirus was putting down its roots everywhere. Meanwhile, in 2020 the Dhaka bourse also saw the fourth lowest price-to-earnings (P/E) ratio, which measures a company's current share price relative to its per-share earnings. The P/E ratio of shares on DSE stood at 19.18 at the end of last year.

Overview of the Real Estate Sector of Bangladesh

The COVID-19 pandemic has put the global economy to a standstill. Although most countries are trying to find a way to recover and salvage their economy, the pandemonium of COVID-19 is something that almost all the countries are struggling to recover from. Bangladesh, a developing country with huge economic potential, boasting an 8.2 percent GDP growth rate in FY19 have also been struck quite badly with the economic aftershocks of the pandemic. According to Bangladesh Bureau of Statistics (BBS), the GDP growth rate has surpassed the 5.24 percent mark, however, the World Bank has given a much more conservative estimate of 2 percent GDP growth rate for FY20. The stringent lockdowns have affected the entire economy of South Asia, with its output contracting by an estimated 6.7 percent in 2020. Despite such dire circumstances, Bangladesh's economy is currently 41st out of 193 Countries according to the UK's Centre for Economics and Business Research (CEBR). The organization has also predicted that our annual rate of GDP will accelerate to an average of 6.8 percent within 2025 and our economy will become the 28th largest in the world by 2030. This optimistic outlook of our economy has also been reflected in our real estate sector also.

The real estate and housing sector has been quite stagnant in the early 2010. The real estate prices were soaring during that time and hence the demand fell as the general population of our country were unable to keep up with such high prices. Hence the prices subsided or remained stagnant over the majority of the decade due to the reduced demand. Only in the recent couple of years has the sector started to recuperate, recording a 9 percent growth in the year 2019. The sector accounted for 7.8 percent of the country's GDP. There were high ambitions for growth in this sector for the year 2020 but it all seemed bleak once the pandemic began. The sector was struggling to pick up pace in the first half of the year, however, after the budget announcement, various policy measures like scope of investing undisclosed income in real estate and reduction of registration cost helped the industry get back on track and the demand for real estate increased.

A sudden spike has been detected in the demand trend for the real estate industry since September of 2020. The industry's performance was plummeting and was in the risk of having much lower business in the following time. However, with the new policies and facilities extended by the government of Bangladesh, the industry has not only been obviated from the sudden downfall but also stood back on the track of growth it had been since 2018. During the preparation of the budget for the FY 2020-21, the government made special considerations for the real estate industry, which was among the worst affected in the country. The reason behind the decision to boost the industry was the huge employment (35 lacs workers) in this sector and the dependency of the linked industries that comprise 260 sectors.

The first move made by the government was providing amnesty to invest undisclosed income without investigation of the sources in the purchase of apartments and a flat 10% tax to invest in the capital market, deposit in banks, and invest in other securities. Over the last eight months, Tk. 5000 crores of untaxed income has been invested in this sector. This provision is for only one year which expires in June 30, 2021. However, this facility may be extended for the purchase and development of land in the following fiscal year. Taxes ranging from Tk. 500 to Tk. 20,000 per square meter on the purchased lands and Tk. 500 to Tk. 4,000 per square meter for buying buildings or apartments will be payable depending on the locations. The lowest tax rate will be applicable for remote village areas, while the highest rate will be applicable for Gulshan and Banani areas of the capital. The holders of such income do not want to waste this opportunity to invest the black money without any legal repercussions. This is what mostly triggered the spike in demand for ready apartments but the sudden halt in construction in the first half of 2020 is not allowing this demand to be entertained entirely. The real estate businesses are requesting the government to extend more facilities regarding the abatement of regulations set by the RAJUK for construction so that this massive demand can be catered to within the time frame of this policy.

Another incentive for investors to put their eggs in the basket of real estate is the demotivation arising from the low deposit rates in different financial institutions, which is 4.5% percent on an average, and the bearish nature of the stock market. Moreover, the loan rates for housing finance have come down to single digit in 2021 from 12%-13% prevailing a couple of years ago. The prices of real estate assets have steadily increased from 2018 due to the increase in price of land and raw materials involved in construction and a healthy increase is foreseeable in the future as well. Hence, the current rise in demand for this secured asset that can be availed against lower financial costs. Adding to that is the discounting of registration costs for land and apartments, which was a significant discouraging factor for middle-income investors. Clients are preferring apartments that cost between TK. 1.2 to 2 crores since the passing of the budget for the current fiscal year. The registration costs for purchasing apartments have been reduced to help the real estate industry stand back up. The stamp fee and local government tax have each been reduced by 0.5 percent, registration fee by 1 percent, and the VAT for apartments with a size up to 1600 sft. is set at 2 percent which was 3 percent earlier.

Although the borrowing rates in financial institutions are very low, the effects of the home loan subsidy for the government employees in 2018 are still being felt in the real estate sector. The government has extended the facility of borrowing at 9 percent from government banks and House Building Finance Corporation Limited (HBFC) with a subsidy of 4.5%. This boosted the demand for real estate assets among that category of investors. However, this has created a harder field to compete for the private financial institutions.

Another factor of the real estate demand is the secondary market for apartments. Due to rising prices of new apartments, the middle-income investors are preferring used apartments from brokers. Supply side of secondary market is also expanding rapidly. Large segments of first time apartment buyers purchased a property in past based on financial capacity and need now willing to upgrade by replacing existing property. The capital raised from existing property sales is being commonly utilized to purchase an upgraded property with addition of home loan facility or own savings.

Moreover, readily available units with utility connections in secondary market is more attractive for some due to prospect of instant return on investments either by renting or living.

Buyers are showing an increasing interest in the secondary property market in the capital city as the properties are cheaper and spacious and come with utility services, especially gas connection, according to realtors and home loan providers. There is no reliable data about the market size of the secondary flat segment. The demand in the segment is around 20 per cent of the total demand for the properties in Dhaka. There are two reasons: they can be bought at lower prices, and they are roomy. According to the new regulations on buildings, owners cannot use around 20% -25% of a flat although they have to pay the price. But, the owners of used flats can use the entire available floor space and rooms were spacious.

There is a significantly large secondary market in digital platform which is growing day by day as demand is on the rise. There are also number of secondary market broker organizations in operation with massive promotional activities boosting transactions in secondary market. A significant portion of people looking for secondary market properties looks for houses in Mirpur, Uttara, Dhanmondi and Bashundhara residential area. More and more people are showing interest in Mohammadpur, Badda, Banasree and Dakshin Khan. Even though there hasn’t been an adequate supply of secondary properties compared to demand, popular areas such as Mirpur, Uttara and Mohammadpur have plenty of ready flats available.

One of the major reasons people search for homes in Mirpur, Badda or DakshIn Khan is affordability. Even, some parts of Uttara can be great locations to find affordable secondary properties. The average price of ready flats in Mirpur in the last six months was Tk. 5,000 per square feet, with certain places such as Pirerbag and Section 11 offering flats at Tk. 3,500 per square feet. As for Uttara, the average price of ready flats in the last six months was Tk. 6,500 per square feet, though the inner sectors are more affordable than the outer ones. Dhanmondi can be complex in terms of the price of ready flats. The average price of recently added properties can be Tk. 10,000 per square feet. Properties in West Dhanmondi and Shankar were, on average, are sold at Tk. 6,500 per square feet. At present the registration cost for new flats and used flats are same. REHAB had urged the National Board of Revenue to reduce the registration cost for secondary flats to help expand the segment of the housing market.

Moreover, there is a change in investment behavior of the high net worth individuals, they are more prone towards investing in real estate properties as a safe haven for their assets rather than investing overseas as it entails scrutiny from the regulators. Hence this change in investment habit is also driving up the demand and prices for high-end residential real estates.

The evidence of a booming real estate sector can be found from the fact that major players in the real estate sector have reported a boom in business of nearly 10 to 15 percent in the last six months of 2020 as compared to the same period in 2019.

Real estate prices have always been on the rise in our country till 2010. The prices reached a high in 2010, this was mainly due to the sharp increase in the cost of land over the years. It is estimated that between 1972 and 2010, land prices in Dhaka city grew by an average of nearly 100-125 percent per year, which contributed directly to the increase in apartment prices. Moreover, the cost of construction has also been on the rise over the years due to the ever increasing cost of raw material. The middle-income families could not cope up with such a price hike and hence demand for real estate ownership subsided quite significantly during the period of 2010 to 2018. The price per square foot of land in 2010 was stupendously high. The average price per square foot in the affluent areas such as Dhanmondi and Gulshan rose to 15,000 BDT in 2010, which subsided greatly by nearly 20 percent within 2015. For less affluent areas the prices remained more or less the same over the years. However, since 2018, the prices were on the rise again and the recent influx in demand, coupled with the increase in cost of raw materials has increased the price manifolds. The prices of raw materials like cement has increased by around 5 to 10 percent in recent times. The price of steel rods has also increased by nearly 17 percent by the end of the year. The increase in raw materials prices is expected to raise prices per square feet by nearly BDT 400 to 500. The different steps taken by the government as mentioned previously have increased demand manifolds and played a role in the sudden hike in prices. Although many people are calling this price hike an anomaly and a reason for concern, some experts are calling this price-hike a justified market correction from the stagnant prices in the 2010 decade.

With the upward movement in prices of real estate in different locations of Dhaka City, it is time for housing development companies to look into the prospects of developing lower end assets affordable to mass of the clients. The communication facilities all around the country are going to have a new and developed face in the near future which will open multiple economic opportunities, especially in the southern side of the country. The connectivity that will be achieved from the Dhaka-Chittagong Express Railway and the Padma Bridge will allow commuters to work in the city while residing in other districts. Also the ongoing mega projects like Metro rail and express ways will improve the connectivity of city center with the outskirts and will significantly reduce the commuting time. The average per square feet price of apartments in the outskirts is low in comparison to that of the city. Hence, if the city is expanded and access to the city is made easy from areas like Savar, Gazipur, Narayanganj, Mawa, Cumilla, Mymensingh, Manikganj, Munshigonj and those locations can become profitable prospects for both the real estates and the housing finance industry of the country. Another notable prospect is the development of high-tech buildings that ensure more security and convenience and the construction of condominium apartments that come with a wide range of social and lifestyle facilities. Protected by the government from a hard fall due to COVID-19, the real estate sector of Bangladesh is continuing to grow at a healthy rate and can explore the opportunities across the country.

Product wise Performance

- **Performance of Home Loan Operations**

Though the private sector credit growth was low during 2020, but demand and supply for housing loan was quite high, particularly in the second half of the year. The transactions in real estate market increased because of some fiscal measure taken by government in the budget, Along with that, low rate of interest encouraged many clients to purchase flats with the assistance of housing loans. Most of the banks and NBFIs were quite active in housing loan.

Also the interest rate cap of 9% imposed by central bank for all types of loans for the banks except credit card also played a role to increase focus in housing loan as the ticket sizes of housing loans are relatively higher than other retail loans and also the loan is secured in nature as it is normally backed by mortgage.

Though the cap was fixed at 9% by Bangladesh Bank, but because of excess liquidity in the market resulted from increased money supply made the cost of funds cheaper and prompted competitions to offer even lower rate than the cap. The increased number of transactions in the secondary market also played a role to increase the number of home loans.

DBH kept its market leadership in housing loan market. As a specialized housing finance company with exclusive focus in home loans, DBH edged ahead of its competitions in terms of loan disbursement. Major competitions in home loan market in terms of disbursements were IDLC, Standard Chartered Bank, IFIC Bank, Dutch Bangla Bank, City Bank, IPDC, National Housing, House Building Finance Corporation, etc. The disbursements of top 10 players were appx 5000 million per month for the second half of the year and DBH retained appx. 20% market share in terms of new disbursements. DBH's loan portfolio stood at appx 42,750 million as on December 31, 2020 which is highest among banks, NBFIs (including House Building Finance Corporation) engaged in residential housing finance to individual clients.

DBH is always focused for home loans to individual clients for their residential purpose. Almost 100% of our loan portfolio (i.e. 99.30%) is to finance the individual clients. Unlike our major competitions, we have less geographical reach so far and only operating in Dhaka, Chattogram, Cumilla, Sylhet, Gazipur and Narayangong districts. Most of our competitions, particularly the banks (except Standard Chartered Bank) have much bigger reach through their nationwide branch network.

In 2020, our total loan disbursement was Tk. 702 crore, which is 30% less than the disbursement of previous year. The main reason for reduction in disbursement is the prolonged general holidays declared by government from March 26, 2020 to May 31, 2020. Though the lockdown was lifted in June, but the effects and uneasiness still remained and business was slow to pick. But from July onwards home loan business started to rebound. More than 65% of our loan disbursement took place in the second half of the year. The disbursement for the second half was only 1.5% negative from same period of previous year.

The rate of interest of loans continued to reduce throughout the year. The weighted average Rate of Interest of our home loan portfolio was 11.95% in January 2020 which came down to 10% in January 2021. We managed to efficiently manage our cost of fund, so that net interest income of home loan increased from previous year despite reduction in loan portfolio.

The non-performing loan dropped to 0.41% from 0.45% of 2019. DBH historically maintained a very low level of NPL in its loan book and it continued. But Covid affected many segments of clients as some lose employment, business affected for some and also rental income got hit. We provided payment deferral facilities to clients as per guidelines of Bangladesh Bank till December 2020. The actual impact of Covid 19 can be assessed after the payment deferral facility is lifted. We kept additional provisions against loans and advances to cope up with any adverse effects of Covid 19 on loan repayments of our customers.

Our loan portfolio stood at Tk. 42,750 million as on December 31, 2020, a reduction of appx. 4% from that of December 31, 2019. The reduction of disbursements is the main reason for the reductions in loan portfolio. Though disbursements reduced, but loan prepayment through early settlement remained at almost same level, which contributed to portfolio decline. Because of health uncertainty due to covid and lower rate of interest on bank savings, the tendency of prepayment increased among the borrowers.

- **Performance of Deposit Portfolio**

Over the years DBH has established itself as one of the leading depository institution in the industry. The company has earned the trust of the clients by providing transparent & quality service. DBH has kept its focus on deposit collection as its main source of funding mechanism. As a result, DBH has managed to fund over 80% of its home loan operations through deposit. At present the Company offers a diverse deposit product line including Annual Income Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Easy Way Deposit, Children's Deposit, Easy Home Deposit, DBH Platinum Deposit and Day-wise Deposit. In compliance to the regulations of Bangladesh Bank the minimum tenure of the deposits is three months. These products are targeted towards various customer segments comprising of retail and corporate clientele.

At the close of December 31, 2020 the deposit portfolio of DBH stands at Taka 43,826.87 million with an interest payable worth another Taka 994.41 million. As the deposit portfolio experienced a growth of 0.96% in FY 2020, gross amount of interest payable on the DBH deposit products have been decreased when compared to that of preceding twelve months.

DBH also provides loan against deposits (LAD) to cater to its customers' urgent financial need. As of December 31, 2020, the LAD portfolio of DBH stood at Taka 85.34 million.

Recovery

Defaulted loans at non-bank financial institutions (NBFI) escalated 26.51 percent in the first half of 2020. Non-performing loans (NPLs) in the 33 NBFIs in Bangladesh stood at Tk. 8,905.62 crore in June, which are 13.29 per cent of the outstanding loans. It was Tk. 6,399 crore, or 9.53 percent of the total loans as of December last year. Scamsters siphoned off a large volume of funds from some of the NBFIs in the form of loans using fake documents, creating piles of defaulted loans in the sector.

Classified loan of DBH reached to BDT 174 million with NPL ratio of 0.41% at the end of 2020. While aggregate NPL ratio for both Banks and FIs has gone up, DBH has been successful to restrain the increase to a minimum level. Needless to say, this is by far the best figure in Bank & FI industry. Credit goes to company's management, showing company's commitment to its stakeholders. Special recovery team of the company played contributory role to get that figure with their all-out effort for recovery of loans. Intense follow-up and proper monitoring through frequent customer visits are the keys to efficient and effective recovery system.

Funding Operations

Being one of the largest non-bank depository institutions of the industry, the funding composition of the Company has remained significantly reliant on the deposit portfolio. Presently DBH's deposit product line consists of Annual Income Deposit, Monthly Income Deposit, Quarterly Income Deposit, Cumulative Deposit, Flexible Fixed Deposit, Easy Way Deposit, Children's Deposit, Easy Home Deposit, DBH Platinum Deposit and Day wise Deposit. These products are tailored to meet the diversified needs of our retail and corporate client base. The deposit portfolio of the Company has stood at Taka 43,826.87 million. The funding of our company comprises of both long term and short term sources of fund to manage our cost of fund efficiently. The term loan portfolio of DBH consists of funds received under Housing Loan Refinance Scheme of Bangladesh Bank worth Taka 1,708.86 million and term loans received from local markets worth Taka 1,290.00 million. Apart from that the shareholders' contribution in the funding mix is Taka 6,431.45 million. The Company is continuously striving to source diversified avenues of funding to minimize its cost as well as asset- liability maturity & interest rate mismatch in the balance sheet.

The funding status of DBH as of December 31, 2020 is presented below:

Source	Amount in Million Taka
Deposits	43,826.87
Term loans	2,998.86
Equity	6,431.45
Bank overdraft and call loan	2,572.19

Treasury Operations

Money market continued to be liquid round the year. Low private sector credit growth, high foreign currency inflow through remittances amid low import expenditures and high investment in government bills and bonds took excess liquidity in the banking sector to above Tk 2 lakh crore in December last year, the highest in the history. Despite facing lots of challenges in the market, we were able to make significant contribution to the company's profitability, risk mitigation and liquidity management in the year and were able to generate positive return for the stakeholders.

In DBH, Treasury acts as a catalyst between the core functions of housing finance & deposit mobilization. Amidst all these challenges, the ALM concentration of the company was to source low cost deposit from the market to fund the loan portfolio and maximize spread through exploring new opportunities. It is the policy of the Company to maintain adequate liquidity at all times. Liquidity risks are managed on a short, medium and long term basis. There are approved limits for credit / deposit ratio, maximum balances with other banks and borrowing from call money market to ensure that loans and investments are funded by stable sources, maturity mismatches are within limits and that cash inflow from maturities of assets, customer deposits in a given period exceeds cash outflow by a comfortable margin even under a stressed liquidity scenario.

Bangladesh Bank (BB) took a number of initiatives during the year, which have implications to financial system stability. While sufficient liquidity in the banking system to be aligned with the government's effort of implementing stimulus packages to revive the economy from the COVID-19 fallout is critical, the BB cut its cash reserve ratio (CRR) by 150 basis points from 5.50 to 4.00 percent for Banks in two steps during March – April 2020. Bangladesh Bank (BB) has reduced cash reserve ratio (CRR) by 100 basis points to 1.5 percent from the existing level of 2.5 per cent for non-banking financial institutions (NBFIs). Moreover, BB reduced the bank rate from 5.00 to 4.00 percent in July 2020, which had been remained unchanged at 5.00 percent since 2003, rationalizing it with the current interest rate regime. The BB also slashed its repo from 6.00 to 4.75 percent in three steps during March - July 2020, aiming at easy access for the banks to lend more credit to the priority sectors during the pandemic period. Consequently, the interest rate in the call money market and interbank repo rate continued to decline from 5.14 and 5.96 percent in March 2020 to 2.12 and 0.75 percent in December 2020.

Treasury of DBH actively managed the liquidity gaps by managing the flow of assets and liabilities under strict regulatory requirements. The treasury department reorganized the funding mix and steadily shifted its objective towards attaining stable liquidity during 2020. During the year, with a view to cost minimization as the key objective, the treasury wing focused on sourcing stable funds and term deposits from the public to replace the interbank funds and also accessed fund from the overnight market to reduce overall cost of fund and enhance treasury income. The treasury department contributed a significant portion of the interest income through investment activities during this period. Throughout the year the treasury department maintained a well-balanced liquidity position of the company by adhering to the rules and regulations of the Central Bank.

Investments in Securities

Volatility was observed in the price index of the Dhaka Stock Exchange (DSE) since the beginning of 2020. The securities regulator introduced floor price of securities on March 19, 2020 to stop the falling share prices. In addition, trading was closed in April and May 2020 due to the novel Coronavirus pandemic. The DSE Broad Index (DSEx) decreased by 26.42 percent from 5,421.62 points at the end of June 2019 to 3,989.09 points at the end of June 2020.

The new Commission of BSEC took several initiatives, e.g. faster approval process of IPO to enhance the market capitalization and listing of more securities in the stock exchanges, to bring transparency and trust in the trading system and starting implementation holding of two percent of total capital for individual director and 30 percent of total capital for all sponsors director of the company which restored the investors confidence in the capital market. In addition, Bangladesh Bank undertook several policy measures under the stimulus packages of the government to boost liquidity in the market which are likely to maintain the uptrend of the performances of the market in the near future.

As a result, the major indicators in the capital market rallied in Q2FY21, after the poor performances in the last quarter of FY20. synchronized movements between the global equity market and DSE were observed in Q2FY21 because of unprecedented easy monetary and Prudential Financial policies adopted by the major central banks. Market capitalization at DSE climbed 32 % to BDT 4482.30 billion at the end of December 2020.

Positive momentum in the capital market during the 2nd half of 2020 helped us to realize some gains and the annual return from our portfolio was around 32% comparing the DSEx return of 17.57%. The total investment of the company reached to Tk. 489 mn at the end of 2020 out of which outstanding investment in the marketable securities was Tk. 390.5 mn.

Human Resources

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

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

A separate report on human resources has been presented on page no. 120 of this report.

Information Technology

Information & Communication Technology (ICT) is helping the financial institutions to improve their efficiency and effectiveness of services offered to customers, and enhancing business processes, managerial decision making, and workgroup collaborations which strengthen their competitive positions in rapidly changing and challenging economies. DBH has established a secured ICT infrastructure, a centralized software system & ICT security control mechanism for its smooth business operation.

The year 2020 was a challenging year due to COVID-19 situation. During the Locked down period, we've partially overcome this challenging situation by arranging home-office environment with necessary technological systems ensuring proper information security mechanism (SSL-VPN). We've enhanced our centralized software system by implementing loan moratorium (payment holiday) system, COVID Approval system and Electronic Payment system to support business operation during pandemic situation.

In the year 2021, we are planning to Implement ISO 27001 Certification to achieve the accepted global benchmark for the effective management and protection of our information assets. Also we are planning to Implement Interactive Voice Response (IVR) and Visual Interactive Voice Response (VIVR) to ease customer interaction and services. Moreover, according to Extranet Connectivity with Bangladesh Bank Guideline, we are implementing Electronic Dealing System for Interbank Money Market (EDSMoney) to transact Overnight Money, Short Notice Money and Term Money in a real-time basis through specific instrument and network of Call money system. Furthermore, we are working to upgrade our Email Server, File Systems and Active Directory to be in-line with updated version.

DBH's IT department is working relentlessly to implement new technologies and to maintain and upgrade its existing infrastructure and software systems as per business demand and technology trend. In the coming years, we'll be more focused on Information security and ease of customer service through online platform.

Internal Control system

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

The internal audit adopts a risk based audit approach and conducts regular audits of all the branches/offices of the Company and evaluates on a continuous basis, the adequacy and effectiveness of the internal control mechanism, adherence to the policies and procedures of the Company as well as the regulatory and legal requirements. The internal audit department places its findings before the Audit Committee of the Board of Directors at regular intervals. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening the control systems according to the changing business needs from time to time.

Codes and Standards

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

Credit Rating

Delta Brac Housing Finance Corporation Limited with its strong fundamentals has earned the highest credit rating award for the 15 (fifteen) consecutive years. Emerging Credit Rating Limited (ECRL) reaffirms AAA in the long term and ST-1 in the short term rating of Delta Brac Housing Finance Corporation Limited in its latest entity rating done based on the Company's accounting year ended on 2019.

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

Key operating and financial data of last preceding 5 (five) years has been presented under the heading of Operational and Financial Highlights on the page no. 24 of this annual report. Financial Highlights as required by Bangladesh Bank has also been given on page no. 25 of this report.

Contribution to National Economy

At DBH we believe that we have some responsibilities to the development of country where we operate our business and to the society where we belong. As a financial institute, DBH contributes to the economic prosperity by providing financial products and services to housing sector. Our total credit exposure as on December 31, 2020 amounts to Tk. 42,750 Million. We have extended loan to around 18,057 customers to meet their housing need, which is one of the basic needs of people.

DBH contribute to the national exchequer in the form income tax, VAT & Excise duty. Company's contribution to the national exchequer is given below.

Taka in Million

Particulars	December 31, 2020	December 31, 2019
Income Tax paid on company's income	491.04	566.17
Tax collected at source on behalf of Government	466.25	472.00
Value Added Tax (VAT)	36.43	41.56
Excise Duty	59.76	56.71
Total	**1,053.48**	**1,136.44**

Creating employment has a vital impact on the economy and number of employees of DBH as on December 31, 2020 is 252. Efficient workforce is very important for the organization as well as for the country. Keeping same in view, DBH has spent Tk.0.25 million for training of its employees. During the period from January 1, 2020 to December 31, 2020, DBH has paid Tk. 361.13 million as salaries and allowances to its employees.

Contribution to the society during the year

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

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

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

The details of the CSR initiatives have been presented under the head of Corporate Social Responsibility on the page no. 108 of this report.

Highlights on Financial Performance

(Figures in Million Taka)

Particulars	December 31, 2020	December 31, 2019
Operating revenue	6,108	6,586
Interest expenses	3,960	4,645
Operating expenses	523	524
Profit before provisions	1,625	1,418
Profit before tax	1,498	1,554
Net profit after tax	891	1,073

Corporate and Financial Reporting Framework

The Members of the Board, in accordance with the Bangladesh Securities & Exchange Commission's Notification no. BSEC/ CMRRCD/ 2006-158/ 207/ Admin/ 80 dated June 3, 2018; confirmed compliance with the financial reporting framework for the following:

- The financial statements prepared by the Management of DBH, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the issuer company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. (Statement given on page no. 102).
- The minority shareholders have been protected from abusive actions by, or in the interest of controlling shareholders acting either directly or indirectly and have effective means of redress.
- There are no significant doubts upon the issuer company's ability to continue as a going concern.

Going Concern

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

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

A separate report on the matter is given on page no. 117.

Explanations on Significant Deviations from the last year's results

DBH as a pioneer housing finance Company, mainly finances in mortgage sector and its earnings performances are historically growing in each year. During the year 2020, profit before provision and taxes has grown by 14.62% than that of last year. Eventually the profit after tax of the Company decreased by 17% mainly due to higher provision maintained in 2020 compared to previous year. Accordingly, no significant deviations have occurred in the current year's operations from that of last year's operations.

Board Meetings and Attendance by the Directors

Attendance by the Directors in the Board have been summarized and given in Annexure-i and the fees paid to them for attending the Board Meeting during the period has been given in Annexure-ii of this report.

Shareholding Pattern

Shareholding patterns of the Company as at the end of the 2020 has been shown in Annexure-iii of this report.

Proposed Dividend

The Board of Directors at the time of considering the financial statements for the year ending 31 December 2020 have recommended @ 30% dividend [@ 15% cash i.e. Tk. 1.50 per share and @ 15% stock i.e. 3(three) shares against every 20 (twenty) shares held] from the distributable profits of the Company, which will be placed before the shareholders in the forthcoming AGM for approval.

The Members of the Board agreed in principle and declared that pursuant to the Corporate Governance Code-2018, the Board shall not declare bonus share or stock dividend as interim dividend.

Directors' Appointment & Re-appointment

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

In accordance with the Articles of Association of DBH, the following Directors will retire in the 25th Annual General Meeting and being eligible for reelection, they are seeking re- election to the Board.

- Mr. Nasir A. Choudhury (representing GDICL)
- Mr. Md. Mujibur Rahman (representing DLICL)
- Mr. Mohammad Anisur Rahman (representing BRAC)

Pursuant to the clause 1.2 (c) of the Corporate Governance Code of BSEC-2018 re-appointment of the following Independent Director shall be approved by the Shareholders in the forthcoming AGM.

- Ms. Rasheda K. Choudhury

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

a) Brief resume of the Directors have been included in page nos. 10 to 19 of this Annual Report;

b) Nature of the expertise of the Directors have been disclosed in the brief profiles;

c) Name of the Directors and entities in which they have interest as Directors have also been disclosed in the brief profiles as well as in the notes (no. 42.1) of the Financial Statements.

Appointment of Auditors

Bangladesh Bank vide its letter dated December 27, 2020 cancelled the approval of appointment of the Statutory Auditor, M/S. Aziz Halim Khair Choudhury (AHKC) for the year 2020 and advised the Company to appoint an eligible Audit firm in its place in the casual vacancy of the Statutory Auditor.

Pursuant to the section 210(7) of the Companies Act 1994, the Board of Directors in its meeting held on December 30, 2020 approved the appointment of M/S. ACNABIN, Chartered Accountants for the year 2020 and got the subsequent approval from Bangladesh Bank. Accordingly, they have successfully completed thorough audit of accounts for the year 2020, which has been presented before the Shareholders with this report.

M/S. ACNABIN an eligible Chartered Accountants firm for auditing the financial institutions as well as listed companies (enlisted with BB, BSEC & FRC) are eligible for re-appointment for the Accounting Year 2021. Subsequent to their request for re-appointment the Board recommended to appoint them for the year 2021 with a fee of Tk. 4,75,000.00 plus VAT, subject to prior approval from Bangladesh Bank.

Hence, the agenda for re-appointment of Statutory Auditors (ACNABIN) will be placed before the Shareholders for their approval.

Corporate Governance

As a listed housing finance company (DBH) with 25 years of compliant history, DBH has a strong institutional framework to meet the regulatory requirement of Corporate Affairs. DBH's experienced Board maintains an overview on the Company through the Supervisory Committees. In addition to bringing valuable perspective to the Board, DBH's independent directors contribute meaningfully through their roles within the committees.

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

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

(i) Audit Committee Report to the Shareholders;

(ii) Statement on Financial Statements by Chief Executive Officer (CEO) and Head of Finance;

(iii) Report on the Corporate Governance;

(iv) Certificate regarding compliance of conditions of Corporate Governance; and

(v) Statement on minority shareholders rights protection.

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

Acknowledgement

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

For and on behalf of the Board of Directors.

Nasir A. Choudhury
Chairman

DIRECTORS' MEETING & ATTENDANCE

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

Annexure-i

Name of Directors	Nominated by	Total Meetings	Meetings Attended	Changes during 2020 Date of Board Acceptance	
				Joining	Leaving
Mr. Nasir A. Choudhury Chairman	Green Delta Insurance Company Ltd.	9	9	-	-
Dr. A M R Chowdhury Vice Chairman	BRAC	9	8	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	9	9	-	-
Mr. Md. Mujibur Rahman	Delta Life Insurance Company Ltd.	9	9	-	-
Mr. Mohammed Irfan Syed	BRAC	2	2	-	25-03-2020 (Resigned)
Mr. Syed Moinuddin Ahmed	Green Delta Insurance Company Ltd.	9	8	-	-
Mr. M. Anisul Haque, FCMA	Delta Life Insurance Company Ltd.	8	8	15-01-2020 (Nominated by DLIC)	-
Mr. Mohammad Anisur Rahman	BRAC	0	0	-	30-12-2020 (Nominated by BRAC)
Ms. Rasheda K. Choudhury	Independent Director	9	9	-	-
Major General Syeed Ahmed, BP (Retd.)	Independent Director	9	9	-	-

DIRECTORS' REMUNERATION

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

Annexure-ii

Name of Directors	Board		Executive Committee		Audit Committee		Total Fees Paid (Tk.)
	Attendance	Fees (Tk.)	Attendance	Fees (Tk.)	Attendance	Fees (Tk.)	
Mr. Nasir A. Choudhury Chairman	9	72,000	0	0	0	0	72,000
Dr. A M R Chowdhury Vice Chairman	8	64,000	5	40,000	0	0	104,000
Ms. Mehreen Hassan, Bar- at- Law	9	72,000	5	40,000	0	0	112,000
Mr. Md. Mujibur Rahman	9	72,000	0	0	5	40,000	112,000
Mr. Mohammed Irfan Syed (Resigned on 25-03-2020)	2	16,000	0	0	0	0	16,000
Mr. Syed Moinuddin Ahmed	8	64,000	0	0	5	40,000	104,000
Mr. M. Anisul Haque, FCMA	8	64,000	0	0	5	40,000	104,000
Mr. Mohammad Anisur Rahman (Nominated by BRAC on 30-12-2020)	0	0	0	0	0	0	0
Ms. Rasheda K. Choudhury	9	72,000	0	0	5	40,000	112,000
Major General Syeed Ahmed, BP (Retd.)	9	72,000	0	0	5	40,000	112,000
Total	-	**5,68,000**	-	**80,000**	-	**2,00,000**	**8,48,000**

PATTERN OF SHAREHOLDINGS

As on 31st December 2020

Annexure-iii

(i) Shareholding position of Sponsors:

Name	No. of Shares held	Percent (%)
BRAC	28,344,362	18.39
Delta Life Insurance Company Limited	27,171,345	17.63
Green Delta Insurance Company Limited	23,592,013	15.31
Mr. Kazi Fazlur Rahman	0	0.00
Mr. Faruq A. Choudhury	29	0.00
Dr. Salehuddin Ahmed	29	0.00
Mr. Q. M. Shariful Ala, FCA	0	0.00
Total	**79,107,778**	**51.32**

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

Name of the Directors	Nominated by	No. of Share(s) held	Percent (%)
Mr. Nasir A. Choudhury, Chairman	Green Delta Insurance Company Ltd.	-	-
Dr. A M R Chowdhury, Vice Chairman	BRAC	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	-	-
Mr. Md. Mujibur Rahman	Delta Life Insurance Company Ltd.	-	-
Mr. Syed Moinuddin Ahmed	Green Delta Insurance Company Ltd.	-	-
Mr. M. Anisul Haque, FCMA	Delta Life Insurance Company Ltd.	-	-
Mr. Mohammad Anisur Rahman	BRAC	-	-
Ms. Rasheda K. Choudhury	Independent Director	40,476 (Shares held by her spouse)	0.03
Major General Syeed Ahmed BP, (Retd.)	Independent Director	-	-

Name of the Executives	Status	No. of Share(s) held	Percent (%)
Mr. Nasimul Baten	Managing Director & CEO	-	-
Mr. Jashim Uddin, FCS	Company Secretary & Head of Corporate Affairs	-	-
Mr. Md. Abdul Wadud, FCA	Head of Finance	5,000	0.00
Mr. Shihabuddin Mahmud	Head of Internal Audit	-	-

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

Name of the Executives	Status	No. of Share(s) held	Percent (%)
Mr. A. K. M. Tanvir Kamal	Head of Credit	-	-
Mr. Tanvir Ahmad	Head of Human Resources	-	-
Mr. Md. Hassan Iftekhar Yussouf	Head of IT	-	-
Mr. Saiyaf Ejaz	Head of Recovery, Customer Services & Administration	-	-
Mr. Md. Zakaria Eusuf	Head of Branch	-	-

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

Name of the Shareholders	No. of Share(s) held	Percent (%)
BRAC	28,344,362	18.39
Delta Life Insurance Company Limited	27,171,345	17.63
Green Delta Insurance Company Limited	23,592,013	15.31

MANAGEMENT DISCUSSION AND ANALYSIS

World Economy

Following the devastating health and economic crisis caused by COVID-19, the global economy appears to be emerging from one of its deepest recessions and beginning a subdued recovery. Beyond the short term economic outlook, the Global Economic Prospects makes clear, policymakers face formidable challenges in public health, debt management, budget policies, central banking and structural reforms as they try to ensure that this still-fragile global recovery gains traction and sets a foundation for robust growth and development in the longer run.

OECD projected that after a sharp decline this year, global GDP will rise by around 4½ percent in 2021 and a further 3¾ percent in 2022. Scientific progress, pharmaceutical advances, more effective tracing and isolation as well as adjustments in the behavior of people and firms will help keep the virus in check. They project that the recovery will be uneven across countries, potentially leading to lasting changes in the world economy, where vaccination will be deployed rapidly, are likely to perform relatively well, though the overall weakness of global demand will hold them back. China, which started recovering earlier, is projected to grow strongly, accounting for over one-third of world economic growth in 2021. OECD economies will rebound, growing at 3.3% in 2021.

	Average 2013-2019	2019	2020	2021	2022	2020 Q4	2021 Q4	2022 Q4
	Percent							
Real GDP Growth[1]								
World[2]	3.3	2.7	-4.2	4.2	3.7	-3.0	3.8	3.8
G20[2]	3.5	2.9	-3.8	4.7	3.7	-2.3	3.6	3.9
OECD[2]	2.2	1.6	-5.5	3.3	3.2	-5.1	3.7	2.9
United States	2.5	2.2	-3.7	3.2	3.5	-3.2	3.4	2.9
Euro area	1.8	1.3	-7.5	3.6	3.3	-7.3	4.7	2.9
Japan	0.9	0.7	-5.3	2.3	1.5	-3.2	2.0	1.5
Non-OECD[2]	4.3	3.6	-3.0	5.1	4.2	-1.2	3.8	4.5
China	6.8	6.1	1.8	8.0	4.9	5.4	4.1	5.4
India[3]	6.8	4.2	-9.9	7.9	4.8			
Brazil	-0.5	1.1	-6.0	2.6	2.2			
Unemployment rate[4]	6.5	5.4	7.2	7.4	6.9	7.2	7.3	6.6
Inflation[1,5]	1.7	1.9	1.5	1.4	1.6	1.2	1.5	1.7
Fiscal balance[6]	-3.2	-3.0	-11.5	-8.4	-5.7			
World real trade growth[1]	3.3	1.0	-10.3	3.9	4.4	-9.9	5.1	4.1

1. Percentage changes; last three columns show the increase over a year earlier.
2. Moving nominal GDP weights, using purchasing power parities.
3. Fiscal year.
4. Per cent of labour force
5. Private consumption deflator.
6. Per cent of GDP.

Source: Organisation for Economic Co-operation and Development (OECD) Economic Outlook 108 database.

Stronger international co-operation remains necessary to help end the pandemic more quickly, speed up the global economic recovery, and build on the G20 efforts to address debt problems of emerging market economies and developing countries. The sharing of knowledge, medical and financial resources, and reductions in harmful bans to trade, especially in healthcare products are essential to address the challenges brought by the pandemic. International co-operation to ensure that a vaccine is available for everyone is necessary to ensure a faster rebound in global activity from the effects of the pandemic. Such preparation should also start now.

The Global Recovery Remains Partial and Uneven

The economic outlook remains very uncertain, with the recovery in activity becoming increasingly hesitant. After the unprecedented sudden shock in the first half of the year with global GDP in the second quarter of 2020, 10% lower than at the end of 2019, output picked up sharply in the third quarter as containment measures became less stringent, businesses reopened and household spending resumed. Despite the welcome upturn, output in the advanced economies remained around 4 ½ percent below pre-pandemic levels in the third quarter, close to the peak decline in output experienced during the global financial crisis.

Figure 1.1.A Evolution of the pandemic

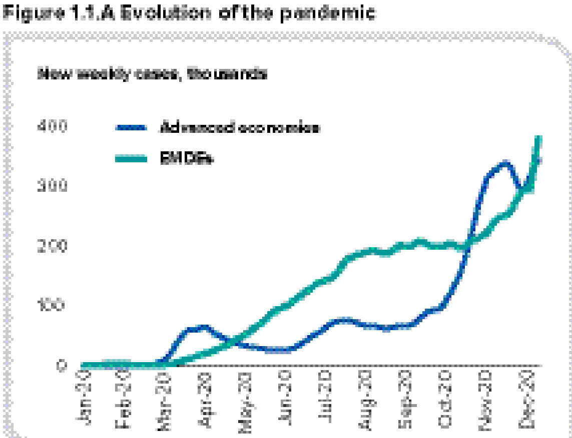
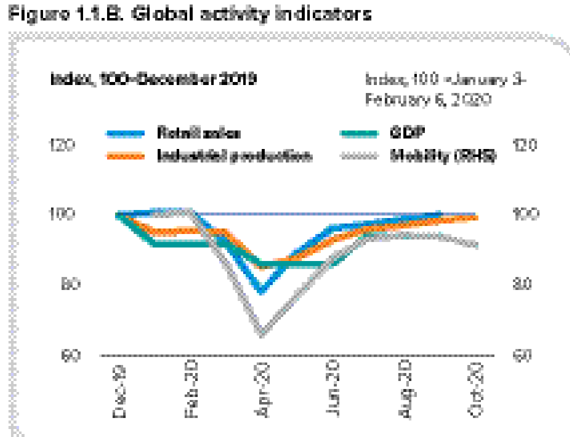


Figure 1.1.B. Global activity indicators



Financial markets

Aggressive policy actions by central banks kept the global financial system from falling into crisis last year. Financial conditions are generally loose, as suggested by low borrowing costs, abundant credit issuance, and a recovery in equity market valuations amid positive news about vaccine developments (figure 1.2.A). This masks rising underlying vulnerabilities, however, including rising debt levels and weakening bank balance sheets. Debt burdens have increased as corporates have faced a period of sharply reduced sales and sovereigns have financed large stimulus packages.

This follows a decade in which global debt had already risen to a record high of 230 percent of GDP by 2019. High debt levels leave borrowers vulnerable to a sudden change in investor risk appetite. This is especially true for riskier borrowers and EMDEs dependent on capital inflows to finance large fiscal and external current account deficits (figure 1.2.B). Capital inflows to many EMDEs remain soft, with significant weakness in both foreign direct investment (FDI) and portfolio flows (figure 1.2.C). This, alongside a collapse of export revenues, has led to substantial currency depreciations and rising borrowing costs in some countries, particularly commodity exporters (figure 1.2.D).

Figure 1.2.A Global financial conditions

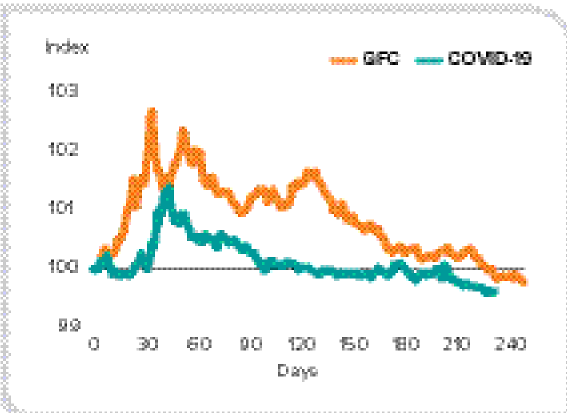


Figure 1.2.B EMDE debt flows and credit spread

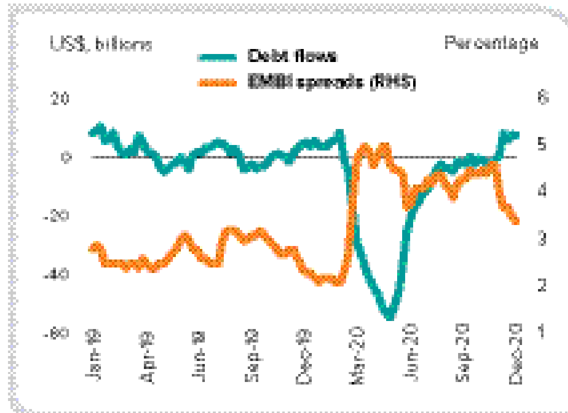


Figure 1.2.C Capital flows to EMDEs

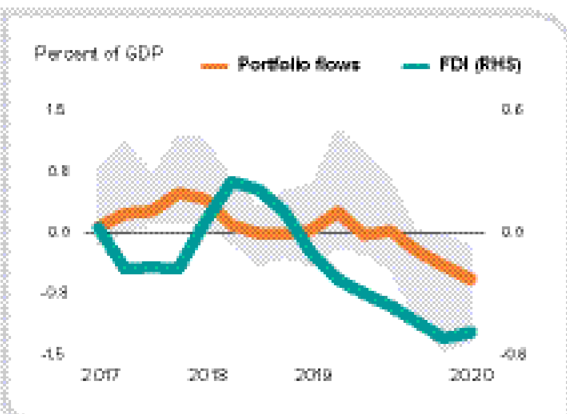
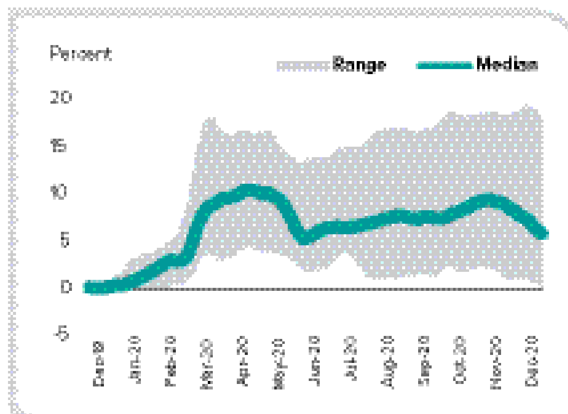


Figure 1.2.D EMDE exchange rate depreciations

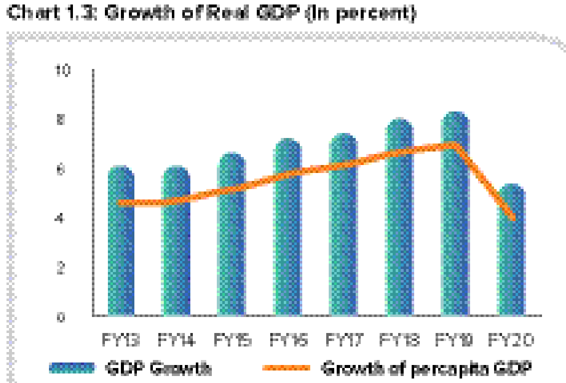


Bangladesh Economy

Available indicators until September 2020 suggest that the economy is likely to be recovered in FY21, which started in July, 2020. During Q1FY21, economic activities gained momentum after COVID-19 pandemic-driven slowdown supported by an upsurge in the industry sector, fairly performed service sector and resilient agriculture sector. Although Gross Domestic Product (GDP) fell to 5.24 percent in FY20 from a record high of 8.2 percent achieved in FY19 as shown in Chart 1.3.

Large and medium scale manufacturing output experienced an upsurge, reflecting strengthened export demand. The service sector achieved robust and fair performance supported by considerable growth in bank credit to trade and commerce and consumer finance along with increased volume of cargo handled through ports. The agriculture sector was resilient despite flooding along major river systems of the country and impaired supply chain amid COVID-19 situation. On the other hand, strong growth in remittance inflows, rise in imports, recovery in private sector credit growth, and high government spending for implementing the stimulus packages supported domestic demand.

Chart 1.3: Growth of Real GDP (In percent)



Source: Bangladesh Bureau of Statistics GDP

Sectoral Growth rate of GDP

Faster recovery of Bangladesh economy as reflected in sector-wise performance for the first quarter of FY21 suggests that the economy will grow at or close to pre pandemic levels for FY21. However, COVID-19 pandemic is still a concern which may disrupt the normal business activities and hamper the growth targets if the adversities of second wave of the pandemic are severe on domestic economy.

Agriculture Sector

The agriculture sector maintained robust activities during Q1FY21 as the sector was less affected by the COVID-19 with fewer cases of infections in rural areas. Production of harvested Aus rice, the first crop of the fiscal year, witnessed a sizable growth of 23.5 percent in FY21, aided by favorable weather conditions and timely availability of finance and inputs. The actual growth is higher than the target as reported by the Department of Agricultural Extension (DAE). It is expected that the agriculture sector would maintain its robust growth rate in FY21 aided by government's prompt actions addressing any natural disasters.

Industry Sector

Industry sector turned around from the pandemic deadlock suggested by the faster-than-expected growth in the Quantum Index of Industrial production (QIIP). In Q1FY21, QIIP grew by 9.24 percent after a negative growth (-15.55 percent) in Q4FY20 caused by the pandemic driven disturbances, and reached the levels to the earlier quarters before FY20. This sharp growth in QIIP was mainly led by the manufacturing sector. Available data on July FY21 shows that large and medium scale manufacturing output growth accelerated to 9.80 percent in Q1FY21 from -15.55 percent in Q4FY20 driven by the double-digit growth of textile (15.88 percent), pharmaceuticals (24.76 percent), non-metallic mineral products (10.55 percent), leather production (69.49 percent), and chemical and chemical product (55.62 percent).

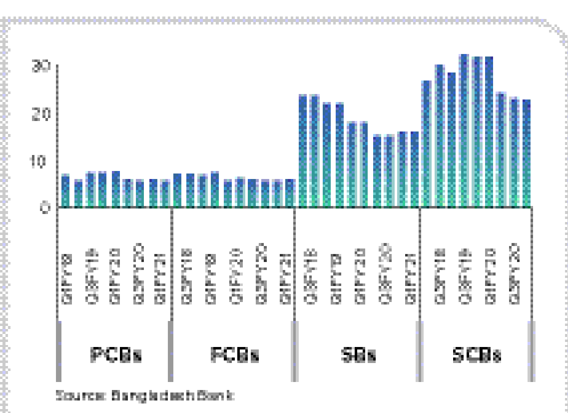
Service Sector

Service sector-related activities started climbing out from their pandemic depths as reflected in the significant increase in the growth of bank credit to trade and commerce (15.5 percent) and consumer finance (11.9 percent) in Q1FY21. However, growth of credit to transport declined to -4.76 percent during July-September 2020, reflecting lower demand after a high growth of 22.7 percent during April – June 2020. Total cargo handled through the port increased in this quarter and reached the level of the same quarter of the previous year.

Banking Sector

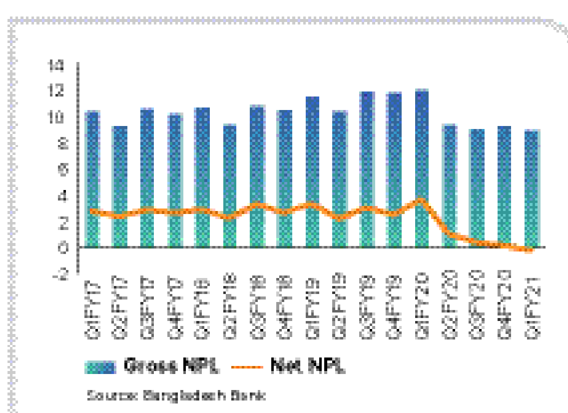
The indicators of the banking sector showed some improvements at the end of Q1FY21 amid the COVID-19 pandemic, as reflected by a fall in non-performing loans (NPLs), a rise in capital adequacy, an improvement in liquidity condition, and betterment of provision maintaining. During Q1FY21, overall NPL edged down facilitated by both state-owned commercial banks (SCBS) and private commercial banks (PCBs).

Chart 1.4: Ratio of Gross NPLs to Total Loans
(In Percent)



Source: Bangladesh Bank

Chart 1.5: Ratio of Gross NPLs and Net NPL to Total loans
(In percent)



Source: Bangladesh Bank

The overall NPL ratio of the banking industry reduced to 8.88 percent in Q1FY21 from 9.16 percent in Q4FY20, partly attributed to the loan moratorium facility continued by the Bangladesh Bank. The gross NPL ratio for SCBs dropped to 22.46 percent in Q1FY21 from 22.73 percent in Q4 FY20. Similarly, the gross NPL ratio for PCBs stood at 5.56 percent in Q1FY21, declined by 0.30 percentage points from the preceding quarter (Chart 1.4). Moreover, the system-wide net NPL ratio of the banking industry posted negative growth, the first-ever in the running decade, to -0.22 percent in Q1FY21 in contrast to 0.39 percent in Q4FY20 (Chart 1.5). This decline is facilitated by PCBs reflecting higher interest suspense account balance and actual provision. Moreover, provisioning maintained against classified loans improved at the end of Q1FY21.

The overall capitalization in the banking sector edged up and remained stable at the end of Q1FY21 owing to the improvement in NPLs and provisioning maintained. The capital to risk-weighted asset ratio (CRAR) grew to 11.94 percent in Q1FY21 from that of 11.63 percent in Q4FY20, attributing mainly from SCBs and FCBs. The CRAR of SCBs went up to 8.25 percent in Q1FY21, from 6.93 percent in Q4FY20. Moreover, the CRAR of FCBs also registered increased growth, rising to 25.59 percent from 24.35 percent in Q4FY20. However, the CRAR of PCBs remained almost unchanged at 13.3 percent in Q1FY21.

The liquidity conditions in the banking sector remained adequate and improved further at the end of Q1FY21, partly due to easing CRR policy, higher remittance inflows, and intervention in the foreign exchange market. Likewise, excess liquidity, the excess of CRR and SLR as a percent of total demand and time liabilities (TDTL), increased to 12.6 percent in Q1FY21 compared to that of 10.7 percent in Q4FY20.

Although overall NPLs have declined, the bad loans are expected to show a rise when the moratorium facility will be lifted. Managing stressed assets and expediting the recovery process would remain a high priority for the banking sector in the post-moratorium era. Moreover, constant supervision and vigilance are required for channeling funds of the stimulus package to the affected large industries, CMSME, and the agriculture sector.

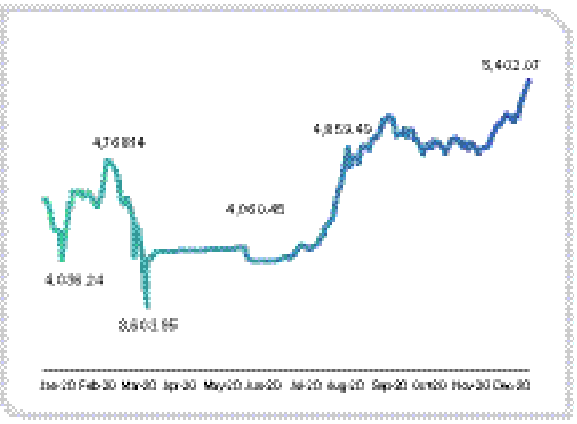
Capital Market

Volatility was observed in the price index of the Dhaka Stock Exchange (DSE) since the beginning of 2020. The securities regulator introduced floor price of securities on March 19, 2020 to stop the falling share prices. In addition, trading was closed in April and May 2020 due to the novel Coronavirus pandemic. The DSE Broad Index (DSEx) decreased by 26.42 percent from 5,421.62 points at the end of June 2019 to 3,989.09 points at the end of June 2020.

The new Commission of BSEC took several initiatives, e.g. faster approval process of IPO to enhance the market capitalization and listing of more securities in the stock exchanges, to bring transparency and trust in the trading system and starting implementation holding of two percent of total capital for individual director and 30 percent of total capital for all sponsors director of the company which restored the investors' confidence in the capital market. In addition, Bangladesh Bank undertook several policy measures under the stimulus packages of the government to boost liquidity in the market which are likely to maintain the uptrend of the performances of the market in the near future.

As a result, the major indicators in the capital market rallied in Q2FY21, after the poor performances in the last quarter of FY20. synchronized movements between the global equity market and DSE were observed in Q2FY21 because of unprecedented easy monetary and Prudential Financial policies adopted by the major central banks. Market capitalization at DSE climbed 32% to BDT 4482.30 billion at the end of December 2020.

DSE



Source: *BB quarterly, July-Sep, 2020*
World Bank Report, Jan 2020

Overview of the Financial Services Industry

The Bangladesh's financial services sector, comprising of a range of institutions from Commercial and Specialized Banks (private and public), Non-Banking Financial Institutions (NBFIs), Insurance Companies, Co-operative Societies etc., are diverse and expanding rapidly. Over the years, the Government of Bangladesh has initiated several reforms to liberalise this industry and expand its reach to the un-Banked people in the rural and remote areas. Adding a further dimension, the Government and Bangladesh Bank have also allowed new entities such as Mobile Financial Services Provider to enter the financial sector. Banks are also allowed to move to the unbanked population segment through "Agent Banking", which is now become popular and more & more banks have started their Agent Banking wing to collect the deposit only. Currently, the Banks are also thinking of starting their lending services through Agent Banking.

Over the period, BB has issued two new letter of intents during the year for opening of new Banks named; (i) Bengal Commercial Bank Limited & (ii) Citizens Bank Plc and accordingly, the number of Banks would become 61 in the Country. The Financial Industry also comprised of 35 NBFIs and out of which some of the NBFIs are struggling since last couple of years to survive amid rising default loans and inability to repay depositors money.

At the end of 3rd quarter of 2020 the 34 NBFIs bad loans accounted for about 15.5% to Tk. 10,244 cr. of their total outstanding loans of Tk. 66,215.00.

Loans at Affordable Cost and Term

Availability of suitable funding options to potential home owners is a crucial requirement if the purchase of flats/homes is to accelerate. A large section of population in urban areas are first time borrowers. The traditional funding for the purchase of a flat usually came from the lifetime savings of a family, which is changing as younger generation looks for home ownership. Banks and FIs are providing longer term loans, flexible repayment factoring to match the customers need. As these needs keep going up, home loan providers will have to find matching resources of stable and long term funds as well as a market for securitization of loan book.

Pursuant to the Corporate Governance Code, 2018 the management of DBH has prepared the following analysis in relation to the company's position and operations along with brief discussion of changes in the financial statements among others, focusing on:

(a) Accounting policies and estimation for preparation of financial statements

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 Regulations 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, Bangladesh Bank's guidelines, circulars, notifications and any other requirements are given preference to IAS and IFRS, where any contradictions arises. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.

(b) Changes in accounting policies and estimation

The principle accounting policies had been consistently maintained since inception of the Company except the changes in the Depreciation Method from Reducing Balance Method to Straight Line Method. The Board of Directors approved the changes (Depreciation Method) in the accounting policies on May 26, 2011. Thus, the cost of the fixed asset is recovered through charging in Profit & Loss Account within a reasonable time.

During the year the company has applied IFRS 16, Lease (as issued by IASB in January 2016 and that was effective for annual periods that begin on or after 1 January 2019) with retrospective effect from 2019. Other than that the Company has not adopted any change in the accounting policies and estimates.

(c) Comparative analysis of financial performance and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof

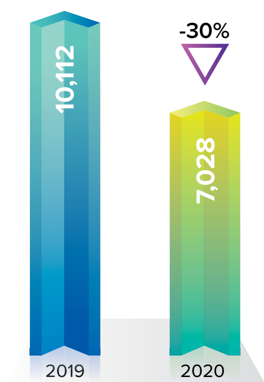
The financial year 2020 has been challenging one with an operating environment, constrained margins and rate volatility both deposits and loans rate. Nonetheless, we have managed to end the year with satisfactory results.

Considering our management excellence in understanding the home loan business and specialization in human capital, we are pleased with the progress of the company. The following DuPont analysis contains in-depth financial performances, dissecting our current year's results.

Loan Disbursement and Portfolio:

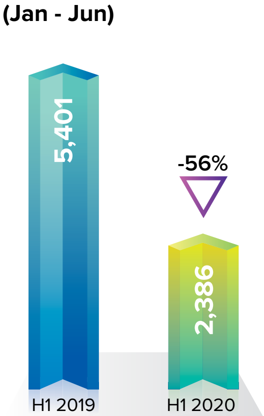
Loan disbursement for the year 2020 stood at Tk. 7,028 million which is 30% less than same period last year. The prolonged lockdown during March to May, 2020 contributed to the reduction of disbursement. It took time for disbursement to pick up after the lock down is lifted.

Disbursement (Jan to Dec)

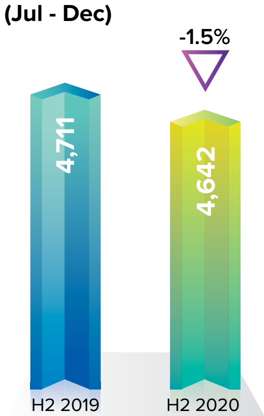


Disbursement in the second half of the year picked up. Though the effect of Covid19 was still in the economy, but disbursement for the second half was Tk. 4,642 million, which is only 1.5% less from same period of preceding year. Disbursement for the last quarter of the year registered a growth of 11% compared to same quarter last year, indicating a turnaround in terms of disbursement performance and the trend is expected to continue in 2021.

Disbursement (Jan - Jun)

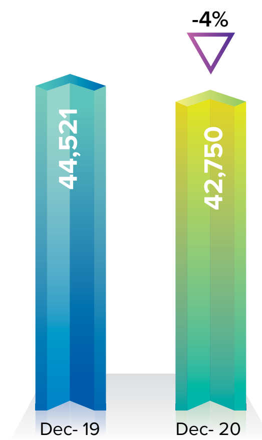


Disbursement (Jul - Dec)



The loan Portfolio reduced by 4% from previous year and stood at Tk. 42,750 million at the end of 2020. Lower level of disbursement compared to previous year accompanied by same level of prepayment caused the portfolio erosion.

Portfolio

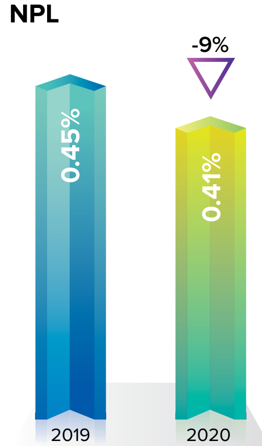


Weighted average Rate of Interest at the beginning of 2020 was 11.95% which came down to 10.24% on December 31, 2020 and the declining trend is expected to continue.

Non-Performing Loan (NPL):

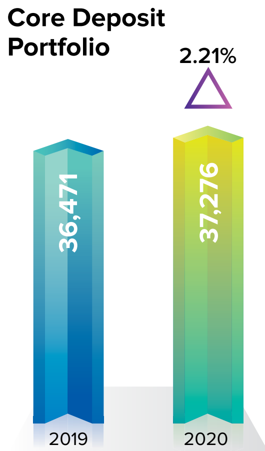
DBH's Non Performing Loan (NPL) reduced to 0.41% from 0.45% of 2019. DBH always kept its NPL within 0.50% of the portfolio without any significant write off. Cumulative written off Loan amount is Tk. 9.3 million only since inception. The lower level of NPL and lower level of written off amount indicate the high quality of DBH loan portfolio.

NPL



Deposit Mobilization and Portfolio:

Almost the entire loan book of DBH is financed by Deposits. DBH maintains enough liquidity to repay any deposits at maturity or even if the client decides to prematurely encash before maturity. Deposit Mobilisation targets are set in relation to fund requirement objective at the targeted price. DBH mobilized Tk. 93,372 million new deposits during 2020 and deposit renewal ratio during the period was 85%. The deposit portfolio at the end of 2020 stood at Tk. 43,827 million.

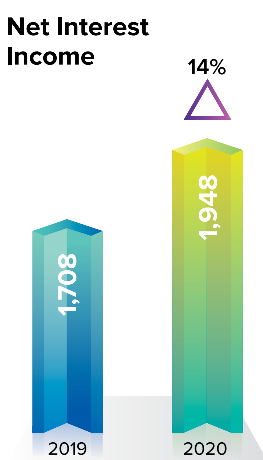


Out of the deposits, Tk. 37,276 million (85%) was core deposits, mobilized from retail and corporate customers and remaining 6,551 million (15%) were bank deposits. In 2019, 83% of our deposits were core deposits and 17% of our deposits were bank deposits.

Weighted average rate of interest of deposit portfolio was 9.43%, which came down to 6.40% on December 31, 2020 and the declining trend is expected to continue.

Net Interest Income:

Interest Income of the company stood at Tk. 5909 million, which was Tk. 6353 million in 2019, which represents a negative growth of 7%. This was caused by the declining trend of the loan interest rate throughout the year. But interest expense of DBH reduced from Tk. 3,960 million from Tk. 4,645 million of previous year, marking a reduction of 14%. As net result, Net Interest Income increased to Tk. 1,948 million from Tk. 1,708 million of 2019, representing a growth of 15%.



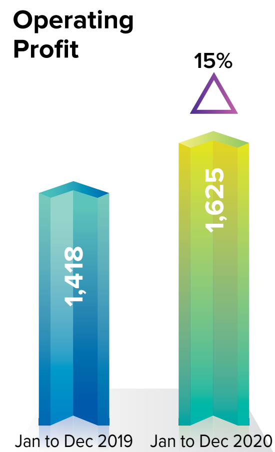
Though the interest income reduced, but DBH was able to reduce cost of fund adequately to maintain desired level of spread, which reflected in the positive growth of Net Interest Income.

Investment Income:

Total investment of DBH was Tk. 489 million and most of all was in marketable securities. As sponsor of Mutual funds a significant amount (appx. 253 million) was tied up in investment in mutual funds. From the investment of appx. 180 million in marketable securities, investment income earned during the year of Tk. 24 million was above the market. DBH did not invest in the money market instruments during 2020.

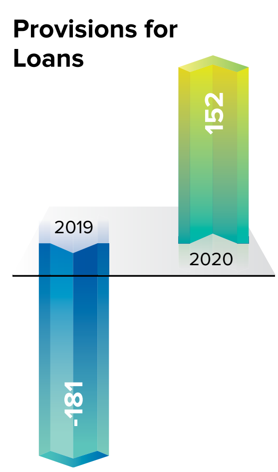
Operating Profit:

Operating Income of the company increased from 1941 million to Tk. 2148 million, which is a positive variance of 11%. Net Interest Income constituted 91% of the Operating Income and played the major role in the increase of Operating Income. Operating expense stood exactly at same level of last year, which is Tk. 523 million. As a result, operating profit increased to Tk. 1625 million from Tk. 1418 million of previous year, representing a positive growth of 15%.



Provisions for Loans and Advances:

DBH always followed a very stringent policy for loan provisions in line with international best practices. If any loan becomes overdue for more than 180 days, DBH makes provision for 100% of the loan amount. Due to moratorium and payment deferral facilities of Bangladesh Bank, the Non Perming Loan figures did not deteriorate from previous year, rather improved slightly (from 0.45% to 0.41%) because of collection. But due to uncertainty due to Covid-19 and its probable impact on loan repayment of borrowers, particularly for clients who took the payment



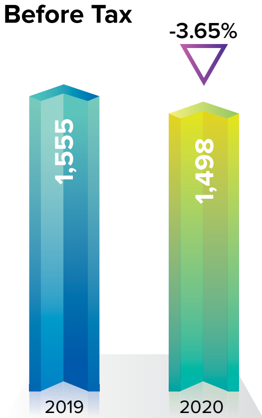
deferral facility, the company provided additional Tk. 152 million as specific provisions for loans and advances.

This specific provision had impact on pre tax profit and net profit after tax, but this has been done prudently to safeguard the interest of the company from any future adversary related to repayment of loans by the borrowers.

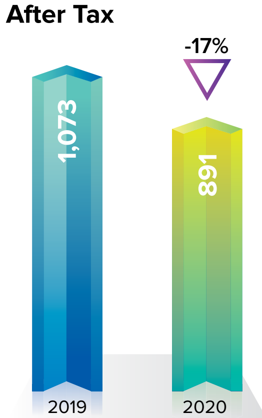
Net Profit Before Tax and Net Profit After Tax:

In 2019, total operating profit was Tk. 1,417 million, but Tk. 181 million was added back to profit from excess provisions, as a result Pre Tax Profit was Tk. 1,555 million. In 2020, Operating profit was Tk. 1,625 million, but as a precaution measure for covid-19 impact, an additional amount of Tk. 152 million was kept in specific provision against loans and advances, as a result profit before tax stood as Tk. 1,498 million, which is 3.65% less than Profit before Tax for last year. As tax is computed based on operating profit, the tax liabilities increased by 25% because of 15% growth in Operating profit.

Profit Before Tax



Profit After Tax

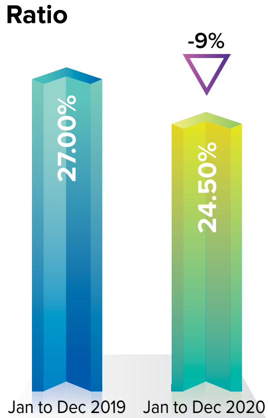


As a result, net profit after tax stood at 891 million compared to 1,073 million of last year, which is 17% less compared to last year.

Cost to Income Ratio:

DBH has been able to keep cost to income ratio within 25% level which is one of the lowest in the industry.

Cost to Income Ratio

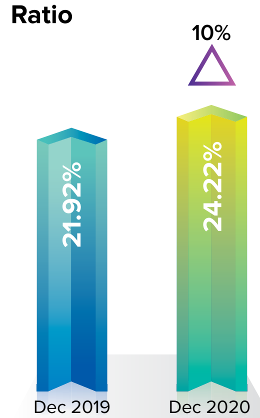


This gives DBH the edge to compete with the banks who has such lower cost of fund. Salary cost consists 67% of total cost followed by depreciation and rent. Operating expense stood at same level of 2019, but income increased by 15%, as a result cost to income ratio reduced to 24.50% compared to 27% of 2019.

Capital Adequacy Ratio

DBH has been consistently maintaining the healthy CAR since long, much above Bangladesh bank's minimum CAR required. Capital Adequacy Ratio (CAR) stood at 24.22% in 2020 from 21.92% in 2019. The minimum requirement of CAR is 10% as per Bangladesh Bank guideline. The Capital Adequacy ratio is very solid for DBH which enable the company for future growth and expansion.

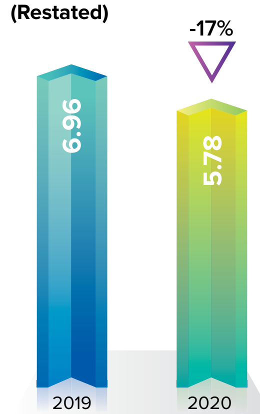
Capital Adequacy Ratio



EPS

The earning per share decreased to Tk. 5.78 in 2020 compared to Tk. 6.96 in 2019. The reduction is caused by the reduction of net profit, which is a result of subjective provision as a precaution to cope with any adverse effect of Covid-19 on clients' repayment behavior.

EPS
(Restated)



Dividend Payout Ratio:

The company consistently paying high level of dividends to its shareholders. In this Covid-19 affected year 2020 also, DBH proposed 15% cash dividend and 15% stock dividend, that is total 30% divided, which is maximum allowed for a financial institution for this year as per circular and guideline from Bangladesh Bank. In last 5 years also DBH paid dividend in the range of 30-35% every year in line with its income and EPS. Dividend payout ratio for 2020 is 52% and in last 5 years it varies from 40% - 50%.

DuPont Analysis

Net profit after tax of DBH decreased by 17% due to additional provision as a prudent measure to cope with any adverse situation that may arise from Covid-19 impact on loan repayment behavior of clients. Profit margin reduced from previous year, but stayed at healthy 15.08%. Asset turnover reduced from 10.88% of 2019 to 10.02% in 2020. Declining interest rate on loans caused the reduction in the asset turnover. Equity multiplier reduced to 9.63 in 2020 from 10.76 of 2019. Main reason for that is issue of bonus shares in recent years. Return on Equity which is product of profit margin, asset turnover and financial leverage reduced to 14.56% in 2020 from 19.79% of 2019.

Taka in million

Particulars	2016	2017	2018	2019	2020
A. Interest Income	4209	4573	5855	6353	5909
B. Profit After Tax	829	949	1048	1073	891
C. Average Asset	42821	50526	56040	58389	58943
D. Average Equity	3351	3975	4699	5424	6120
E. Profit Margin (B/A)	19.69%	20.75%	17.90%	16.89%	15.08%
F. Asset Turnover (A/C)	9.83%	9.05%	10.45%	10.88%	10.02%
G. Financial Leverage (C/D)	12.78	12.71	11.93	10.76	9.63
H. Return on Equity (E*F*G)	**24.73%**	**23.88%**	**22.30%**	**19.79%**	**14.56%**

Cash Flow Analysis

Taka in million

Particulars	2016*	2017	2018	2019	2020
Net cash flow from operating activities	3,646.27	2,018.39	1,328.14	1,930.06	1,446.73
Net cash flow from investing activities	(18.25)	(170.03)	22.85	42.85	(16.47)
Net cash used in financing activities	(348.15)	(182.78)	(365.56)	(304.63)	(268.07)
Net increase/ (decrease) in cash and cash equivalents	3,279.87	1,665.58	985.43	1,668.28	1,162.19
Cash and cash equivalent at the beginning of the year	5,870.47	9,150.34	10,815.92	11,801.35	13,469.63
Cash and cash equivalent at the end of the year	9,150.34	10,815.92	11,801.35	13,469.63	14,631.82

* Amount for the period from July 1, 2016 to Dec 31, 2016.

Cash Flow from Operating Activities

Net cash generated from operating activities decreased by 25.04% to Tk. 1,446.73 mn in 2020 compared to previous year.

Cash Flow from Financing Activities

The Company paid Tk. 268.07 mn as dividend in the year 2020 against the accounting year 2019.

Overall Scenario

The cash and cash equivalent balance of the company rose to Tk. 14,631.82 mn in 2020 compared to Tk. 13,469.63 mn in 2019.

Key Operating & Financial Highlights

Taka in million

Sl #	Financial performance	2016	2017	2018	2019	2020	Growth - YoY	5 years CAGR (%)
1	Loans & Advances	35,838	42,243	43,848	44,522	42,750	-3.98%	4.95%
2	Total Assets	46,472	54,581	57,499	59,280	58,607	-1.14%	7.57%
3	Deposit	34,394	41,188	43,319	43,411	43,827	0.96%	8.81%
4	Total Liabilities	42,880	50,223	52,459	53,471	52,175	-2.42%	7.07%

Sl #	Operational Performance	2016*	2017	2018	2019	2020	Growth - YoY	5 years CAGR (%)
1	Net Interest Income	779	1,606	1,793	1,708	1,949	14.11%	2.93%
2	Operational income	885	1,818	1,996	1,941	2,148	10.66%	3.02%
3	Operational expenses	203	449	495	524	523	-0.19%	5.61%
4	Operating Profit	682	1,369	1,501	1,418	1,625	14.60%	2.26%
5	Profit before tax	603	1,492	1,607	1,555	1,498	-3.67%	1.43%
6	Net profit after tax	331	949	1,048	1,073	891	-16.96%	2.54%

Sl #	Financial Ratios	2016	2017	2018	2019	2020	Growth - YoY	
1	Debt equity ratio (Times)	11.94	11.53	10.41	9.21	8.11	-11.87%	-
2	Cost to income ratio (%)	22.94	24.70	24.80	27.00	24.35	-9.81%	-
3	Non performing loan (%)	0.36	0.27	0.30	0.45	0.41	-8.89%	-
4	Dividend payout ratio (%)	55.22	38.52	40.69	43.72	51.90	18.71%	-

* Amount represents for the period from July 1, 2016 to Dec 31, 2016.

Horizontal Analysis

Balance Sheet on year end for last five years

Taka in million

	2016*	%	2017	%	2018	%	2019	%	2020	%
Cash	538.11	0%	634.06	18%	798.51	26%	873.00	9%	575.24	-34%
Balance with banks and FIs	5,862.51	10%	10,697.16	82%	11,779.17	10%	13,028.73	11%	14,338.78	10%
Investments	427.70	17%	643.03	50%	607.82	-5%	462.11	-24%	489.02	6%
Loans and advances	33,578.60	15%	42,243.35	26%	43,847.70	4%	44,521.89	2%	42,750.38	-4%
Fixed assets	148.52	28%	178.47	20%	169.52	-5%	279.70	65%	289.88	4%
Other assets	129.07	53%	184.78	43%	296.26	60%	114.50	-61%	163.71	43%
Total Assets	**40,684.52**	**14%**	**54,580.85**	**34%**	**57,498.98**	**5%**	**59,279.93**	**3%**	**58,607.02**	**-1%**
Borrowing from banks and Fis	6,095.89	15%	6,515.42	7%	6,085.48	-7%	7,051.34	16%	5,571.06	-21%
Deposits and other accounts	28,727.97	16%	41,187.89	43%	43,318.72	5%	43,411.28	0%	43,826.87	1%
Other liabilities	2,251.90	-10%	2,519.91	12%	3,054.80	21%	3,008.70	-2%	2,777.62	-8%
Total Liabilities	**37,075.76**	**14%**	**50,223.22**	**35%**	**52,459.00**	**4%**	**53,471.32**	**2%**	**52,175.56**	**-2%**
Paid-up capital	1,160.49	0%	1,218.52	5%	1,218.52	0%	1,340.37	10%	1,541.43	15%
Share premium	55.00	0%	55.00	0%	55.00	0%	55.00	0%	55.00	0%
Reserve and surplus	2,393.26	22%	3,084.12	29%	3,766.46	22%	4,413.23	17%	4,835.03	10%
Total Shareholders equity	**3,608.75**	**14%**	**4,357.64**	**21%**	**5,039.98**	**16%**	**5,808.60**	**15%**	**6,431.46**	**11%**
Total Liabilities and Shareholders' equity	**40,684.52**	**14%**	**54,580.85**	**34%**	**57,498.98**	**5%**	**59,279.93**	**3%**	**58,607.02**	**-1%**

* Amount as of 30 June 2016.

Horizontal Analysis

Profit and Loss account for last five years

Taka in million

	2016*	%	2017	%	2018	%	2019	%	2020	%
Interest Income	4,323.70	-2%	4,573.38	6%	5,855.19	28%	6,352.77	8%	5,908.79	-7%
Interest Expense	2,636.37	-5%	2,967.58	13%	4,062.41	37%	4,644.85	14%	3,960.18	-15%
Net Interest Income	**1,687.33**	**3%**	**1,605.80**	**-5%**	**1,792.78**	**12%**	**1,707.92**	**-5%**	**1,948.60**	**14%**
Income from investment	10.31	-21%	43.48	322%	45.91	6%	26.84	-42%	24.15	-10%
Commission, fees & brokerage	132.92	27%	149.92	13%	146.12	-3%	199.77	37%	155.86	-22%
Other operating income	20.37	-27%	18.68	-8%	11.24	-40%	6.80	-40%	19.67	190%
Total operating income	**1,850.94**	**4%**	**1,817.88**	**-2%**	**1,996.04**	**10%**	**1,941.33**	**-3%**	**2,148.29**	**11%**
Operating expenses	398.12	15%	449.18	13%	495.37	10%	523.66	6%	523.43	0%
Operating profit	**1,452.82**	**1%**	**1,368.70**	**-6%**	**1,500.66**	**10%**	**1,417.66**	**-6%**	**1,624.87**	**15%**
Provision for Loans and investments	58.25	-67%	(123.77)	-313%	(105.87)	-14%	(137.21)	30%	126.71	-192%
Profit before tax	**1,394.57**	**11%**	**1,492.48**	**7%**	**1,606.54**	**8%**	**1,554.87**	**-3%**	**1,498.16**	**-4%**
Provision for tax	608.59	6%	543.48	-11%	558.64	3%	481.62	-14%	607.23	26%
Profit after tax	**785.98**	**15%**	**949.00**	**21%**	**1,047.90**	**10%**	**1,073.25**	**2%**	**890.93**	**-17%**

* Amount for the year 2015-16.

Vertical Analysis

Balance Sheet as at year end for last five years

Taka in million

	2016*	%	2017	%	2018	%	2019	%	2020	%
Cash	558.80	1.2%	634.06	1.2%	798.51	1.4%	873.00	1.5%	575.24	1.0%
Balance with banks and Fis	9,272.86	20.0%	10,697.16	19.6%	11,779.17	20.5%	13,028.73	22.0%	14,338.78	24.5%
Investments	441.26	0.9%	643.03	1.2%	607.82	1.1%	462.11	0.8%	489.02	0.8%
Loans and advances	35,838.37	77.1%	42,243.35	77.4%	43,847.70	76.3%	44,521.89	75.1%	42,750.38	72.9%
Fixed assets	157.51	0.3%	178.47	0.3%	169.52	0.3%	279.70	0.5%	289.88	0.5%
Other assets	202.90	0.4%	184.78	0.3%	296.26	0.5%	114.50	0.2%	163.71	0.3%
Total Assets	**46,471.71**	**100.0%**	**54,580.85**	**100.0%**	**57,498.98**	**100.0%**	**59,279.93**	**100.0%**	**58,607.02**	**100.0%**
Borrowing from banks and Fis	6,080.58	13.1%	6,515.42	11.9%	6,085.48	10.6%	7,051.34	11.9%	5,571.06	9.5%
Deposits and other accounts	34,393.96	74.0%	41,187.89	75.5%	43,318.72	75.3%	43,411.28	73.2%	43,826.87	74.8%
Other liabilities	2,405.76	5.2%	2,519.91	4.6%	3,054.80	5.3%	3,008.70	5.1%	2,777.62	4.7%
Total Liabilities	**42,880.29**	**92.3%**	**50,223.22**	**92.0%**	**52,459.00**	**91.2%**	**53,471.32**	**90.2%**	**52,175.56**	**89.0%**
Paid-up capital	1,218.52	2.6%	1,218.52	2.2%	1,218.52	2.1%	1,340.37	2.3%	1,541.43	2.6%
Share premium	55.00	0.1%	55.00	0.1%	55.00	0.1%	55.00	0.1%	55.00	0.1%
Reserve and surplus	2,317.89	5.0%	3,084.12	5.7%	3,766.46	6.6%	4,413.23	7.4%	4,835.03	8.2%
Shareholders equity	**3,591.41**	**7.7%**	**4,357.64**	**8.0%**	**5,039.98**	**8.8%**	**5,808.60**	**9.8%**	**6,431.46**	**11.0%**
Total Liabilities and Shareholders' equity	**46,471.71**	**100.0%**	**54,580.85**	**100.0%**	**57,498.98**	**100.0%**	**59,279.93**	**100.0%**	**58,607.02**	**100.0%**

* Amount as of 31 December 2016.

Vertical Analysis

Profit and Loss Account for last five years

Taka in million

	2016*	%	2017	%	2018	%	2019	%	2020	%
Interest Income	4,323.70	233.6%	4,573.38	251.6%	5,855.19	293.3%	6,352.77	327.2%	5,908.79	275.0%
Interest expenses	2,636.37	142.4%	2,967.58	163.2%	4,062.41	203.5%	4,644.85	239.3%	3,960.18	184.3%
Net Interest Income	**1,687.33**	**91.2%**	**1,605.80**	**88.3%**	**1,792.78**	**89.8%**	**1,707.92**	**88.0%**	**1,948.60**	**90.7%**
Income from investment	10.31	0.6%	43.48	2.4%	45.91	2.3%	26.84	1.4%	24.15	1.1%
Commission, fees and brokerage	132.92	7.2%	149.92	8.2%	146.12	7.3%	199.77	10.3%	155.86	7.3%
Other operating income	20.37	1.1%	18.68	1.0%	11.24	0.6%	6.80	0.4%	19.67	0.9%
Total operating income	**1,850.94**	**100.0%**	**1,817.88**	**100.0%**	**1,996.04**	**100.0%**	**1,941.33**	**100.0%**	**2,148.29**	**100.0%**
Operating expenses	398.12	21.5%	449.18	24.7%	495.37	24.8%	523.66	27.0%	523.43	24.4%
Operating profit	**1,452.82**	**78.5%**	**1,368.70**	**75.3%**	**1,500.66**	**75.2%**	**1,417.66**	**73.0%**	**1,624.87**	**75.6%**
Provision for Loans and investments	58.25	3.1%	(123.77)	-6.8%	(105.87)	-5.3%	(137.21)	-7.1%	126.71	5.9%
Profit before tax	**1,394.57**	**75.3%**	**1,492.48**	**82.1%**	**1,606.54**	**80.5%**	**1,554.87**	**80.1%**	**1,498.16**	**69.7%**
Provision for tax	608.59	32.9%	543.48	29.9%	558.64	28.0%	481.62	24.8%	607.23	28.3%
Profit after tax	**785.98**	**42.5%**	**949.00**	**52.2%**	**1,047.90**	**52.5%**	**1,073.25**	**55.3%**	**890.93**	**41.5%**

* Amount for the year 2015-16.

(d) Comparative Financial Performances with the Peer Industry

The financial institution industry is marked by high levels of competition with 35 NBFIs operating in the space. Though few NBFIs were struggling throughout the year, but there are good and established players in the industry which have earned good reputation and customers' trusts. Though DBH belongs to the NBFI sector, but DBH is the only financial institution in the country with exclusive focus on housing finance. Housing Finance Companies (HFC) are common abroad, but in Bangladesh all the private sector NBFIs are dealing with multiple products like SME loan, Lease finance, home loan, car loan, suppliers' credit, etc. So a neck to neck comparison with other NBFIs may not be practical as we are operating with one single product in asset side in selected geographical locations. Still in this section we'll mention comparative financial performances with two other established NBFIs: IDLC and IPDC.

As on 31st December 2020
(in million Taka except ratios and EPS)

Particulars	IPDC	IDLC	DBH
Loans & Advances	53,610	93,074	42,750
Deposits	52,456	76,273	43,827
Home Loan Portfolio	8,497	26,834	42,614
NPL	1.38%	1.79%	0.41%
ROE	12.10%	17.37%	14.56%
ROA	1.01%	2.08%	1.51%
CAR	18.51%	17.45%	24.22%
EPS	1.90	6.74	5.78
Cost to Income Ratio	40.60%	38.23%	24.50%

(e) Risk and concerns as well as the mitigation plan related to the financial statements

The Company always concentrates on delivering high value to its stakeholders through appropriate tradeoff between risk and return. A well-structured and proactive risk management system is in place within the Company to address the risks relating to credit, market, liquidity and operations. Details of the Risk Management have been described at notes 2.32 of the Financial Statements on page no. 153 of this annual report.

(f) Future plan for Company's operation, performance and financial position with justification thereof

Company is planning to continue its operation with a steady outlook. Considering the market condition, DBH planned its budget for the year 2021, where the budgeted disbursement growth is 90% higher than 2020 and forecasted loan portfolio growth is 10%. While preparing the budget, the management considered the assumptions related to interest rate movement during 2021 and also estimated total new provision of Tk. 20.34 crore (less than 0.50% of our portfolio) for the year ending 2020.

The Company expects to maintain healthy dividends to its shareholders in line with previous years.

Going Forward

Considering the overall situation, we intend to achieve cautious and healthy growth in earnings in the following year as the political situation is expected to improve in upcoming days. However, we intend to pick up pace in the medium term future by leveraging the opportunities of the country's growing economy. Given the well-tested management excellence, goodwill of the company, relationship with the developers and stakeholders, we are well positioned to reap the benefits from such prospects.

Nasimul Baten
Managing Director & CEO