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, 2021.

Macroeconomic Performance of Bangladesh Economy

Bangladesh's economy is turning around in the context of tackling the coronavirus of the world economy. Despite a relatively better performance in terms of economic growth, Bangladesh's economy has faced some challenges in the first few months of the ongoing fiscal year (FY2021-22). During the July-October period of FY22, revenue mobilization by the National Board of Revenue (NBR) grew by 16.6 percent when compared to the same period of FY21. The major impetus came from indirect tax collection through imports and exports. However, revenue growth is far below the target of the NBR which is set at 27 percent for FY2022. Fulfillment of this target will require the revenue mobilization effort to grow by 30.7 percent during the next eight months of FY2022.

According to the provisional estimates of BBS, the GDP growth in FY 2020-21 stood at 5.47 percent. Despite the stagnation in the economy caused by the coronavirus, food production and supply chains remained unaffected, leading to inflation at 5.56 percent in FY 2020-21, slightly higher than the target (5.4%). Both export and import in Bangladesh have shown a sign of recovery after a sharp decline in FY 2019-20. In FY 2020-21, Bangladeshi expatriates' remittance stood at US$ 24,777.72 million which was significantly higher (36.10%) than the previous fiscal year. In FY 2020-21, the current account balance deficit stood at US$ 3,808 million on the back of robust remittance inflows. Financial account and capital account showed a surplus during this time. Therefore, the overall balance recorded a surplus of US$ 9,274 million in FY 2020-21 compared to US$ 3,169 million surpluses in the previous year. As a result, the foreign exchange reserves increased to a record US$ 46.39 billion on 30 June 2021. During this period, a marginal (0.05%) depreciation in the exchange rate of Taka with the US dollar was being observed.

The number of the stimulus packages has further been increased to 23 in FY 2020-21 and the amount of fiscal and stimulus packages till April 2021 was Tk. 1,28,441 crore, which is 4.2 percent of GDP.

Per capita GDP and GNI

According to the provisional estimate, the volume of GDP at current market prices reached Tk. 30,11,065 crore in FY 2020-21, which was Tk. 27,39,332 crore in FY 2019-20. In nominal terms GDP growth is 9.92 percent. As per the final estimate, per capita GDP in FY 2019-20 was US$ 1,930 up by US$ 102 from the previous fiscal year. Likewise, per capita, national income increased to US$ 2,024 in FY 2019-20, up by US$ 115 from FY 2018-19. The per capita GDP stands at US$ 2,097 in FY 2020-21, up by US$ 167 from the previous fiscal year, while the per capita national income stood at US$ 2,227 up by US$ 203 in the previous fiscal year.

Savings and Investment

During FY 2020-21, domestic savings increased to 24.17 percent of GDP, which was 23.77 percent in the previous year. Likewise, national savings as a percent of GDP increased to 30.39 percent in FY 2020-21 percent from 28.67 percent of the previous fiscal year. The investment has increased to 7.95 percent in FY 2020-21 as compared to 3.98 percent in the previous fiscal year due to the COVID-19 pandemic.

Inflation

The point-to-point inflation rate in December 2021 was 6.05 percent, up from 5.29 percent at the same time in 2020, according to data published by the Bangladesh Bureau of Statistics on Thursday. The average inflation rate in 2021 stood at 5.54 percent, down from 5.69 percent in the previous year. Although the average rate was lower than in 2020, doubts linger about whether the government's target for fiscal 2021-22 can be achieved.

Table: The key economic indicators of Bangladesh

Indicators	2017-18	2018-19	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24
	Actual			Budget	Revised Budget	Projection		
Real Sector								
Real GDP growth (%)	7.9	8.2	5.2	8.2	6.1	7.2	7.6	8.0
CPI Inflation (%)	5.8	5.5	5.7	5.4	5.4	5.3	5.2	5.1
Investment (% GDP)	31.2	31.6	31.8	33.5	32.3	33.1	34.2	36.0
Private	23.3	23.5	23.6	25.3	24.2	25.0	25.9	26.8
Public	8.0	8.0	8.1	8.1	8.2	8.1	8.3	9.2
Fiscal Sector (% of GDP)								
Total Revenue	9.6	9.9	9.5	11.9	11.4	11.3	11.3	11.5
Tax Revenue	8.6	8.9	7.9	10.9	10.2	10.0	10.1	10.3
Of which NBR Tax Revenue	8.3	8.6	7.7	10.4	9.7	9.5	9.6	9.7
Non-Tax Revenue	1.0	1.0	1.6	1.0	1.2	1.2	1.2	1.2
Public Expenditure	14.3	15.4	14.9	17.9	17.5	17.5	17.0	17.0
Of which ADP	5.3	5.8	5.4	6.5	6.4	6.5	6.5	6.5
Overall Balance	-4.7	-5.5	-5.4	-6.0	-6.1	-6.2	-5.75	-5.5
Financing	4.7	5.5	5.4	6.0	6.1	6.2	5.8	5.5
Domestic Financing	3.5	3.9	3.7	3.5	3.7	3.3	3.5	3.5
External Financing(net)	1.2	1.3	1.6	2.5	2.3	2.9	2.3	2.1
Money and Credit (Year-on-year % change)								
Domestic Credit	14.7	12.3	13.7	17.6	17.4	16.0	16.0	16.0
Credit to the Private sector	16.9	11.3	8.6	16.7	14.8	15.0	15.0	15.0
Broad Money	9.2	9.9	12.7	12.5	15.0	15.1	15.2	15.3
External Sector (% Change)								
Export, f.o.b	4.7	9.1	-17.1	15.0	12.0	15.0	13.0	12.0
Import, f.o.b	25.2	1.8	-8.6	10.0	11.0	14.0	13.0	11.0
Remittance	15.1	10.2	11.2	15.0	35.0	20.0	15.0	10.0
Current Account Balance(% GDP)	-3.49	-1.69	-1.47	0.09	-0.05	0.01	0.05	0.07
Gross Foreign Exchange Reserves (Billion US$)	32.86	32.72	36.04	40.20	44.00	51.02	53.66	55.40
Forex. Reserve in the month of Import	6.2	6.0	7.2	8.7	7.8	7.8	7.2	6.6
Memorandum Item								
GDP at current market prices (Billion Tk.)	22505	25425	27964	31718	30873	34560	38777	43642

Source: Finance Division, Ministry of Finance.

Performance of Financial Sector in 2021

In FY 21-22, Bangladesh Bank has continued to facilitate the ongoing expansionary and accommodative mode supporting economic recovery process while maintaining appropriate cautions for overall price and financial stability. Despite the recurrent shocks of COVID-19 and consequent containment measures in terms of mobility restrictions and nationwide lockdowns, Bangladesh economy has attained around 6.1 percent real GDP growth in FY21, significantly higher than preceding year's estimated growth of 5.2 percent, supported by reasonably healthy growth performances in agricultural and industrial sectors aided by the Government and Bangladesh Bank's growth supportive policy measures. The economy is expected to grow at a pace of 7.0 percent in FY 22 (Bangladesh Bank Quarterly July-September 2021, Volume XIX).

Bangladesh Bank's monetary policy has been broadly successful in taming inflationary pressure in FY21. In spite of the expansionary and accommodative monetary and fiscal policy stances along with supply chain disruptions due to COVID-19 related containment measures amid global price hike, the CPI-based average inflation declined to 5.56 percent (against the target of 5.40 percent) in FY 21 from 5.65 percent a year earlier. However, towards the end of CY 21, point-to-point inflation creeped up and touched 6.05% in December 2021 owing mainly to oil price hike, transport and food inflation coupled with rising imports origination from demand for raw material and capital machinery.

The monetary policy stance and monetary program outlined for FY21 were mostly successful in terms of injecting sufficient liquidity in the system accompanied by a lower market interest rate regime, containing inflation while ensuring stability in both the local and foreign currency markets.

Bangladesh Bank's foreign exchange management and operation were also effective in maintaining the external competitiveness of Taka and ensuring stability in the interbank foreign exchange market. The overall BoP in FY21 witnessed a healthy surplus, supported by a significant inflow in financial accounts along with a relatively thinner current account deficit due mainly to very strong inward remittances growth and robust export earnings. Relying on this BoP surplus, BB's foreign exchange reserve has reached the peak of USD 46.40 billion at end of June 2021 and subsequently slightly decreased to USD 46.15 billion at end of December 2021.

Bangladeshi Taka (BDT) against USD remained mostly stable for most part of the year. However, in the review quarter, it has depreciated notably. The exchange rate of BDT per USD stood at 85.5 at the end-September 2021, which was 84.8 at the end of the same quarter of preceding year mainly due to rising import payments coupled with falling remittance.

The central bank has undertaken a number of initiatives to revive the financial sector amidst the impact of intermittent resurgence of COVID-19 pandemic. Simultaneously, Bangladesh Bank has also continued to align itself with the government's effort on restoration of the national economy and strengthening the resilience of the financial system to ensure its stability. Some of the key initiatives undertaken by the central bank are stated below:

Stimulus Package:

Bangladesh Bank has continued to extend stimulus package for various sectors. To foster the recovery of the tourism sector affected by COVID-19, Honorable Prime Minister announced a stimulus package amounting Tk. 10.0 billion. Following government's announcement, Bangladesh Bank has issued several instructions for banks to provide loan from their own source at 8.0 percent interest rate of which, Government would provide 4.0 percent as interest subsidy while the rest 4.0 percent would be borne by borrower. The interest subsidy facility will be provided for 01 (one) year.

Prudential Regulations for Consumer Financing:

Bangladesh Bank has raised the loan margin ratio to 70:30 for purchasing digital devices (laptop/ computer/ mobile/ tab) under consumer finance from the previous ratio of 30:70. This would be conducive for accelerating "Digital Bangladesh" agenda through encouraging reliable digital access at mass scale. Besides, this would also be beneficial for pandemic-disrupted education system through facilitating online classes for the teachers and the students.

Rationalization of Deposit Rates of Scheduled Bank:

To prevent the asset-liability mismatch due to the recent declining trend in banks' deposit rate Bangladesh Bank has issued a circular to rationalize the deposit rate of scheduled banks. Banks are instructed to determine the rate of deposit (with a period of three months and above) not below the inflation rate to encourage savings and also to maintain the purchasing power of the depositors.

Implementation of Basel III in Bangladesh:

To implement BASEL III, Bangladesh Bank has instructed scheduled banks to increase the leverage ratio gradually to 4.0 percent by 2026 from current 3.0 percent level. This increased leverage ratio will enhance the quality capital and thus improve the stability of the overall financial sector since banks will have higher risk absorbing capacity against unexpected losses with this implementation.

Relaxation of Loan Classification Criteria:

Bangladesh Bank relaxed some of the criteria of classification policy through a circular published in December 2021. As per the new regulation, loans cannot be classified if minimum 25 percent of the installments payable against the loan from January 2021 to December 2021 is paid by 31 December 2021. In this case the balance of the installments payable till December 2021 will be payable within 1 (one) year after the expiry of the existing term.

Policy for Non-Banking Asset (NBA): Bangladesh Bank has issued a circular regarding non-banking asset policy. The policy describes the assessment of the value of assets, inclusion of non- banking assets into bank account by loan adjustment, inclusion of non- banking assets against write-off loans, discharge of defaulters after adjustment of entire loan, the sale and use of non-banking assets, disclosure, accounting, reporting, etc. This policy would help bringing better discipline in management of banks' non-banking assets.

Prohibition on Arbitrary Termination of Bank Employees:

Considering the significant role of bankers in implementing the stimulus packages during the COVID-19-driven environment, and to bolster the working spirit of the bankers in this transitional period, scheduled banks operating in Bangladesh have been directed not to sack officials-staffs without any specific and proven allegations. Moreover, the central bank has prohibited banks to dismiss or force to resign officials-staffs only because of failure to achieve targets or inefficiency during the pandemic. In the same directive Bangladesh Bank has also asked banks to reappoint officials-staffs, upon application, who were terminated or forced to resign from the office without any specific and proven charges from 01 April 2021 to 15 September 2021.

Verification of Financial Statements submitted by borrowers:

To enhance credit discipline and check nonperforming loans, scheduled banks have been instructed by Bangladesh Bank to verify financial statements of the borrowers using the Document Verification System (DVS) of the

Institute of Chartered Accountants of Bangladesh (ICAB).

Constitution of Special Fund for Capital Market and Investment Policy:

To increase the investable elements in capital market, earlier Bangladesh Bank instructed all the scheduled banks to form a special fund of BDT 2.00 billion each to invest in the capital market. Now the new circular allows the use of this fund for investment in 100% asset backed green sukuk bond issued by private sectors for renewable power projects. The type of investable Sukuk bonds and other conditions of usage of Sukuk funds have been specified in the circular. Addition of Sukuk bond as an investment option will bring diversity in investment and in turn, will reduce the overall investment risk.

Announcement of Agricultural & Rural Credit Policy:

Bangladesh Bank has announced the annual agricultural and rural credit policy and program for the financial year 2021-2022 by widening the target and scope of agricultural and rural credit considering pandemic situation and the rising demand. To boost up the agriculture sector amidst the ongoing economic slowdown caused by the COVID-19 pandemic, a scheme of BDT 30.00 billion has been set up by Bangladesh Bank from its own source. In order to encourage women entrepreneurs abreast of agriculture Bangladesh Bank has announced "Small Enterprise Refinance Scheme."

Loan/Lease/Investment Rescheduling for Financial Institutions:

Bangladesh Bank has issued a master circular with a view to tightening loan rescheduling rules for Non-Bank Financial Institutions (NBFIs) while aiming to ensure better transparency and effectiveness in rescheduling activities. NBFIs are allowed to reschedule a loan for a maximum of three times. If a borrower fails to repay loan even after rescheduling loans for three times, will be considered as habitual defaulter. Bangladesh Bank has also tightened rules for booking interest income and provisioning of the rescheduled loan/lease/investment of NBFIs.

Revision of the Statutory Liquidity Requirement (SLR) for Financial Institutions:

In order to further strengthen the liquidity base of financial institutions, Bangladesh Bank has excluded the encumbered portion of the balance kept with other banks and financial institutions as SLR qualified asset to make the SLR data more reflective of its true liquidity.

Ensuring Proper use of the Loan provided under Government announced Financial Stimulus Packages:

Financial institutions operating in Bangladesh have been advised to regularly monitor the effective implementation of the financial stimulus packages announced by the government of Bangladesh and the Bangladesh Bank for ensuring proper uses of the packages. They have also been instructed to audit and ensure the productive uses of the fund disbursed under the stimulus packages through internal Audit Department.

In an earlier directive regarding the issue, Bangladesh Bank has stated that the fund of approved loan/lease/investment to a borrower must be released to the bank account of the authentic borrower and the proper filing of banks statement of so released fund must be ensured.

Dividend Policy:

Bangladesh Bank has restricted all the banks to disburse any cash dividend before September 30, 2020. 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 percent on non-bank financial institutions (NBFIs) of which the NBFIs will have to pay half i.e., 15 percent in the stock dividend, and the rest will be paid in the form of cash.

Refinance scheme for agriculture sector:
To boost up the agriculture sector amidst the ongoing economic slowdown caused by the COVID-19 pandemic, a scheme of Tk. 30.00 billion has been set up by Bangladesh Bank from its own source. Farmers/Borrowers will get credit at a maximum 4.0 percent interest rate from the banks, whereas banks will get refinance at 1.0 percent interest rate from Bangladesh Bank under this scheme. Banks can sanction loans amounting up to Tk. 2.00 lac to each grass- root level farmer without any collateral. Maturity of the crop-loan to the farmers will be maximum 12 months and for other loans it will be 18 months (with 3 months' grace period).

CMSME loans/ advances for women entrepreneurs:
Bangladesh Bank has set the target for the banks and Non-Bank Financial Institutions (NBFIs) to provide at least 15 percent of CMSME loans/ advances to women entrepreneurs within 2024. In order to encourage women entrepreneurs for taking CMSME initiatives, refinance facility named "Small Enterprise Refinance Scheme" has been dedicated for women entrepreneurs. Banks and NBFIs can avail the refinance facility at 0.5 percent interest rate (which was earlier 3.0 percent) from Bangladesh Bank and customer can get the same at 5.0 percent interest rate (which was earlier 7.0 percent).

Prohibition of receiving customers' money directly to the digital commerce enterprises' bank account:
Some digital commerce organizations, by averting government's "Digital Commerce Operation Guidelines- 2021" and BB's directives, had been receiving advance of payments against goods and services at their own accounts. In such a situation, Bangladesh Bank has instructed all scheduled banks not to receive advance payments against goods and services directly to company's account or the accounts of persons involved in the organization. Banks are also instructed to perform due diligence in operating the accounts of such organizations by carefully examining their transactions and risk profiles.

Banking Sector:
The overall banking sector performance exhibited a mixed trend, reflected in a marginal improvement in non-performing loans (NPLs), a moderation in capital to risk-weighted asset ratio (CRAR), an increase in the growth of bank's advances, a decline in provision maintained against bad loans, a rise in profitability, and maintenance of adequate liquidity.

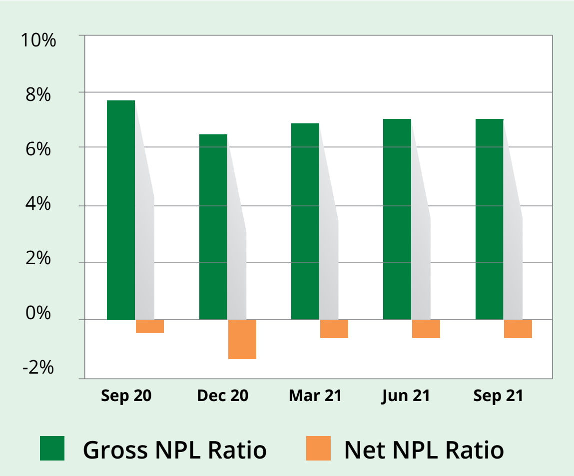
The asset size of the banking sector increased by 1.3 percent in the review quarter compared to 4.6 percent in June 2021 quarter and 1.4 percent in March 2021 quarter. The aggregate assets reached Tk. 19,768.78 billion at end-September 2021. Higher asset growth in the review period largely attributed to increase the investment portfolio by State Owned Commercial Banks (SOCBs) in the form of bonds and securities. Thus, the assets-to-GDP ratio stood at 65.7 percent at end- September 2021.

NPL by Type of Banks (In Billion)

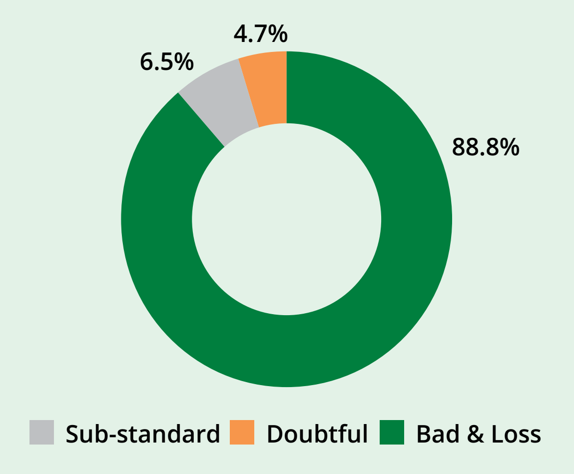
Type of Banks	Dec. 20	Sep. 21
State-Owned Commercial Banks	422.74	440.2
Private Commercial Banks	399.16	507.4
Foreign Commercial Banks	20.32	26.9
Development Finance Institutions	40.62	37.0
Total	**882.84**	**1011.5**

The ratio of gross NPLs to total loans edged up to 8.12 percent at the end of Q1FY22 from 8.06 percent at the end of Q2FY21 partly owing to the ending of moratorium facility even though the relaxation of term loan repayment has been extended. At the close of September 30, 2021, the ratio of bad and loss loans to total classified loans accounted for 88.82 percent while the share of sub-standard and doubtful loans constituted 6.51 percent and 4.67 percent respectively. NPL concentration in Top 5 banks stood at 44.44 percent at end-September 2021.

NPL Ratio of the Banking Industry



NPL Composition of Banking Industry at end- September 2021



Source: Quarterly Financial Stability Assessment Report Bangladesh Bank, July-September 2022

Although the capital to risk-weighted assets ratio (CRAR) moderated to 11.22 percent at the end of Q1FY22 from 11.64 percent at the end of Q2FY21, overall capitalization of the banking system remained above the Basel-III standard. The CRAR of SCBs, PCBs and FCBs moved to 6.25 percent, 13.09 percent and 27.10 percent respectively at the end of Q1FY22 from 4.34 percent, 13.96 percent and 28.24 percent respectively at the end of Q2FY21.

Profitability of the banking sector improved in Q1FY22 compared with Q1FY21, as reflected in an uptick in return on equity (ROE). This uptick in ROE stemmed partly due to a fall in interest expenditure and a rise in non- interest income, and profit earning from capital market. Net profit of the banking industry increased from BDT 65.82 billion in Q1FY21 to BDT 72.29 billion (of which BDT 5.13 billion from capital market in Q1FY22 against BDT1.39 billion in Q1FY21) in Q1FY22. Return on equity (ROE) rose to 7.42 percent in Q1FY22 from 7.22 percent in Q1FY21, while return of asset (ROA) remained almost unchanged at 0.44 percent.

The growth of bank's advances exhibited an upward trend since Q4FY21 reaching at 10.7 percent (y-o-y) in Q1FY22 from that of 8.5 percent in Q4FY21, reflecting the gradual increase of demand for credit owing to the reopening of the economic activities. While the growth of bank's deposit further decelerated to 12.3 percent in Q1FY22 from that of 13.8 percent in Q4FY21, partly due to a sudden fall in remittance inflows accompanied by a sharp rise in family expenditure following a recovery after the pandemic. Consequently, the overall advance-deposit ratio (ADR) rose to 72.1 percent at the end of Q1FY22 from 71.6 percent at the end of Q4FY20 and remained broadly stable.

The surplus liquidity in the banking sector moderated to BDT 2.196 trillion at the end of Q1FY22 from that of BDT 2.315 trillion at the end of Q4FY21 owing to higher credit growth, decelerated deposit growth and the mopping up of some liquidity through foreign exchange market intervention. The share of excess reserve (excess of CRR) to total excess liquidity decreased from 26.9 percent at the end of Q4FY21 to 15.8 percent at the end of Q1FY22.

Given the liquidity glut in the banking system following the easy monetary regime in the pandemic period, the Bangladesh Bank resumed mopping up of some excess liquidity from the banking system in Q1FY22 to rationalize the liquidity condition. Consequently, the ratio of total liquid assets and liquid asset excess of SLR to total demand and time liabilities (TDTL) reduced to 29.12 percent and 14.35 percent at the end of Q1FY22 from 30.55 percent and 15.76 percent at the end of Q4FY21, respectively.

Interest rate in the call money market moved up to 2.66 percent in December 2021 from 2.12 percent in December 2020. However, the weighted-average interest rate on lending declined to 7.15 percent in November 2021 from 7.61 percent in December 2020, maintaining the rate far below the government-fixed ceiling of 9.0 percent. Likewise, the weighted-average interest rate on deposit also fell to 3.99 percent from 4.54 percent during the same period.

Yields on government securities of most maturities showed an upward movement in December 2021 compared to that of a year earlier, reflecting expected credit growth both in public and private sectors in the phase of economic recovery.

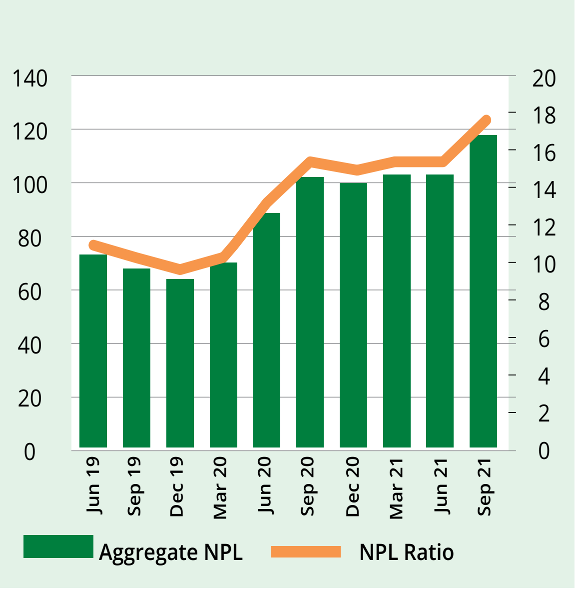
Interest Rate Movement (In Percent)

Instruments	Dec.21	Dec.20
T- Bills:		
91- day	0.59	0.53
182- day	1.23	1.12
364- day	1.87	1.91
Call Money Rate	2.66	2.12
Lending Rate (All Banks)*	7.15	7.61
Deposit Rate (All Banks)*	3.99	4.54

*data is available up to November 2021

NBFI sector: The key financial soundness indicators manifest the mixed performance of non-bank Financial Institutions (FIs) during the period under review. Profitability indicators improved compared to previous quarter. In comparison with June 2021, the share of borrowing recorded a decrease whereas deposit and other liabilities slightly increased and capital remain unchanged. When compared with June 2021 positions, the share of cash and liquid assets declined, whereas the share of other asset and earning assets increased. Their asset quality slightly declined compared to last quarter.

FIs' Non-performing Loans Ratio



At end-September 2021, total assets of financial institutions amounted to Tk. 917.56 billion, exhibiting 0.24 percent decline compared to the end- June 2021 amount of Tk. 919.75 billion. On the end-September 2020, total assets stood at Tk. 879.92 billion. Hence, the size of the industry has experienced an overall growth of 4.28 percent on a September-to- September basis. During this period, assets of 27 FIs were increased while the assets of 7 FIs were declined.

FIs' Classified Loans and Leases

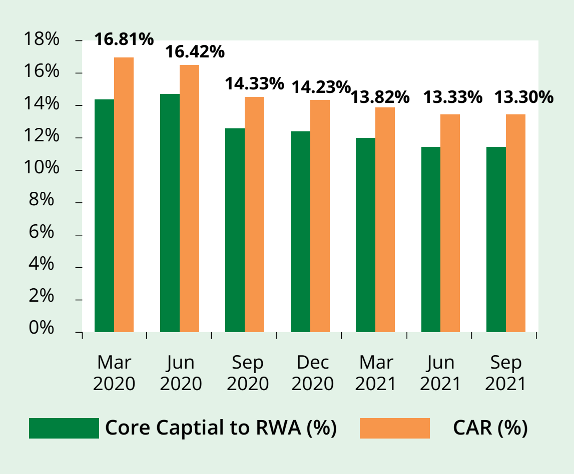
(Amount in billion BDT)

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Mar-19	72.21	10.33
Jun-19	73.24	10.97
Sep-19	68.38	10.35
Dec-19	63.99	9.53
Mar-20	70.34	10.51
Jun-20	89.06	13.29
Sep-20	102.45	15.47
Dec-20	100.59	15.03
Mar-21	103.54 P	15.46 P
Jun-21	103.28 P	15.39 P
Sep-21	117.57 P	17.62 P

Source: Quarterly Financial Stability Assessment Report Bangladesh Bank, July-September 2022.

Aggregate classified loans and leases stood at Tk. 117.57 billion at end September 2021 from Tk. 103.28 billion at end June 2021. The ratio of classified loans and leases increased to 17.62 percent at end September 2021, which is 2.23 percentage points higher than the previous quarter and 2.15 percentage points higher from September 2020. The ratio of percentage changes of classified loans and leased significantly increased by 14.49 percent which was -0.45% only in last quarter.

Capital Adequacy Ratios of FIs



Particulars	End Dec-19	End Mar-20	End Jun-20	End Sep-20	End Dec-20	End Mar-21	End Jun-21	End Sep- 21
Eligible Capital to RWA (%)	17.2	16.8	16.4	14.33	14.23	13.82	13.33	13.30%

Source: Quarterly Financial Stability Assessment Report Bangladesh Bank, July-September 2022

During the September 2021 quarter, the Capital Adequacy Ratio (CAR) and the core capital ratio of the Financial Institutions (FIs) stood at 13.30 percent and 11.37 percent respectively. Both the ratios remained almost identical compared to that of the previous quarter. The overall CAR and core capital ratio of the FIs, however, reveal a sound position as per regulatory standards, despite the subdued status of some FIs still continues.

The Return on Assets (ROA) and Return on Equity (ROE) up to the end September 2021 stood at -0.62 percent and -6.56 percent respectively compared to -0.91 percent and -9.59 percent respectively recorded in the last quarter and 0.29 percent and 2.77 percent in the same quarter of 2020.

The liabilities to assets ratio stood at 90.74 percent at the end-September 2021 which is 5 basis points higher than the previous quarter. The marked increase in borrowing and other liabilities mainly resulted in this rise of liabilities-to-assets ratio.

The liquidity position of FIs in line with regulatory requirements also portrays a reasonable situation. Both the Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) maintained by FIs remained well above the required level in the review quarter. As of end-September 2021, the aggregate amount of Cash Reserve Ratio (CRR) maintained by the FIs was Tk. 5.31 billion as compared to Tk. 5.48 billion at End-June 2021, recording a decrease of 3.11 percent. A surplus amount of Tk. 0.33 billion was observed against the CRR requirement. The amount of Statutory Liquidity Ratio (SLR) maintained was Tk. 106.56 billion at end-September 2021 against the requirement of Tk. 23.09 billion.

Capital Market: Both the bourses of the country experienced bullish trend during the year, portrayed by respective uptrends in indices, P/E ratio and market capitalization. Broad index of DSE and all share price index of CSE stood at 6756.66 points and 19666.07 points respectively at the end of December 2021.

The market capitalization of DSE stood at Tk. 5421.96 billion at the end of December 2021 which was 20.96 percent higher than that of December 2020. Total turnover value of traded shares stood at Tk. 193.65 billion which was 10.30 percent lower than that of the same month of the last year. The Price-Earning (P/E) ratio stood at 17.58 at the end of December 2021.

The market capitalization of CSE stood at Tk. 4585.54 billion at the end of December 2021 which was 22.12 percent higher than that of December 2020. During December 2021, total turnover value of traded shares stood at Tk.11.07 billion which was 20.50 percent higher than that of the same month of the previous year. In Chittagong Stock Exchange, the yield increased to 3.71 at the end of December 2021 which was 3.11 at the end of December 2020.

The higher index might be attributed to the investors growing confidence towards the market. A deep and vibrant capital market is crucial for long-term financing which could uphold the financial stability and expedite the economic growth. However, market-capitalization to GDP for both DSE and CSE was lagging behind than that of many of its peer countries. For DSE, the ratio of market capitalization to GDP (at current market price) stood at 15.56 percent at the end of December 2021

This situation could create stress on the banking sector of the country for long term finance which, in turn, could increase banks' risk of maturity mismatch. As the P/E ratios of both bourses are rising, that requires more prudent investment behavior.

Real Estate Sector of Bangladesh: Covid 19 And Its Aftermath

The housing sector plays an important role in attaining economic stability. It is a big driver of economic growth as this sector has enormous multiplier effects on economic activities. In addition, the sector also contributed to the national economy through linkage industries, such as MS bar, cement, brick, sand, ceramic tile, paint, and other fixtures and fittings. As per data from REHAB this sector along with its linkage industries contributed about 12% to the national GDP. It is one of the largest employment generating sectors after agriculture and readymade garments. It also stimulates demand for ancillary industries, for example, steel, cement, tiles, sanitary ware, cable, electric ware, paint, glass, aluminum, brick, building materials, and consumer durables, etc.

Real Estate Market Scenario

Between 2007 and 2012 our property market heated up abnormally. The reason was primarily the ever increasing demand of the landowners and the irresponsible competition that the developers created with each other in the auction like bidding for land. The result was an inflated bubble which was not reflective of the real value of the property in the context of the economy or the buying power of the market. Market correction was imminent. Between 2012 and

2018 the prices of apartments in Dhaka fell by up to 30%. The correction caused a huge loss to a lot of the reputed developers who completed the projects absorbing the massive losses. Many of the less established developers abandoned their projects and to this day there are structures in Dhaka lying dilapidated and incomplete. In 2018 the market started to stabilize. The prices stopped falling and the market reached equilibrium. This stability was good for the sector and the buyers gradually returned to the market.

In the last two years, the Covid-19 pandemic caused a global financial crisis, especially in developing countries like Bangladesh. While the RMG sector and several other industries kept the country's economy running, there was one industry that surprisingly kept up the pace - the real estate sector.

The woes of the pandemic aside the Bangladesh economy has been flourishing and this has created a thriving middle class. Unlike a decade ago when high end apartments in the posh areas of Dhaka was the most lucrative segment of the market now it is the mid-range category which is the most vibrant. The buyers from this segment are mostly involved in local businesses which are much more insulated from the turbulence in the global economy and will not be so adversely affected by the present crisis. These buyers will be looking to purchase their dream home sooner rather than later.

There are two major types of buyers. One is that are looking to buy a home and the other which is the investor. Real estate and the capital market are the two main investment options for investors everywhere. Our capital market has been unpredictable and unrewarding for the retail investor. There is very little investor confidence in the capital market. Over the past so many decades it has been proven time and again that investment in property in the metropolis has been the most lucrative option for investors in Bangladesh. This investor class will also be boosting up the demand for real estate and will be keen to avail the good deals that the developers will be offering for their unsold inventory in their completed projects that has been mentioned above.

Although the industry came to a standstill when the pandemic arrived, it boomed by the end of 2020, with more and more people rushing to buy land and apartments. The increasing demand has caused real estate companies to think of new and better ways to attract potential homeowners. Experts say that one of the main reasons for someone to buy an apartment instead of renting is the decrease in home loan interests. The government recently reduced home loan interests to 5.0 percent for the government employees. It is thought that they are spearheading the rising demand for apartments. In addition, reduction of the registration fees, land transfer tax, stamp duty and mutation costs, digitization of land-related paperwork, and the opportunity to whiten black money by investing in real estate are other major reasons for the quick rebound of the housing sector. That is not all. The pattern of customer demand has also changed significantly. Due to the scarcity of land within Dhaka, more people are interested in buying apartments on the city outskirts, namely Diabari, Purbachal, Uttarkhan etc. Flat sales in Aftabnagar and the outer Bashundhara Residential Area have also increased. These locations have many urban amenities and open spaces.

Although things were not right in the real estate market, demand was there. People were still moving homes and buying properties, even during a pandemic. And businesses that were more digitally oriented were better placed to serve these needs. A good example is Bproperty. Bproperty's strong footprint in the digital realm allowed them to encourage and provide for those still interested in real estate. Despite the challenges brought about by the pandemic, Bproperty saw a drastic upward trend in demand soon after the lockdown was lifted.

With most people staying at home, they shifted more towards the digital domain. And Bproperty benefited greatly from this. Its website allowed customers to view properties from their homes. Diligent customer service also ensured that Bproperty and its services were always accessible, with the company receiving thousands of calls from customers, even amidst the pandemic.

The government was also looking at steps to help economic recovery. As a part of the efforts, the national budget allowed 're-investing' undisclosed funds into real estate and financial markets. Taking advantage of the measure, many new investors entered the market, which led to unexpected growth in a pandemic year. Some Tk. 60.0 billion was invested by the end of December 2020, and most of the investments went into the property sector. The government also earned nearly Tk. 8.80 billion as taxes.

Dhaka is growing at an exponential rate. Bangladesh, with an estimated population of 166 million as reported in the 2020 Housing Report, is one of the most densely populated countries in South Asia. Population growth is skewed towards urban areas and urban population has doubled in less than two decades from 31 million in 2000 to 68.8 million in 2020. Currently, urban population comprises almost 39.4% of the total population. Half of the Bangladesh population are estimated to live in urban areas by 2030. Most will end up living in slums or in densely populated houses that pose a serious risk to urban planning, inefficient resource management and public health with bad hygiene.

According to an assessment by IFC of the housing sector in Bangladesh, approximately 11.9 million urban households reside in informal housing. Existing demand for urban affordable housing is 6 million units, which is estimated to increase to 10.5 million units by 2030. In contrast, the supply was only 17,000 in 2019, thus indicating a supply gap of 93%.

There are multiple challenges constraining the development of the urban affordable housing sector in Bangladesh. The delivery of housing units by private sector developers is limited by i) rapidly increasing land prices in urban areas; ii) poor regulatory delivery for necessary clearances, registration, and approvals; iii) land ownership issues; and iv) lack of demand for smaller units, including in peripheral areas. Mortgage finance penetration in Bangladesh's housing market is low at 3% (versus 10% in India and 50 to 70% in developed countries). The estimated existing financing requirement for 3.5 million affordable housing units is $58.8 billion or Tk. 4.9 Trillion.

Opportunities of Real Estate Sector

If we look at this from a historical perspective, this sector has been in the business arena from right after our independence. There are still lots of opportunities waiting for Bangladesh. PWC's recent study shows that by 2030, Bangladesh will be the 28th largest economy.

Considering its huge market, the Bangladeshi real estate sector has huge potentialities such as:

- Moving into new areas like Purbachal, Bosila, Keranigonj, and the outer side of Dhaka city which are spacious and yet to be developed with urban infrastructures. This can be done if the government promotes good schools, colleges, hospitable special commuting facilities, public transportations like intra-city train service.

- The government has undertaken huge roads and high ways development projects all over Bangladesh. Since transportation is the prime need of development for any area, so gradually the government is trying to mitigate this requirement, real estate companies should focus on bringing new projects in different cities of Bangladesh.

- The present urbanization rate is 5-6% annually. Close to 40% of the total population will be living in urban areas by the next couple of years. Only 40% of the people of Dhaka city have standard or below standard housing facilities. Thus, from the comparative analysis, experts assume that the growth of housing demand will stay for a long time.

- The focus should be given to lower-middle-class people affordable housing solutions. A large number of people are entering this class thus demand for their affordable home is increasing and a great business opportunity is waiting for private real estate companies.

- Currently, 68% of the residents in Dhaka live in rented properties. Of them, 82% percent say the rent exceeds their affordability (Source: ICE Business Times). Real estate companies have a potential market for this segment if the companies can provide apartments at a reasonable price.

- Banks and NBFIs are now providing home loans at very cheap interest rates. Thus more people will be interested in purchasing flats. This has already created a huge demand for apartments purchase.

- A slash in the registration fee of a property's price will be a positive notion for individuals to buy apartments.

Challenges of Real Estate Sector

According to government estimates, at least 1,418 people are adding to the population of Dhaka every day. Currently, the population density of Dhaka stands at approximately 80,000 people per square kilometer.

The real estate sector is facing several challenges for many years. The main challenges are described below:

- There is a lack of commitment between some of the real estate companies and individual buyers. A legal framework is also missing for the real estate sector to uphold buyers' rights.

- The marketing strategy of some real estate and land development companies often creates a problem. Some of the new, as well as old companies, have conducted some unprofessional incidents in recent times by giving fake advertisements of land sales and apartment projects.

- According to real estate experts, the giants of the industry will require less time to start their operations back up again after Covid 19 effect. However, those tier-2 or tier-3 developers need to assess their current situation and communicate with their buyers about the path ahead on whether there might be a delay in handover, a change in plan, or even if everything is on schedule for reassurance.

- Lack of structured urbanization plan and incentives from concerned authorities. A new urbanization plan is required which will include appropriate utility facilities, road development, education, and medical treatment facilities. Missing these development activities is creating barriers for real estate companies to enter into new and emerging areas.

- Lack of coordinated effort of all the development authorities which includes 12 city corporations and the 330 municipalities.

- The low compensation package for real estate employees. As a result, real estate companies can`t attract good HR onboard except for some top-tier real estate companies.

- High fees for property transfer and registration: The registration fee in

Bangladesh has been reduced from 14% to 10% on the total price of the flat, but this rate is still higher compared to many countries in Asia.

- Maintaining a lower interest rate for the home loan for individual consumers will be a great challenge in near future. As lower interest rate has encouraged people to take loans for asset purchase, opposite of this may also happen if interest rate increased.

The sector has extensive potential to attract investment to its various segments. However, progress is possible only with the joint efforts of both the industry and the government. The government must provide favorable policies to developers to build low-cost and affordable housing for the masses. Realistic and long-term policy guidance for the real estate sector must be taken by the government to encourage investment and development in Bangladesh's real estate. The notion of 'affordable housing' must be popularized to set a minimum standard of accommodation for all citizens. Without proper accommodation, we cannot develop a capable workforce for contributing to the national economy. Judging the multi-sectoral nature of housing, it is clear that one or two isolated initiatives will not be enough to solve the overall housing problem. Government and private developer companies have to work together for the bright future of the real estate sector of Bangladesh.

Product wise Performance

- **Performance of Home Loan Operations 2021**

The year 2021 began with bit of optimism after an underwhelming 2020, which was severely affected by the pandemic and subsequent aftermath. In the first quarter of 2021, market demand and Home loan disbursement were on the rise and DBH had disbursed about Tk. 326 Cr in the period resulting 77% growth compared to same period of 2020.

However, the second wave of Covid hit the country from April, 2021 onwards and fresh lockdowns and restrictions were imposed to protect human lives from the deadly impact of Coronavirus. During that period, the Covid-19 situation took a serious turn both inside the country and in the neighboring countries.

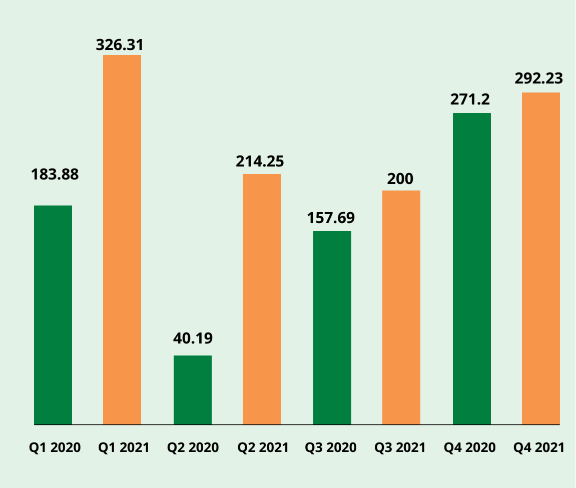


Figure 1: Quarterly Home loan disbursement in 2020 & 2021 (amount in Cr)

As infection rate rapidly increased, Government and subsequently Bangladesh Bank issued directives for government and private sector organizations including banks and FIs to be operated with limited capacity in person for reduced working hours to reduce spread of virus infections. The situation continued like that till August, 2021. Such measurements made impact on home loan disbursement and most banks and FIs including DBH had lower than projected home loan disbursement figures from April 2021 onwards almost till July 2021. During the 2nd and 3rd quarter, disbursement figures were lower than projected figures but actual figures were still significantly higher than figures of year 2020 for the same period. At the end of third quarter 2021, DBH achieved 94% disbursement growth compared to same period of 2020.

From September 2021 onwards home loan business started to rebound as infection rate of Covid-19 came down significantly and everything was gradually coming back to normalcy. DBH ended the year 2021 with net disbursement figure of Tk. 1033 crore having 58% growth compared to the disbursement figure of 2020.

Rate of interest of home loans remained low and unchanged throughout the year and most bank and FI were lending between 7.50% to 8.50%, lower than Central bank imposed lending rate cap of 9%, which was applicable for banks. But as the specialized housing finance company with exclusive focus in home loans, DBH had to offer attractive rates to its clients to remain competitive in the market and retain portfolio. The weighted average Rate of Interest of DBH's home loan portfolio was almost 10% in December 2020 which came down to 9% in December 2021. The new disbursements were taking place between 7.50% to 9.00%. Cost of fund was gradually coming down till August 2021 and then started to increases slightly from September, 2021 onwards. net interest income margin remained relatively stable throughout the year and was reducing a bit in the last quarter of the year.

Despite the hefty growth in disbursement, net portfolio growth for the year was 2.5% only which was short of the projected and targeted portfolio growth. Loan portfolio stood at appx Tk. 4,383 crore at end of December 2021. Major reason for the low portfolio growth was high level of prepayment throughout the year. Most prepayments were made by clients voluntarily to reduce loan liability resulting from the feeling of uncertainty in the pandemic situation. Also the reduced rates offered in savings and deposit products prompted them to encash the savings and pay off the loans. In addition to self-prepayments made by clients, few private banks were very aggressive in balance transfer products offering significantly lower rates than the market and higher loan amount. This phenomenon by a particular bank was experienced by all other players of the industry, though the viability of such short-sighted approach is always questionable. Also because of lending rate caps applicable for all products offered by the banks, many banks chose to focus more on secured lending, so the competition in housing finance was fierce throughout the year and banks with less focus in housing finance earlier also captured some share of the market because of their revised focus derived from the lending rate cap.

However, despite challenges, DBH had always been able to keep the operational cost down and mobilize fund at relatively lower cost due to the excellent market reputation and this enabled DBH to remain competitive in the market even with front liner banks in operation. There were no payment deferral facilities in 2021 and naturally, the effect of Covid-19 began reflecting in the non-performing loan figures. Numerous jobs were lost, salaries were reduced, business were shut down or lost significant revenue as a direct effect of the pandemic and it obviously affected repayment capacity of many DBH clients, as did for all other banks and FIs of the country. As of end of Dec 2021, non-performing loan (NPL) for DBH stood at 0.63% which is still by far the lowest in the industry.

In 2021, DBH actively made efforts to penetrate the market geographically to cater to more prospective home loan clients. As a result, DBH introduced their first establishment at Mirpur and launched their first service center in June 2021. After thorough market analysis, at the end of 2021, DBH also opened their 12th branch at Khulna, a divisional city in the southern region of the country. DBH also got permission to open branch in Rajshahi, another divisional town in the northern region of the country. This branch will be open in early 2022. This will be a continuous process and DBH will explore scope for further geographical expansion to cater to larger client base in upcoming years.

In addition to geographical expansion, DBH also have launched two other retail loan products namely Personal loan and Car loan in addition to Home loan product. As usual, DBH will ensure strict credit parameters similar to existing practices so that NPL remains at desired level.

- **Performance of Deposit Portfolio**

Over the years DBH has established itself as one of the leading depository institutions 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, Day-wise Deposit, Monthly Income Deposit, Quarterly Income Deposit, Flexible Fixed Deposit, Easy Deposit, Cumulative Deposit, Double Money Deposit, Deposit Pension Scheme (DPS). 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, 2021 the deposit portfolio of DBH stands at Tk. 43,978.36 million with an interest payable worth another Tk. 818.47 million. The deposit portfolio of DBH closed almost at the same level when compared that of the preceding year maintained a growth of 0.36% in FY 2021, 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, 2021, the LAD portfolio of DBH stood at Tk. 128.53 million.

Recovery

Defaulted loans at non-bank financial institutions (NBFI) has reached to Tk. 11,757 crore after September of 2021 in a gap of three months, which was Tk. 1429 crore higher than the April-June quarter. Non-performing loans (NPLs) in the 34 NBFIs in Bangladesh stood at Tk. 10,328 crores after June quarter, which was 15.39% of the total credit. The amount increased to Tk. 11,757 crores, up by 17.62% compared to the previous quarter. 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. Besides many credit recipients who got benefits from the NBFIs during the Covid pandemic are now willingly turning into defaulters.

In terms of NPL, DBH is in far better position than the industry scenario. The Classified loans of DBH reached to Tk. 276.52 million with NPL ratio of 0.63% at the end of 2021. While aggregate NPL ratio for both Banks and FIs have 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. 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. 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 Tk. 43,978.36 million which holds 76.62 percent of our funding basket.

The funding of our company also comprises of both long term and short term bank loans to manage our cost of fund efficiently. The Bank loan portfolio of DBH consists of funds received under Housing Loan Refinance Scheme of Bangladesh Bank worth Tk. 1,470.26 million and received commercial loans from local market worth Tk. 3,952.38 million.

DBH has also issued a 4-year Zero Coupon bond with an issue size of Tk. 3.00 billion of which Tk. 753.03 million has subscribed till the closing of 2021. Apart from that the shareholders' contribution to the funding mix is Tk. 7,244.13 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, 2021 is presented below:

Source	Amount in Million Taka
Deposits	43,978.36
Borrowing from Banks, FIs & Other Agents	6,175.67
Equity	7,244.13

Treasury Operations

Money market continued to be liquid round the year except for relative tightening towards end of the year mainly due to liquidity mop up by central bank coupled with exchange rate devaluation, rising inflation owing to declining flow remittance and rising import payments. Excess liquid assets in the banking industry increased over the period of FY21 and onwards due to lower private-sector credit demand owing to COVID-19 pandemic, huge inflow of remittances, easing monetary policy instruments and injection of funds under a massive stimulus package initiative. However as mentioned earlier, total excess liquid assets slightly decreased in December, 2021 compared to that of November, 2021.

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.

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 maintaining stable liquidity coupled with fostering arbitrage income during 2021. 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.

Investment in Securities

The market went through a bullish ride that continued till Q3'21, however, it took a break during Q4'21. DSEX gained 25.1% YoY in 2021. Continuation of the low-interest rate due to excess liquidity in the banking channel, earnings growth stemming from the economic recovery, and praiseworthy regulatory steps by the new BSEC board increased investors' confidence in the capital market. Turnover increased significantly during this period.

Average Daily Turnover (ADTV) increased by 127.3% in 2021, led by Pharma, Bank, General Insurance and Textiles. Paper & Printing sector outperformed the market (121.0% return) during 2021, while Jute sector underperformed (-28.2% return). Among the large-cap sectors, Food & Allied and Bank sectors outperformed the market, Pharma made decent stride, while Engineering, Fuel & Power, and Telecom performed on the lower end.

The IPOs performed exceptionally well in 2021. A total of 13 IPO scrips cumulatively gained 43.6% from their initial debut trading date. Moreover, the market cap (MCAP) of 4 scrips that have upgraded from the OTC market gained 6.55x during 2021.

Despite the bullish trend, MNCs slightly underperformed relative to the market in 2021 (20.9% return). The top 10 large-cap scrips underperformed during the period (15.6% return), however, free-float-based top 10 large-cap scrips performed in line with the market (26.1% return).

Positive momentum in the capital market during the year helped us to realize some extra gains from our portfolios. The annual return from the portfolios was around 19%. Total gain from the portfolios reached Tk. 12.5 cr. as against Tk. 2.4 cr. in the previous year.

Human Resources

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

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

A separate report on human resources has been presented on page no. 127 of this report.

Information Technology

During the financial year 2021, DBH successfully implemented *ISO 27001:2013* standard frameworks and best practices for risk-based, systematic and cost-effective information security management and got certified. This certification increased the reliability and security of the systems and information. It improved the confidence of customers and business partners and also developed the management processes and integration with corporate risk strategies.

In the year under review, the *Interactive Voice Response (IVR)* and *Visual Interactive Voice Response (VIVR)* to ease customer interaction and services were implemented. The EDS Money System for Call Money was also implemented and the first time we directly connected with Bangladesh Bank through BACH II connectivity. Furthermore, the *e-KYC Application* which is collaborated with the NID server to know and verify customer information electronically was successfully introduced which has significantly reduced the credit risk by facilitating NID and face verification of the applicants and customer risk profiling based on the application form. Currently, we are in the process of implementing an Online Loan Application System which will enhance customers' facility to apply for a loan using the online platform and will reduce the geographical boundaries for the clients.

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 Employees 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 16 (sixteen) 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 2020.

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, 2021 amounts to Tk. 43,831 Million. We have extended loan to around 18,142 customers to meet their housing need, which is one of the basic needs of people.

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

Taka in Million

Particulars	December 31, 2020	December 31, 2021
Income Tax paid on company's income	491.04	646.44
Tax collected at source on behalf of Government	466.25	328.54
Value Added Tax (VAT)	36.43	47.31
Excise Duty	59.76	64.40
Total	**1,053.48**	**1,086.69**

Creating employment has a vital impact on the economy and number of employees of DBH as on December 31, 2021 was 316. Efficient workforce is very important for the organization as well as for the country. Keeping same in view, DBH has spent Tk. 0.19 million for training of its employees. During the period from January 1, 2021 to December 31, 2021, DBH has paid Tk. 377.35 million as salaries and allowances to its employees.

Contribution to the society during the year

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

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

The details of the CSR initiatives have been presented under the head of Corporate Social Responsibility on the page no. 115 of this report.

Highlights on Financial Performance

(Figures in Million Taka)

Particulars	December 31, 2020	December 31, 2021
Operating Revenue	6,108	5,373
Interest Expense	3,960	2,890
Operating Expense	523	565
Profit Before Provisions	1,625	1,918
Profit Before Tax	1,498	1,721
Net Profit After Tax	891	1,044

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. 109).

- 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. 124.

Explanations on Significant Deviations from the last year's results

NOCFPS of the company in 2021 was Tk. (0.04) as against Tk. 15.67 of 2020. A significant difference in cash generation from Loans and advances to customers year-on-year (y-o-y) was the main reason for such change.

In line with the national as well as the global economic recovery, the lending activity of the company made a significant comeback in the year 2021. As a result, the excess surplus cash flow position of the year 2020 was optimized in the year 2021. In the year 2021 company made a significant growth of disbursements of loans & advances to customers and utilized cash flow from Loans and Advances to customers of Tk. 1,771 million of the year 2020 and closed at (-) Tk. 1082 million by the end of the year 2021.

Other than the NOCFPS, 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 has 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 2021 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 2021 have recommended @ 25%

dividend [@ 15% cash i.e. Tk. 1.50 per share and @ 10% stock i.e. 1(one) share against every 10 (ten) 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 on page nos. 10 to 19 of the Annual Report.

As per the Companies Act and Articles of Association of DBH, one-third of the Directors are required to retire from the Board every year in the Annual General Meeting, comprising those who have been the longest in office since their last election. Accordingly, the following Directors will retire in the 26th Annual General Meeting, and being eligible for re-election, they are seeking re-election to the Board.

- Dr. AMR Chowdhury (representing BRAC)
- Ms. Mehreen Hassan (representing DLICL)
- Mr. Syed Moinuddin Ahmed (Representing GDIC)

According to 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.

- Maj. Gen. Syeed Ahmed BP, AWC, PSE (Retd.)

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

a) Brief resume of the Directors have been included on 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 an 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

M/S. ACNABIN, Chartered Accountants, an eligible chartered accountant firm for auditing the financial institutions as well as the listed companies (listed with BB, BSEC & FRC) have been serving the Company for the last two years as statutory auditors and will retire in the forthcoming AGM. According to Bangladesh Bank and BSEC rules, they are eligible for re-appointment for the Accounting Year 2022. In this regard, subsequent to their request for re-appointment for the year 2022, the Board recommended to re-appoint them with a fee of Tk. 5,00,000.00 plus VAT, subject to prior approval from Bangladesh Bank.

Hence, the agenda for the 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 ten 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 2021	
				Date of Board Acceptance	
				Joining	Leaving
Mr. Nasir A. Choudhury Chairman	Green Delta Insurance Company Ltd.	10	10	-	-
Dr. A M R Chowdhury Vice Chairman	BRAC	10	9	-	-
Ms. Mehreen Hassan, Bar- at- Law	Delta Life Insurance Company Ltd.	10	10	-	-
Mr. Md. Mujibur Rahman	Delta Life Insurance Company Ltd.	10	10	-	-
Mr. Syed Moinuddin Ahmed	Green Delta Insurance Company Ltd.	10	10	-	-
Mr. M. Anisul Haque, FCMA	Delta Life Insurance Company Ltd.	10	10	-	-
Mr. Mohammad Anisur Rahman	BRAC	10	9	-	-
Ms. Rasheda K. Choudhury	Independent Director	10	9	-	-
Major General Syeed Ahmed, BP (Retd.)	Independent Director	10	10	-	-

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	10	80,000	0	0	0	0	80,000
Dr. A M R Chowdhury Vice Chairman	9	72,000	7	56,000	0	0	1,28,000
Ms. Mehreen Hassan, Bar- at- Law	10	80,000	7	56,000	0	0	1,36,000
Mr. Md. Mujibur Rahman	10	80,000	0	0	4	32,000	1,12,000
Mr. Syed Moinuddin Ahmed	10	80,000	0	0	4	32,000	1,12,000
Mr. M. Anisul Haque, FCMA	10	80,000	0	0	4	32,000	1,12,000
Mr. Mohammad Anisur Rahman	9	72,000	0	0	0	0	72,000
Ms. Rasheda K. Choudhury	9	72,000	0		4	32,000	1,04,000
Major General Syeed Ahmed, BP (Retd.)	10	80,000	0	0	4	32,000	1,12,000
Total	-	**6,96,000**	-	**1,12,000**	-	**1,60,000**	**9,68,000**

Pattern of Shareholdings

As on 31st December 2021 **Annexure-iii**

Shareholding position of Sponsors:

Name	No. of Shares held	Percent (%)
BRAC	32,596,016	18.39
Delta Life Insurance Company Limited	31,247,046	17.63
Green Delta Insurance Company Limited	27,130,814	15.31
Mr. Kazi Fazlur Rahman	0	0.00
Mr. Faruq A. Choudhury	33	0.00
Dr. Salehuddin Ahmed	33	0.00
Mr. Q. M. Shariful Ala, FCA	0	0.00
Total	**90,973,942**	**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	46,547 (Shares held by her spouse)	0.00
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	-	-
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 & Administration	-	-
Mr. Md. Zakaria Eusuf	Head of Loan Operations	-	-

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

Name of the Shareholders	No. of Share(s) held	Percent (%)
BRAC	32,596,016	18.39
Delta Life Insurance Company Limited	31,247,046	17.63
Green Delta Insurance Company Limited	27,130,814	15.31

Management Discussion and Analysis

World Economy

The global economy continues to recover, along with trade, employment, and incomes. But the revival was unbalanced, with countries, businesses, and people facing very different economic realities. Recent improvements also conceal structural changes, which mean that some sectors, jobs, technologies, and behaviors will not return to their pre-pandemic trends. The situation was extraordinary yet OECD's economic outlook was cautiously optimistic. It focuses on the policies needed to balance such uncertain circumstances with the unusual appearance of rising inflation pressures at an early stage of the recovery. Health, supply constraints, inflation, and potential policy missteps are all key concerns.

OECD projected that the global recovery will continue, with the world coping better with the pandemic and monetary and fiscal policies remaining generally supportive throughout 2022. After a rebound of 5.6% in 2021, global growth would move along at a brisk pace of 4.5% in 2022, moderating to 3.2% in 2023.

Table: The global recovery is continuing but remains imbalanced

	Average 2013-2019	2020	2021	2022	2023	2021 Q4	2022 Q4	2023 Q4
				Percent				
Real GDP growth [1]								
World [2]	3.3	-3.4	5.6	4.5	3.2	3.8	3.9	3.2
G20 [2]	3.5	-3.1	5.9	4.7	3.3	4.1	3.8	3.3
OECD [2]	2.2	-4.7	5.3	3.9	2.5	4.4	3.3	2.2
United States	2.4	-3.4	5.6	3.7	2.4	5.1	3.0	2.3
Euro area	1.9	-6.5	5.2	4.3	2.5	4.9	3.3	2.1
Japan	0.8	-4.6	1.8	3.4	1.1	0	3.1	0.9
Non-OECD [2]	4.3	-2.2	5.8	4.9	3.8	3.2	4.3	4.0
China	6.8	2.3	8.1	5.1	5.1	3.9	5.5	5.0
India [3]	6.8	-7.3	9.4	8.1	5.5			
Brazil	-0.3	-4.4	5.0	1.4	2.1			
Unemployment rate [4]	6.5	7.1	6.2	5.5	5.2	5.7	5.4	5.1
Inflation [1,5]	1.7	1.5	3.5	4.2	3.0	4.9	3.4	3.1
Fiscal Balance [6]	-3.2	-10.4	-8.4	-5.2	-3.7			
World real trade growth [1]	3.4	-8.4	9.3	4.9	4.5	6.1	5.2	4.2

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: OECD Economic Outlook 110 database.

The global recovery is strong but imbalanced

The recovery was real, but the task for policymakers was a tough one. They must balance prudence, patience, and persistence while developing new and improved plans to transform economies in ways that will build much better resilience to the risk of rising imbalances.

Output in most OECD countries has now surpassed its late-2019 level and is converging on its pre-pandemic path but lower-income economies, particularly those where vaccination rates are low, are at risk of being left behind.

The unevenness of the recovery is widespread

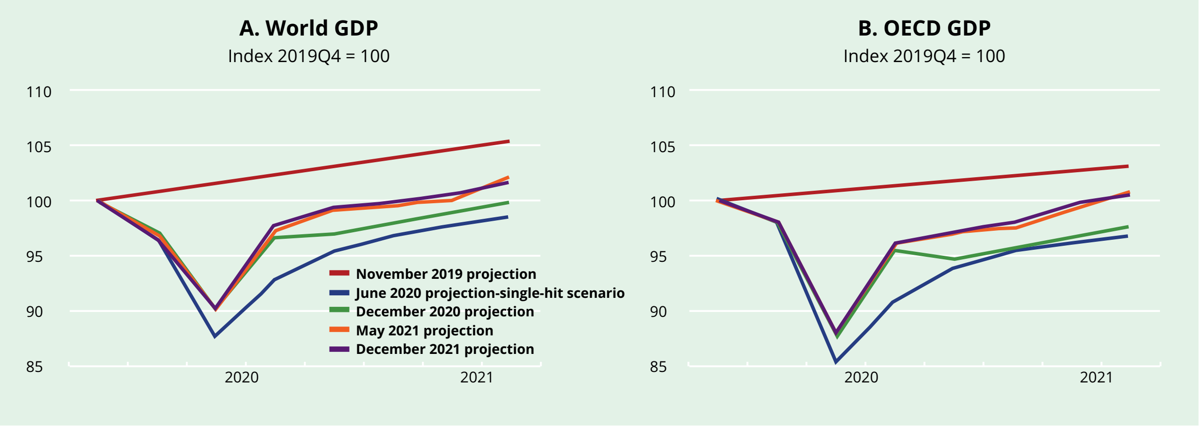
The recovery was also uneven within advanced economies. Employment was relatively weak in the United States but was higher than its pre-pandemic level in the Euro Area. At the same time, United States GDP has recovered faster than Europe's. Different protection models mean different challenges looking ahead.

The labour market is imbalanced. Many people are struggling to find jobs yet businesses in a number of sectors have difficulty recruiting workers. The skills demanded in the wake of the crisis are not necessarily the same as before.

A shortage of workers in some sectors also reflects a decline in labour force participation rates in most OECD countries. Participation is expected to normalise as the effects of the pandemic wane increasing labour supply helping to keep wage growth moderate.

Imbalances also remain across industries, with sectors dependent on interpersonal contact such as travel, tourism and leisure continuing to suffer, while demand for consumer goods has been strong, especially in the United States.

Chart: The global recovery has outstripped expectations but is not complete



Strong goods demand faces supply bottlenecks

The rebound was losing some momentum as the surge in demand for goods has met bottlenecks in production chains. Inflation pressures have emerged in all economies, as:

- disruptions in energy, food, and commodity markets have pushed up prices
- high energy prices and fuel shortages are limiting the manufacturing of key materials and intermediate goods
- bottlenecks in production chains are spreading to more generalized shortages of goods.

The renewed inflationary pressures risk lasting longer than expected a few months ago. Rising food and energy prices are hitting low-income households in particular.

Financial markets

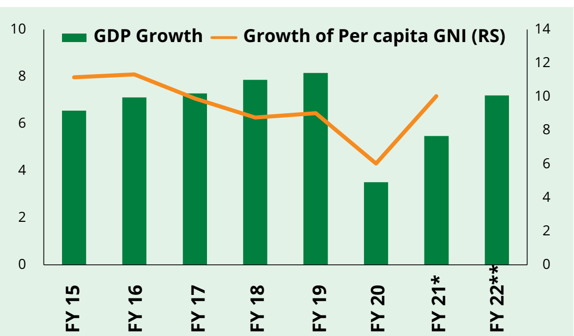
Financial conditions have generally remained very favourable in both advanced and emerging-market economies. Reflecting ample policy support and robust investor risk appetite, bond issuance by sovereigns, non-financial corporations and financial firms has been very strong in 2021, and spending on mergers and acquisitions has soared. Spreads for lower-grade corporate bonds are still low, corporate debt levels have continued to rise, and asset valuations appear very stretched in some markets, especially housing. These developments raise vulnerabilities to abrupt risk repricing in financial markets. The uncertain outcomes from the financial distress being experienced by China's largest property developer could also trigger swings in risk appetite and slow global growth.

In contrast to the global financial crisis (GFC), current vulnerabilities seem to be more concentrated in the corporate sector. With the exception of China, household debt has been relatively stable over the last decade and household balance sheets are currently stronger than they were in 2007. More broadly, the GFC experience has played a role in limiting the amount of risk-taking in the household sector. Global corporate debt, on the other hand, has grown rapidly since the GFC, even as global corporate credit quality was declining.

Bangladesh Economy

Available indicators until September 2021 suggest that the Economic activities continued to recover in Q1FY22 largely driven by activities in the agriculture and industry sectors in response to supportive monetary and fiscal policies, improved business confidence, declining COVID-19 infection rate, and increasing coverage of vaccination across the country. However, activities in the service sector appeared to have moderated somewhat in this quarter as indicated by slower growth in credit to the service sector. Indicators related to aggregate demand depicted a mixed trend of economic activities in Q1FY22. In the external sector, a surge in import demand (47.59 percent year-on-year growth) and robust growth in export (11.57 percent) indicated a strong recovery in Q1FY22, while remittance inflows fell by 19.80 percent during the same period. On the domestic front, credit to the private sector improved slightly at 8.77 percent in Q1FY22. Bangladesh's economy recovered notably and registered 5.47 percent economic growth in FY21 after GDP growth slowed down to 3.51 percent in FY20 because of the fallout of the COVID19 pandemic.

Chart: Growth of Real GDP and Per Capita GNI
(In percent)



*Provisional ** Target
Source: Bangladesh Bureau of Statistics (BBS).

Agriculture Sector

The agriculture sector maintained a solid performance both in FY20 and FY21 amid the COVID-induced economic slowdown. Overall, credit to the agriculture sector grew by 11.69 percent (year on year) in Q1FY22. Following the resilient trend of this sector, the target of total rice production was set at 39.48 million metric tons (MMT) for FY22, indicating higher than the actual production of FY21. Among non-rice crops, the annual growth targets for the production of maize, jute, vegetables, and onion were set at 3.7 percent, 11.5 percent, 1.5 percent, and 4.2 percent for FY22, respectively. Given these targets, data reported by the Department of Agricultural Extension (DAE) showed that aman rice, the second-largest crop of the country, was cultivated in higher than targeted acreage aided by favourable rice price and various supportive measures, including the supply of sufficient low-cost credit in a timely manner and benign weather condition.

Industry Sector

The industry sector rebounded in FY21 by registering 6.12 percent growth after a growth slump to 3.25 percent in FY20. Following the recovery trend, the industry sector registered a noticeable growth in Q1FY22, reflected in the growth in industrial production and other indicators related to the industry sector. The latest data on industrial production available until August 2021 posted 7.33 percent growth (year on year) in the first two months of FY22, driven mostly by large and medium scale industrial production.

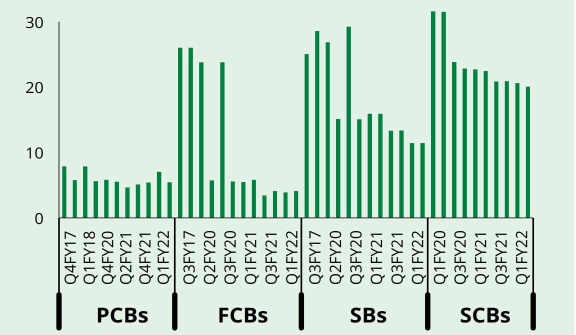
Service Sector

The growth momentum in service sector-related activities moderated in Q1FY22 after maintaining buoyancy in the preceding three quarters as reflected by different proxy indicators. Among those proxy indicators, total cargo handling through Chattogram seaport, credit to trade and commerce, and consumer finance declined somewhat and grew by 22.16 percent, 7.0 percent, and 22.79 percent in Q1FY22 (y-o-y). However, the rebound of growth in the industry sector will have lagged knock-on-effects on the service-related sectors. Besides, policy supports coupled with positive developments in related sectors, such as healthy growth (48.60 percent) in the fresh opening of import LCs, will also have positive impacts on the service sector.

Banking Sector

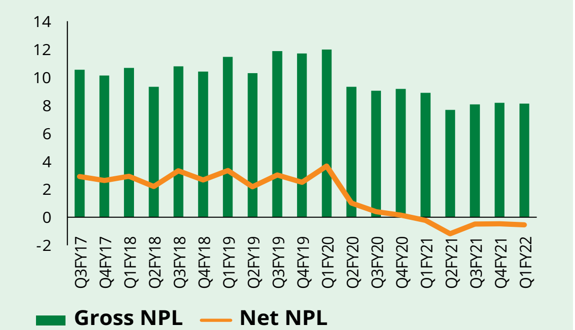
The performances of the overall banking sector exhibited a mixed trend at the end of Q1FY22 as reflected in a marginal improvement in non-performing loans (NPLs), a moderation in capital to risk-weighted asset ratio (CRAR), an increase in the growth of bank's advances, a decline in provisions maintained against bad loans, an improvement in profitability, and maintenance of adequate liquidity. The ratio of gross NPLs edged down in Q1FY22 from Q4FY21 after rising consecutively for the past two quarters, mostly facilitated by the state-owned commercial banks (SCBs). The ratio of gross NPLs to total loans edged down to 8.12 percent at the end of Q1FY22 from 8.18 percent at the end of Q4FY21 and 8.88 percent at the end of Q1FY21, partly owing to the relaxation of loan repayment policy due to COVID-19 hit business activities and strengthening loan recovery activities and loan disbursement screening by the banks. The gross NPLs ratio for SCBs dropped to 20.07 percent at the end of Q1FY22 from 20.62 percent at the end of Q4FY21 and 22.46 percent at the end of Q1FY21. While the ratio of gross NPLs for private commercial banks (PCBs) and foreign commercial banks (FCBs) inched up to 5.47 percent and 4.12 percent respectively at the end of Q1FY22 from 5.44 percent and 3.91 percent respectively at the end of Q4FY21 (Chart 2 & Chart 3). But the system-wide net NPLs ratio of the banking industry saw an improvement from -0.47 percent at the end of Q4FY21 to -0.55 percent at the end of Q1FY22.

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



Source: Bangladesh Bank

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



Source: Bangladesh Bank

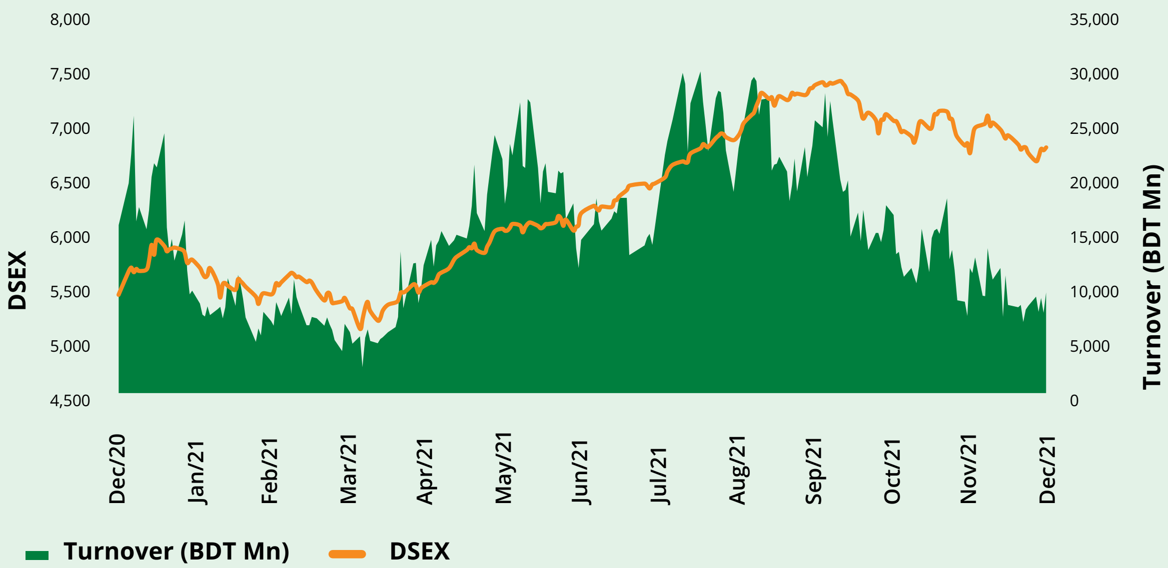
According to the Bangladesh Bank's quarterly publication for the Q1 of 2022, it finds that in tandem with policy relaxations which started in the wake of the COVID-19 pandemic, the weighted average lending rates, particularly for PCBs and FCBs declined gradually during the pandemic period. It was assumed that since the current weighted average market lending rate which was 7.2 percent in September 2021 was much lower than the cap, i.e. the cap has not created any distortion in the lending rate. They also observed a gradual reduction of the spread between lending and deposit rates after the imposition of the lending rate cap by type of bank, which indicates discipline in operational costs and risk premiums in the banking sector.

Though the interest rates on deposits have been decreasing over time, the total volume of deposits maintained more than 13 percent growth during the pandemic period against the sluggishness in business activities as reflected in lower credit growth. This resulted in huge excess liquidity amounting to BDT 2.24 trillion in July 2021. In the case of fixed deposits, while the deposit rates were decreasing slowly during the COVID-19 period, banks still pay more than the prevailing inflation rates. The BB, in its latest instruction on deposit rate rationalization for the savings products with 3 (three) months or more, would like to ensure that depositors get returns sufficiently above the prevailing inflation rates. BB's current policies are to boost investment activities while supporting the creation and retention of jobs as they are critical to recovering the economy from the COVID-19 fallout.

Capital Market

A bullish trend was observed in the Capital Market of the country till Q3 of 2021, however, it took a breather during Q4 of 2021. DSE Broad Index (DSEX) gained 25.1% and stood at 6756 points on the last day of December. The market capitalization of DSE stood at BDT 5422 billion at the end of December 2021. Market turnover also increased significantly during this period.

Continuation of the low-interest rate due to excess liquidity in the banking channel, earnings growth stemming from the economic recovery, and praiseworthy regulatory steps by the Bangladesh Securities and Exchange Commission (BSEC) and the Government boosted the investor's confidence in the capital market. These initiatives include: (a) banks can invest in private green Sukuk bond from the capital market special fund which amount is BDT 200 crore, (b) to attract the foreign investors, BSEC has organized several roadshows in different developed countries such as the USA, UK, Switzerland, and UAE, and (c) downward revision of the profit rate on different national savings certificates. In addition, Bangladesh Bank also undertook several policy measures under the stimulus packages to deal with the COVID-19 pandemic which helped amplify liquidity in the market, support investor confidence and stabilize the capital market.



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 as well as to provide the lending services.

The financial industry comprised of 61 banks and 34 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. As per BB data, the amount of defaulted loans in the non-bank financial institutions (NBFIs) reached to Tk. 11,757 crore at the end of September 2021.

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

DBH selects and applies its accounting policies consistently for similar transactions, other events and conditions, unless an IFRS requires or permits categorization of items for which different policies may be appropriate. During the year 2021 the company has not adopted any change in 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

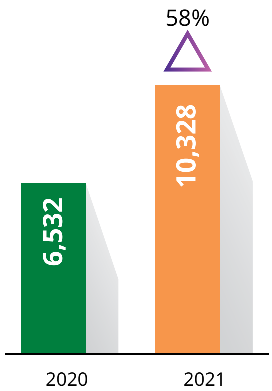
The financial year 2021 has been challenging one with an operating environment, due to the Covid 19 related uncertainties & lockdowns. Nonetheless, we have managed to end the year with satisfactory results.

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:

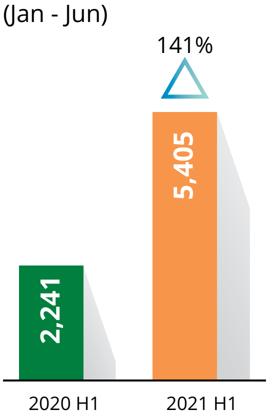
Net loan disbursement for the year 2021 stood at Tk. 10,328 M which is 58% higher than same period last year. The year started strongly and disbursement growth was hefty in first quarter. Second wave of Covid disrupted disbursement in 3rd quarter of 2021.

Net Disbursement
(Jan to Dec)

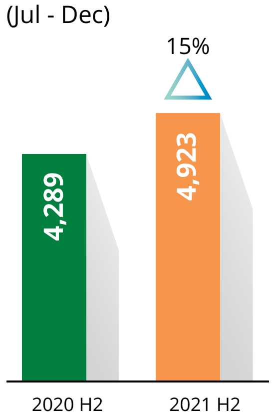


Though the effect of Covid19 was still in the economy, but disbursement increased significantly from same period of preceding year. Disbursement in first half of the year increased by 141% and because of the effect of second wave, disbursement growth was 15% in second half of the year.

Disbursement
(Jan - Jun)



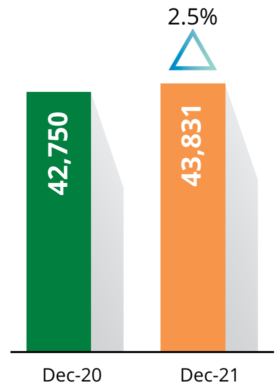
Disbursement
(Jul - Dec)



The loan Portfolio increased by 2.5% from previous year and stood at Tk. 43,831 M at the end of 2021. Higher level of prepayment than budget affected desired level of portfolio growth.

Weighted average Rate of Interest at the beginning of 2021 was 10.24% which came down to 9.06% on December 31, 2021.

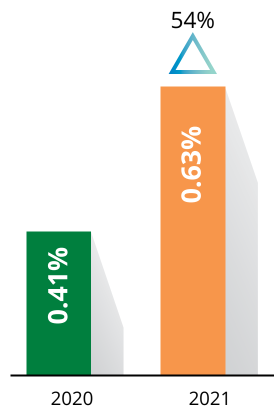
Portfolio



Non-Performing Loan (NPL):

DBH's Non Performing Loan (NPL) increased to 0.63% at the end of 2021 from 0.41% of 2020. DBH always kept its NPL around 0.50% of the loan portfolio without any significant write off. Cumulative written off Loan amount is Tk. 9.3 M only since inception. The increase of NPL this year is due to effect of Covid in the economy, but still it is one of the lowest in the industry. The lower level of NPL and lower level of written off amount indicate the high quality of DBH loan portfolio.

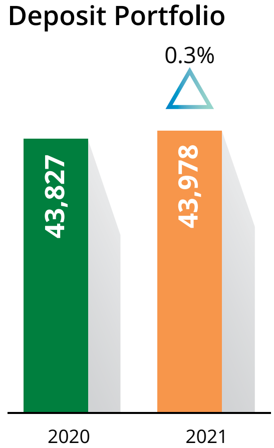
NPL



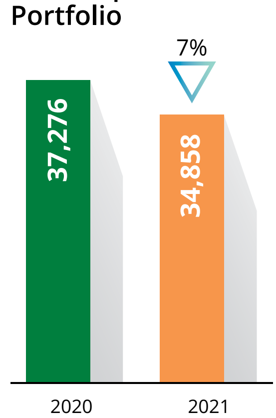
Deposit Mobilization and Portfolio:

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

Deposit Portfolio



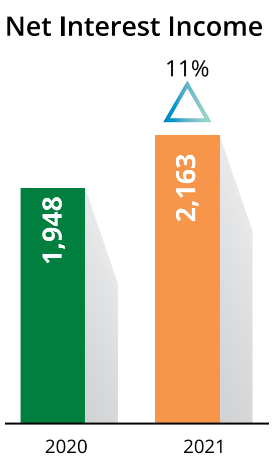
Core Deposit Portfolio



Mobilisation targets are set in relation to fund requirement objective at the targeted price. DBH mobilized Tk. 9,140 M new deposits during 2021 and deposit renewal ratio during the period was 85%. The deposit portfolio at the end of 2021 stood at Tk. 43,978 M.

Weighted average rate of interest of deposit portfolio was 6.40% at the beginning of 2021, which came down to 5.60% on December 31, 2021.

Net Interest income:

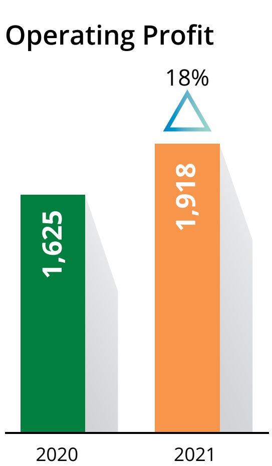


Interest Income of the company stood at Tk. 5,053 M, which was Tk. 5,908 M in 2020, which represents a negative growth of 15%. This was caused because of the lower level of loan interest rate prevailing throughout the year. But interest expense of DBH reduced to Tk. 2,890 M from Tk. 3,960 M of previous year, marking a reduction of 27%. As net result, Net Interest Income increased to Tk. 2,163 M from Tk. 1,948 M of 2020, representing a growth of 11%.

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:

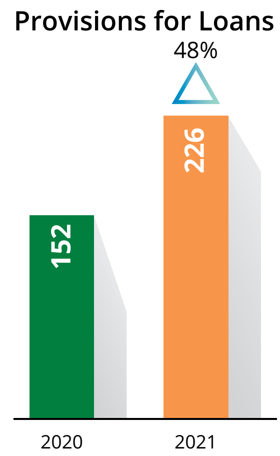
Total investment of DBH was Tk. 678 M and out of it Tk. 599 M was in the marketable securities. From that investment, net investment income of 125 M was earned in the form of capital gain and dividend income. Investment income increased by 421% in the year.



Operating Profit:

Operating Income of the company increased from 2,148 M to Tk. 2,483 M, which is a positive variance of 16%. Net Interest Income constituted 87% of the Operating Income and played the major role in the increase of Operating Income. Operating expense increased to Tk. 565 M from Tk. 523 M of 2020, a growth of 8%. As a result, operating profit increased to Tk. 1,918 M from Tk. 1,625 M of previous year, representing a positive growth of 18%.

Provisions for Loans and Advances:

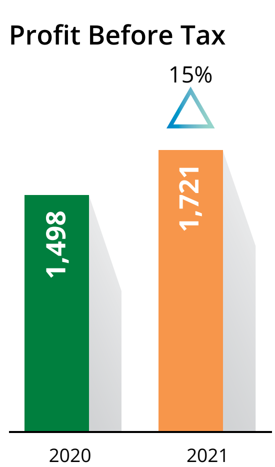


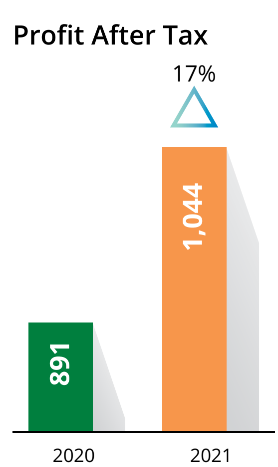
NPL figures increased from 0.41% to 0.63% in the year. Still this is one of the lowest in the industry. DBH always followed a very stringent policy for loan provisions in line with international best practices. If any loan becomes overdue for more than 180 days, DBH makes provision for 100% of the loan amount.

This specific provision had impact on pre tax profit and net profit after tax, but this has been done as per international best practices and 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:

Net profit after tax stood at 1,044 M compared to 891 M of last year, which is 17% higher compared to last year. Higher level of net interest income and investment income contributed to the net profit growth.





Cost to Income Ratio:

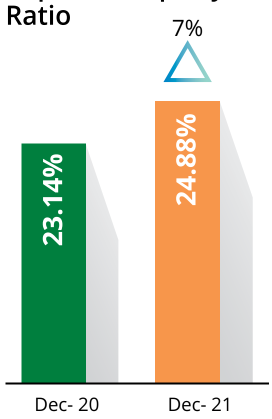
DBH has been able to keep cost to income ratio within 25% level which is one of the lowest in the industry. This gives DBH the edge to compete with the banks who has such lower cost of fund. Salary cost consists 67% of total cost followed by depreciation and rent. Operating expense increased by 8%, but operating income increased by 14%, as a result cost to income ratio reduced to 22.76% in 2021 compared to 24.36% of 2020.

Cost to Income Ratio

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 24.88% in 2021. 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.

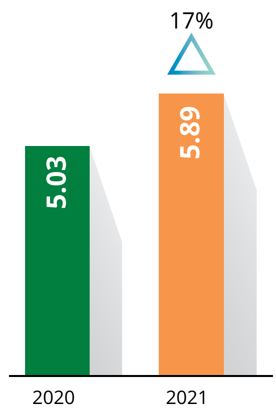
Capital Adequacy Ratio



EPS

The earning per share stood at Tk. 5.89 in 2021 compared to Tk. 5.03 in 2020. The net profit growth contributed to higher EPS.

EPS



Dividend Payout ratio:

The company consistently paying high level of dividends to its shareholders. In 2021 also, DBH proposed 15% cash dividend and 10% stock dividend, that is total 25% dividend. In last 5 years, DBH paid dividend in the range of 25%-35% every year in line with its income and EPS.

DuPont Analysis

Net profit after tax of DBH augmented by 17% to reach Tk. 1044 mn in 2021 due to an increase in margin and favorable business conditions. Additional provisions have been maintained 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 amplified to 20.66% in 2021 from 15.08% in 2020.

The declining interest rate on loans reflected a de-growth in the asset turnover. Consequently, Asset turnover shrank to 8.50% in 2021 compared to 10.02% in 2020. Equity multiplier reduced to 8.69 mn in 2021 from 9.63 mn in 2020. Return on Equity which is the product of profit margin, asset turnover and financial leverage amplified to 15.27% in 2021 from 14.56% in 2020.

Taka in million

Particulars	2017	2018	2019	2020	2021
A. Interest Income	4,573	5,855	6,353	5,909	5,054
B. Profit After Tax	949	1048	1073	891	1044
C. Average Asset	50,526	56,040	58,389	58,943	59,443
D. Average Equity	3,975	4,699	5,424	6,120	6,838
E. Profit Margin (B/A)	20.75%	17.90%	16.89%	15.08%	20.66%
F. Asset Turnover (A/C)	9.05%	10.45%	10.88%	10.02%	8.50%
G. Financial Leverage (C/D)	12.71	11.93	10.76	9.63	8.69
H. Return on Equity (E*F*G)	**23.88%**	**22.30%**	**19.79%**	**14.56%**	**15.27%**

Cash Flow Analysis

Taka in million

Particulars	2017	2018	2019	2020	2021
Net cash flow from operating activities	2,018.39	1,328.14	1,930.06	2,777.12	(7.94)
Net cash flow from investing activities	(170.03)	22.85	42.85	(16.47)	9.98
Net cash Flow/ used in financing activities	(182.78)	(365.56)	(304.63)	(1598.46)	487.78
Net increase/ (decrease) in cash and cash equivalents	1,665.58	985.43	1,668.28	1,162.19	489.83
Cash and cash equivalent at the beginning of the year	9,150.34	10,815.92	11,801.35	13,469.63	14631.82
Cash and cash equivalent at the end of the year	10,815.92	11,801.35	13,469.63	14,631.82	15121.64

Cash Flow from Operating Activities

Net cash generated from operating activities diminished to Tk. (7.94) mn in 2021 compared to Tk. 2777.12 mn in 2020.

Cash Flow from Financing Activities

Net cash Flow/(used) in financing activities rose to Tk. 487.78 mn in 2021 against Tk. (1598.46) in previous year.

Overall Scenario

The cash and cash equivalent balance of the company increased to Tk. 15121.64 mn in 2021 compared to Tk. 14,631.82 mn in 2020.

Key Operating & Financial Highlights

Taka in million

Sl #	Financial performance	2017	2018	2019	2020	2021	Growth - YoY	5 years CAGR (%)
1	Loans & Advances	42,243	43,848	44,522	42,750	43,831	2.53%	0.74%
2	Total Assets	54,581	57,499	59,280	58,607	60,279	2.85%	2.01%
3	Deposit	41,188	43,319	43,411	43,827	43,978	0.35%	1.32%
4	Total Liabilities	50,223	52,459	53,471	52,175	53,034	1.65%	1.10%

Sl #	Operational Performance	2017	2018	2019	2020	2021	Growth - YoY	5 years CAGR (%)
1	Net Interest Income	1,606	1,793	1,708	1,949	2,164	11.01%	6.14%
2	Operational income	1,818	1,996	1,941	2,148	2,483	15.59%	6.43%
3	Operational expenses	449	495	524	523	565	8.06%	4.71%
4	Operating Profit	1,369	1,501	1,418	1,625	1,918	18.01%	6.97%
5	Profit before tax	1,492	1,607	1,555	1,498	1,721	14.89%	2.90%
6	Net profit after tax	949	1,048	1,073	891	1,044	17.16%	1.92%

Sl #	Financial Ratios	2017	2018	2019	2020	2021	Growth - YoY
1	Debt equity ratio (Times)	11.53	10.41	9.21	8.11	7.32	-9.76%
2	Cost to income ratio(%)	24.70	24.80	27.00	24.35	22.76	-6.51%
3	Non performing loan (%)	0.27	0.3	0.45	0.41	0.63	53.66%
4	Dividend payout ratio (%)	38.52	40.69	43.72	51.90	42.45	-18.21%

Horizontal Analysis
Balance Sheet on year end for last five years

Taka in million

	2017	%	2018	%	2019	%	2020	%	2021	%
Cash	634.06	18%	798.51	26%	873.00	9%	575.24	-34%	558.07	-3%
Balance with other banks and financial institutions	10,697.16	82%	11,779.17	10%	13,028.73	11%	14,338.78	10%	14,725.96	3%
Investments	643.03	50%	607.82	-5%	462.11	-24%	489.02	6%	678.22	39%
Loans and advances	42,243.35	26%	43,847.70	4%	44,521.89	2%	42,750.38	-4%	43,830.51	3%
Fixed assets	178.47	20%	169.52	-5%	279.70	65%	289.88	4%	262.58	-9%
Other assets	184.78	43%	296.26	60%	114.50	-61%	163.71	43%	223.28	36%
Total Assets	**54,580.85**	**34%**	**57,498.98**	**5%**	**59,279.93**	**3%**	**58,607.02**	**-1%**	**60,278.61**	**3%**
Borrowing from other banks and financial institutions	6,515.42	7%	6,085.48	-7%	7,051.34	16%	5,571.06	-21%	6,175.67	11%
Deposits and other accounts	41,187.89	43%	43,318.72	5%	43,411.28	0%	43,826.87	1%	43,978.36	0%
Other liabilities	2,519.91	12%	3,054.80	21%	3,008.70	-2%	2,777.62	-8%	2,880.45	4%
Total Liabilities	**50,223.22**	**35%**	**52,459.00**	**4%**	**53,471.32**	**2%**	**52,175.56**	**-2%**	**53,034.48**	**2%**
Paid-up capital	1,218.52	5%	1,218.52	0%	1,340.37	10%	1,541.43	15%	1,772.64	15%
Share premium	55.00	0%	55.00	0%	55.00	0%	55.00	0%	55.00	0%
Reserve and surplus	3,084.12	29%	3,766.46	22%	4,413.23	17%	4,835.03	10%	5,416.49	12%
Shareholders equity	**4,357.64**	**21%**	**5,039.98**	**16%**	**5,808.60**	**15%**	**6,431.46**	**11%**	**7,244.13**	**13%**
Total Liabilities and Shareholders' equity	**54,580.85**	**34%**	**57,498.98**	**5%**	**59,279.93**	**3%**	**58,607.02**	**-1%**	**60,278.61**	**3%**

Horizontal Analysis
Profit and Loss Account for last five years

Taka in million

	2017	%	2018	%	2019	%	2020	%	2021	%
Interest Income	4,573.38	6%	5,855.19	28%	6,352.77	8%	5,908.79	-7%	5,053.57	-14%
Interest paid on deposits and borrowings etc.	2,967.58	13%	4,062.41	37%	4,644.85	14%	3,960.18	-15%	2,889.90	-27%
Net Interest Income	**1,605.80**	**-5%**	**1,792.78**	**12%**	**1,707.92**	**-5%**	**1,948.60**	**14%**	**2,163.67**	**11%**
Income from investment	43.48	322%	45.91	6%	26.84	-42%	24.15	-10%	125.11	418%
Commission, exchange and brokerage	149.92	13%	146.12	-3%	199.77	37%	155.86	-22%	177.52	14%
Other operating income	18.68	-8%	11.24	-40%	6.80	-40%	19.67	190%	16.47	-16%
Total operating income	**1,817.88**	**-2%**	**1,996.04**	**10%**	**1,941.33**	**-3%**	**2,148.29**	**11%**	**2,482.77**	**16%**
Operating expenses	449.18	13%	495.37	10%	523.66	6%	523.43	0%	565.13	8%
Operating profit	**1,368.70**	**-6%**	**1,500.66**	**10%**	**1,417.66**	**-6%**	**1,624.87**	**15%**	**1,917.65**	**18%**
Provision for Loans and investments	(123.77)	-313%	(105.87)	-14%	(137.21)	30%	126.71	-192%	196.60	55%
Profit before tax	**1,492.48**	**7%**	**1,606.54**	**8%**	**1,554.87**	**-3%**	**1,498.16**	**-4%**	**1,721.05**	**15%**
Provision for tax	543.48	-11%	558.64	3%	481.62	-14%	607.23	26%	677.16	12%
Profit after tax	**949.00**	**21%**	**1,047.90**	**10%**	**1,073.25**	**2%**	**890.93**	**-17%**	**1,043.89**	**17%**

Vertical Analysis
Balance Sheet as at year end for last five years

Taka in million

	2017	%	2018	%	2019	%	2020	%	2021	%
Cash	634.06	1.2%	798.51	1.4%	873.00	1.5%	575.24	1.0%	558.07	0.9%
Balance with other banks and financial institutions	10,697.16	19.6%	11,779.17	20.5%	13,028.73	22.0%	14,338.78	24.5%	14,725.96	24.4%
Investments	643.03	1.2%	607.82	1.1%	462.11	0.8%	489.02	0.8%	678.22	1.1%
Loans and advances	42,243.35	77.4%	43,847.70	76.3%	44,521.89	75.1%	42,750.38	72.9%	43,830.51	72.7%
Fixed assets	178.47	0.3%	169.52	0.3%	279.70	0.5%	289.88	0.5%	262.58	0.4%
Other assets	184.78	0.3%	296.26	0.5%	114.50	0.2%	163.71	0.3%	223.28	0.4%
Total Assets	**54,580.85**	**100.0%**	**57,498.98**	**100.0%**	**59,279.93**	**100.0%**	**58,607.02**	**100.0%**	**60,278.61**	**100.0%**
Borrowing from other banks and financial institutions	6,515.42	11.9%	6,085.48	10.6%	7,051.34	11.9%	5,571.06	9.5%	6,175.67	10.2%
Deposits and other accounts	41,187.89	75.5%	43,318.72	75.3%	43,411.28	73.2%	43,826.87	74.8%	43,978.36	73.0%
Other liabilities	2,519.91	4.6%	3,054.80	5.3%	3,008.70	5.1%	2,777.62	4.7%	2,880.45	4.8%
Total Liabilities	**50,223.22**	**92.0%**	**52,459.00**	**91.2%**	**53,471.32**	**90.2%**	**52,175.56**	**89.0%**	**53,034.48**	**88.0%**
Paid-up capital	1,218.52	2.2%	1,218.52	2.1%	1,340.37	2.3%	1,541.43	2.6%	1,772.64	2.9%
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	3,084.12	5.7%	3,766.46	6.6%	4,413.23	7.4%	4,835.03	8.2%	5,416.49	9.0%
Total Shareholders equity	**4,357.64**	**8.0%**	**5,039.98**	**8.8%**	**5,808.60**	**9.8%**	**6,431.46**	**11.0%**	**7,244.13**	**12.0%**
Total Liabilities and Shareholders' equity	**54,580.85**	**100.0%**	**57,498.98**	**100.0%**	**59,279.93**	**100.0%**	**58,607.02**	**100.0%**	**60,278.61**	**100.0%**

Vertical Analysis
Profit and Loss Account for last five years

Taka in million

	2017	%	2018	%	2019	%	2020	%	2021	%
Interest Income	4,573.38	251.6%	5,855.19	293.3%	6,352.77	327.2%	5,908.79	275.0%	5,053.57	203.5%
Interest paid on deposits and borrowings etc.	2,967.58	163.2%	4,062.41	203.5%	4,644.85	239.3%	3,960.18	184.3%	2,889.90	116.4%
Net Interest Income	**1,605.80**	**88.3%**	**1,792.78**	**89.8%**	**1,707.92**	**88.0%**	**1,948.60**	**90.7%**	**2,163.67**	**87.1%**
Income from investment	43.48	2.4%	45.91	2.3%	26.84	1.4%	24.15	1.1%	125.11	5.0%
Commission, exchange and brokerage	149.92	8.2%	146.12	7.3%	199.77	10.3%	155.86	7.3%	177.52	7.2%
Other operating income	18.68	1.0%	11.24	0.6%	6.80	0.4%	19.67	0.9%	16.47	0.7%
Total operating income	**1,817.88**	**100.0%**	**1,996.04**	**100.0%**	**1,941.33**	**100.0%**	**2,148.29**	**100.0%**	**2,482.77**	**100.0%**
Operating expenses	449.18	24.7%	495.37	24.8%	523.66	27.0%	523.43	24.4%	565.13	22.8%
Operating profit	**1,368.70**	**75.3%**	**1,500.66**	**75.2%**	**1,417.66**	**73.0%**	**1,624.87**	**75.6%**	**1,917.65**	**77.2%**
Provision for Loans and investments	(123.77)	-6.8%	(105.87)	-5.3%	(137.21)	-7.1%	126.71	5.9%	196.60	7.9%
Profit before tax	**1,492.48**	**82.1%**	**1,606.54**	**80.5%**	**1,554.87**	**80.1%**	**1,498.16**	**69.7%**	**1,721.05**	**69.3%**
Provision for tax	543.48	29.9%	558.64	28.0%	481.62	24.8%	607.23	28.3%	677.16	27.3%
Profit after tax	**949.00**	**52.2%**	**1,047.90**	**52.5%**	**1,073.25**	**55.3%**	**890.93**	**41.5%**	**1,043.89**	**42.0%**

(d) Comparative Financial Performances with the Peer Industry

The financial institution industry is marked by high levels of competition with 34 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 2021
(in million Taka except ratios and EPS)

Particulars	IPDC	IDLC	DBH
Loans & Advances	65,320	91,756	43,831
Deposits	60,400	73,171	43,978
Home Loan Portfolio	9,107	27,984	43,625
NPL	3.15%	3.05%	0.63%
ROE	14.19%	13.21%	15.27%
ROA	1.09%	1.57%	1.76%
CAR	15.65%	18.27%	24.88%
EPS	2.37	5.34	5.89
Cost to Income Ratio	36.04%	39.16%	22.76%

(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 2.31 of the Financial Statements on page no. 157 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 2022, where the budgeted disbursement growth is 28% higher than 2021 and forecasted loan portfolio growth is 8%. While preparing the budget, the management considered the assumptions related to interest rate movement during 2022 and also estimated total new provision of Tk. 22.63 crore for the year ending 2021.

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 Covid 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