

Directors' Report



National Housing Finance And Investments Limited

On behalf of the Board of Directors of National Housing Finance And Investments Limited it is my privilege to present the Annual Report and Audited Financial Statements of your Company for the year ended December 31, 2014 together with the Auditors' Report thereon.

The Directors' Report has been prepared in compliance with section 184 of the Companies Act 1994, Corporate Governance notification of BSEC dated 7 August 2012, the Listing Regulation of DSE and CSE, Guideline of Bangladesh Bank and other applicable Rules and Regulations. As per BSEC's Corporate Governance notification a separate report titled 'Report on Corporate Governance' is furnished herewith which may be treated as part of this Directors' Report.

Bangladesh Economy

Despite our internal political turmoil and thanks to the moderate recovery of the global economy, the Bangladesh economy achieved a growth of 6.10% during FY 14 having increased by 0.1% from last year. The nominal GDP of the country was Tk. 13,509.20 billion in FY14 which was about 12.7% higher than the previous year. The per capita GDP is estimated to have been Tk. 49,726 in FY 14. However, the government has again set a target for GDP growth in FY15 at 7.3% with an expectation of accelerated growth in agriculture, industry and service sectors. It also expects that the global economy will improve further and the internal political situation will stabilize but no specific inflation rate has been targeted.

The gross foreign exchange reserve is also remaining at a high level sufficient to meet more than seven months' import obligations. However, the country experienced a negative growth of remittance of 1.6% in FY14 compared to 12.6% positive growth in FY13.

Broad money (M₂) recorded lower growth of 16.1% in FY 14 against targeted growth of 17% and 16.7% actual growths in FY13. Export earnings increased in FY14 to \$30,176.8 million from \$27,027.4 million and import payment increased marginally to \$36,571.0 million from \$33,576.0 million. Current account balance is also at a satisfactory level.

Outstanding bank credit (excluding foreign bills and inter-bank items) during FY14 increased by 12.61% to Taka 565.49 billion as against an increase of 8.88% in FY13. The gross NPL ratios to total loans were recorded as 10.8% at the end of June 2014.

Bank deposits (excluding inter-bank items) increased by 15.64% to Taka 896.03 billion during FY14 against 16.91% increase in FY13. The rise in total bank deposits was contributed by increase in all deposits, though mainly in time deposits.

Moody's current credit rating for Bangladesh has been 'Ba3' for five consecutive years which generally means a stable economic situation. Such rating provides international investors with a tool to evaluate future relative creditworthiness of any country. In its latest analysis on "Credit implication of current events" the ratings agency said that intensifying political unrest was negative for Bangladesh, as it is weighing on the sovereign's export performance, investment activity and headline growth."

Money Market Scenario

In continuing easy monetary policy, the weighted average lending rate declined to 13.10% in FY14 from 13.67% and weighted average deposit rate came down 7.79% in FY14 from 8.54%. As a result the interest rate spread stood at 5.31% at the end of FY14. In line with Bangladesh Bank policy weighted average interest rate in the call money market ranged from 6.3% to 8.1% during FY14.

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Capital Market activities

The price index and the market capitalization of DSE have been quite stable during FY14 as a result of the effective measures taken from time to time. Under the Exchanges Demutualisation Act 2013, the demutualisations of ownership and management from trading rights have been completed and finally the DSE and the CSE emerged as demutualised exchanges from 21 November 2013. DSE Regulations, 2013 (Settlement Guarantee Fund) was published in the Gazette on 4 December 2013. DSE launched DSEX Shariah Index designed and developed by S&P Dow Jones on 20 January 2014. State of the Art Surveillance Software "Instant-Watch" developed by Swedish company TRAPETS-AB was launched on 11 February 2014. DSE has replaced its existing trading system by new trading software from NASDAQ OMX in order to make it more flexible. Twelve companies raised new equity of Taka 6.6 billion in the capital market in FY14. Of the new equity issued, Taka 2.4 billion rose through private placements and Taka 4.2 billion was raised through public placements.

Liquidity

Currently the scheduled commercial banks have to maintain a 50 basis point higher CRR (Cash Reserve Ratio) at 6.5% with an obligation that this will be on average on bi-weekly basis provided that it would not less than 6% in any day. The current rate of SLR (Statutory Liquidity Reserve) for conventional banks shall not be less than 13.0% of their total demand and time liabilities.

In case of Islamic Shariah-based commercial banks and conventional banks that have Islamic branches, this rate shall not be less than 5.5%.

For FIs the term liabilities are subject to a SLR of 5% inclusive of average 2.5% (at least 2% in each day) CRR on bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5%.

NBFI Sector in Bangladesh

Presently, out of 31 NBFIs, 3 are Government-owned, 10 are joint ventures and the other 18 are locally private-owned. Meanwhile, the branch network increased to 183 as on 30 June 2014. The NBFIs have aggregate industry assets at Taka 500.6 billion in FY14 from Taka 436.3 billion in 2013.

NBFIs are investing in different sectors of the economy but their investments are mostly concentrated in the industrial sector. In June 2014, NBFIs' investments in different sectors like industry, real estate, margin loans, trade and commerce, merchant banking, agriculture and others. NBFIs are allowed to invest in the capital market up to 25% of their capital. Total deposits of the NBFI increased to Taka 233.2 billion in June 14 from Taka 193.3 billion in June 13.

Industry Outlook

Housing Finance

The situation in real estate sector has improved slightly from the previous year but developers are still finding it challenging to boost their sales volume. They are offering discounts to potential buyers to strike deals, but the price level has not changed much to improve the affordability to general customers. Developers are still going slowly in signing new projects because of the apprehension of further price correction in the market. Moreover, some features of the budget like increase of property registration cost (which is already at very high level compared to our neighboring countries), payment of rental by bank cheque if rent is above Tk. 25,000 and increase of wealth tax may affect the struggling real estate sector adversely.

However on a positive note, the total housing loans of banks and FIs as on 30 June 2014 has increased and the amount stood at Taka 454.2 billion which is 9.7% higher than the previous year. In recent years, significant changes have been taken place in total housing loan portfolios. Private sector banks have been expanding their housing loan portfolios

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and now have dominant market position with the largest share as of June 2014. The state owned commercial banks have the second largest share. Besides, private sector specialized housing finance companies also provide a significant amount of housing loan.

There may not be any immediate turn around for the sector. In fact, the slow sales of the real estate sector that has been continuing for the last couple of years may get aggravated due to political unrest. To recover from the present situation, relators sought immediate formation of a Tk. 50 billion fund to extend long term credit to the low and middle income level customers at a single digit interest rate for purchasing smaller flats.

Operational Overview of National Housing

Despite depressed market conditions and subdued activity in the housing and construction sectors, NHFIL has been able to expand its business activities during 2014 which can be seen from the data furnished below:

(Amount in BDT Million)

Particulars	2014		2013	
	Disbursement	Outstanding Portfolio	Disbursement	Outstanding Portfolio
Home mortgage loan	1,125.74	3,614.46	836.35	2,919.67
Lease & Term finance including SME and other	555.17	1,863.55	555.87	1,879.68
Total:	1,680.89	5,478.01	1,392.22	4,799.35

The total portfolio of the Company increased to Tk. 5,478.01 million from Tk. 4,799.35 million during 2014, registering a growth rate of 14.14%.

The demand of housing in urban areas in a developing country like Bangladesh is dramatically increasing due to natural increase and its fast growth rate. Rural people are migrating not only to find jobs but many wealthy people are moving to urban areas for fulfillment of their expectations of betterment of their future generation and for enjoying the modern facilities of city life. To fulfill the demand and to increase its business National Housing Finance opened a new branch in Rangpur on 16 October 2014 which is a new City corporation in Bangladesh.

Financial Performance during the Year 2014

The Company's financial performance over the 1st, 2nd, 3rd and 4th quarters and the yearly performances are given below in the context of its fair disclosure policy.

(Amount in BDT Million)

Particulars	2014					2013
	Q1	Q2	Q3	Q4	Yearly	
Net interest income	89.39	100.39	98.37	124.07	412.22	352.61
Total operating income	93.73	106.33	104.72	131.22	436.00	368.22
Total operating expenses	18.69	21.76	21.79	25.15	87.39	74.56
Profit before provisions	75.04	84.57	82.93	106.07	348.61	293.66
Provision for loans/ Investments	(1.17)	12.28	(0.32)	0.43	11.22	59.73
Profit before taxes	76.21	72.29	83.25	105.64	337.39	233.93
Provision for taxes	14.53	34.25	33.45	45.57	127.80	66.45
Net profit after taxation	61.68	38.04	49.80	60.07	209.59	167.48

Credit Rating

On 14 August 2014 CRAB has assigned 'A2' rating in the Long Term and 'ST-3' in the Short Term to the Company based on financials up to 31 December 2013. Bank/Fis rated as 'A2' (Strong Capacity & High Quality) have strong capacity to meet financial commitments, maintains high quality, with low credit risk, but are susceptible to adverse changes in circumstances and economic conditions. In Short Term Rating Scales and Definitions ST-3 (Average Grade) means average capacity for timely repayment of obligations.

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Dividend

NHFIL has earned a net profit after tax of TK. 209.59 million as against TK. 167.48 million in the previous year. In terms of Bangladesh Bank guidelines we have increased our paid up capital to BDT 106.39 crore. The Board of Directors recommend at 15% Cash Dividend i.e. Tk. 1.50 for every share for the year ended 31 December 2014 subject to approval at from the 16th Annual General Meeting.

Directors

In terms of the Shareholders' Agreement, the following Directors are to retire in the 16th Annual General meeting.

SL#	Directors to Retire	Organization Represented
01	Mr. Jalal Ahmed	IFIC Bank Limited
02	Mr. Morshed Alam	National Life Insurance Co. Limited
03	Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Limited
04	Mr. Syed Ali Jowher Rizvi	Investors Forum (Zambia)

The following shareholders being eligible for election/ re-election expressed their interest to be elected as Directors in the 16th AGM:

SL#	Directors to be Elected/re-elected	Organization Represented
01	Mr. Jalal Ahmed	IFIC Bank Limited
02	Mr. Md. Manirul Islam	Pragati Insurance Limited
03	Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Limited
04	Mr. Syed Ali Jowher Rizvi	Investors Forum (Zambia)

Auditors

The Company's Auditors, M/s Howladar, Yunus & Co., Chartered Accountants shall retire at the 16th AGM. Being eligible for re-appointment for the year 2015 they have expressed their interest to be re-appointed. Upon appraisal by the Audit Committee, the Board recommend the re-appointment of M/s Howladar, Yunus & Co., Chartered Accountants, for the year 2015 at a remuneration of Tk. 150,000.00.

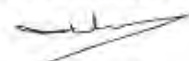
Managing Director

Mr. Md. Abdur Rob, Managing Director retired from service on 31 July 2014. Subsequently, as per decision of the Board in its 153rd meeting held on 21 July 2014, Mr. Md. Khalilur Rahman, Additional Managing Director assumed the responsibility of Managing Director (Current Charge) w.e.f. 1 August 2014. The Board of Directors in its 158th meeting held on 14 January 2015 appointed Mr. Md. Khalilur Rahman as Managing Director of the Company. Bangladesh Bank vide their letter no DFIM(C)1054/55/2015-253 dated 4 February 2015 approved the appointment. Accordingly, Mr. Rahman joined as Managing Director on 04 February 2015.

Appreciation

On behalf of the Board of Directors, I take this opportunity to express our gratitude and sincere thanks to the Company's shareholders and clients for their continuous patronage and support. The Directors also express their gratitude to Bangladesh Bank and other regulatory authorities for their valuable guidance. The Board records its appreciation to employees at all levels for their sincere and dedicated service.

For and on behalf of the Board.



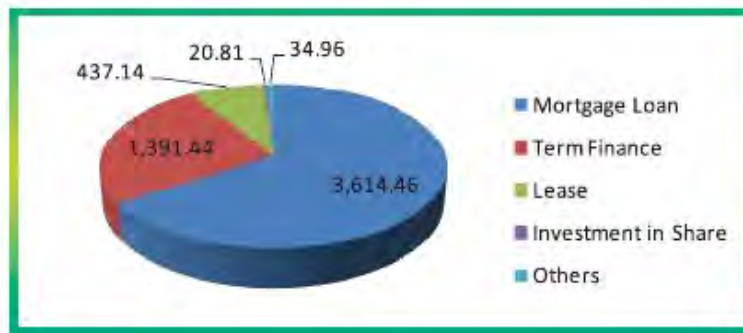
Latifur Rahman

Chairman

Dhaka, Dated 02 April 2015

Portfolio Mix

Mortgage Loan	3,614.46
Term Finance	1,391.44
Lease	437.14
Investment in Share	20.81
Others	34.96
	5,498.82



Net Asset Value Per Share

