

# DIRECTORS' REPORT



## DEAR STAKEHOLDERS:

This is the Annual Report of Your Company for the year ended December 31, 2018, containing Audited Financial Statements and Auditors' Report thereon, on behalf of the Board of Directors of National Housing Finance and Investments Limited,

The Directors' Report has been prepared in compliance with section 184 of the Companies Act 1994, Corporate Governance Code of BSEC dated 03 June, 2018, the Listing Regulation of DSE & CSE, Guidelines of Bangladesh Bank, and other applicable Rules and Regulations. Pursuant to BSEC's Corporate Governance Code, a separate report titled 'Report on Corporate Governance' is also furnished which constitutes a part of this Directors' Report.

## GENERAL

National Housing Finance and Investments Limited (NHFIL), herein 'the company', was incorporated on August 18, 1998 as a public limited company under the Companies Act 1994, obtaining license from Bangladesh Bank under the Financial Institutions Act 1993, on December 29, 1998. The main objectives of the Company are to carry on the business of financing the acquisition, construction, development and purchase of houses, plots, apartments, real estates, commercial spaces, etc. The Company obtained permission from Bangladesh Bank on June 03, 2003, to enter into lease finance operation keeping housing finance as its core business. The Company extends lease finance for all types of industrial, manufacturing and service equipment including vehicles to individual companies and corporate houses.

The corporate office of the Company is located at Concord Baksh Tower (7th floor), Plot #11-A, Road # 48, Block # CWN(A), Gulshan-2, Dhaka-1212. The registered office of the Company is located at National Plaza (7th floor), 109, Bir Uttam C.R. Datta Road (Ex-Sonargaon Road), Dhaka -1205.

## VISION, MISSION, CORE VALUES & CODE OF CONDUCT

Vision, mission, core values and code of conduct of the company are presented at page number 5 to 8 of the Annual Report.

## PRINCIPAL ACTIVITIES OF NHFIL

The Company provides loan to the extent of 70% of the total purchase price of houses, plots and apartments under usual repayable terms varying from 5 years to 20 years. The properties for which loans are disbursed are kept under mortgage as security. The company is also involved in other activities such as accepting deposits, SME, lease financing, project financing etc.

## ECONOMIC REVIEW OF THE FINANCIAL YEAR

### WORLD ECONOMY REVIEW

Over the course of 2018, there was a significant rise in trade tensions among the world's largest economies, with a steep rise in the number of disputes raised under the dispute settlement mechanism of the World Trade Organization. Moves by the United States to increase import tariffs have sparked retaliations and counter-retaliations. Global trade growth has lost momentum, although stimulus measures and direct subsidies have so far offset much of the direct negative impacts on China and in the United States. Trade supports productivity growth via economies of scale, access to inputs, and the acquisition of knowledge and technology from international contacts. Trade in services also contributes to inclusiveness, resilience, and diversification. These trade channels are strongly intertwined with investment decisions, productivity gains, economic growth and ultimately sustainable development.

A prolonged episode of heightened tensions and spiral of additional tariffs among the world's largest economies poses considerable risk to the global trade outlook. The impact on the world economy could be significant: a slowdown in investment, higher consumer prices and a decline in business confidence.

## REGIONAL ECONOMY REVIEW

The economic outlook for South Asia is highly divergent across countries. There are some economies, including Bangladesh, Bhutan and India, where economic conditions are largely positive, with GDP growth projected to remain robust in the near term. In contrast, the outlook in the Islamic Republic of Iran and Pakistan has visibly deteriorated. Consequently, regional GDP growth slowed down markedly in 2018. Yet, given the large size of the Indian economy, on the aggregate, the regional outlook is still moderately favorable, especially in comparison to other developing regions. Regional GDP is expected to expand by 5.4 per cent 2019 and 5.9 per cent in 2020, after an estimated expansion of 5.6 percent in 2018. Economic growth is expected to be supported by private consumption and, in some cases, investment demand, even as monetary policy stances tighten in some economies. Despite the increase observed for inflation figures throughout 2018 due to the depreciation of domestic currencies and higher oil prices, inflation is expected to accelerate only moderately or to remain stable in most economies in the near term, with the notable exception of the Islamic Republic of Iran.

The Indian economy is expected to expand by 7.6 and 7.4 percent in 2019 and 2020, respectively, after expanding by 7.4 percent in 2018. Economic growth continues to be underpinned by robust private consumption, a more expansionary fiscal stance and benefits from previous reforms. Yet, a more robust and sustained recovery of private investment remains a crucial challenge to uplifting medium-term growth. Sri Lanka's economy is recovering from the slowdown in 2017, but much more slowly than anticipated, amid weak business sentiment, feeble investment demand and political turbulences. Growth is projected to remain below its potential in the near term. The Bangladesh economy is also set to continue expanding at a fast pace in the near term, above 7.0 percent per year, amid strong fixed investment, vigorous private consumption and accommodative monetary policy.

## BANGLADESH ECONOMY REVIEW

Bangladesh has experienced high and steady growth for more than a decade, with an average growth of over 6.0 percent. Growth exceeded 7.0 percent during last three years, a decade high, and higher than the average in peer Asian economies. Provisional estimates of the Bangladesh Bureau of Statistics indicate that real GDP recorded a growth of 7.86 percent in FY18, which was higher than 7.28 percent recorded in FY17. Measured at current market prices, the GDP of Bangladesh in FY18 was estimated at Taka 22,504.8 billion which was 13.9 percent higher than that of FY17. The per capita GDP is estimated to have been Tk. 62,477 in FY18. However, the government has again set a target for GDP growth in FY19 at around 7.5-7.7 percent and inflation rate has been targeted at 5.4-5.8 percent with an expectation of accelerated growth in agriculture, industry and service sectors. It also expects that the global economy will be improved further and the internal political situation will be stabilized.

In a country report on Bangladesh, published on December 4, the Economic intelligence Unit (EIU) of the central bank stated that Bangladesh's growth from the fiscal year 2018-19 to 2022-23 will be driven mainly by strong increases in private consumption and gross fixed investment. The EIU forecasts that gross fixed investment and private consumption will grow by an average of 9.9% and 10.60% per year, respectively, in FY 2018-19 and 2022-23, up from the respective averages of 9.3% and 6.3% in the preceding five year period.

Outstanding bank credit (excluding foreign bills and inter-bank items) during FY18 rose by 16.46% to Taka 8994.93 billion as against an increase of 15.84% in FY17. Bank deposits increased by 10.78% to Taka 10440.95 billion during FY18 against 10.94% increase in FY17.

Broad money (M2) grew by 9.2% in FY 18 against targeted growth of 13.3% and 10.9% actual growths in FY17. Export earnings increased to 6.44% in FY18 to USD 36.20 billion from USD 34.01 billion and Import payments in FY18 stood at USD 54.46 billion registering a positive growth of 25.22 percent compared to USD 43.49 billion in FY17. The flow of inward remittances from Bangladeshi nationals working abroad has

been playing an important role in strengthening the current account balance. Remittance inflows increased by 17.3 percent at the end of FY18 compared with the negative growth of 14.5 percent in FY17.

Financial stability concerns got heightened in Bangladesh in recent times as it is worldwide. Stress testing exercises are now routine practices in Bangladesh as diagnostic and supervisory tools. Bangladesh Bank and all other financial sectors, capital markets, the insurance sector, regulatory authorities in Bangladesh hold regular quarterly consultations toward policy coordination upholding financial stability. To further expand the existing clientele, Bangladesh Bank advises all banks to send their officials to explore new lending opportunities which had not been cultivated yet. These clientele exploration initiatives warrant better connectivity between the lenders and the prospective borrowers who may not typically look creditworthy. These initiatives will, hopefully, enhance demand for credits and expand business, and create new employments.

To sustain accelerated and inclusive growth, Bangladesh will need to manage the urbanization process more effectively, as well as prepare for adaptation to climate change impacts. Becoming a middle-income country will require substantial efforts on many fronts. These include strengthening revenue mobilization; tackling energy and infrastructure deficits; deepening financial-sector and external trade reforms; improving labor skills, economic governance, and urban management; and adapting to climate change.

### CAPITAL MARKET ACTIVITIES

Dhaka Stock Exchange (DSE) broad index and the market capitalization of DSE were increasing during July-November in FY18. However, both the index and the market capitalization were decreasing during December-June in FY18. The DSEX and the market capitalization increase to Taka 6306.90 billion and Taka 4241.50 billion respectively at the end of November 2017 from Taka 5656.1 billion and Taka 3801.00 billion in June 2017. In the exploration of economic advancement of the country, DSE is considered as the steersman of enrichment. Bangladesh Securities and Exchange Commission (BSEC) has approved Chinese Consortium Shenzhen Stock Exchange (SZSE) and Shanghai Stock Exchange (SSE) as a strategic partner of DSE held on May 2018. Moreover, Dhaka Stock Exchange Limited becomes a partner exchange of the United Nations Sustainable Stock Exchanges (SSE) initiatives on June 07, 2018.

### MONEY MARKET SCENARIO

Bangladesh Bank pursued a cautious yet growth friendly monetary policy stance for FY17. The weighted average interest rates on deposits increased during FY10-FY13 and then started decreasing from FY14 and reached at 4.84 percent in FY17 which increased to 5.50 percent in FY18. Similarly, the weighted average interest rates on lending increased during the period of FY10 to FY12 and started declining thereafter and reached at 9.56 percent in FY17 and marginally increased 9.95 percent in FY18. Weighted average interest rate in the call money market was stable in FY18 at 2.96% to 4.40%.

### PERFORMANCE OF FINANCIAL SECTOR

Non-Bank Financial Institutions (NBFIs) are playing a crucial role by providing additional financial services that cannot be always provided by the banks, particularly easy and speedy services necessary for emergency and off-the-cuff requirements in industrial establishments. The NBFIs, with more multifaceted products and services have taken their place in the competitive financial market to satisfy the changing demands of customers. NBFIs also play an important role in the capital market as well as in real estate sector of Bangladesh. Presently, out of 34 NBFIs, 3 are Government-owned, 12 are joint ventures and the rest 19 are privately-owned local entities. Meanwhile, the branch network increased to 262 as on 30 June 2018.

NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in industrial sector and secondly in real estate sector.

NBFIs are allowed to invest in the capital market up to 25 percent of paid up capital. In December 2017, all NBFIs' total investment in capital market was Taka 21.26 billion compared to Taka 20.55 billion in December 2016.



Investment in capital market accounted for 2.53 percent of the total assets of all NBFIs. At the end of June 2018, NBFIs total investment in capital market stood at Taka 18.56 billion.

NBFIs are allowed to mobilize term deposit only. At present, term liabilities are subject to a statutory liquidity requirement (SLR) of 5.0 percent inclusive of average 2.5 percent (at least 2.0 percent in each day) cash reserve ratio (CRR) on bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5 percent.

## INDUSTRY OUTLOOK

### HOUSING FINANCE

The primary recognition by the United Nations as a nation on the verge of becoming a lower-middle income country by the year 2024 is a reinvigorating information for all Bangladeshis. This indicates that a distinct middle-class has been emerging all over the country, concentrated primarily in urbanized and sub-urbanized areas. These people are the prime mover of potential economic activities contributing to national income and growth.

The housing sector of any country has often been called “the engine of domestic growth.” It has an enormous multiplier effect on expenditures made: it boosts production and trade of thousands of goods and services – rod, cement, bricks, steel and steel goods, teak, ply boards, pipes, motors, lifts, paints, bathroom fittings, electrical gadgets, plumbing materials and thousands of other hardware and materials – that are used in construction of dwelling houses, commercial and industrial infrastructures. It is observed that one Taka invested in housing and other constructions, 0.78 Taka gets added to the GDP making it an important indicator of economic development parallel to the rate of consumption of energy and electricity.

This implies the development of the housing sector is a precursor to national development: there are encouraging signs that policy makers, state craftsmen and businesses in the private sector are coming to recognize this imperative and working towards opening the knot that has so far strangled the sector. Positive signs are already within sight – the total outstanding housing loans of banks and financial institutions are increasing, significant changes have taken place in total housing loan portfolios; private sector banks with ample deposit resources have been expanding their housing loan portfolios and now have been dominating the market with the largest shares in housing finance as of end June, 2018. The state owned commercial banks had the second largest share during the same time. Besides, private sector specialized housing finance companies also provide a significant amount of housing loans.

The contemporary demographic features of Bangladesh are yet another booster: over 60% of the total population of about 180 million comprises of young people of the age between 25 and 45. This is where this country is now placed on a plateau from where to operate to absorbing the juice of progress and development of all denominations – social, economic, environmental, entrepreneurial, and philosophical – and above all, a development that would hold the breath of distinction for generations to come. The ensuing economic vibrancy, thus, bode well for the housing sector in future. However, political stability, investor confidence and availability of utilities will continue to play a crucial role in orchestrating the recovery of Bangladesh’s Real Estate Sector.

In a country like Bangladesh with a little geographical territory packed to the brim with a huge population; and during an era of an intense global stream of urbanization, there is no conceivable way but to adapt to the need of construction of houses and buildings not only horizontal but with vertical dimensions and conglomerations, to make room for the growing number of city dwellers. Thus, though depressed now, the real estate market has nothing but to regain its weight in the near future. Moreover, shelter and for that matter housing essentially forms a part of the five-fold Basic Needs of a human being. That need provides for a perennial business opportunity for your company and leads us to expect a reversal of current trend towards a vibrant and gainful housing market in future.

However, we have to re-iterate our remarks made last year: that consistent, sustainable and harmonious developments in the sector will depend on a number of factors: firstly, stabilization of the conditions of politics and economics at the macro level; secondly, restoration of popular confidence in the capacity of the government in providing truly responsible safety and security systems covering threats to life, liberty and wealth; thirdly, re-building of investors' confidence in the capital market; fourthly, re-invigoration of business activities which have lost vigor due to many deterrents ranging from insufficient infrastructural facilities, scarcity of power and energy, poor law and order conditions, dearth of land and labor, inept government services and policies, corruption, bureaucratic inaccessibility, above all, existence of a government apparatus which is still not business-friendly and abounds with rulers distant from business, not with service providers closer to public causes; fifthly, enhancement of the purchasing power of the people by creating opportunities for wage and self-employment; sixthly, reduction of property registration costs; seventhly, allocation of land to developers under public-private partnership; eighthly, reintroducing refinance schemes on soft terms for housing loans for the middle income group, particularly for maiden buyers.

The banking sector is now playing a dominant role in the housing sector whereas the growth rate of NBFIL shows the upward trend. In recent years, significant changes have taken place in total housing loan portfolios. Private sector banks with ample deposit resources have been expanding their housing loan portfolios. These banks had the dominant market position with the largest amount of BDT 529.60 billion in outstanding housing loans as of June 2017. The SCBs had the second largest amount of BDT 142.10 billion and other banks (foreign & specialized) had BDT 20.10 billion in total outstanding housing loans as of June 2017. Besides, two private sectors specialized housing finance companies (NHFIL & DBH) and only state owned housing finance company (House Building Finance Corporation), recently other NBFIs has also given much emphasis on home loans. Considering the real estate finance as secured and taking advantage of cost of fund, banks are now giving more emphasis to finance in real estate sector.

#### COMPARATIVE POSITION OF BANKs & NBFIs

(Amount BDT in million)

Year	Total Finance	Financed by Banks	% of total finance	% Growth Rate	Financed by NBFIs	% of total finance	% Growth Rate
2016-17	660,200	529,600	80.22%	17.79%	130,600	19.78%	15.27%
2015-16	562,900	449,600	79.87%	13.68%	113,300	20.13%	20.02%
2014-15	486,400	395,500	81.31%	10.47%	94,400	19.41%	14.29%
2013-14	440,500	358,000	81.25%	2.58%	82,600	18.75%	14.88%
2012-13	420,900	349,000	82.92%	21.65%	71,900	17.08%	10.45%

#### KEY STRENGTHS OF NHFIL

Our strength primarily lies in the technical capacities of our functionaries, their sincerity and responsibilities both to the organization and the client population, and in the visionary veterans of our business world who sit on our Board and share their long experiences and insights with us in performing the tasks entrusted with us by you, the shareholders.

NHFIL has by now a brand name in the housing market thanks to our flexible policies and our adaptability to changing situations whether it is in politics, in policy shifts, in regulations, in competitive fields, in business environment or in international landscapes. The consumer relationships we have built overtime, the high quality of service that we provide to our clients in terms of convenience and frequent services and our focus on management of non-performing loans through close supervision strict recovery operations have all contributed to increase incomes, create values for shareholders and all other stakeholders and build a strong foundation for the organization enabling it to face up to odds and ordeals.

## HUMAN RESOURCES- A VITAL ELEMENT TO NHFIL'S SUCCESS

NHFIL, at the very heart of our culture is the ambition to stay ahead of the curve. And the only way to do so is through empowering our most valuable asset – our human resources. Organization-wide, we are enhancing the quality of our human resource practices through engaging more extensively in talent management and creating a pipeline of professionals as part of an effective succession plan that would ensure it for the company to stay and move forward in the market as a “going concern” entity. As we focus on enhancing our resource productivity, we are increasingly linking KPIs with compensation, increasingly fostering an entrepreneurial environmental with growing decision decentralization and increasingly creating a culture of cost consciousness and value identification in whatever we do.

In a highly competitive marketplace, we are also constantly looking at attracting and retaining the best talents. In addition to compensation standards, we have come to unearth that to retain quality talents is to provide them with a challenging workplace environment that thrives on ideas, innovation and collaboration. I believe that in reinforcing our HR culture and practices, we are also on the path to becoming a much more productive organization by growing our business scale only with incremental and strategic manpower additions.

## SOME OF THE TECHNOLOGICAL INNOVATIONS ADOPTED BY NHFIL

-Increasing technology leverage to fully automate the indigenously developed credit appraisal and assessment that not only helps us proactively identify infected areas and take corrective measures, but also helps us in extensive portfolio and database analysis with a view to identify cross selling opportunities and enlarge our loans exposure to quality accounts. Besides, with the online appraisal in place, we have also quickened our loan disbursement time frames and this has greatly benefitted us in terms of providing superior customer service.

- Enhancing customer service through our dedicated customer relationship management teams that regularly visit and stay in touch with our customers to identify their requirements and also provide advisory services. We are also looking at providing seamless and uniform service to our customers across all our branches as we focus on minimizing their need to visit us, thereby strengthening their convenience. A customer experience team has been formed to achieve the objectives in this regard.

- Apart from these initiatives, we are continuously looking into opportunities of process re-engineering. The aim of this is to cut away inefficiencies that might be present in any of our operational processes, as the increased operational efficiencies will allow us to lower costs and create more value for our shareholders, as well as provide faster solutions to our customers. A change management team has been formed to oversee this transformation.

## ASSESSMENT ON THE INTEREST RATE

At NHFIL, our overall funding and liquidity positions remained comfortable during the year 2018. With excess liquidity in the system driven by continued low credit off take, our asset-liability committee (ALCO) continued to focus on the downward reprising of deposit rates commensurate with market conditions, passing on the benefits of a lower rate to our advances with the result that average lending rates declined throughout the year.

## INTERNAL CONTROLS

The Directors of NHFIL have taken reasonable steps open to them to safeguard the assets of the Group and to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the risks faced by NHFIL throughout the year and it is being regularly reviewed by the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

## RISK MANAGEMENT

Material Foreseeable Risk Factors NHFIL is an ongoing process to identify, evaluate and manage the risks that are faced by it. This process is detailed in the Risk Management Report on pages 57 to 58. The Directors, on a regular basis review the above mentioned process.

## CORPORATE GOVERNANCE

In the management of the Company, the Directors have placed emphasis on confirming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced or improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on Corporate Governance is given on pages 54 to 79 Pursuant to Clause 5 (XXVII) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 the Company's compliance status is shown in Annexure- C page 71.

## ENVIRONMENTAL FRIENDLY POLICY ADOPTED BY NHFIL

We started to look more closely at the emerging possibilities of 'Green Finance'. We are proud to mention that as we develop the scope and size of the business portfolio comprising green buildings, renewable energy and energy-efficient projects, waste management capability development, initiatives to ensure safety and security of factory workers etc.

## TRAINING PROGRAM OF DIRECTORS

NHFIL is fully committed to maintain highest standards of Corporate Governance and Professionalism in driving the FI's progress on the principles of transparency and openness. For this purpose, training at home and abroad especially on the Corporate Governance is encouraged by the Board. As such, whenever opportunities arise, FI utilizes the same to train and orient its members.

It is expected that all Directors have an understanding of NHFIL's business model and the key challenges facing the Group as a whole, as this allows them to make an informed contribution to the Company. The Chairman ensures that all Directors receive a full, formal and tailored induction on joining the Board, facilitated by the senior management and comprising:

- A formal corporate induction, including an introduction to the Board, and a detailed overview of NHFIL, its strategy, operational structures and business activities;
- The roles and responsibilities of a Director, including statutory duties and responsibilities as per the code of conduct duly approved by the Board;
- A comprehensive induction program tailored by the Chairman and meetings with senior executives across NHFIL and sessions with NHFIL's business divisions; and
- A code of conduct has been also adopted by the Board to be followed by its members and annual compliance of the code is ensured. Besides, all relevant regulations promulgated/circulated time to time by the concerned authorities are placed to the Board Meeting on a regular basis to keep the members updated.

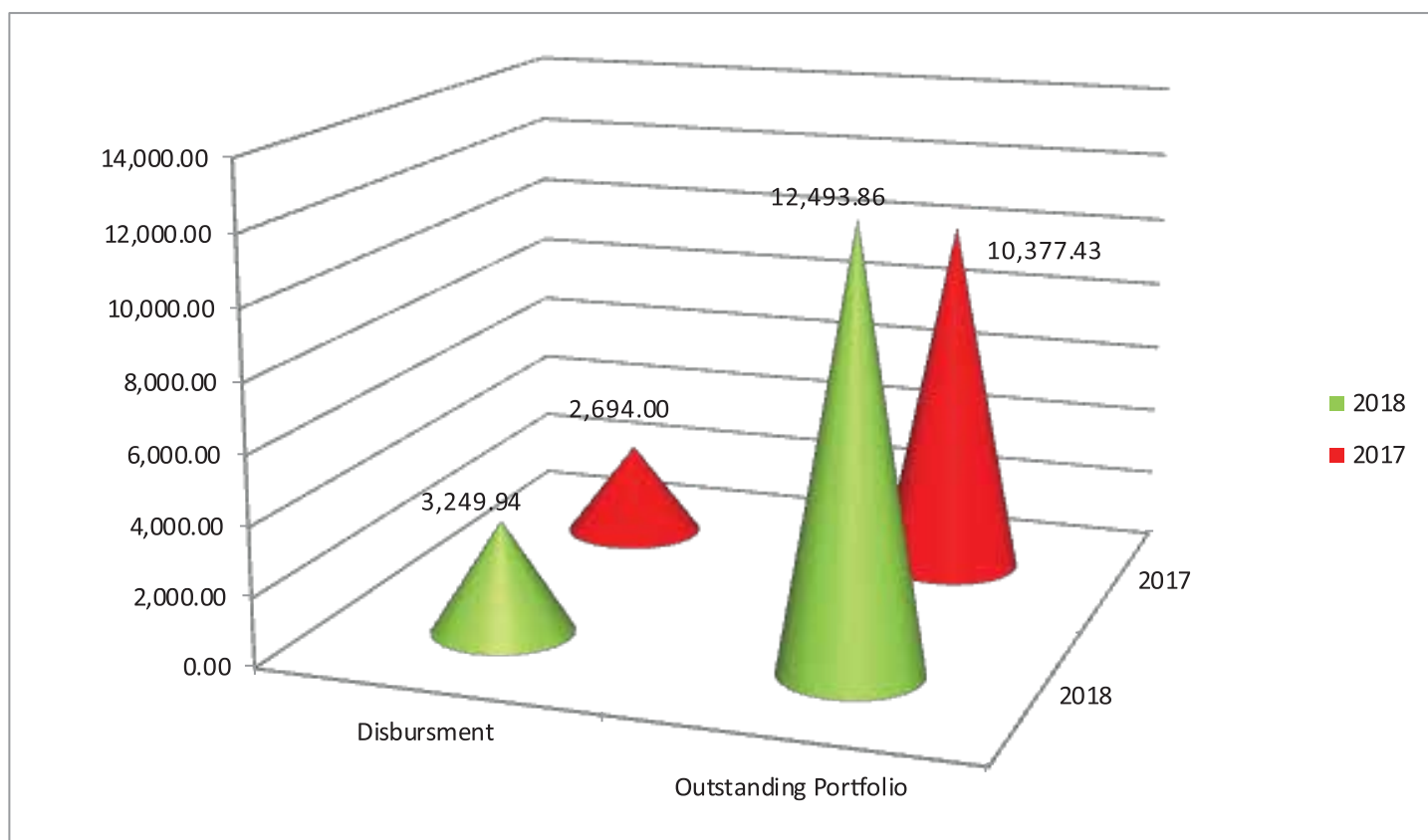
## OPERATIONAL OVERVIEW OF NATIONAL HOUSING

National Housing has been able to maintain a stable business volume during 2018 which can be seen from the data furnished below:

(Amount in BDT Million)

Particulars	2018		2017	
	Disbursement	Outstanding Portfolio	Disbursement	Outstanding Portfolio
Home mortgage loan	2,981.98	11,088.65	2,174.44	8,891.55
Lease & Term finance including SME and other	267.96	1,405.21	519.56	1,485.88
<b>Total:</b>	<b>3,249.94</b>	<b>12,493.86</b>	<b>2,694.00</b>	<b>10,377.43</b>





The total portfolio of the Company reached to Tk. 12,493.86 million from Tk. 10,377.43 million during 2018, registering a growth rate of 20.39%.

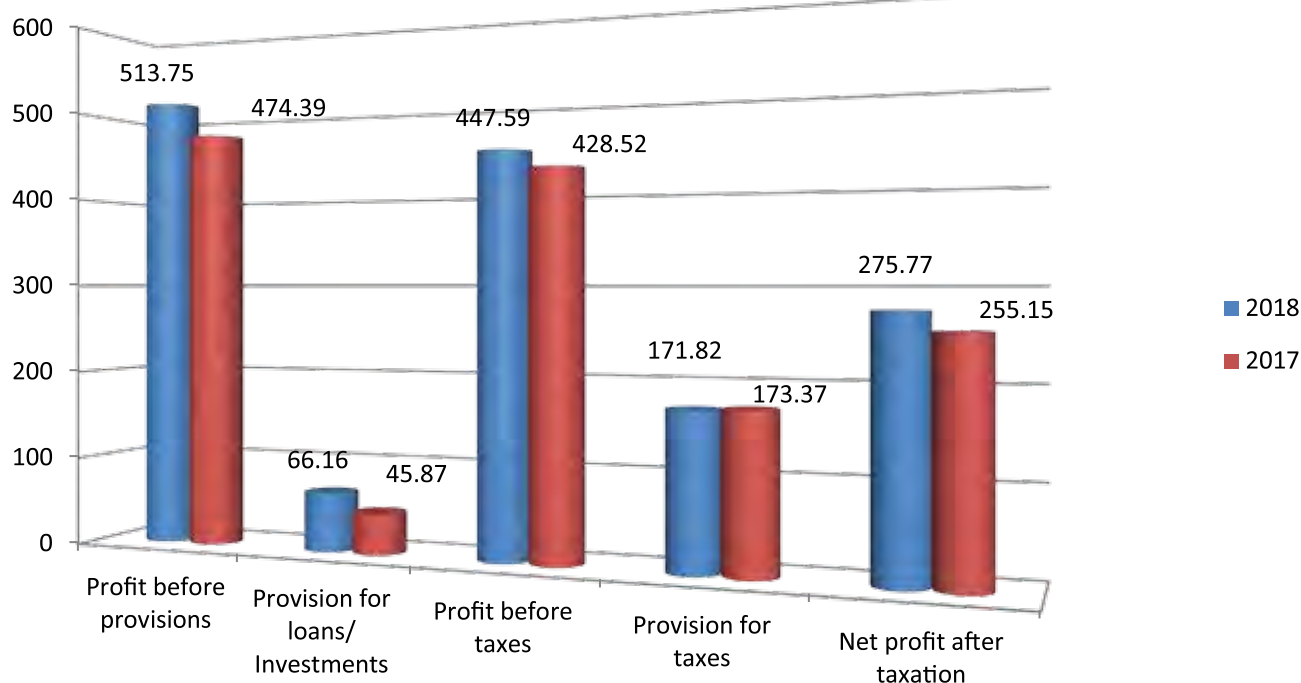
The demand of housing in urban areas in a developing country like Bangladesh is dramatically increasing due to natural process of urbanization and fast economic growth rates. Rural people are migrating not only to find jobs, but many wealthy people are moving to urban areas for fulfillment of their expectations for betterment of the lives of their future generations and for enjoying the modern facilities of city life.

#### FINANCIAL PERFORMANCE DURING THE YEAR 2018

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	2018					2017
	Q1	Q2	Q3	Q4	Yearly	
Net interest income	140.75	179.60	134.26	196.94	651.55	577.93
Total operating income	151.91	187.80	139.33	205.18	684.22	626.52
Total operating expenses	32.03	46.42	36.30	55.72	170.47	152.13
Profit before provisions	119.87	141.36	103.03	149.49	513.75	474.39
Provision for loans/ Investments	25.43	24.90	19.84	(4.01)	66.16	45.87
Profit before taxes	94.44	116.46	83.19	153.50	447.59	428.52
Provision for taxes	43.67	49.47	35.05	43.63	171.82	173.37
Net profit after taxation	50.76	66.99	48.14	109.88	275.77	255.15



## DEVELOPMENT ACTIVITIES

A number of measures were taken for business promotion during 2018. NHFIL strengthened its marketing activities by appointing increased number of business associates in its marketing team. A good number of officers were imparted training during the year. With a view to increase new business avenue we have opened a new branch namely "Gazipur Branch" in 2018 by abolishing our Existing sales centre. We have also opened another sales centre under Motijheel Branch at "Signboard, Narayangong" to procure business for the company. Besides, a number of MOUs were signed with promising real estate developer companies to procure business. NHFIL has also planned for opening new branches at Cumilla, Rajshahi alongwith some sales centre. Apart from this, as usual NHFIL participated in REHAB Fairs held at the Bangobondhu Conference Centre and received good response from the prospective clients.

## FINANCIAL STATEMENTS

The Financial Statements of NHFIL have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) adapted by the Institute of Chartered Accountants of Bangladesh, and comply with the requirements of DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Market of Bangladesh Bank and Bangladesh Bank's other circulars and guidelines, the Companies Act 1994, the Securities and Exchange Rules 1987, the Listing regulations of Dhaka and Chittagong Stock Exchanges. The afore mentioned Financial Statements for the year ended 31 December 2018 duly signed by the Chairman, Managing Director, and two Directors are given on pages from 113. Which form an integral part of this Annual Report.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of NHFIL to reflect a true and fair view of its state of affairs. This report has been prepared in conformity with the requirements of the Bangladesh Financial Reporting Standards, the Companies Act 1994, the Financial Institutions Act 1993, the Listing Regulations of Dhaka Stock Exchange & Chittagong Stock Exchange, Bangladesh Bank's Guidelines and the Corporate Governance Code.

## AUDITOR'S REPORT

The Auditor of NHFIL is Syful Shamsul Alam & Co. Chartered Accountants. Syful Shamsul Alam & Co. carried out the audit on the Financial Statements of NHFIL for the year ended 31 December 2018 and their report on those Financial Statements, as required by the Companies Act 1994 is given on pages from 103.

## SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 123 which comply with provisions of BFRSs and the Companies Act 1994.

## GOING CONCERN

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Bangladesh and the Bangladesh Securities and Exchange Commission NHFIL has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements. Details about going concern assessment of NHFIL are presented in Statement of Going Concern in page 49 of the Annual Report.

## CAPITAL EXPENDITURE

Total capital expenditure on acquisition of property, plant and equipment and intangible assets of NHFIL as at 31 December 2018 amounted to BDT 297.67 million which were BDT 295.60 million as at 31 December 2017. Details are given in Annexure A of Financial Statements.

## INTEREST IN OTHER ENTITIES

According to IFRS 12, National Housing Finance and Investments Ltd does not have any interest in other entities.

## RELATED PARTY TRANSACTIONS

Directors have also disclosed transactions that could be classified as Related Party Transactions in terms of Bangladesh Accounting Standard - BAS 24 (Related Party Disclosure) which is adopted in preparation of the Financial Statements. Those transactions disclosed by the Directors are given in note number 153 to the Financial Statements which form an integral part of the Annual Report.

## CREDIT RATING

On 26 July, 2018, CRAB assigned 'A1' rating in the Long Term and 'ST-2' in the Short Term to the Company based on financial statements up to 31 December, 2017. Banks/FIs rated as 'A1' (Strong Capacity & High Quality) have strong capacity to meet financial commitments, maintain 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-2 (Average Grade) means average capacity for timely repayment of obligations.

## ADDITIONAL DISCLOSURES

The Directors do hereby confirm, in accordance with BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 3 June, 2018, compliance with the financial reporting framework for the following;

- The financial statements prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the 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 and International Financial Reporting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed as per page No 126 of the Annual Report.
- The system of internal control is sound in design and has been effectively implemented and monitored as per page no 57 of the Annual Report.

- Key operating and financial data of at least preceding five (5) years have been summarized on page no 24 of this Annual Report.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no extraordinary gain or loss during the year.
- No significant difference occurs between quarterly financial performance and annual financial statements.
- There are no significant changes in the Company's fixed assets and the market value.
- The company had not enabled any of its directors to acquire benefits by means of acquisition of share or debentures of the company or anybody corporate.
- No bonus share or stock dividend has been or shall be declared as interim dividend.

#### SUBSEQUENT EVENTS-DISCLOSURE UNDER BAS 10: "EVENTS AFTER THE BALANCE SHEET DATE"

The following material event has been occurred after the Balance Sheet Date;

- The Board of Directors in its 207th Board Meeting held on 18th March 2019 has recommended 10% Cash Dividend and 10% Stock Dividend subject to the approval of the shareholders at the 20th Annual General Meeting.

#### DIRECTORS

In terms of the Shareholders' Agreement, the following Directors are to retire in the 20th Annual General meeting.

SL#	Directors to Retire	Organization Represented
01	Mr. Mahbubur Rahman	Eastland Insurance Co. Ltd.
02	Mr. M. Nurul Alam	Shaw Wallace Bangladesh Ltd.
03	Mr. Md. Kabir Reza	Square Pharmaceuticals Ltd.

The following shareholders being eligible for re-election expressed their interest to be re-elected as Directors in the 20th AGM:

SL#	Directors to be re-elected	Organization Represented
01	Mr. Mahbubur Rahman	Eastland Insurance Co. Ltd.
02	Mr. M. Nurul Alam	Shaw Wallace Bangladesh Ltd.
03	Mr. Md. Kabir Reza	Square Pharmaceuticals Ltd.

#### SHAREHOLDING PATTERN

NHFIL's shareholding pattern as on December 31, 2018, is disclosed as per the revised CGC of BSEC of this annual report on page no 69.

#### BOARD MEETING AND ATTENDANCE BY THE DIRECTORS

During the year 2018, a total of 12 meetings of the Board were held. Attendance by the Directors and remuneration to the Directors has been summarized on this annual report on page no 66.

#### REMUNERATION OF DIRECTORS INCLUDING INDEPENDENT DIRECTORS

Meeting attended by the Directors of National Housing Finance & Investments Limited refer to page no 68 of this Annual Report under the Corporate Governance Report.

#### PROPOSED DIVIDEND

NHFIL has earned a net profit after tax of TK. 275.77 million as against TK. 255.15 million in the previous year. The Board of Directors recommended 10% Cash and 10% Stock Dividend i.e. Tk. 1.00 for every share held and 1 (one) share for every 10 (ten) share held for the year ended 31st December 2018 subject to approval of the shareholders in the 20th AGM.

## REASON FOR STOCK DIVIDEND

The Board of Directors of NHFIL recommended 10% stock dividend for the year 2018 to buildup strong reserve and further growth of the Company in future.

## MINORITY INTERESTS

In compliance with code 1(5) (xvi) of the codes of corporate governance, the Board hereby confirms that the interests of the minority shareholders have been duly protected in the Company.

## PLAN FOR UTILIZATION OF UNDISTRIBUTED PROFITS

The Company requires substantial funds every year to carry out its regular business operation. The undistributed profits will be utilized to disburse fund for its new investments and will be used to meet contingencies in future as authorized under Article 100 of Schedule I of the Companies Act 1994. Additionally, with this retention a reasonable debt equity ratio would be maintained & the borrowing power of the Company would enhance.

## RESERVES

A summary of the reserves of National Housing is as follow:

Particulars	2018	2017
Statutory Reserve	466,539,218	411,384,918
Retained Earnings	243,771,628	225,299,229
<b>Total Reserves</b>	<b>710,310,846</b>	<b>636,684,147</b>

## AUDIT INFORMATION

The Directors who held office at the date of this Directors' Report confirm that:

- So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to ensure that the company's Auditors are aware of that information.

## AUDITORS

The Company's Auditors, M/s. Syful Shamsul Alam & Co., Chartered Accountants shall retire at the 20th AGM. Being eligible for re-appointment for the year 2019 they have expressed their interest to be re-appointed. Upon appraisal by the Audit Committee, the Board of Directors of the Company recommended the re-appointment of M/s. Syful Shamsul Alam & Co., Chartered Accountants, for the year 2019 at a remuneration of Tk. 275,000.00.

## COMPLIANCE AUDITORS

The Compliance Auditors, M/s. SARashid & Associates, Chartered Secretaries have expressed their interest to be appointed as Compliance Auditors of the Company. Upon appraisal by the Audit Committee, the Board of Directors of the Company recommended the appointment of M/s. SARashid & Associates, Chartered Secretaries, for the year 2019 at a remuneration of Tk. 25,000.00.

## APPRECIATION

It is a great privilege for us, the Directors and the functionaries of the company, to have been fortunate enough to work in tandem with you for the past long years and serve the purpose of a section of the people of our beloved country in terms of housing and shelter, which is one of the prime requirements of a human being. I believe, you have no hesitation in sharing with me the satisfaction that stems out of this splendid job being done by all of us in concert at NHFIL.



I am rather humbled that the divinity has given us this grand opportunity to serve the people and do business at the same breath. I have the humility to be grateful for the mercy of Allah in our pursuit and for the pious support that all of you – the shareholders, our partners in business, our clients of all denominations – kindly offered to us through all these past years. The central bank serves as the guardian of the money market including the banks and the non-bank financial institutions; we must convey our gratification to them in reverence; and in love and affection we, the Directors, put herein into words that we were and are happy with the grit and guile with which our employees of all rank and file survived stormy days and are prosecuting forward.



**Latifur Rahman**

Chairman

Dhaka, Dated 18th March 2019