DIRECTORS' REPORT

DEAR SHAREHOLDERS

The Board of Directors of National Housing Finance and Investments Limited, have the pleasure to present the Annual Report and Audited Financial Statements of Your Company for the year ended December 31, 2020, together with the Auditors' Report thereon.

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 Regulations of DSE and CSE, Guidelines of Bangladesh Bank and other applicable Rules and Regulations. As per BSEC's Corporate Governance Code a separate report titled 'Report on Corporate Governance' is furnished herewith which may be treated as part of this Directors' Report.

2020 was a year that forced the mankind to face unprecedented miseries, maladies, distress and despair ensued by the monstrous COVID-19 pandemic that raged all over the world all through the year. When it is widely and complacently claimed that the human civilization has reached its pinnacle; renaissance of human intellect has taken place; science & technology is at its zenith; the human race is able to shape its fate by virtue of its achievements in building societal relationships based on reasons and arguments, its capacities in capturing realism in theology and philosophy, its success in acquiring and creating wealth – the entire humanity was rendered helpless and struggled to just keep alive at the incidence of the pandemic which constitutes a simple virus.

Survival became the lone agenda concerning the mankind and economic and social issues came second. Consequently, production and consumption of goods and services nosedived to the bottom line, capital markets dwindled all through the year, and incomes dried up, purchasing powers shattered and in many countries and many instances people had to depend on government subsidies for food and other daily necessities.

There was no opportunity that the Bangladeshi scene would be any different than the rest of the world; the status quo of the country in respect of economy, business, social stability, health issues all got shacked up like never before. The priority agenda was to survive first, then undertake other life generating activities. A general lull established over all the activities that characterize a moving society. But, life survives on consumption and for that to take place, certain minimum level of works must go. Fortunately, the Bangladeshi people had the courage and capacity to pull on with some of the works though the pandemic continued threatening havocs. Housing was one of the basic necessity-area where investments continued, albeit depressed.

Your company was successful in exploiting this opportunity and did business generating a fairly good amount of revenue. Its growth was thus maintained during 2020, if not at an inspiring rate. This shows the strength of your company and has emboldened the morale of our Board of Directors and our employees at large. We now know that with steadfastness, quality, hard work and a motivation to quickly adjust with changing external and internal environments we will, Inshallah, be able to cope with adversities and achieve the objectives and goals that you renew and reset as you congregate in the annual general meeting each year.

ECONOMIC REVIEW OF THE FINANCIAL YEAR

WORLD ECONOMY REVIEW

COVID-19 caught the human civilization entirely unawares during 2020 as it started raging over the planet in December, 2019. The world was taken aback by the lethal impact of the pandemic and rendered confused and hesitant as to what to do and how to face the onslaught medically, economically and socially. A global incapacity, a prevalence of forlorn hopes, and a dangerous lack of international co-operation and concerted efforts on the part of world leaders emerged to the dismay of the helpless humanity. As the gestation period of restoration went on, the world had already suffered irreparably on account of loss of lives, loss of income and wealth and loss of organizational mobility.

IMF projected in October, 2020 World Economic Outlook (WEO) Update that global growth would be −4.4 percent in 2020, a less severe contraction than the forecast in the June 2020 WEO. Global growth is projected at 5.2 percent in 2021, a little lower than in the June 2020 WEO Update, reflecting the more moderate downturn projected for 2020 and consistent with expectations of persistent social distancing. Following the contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be a modest 0.6 percent above that of 2019. The growth projections imply wide negative output gaps and elevated unemployment rates this year and in 2021 across both advanced and emerging market economies. After the rebound in 2021, global growth is expected to gradually slow to about 3.5 percent into the medium term. This implies only limited progress toward catching up to the path of economic activity for 2020–25 projected before the pandemic for both advanced and emerging market and developing economies.

The global economy is climbing out from the depths to which it had plummeted during the Great Lockdown in April. But with the COVID-19 pandemic continuing to spread, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

REGIONAL ECONOMY REVIEW

As worked out by the Asian Development Bank (ADB), the overall forecast for Developing Asia (46 ADB member economies across Asia and the Pacific) is a contraction of 0.4% in 2020, less than the 0.7% envisaged in September. Growth will rebound to 6.8% in 2021, but output will remain below what was envisioned before the pandemic.

Highlights of the ADB forecast with respect to the region involving Asia and the Pacific are as follows:

- Developing Asia is now forecast to contract by 0.4% in 2020, less than the 0.7% contraction envisaged in the Asian Development Outlook 2020 Update in September. Growth will rebound to 6.8% in 2021, but prospects diverge within the region
- Projected growth in East Asia in 2020 is upgraded from 1.3% in the Update to 1.6% as the People's Republic of China and Taipei recovered more quickly than expected. Growth in 2021 is still forecast at 7.0%.
- The earlier South Asia forecast for 6.8% contraction is upgraded to 6.1% in line with an improved projection for India, as recovery accelerates, from 9.0% contraction to 8.0%. Growth will return in 2021, at 7.2% in South Asia and 8.0% in India.
- Recovery in Southeast Asia continues to lag as virus containment efforts in the larger economies hamper economic activity. Sub-regional forecasts are downgraded for 2020 from 3.8% contraction to 4.4%, and for 2021 from 5.5% growth to 5.2%.
- Growth forecasts for Central Asia and the Pacific are unchanged from September. Central Asia is still projected to contract by 2.1% this year, and the Pacific economies by 6.1% as global tourism continues to languish.
- Depressed demand and low oil prices will keep regional inflation in check at 2.8% in 2020 and 1.9% in 2021.

The COVID-19 pandemic, which is still impacting South Asia, has severely hampered the flow of productive and other activities in the region. But with people's ingenuity and spirit, Governments have come up sufficiently sensitive to the adversity and undertook elaborate equipoising and counterbalancing steps in the forms of monetary easing, fiscal stimulus, and supportive financial regulations. But the situation is fragile amid weak buffers and exhausted policy tools.

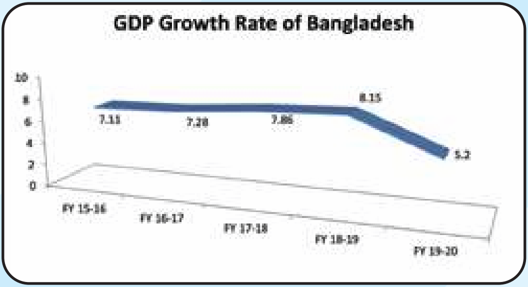
The informal economy in South Asia has been hit hard. Many unorganized workers, self-employed people and microenterprises have experienced a large drop in earnings due to wholesale lockdowns that reduced purchasing powers and almost totally blocked consumer mobility. Informal workers and firms tend to have inadequate mechanisms for coping with short-term demand and supply interruptions due to limited savings and constrained access to finance. While the poor have suffered severely during the crisis, many informal workers in the middle of the income distribution have experienced the greatest drop in earnings. Most of them are not covered by social insurance. The crisis lays bare complicated structural problems in the informal sector that need to be addressed. However, the growth rate of Bangladesh in FY20 was highest in South Asian region.

BANGLADESH ECONOMY REVIEW

GDP Growth

Bangladesh achieved GDP growth of 5.2 percent in FY20, much lower than 8.2 percent in FY19. Though Bangladesh recorded robust growth rates during the last couple of years, the outbreak of COVID-19 pandemic during the FY20 affected national economy adversely, leading to the fall in growth. Following negative impacts of COVID-19, all major sectors witnessed a lower growth. However, in the falling spree, the growth rate in FY20 was highest in South Asian region.

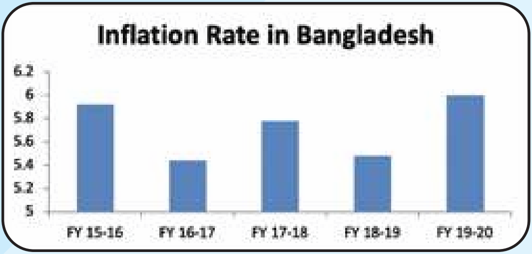
The per capita GDP is estimated to have been Tk. 69,452.1 in FY20. Afterwards, the first positive case of corona virus identified on March and to contain its spread government announced a national general holiday from March 26 to May 30. As a result, economic activities drastically plummeted during the last quarter of FY20 resulting a 2.9 percentage point fall in the growth compared to FY19, which was the largest one-year fall of growth since FY91.



Inflation Rate

Inflation rate has been showing an upward trend in FY20 emanated mostly from uncertainty due to the COVID-19 pandemic. The rate came to 6.0% driven by the increase in food inflation. However, point to point non-food inflation eased to 5.2 percent in June 2020 due to subdued demand for elastic items because of losing employment and cut of salaries.

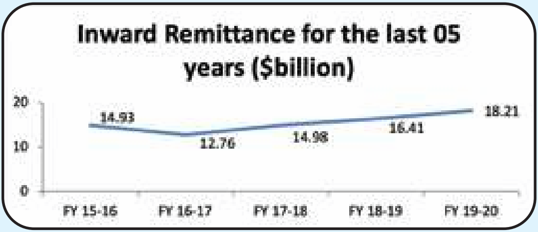
Inflation Rate in Bangladesh



Inward Remittance

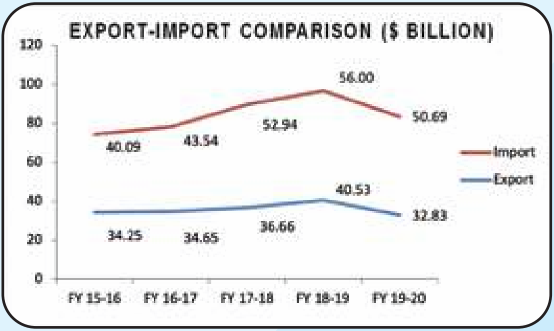
The flow of inward remittances from Bangladeshi nationals working abroad has been playing an important role in strengthening the current account balance. Inward remittance has been showing an upward trend from FY2016-17 after a consecutive three years downward trend from FY2014-15.

Inward remittance increased by 10.9% to USD 18.21 billion in FY2019-20 with majority of the remittance coming from the Gulf Cooperation Council (GCC) countries. While there was an apprehension of contraction in the volume of remittance, that swelled to an extraordinary figure; perhaps, because agonized sojourners wanted to support their families back home to survive the COVID-driven calamity.



Export – Import

Exports shrank by a larger margin than imports did in FY20. Exports fell by 17.1 percent while imports' decline was 8.6 percent. The total exports in FY20 stood at USD 32.83 billion, which was USD 39.60 billion in FY19. On the other hand, the total imports were USD 50.69 billion in FY20 in contrast to USD 55.44 billion in FY19. As a result, the trade deficit widened further and was recorded USD 17.86 billion in FY20, which was USD 15.84 billion in the preceding fiscal year.



Foreign Exchange Reserve

Foreign exchange reserve has been showing an improving trend from FY2018-19. Foreign exchange reserve stood at USD 36.04 billion in FY20. Increasing inward remittance helped to keep the foreign exchange reserve at a healthy level.

Loans, Advances and Deposits

Outstanding bank credit (excluding foreign bills and inter-bank items) in FY20 rose by BDT 898.26 billion or 8.95 percent to BDT 10,940.07 billion against the increase of 11.64 percent in FY19. Bank deposits increased by 10.61% to Taka 12,690.99 billion during FY20 against 9.89% increase in FY19.

CAPITAL MARKET ACTIVITIES

The Capital Market and the Money Market are two money-supply mechanisms that have got developed over a long time to provide monetary supports to start-ups and grown-up businesses in the forms of equity and loans and advances so that the new firms can be established and the older ones can go on as going concerns. It was highly satisfactory for a developing country like Bangladesh where resources are in dire shortage, that these two mechanisms almost reached a matured status in the preceding decades. The Money Market, especially, was performing almost at par its counterpart in the Western countries.

Unfortunately, both the markets now are breathing excruciatingly for survival and growth. The Money Market still is walking, though tired with burdens of mismanagement, inordinate political influences and default loans and above all, with the absence of an efficient regulatory and organizational structure. As for the Capital Market, it's almost hopeless. During the last decade, it ventured forward through hurricanes of market manipulations on one hand, and pulled by public hopes and efforts on the other.

Good wishes and good efforts have not yet been successful to win over bad elements of the Capital Market. General confidence could not yet be revived and rebuilt which is the only tool that can bring in buoyancy in the market. Given the low interest rates offered by the Money Market, there is high- investor-propensity to channel funds into the Capital Market, but a widespread fear for losing money has been pushing them away from investing.

The fear of playing fool in the hands of market manipulators remains the main barrier against investor convergence on the market. Internationally accepted efficient systems & structures and rules & regulations applied by transparent operations under the management of qualified, honest, experienced, hardworking, accountable, and well-paid functionaries can possibly mend the ills and mobilize all categories of stakeholders and cause a resurrection of the market.

It is satisfying to see that the concerned quarters are aware of the importance of the capital market and they are struggling to reform and rejuvenate it so business enterprises can collect equity funds from general and specialized investors. The Capital Market comprises of two bourses – Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), where DSE is the prime mover in ensuring a vibrant capital market which is the bedrock of a modern and internationally active business domain promising expansionary economic operations for the country.

As part of re-invigorating programs, DSE and Shenzhen Stock Exchange jointly designed, developed and launched CNI-DSE Select Index (CDSET) on 30 December 2019. Bangladesh Bank In collaboration with DSE, held on 22 January 2020, the third and final workshop of technical series titled ‘Practical Tips for Preparing your Next Report: Bringing it all Together’ under Global Report Initiative (GRI). BSEC and ADB jointly organized 4-day-long seminar titled ‘Regional Seminar on Financial Literacy and Investor Protection’. In order for reduction of risks of stock exchange transactions, Central Counter Party Bangladesh Limited (CCBL), has been established for clearing and settlement. The period from 26 March, 2020 to 30 May, 2020 has been excluded for all capital market related organizations in counting time for complying securities related obligations to BSEC or stock exchanges except declaration of price sensitive information, by issuing a directive dated June 02, 2020.

DSE Index (DSEX) showed declining trend during the year 2020. The DSE index and the market capitalization decreased to 4452.93 and BDT 3395.51 billion respectively at the end of December 2019. With a downward trend, the index and the market capitalization stood at BDT 3,989.1 and BDT 3,119.7 billion respectively at the end of FY20

MONEY MARKET SCENARIO

The money market in Bangladesh experienced a moderate volatility in FY20. Addressing the demand of banks, on day-to-day basis, BB meticulously used government debt management and open market operations (OMOs) tools to balance the call money market. BB’s scrupulous policy measures help banks to maintain liquidity contributing stable weighted average interest rates in the call money market ranging from 3.46 percent to 5.14 percent. During FY20, the volume of interbank call money decreased by BDT 57.99 billion, which was 4.67 percent lowers comparing FY19.

PERFORMANCE OF NON-BANKING FINANCIAL SECTOR

In modern times, people of various income brackets and professions require a host of financial services for business, as well as for satisfaction of personal requirements, ranging from procurement of capital machineries and equipment, loans of short tenor, mortgage loans, procurement of household gadgets and appliances on EMI arrangements, technical services for fund management and investment, augmented income from high interest rates on term deposits etc. And they need these services on call and on smart delivery mechanisms.

Banks as large financial services hubs, generally have lengthy, complicated and tighter security arrangements for offering services. Here the Non-Bank Financial Institutions (NBFIs) come in to bridge the gap of the need for quicker, smarter, personalized services with appropriate response to the need of the time. NBFIs are investing in different sectors of the economy, with primary concentration in industrial sector and secondary involvement in real estate sector.

As smaller organizations, NBFIs are in a position to offer and manage a multitude of financial services with capacity to satisfy constantly changing demands of the customers and thus they have consolidated their seat in the ever expanding national financial markets. A good number of NBFIs are present in the capital market and are creating investment and resultant income opportunities for interested investors which contributes to employment, industrialization and boosts the services sector.

At present, in Bangladesh there are 35 NBFIs (including Peoples Leasing & Financial Services Limited, which are under liquidation process). Out of the 35, 3 are Government-owned organizations, 13 are joint ventures and the rest 19 are privately-owned local entities. These NBFIs have so far developed a network of 276 branches as on 30 June 2020, positioned at prominent places with prospects for delivery of best possible services to deserving seekers.

Total Asset

The total asset of the non-banking financial institution sector stood at BDT 860.33 billion in June, 2020, a decrease by 1.3% from BDT 871.50 billion in December 2019.

Loans and Advances

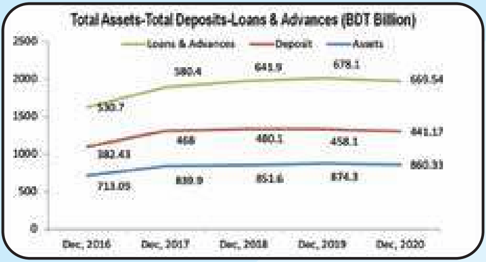
The total loans and advances of the non-banking financial institution sector stood at BDT 669.54 billion in June 2020, a decrease by 1.26% from BDT 678.10 billion in December 2019. Total loans and advances of the Industry constituted 77.82% of total asset in June 2020.

Total Deposits

Total deposits of the NBFIs at the end of December 2019 went down to BDT 451.93 billion (60.00 percent of total liabilities) from BDT 466.26 billion (63.03 percent of total liabilities) at the end of 2018 showing an overall decrease of 3.07 percent. At the end of June 2020, total deposit of NBFIs stood at BDT 441.17 billion.

NBFIs are allowed to invest in the capital market upto 25 percent of paid up capital. In December 2019, all NBFIs' total investment in capital market was Taka 18.83 billion compared to Taka 17.74 billion in December 2018. Investment in capital market accounted for 2.09 percent of the total assets of all NBFIs. At the end of June 2019, NBFIs total investment in capital market stood at Taka 17.98 billion.

NBFIs are allowed to mobilize term deposit only. 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. Note that at the end of FY 20, in order to mitigate the impacts of COVID-19 on financial institutions and their clients, the Cash Reserve Requirement (CRR) was lowered from 2.50 percent to 1.50 percent on bi-weekly basis and from 2.00 percent to 1.00 percent on daily basis to increase liquidity of the financial institutions.



INDUSTRY OUTLOOK

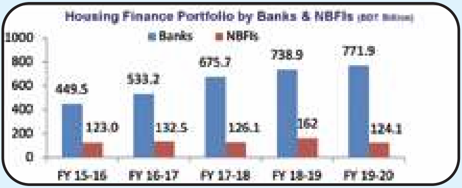
HOUSING FINANCE

Movements in investments in the Housing Sector and in construction and possession of physical properties serve as vivid indicators as to the vibrancy of any economy. This is more so for Bangladesh, because it is geographically a small country (land area: 130, 170 square Km) with a very large population. With an estimated population of 165, 966, 798, Bangladesh ranks 8th in the list all countries and holds 2.11% of world population as per UN data elaborated by World meter, a US based provider of world statistics. Population density is 1265 persons per square Km, and 39.4% of the population leaves in urban areas.

Big population and small land mass, and a swelling urban population make it imperative for the country to make way for rapid development of dwelling houses, business accommodations, community installations like stadiums, transport stations, hospitals, markets, roads, bridges, office blocks, entertainment destinations, schools, colleges, universities, and settlements for the army and other disciplinary forces etc.

Land-population ratio in the country, especially in its urban areas is measurably low meaning there is significant scarcity of landed properties in urban areas. This has caused wide scale incidence of vertical real estate developments involving construction of high-rise buildings accommodating large numbers of flats, apartments and office spaces under efficient use of land and construction materials. Such constructions call for investments of great sums of money on the part of developers and purchasers. Demand for money would drive demands up for housing and construction loans and credits. These are prominent signposts that the business opportunities for lenders and investors in the real estate sector would remarkably bolster in days ahead.

Total Housing Finance increased from BDT 486.30 billion in 2014-15 to BDT 930.3 billion in 2019-20 representing a growth of 91.30 %. Housing Finance by NBFI's increased from BDT 94.30 billion in 2014-15 to BDT 124.10 billion in 2019-20 representing a growth of 31.60%. Contribution of the NBFIs in the total national outlay in 2014-15 (486.30 billion) and 2019-210 (930.30 billion) was 19.39% and 13.34% respectively.



According to CIA World Factbook, Bangladesh's current population is largely skewed towards youthfulness. Median age of the population is 27.9 years. The demographic distribution of population by age stands as follows:

POPULATION AGE STRUCTURE OF BANGLADESH

Age range	Number	Percentage
0-14 years	43, 077, 226	26. 48%
15-24 years	30, 188, 420	18. 56%
25-54 years	66, 229, 910	40. 72%
55-64 years	12, 057, 681	7. 42%
65 years and over	11, 097, 617	6. 82%
Total	**162, 650, 854**	**100.00%**

Source: CIA World Factbook, (2020 est.)

The ongoing demographic features of Bangladesh are very promising: the available data shows that population within the age brackets of 0-14 years, 15-24 years, and 25-54 years constitute 26.48%, 18.56% and 40.72% respectively. Impact of this demographic feature translated into real life potential presents a huge advantage for the country in the near and long drawn future if the nation succeeds in planning and utilizing this natural booty. The business and economic activities already undertaken by these young people and the future activities that will ensue are most likely to initiate a Grand National journey towards creation and possession of great amounts of wealth and resources. Increased resources in the hands of the public are expected to create demand for houses, apartments and other similar properties. If no great failure overtakes the nation and if no colossal disaster overwhelms, increased business potential for NHFI can safely be forecasted in years and even decades to come.

With the increase of educated population and the emergence of a vibrant middle-class in the society, the prospects for housing sector business is also expected to enhance over time. Educated people with sufficient disposable income and access to loans and allied services, and exposure to modern amenities and styles of life are prone to aspire for and work hard to buy and live in own houses. This cosmopolitan social trend has additionally been expanding the limit of housing sector business, which is logically putting a demand-pull pressure on credit supply for house building and apartment purchases creating a buoyancy for lenders and suppliers. All these are good omens for businesses like National Housing and are surely reasons for encouragement for all of us – partners, shareholders and stakeholders of all varieties.

Good news entails discouraging news also: COVID-caused depression in business and financial activities has resulted in lean cash-flows in and out of the market. Unemployment and business setbacks have enormously reduced incomes. That is leading clients to evade repayments and thereby turning repayment masters into defaulters. Tenants who have gone unemployed or are earning less are failing to pay house rents in proper amounts and time forcing house owners to go delinquent in repayment of loans and credits destabilizing the housing finance market. There are options to solve these problems by granting moratorium for repayment, re-structuring credits, providing refinancing facilities and financial packages on the part of the government to the really affected borrowers and lenders. Concerned quarters are, reassuringly, considering the options and in instances already are implementing such schemes on the basis of merit of disparate cases.

The banking sector is now playing a mammoth role in the housing sector, but the growth rate of NBFI shows an ascending trend at the same time. Investments in real estate schemes are secured as evidenced by data and statistics, and Banks enjoy an advantage of cost of fund over NBFIs. These determinants have been prompting Banks to redirecting increased amounts of funds to this sector. These banks served as market leaders with BDT 489.30 billion in outstanding housing loans as of June 2020. The SCBs had the second largest amount of BDT 242.00 billion and other banks (foreign & specialized) had BDT 40.60 billion in total as of June 2020.

Availability of huge funds for building and buying houses as a result of operations of banks has caused a demand-pull effect on the market enticing in new customers. Besides the general NBFIs, two private sector specialized housing finance companies including National Housing Finance and Investments Ltd. and Delta Brac Housing Finance Corporation Ltd. (NHFIL & DBH), and the lone state owned housing finance organization, namely House Building Finance Corporation are operating in the market contributing remarkably to meet the financial requirements of individual and corporate clients.

KEY STRENGTHS OF NHFIL

We operate only in the housing finance sector; we specialize in this sector unlike banks and other NBFIs; this is our forte. Our organizational knowledge and skill spanning every nook and cranny of the housing finance sector come as a great support – with kind of a consoling effect in their long drawn and arduous efforts – to customers who venture into building or buying their own dwelling places, or structures for commercial purposes. Consequently, NHFIL has been successful in fabricating a brand image and niche in the market entirely unrivalled by other funding agencies.

This has helped us stay ahead in a highly competitive market. The consumer relationships we have built overtime, the high quality of services that we provide to our clients in terms of convenience and flexibility, and our focus on collections and controlling of non-performing loans (NPLs) have all contributed to increase in our revenues and profits, and in turn, creation of value for our shareholders.

Our proper and prompt services serve as our advertisements: our employees are fully geared by virtue of relevant knowledge, skill, experience and a motivational status of mind inculcated by constant training and counseling to follow through the best practices while dealing with customers. This is fine-tuned by our Board of Directors when they offer their advices and guidance and put forward policies and operational strategies.

Endurance and Consistency in Operation – that is the commitment and ability to respond to each and every query for assistance; **Financial Strength** – that is the ability to perpetually maintain sufficient liquidity and disbursing credits as and when sought for; and **Quality** – that is the ability to deliver easy, quick, and need-based hassle-free services to customers are our precious attainments that have earned us a brand name in the housing finance market and commensurately paying off our investors, and all stakeholders including the employees who are painstakingly managing the affairs of the company.

HUMAN RESOURCES- A VITAL ELEMENT TO NHFIL'S SUCCESS

At NHFIL, at the very heart of our culture lies the ambition to stay at the top of the curve. And the only way to do so is to empower our most valuable asset – our human resources. Our organization is in the practice of executing on-the-job and off-the-job training and views-sharing sessions in order that employee skill and morale could be kept updated and refined. Talent and knowledge management activities form the most important agenda of the company and under a succession plan, a pipeline for supply of fresh hands and handpicked professionals is maintained, so gaps and vacuums could be filled in as soon as there is any requirement and urgency. This helps shun setbacks and keep works flowing smoothly. As we focus on enhancing productivity, we are increasingly linking Key Performance Indicators (KPIs) with compensation and incentives, fostering an environment that inspires decentralized decisions and a culture of cost consciousness and value addition in whatever we do.

In a highly competitive marketplace, we are also constantly looking at attracting and retaining the best talents. We believe, in addition to offering lucrative compensation packages, ensuring a challenging workplace environment that thrives on ideas, innovation and collaboration is critical to prevent frequent drop outs and retain best minds and best hands. These policies are paying us all and it is expected that framing, adjusting and adhering to such policies will in all possibilities greatly contribute to achieving company objectives, targeted growth and the desired position in the market in terms of brand image, image as a coveted employer, stability in financial and management status, and above all a company with commercial and social commitments and contributions.

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 identifying cross selling opportunities and enlarge our loans exposure to quality accounts. With the online appraisal in place, we have also quickened our loan disbursal time and this has greatly benefitted us in terms of providing superior customer service and claiming wider customer loyalty.
- 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 services to our customers across all our branches as we focus on minimizing their need to visit us, thereby enhancing their convenience. A customer experience team has been formed to monitor activities of the relationship teams so that objectives in this regard are realized.
- Apart from these initiatives, we are continuously looking into opportunities of process re-engineering. The aim of this is to do away with inefficiencies that might exist in any of our operational processes, thereby lower costs and create more value for our shareholders, as well as provide faster solutions to our customers' issues. A change management team has been formed to oversee this transformation.

INTERNAL CONTROLS

NHFIL has adequate system of internal controls for business process, 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. The Board of Directors have the responsibility for reviewing and approving the overall business strategies and major policies of the Company. Senior management has the responsibility for implementing strategies and policies approved by the board. Your company ensures that a reasonably effective internal control framework operates throughout the organization, which provides assurance with regard to safeguarding the assets, reliability of financial and operational information, and execution of the transactions in compliance with the authorized internal policies and strategies. The Board of Directors has instituted comprehensive systems of internal control for identifying, recording, evaluating and managing the risks faced by NHFIL throughout the year. The Board meticulously monitors the impact of internal control functions and comes up with suggestions containing corrective measures from time to time.

RISK MANAGEMENT

NHFIL has an ongoing process in place to identify, evaluate and manage Foreseeable Material Risk Factors. This process is detailed in the Risk Management Report. The Directors, review the above mentioned process on a regular basis.

CORPORATE GOVERNANCE

In the management of the Company, the Directors have placed emphasis on conforming 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 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.

ENVIRONMENT FRIENDLY POLICY ADOPTED BY NHFIL

While the whole world is anxious about greenhouse effect and the impact of climate change on human civilization, we have started to explore the emerging possibilities of "Green Finance."In a bid to answer responsibly to the climate change issues – particularly, the threats facing Bangladesh which is a small landmass forming a low lying delta called Ganges-Brahmaputra-Meghna Delta (GBM Delta) – we are sincerely exploring the scope and size of the business portfolio comprising green buildings, renewable energy and energy-efficient projects, waste management capacity development, initiatives to ensure safety and security of factory workers etc. The global climate and for that matter the climate of Bangladesh consists of an intensely connected network of the sun, earth, oceans, wind, rains, snow, forests, deserts, savannahs and very importantly, what we, the mankind do living in this network. As a pivotal element of the global climate system human actions bear great influence (positive and negative) on the global climate and have been causing perversions like abrupt sea-level rise, rise in temperature, excessive rainfall, drought, frequent incidence of floods & cyclones, worsening health hazards, and so on. We fully appreciate the gravity of these looming problems of colossal scales and thus, our Board has clear instructions to engage under a prioritized approach in "Green Finance" whenever and wherever possible and the company is poised accordingly.

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 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 informed contributions 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, and
- 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 to provide a vivid idea of corporate objectives and goals and responsibilities of Directors in respect of internal and external stakeholders, regulators and government agencies, and the communication media ; and
- A code of conduct adopted by the Board for compliance on the part of the Directors.

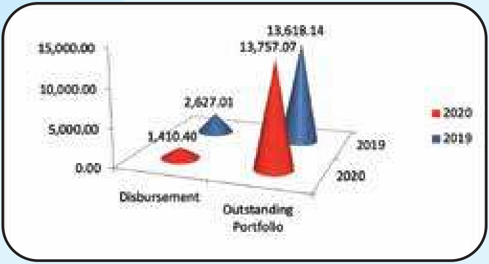
Besides, all relevant regulations promulgated/circulated from time to time by the concerned authorities are placed to the meeting of the Board on a regular basis to keep the members updated.

OPERATIONAL OVERVIEW OF NATIONAL HOUSING

National Housing has been able to maintain a stable business volume during 2020 which can be seen from the data furnished below:

(Amount in BDT Million)

Particulars	2020		2019	
	Disbursement	Outstanding Portfolio	Disbursement	Outstanding Portfolio
Home mortgage loan	1,344.77	12,752.10	2,540.13	12,516.49
Lease & Term finance including SME and other	65.63	1,004.97	86.88	1,101.65
Total:	**1,410.40**	**13,757.07**	**2,627.01**	**13,618.14**



The total portfolio of the Company reached to Tk. 13,757.07 million from Tk. 13,618.14 million during 2020, registering a growth rate of 1.02%.

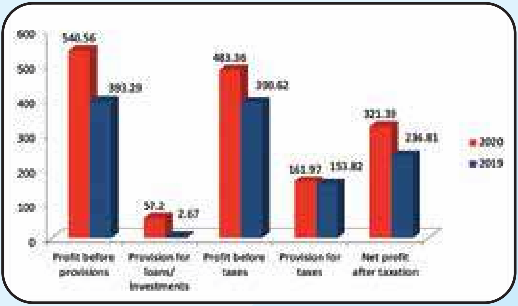
The demand for houses in urban areas in a developing country like Bangladesh has been dramatically increasing due to a modern process of urbanization and fast economic growth. Rural people are migrating not only to find jobs, but many wealthy people are moving to urban areas for fulfillment of their expectations for betterment of the lives of their future generations and for enjoying the modern facilities of city life. International migrations are also keeping strong impacts serving as a conduit for a flood of remittance, a part of which in turn flows to the housing sector for purchase and/or construction of houses and apartments.

FINANCIAL PERFORMANCE DURING THE YEAR 2020

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	2020					2019
	Q1	Q2	Q3	Q4	Yearly	
Net interest income	119.36	93.64	130.88	222.50	566.37	565.82
Total operating income	135.96	107.46	205.47	290.81	739.70	588.97
Total operating expenses	47.54	48.20	48.51	54.87	199.13	195.68
Profit before provisions	88.42	59.56	156.95	235.94	540.56	393.29
Provision for loans/ Investments	0.69	0.74	(21.16)	76.93	57.20	2.67
Profit before taxes	87.73	58.52	178.11	159.01	483.36	390.62
Provision for taxes	31.92	20.73	22.09	87.23	161.97	153.82
Net profit after taxation	55.81	37.79	156.02	71.77	321.39	236.81



RESERVES

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

Amount in Million BDT

Particulars	2020	2019
Statutory Reserve	578.18	513.90
Retained Earnings	348.00	207.92
Total Reserves	**926.18**	**721.82**

The quarterly performance of NHFIL was variant in nature, which is clearly observable from the table above. We maintained our prime strategic goal of “value management”. In addition to the continued liquidity pressures from the year 2019 and market pressure from implementation of interest capping policy, came the onslaught of the pandemic. Considering this uncertain operating environment, it was key for us to focus on effective portfolio management, collection, and a stronghold on Non-Performing Loans (NPL) management. With the combined effort of government measures, drives from our Treasury, Wealth Management divisions and all the employees of the company, we were able to take a grip on the situation and collect considerable funds. This we focused to government securities that allowed us to finally book BDT 84.02 million of tax-free gain and BDT 70.05 million of interest income from that managed to a Net Profit after Tax of BDT 321.39 million at the end of the year.

It is on the back of our efficient Treasury management of money market and bond market that enabled us to make the strategic shift towards tax-free government treasury bonds. As reflected in the Table above, our Other Operating Income significantly increased by 25.59% in comparison to 2019.

Operating Expenses increased in the first three quarters by increasing advertisement costs, curtailing general operating expenses. However, with improvement in the business environment, significantly improved collection rates we took up brand strengthening and advertisement initiatives in the last quarter, contributing to the 4.65% increase in Operating Expenses. It needs to be mentioned here that despite the general trend, we did not opt for reduction in Operating Expenses through downsizing “Salaries and Allowances”. In hindsight, we went ahead with the planned promotions in the third quarter and on-boarded the committed recruitments in order to retain confidence in our employees and other stakeholders. They were routed towards collection and deposit booking that helped us to enhance our liquidity position.

The Provision for loans/investment was impacted by the government intervention to safeguard borrowers from the sudden and massive economic impact of the pandemic. This can specifically be witnessed in the first three quarters. Although the intervention continued throughout 2020, we prudently considered additional provisions in the last quarter, in order to safeguard the interest of the company and shareholders, after carefully assessing recoverability of the borrowers. Although this played a part in attaining the 35.72% growth in Net Profit After Tax (by BDT 84.58 million from 2019) as well as total reserve growth 28.31% (by BDT 204.36million from 2019), but the prime reason remains the growth in our total operating income.

DEVELOPMENT ACTIVITIES

A number of measures were taken for business promotion during 2020. NHFIL strengthened its marketing activities by appointing an increased number of business associates in its marketing team. Besides, a number of MOUs were signed with promising real estate developer companies to procure new businesses. NHFIL has also planned for opening some sales centers.

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 complying the requirements of DFIM circular No # 11 dated 23 December 2009 issued by Department of Financial Institutions and Markets 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 2015. The aforementioned Financial Statements for the year ended 31 December, 2020 duly signed by the Chairman, Managing Director, an Independent Director and a Director are given.

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 DSE and CSE, Bangladesh Bank’s Guidelines and the Corporate Governance Code. The Statement of Directors’ Responsibility for Financial Reporting is given in the corporate governance report that forms an integral part of the report of the Board of Directors.

AUDITOR’S REPORT

The Auditor of NHFIL is M/s Islam Aftab Kamrul & Co. Chartered Accountants. M/s Islam Aftab Kamrul & Co. carried out the audit on the Financial Statements of NHFIL for the year ended 31 December, 2020 and their report on those Financial Statements, as required by the Companies Act 1994 is given.

SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting policies adopted in the preparation of the Financial Statements have been stated in the noted to the Financial Statements in compliance with provisions of BFRSs and the Companies Act 1994.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including analysis 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 Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Bangladesh and the Bangladesh Securities and Exchange Commission, have concluded that NHFIL has adequate resources to continue operations into the future protecting and promoting the business interests of all shareholders and stakeholders. They also assume based on accounting facts and figures that the financial status of the company is stable enough to pay for its obligations in the foreseeable future, bear operational expenses and hold onto business in the face of unfavorable conditions and that there is no accounting or financial indications that the company may encounter any setback, or threat of closure or liquidation in the near future. Accordingly, they have adopted the principles of Going Concern in preparing the Financial Statements. Details about going concern assessment of NHFIL are presented in Statement of Going Concern.

CAPITAL EXPENDITURE

Total capital expenditure on acquisition of property, plant and equipment and intangible assets of NHFIL as at 31 December 2020 amounted to BDT 319.66 million which were BDT 313.59 million as at 31 December 2019. 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 53 to the Financial Statements that form an integral part of the Annual Report.

CREDIT RATING

On 27 August, 2020, CRAB assigned ‘A1’ rating in the Long Term and ‘ST-1’ in the Short Term to the Company based on financial statements up to 31 December, 2019. 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-1 (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, that compliance with the applicable financial reporting framework has been ensured as follows:

- 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;
- The system of internal control is sound in design and has been effectively implemented and monitored;

- Key operating and financial data of at least preceding five (5) years have been disclosed;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- 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.

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

"The Board of Directors in its 225th Board Meeting held on 24 March, 2021 recommended 15% cash dividend subject to the approval of the shareholders at the 22nd Annual General Meeting."

DIRECTORS

In terms of the Shareholders' Agreement, the following Directors intend to retire at the 22nd AGM:

SL#	Directors to Retire	Organization Represented
01	Mr. Syed M. Altaf Hossain	Pragati Insurance Ltd.
02	Mr. Azmal Hossain	Eastern Insurance Co. Ltd.

National Life Insurance Company Limited has withdrawn the nomination of Mr. Morshed Alam MP. Hence they nominated Mr. Md. Kazim Uddin, Chief Executive Office instead of Mr. Morshed Alam MP. Therefore, the following shareholders' representatives being eligible for re-election/election as Director have expressed their interest for election as Director in the 22nd AGM:

SL#	Directors to be elected/re-elected	Organization Represented
01	Mr. Syed M. Altaf Hossain	Pragati Insurance Ltd.
02	Mr. Azmal Hossain	Eastern Insurance Co. Ltd.
03	Mr. Md. Kazim Uddin	National Life Insurance Company Limited

SHAREHOLDING PATTERN

NHFIL's shareholding pattern as on December 31, 2020, is disclosed in the Report on Corporate Governance.

BOARD MEETING AND ATTENDANCE BY THE DIRECTORS

During the year 2020, a total of 7 meetings of the Board were held. Attendance of the Directors is disclosed in the Report on Corporate Governance.

REMUNERATION OF DIRECTORS INCLUDING INDEPENDENT DIRECTORS

Summary of remuneration paid to the Directors including Independent Directors is stated in the Report on Corporate Governance.

PROPOSED DIVIDEND

NHFIL has earned a net profit after tax of TK. 321.39 million as against TK. 236.81 million in the previous year. The Board of Directors recommended 15.00% Cash Dividend i.e. Tk. 1.50 for each share for the year ended 31 December, 2020, subject to approval at the 22nd Annual General Meeting. The Board hereby states that no stock dividend as interim dividend was considered during the year or will be considered in future.

MINORITY INTERESTS

In compliance with code 1(5) (xvi) of the corporate governance code, 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 Regulation 100 of Schedule- I of the Companies Act 1994. Additionally, with this retention a reasonable debt equity ratio would be maintained and the borrowing power of the Company would enhance.

AUDITORS

M/s. Ahmed Zaker & Co. (Member of Geneva Group International), Chartered Accountant was appointed as Statutory Auditor of the company by the shareholder in their 21st AGM held on 20.09.2020 for the year 2020. The appointment was made after receiving NOC from Bangladesh Bank vide letter no. DFIM(c)/1054/38/2020-1395 dated 20.08.2020. Subsequently, the Auditor started their Audit work from December 14, 2020. Meanwhile, Bangladesh Bank published an Auditors' panel wherein it de-listed M/s. Ahmed Zaker & Co. from its panel. Subsequently, Bangladesh Bank issued a letter no. DFIM(C)1054/38/2020-2288, dated: 27.12.2020 to change the Statutory Auditor.

In view of the above, the Board of Directors in its 222nd meeting held on 30.12.2020 declared the office of Company's Statutory Auditor M/s. Ahmed Zaker & Co., Chartered Accountant vacant with immediate effect. The Board of Directors in its 223rd meeting dated 14.01.2021 appointed M/s Islam Aftab Kamrul & Co. Chartered Accountants to fill up the casual vacancy of the office of statutory auditor under sec: 210 (7) of the Companies Act 1994.

The Company's Auditors, M/s Islam Aftab Kamrul & Co. Chartered Accountants shall retire at the 22nd AGM. Being eligible, they have expressed interest for re-appointment for the year 2021. Upon appraisal by the Audit Committee, the Board of Directors of the Company recommended the re-appointment of M/s Islam Aftab Kamrul & Co. Chartered Accountants for the year 2021 at a remuneration of Tk. 275,000.00 excluding VAT.

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 2021.

APPRECIATION

Dear Shareholders and Colleagues:

The very advancement of human civilization is evidence that humans have historically achieved what it aspired for only by holding to 3 Cs – cooperation, collaboration and concerted efforts. At your Company, what you and all of us have done represents nothing but close co-operation, partnership and a splendid teamwork in accomplishing our objectives of gaining resources and sustaining steady growth through provision of services to our valued clients to their satisfaction. This co-operation and goodwill among us is the essence of our success, even in the face of the catastrophic COVID-19.

We will never perish if we hold each other's hand through good times and adversities. I pray, Allah preserves our relationship in good humility and productiveness.

Thank you.

Mahbubur Rahman
Chairman
Dhaka, Dated March 24, 2021