

DIRECTORS' REPORT

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Dear Shareholders:

I, on behalf of 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, 2015, together with the Auditors' Report thereon.

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

Bangladesh Economy

Bangladesh economy crossed two important milestones in FY15 due to sustained GDP growth for several years at rates well above the global output growth rates. The first one is the graduation to the status of lower middle income country from the low income country group, and the second one is the improvement in OECD Export credit eligibility ranking to group 5, one notch below India but ahead of all other South Asian neighbors.

Bangladesh economy achieved reasonably satisfactory growth in spite of the prolonged political problems at home and slower growth in both developed and emerging markets abroad. Provisional estimates of the Bangladesh Bureau of Statistics indicate that real GDP recorded a growth of 6.5 percent in FY15, which was higher than 6.1 percent recorded in FY14. Measured at current market prices, the GDP of Bangladesh in FY15 was estimated at Taka 15,136 billion which was about 12.7 percent higher than that of FY14. The per capita GDP is estimated to have been Tk. 52,222 in FY15. However, the government has again set a target for GDP growth in FY16 at around 7.0 percent and inflation rate has been targeted at 6.2 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.

Bangladesh achieved 'Ba3' with stable outlook for the 6th consecutive years according to Moody's credit rating. Stable real GDP growth and strong external balances helped Bangladesh to achieve 'BB' rating with stable outlook from Fitch Ratings for the first time. Besides these new attainments, consolidation of macroeconomic stability, foreign exchange reserve growth and poverty decline maintained pace in FY15, setting the stage for transition to a higher growth trajectory.

Outstanding bank credit (excluding foreign bills and inter-bank items) during FY15 rose by 13.50% to Taka 5,728.98 billion as against an increase of 12.61% in FY14.

Bank deposits (excluding inter-bank items) increased by 12.64% to Taka 7,463.01 billion during FY15 against 15.65% increase in FY14.

Broad money (M2) recorded lower growth of 12.4% in FY 15 against targeted growth of 16.5% and 16.1% actual growths in FY14. Export earnings increased in FY15 to USD 31.21 billion from USD 30.19 billion and Import payments in FY15 stood at USD 40.69 billion registering a positive growth of 11.2 percent compared to USD 36.57 billion in FY14.

The flow of inward remittances from Bangladeshi nationals working abroad regained its growth in FY15 and played an important role to increase foreign exchange reserve and strengthening the current account balance of the country. The country experienced a record growth of remittance of 7.6% in FY15 compared to negative 1.6% growth in FY14.

Money Market Scenario

Bangladesh Bank pursued a cautious yet growth friendly monetary policy stance for FY15. The weighted average interest rates on deposits increased during FY10-FY13 and then started decreasing from FY14 and reached at 6.80 percent in FY15. Similarly, the weighted average interest rates on lending increased during the period of FY10 to FY12 and started declining thereafter and reached at 11.67 percent in FY15. Weighted average interest rate in the call money market was stable in FY15 at 5.8% to 8.6%.

Capital Market Activities

The DSE broad index and the market capitalization of Dhaka Stock Exchange Limited (DSE) were quite stable during July 2014 to February 2015. The market behavior was hampered during the second and third quarters of FY15 for a short period of time due to political unrest in the country. The DSEX and the market capitalization declined to Taka 4,047.29 billion and Taka 2,973.47 billion respectively at the end of April 2015 from Taka 4,864.96 billion and Taka 3,259.25 billion in December 2014. DSE inaugurated the Demonstration Program of New Book Building Software and Data Transmission Software for New Public Issue Application Processes on 12 March 2015. DSE became an Affiliated Member of the World Federation of Exchanges (WFE) on 3 March 2015. 21 companies raised new equity of Taka 7.3 billion in the capital market in FY15, higher than Taka of 6.6 billion raised by 12 companies in FY14. Of the new equity issued, Taka 1.7 billion rose through private placements and Taka 5.6 billion raised through public placements. In FY14, equity issued through private and public placements were Taka 2.4 billion and Taka 4.2 billion respectively.

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 33 NBFIs, 3 are Government-owned, 10 are joint ventures and the rest 20 are privately-owned local entities. Meanwhile, the branch network increased to 198 as on 30 June 2015.

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

NBFIs are allowed to invest in the capital market to the extent indicated in the Financial Institution Act, 1993. In 2014, all NBFIs' total investment in capital market was Taka 18.4 billion compared to Taka 10.7 billion in 2013. Investment in capital market accounted for 3.5 percent of the total assets of all NBFIs. At the end of June 2015, NBFIs total investment in capital market stood at Taka 14.8 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 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 rise of the real estate sector trails back to late 2006 when liberal policies were introduced in respect of funds flowing into the sector with the purpose to make optimum use of monies of all denominations irrespective of sources and means of acquisition. That initiative ushered in hitherto unprecedented robust developments causing the business reach its peak during next few years. Sales glutted and prices reached astronomical heights supplying booties to developers and lenders alike. But, the frenzy got halted due mainly to dramatic changes taking place in the political landscape of the country during 2007-2008 and spilling over to contemporary times. The sector, representing buying and selling of, and lending for lands, plots, apartments, buildings, commercial spaces, blocks for offices, universities, schools, colleges, hospitals, hotels & restaurants and the like plunged further when the blistering capital market nose-dived from its high-flight and got entirely dismembered in 2010-11.

Any observer of economic trends is in the knowledge that investments in housing and other real estate properties put up eloquent description of the economic identity of any nation, because that demonstrates the purchasing power, savings and rate of employment of citizens. During the initial decade of this millennium, the housing sector in the Western countries, particularly, in America made a quantum leap boarding on the shoulders of various complex and opaque financial derivatives. But, the ascension did not last long owing to malpractices and over-milking of the systems and sent the entire world suffering from economic recession. While the economic repair works are still on, the unprecedented collapse in fuel oil prices since early 2014 has forced big economies - linked to Bangladesh by way of exports, imports and development partnership – to cut spending, embrace frugality in every sphere including business and development assistance. That is inflicting adverse business and economic consequences upon the country. Our government and quarters concerned do recognize the significance of the issue but the situation does not still provide any indication of a resurrection.

The stark truth about the matter is that the country has a little land mass compared with the size of its population; particularly, the great concentration of people in urban areas, most fiercely in Dhaka, the capital, is the lone determinant of the status of the real estate sector. 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.

Positive signs are already within sight – the total outstanding housing loans of banks and financial institutions as of end June, 2015, amounted to Taka 489.9 billion, which is 7.3 percent higher than that of the previous year. 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 and now have been dominating the market with the largest shares in housing finance as of end June, 2015. 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.

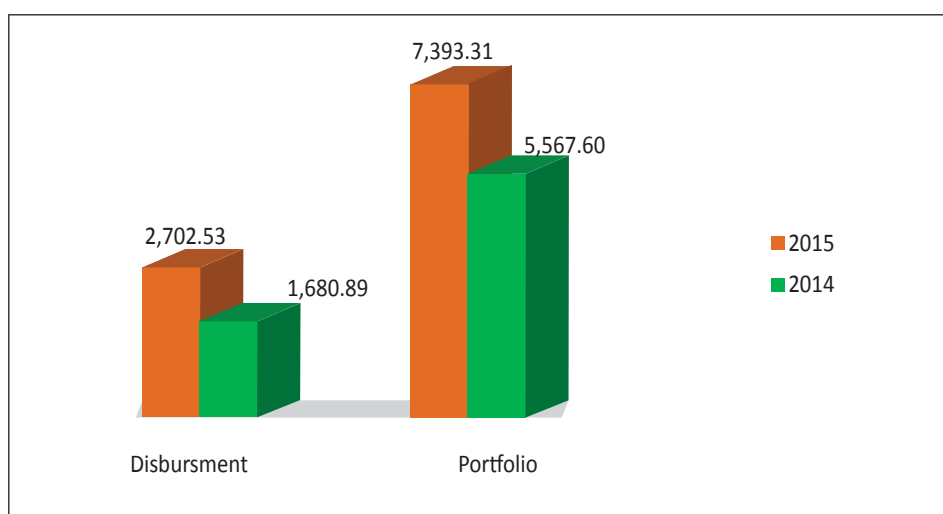
However, sustainable and prodigious developments in the sector will depend on a number of factors: firstly, stabilization of the conditions of politics and economics at the macro level; secondly, restoration of popular confidence in the capacity of the government in providing truly responsible safety 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.

Operational overview of National Housing

Despite depressed market conditions and subdued activity in the housing and construction sectors, NHFIL has been able to remarkably expand its business activities during 2015 which can be seen from the data furnished below:

(Amount in BDT Million)

Particulars	2015		2014	
	Disbursement	Outstanding Portfolio	Disbursement	Outstanding Portfolio
Home mortgage loan	2,299.52	5,503.68	1,125.74	3,683.24
Lease & Term finance including SME and other	403.01	1,889.63	555.17	1,884.36
Total:	2,702.53	7,393.31	1,680.89	5,567.60



The total portfolio of the Company increased to Tk. 7,393.31 million from Tk. 5,567.60 million during 2015, registering a growth rate of 32.79%.

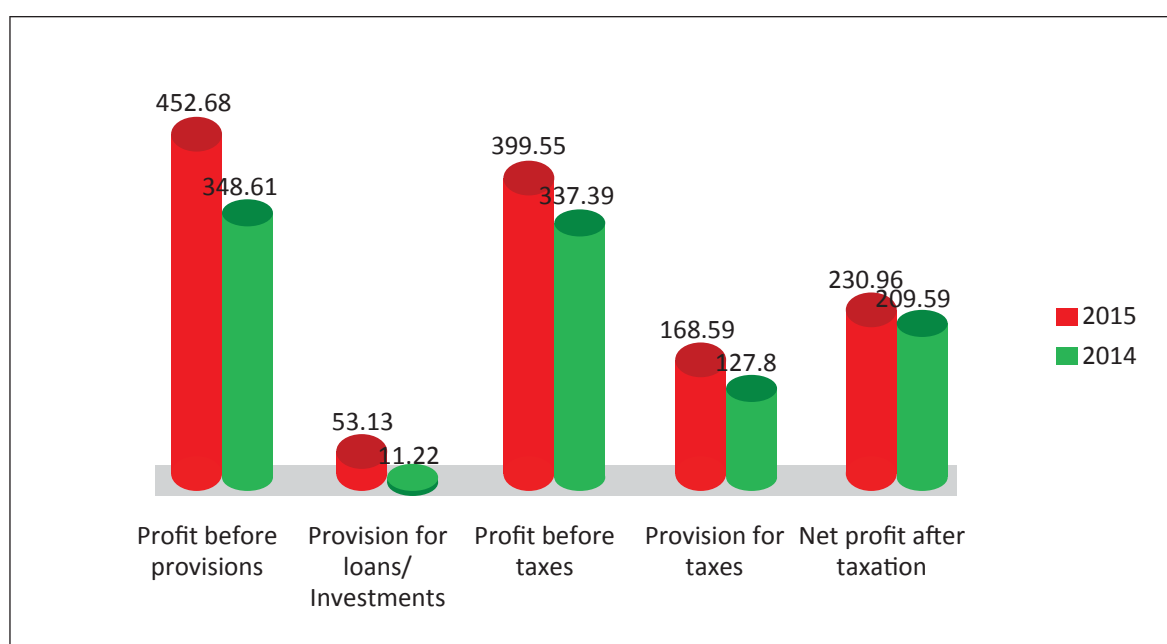
The demand of housing in urban areas in a developing country like Bangladesh is dramatically increasing due to natural process of urbanization and fast economic growth rates. Rural people are migrating not only to find jobs, but many wealthy people are moving to urban areas for fulfillment of their expectations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

Financial performance during the year 2015

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	2015					2014
	Q1	Q2	Q3	Q4	Yearly	
Net interest income	109.37	141.61	112.34	146.38	509.70	412.22
Total operating income	120.69	151.45	122.97	158.16	553.27	436.00
Total operating expenses	19.57	19.05	20.02	41.94	100.59	87.39
Profit before provisions	101.12	132.40	102.95	116.22	452.68	348.61
Provision for loans/ Investments	25.05	1.18	13.35	13.55	53.13	11.22
Profit before taxes	76.07	131.22	89.59	102.67	399.55	337.39
Provision for taxes	40.97	47.42	38.68	41.52	168.59	127.80
Net profit after taxation	35.09	83.81	50.91	61.15	230.96	209.59



New Corporate Office

The Board of Directors of the Company has decided to purchase a floor space measuring 6,850 sft. on the 7th floor at Concord Baksh Tower, Plot: 11A, Road: 48, Block: CWN (A), Gulshan 2, Dhaka, at a negotiated price of Tk. 166,786,200.00, plus registration and other costs. The Board has also decided to shift its Corporate Head Office and Gulshan Branch to the space within mid-2016. Interior decoration works are underway at the space.

Credit Rating

On 25 June, 2015, CRAB assigned 'A1' rating in the Long Term and 'ST-3' in the Short Term to the Company based on financials up to 31 December, 2014. 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-3 (Average Grade) means average capacity for timely repayment of obligations.

Dividend

NHFIL has earned a net profit after tax of TK 230.96 million as against TK. 209.59 million in the previous year. The Board of Directors recommended a 17% Cash Dividend i.e. Tk. 1.70 for each share for the year ended 31 December, 2015, subject to approval at the 17th Annual General Meeting.

Directors

In terms of the Shareholders' Agreement, the following Directors are to retire in the 17th 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 Raza	Square Pharmaceuticals Ltd.

The nomination from National Bank Ltd. had been withdrawn due to resignation of their ex-MD. Now, they have requested to appoint Mr. A F M Shariful Islam, MD, National Bank as Director of National Housing. The following shareholders being eligible for election/ re-election expressed their interest to be elected as Directors in the 17th AGM:

SL#	Directors to be Elected/re-elected	Organization Represented
01	Mr. A F M Shariful Islam	National Bank Ltd.
02	Mr. Mahbubur Rahman	Eastland Insurance Co. Ltd.
03	Mr. M. Nurul Alam	Shaw Wallace Bangladesh Ltd.
04	Mr. Md. Kabir Raza	Square Pharmaceuticals Ltd.

Auditors

The Company's Auditors, M/s Howladar, Yunus & Co., Chartered Accountants shall retire at the 17th AGM. Being eligible for re-appointment for the year 2016 they have expressed their interest to be re-appointed. Upon appraisal by the Audit Committee, the Board of Directors of the Company recommend the re-appointment of M/s Howladar, Yunus & Co., Chartered Accountants, for the year 2016 at a remuneration of Tk. 250,000.00.

Appreciation

I take this opportunity to express, on behalf of the Board of Directors, our gratitude and sincere thanks to you, the shareholders of the company and our partners in business, and our clients of all strata, for remaining with us through good times and bad times, through odds and ordeals, and offering sustained patronage and support. I and the Directors also express our gratefulness to Bangladesh Bank and other regulatory authorities for their valuable guidance. At last but not least, the Board has the pleasure to put on record its appreciation of the diligent and dedicated services provided by all our employees for moving wheels of the company forward.



Latifur Rahman

Chairman

Dhaka, Dated 10 April 2016