

# DIRECTORS' REPORT




## DEAR SHAREHOLDERS

The Board of Directors of National Housing Finance and Investments Limited takes the pleasure to welcome you to the 21<sup>st</sup> Annual General Meeting of the Company. On behalf of the Board of Directors, I hereby present the Directors' Report and Audited Financial Statements of your Company for the year ended December 31, 2019, 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 3 June, 2018, the Listing Regulation of DSE & CSE, Guideline 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 which may be treated as part of this Directors' Report.

You are aware that the Chairman of your company, Mr. Latifur Rahman passed away on 1<sup>st</sup> of July, 2020 due to chronic lung complication. He was a rare and exemplary personality in the business world. He was born to an industrial family and started a fabulous life with professional assignments in family business in the then Pakistan, full of dreams, works and accomplishments. But, a screen of disappointment covered paths ahead as the family jute mills was nationalized in 1972 after liberation of the country. All of a sudden, the entire family lost its powerhouse, the family face an uncertain future. The young Mr. Latifur Rahman stood as a vanguard in the forlorn darkness, and in a short span of time he got the family stand again on its own feet.

Like a commander in a widespread war, he opened new entrepreneurial fronts one after another and established over a period of about 4 decades, a mighty business empire with world class business enterprises. He in his productive efforts, acted as a lighthouse for enterprising people of the country and helped the nation build a strong foothold in the areas of manufacturing, trade and services and thereby profusely contributed to the economic growth of the country. And economic development regenerated into peace for the people of Bangladesh which was recognized and validated by the Business for Peace Foundation of Oslo, Finland, in decorating him with the Oslo Business for Peace Award 2012.



Remarkably, all his achievements came following a path of honesty, transparency, integrity, sincerity and above all by virtue of a democratic way of pursuit – investing in people, sanctioning liberty to people, teaming up with people and living together with people. He did never lose trust in people, he forever permitted them liberty and a perpetual nod allowing them employ their potential, their worth, their vision in framing and executing business objectives, strategies and goals. And people never failed him, and that constituted the success of Mr. Rahman.

Mr. Latifur Rahman chaired your company for a long time from 2009 to 2019; that period turned into a golden chapter in the history of your company in terms of constant growth in business and structural adjustments clearing ways for fostering corporate culture that made it possible for both the Board of Directors and the management crew to frame and execute company policies, objectives and strategies, and plans of actions in impersonal ways and protocols. This management procedure protected the interest of our shareholders and partners by saving the company from being caught in the financial sector malady that has overwhelmed the national economy and threatening existence of many financial institutions.

We are deeply distressed by the departure of this great man from this world and mourn for him from the core of our hearts. His absence will be felt by the company and its functionaries in years ahead, but an earnest desire in the leadership and the rank and file to follow his footprints might mitigate to a degree the cost inflicted upon us by his disappearance.

2019 was a challenging year for Bangladesh due to continuous spike in classified loans and recurrence of a liquidity and credit crunch in the money market. The capital market also followed a bearish trail all through the year creating draining pressure on business operations and long term individual investments in housing and other areas. Despite the difficulties and challenges, your company maintained stable growth during the year under scrutiny. Our Board of Directors is committed to maintaining proper corporate governance, intensified internal control systems and sharpened compliance standards and risk management configuration so the company could be steered clear of wrong decisions and actions, and driven successfully to the target objectives of volumes of business and revenues.

## ECONOMIC REVIEW OF THE FINANCIAL YEAR

### WORLD ECONOMY

Global growth this year recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across countries and country-specific factors.

Geopolitical tensions, social unrest, uncertainty regarding trade policies and natural disasters in several countries continued to put pressure on the global economic activities in 2019, thereby leading to decline in global growth. Despite the global economy making strong recovery in the past few years, the global GDP growth came down to 3.0% in 2019 compared to 3.6% in the year 2018. However, the global GDP is expected to pick up momentum and reach to around 3.3% in 2020 and 3.4% in 2021 based on comparatively higher growth rates estimated for developing economies.

GDP growth in advanced economies is expected to stand at 1.6% in both 2020 and 2021 against 1.7% in 2019. On the other hand, GDP growth in the emerging market and developing economies is expected to increase to 4.4% in 2020 and 4.6% in 2021 from 3.7% in 2019.

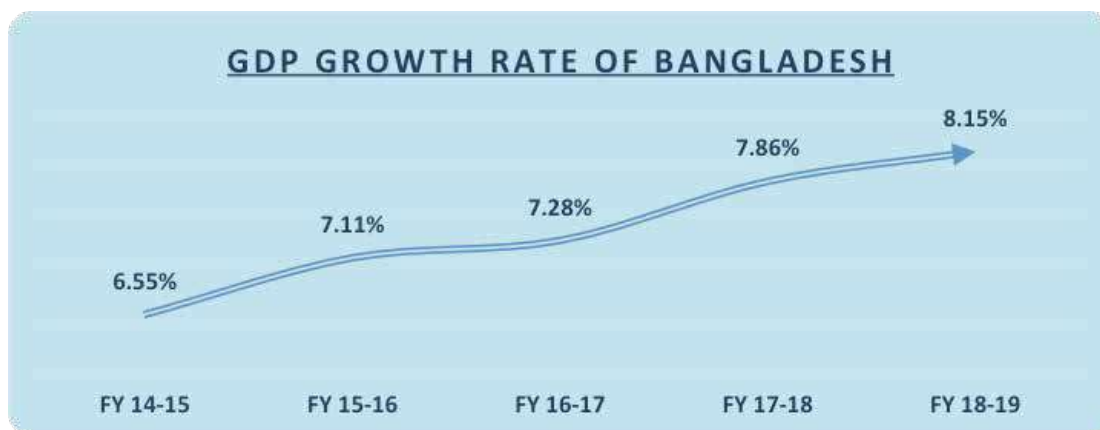
### REGIONAL ECONOMY

Bangladesh being the third largest economy in the region performed significantly better than both India and Pakistan. Bangladesh continues to maintain a strong GDP growth rate rising to an impressive 8.1% in FY2019 against 7.9% in the previous financial year. Growth in South Asia region has come down to 4.9% in 2019 against 7.1% in the previous year. The decrease in the region was mainly due to economic slowdown in India and Pakistan. India has suffered from liquidity crisis in the financial sector, whereas Pakistan has suffered decline in fixed investment and in private consumption. Growth of Sri Lanka also decreased to 2.7% in 2019 mainly due to a major hit on tourism. Inflation in the region has remained fairly stable in the face of declining domestic demand.

## BANGLADESH ECONOMY

### GDP Growth

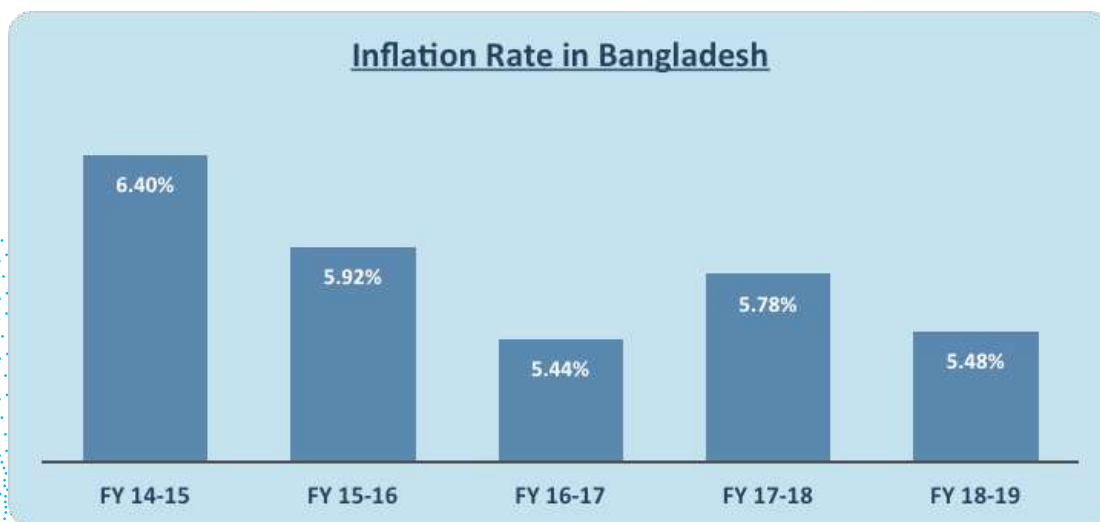
Bangladesh achieved a record high GDP growth of 8.15 percent in FY19, which is the highest in the South Asian Region. The robust growth was led by both domestic and external demand reflected in 10.5 percent growth in export and 9.6 percent growth in remittance. According to the Bangladesh Bureau of Statistics (BBS), real GDP recorded a growth of 8.15 percent in FY19, which was higher than 7.86 percent growth recorded in FY18. Measured at current market prices, the GDP of Bangladesh in FY19 was estimated at Taka 25,424.8 billion which was 13.0 percent higher than that of FY18.



The per capita GDP is estimated to have been Tk. 66,795.1 in FY19. This robust growth was propelled by remarkable increments in public sector investments and spending, and private sector investments in industry and services. As the key sectors, industry, services and agriculture grew by 12.7, 6.8, and 3.9 percent respectively. Besides, political stability, improved power supply, infrastructural developments and favorable weather for crops production also buttressed the growth.

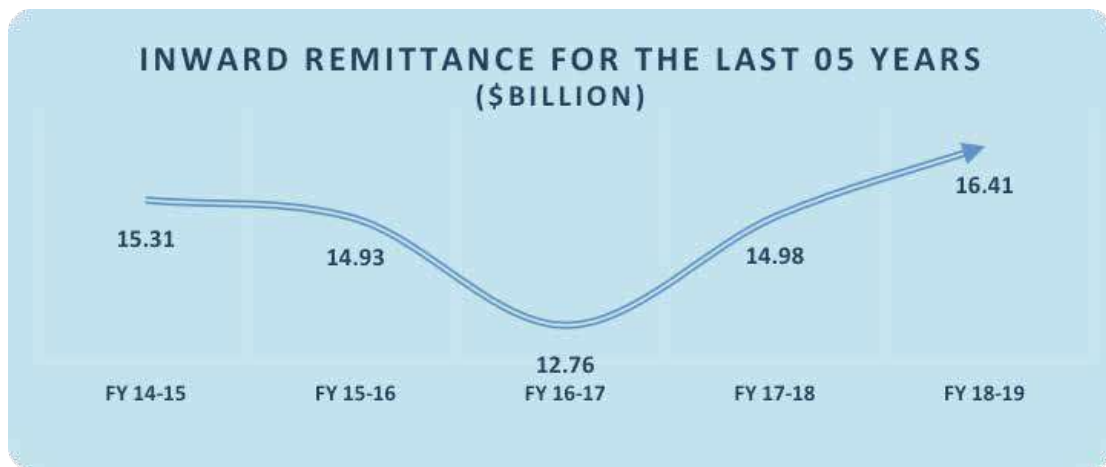
### Inflation Rate

Inflation rate has been showing a downward trend till FY2016-17 and picked up to 5.8% in FY2017-18 mainly due to spike in food market prices. However, the rate came down in FY2018-19 to 5.5% as the inflation in the food market settled at comfortable lower level.



## 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 9.6% to USD 16.42 billion in FY2018-19 with majority of the remittance coming from the Gulf Cooperation Council (GCC) countries.

## Export – Import

Export earnings increased to 10.5% in FY19 to USD 40.55 billion from USD 36.67 billion and Import payments in FY19 stood at USD 55.44 billion registering a positive growth of 1.8 percent compared to USD 54.46 billion in FY18. On the other hand import growth slowed down to 1.8% in FY2018-19 from 25.2% in the previous financial year relieving the pressure on foreign exchange reserve.



## Foreign Exchange Reserve

Foreign exchange reserve has been showing a slightly declining trend from FY2016-17 after a sharp rise in previous three financial years. Foreign exchange reserve stood at USD 32.71 billion in FY2018-19. Increasing inward remittance and stable inflow of FDI 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 FY19 rose by BDT 1046.9 billion or 11.6 percent to BDT 10041.81 billion against the increase of 16.5 percent in FY18. Bank deposits increased by 9.89% to Taka 11,473.15 billion during FY19 against 10.78% increase in FY18.

### CAPITAL MARKET ACTIVITIES

In any modern economy, the Capital Market and the Money Market together supply resources for all sorts of private sector investments and expenditures. Absence or weakened performance of any of these sectors badly hurts financial operations and thereby hinders economic growth of the country concerned. Our Capital Market has remained incapacitated for a long time to perform to the requirement of the parties involved, particularly it appeared insufficient to provide a leak proof and safe platform for entrepreneurs to pull capital for productive ventures. On the other hand, it didn't lure in, rather crowded away investors in general who hold the reservoir of funds that must be utilized paving ways for equity participations if country's business is to be fed with abundance of capital supplying for the vigor necessary to compete in the international markets and flourish in the domestic markets, and thereby earn wealth and resources for the nation.

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 the market 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 by.

DSE introduced the DSE-SME platform on 30 April, 2019 through which the SMEs will get the opportunity to fulfill its capital requirement. A guideline on 'Sustainable Report for Sustainable Development' for listed companies in Bangladesh has been published by the Netherlands based Global Report Initiative (GRI) and DSE on 28 March 2019. Moreover, DSE and Colombo Stock Exchange Limited have signed a Memorandum of Understanding (MoU) on 28 March 2019 for formalizing collaborative efforts directed at mutual development.

DSE Index (DSEX) went through significant downward spiral during the year 2019 and closed the year 4,453 points in 2019 against 5,386 points at the end of 2018, a de-growth of 17.3%. Similarly market capitalization decreased by 12.3% to BDT 3,396 billion at the end of 2019 from BDT 3,873 billion in 2018.

To achieve sustainable development of the market the BSEC has made some necessary rules in FY19 such as, Short-Sale Rules, 2019; Risk Based Capital Adequacy Rules, 2019; Exchange Traded Derivatives Rules, 2019 and Investment Sukuk Rules, 2019.



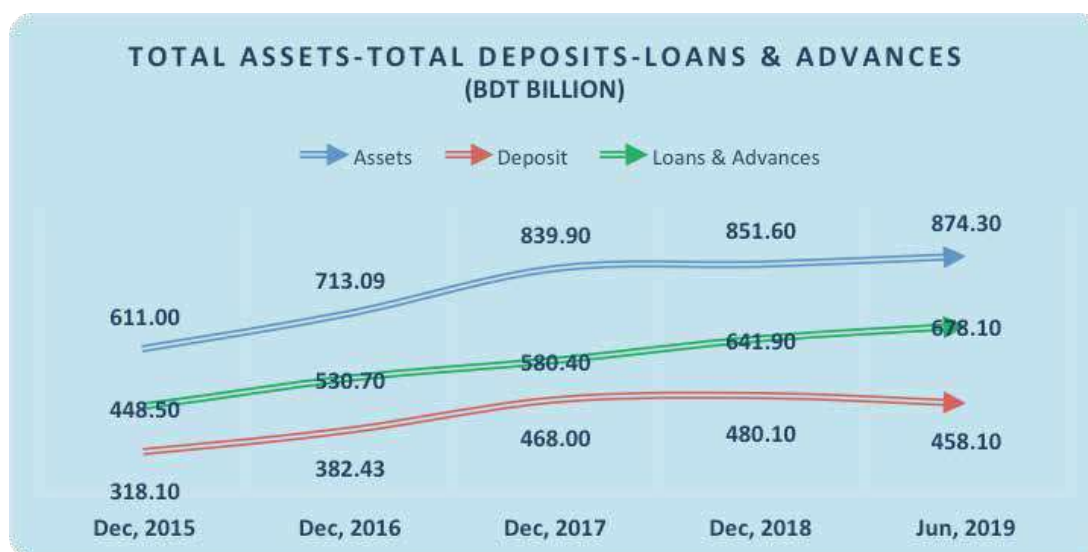
## MONEY MARKET SCENARIO

Bangladesh Bank pursued a cautious yet growth friendly monetary policy stance for FY19. The weighted average interest rates on deposits followed a downward trend from FY15 to FY17; while it increased to 5.5 percent in FY18, but further marginally decreased to 5.4 percent in FY19. Similarly, weighted average interest rates on lending also followed a downward trend for the above mentioned period, although it marginally increased to 9.95 percent in FY18, but finally decreased to 9.58 percent in FY19. Weighted average interest rate in the call money market was stable in FY19 at 2.20% to 4.50%.

## PERFORMANCE OF NON-BANKING 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 273 as on 30 June 2019.

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



### Total Asset

The total asset of the non-banking financial institution sector stood at BDT 874.30 billion in June, 2019, a increase by 2.67% from BDT 851.60 billion in December 2018. However, total asset increased from BDT 611 billion in December 2015 to BDT 874.30 billion in June 2019 representing a growth of 43.09%.

### Loans and Advances

The total loans and advances of the non-banking financial institution sector stood at BDT 678.10 billion in June 2019, an increase by 5.64% from BDT 641.90 billion in December 2018. Total loans and advances of the Industry constituted 77.56% of total asset in June 2019.

### Total Deposits

Total asset of the Industry stood at BDT 458.10 billion in June 2019, a decrease by 4.58% from BDT 480.10 billion in December 2018. However, total deposit increased from BDT 318.10 billion in December 2015 to BDT 458.10 billion in June 2019 representing a growth of 44.10 %.

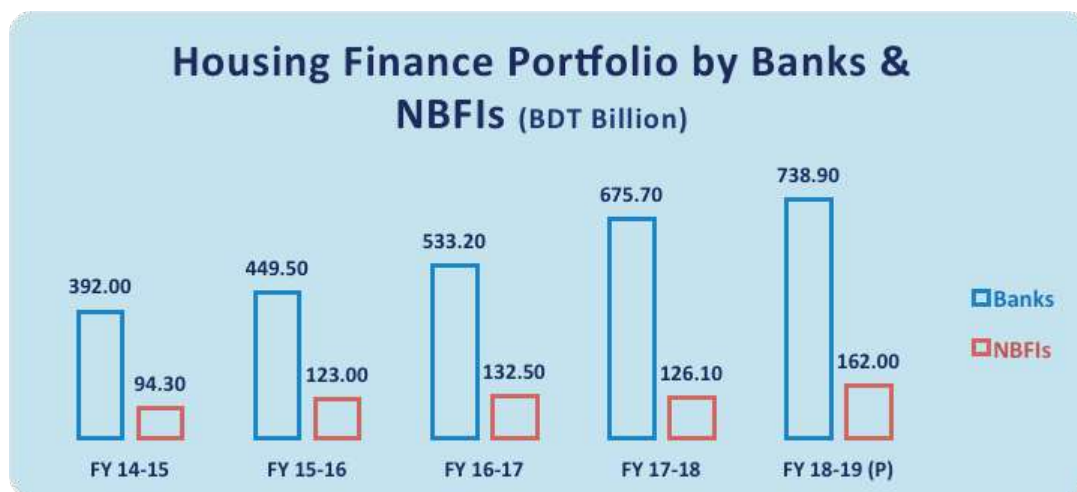
NBFIs are allowed to invest in the capital market up to 25 percent of paid up capital. In December 2018, all NBFIs' total investment in capital market was Taka 17.70 billion compared to Taka 21.70 billion in December 2017. Investment in capital market accounted for 2.70 percent of the total assets of all NBFIs. At the end of June 2019, NBFIs total investment in capital market stood at Taka 23.60 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 1.5 percent (at least 1.0 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

In Bangladesh the housing sector is considered as an extensive and progressive sector as it fills one of the most significant basic needs - shelter. In recent years, developments in infrastructural sector, especially construction of industrial buildings, corporate offices, dwelling houses, roads, bridges, public installations like stadiums, transport stations, hospitals, markets etc., have increased significantly. The housing sector plays an important role in attaining economic stability. The Housing Finance portfolio was BDT 486.30 billion in 2014-15 among which NBFIs' contribution was 19.39%. The same portfolio stood at BDT 900.9 billion in 2018-19 of which NBFIs' contribution was 17.98%.



Total Housing Finance increased from BDT 486.30 billion in 2014-15 to BDT 900.9 billion in 2018-19 representing a growth of 85.26 %. Housing Finance by NBFIs increased from BDT 94.30 billion in 2014-15 to BDT 162.00 billion in 2018-19 representing a growth of 71.79 %.

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, 2019. 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 165 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 command progress and development of all denominations – social, economic, environmental, entrepreneurial, and philosophical –and above all, a development that would hold a status 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.

Besides, land-population ratio in Bangladesh, especially in its urban areas is measurably low meaning there is significant scarcity of landed properties in urban areas. This makes vertical real estate developments imperative if housing facilities of a minimum standard are to be made available to at least a reasonable number of people living in cities and towns. Vertical development consists in constructing high-rise buildings accommodating large numbers of flats, apartments and office spaces under efficient use of land and construction materials. And construction of buildings and edifices on larger scales would jack up demands for housing and construction loans and credits. This indicates that there is all probabilities that business opportunities for lenders and investors in the real estate sector shall swell in days ahead.

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 are surely reasons for encouragement for all us – partners, shareholders and stakeholders of all varieties.

The realtors of the country expected good sales growth in 2019 in the backdrop of political stability and positive economic growth outlook. But the expectation of the realtors about high level sales growth remained unfulfilled. The price level of the apartments is still unaffordable for middle income clients. The tight liquidity situation and high interest rate prevailed during the year also made the loans costly for the potential customers. There was a general expectation that the high registration cost would be reduced, but apart from small changes in stamp duty, the registration cost still remained at a very high level. Moreover, the price of raw materials, particularly the price of rod and cement went up during the year. As a result, the price level of apartments increased further and had negative impact on sales.

However, there is a positive side: the secondary housing market took a visible shape in recent years. In addition to individual brokers, some institutional brokers entered the field and they brought lots of customers on the platform. More and more transactions took place for used apartments compared to new apartment sales, as customers found the price of used apartments relatively affordable compared to new apartments. But the high registration cost acted as a hindrance for the growth of secondary market.

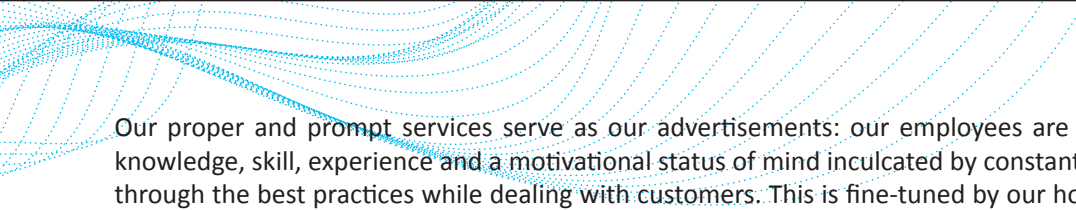
The banking sector is now playing a dominant role in the housing sector, but the growth rate of NBFIs shows an upward trend at the same time. Finding investments in real estate schemes secured and taking advantage of cost of fund, banks are now channeling increased amounts of funds to this sector. These banks served as market leaders with BDT 491.60 billion in outstanding housing loans as of June 2019. The SCBs had the second largest amount of BDT 211.90 billion and other banks (foreign & specialized) had BDT 35.40 billion in total as of June 2019. 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 profusely to mitigate the financial requirements of individual and corporate clients for fulfilling their plans and dreams for own homes and commercial installations respectively.

## 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 counselling to follow through the best practices while dealing with customers. This is fine-tuned by our honorable directors when they offer their advices and guidance and put forward policies and operational strategies. All these summed up represent our strength in the housing finance field. Our honorable shareholders and other stakeholders can thus stay re-assured that we will always stand alert in taking advantage of this strength, and protect and preserve their interest.

## 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 on pages 63 to 64. 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 on pages 60 to 70 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 78.

## 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;
- 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 adopted by the Board for compliance on the part of the Directors.

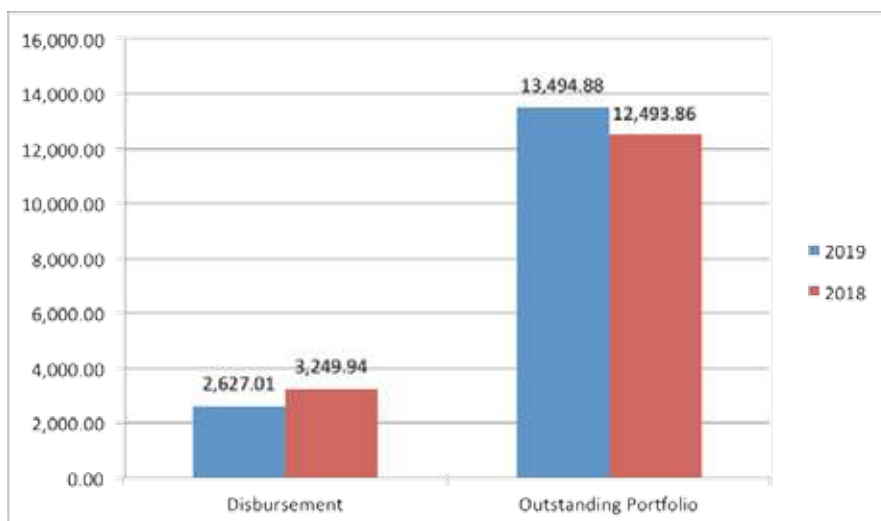
Besides, all relevant regulations promulgated/circulated from time to time by the concerned authorities are placed to the meeting of the Board on a regular basis to keep the members updated.

## OPERATIONAL OVERVIEW OF NATIONAL HOUSING

National Housing has been able to maintain a stable business volume during 2019 which can be seen from the data furnished below:

Amount in Million BDT

Particulars	2019		2018	
	Disbursement	Outstanding Portfolio	Disbursement	Outstanding Portfolio
Home mortgage loan	2,540.13	12,516.487	2,981.98	11,088.65
Lease & Term finance including SME and other	86.88	978.39	267.96	1,405.21
<b>Total:</b>	<b>2,627.01</b>	<b>13,494.88</b>	<b>3,249.94</b>	<b>12,493.86</b>



Bar chart with different colors (Fig 01)

The total portfolio of the Company reached to Tk. 13,494.88 million from Tk. 12,493.86 million during 2019, registering a growth rate of 8.01%.

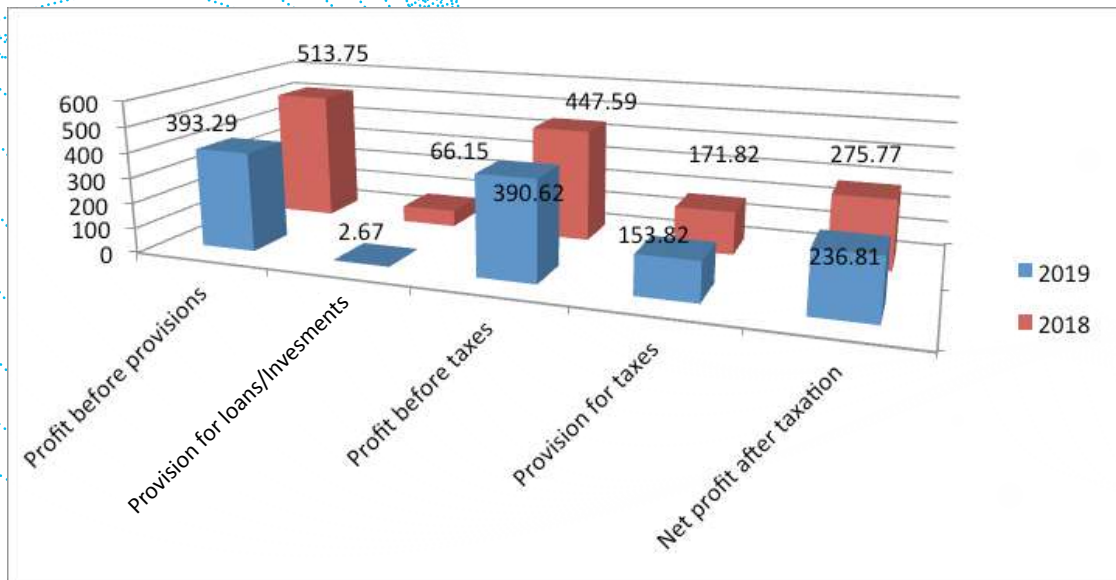
The demand for houses in urban areas in a developing country like Bangladesh has been dramatically increasing due to a natural process of urbanization and fast economic growth. Rural people are migrating not only to find jobs, but many wealthy people are moving to urban areas for fulfillment of their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

## FINANCIAL PERFORMANCE DURING THE YEAR 2019

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

Amount in Million BDT

Particulars	2019					2018
	Q1	Q2	Q3	Q4	Yearly	
Net interest income	93.17	169.59	120.92	182.14	565.82	651.55
Total operating income	100.60	173.57	126.69	188.11	588.97	684.22
Total operating expenses	45.01	47.55	45.48	57.64	195.68	170.47
Profit before provisions	55.59	126.02	81.21	130.47	393.29	513.75
Provision for loans/ Investments	(29.94)	1.24	28.19	3.18	2.67	66.15
Profit before taxes	85.53	124.78	53.02	127.29	390.62	447.59
Provision for taxes	24.17	40.16	28.8	60.65	153.82	171.82
Net profit after taxation	61.41	84.62	24.13	66.65	236.81	275.77



Bar chart with different colors (Fig 02)

## DEVELOPMENT ACTIVITIES

A number of measures were taken for business promotion during 2019. NHFIL strengthened its marketing activities by appointing an increased number of business associates in its marketing team. A good number of officers were imparted training during the year. With a view to opening new business avenues, we opened two new branches namely, “Feni Branch” and “Rajshahi Branch” in 2019. 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. Apart from this, as usual NHFIL participated in REHAB Fair held at the Bangabondhu 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 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. The aforementioned Financial Statements for the year ended December 31, 2019 duly signed by the Acting Chairman, Managing Director, a Director and company secretary are given on pages from 114 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 M/s Syful Shamsul Alam & Co. Chartered Accountants. M/s Syful Shamsul Alam & Co. carried out the audit on the Financial Statements of NHFIL for the year ended December 31, 2019 and their report on those Financial Statements, as required by the Companies Act 1994 is given on page 106.

## SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 124 which comply 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 in page 123 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 2019 amounted to BDT 313.59 million which were BDT 227.94 million as at 31 December 2018. 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 53.05 to the Financial Statements which form an integral part of the Annual Report.

## CREDIT RATING

CRAB assigned 'A1' rating in the Long Term and 'ST-2' in the Short Term to the Company based on financial statements up to December 31, 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-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, 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 as per page No 127 of the Annual Report;
- The system of internal control is sound in design and has been effectively implemented and monitored as per page no 63 of the Annual Report;
- Key operating and financial data of at least preceding five (5) years have been summarized on page no 28 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.

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

The following material event has occurred after the Balance Sheet Date:

"The Board of Directors in its 218<sup>th</sup> Board Meeting held on July 23, 2020 recommended 10% cash dividend subject to the approval of the shareholders at the 21<sup>st</sup> Annual General Meeting."

## DIRECTORS

In terms of the Shareholders' Agreement, the following Directors intend to retire at the 21<sup>st</sup> AGM:

SL#	Directors to Retire	Organization Represented
01	Mr. Akhtar Ahmed	Reliance Insurance Limited
02	Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.

Due to the sad demise of Mr. Latifur Rahman, Chairman, one directorship position of the company has fallen vacant. Thus, the following representatives of shareholders, being eligible for election/re-election as Director, have expressed their interest for election as Director in the 21<sup>st</sup> AGM:

SL#	Directors to be elected/re-elected	Organization Represented
01	Mr. Morshed Alam, MP	National Life Insurance Co. Ltd.
02	Mr. Akhtar Ahmed	Reliance Insurance Limited
03	Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.

## SHAREHOLDING PATTERN

NHFIL's shareholding pattern as on December 31, 2019, is disclosed as per the revised CGC of BSEC of this annual report on page no 74.

## BOARD MEETING AND ATTENDANCE BY THE DIRECTORS

During the year 2019, a total of 10 meetings of the Board were held. Attendance by the Directors and remuneration to the Directors have been summarized in this annual report at page no 73.

## REMUNERATION OF DIRECTORS INCLUDING INDEPENDENT DIRECTORS

Meeting attended by the Directors of National Housing Finance & Investments Limited refer to page no 73 of this Annual Report under the Corporate Governance Report.

## PROPOSED DIVIDEND

NHFIL has earned a net profit after tax of TK. 236.81 million as against TK. 275.77 million in the previous year. The Board of Directors recommended 10% Cash Dividend i.e. Tk. 1.00 for each share for the year ended December 31, 2019, subject to approval at the 21<sup>st</sup> Annual General Meeting. The Board herewith states that no stock dividend was considered during the year as interim dividend, which fulfills condition no.1 (5) (xxi) of the codes of corporate governance of BSEC.

## 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 and the borrowing power of the Company would enhance.

## RESERVES

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

Particulars	Amount in Million BDT	
	2019	2018
Statutory Reserve	513.90	466.54
Retained Earnings	207.92	231.25
<b>Total Reserves</b>	<b>721.82</b>	<b>697.79</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 of; and
- The Directors have taken all 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 21<sup>st</sup> AGM. Having completed three years of audit work they are not eligible for re-appointment for the year 2020. Many "A" grade audit firms have expressed their interest to act as auditors. Upon appraisal by the Audit Committee, the Board recommended the appointment of M/s. Ahmed Zaker & Co. (Member of Geneva Group International), Chartered Accountant as Auditor for the year 2020 at a remuneration of Tk. 250,000.00.

## COMPLIANCE AUDITORS

The Compliance Auditors, M/s. SARashid & Associates, Chartered Secretaries have expressed their interest to be re-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 as Compliance Auditor for the year 2020.

## APPRECIATION

### Dear Brethren:

In the absence of my brother, late Latifur Rahman, I have had to present before you this report as a matter of duty, but my heart remains heavy. In reminiscence, we must recognize his contributions in sustaining this prominent company of the housing sector of this country, and his legacy of ethics, transparency, integrity, and the sense of responsibility to his countrymen in the pursuit of business.

I would now like to 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 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 the end of the day, the management comprising employees of all denominations play the pivotal role in moving affairs of any organization forward and hold its position as a going concern intact. The story concerning our company is none but the same. Hence, we, at the Board of Directors, appreciate their toil, the trust they have upheld and the goodwill they preserve for this company, their employer.



**Mahbubur Rahman**

Acting Chairman

Dated: July 23, 2020