

ANNUAL
REPORT | **2018**



National Housing Finance and Investments Limited



Table of Content

Letter of Transmittal	02
Notice of the 20th AGM	03
Corporate Information & Key Milestones	04
Our Vision & Goal	05
Our Mission & Core Values	06
Our Objectives	07
Code of Conduct	08
Corporate Social Responsibility	09
Products & Services	10
Our Departments	11
Bankers	12
Shareholding Structure	13
Directors Profile	14
Various Committees	19
Management Team	21
Outstanding Portfolio	23
Financial Highlights	24
Sectoral Portfolio	26
Portfolio Mix	27
Value Added Statement	28
Economic Value Added Statement	29
Market Value Added Statement	30
Treasury Operation	31
Message from Chairman	34
Message from Managing Director	36
Directors Report	38
Audit Committee Report	52
Report on Corporate Governance	54
Management Discussion & Analysis Report	80
Disclosure on capital Adequacy and Market Discipline	91
Compliance Certificate	100
Declaration on Financial Statement	101
Auditors Report	102
Balance Sheet	113
Profit and Loss Account	115
Cash Flow Statement	116
Statement of Changes in Equity	117
Liquidity Statement	118
Notes to the Financial Statements	119
Occasions and Events	155
Proxy Form	159

Letter of Transmittal

Date: April 18, 2019

The Shareholders
Bangladesh Bank
Bangladesh Securities and Exchange Commission
Registrar of Joint Stock Companies & Firms
Dhaka Stock Exchange Limited
Chittagong Stock Exchange Limited

Subject : Annual Report for the year ended December 31, 2018

Dear Sir/Madam,

We are pleased to enclose herewith, a copy of the Annual Report 2018 containing Directors' Report and Auditor's Report along with the Audited Financial Statements for the year ended December 31, 2018 with notes therein of National Housing Finance and Investments Limited for your kind information and record.

Thanking you.

Sincerely Yours,



(Md. Sarwar Kamal, FCS)
Company Secretary

National Housing Finance and Investments Limited

Registered Office: National Plaza (7th & 8th Floor)

109, Bir Uttam C.R. Datta Road, Dhaka-1205


Notice of the 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of National Housing Finance and Investments Limited will be held at Eagle Hall, RAOWA Convention Hall, VIP Road, Mohakhali, Dhaka-1206 on Thursday, 02nd May, 2019 at 11.00 a.m. to transact the following business:

Agenda

1. To receive, consider and adopt the audited financial statements of the Company for the year ended 31st December, 2018 together with reports of the Directors and Auditors thereon.
2. Declaration of dividend for the year ended 31st December, 2018.
3. To elect/re-elect Directors in accordance with the relevant provisions of the Articles of Association of the Company and to confirm the appointment of Independent Director.
4. (a) To appoint Auditors and fix their remuneration for the year 2019.
(b) To appoint Compliance Auditor for the year 2019 and fix their remuneration.

By order of the Board



(Md. Sarwar Kamal, FCS)

Company Secretary

Dated: March 18, 2019

Notes:

- i) Members whose names appeared on the Depository/Members Register as on "Record Date" i.e. April 09, 2019 are eligible to attend the Annual General Meeting (AGM) and receive dividend.
- ii) Pursuant to Section 85 of the Companies Act, 1994, the Company gives notice that only the shareholders whose names are entered on the Register or Depository Register of Shareholders on record date will be entitled to attend and vote at the meeting and at any adjournment thereof.
- iii) A shareholder may, as per Article 98 of the Articles of Association of the Company, appoint Proxy to attend and on a pool, to vote instead of him/her. The instrument appointing a proxy and the Power of Attorney, where applicable, must be deposited at the Registered Office at least 48 hours before the time of holding the meeting. The Proxy Form must be affixed with revenue stamps of Tk. 20.00.
- iv) Members are requested to notify e-mail address, through their respective Depository Participants well in time.
- v) The members whose BO Accounts are not furnished with 12 digits e-TIN number before the Record Date, disbursement of his/her dividend will be subject to deduction of Advance Income Tax (AIT) 15% instead of 10% (for individual) as per Section 54 of the amended Income Tax Ordinance, 1984.
- vi) For convenience, the Shareholders/Proxy is requested to record their entry at the entrance of the AGM on 02nd May, 2019 in between 9.00 a.m. to 11.00 a.m.
- vii) Pursuant to the clause 9(1) of the BSEC notification No.BSEC/CMRRCD/2006-158/208/Admin/81 Dated 20 June 2018, the Annual Report will be sent through e-mail as per registered e-mail ID received from CDBL. In case of non-receipt of Annual Report, Members may collect the same from the Company's Share Department.

N.B: In compliance with the Bangladesh Securities and Exchange Commission's Circular No. SEC/CMRRCD/2009-193/154 dated October 24, 2013, no Gift/Gift Coupon/Food Box shall be distributed at the AGM.

Corporate Information & Key Milestones

Registered Name	: National Housing Finance and Investments Limited
Legal Form	: Public Limited Company under Companies Act, 1994
Incorporated on	: August 18, 1998
Registration Number	: C-36097(397)/98
Authorized Capital	: BDT 2,000 Million
Paid-up Capital	: BDT 1063.92 Million
Certificate of Commencement	: August 18, 1998
Date of Bangladesh Bank License	: December 29, 1998
First Mortgage Loan	: June 16, 1999
Opening of Motijheel Branch	: August 18, 2001
First Lease Finance	: February 22, 2004
Opening of Chattogram Branch	: April 06, 2004
Opening of Gulshan Branch	: June 01, 2004
Date of Listing:-	
Chittagong Stock Exchange	: November 11, 2008
Dhaka Stock Exchange	: December 23, 2008
Opening of Bogura Branch	: April 19, 2009
Opening of Rangpur Branch	: October 16, 2014
Opening of Principal Branch	: March 22, 2016
Opening of Gazipur Branch	: December 01, 2018
Corporate Head Office	: Concored Baksh Tower (7th Floor), Plot#11-A, Road# 48, Block # CWN(A), Gulshan-2, Dhaka-1212, Tel: +88-09609200555 Fax : 88-02-58811652, www.nationalhousingbd.com
Registered office	: National Plaza (7th & 8th Floor), 109, Bir Uttam C.R Datta Road (Ex-Sanargaon Road), Dhaka-1205, Tel: 9670612-4, 9677181-2 9669800 Fax: 9671016, E-mail: info@nationalhousingbd.com
Auditors	: Syful Shamsul Alam & Co., Chartered Accountants, Paramount Heights (Level 6), 65/2/1 Box Culvert Road, Purana Paltan, Dhaka-1000, Bangladesh
Governance Compliance Auditor	: SA Rashid & Associates, Chartered Secretary in Practice, Noakhali Tower (12th Floor, 13-D), 55/B Purana Paltan, Dhaka-1000
Legal Advisor	: Barrister Masudur Rahman (Masudur Rahman & Associates) Barrister Monzur Alam Khan (Legal Professional) Barrister Nuruzzaman (Capital Law Chamber) Advocate Abdul Quddus (Law and Remedy).
Membership	: Bangladesh Leasing & Finance Companies Association (BLFCA) Metropolitan Chamber of Commerce & Industry (MCCI) International Chamber of Commerce- Bangladesh (ICC- Bangladesh) Bangladesh Association of Publicly Listed Companies (BAPLC)

Our Vision & Our Goal



Our Vision

Become the role-model financial institution with a keen sense of corporate social responsibility through maintaining the highest standards of business ethics. In doing so, the Company would add value to the wealth of the customers, employees, shareholders and society as a whole.

Our Goal

Build up excellent client relationship and long-term value to the shareholders.

Our Mission & Core Values



Our Mission

Be equal Housing Lender to all, irrespective of caste, creed and sex. Provide quality services with care and sophisticated technology, Create innovative products to cater to the requirement of the competitive market. Build a high quality employee team by providing job satisfaction and prospect of outstanding career development. Maximize steady return on shareholders' equity by quality investment of funds.

Our Core Values

- Protect national interest and be part of national growth and prosperity.
- Create good leaders rather than typed managers.
- Give high priority on honoring trust, fairness, confidentiality, rules and regulations, objectivity, transparency, integrity and corporate, individual and social responsibility.
- Always keep pace with state of the art technology and innovative ideas.

Our Objectives

Maximize shareholders' value through development of stringent investment strategy and control procedures.

Create balanced portfolio in Potential sectors for enhancement of corporate strength.

Provide diversified products and uninterrupted services to the valued clients.

Pursue ways to reduce cost and apply extremely vigilant terms monitor to risks and to operate most efficiently.

Maintain highest standards of transparency and strengthen good corporate governance practices.



Code of Conduct and Ethical Principles

- » Maintain strict professional integrity, proficiency, decency and self esteem with the customers and related parties.
- » Comply with all applicable laws, rules and regulations.
- » National Housing is always straightforward in disclosing and conflict of interest.
- » Maintain stringent confidentiality of customer's information unless otherwise directed by competent regulatory authority.
- » Courtesy and cooperation to the client is our manifesto. Encourage employees to act in a professional and ethical manner so as to create a good impression of National Housing and its employees. Trustworthy commitment to customers to build long-term relationship.
- » Apply professional judgment and high quality care in all cases.
- » Apply own corporate policies and appropriate technical and professional standards for rendering services to the client.
- » Encourage and act against falsification, dishonesty, fraud, trickery and forgery.
- » Uphold the Company's good name and integrity.



Corporate Social Responsibility

The business and economic environments have undergone dramatic changes all over the world. Escalations of poverty and climate changes have become great hurdles for economic growth of the world. Considering these, the concept of Corporate Social Responsibility (CSR) is the demand of the current era. CSR has become a concept that frequently overlaps similar approaches, such as corporate sustainability, corporate sustainable development and corporate responsibility.

To meet CSR, the sponsors of National Housing Finance and Investments Limited formed a Public Limited Company under the Companies Act, 1994 and licensed by Bangladesh Bank under the Financial Institutions Act, 1993 to meet the most important basic need of housing of urban people. National Housing Finance is a socially responsible organization and always keen to promote the interest of customers, employees, shareholders and communities as a whole. National Housing Finance has upheld its CSR in the following ways:

- » National Housing Finance has provided 6,829 Home Mortgage Loans over the years at comparatively low interest rate on reasonable terms and for long durations.
- » A good number of clients got waiver of interest due to their inability to pay the loan because of permanent disability or through death, furthermore, their loans are reschedule for reasonable durations with installments commensurate with their ability to pay their loans.
- » National Housing is always strict on principle about not providing any lease/loan facilities for any environmentally hazardous or child labor oriented Company.

Products & Services

Home Mortgage Loan

- » Purchase of apartment or house
- » Self construction of own house
- » Group Home Loan.
- » NRB Home Financing Scheme
- » Renovation of existing house/apartment
- » Housing plots purchase
- » Commercial space and chamber of professionals
- » Any purpose mortgage loan

Project Mortgage Loan

- » Project mortgage loan for property development

Lease Finance

- » Acquisition of industrial machineries, equipments, generators, power plants etc.
- » Car purchase
- » Medical/Hospital equipments

SME Finance

- » Agro based processing industrial loan
- » Women Entrepreneur Loan
- » Cluster financing

Deposit Schemes with Attractive Return

- | | |
|----------------------------|--------------------------------|
| » Term Deposit Account | » Income Account |
| » Money Multiplier Scheme | » Monthly Savings Scheme (MSS) |
| » Mohila Savings Scheme | » Millionaire Savings Account |
| » Kotipoti Scheme | |
| » Housing Deposit Scheme | |
| » Education Pension Scheme | |

Our Departments



Bankers

- Agrani Bank Limited
- Bank Al-Falah Limited
- Bank Asia Limited
- Commercial Bank of Ceylon PLC
- Eastern Bank Limited
- Islami Bank Bangladesh Limited
- Jamuna Bank Limited
- Mercantile Bank Limited
- National Bank Limited
- One Bank Limited
- Prime Bank Limited
- Pubali Bank Limited
- Shahjalal Islami Bank Limited
- Sonali Bank Limited
- Standard Chartered Bank
- The Premier Bank Limited
- The Trust Bank Limited
- Woori Bank Bangladesh

Shareholding Structure

Sponsor Shareholders 70.13%

Banks 14.15%

IFIC Bank Limited
National Bank Limited
United Commercial Bank Limited

Insurance Companies 33.15%

Eastern Insurance Company Limited
Eastland Insurance Company Limited
Jiban Bima Corporation
National Life Insurance Company Limited
Pragati Insurance Limited
Reliance Insurance Limited
Sadharan Bima Corporation

Local Corporate/Business Group 22.83%

Bangladesh Lamps Limited
Borak Travels (Pvt.) Limited
HRC Bangladesh Limited
Shaw Wallace Bangladesh Limited
Square Pharmaceuticals Limited

General Shareholders 29.87%

General Shareholders (Institution) 9.69%
General Shareholders (Individual) 20.18%

Directors' Profile



Mr. Latifur Rahman

Chairman

Representing Bangladesh Lamps Limited

Mr. Latifur Rahman is also the Chairman of various companies under Transcom Group. Besides, he is the Chairman of National Housing Finance and Investments Limited.

Group companies include, Eskayef Pharmaceuticals Limited (leading pharmaceutical manufacturers – formerly SmithKline & French), Transcom Consumer Products Limited (first ever **PepsiCo Foods Franchisee** in the world - salty snacks, Quaker Oats), Transcom Distribution Co. Ltd. (distribution of pharmaceuticals – **SK+F, NOVO NORDISK, SERVIER, ALLERGAN** and consumer brands – **Frito Lay, Heinz, Mars, Energizer, Schick, L'Oreál, Garnier, Abbott Nutrition** and **ConAgra**), Transcom Beverages Limited (sole franchisee of **PepsiCo, USA** – Pepsi, 7-Up, Mirinda, Mountain Dew, Evervess, Slice, Aquafina), Bangladesh Lamps Limited (manufacturers of lighting products), Bangladesh Electrical Industries Limited, Transcom Foods Limited (sole franchisee of **Pizza Hut & KFC**), Transcom Electronics Limited (manufacturers of

SAMSUNG and **TRANSTEC** TVs, distributor of **SAMSUNG, WHIRLPOOL, DAIKIN, HITACHI, PANASONIC, PHILIPS** and **TRANSTEC** household appliances), Mediastar Limited (Publishers of **PROTHOM ALO**, country's largest circulated Bengali Newspaper), Transcraft Limited (**modern printing press**), Ayna Broadcasting Corporation Limited (**FM Radio Station**) and Tea Holdings Limited.

Transcom Limited is a stakeholder in Mediaworld Limited (Publishers of the country's leading English language newspaper - **THE DAILY STAR**), General Insurance (**Reliance Insurance Limited**), housing finance (**National Housing Finance and Investments Limited**), **IDLC Finance Limited** and **Pubali Bank Limited**.

Mr. Rahman is the Vice President of International Chamber of Commerce – Bangladesh. He has been re-elected as member of the Executive Board of the International Chamber of Commerce, Paris for a second three-year term from July 2017.

He was previously Chairman of Nestlé Bangladesh Limited (25 years), Holcim Cement Bangladesh Limited (15 years) and Director of Linde Bangladesh Limited (10 years).

Mr. Rahman is a former President of Metropolitan Chamber of Commerce & Industry, the position he held for seven terms and also a former President of Bangladesh Employers' Federation (two terms).

Mr. Rahman was Chairman, Bangladesh Government's Tradebody Reforms Committee and member Bangladesh Better Business Forum, Advisory Committee on WTO. He was Member of the Executive Board of Bangladesh Bank (Central Bank).

Mr. Latifur Rahman is an Honouree of **"Oslo Business for Peace Award 2012"** and was awarded **Business Executive of the Year 2001** by the American Chamber of Commerce in Bangladesh.

At the **DHL-The Daily Star Bangladesh Award 2012**, Mr. Latifur Rahman was honoured **-"for bringing extraordinary recognition and honour to Bangladesh and its business community by receiving the globally renowned and prestigious 'Business for Peace Award 2012' in Oslo, Norway and for setting the highest ethical standards of business practice and personal integrity in the country which acts as an inspiration for others"**.

Mr. Rahman has been honoured with the **"SAARC Outstanding Leader"** award for setting a rare example of doing business by upholding moral and ethical values and was also bestowed with **Lifetime Achievement Award** by the UK Bangladesh Catalysts of Commerce & Industry (UKBCCI), for his outstanding contribution towards development of business and investments and creating employment opportunities in Bangladesh.

The family of Mr. Latifur Rahman has been recognized by the National Board of Revenue, Government of Bangladesh as **"TAX ICON FAMILY"** (Kar Bahadur Paribar) being one of the highest tax-payers of the country.



Mr. Mahbubur Rahman

Director

Representing Eastland Insurance Co. Ltd.

Mr. MAHBUBUR RAHMAN is the President of International Chamber of Commerce (ICC) – Bangladesh, The world business organization having its presence in 130 countries around the world.

Mr. Rahman is the Chairman & CEO of ETBL Holdings Limited - a conglomerate of 7 (Seven) wholly owned commercial & industrial affiliates and stakeholders of 4 (Four) PLCs. He is the Founder Chairman of Eastland Insurance Co. Ltd., Bangladesh International Arbitration Centre (BIAC) – The Institution for Alternative Dispute Resolution and International Publications Limited (Publishers of The Financial Express – The National English Financial Daily).

Mr. Rahman has retired as the Chairman of Business Advisory Council (EBAC) of UN-ESCAP (United Nations Economic & Social Commission for Asia & the Pacific); He is the Sole Arbitrator in Bangladesh for The China International Economic and Trade

Arbitration Commission (CIETAC) ; Vice Chairman of Bangladesh Foreign Trade Institute (BFTI), Member of the Board of Governors of Institute of Business Administration (IBA) of the University of Dhaka, Founder Member of the Independent University Bangladesh (IUB) and a Director in the Board of Karnaphuli Fertilizer Co. Ltd. (KAFCO)- a multinational company comprising Bangladesh, Japan, Denmark & The Netherlands.

Mr. Rahman was the President of the Federation of Bangladesh Chambers of Commerce & Industry (FBCCI) -- The Apex National Chamber of Bangladesh, The Dhaka Chamber of Commerce & Industry (DCCI) -- The premier Chamber of the country, Founder Vice President of 8-Nation SAARC Chamber of Commerce and Vice President (West Asia) of 57-nation Islamic Chamber of Commerce in 1993-95.

During 1972-79, Mr. Rahman represented Government of Sri Lanka in Bangladesh before Colombo setup its Diplomatic Mission in Dhaka. He was a Sponsor Director and Chairman of National Bank Limited. Former Board Member of BIMAN-Bangladesh Airlines (National Carrier of Bangladesh), The Dhaka Stock Exchange and Member of the Board of Governors of Bangladesh Open University (BOU). He was a Member of the Board of Governors of ICC HQs. during 1997-99.

Mr. Rahman was awarded The **Lifetime Achievement Award** in 2012, by the “DHL-The Daily Star” sponsored most prestigious ‘Bangladesh Business Award’.

Mr. Rahman was honored as a **Presidential Friend of Indonesia** in 2012 at its 67th Independence Day in Jakarta by the President His Excellency Mr. Susilo Bambang Yodiono of Indonesia.

Mr. Rahman has been honored by The Daily Star as an Eminent personality for **Lifetime Contribution to Nation-Building**, in 2016.

He hosted several International Business & Economic Events in Dhaka attended by Heads of Governments as well as Multi-lateral Agencies & led many Trade & Investment Delegations to a number of overseas destinations including Leading a few Business Delegations as entourage of the President/Prime Minister of Bangladesh.



Mr. Akhtar Ahmed

Director

Representing Reliance Insurance Co. Ltd

After completing B.A. (Honors) and M.A. from Dhaka University in 1970, Mr. Akhtar Ahmed joined Eastern Federal Union Insurance Company, the largest insurance company in the then Pakistan, as an Executive Officer. Following the nationalization of insurance industry in Bangladesh in 1972, his services were absorbed in Sadharan Bima Corporation.

In 1981 he joined Asian Reinsurance Corporation and served there in various Managerial position till 1989. In 1989 he joined Arab Insurance Group, the largest insurance organization of the Middle East and served for 14 years in various positions as Chief Manager, Regional General Manager and Chief Executive of its Far East operations, based in Hong Kong and Kuala Lumpur.

Mr. Ahmed returned back home in 2003 and served as Managing Director of Sadharan Bima Corporation till February 2004. In 2005 he completed an assignment as Consultant to KPMG, Abu Dhabi, on a project for setting up a large reinsurance company in the Middle East. Now Mr. Ahmed is Advisor of Reliance Insurance Ltd.

Mr. Ahmed is an Associate of Chartered Insurance Institute, UK.



Mr. M Nurul Alam

Director

Representing Shaw Wallace Bangladesh Ltd.

Mr. M Nurul Alam is the Managing Director of Shaw Wallace Bangladesh Ltd and Nominated Director of Shaw Wallace Bangladesh Limited on the Board of National Housing Finance and Investments Ltd. and International Leasing And Financial Services Limited. He is also Managing Director of SW Shipping Ltd. and Director of SW Multimedia Ltd.

Mr. Alam had previously served various foreign and multinational companies including James Finlay PLC, P&O Nedlloyd Bangladesh Limited and Maersk Bangladesh Limited before joining Shaw Wallace in February 2008.

Mr. Alam took his Honors and Masters degree in Economics from Chittagong University and later did MBA (major in Finance) from Institute of Business Administration, Dhaka University. He is the Treasurer of International Container Shipping Association.



Mr. Md. Kabir Reza FCMA

Director

Representing Square Pharmaceuticals Ltd.

Md. Kabir Reza is the group Executive Director of Square Pharmaceuticals Ltd and Managing Director of United Financial Trading Company Limited. He is a Fellow member of Institute of Cost and Management Accountant. He obtained B.Com (Hons) M. Com. from Rajshahi University. A man of strong personality and unbendable principle, his long business and private service career are decorated with unmatched success.

Mr. Reza started his career with Rafkhat Group of companies as an Assistant Manager (Accounts) from 1991 to 1993. Then he took the responsibility of chief accountant of Bangladesh Engineering & Technological Services limited during the period from 1993 to 1995. At the height of his professional career, he became the director of Accounts and Finance of Square Pharmaceuticals Limited on the year 2000. In addition to that he is a Director of Strategic Equity Management Limited (Asset Mgt. Company), Eastern Logistic Services Limited.



Mr. Muminul Haque Chowdhury

Director

Representing Borak Travels (Pvt.) Limited

Mr. Muminul Haque Chowdhury holds an M.S. in Economics from University of Darmstadt of New York. He also holds a Post Graduate Diploma in Energy Management from the State University of New York.

His area of specialization includes Business Administration, Negotiation, Financial and Economic Analysis, Monitoring and overall Management. Mr. Chowdhury is also an Advisor of Unique Group of Companies Limited. He has actively participated in many professional seminars at home and abroad.



Mr. Azmal Hossain

Director

Representing Eastern Insurance Co. Ltd.

Mr. Azmal Hossain, Director of National Housing Finance and Investments Limited and Vice Chairman of Eastern Insurance Co. Ltd. He is also Managing Director of Hashem Paper Mills Ltd. He has been involved in manufacturing of electric goods, paper, housing beside insurance.



Mr. Syed M. Altaf Hussain

Director

Representing Pragati Insurance Co. Ltd

Syed M. Altaf Hussain is the present Chairman of Pragati Insurance Ltd., has had a long and distinguished career in the fields of food grains, crop nutrition, business development, high-rise building development, technology, business operations and financial institutions with over 36 years of experience. He is a sponsor director and notably the founding chairman of Pragati Life Insurance Ltd. As Chairman and CEO of WW Grains Corp. representing Cargill Inc., USA, he pioneered large-scale trading of food grains and fertilizer commodities. Through his work, he has spent considerable time traveling internationally and had the opportunity to attain an Engineering degree from the University of Texas, Arlington as well as successfully completed Grain Marketing & Agronomical courses from North Dakota State University and Harvard Business School. Additionally, he holds the Chairman title in the following businesses: Sonic Allied Industries Ltd., WW Properties Ltd. and the editorial board of 'The Daily Janata'. He is also Co-Chairman of Jamuna Resort Ltd. and was former chief Advisor of ATDP-II projects funded by the USAID. Several social, governmental and educational institutions at home and abroad have acknowledged his agro-based expertise.



Dr. Toufic Ahmed Choudhury

Independent Director

Dr. Toufic Ahmad Choudhury appointed as Independent Director and Chairman, Audit Committee of the Company on 4 February 2019. He is the former Director General (DG) of Bangladesh Institute of Bank Management (BIBM). He served as the elected General Secretary of Bangladesh Economic Association (BEA) for the consecutive two terms during 2010-2014. Dr Toufic is serving as member of Governing Body of Palli Karma-Sahayak Foundation (PKSF) and Board Member of Institute for Inclusive Finance and Development (InM). He is also a member of general body of Dhaka School of Economics and a Member of Banking Committee of International Chamber of Commerce, Bangladesh (ICCB). Dr Toufic, a 1979 economics graduate of Jahangirnagar University, obtained his PhD from Himachal Pradesh University, Shimla, India under Indian commonwealth scholarship. He has more than fifty publications on various issues of financial market published in national and international journals. Now he also teaches as part time faculty in various universities including Dhaka university.



Mr. Imtiaz Mahmood

Independent Director

Mr. Imtiaz Mahmood is a reputed Lawyer of Bangladesh Supreme Court. He has expertise in Company Law matters. He obtained his LL.B (Hon's) from University of London UK in 1993.

He started his legal career as an Associate of House of Law, Barrister, Solicitors, Advocate and Tax consultant. Later he worked as an Associate, in Dr. Kamal Hossain & Associates from September 1996 to May 2000. At present he is a partner of Mahmood Jabbar Khan, Barrister & Advocates, Dhaka.

Mr. Mahmood has experience in handling Legal matters of Direct Foreign Investment, Petroleum, Mineral Resources, Power, Telecommunication and in Commercial Arbitration both Foreign and Local including ICC.



Mr. Md. Khalilur Rahman

Managing Director

Mr. Md. Khalilur Rahman joined as Managing Director of National Housing Finance and Investments Ltd. (NHFIL) in February 2015. Prior to join as Managing Director he was Additional Managing Director of NHFIL from October 2013. He is also chairman of Bangladesh Leasing and Finance Companies Association (BLFCA).

Mr. Rahman has more than 38 years experience in various Banks & NBFIs at home and abroad. He stated his career with Bangladesh Shilpa Bank (currently BDBL) as Senior Officer (Financial Analyst) in the year 1979. He also worked with IFIC Bank as Senior AVP, Southeast Bank as VP, IIDFC as AMD and BIFC as MD. He has been successfully discharging his assignments while posted at various capacities of his career at home and abroad. He is also the President (E) of 'Rotary Club of Dhaka Buriganga' and associated with various professional associations.

Mr. Rahman completed his MBA from IBA, University of Dhaka.

VARIOUS COMMITTEES

Board Committee

Executive Committee

SL	Name	Designation	Committee Status
1	Mr. Md. Kabir Reza FCMA	Director	Chairman
2	Mr. M. Nurul Alam	Director	Member
3	Mr. Muminul Haque Chowdhury	Director	Member
4	Mr. Syed M. Altaf Hussain	Director	Member
5	Mr. Md. Khalilur Rahman	Managing Director	Ex-Officio
6	Mr. Md. Sarwar Kamal FCS	VP & Company Secretary	Member Secretary

Audit Committee

SL	Name	Designation	Committee Status
1	Dr Toufic Ahmad Choudhury	Independent Director	Chairman
2	Mr. Md. Kabir Reza FCMA	Director	Member
3	Mr. Akhtar Ahmed	Director	Member
4	Mr. Azmal Hossain	Director	Member
5	Mr. Md. Khalilur Rahman	Managing Director	Ex-Officio
6	Mr. Md. Sarwar Kamal FCS	VP & Company Secretary	Member Secretary

Management Committee

Management Committee (MANCOM)

SL	Name	Designation	Committee Status
1	Mr. Md. Khalilur Rahman	Managing Director	Chairman
2	Mr. S. M. Anisuzzaman	Deputy Managing Director	Member
3	Mr. Shital Chandra Saha	SVP & Head of Operation	Member
4	Mr. Sayed Ahmed, FCMA	VP & Chief Financial Officer	Member
5	Mr. Mahbubur Rashid Al-Amin	VP & Head of Principal Branch	Member
6	Mr. Md. Sarwar Kamal, FCS	VP & Company Secretary	Member Secretary

Asset Liability Management Committee (ALCO)

SL	Name	Designation	Committee Status
1	Mr. Md. Khalilur Rahman	Managing Director	Chairman
2	Mr. S. M. Anisuzzaman	Deputy Managing Director	Member
3	Mr. Shital Chandra Saha	SVP & Head of Operation	Member
4	Mr. Sayed Ahmed, FCMA	VP & Chief Financial Officer	Member
5	Mr. Md. Sarwar Kamal, FCS	VP & Company Secretary	Member
6	Mr. Mahbubur Rashid Al-Amin	VP & Head of Principal Branch	Member
7	Mr. Syed Sharif Ahmed Sumon	Deputy Manager	Member
8	Mr. Ismail Hossain Mazumder	Manager & Head of Treasury	Member Secretary

Credit Committee

SL	Name	Designation	Committee Status
1	Mr. S. M. Anisuzzaman	Deputy Managing Director	Chairman
2	Mr. Shital Chandra Saha	SVP & Head of Operation	Member
3	Mr. Sayed Ahmed, FCMA	VP & Chief Financial Officer	Member
4	Mr. Md. Sarwar Kamal, FCS	VP & Company Secretary	Member
5	Mr. Md. Fahian Tamim	Assistant Manager & Head of SME	Member Secretary

Sustainable Finance Unit

SL	Name	Designation	Committee Status
1	Mr. Shital Chandra Saha	SVP & Head of Operation	Unit Head
2	Mr. Md. Sarwar Kamal, FCS	VP & Company Secretary	Member
3	Mr. Mohammad Ataul Karim	FAVP & Head of IT	Member
4	Mr. Prabir Shel	Deputy Manager & Head of ICCD	Member
5	Mr. Md. Junayed Abedin	Deputy Manager	Focal Point Official
6	Mr. Md. Fahian Tamim	Assistant Manager& Head of SME	Member
7	Mr. Md. Al-Amin	Assistant Manager	Fallback Person

Sustainable Finance Committee

SL	Name	Designation	Committee Status
1	Mr. S. M. Anisuzzaman	Deputy Managing Director	Chairman
2	Mr. Shital Chandra Saha	SVP & Head of Operation	Member
3	Mr. Md. Abdul Baten	VP & Head of Marketing	Member
4	Mr. Sayed Ahmed, FCMA	VP & Chief Financial Officer	Member
5	Mr. Md. Sarwar Kamal, FCS	VP & Company Secretary	Member
6	Mr. Mohammad Ataul Karim	FAVP & Head of IT	Member
7	Mr. Prabir Shel	Deputy Manager & Head of ICCD	Member
8	Mr. Md. Fahian Tamim	Assistant Manager& Head of SME	Member Secretary

Risk Management Forum (RMF)

SL	Name	Designation	Committee Status
1	Mr. S. M. Anisuzzaman	Deputy Managing Director	Chief Risk Officer (CRO)
2	Mr. Shital Chandra Saha	SVP & Head of Operation	Member
3	Mr. Sayed Ahmed, FCMA	VP & Chief Financial Officer	Member
4	Mr. Mohammad Ataul Karim	FAVP & Head of IT	Member
5	Mr. Ismail Hossain Mazumder	Manager & Head of Treasury	Member
6	Mr. Prabir Shel	Deputy Manager & Head of ICCD	Member
7	Mr. Md. Fahian Tamim	Assistant Manager& Head of SME	Member

Risk Analysis Unit (RAU)

SL	Name	Designation	Committee Status
1	Mr. Md. Sarwar Kamal, FCS	VP & Company Secretary	Member
2	Mr. Md. Anowar Hossain	Manager & Head of Recovery	Member
3	Mr. Md. Mezanur Rahman	Manager	Member
4	Mr. Md. Waliul Islam Chowdhury	Management Trainee Officer	Member
5	Mr. Md. Hamim Mia	Management Trainee Officer	Member Secretary

Customer Service and Complaints Management (CSCM) Cell

SL	Name	Designation	Committee Status
1	Mr. Md. Sarwar Kamal, FCS	VP & Company Secretary	Head of CSCM Cell
2	Mr. Prabir Shel	Deputy Manager & Head of ICCD	Member
3	Mr. Md. Fahian Tamim	Assistant Manager& Head of SME	Member
4	Mr. Md. Hafez Ahmed	Officer	Member
5	Ms. Homayra Ashrafi	Officer	Member

Women Entrepreneur Development Unit (WEDU)

SL	Name	Designation	Committee Status
1.	Mr. Md. Fahian Tamim	Assistant Manager	Head of WEDU
2.	Ms. Homayra Ashrafi	Officer	Member, Women Entrepreneur Help Desk
3.	Ms. Umme Hamida Akter	Assistant Officer	Member, Women Entrepreneur Dedicated Desk

Management Team



Managing Director

Md. Khalilur Rahman

Deputy Managing Director

S. M. Anisuzzaman

Senior Vice President

Shital Chandra Saha

Vice President

Md. Nazrul Islam

Md. Abdul Baten

Sayed Ahmed, FCMA

Abu Naser Md. Ahad Sarkar

Md. Sarwar Kamal, FCS

Mahbubur Rashid Al-Amin

Assistant Vice President

Md. Mahbubur Rahman

First Assistant Vice President

Md. Jahedul Islam

Mohammad Ataul Karim

Manager

Israt Jahan

Sharmin Zahan

Md. Mezanur Rahman

A. M. Enayet Karim

Nayan Malakar

Md. Mashiur Rahman

Dilip Chandra Roy

Md. Ismail Hossain Mazumder

Md. Anower Hossain

Md. Azizur Rahman

Md. Mozaharul Islam

Deputy Manager

Purna Chandra Deb Sharma

Masbha Uddin

Prabir Shel

Rumana Amin

Tanvir Ahmed

Md. Abu Faysal Rony

H. M. Mashiur Rahaman

Abdullah Al Kafi

Md. Moyachan Ali (Chand)

Reza Karim Md. Khaled

Syed Sharif Ahmed Sumon

Md. Junayed Abedin

Suraiya Yeasmin

Md. Alimul Islam

Ibrahim Khalil

Assistant Manager

Sheikh Farid

Kh. Sayful Islam Rana

Mohammad Mazharul Islam, ACS

Tania Afrose

Abu Jafar Md. Abdullah

Robiul Haque

A. S. M. Hosne Mubarak

K. M. Iftekhar Hossain

A. Q. M. Ambia Touhid

Adnan Imtiaz

Md. Al-Amin

Runa Akter

Afifa Khanom

Iffat Ruhan

Marufur Rahman

Md. Mustafizur Rahaman

Md. Abu Bakar Shiddik

Nayeem Farhan

Al Mamun Shiblu

Noor-ul-Muhaimen Talukder

Anamica Das

Nafisa Tasnim Samantha

Sharmin Jahan Shawn

Nasir Uddin Mohammad Humayun

Chief Financial Officer

Sayed Ahmed, FCMA

Company Secretary

Md. Sarwar Kamal, FCS

Branch In-Charge

Mahbubur Rashid Al-Amin

Md. Nazrul Islam

Md. Mahbubur Rahman

Reza Karim Md. Khaled

Abu Naser Md. Ahad Sarkar

Md. Mozaharul Islam

Md. Jahedul Islam

Principal Branch

Motijheel Branch

Gazipur Branch

Gulshan Branch

Bogura Branch

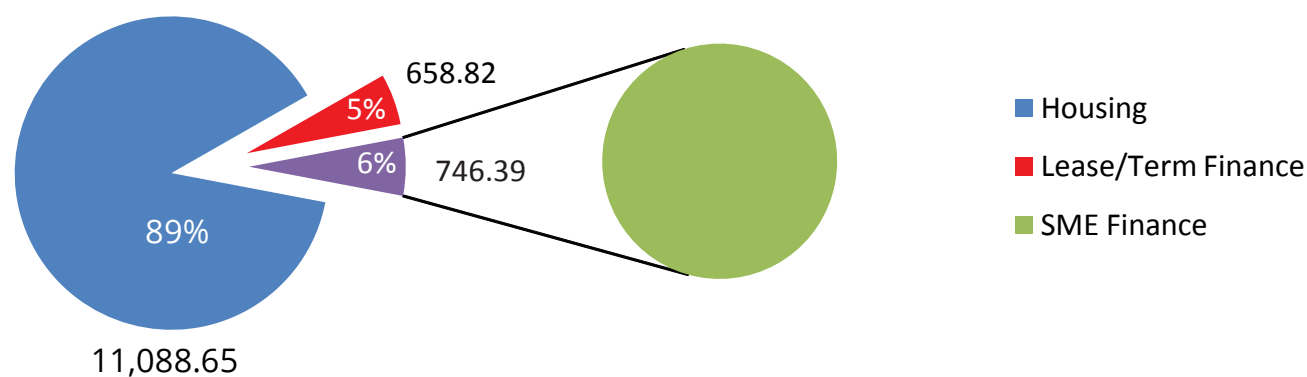
Chattogram Branch

Rangpur Branch

Outstanding Portfolio

(Figures in million)

Particulars	Amount	(%)
Housing Finance	11,088.65	88.75%
Lease/Term Finance	658.82	5.27%
SME Finance	746.39	5.97%
	12,493.86	



Financial Highlights

Business Environment and Its Likely Impact on the Financial Performance of NHFIL

These statements involve uncertainties and actual achievements may differ from plans and expectations due to changes in the business environment. Following are some major factors that may affect the business environment:

- Change in the country's general economic conditions.
- Changes in commodity price levels.
- Further volatility in interest rates.
- Changes in government policies
- Changes in Monetary policies of the Bangladesh Bank.
 - Increase in provisioning requirements.
 - Increase in statutory liquidity reserves and cash reserve requirements by the Bangladesh Bank.
 - Change in the Bangladesh Bank's re-financing scheme.

Key Operating and Financial Highlights

(Figures in Million Taka except ratios and per share data)

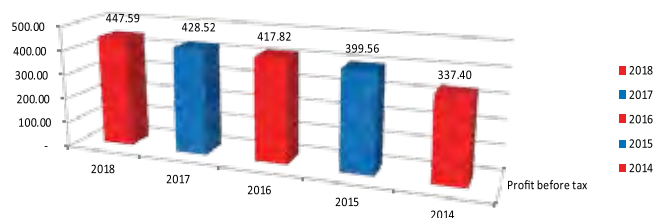
Particulars	2018	2017	2016	2015	2014
Operational Highlights					
Housing loan sanction	4,401.60	3,593.48	3,597.41	2,769.70	1,552.64
Lease, Term and SME loans sanction	151.60	573.20	354.10	372.15	518.41
Housing loan disbursed	3,021.22	2,174.44	2,856.04	2,299.52	1,126.72
Lease, Term and SME loans disbursed	228.72	519.56	454.64	403.01	554.17
Cumulative housing loan disbursed	17,832.78	14,811.55	12,637.11	9,781.07	7,481.55
Cumulative lease, Term and SME loans disbursed	8,339.28	8,110.56	7,591.00	7,136.36	6,733.35
Cumulative housing loan sanction	23,092.72	18,691.12	15,097.64	11,500.24	8,730.54
Cumulative lease, Term and SME loans sanction	8,512.35	8,360.75	7,787.55	7,433.45	7,061.30

Financial Highlights					
Operational income	684.22	626.52	603.30	553.27	436.00
Operational expenses	170.47	152.13	132.18	100.59	87.39
Financial expenses	1,344.11	814.69	625.43	517.58	469.13
Administrative Expenses	143.79	126.74	111.02	88.49	75.59
Profit before tax	447.59	428.52	417.82	399.56	337.40
Provision for taxes	171.82	173.37	174.05	168.60	127.80
Net profit after tax	275.77	255.15	243.77	230.96	209.60
Shareholders' fund	1,774.23	1,700.60	1,636.96	1,574.06	1,502.69
Total deposit	16,149.00	11,668.16	8,477.63	5,551.86	3,826.43
Total borrowing	1,760.75	1,720.84	1,009.95	879.03	967.21
Total loan portfolio	12,493.86	10,377.43	9,042.05	7,393.31	5,567.60
Total balance sheet size	20,980.85	16,163.20	12,250.39	8,824.10	6,857.11
NPL ratio (%)	4.21%	5.06%	4.95%	5.61%	5.71%

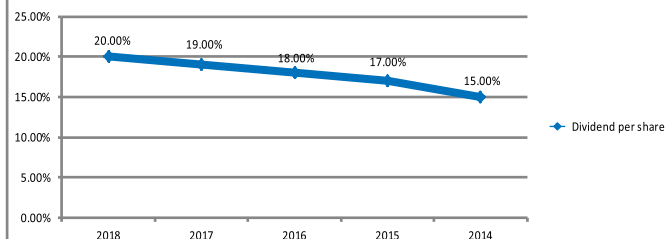
Financial ratios					
Earnings per share	2.59	2.40	2.29	2.17	1.97
Dividend per share	*20.00%	19.00%	18.00%	17.00%	15.00%
Net asset value per share	16.68	15.98	15.39	14.79	14.12
Financial expenses coverage (times)	1.33	1.58	1.75	1.77	1.72
Profit margin (before tax)	22.07%	29.73%	34.00%	37.31%	37.28%
Profit margin (after tax)	13.60%	17.70%	19.84%	21.57%	23.16%
Return on equity	15.87%	15.29%	15.18%	15.01%	14.31%
Debt equity ratio	10.62	8.32	6.30	4.47	3.45

* Dividend in 2018 is 10.00% cash and 10.00% stock

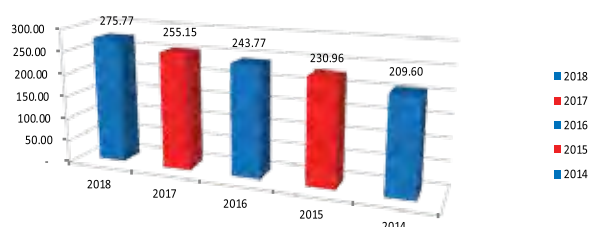
Profit before tax



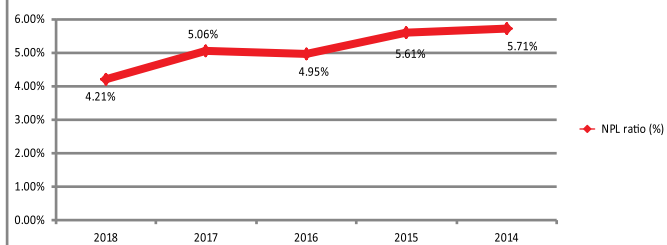
Dividend per share



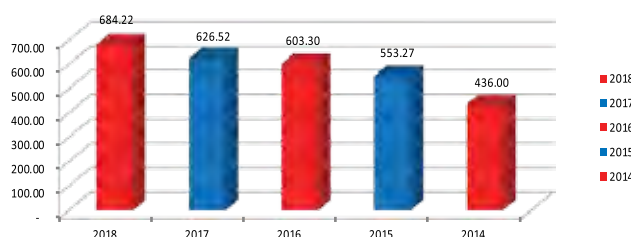
Net profit after tax



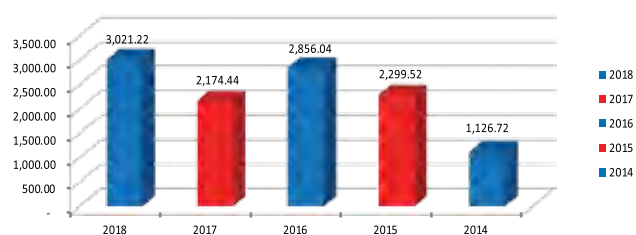
NPL ratio (%)



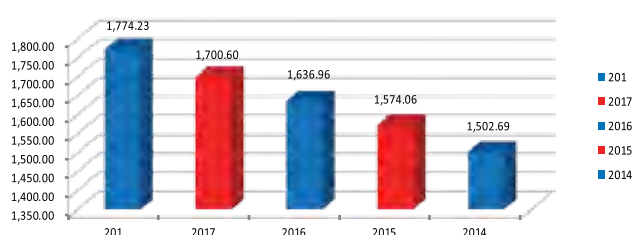
Operational income



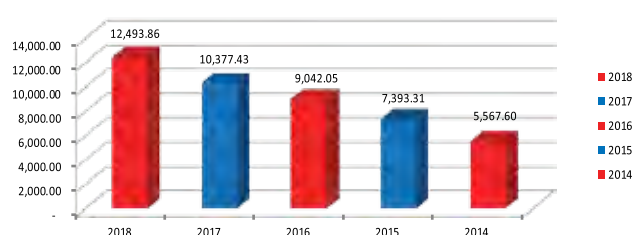
Housing loan disbursed



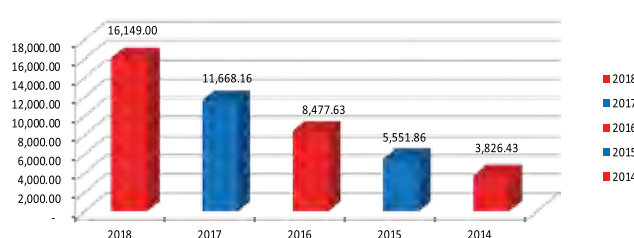
Shareholders' Equity



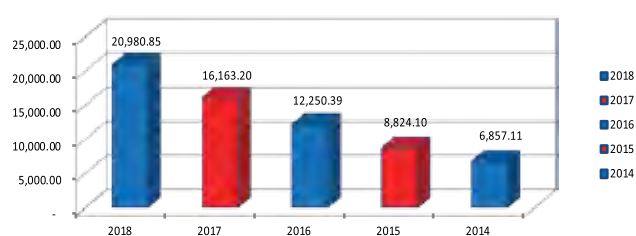
Total loan portfolio



Total deposit

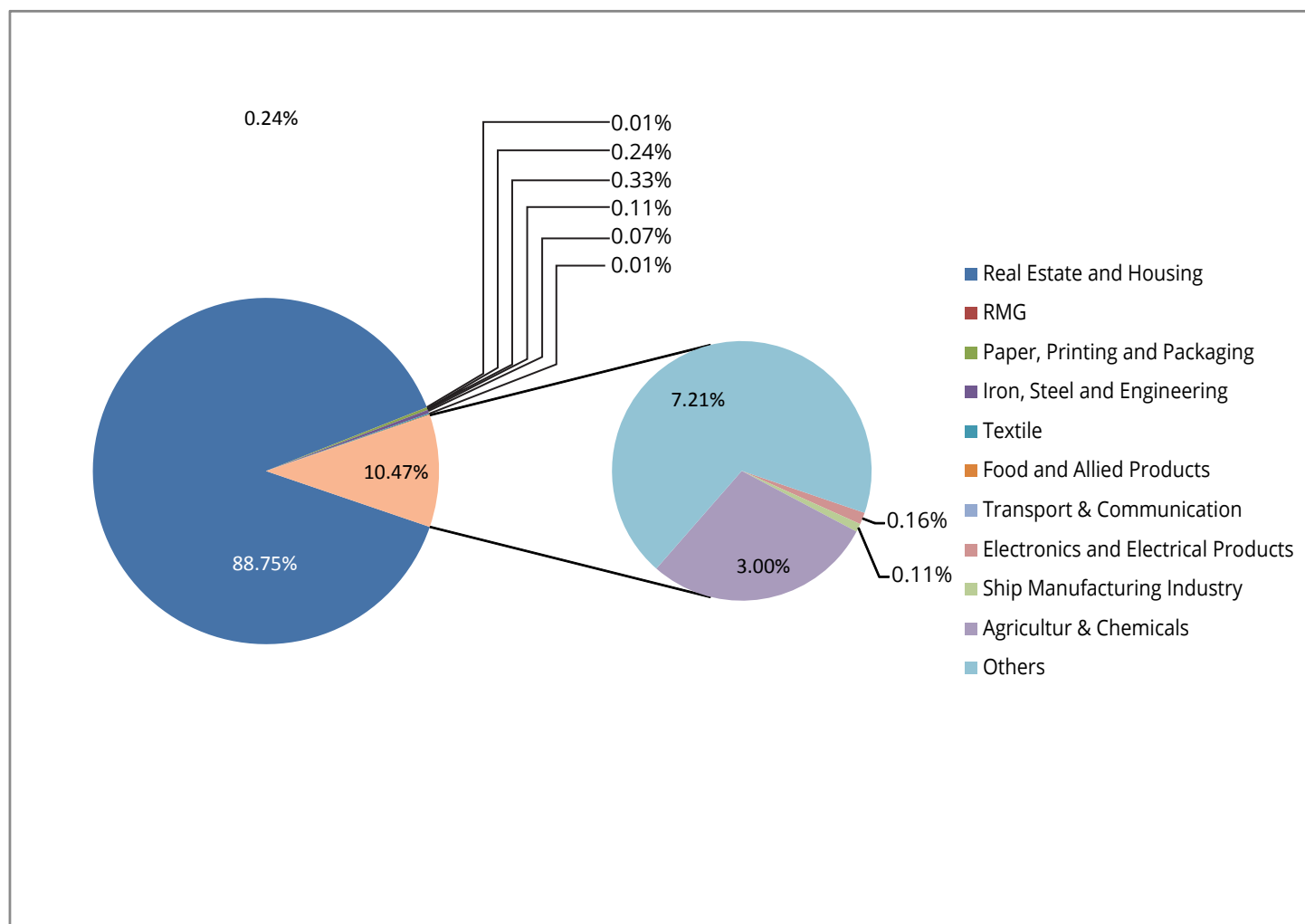


Total balance sheet size



Sectoral Portfolio (%)

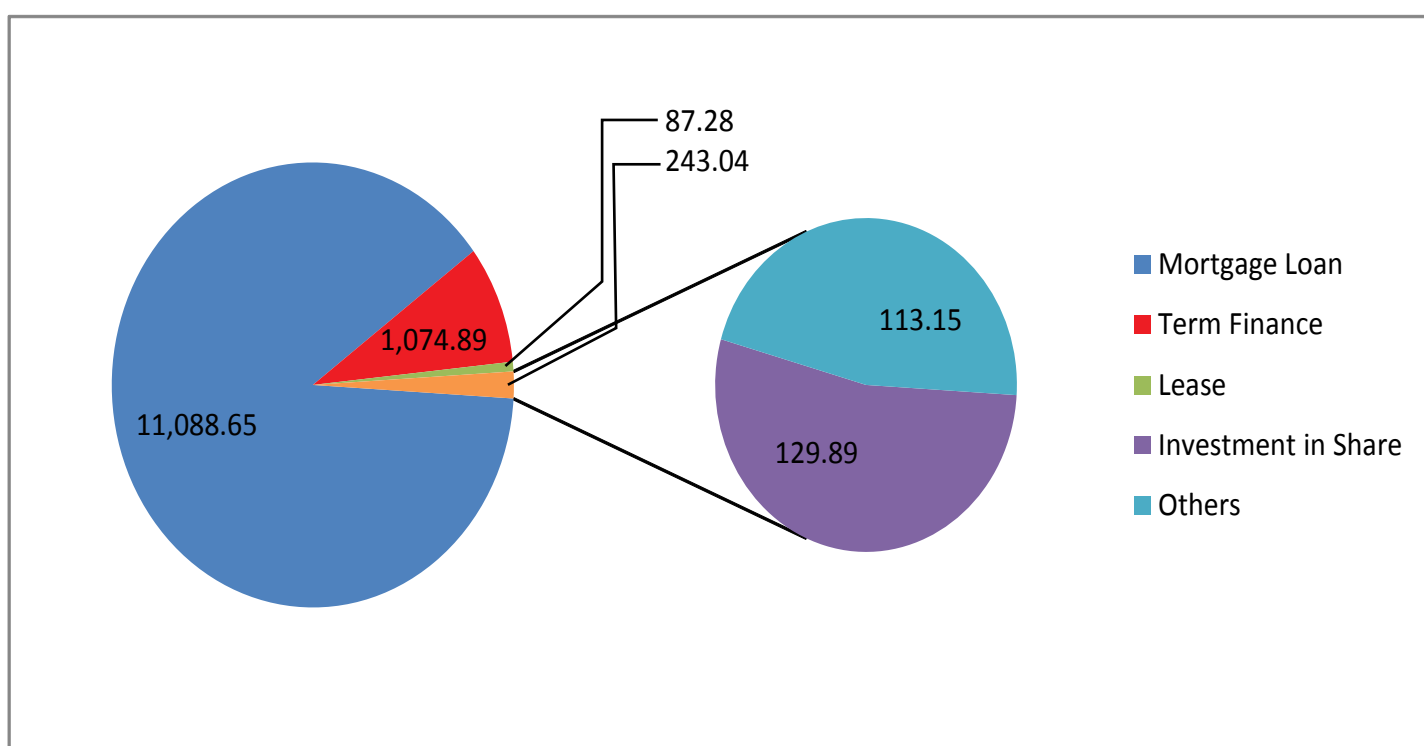
Sector's Name	Percentage (%)
Real Estate and Housing	88.75%
RMG	0.01%
Paper, Printing and Packaging	0.24%
Iron, Steel and Engineering	0.33%
Textile	0.11%
Food and Allied Products	0.07%
Transport & Communication	0.01%
Electronics and Electrical Products	0.16%
Ship Manufacturing Industry	0.11%
Agricultur & Chemicals	3.00%
Others	7.21%
Total	100.00%



Portfolio Mix

Figures BDT in million

Particulars	Amount
Mortgage Loan	11,088.65
Term Finance	1,074.89
Lease	87.28
Investment in Share	129.89
Others	113.15
	12,493.86



Value Added Statement

For the year ended December 31, 2018

The value added statement represents the value created by National Housing Finance and Investments Limited through operational activities and shows how it was distributed among major stakeholders of the Company (Shareholders, Government & Employees) to meet various obligations and reward those responsibilities for its creation. A portion of added value has also been retained in the company for future investment and expansion of NHFIL.

Figures in BDT

Particulars	31-Dec-18		31-Dec-17	
	Amount	%	Amount	%
Value added				
Net interest income	651,551,557	116.69%	577,936,904	109.95%
Fees earned	57,500	0.01%	76,480	0.01%
Investment income	7,643,076	1.37%	21,597,797	4.11%
Other income	24,971,263	4.47%	26,907,391	5.12%
Operating expenses excluding staff cost and depreciation	(59,715,597)	(10.69%)	(54,993,417)	-10.46%
Provision for loan, advances & investments	(66,155,808)	(11.85%)	(45,867,905)	-8.73%
Total value added by the company	558,351,991	100%	525,657,250	100%
Distribution of value addition				
Employees as remuneration	100,397,298	17.98%	86,450,159	16.45%
Dividend to ordinary shareholders	212,784,000	38.11%	202,144,800	38.46%
Income tax	171,822,035	30.77%	173,368,518	32.98%
	485,003,333	86.86%	461,963,477	87.88%
Retained for expansion and future growth				
Value retained in the business	62,987,500	11.28%	53,003,357	10.08%
Depreciation	10,361,159	1.86%	10,690,416	2.03%
Amount distributed	558,351,991	100%	525,657,250	100%

Number of employees at the end of the year

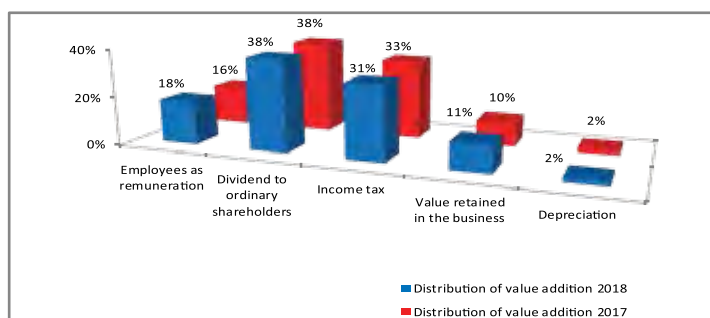
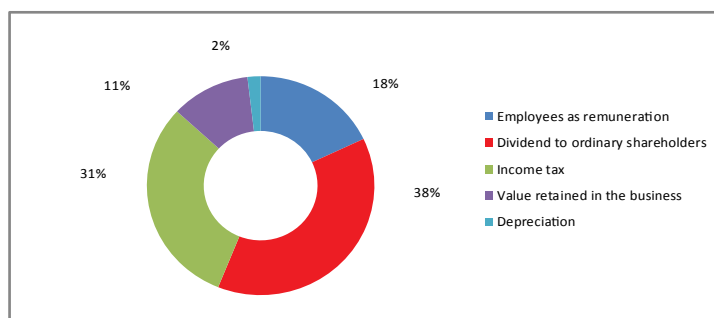
Value created per employee (BDT)

Number of shares

Value created per share (BDT)

182	153
3,067,868	3,435,668
106,392,000	106,392,000
5.25	4.94

Particulars	Distribution of value addition 2018	Distribution of value addition 2017
Employees as remuneration	18%	16%
Dividend to ordinary shareholders	38%	38%
Income tax	31%	33%
Value retained in the business	11%	10%
Depreciation	2%	2%



Economic Value Added (EVA) Statement

For the year ended December 31, 2018

Economic value added is value-based financial performance measures which reflects the absolute amount of shareholders' value created or destroyed during each year. It provides a measurement of a company's economic success or failure over a period of time. Such a yardstick is useful to investors who wish to place confidence with the company to retain their fund for better earnings as compared to other similar companies or similar industry. Economic value added is calculated by taking a company's net operating profit after tax subtracting from it cost of average equity.

EVA has been calculated by the following formula:

$$\text{EVA} = \text{Net operating profit after tax} - (\text{Capital employed} \times \text{Cost of equity})$$

NOPAT

NOPAT is the net operating profit after tax which is calculated by deducting the income tax expense from operating profit.

Figures in BDT

Particulars	31-Dec-18	31-Dec-17
	Amount	Amount
Net operating profit	513,749,342	474,384,580
Provision for taxes	171,822,035	173,368,518
Net operating profit after tax (NOPAT)	341,927,308	301,016,062

Charges for capital

Capital employed	1,953,000,332	1,866,674,198
Cost of equity (%)	7.45%	7.94%
Capital charge	145,498,525	148,213,931
Economic value added	196,428,783	152,802,131
Number of shares	106,392,000	106,392,000
Economic Value Added Per Share	1.85	1.44

Cost of equity

Cost of equity reflects shareholders' expected return. Eventually this is the opportunity cost for shareholders for investing their funds in the company. Interest on 5 (five) years Government Treasury Bond plus a standard risk premium has been assumed to be the cost of equity.

Interest rate on 5 (five) years Government Treasury Bond on December 31	5.45%	5.94%
Standard Risk Premium	2.00%	2.00%
Cost of equity	7.45%	7.94%

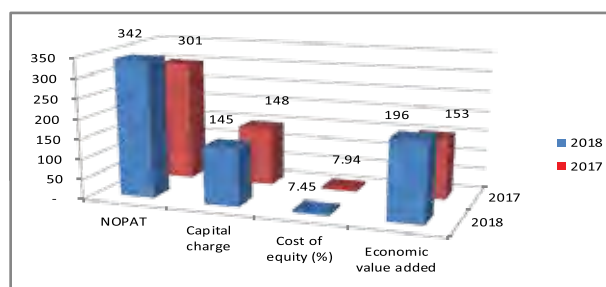
Capital employed as on December 31

Shareholder's equity	1,774,230,847	1,700,604,147
Accumulated provision for doubtful accounts and future losses	229,703,774	201,461,896
Total capital employed	2,003,934,621	1,902,066,043
Average capital employed	1,953,000,332	1,866,674,198

NOPAT

Figures in BDT

Particulars	31-Dec-18	31-Dec-17
	Amount	Amount
NOPAT	342	301
Capital charge	145	148
Cost of equity (%)	7.45	7.94
Economic value added	196	153



Market Value Added (MVA) Statement

For the year ended December 31, 2018

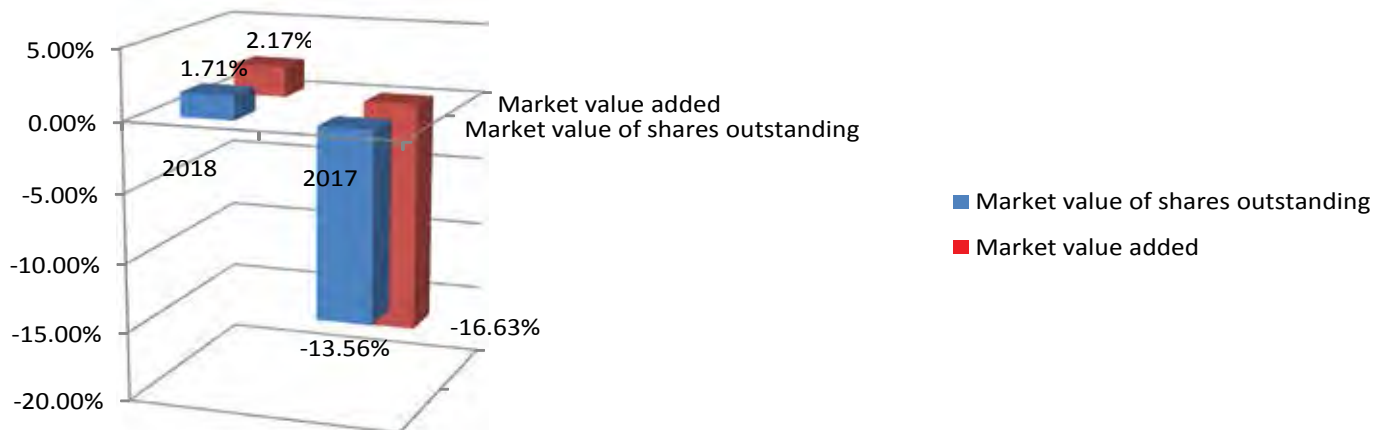
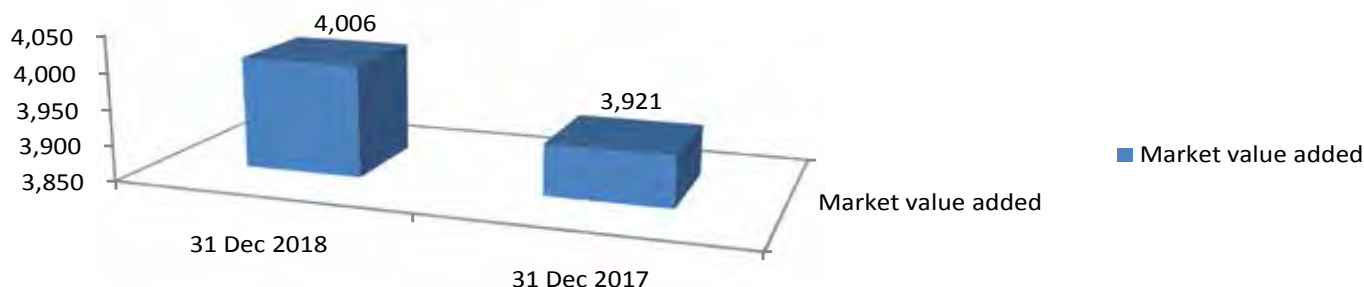
Market Value Added represents the confidence that the market places on the future stream of EVAs. Market Value Added statement gives a picture of the Company's performance evaluated by the capital market investors through the share price of the company. This statement depicts the difference between the market value of a company and the capital contributed by the investors.

Higher MVA is better for the company. A high MVA indicates that company has created substantial wealth for the shareholders. A negative MVA means that the value of management's actions and investments are less than the value contributed to the company by the capital market. The following statement shows how MVA has been arrived at for the year ended December 31, 2018 and 2017.

Figures in BDT

Particulars	31-Dec-18	31-Dec-17
	Amount	Amount
Market value of shares outstanding	5,069,578,800	4,984,465,200
Book value of share outstanding	1,063,920,000	1,063,920,000
Market value added	4,005,658,800	3,920,545,200

Market value added



Treasury at National Housing Finance

Assuring Liquidity, Ensuring Profitability

Overview

Treasury Division established itself as a key profit generating unit through diversified investments in money market and thus making a significant contribution to revenue. Treasury performs a pivotal role in many activities beyond day-to-day fund management. It is responsible for developing and maintaining relationships with both the internal and external stakeholders. The department ensures the efficient functioning of following areas:

1) Funding and Capital Management :

- Business growth monitoring and Capital Planning
- Conducting the ALCO meeting on a monthly basis and highlight the major changes in liquidity and interest rate risk
- Liquidity profile, Interest rate and gap analysis planning Capital planning for the institution.

Funding and Liquidity Management

Effective liquidity management is to ensure that we can meet regular customer loan requests, customer deposit maturities/ early encashment and other commitments efficiently under both normal operating conditions and stressed situations. We have undertaken an extensive review of liquidity risk management through structural liquidity analysis to measure and manage liquidity risk within a broader time span. It is calculated showing maturing liabilities as cash outflows and maturing assets as cash inflows under corresponding time buckets to find the gap under various time buckets. We continuously analyse and monitor our liquidity risk, maintain required liquidity and access diverse funding sources including our stable deposit base. Beside day-to-day fund management, NHFIL's liquidity position is reviewed regularly to keep our focus on ensuring adherence to prudential limits set by the Bangladesh Bank or Board.

Cost of Funds (CoF) Management

Market interest rate was in declining trend throughout the year as excess liquidity piled up in the banking sector. Our balance sheet is positioned to benefit from lower interest rates. We took the opportunity of low interest rate environment and lowered our deposit rates several times in 2018. Customer deposit being the major source of funding, reduction in interest rate on deposits had a significant impact on overall cost of fund.

Asset Liability Management (ALM) at NHFIL

Asset Liability Management involves evaluating, monitoring and managing key balance sheet risks. We have an approved policy guideline on Asset Liability Management (ALM) to best address the key balance sheet issues and risk. The Asset Liability Management Committee (ALCO), comprising of senior management of NHFIL, has the main responsibility of ensuring an effective ALM system to manage balance sheet risks.

The ALCO assumes the responsibility of

- Reviewing and formulating pricing strategies for both the deposit products and asset products.
- Ensuring systematic management process for tracking the balance sheet risks in a timely manner.
- Reviewing and managing potential liquidity risks and interest rate risks proactively which may arise from market movements, regulatory changes and/or changes in economic/ political environment.
- Ensuring compliance with the regulations of the Bangladesh Bank with respect to the statutory obligations involved within the parameters of balance sheet risks.

Base Rate System

To promote transparency in product pricing and encourage healthy competition in the economy, Bangladesh Bank has enhanced its policy support with the inclusion of Base Rate System. It captures all the elements of lending rates that are common across all categories of borrowers. Consolidating the monthly data of the FIs, Bangladesh Bank prepares and publishes a monthly weighted average Cost of Fund Index (CoFI) on its website.

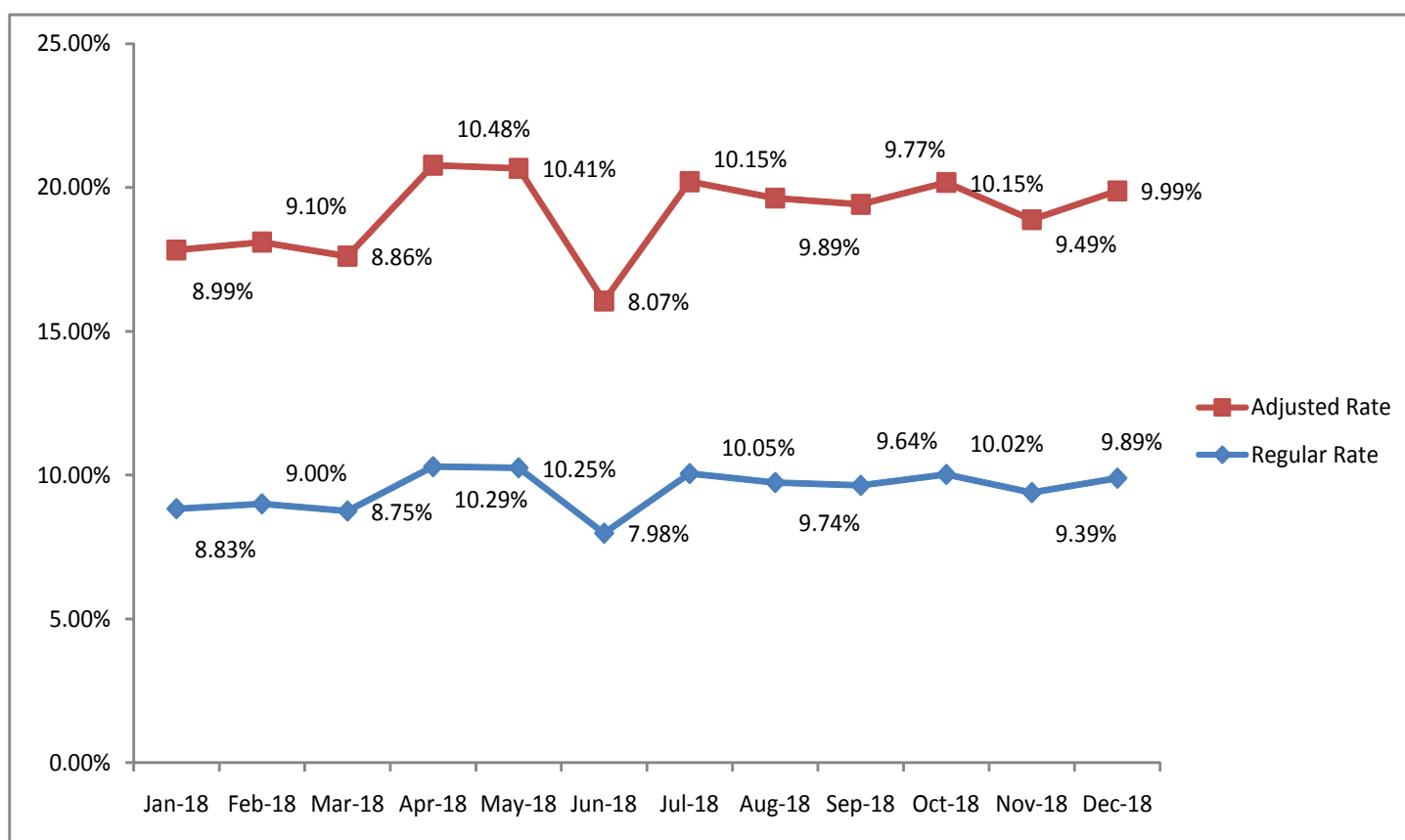
It serves as a reference rate for pricing variable interest rate loan products. However, the actual lending rates charged to the borrowers is the Base Rate plus borrower-specific charges, which include product-specific operating costs, risk premium and tenor premium. In compliance with the "Guidelines on the Base Rate System for Non-Bank Financial Institutions" issued by Bangladesh Bank (DFIM Circular No.-6) on August 20, 2013, we reviews the Base rate on a monthly basis which is approved by the Asset Liability Management Committee (ALCO) and is reviewed by the Board on quarterly basis. The Base rate of NHFIL is exhibited on the website for being transparent in the pricing of floating rate lending products. The monthly base rates of National Housing Finance Limited for the year 2018 are as shown below:

- **Funding:** Formulating a long-term funding plan with improved models.
- **Liquidity management:** Developing 'best-in-class' liquidity capabilities such as high-quality stress testing and contingency plans.
- **Capital management:** Creating an optimal capital structure that maximises equity returns while meeting the requirements of regulators and markets.
- **Asset Liability Management (ALM):** Establishing a robust ALM procedure which will enable an effective monitoring of key ALM ratios in a prudent way.

National Housing Finance And Investments Limited

Base Rate Analysis for the year 2018

Base Rate 2018	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Regular Rate	8.83%	9.00%	8.75%	10.29%	10.25%	7.98%	10.05%	9.74%	9.64%	10.02%	9.39%	9.89%
Adjusted Rate	8.99%	9.10%	8.86%	10.48%	10.41%	8.07%	10.15%	9.89%	9.77%	10.15%	9.49%	9.99%

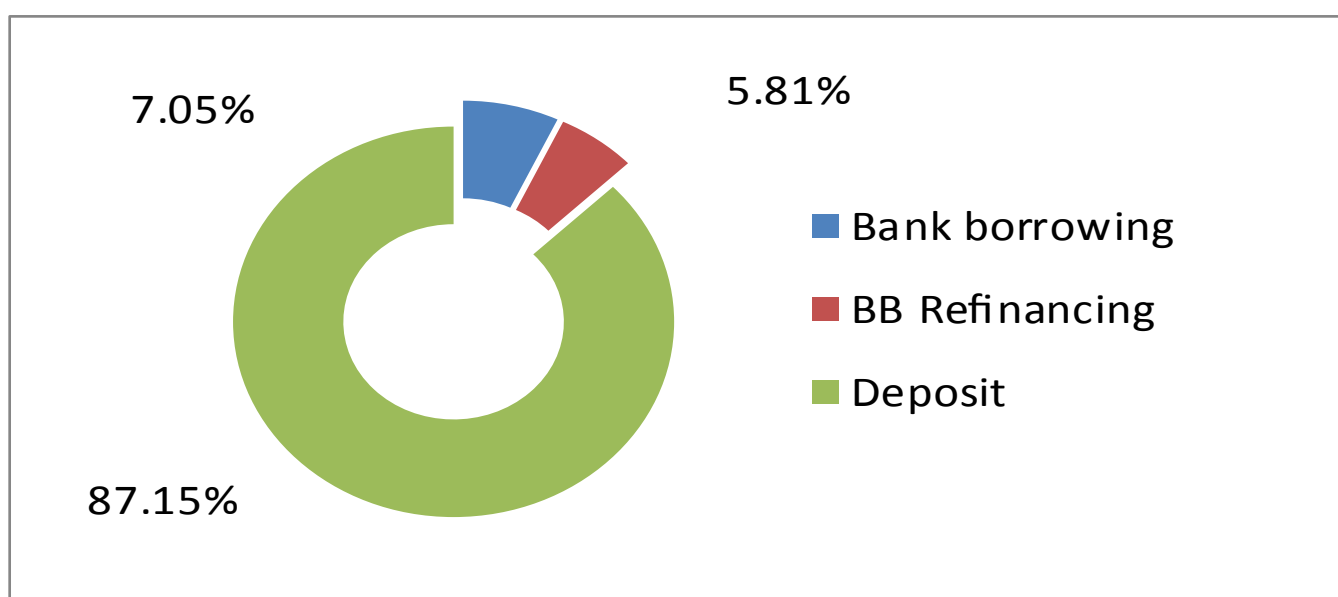
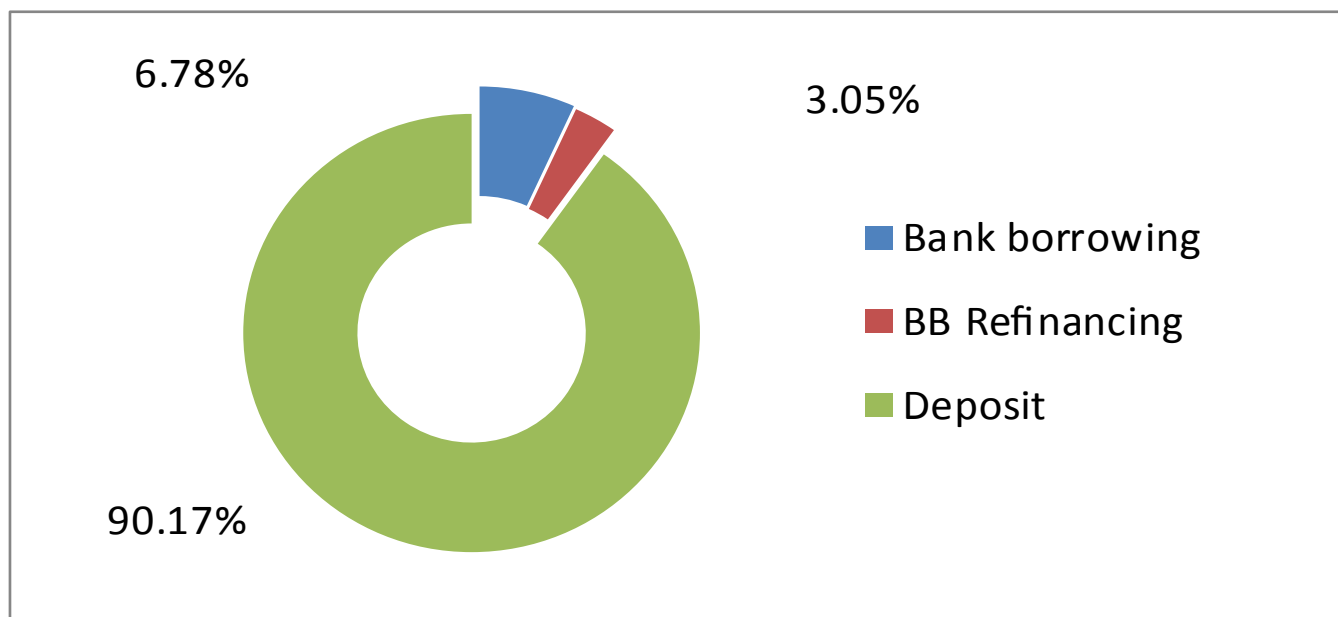


Managing our cost of funds (CoF) For the year ended December 31, 2018

Despite assuming inherent shortcomings of not offering and savings accounts to clients on account of our status

Figures in BDT

Particulars	December 31, 2018	%	December 31, 2017	%
Bank borrowing	1,214,561,286	6.78%	943,465,364	7.05%
BB Refinancing	546,193,125	3.05%	777,377,116	5.81%
Deposit	16,148,998,406	90.17%	11,668,164,585	87.15%
	17,909,752,817		13,389,007,066	



From the Desk of
Mr. Latifur Rahman
Chairman



It gives me immense pleasure to welcome you today at the 20th annual general meeting of National Housing.

Growing attention is being paid to refining “Economic Dignity” of people based on three pillars:

- I. Capacity to care for family and enjoy its greatest joys
- II. Pursuit of potential and purpose
- III. Economic participation without dominance or humiliation

The “Economic Dignity Index” looking into wellbeing that includes many other variables as well as the condition of affordable housing as an indicator for “Economic Dignity” of a person.

National Housing will continue to strive to take its operational excellence to greater heights so people’s aspirations for “affordable housing” to own their own home becomes a meaningful reality.

Housing market has been gaining momentum. The incremental figures of our portfolio are a reflection of this fact, which stood at Tk. 12,493.86 mn in 2018, increasing by 20.39% over that of 2017. Our net profit followed suit and increased to Tk. 275.77 mn, an 8.08% growth over the preceding year.

We believe the current macroeconomic stability and increasing domestic and foreign direct investments together, with an ever increasing inflow of remittance, will continue to sustain a healthy economic growth which should benefit the housing market.

Based on financial performance, the Board is pleased to recommend 10% Cash Dividend and 10% Stock Dividend to the shareholders for the year 2018.

These are days of innovative business operations, technological changes almost on a daily basis, development of data bases i.e. accumulation and exploitation of colossal amounts of data. Following this trend, we can detect customer behavior, their taste and requirement, and finally try to develop new strategies and products.

I would like to convey my appreciation and warm thanks to the functionaries of the company, the Board of Directors and the shareholders for their outstanding commitment and support over the years. I look forward to even greater success in the years to come, Insha Allah.

Thank you.



Latifur Rahman
Chairman

From the Desk of
Mr. Md. Khalilur Rahman
Managing Director



Honorable shareholders and other stakeholders:

This is an episode of honor and satisfaction for me to be able to welcome you – as i was privileged to do in the past few years – on the occasion of annual general meeting of national housing finance and investments limited, this meeting being the 20th of a long series of such confluences of people like you.

In 2016, I informed you that “country’s capital market is in shambles sequential to many years of disruptions and disasters”, and the ‘money market has been suffering from shrinking demand for credits and oversupply of deposits piling up liability burdens for banks” in 2018, the scenario assumed a very different shape, presenting market realities of almost opposite dimensions. In the past year, banks and NBFIs experienced a drought of liquidity in the absence of sufficient savings at the end of the breadwinners leading to decreased deposits, whereas demand for credits followed an upswing putting weakening pressures on lending institutions.

Your company, being an operator in the same market had to encounter similar conditions, but thanks to the patience we adhered to, the strategies we executed and the relentless efforts that were undertaken by all our functionaries under the guidance and prescient prescriptions of our policymakers; the directors and the honorable chairman, in particular, we were successful not only to maintain status quo, but to improve upon the performance of 2017. This is reflected in the uphill movement of our total loan portfolio which was BDT 10,245 million in 2017 and BDT 12,363 million in 2018, and operating income which was BDT 626 million in 2017 and BDT 684 million in 2018, registering an increase of 20.67% and 9.27% in 2018 over 2017 respectively. Similarly, the earning per share (EPS) climbed to 2.59 as against 2.40 in 2017.

As you will see in the directors’ report, the bangladesh economy is expected to continue expanding at a fast pace in the near term, above 7.0 per cent per year, amid strong fixed investment, vigorous private consumption and accommodative monetary policy. In the backdrop of such projections, we wish to follow the strategic stance of “cautious steps” in customer selection, loan sanction and realization, and “motivated promotion” with an eloquent theme underlying all our actions at national housing, best presented by our learned chairman in the phrase: “create your unique residential identity; live in dignity.”

In future years, I think, our purpose will best be served if we can assist our clients in purchasing or building their own dwelling places and thereby live a life with satisfaction and dignity. In doing so, a manifestation in bangla of the theme phrase could be adopted as: “গড়ে আপন বাসস্থান, মার্জিত করুন আবাসস্থান”।

Of particular importance and significance is the prevailing political stability in the country; if this status prolongs for some years next and is buttressed by economic vibrancy with concomitant macroeconomic stability and private sector investments giving way to increased employments, the housing sector shall witness pronounced customer movements. Our advantage lies in the fact that any surplus or emboldening of financial circumstances at individual or macro level directs investments towards the housing sector. We are, therefore, hopeful of handsome business in years approaching.

While I finish, I wish to convey my deep gratitude to you for your walking with us through all the time as we labored at national housing for the benefit of all stakeholders including we, the employees, the honorable directors, and you, the shareholders. The management contingent owes special recognition and gratefulness to the directors who paid full attention to the affairs of the company and were perennially available all through 2018 with their worth and wisdom to help us accomplish our job. The employees of all strata did, no doubt, deploy best of their capacities to achieve targets set beforehand by the board and succeeded in crossing the line to the profit and interest of the company and its owners and all other stakeholders. The advices, guidances, services and co-operations provided by bangladesh bank, RJSC, BSEC, DSE, CSE, CDBL, our auditors, our customers and all other well wishers warrant sincere thanks and gratefulness and i, on behalf of the national housing family, do hereby comply with that requirement.

Thank you all.



Md. Khalilur Rahman
Managing Director

DIRECTORS' REPORT



DEAR STAKEHOLDERS:

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

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

GENERAL

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

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

VISION, MISSION, CORE VALUES & CODE OF CONDUCT

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

PRINCIPAL ACTIVITIES OF NHFIL

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

ECONOMIC REVIEW OF THE FINANCIAL YEAR

WORLD ECONOMY REVIEW

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

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

REGIONAL ECONOMY REVIEW

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

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

BANGLADESH ECONOMY REVIEW

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

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

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

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

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

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

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

CAPITAL MARKET ACTIVITIES

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

MONEY MARKET SCENARIO

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

PERFORMANCE OF FINANCIAL SECTOR

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

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

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

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

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

INDUSTRY OUTLOOK

HOUSING FINANCE

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

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

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

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

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

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

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

COMPARATIVE POSITION OF BANKs & NBFIs

(Amount BDT in million)

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

KEY STRENGTHS OF NHFIL

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

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

HUMAN RESOURCES- A VITAL ELEMENT TO NHFIL'S SUCCESS

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

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

SOME OF THE TECHNOLOGICAL INNOVATIONS ADOPTED BY NHFIL

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

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

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

ASSESSMENT ON THE INTEREST RATE

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

INTERNAL CONTROLS

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

RISK MANAGEMENT

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

CORPORATE GOVERNANCE

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

ENVIRONMENTAL FRIENDLY POLICY ADOPTED BY NHFIL

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

TRAINING PROGRAM OF DIRECTORS

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

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

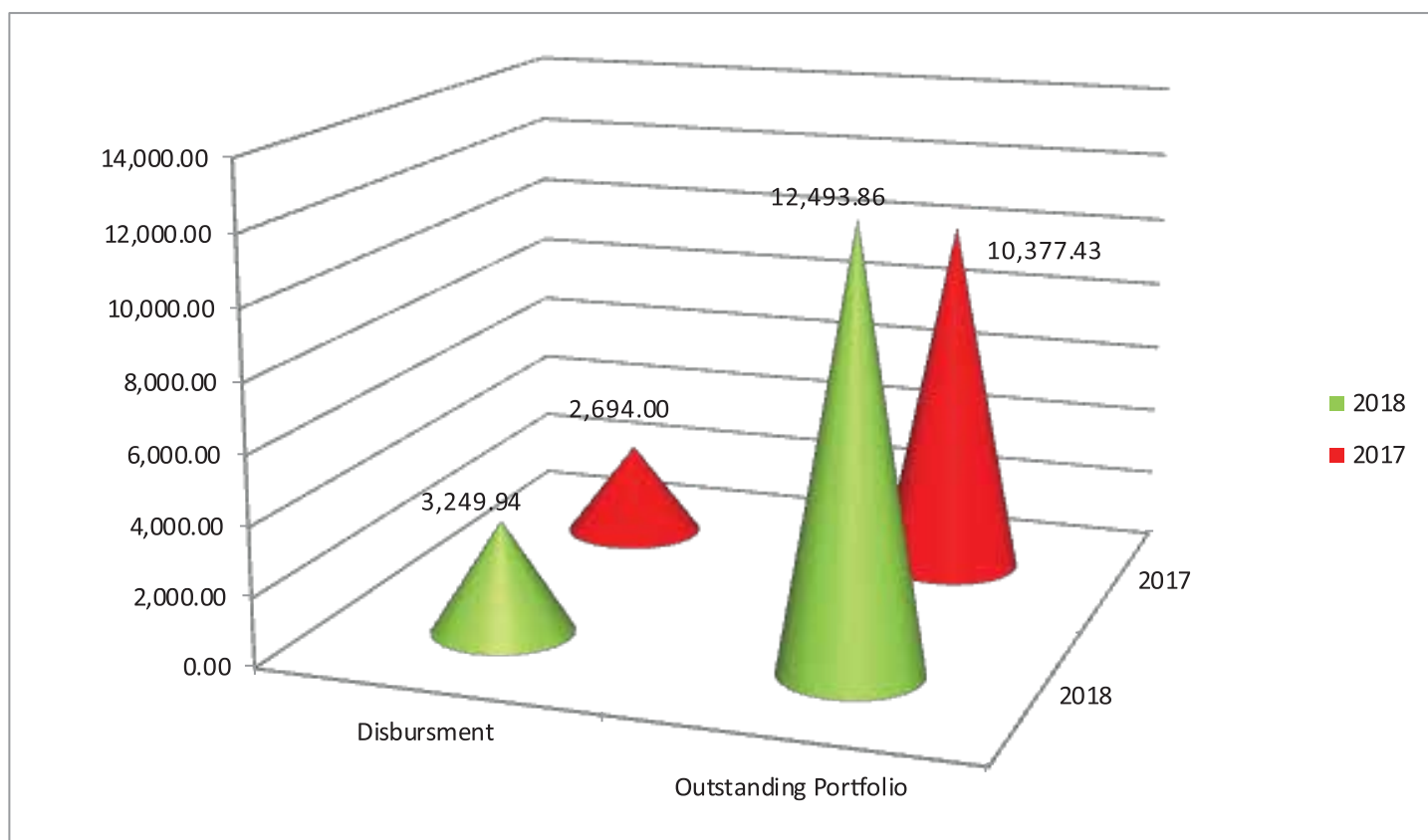
- A formal corporate induction, including an introduction to the Board, and a detailed overview of NHFIL, its strategy, operational structures and business activities;
- The roles and responsibilities of a Director, including statutory duties and responsibilities as per the code of conduct duly approved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

OPERATIONAL OVERVIEW OF NATIONAL HOUSING

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

(Amount in BDT Million)

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



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

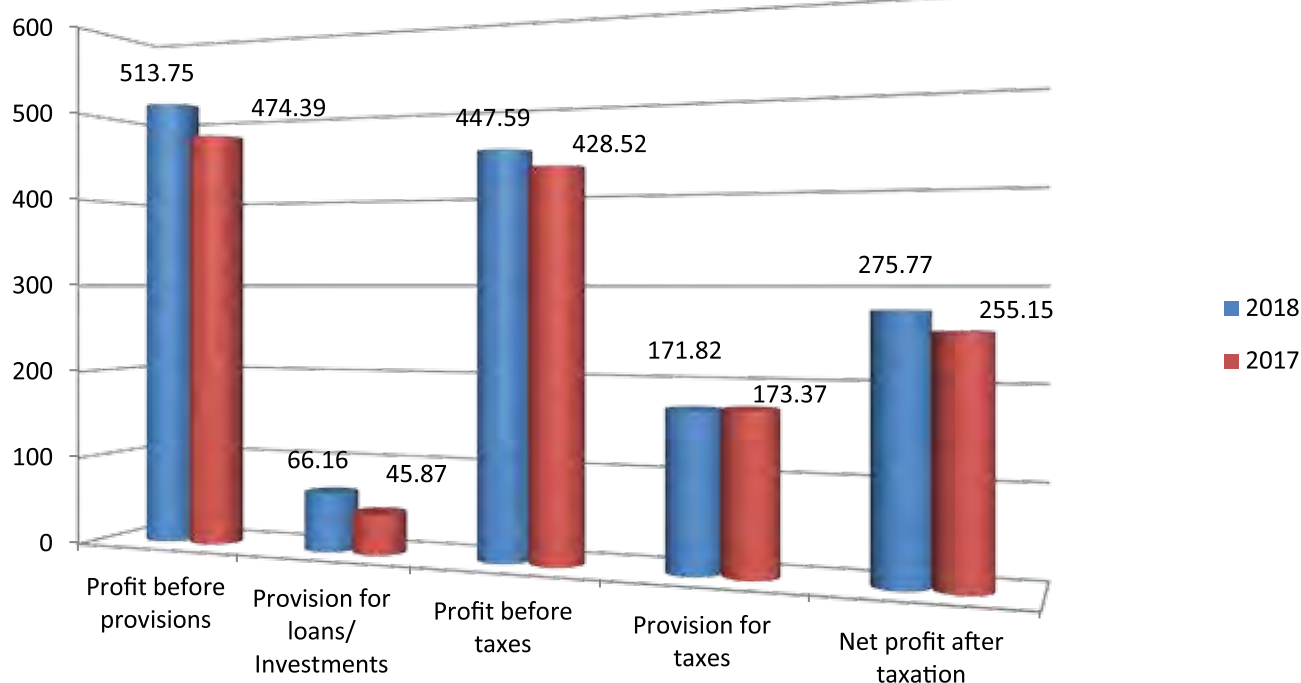
The demand of housing in urban areas in a developing country like Bangladesh is dramatically increasing due to natural process of urbanization and fast economic growth rates. Rural people are migrating not only to find jobs, but many wealthy people are moving to urban areas for fulfillment of their expectations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

FINANCIAL PERFORMANCE DURING THE YEAR 2018

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

(Amount in BDT Million)

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



DEVELOPMENT ACTIVITIES

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

FINANCIAL STATEMENTS

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

AUDITOR'S REPORT

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

SIGNIFICANT ACCOUNTING POLICIES

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

GOING CONCERN

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

CAPITAL EXPENDITURE

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

INTEREST IN OTHER ENTITIES

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

RELATED PARTY TRANSACTIONS

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

CREDIT RATING

On 26 July, 2018, CRAB assigned 'A1' rating in the Long Term and 'ST-2' in the Short Term to the Company based on financial statements up to 31 December, 2017. Banks/FIs rated as 'A1' (Strong Capacity & High Quality) have strong capacity to meet financial commitments, maintain high quality, with low credit risk, but are susceptible to adverse changes in circumstances and economic conditions. In Short Term Rating Scales and Definitions ST-2 (Average Grade) means average capacity for timely repayment of obligations.

ADDITIONAL DISCLOSURES

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

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

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

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

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

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

DIRECTORS

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

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

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

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

SHAREHOLDING PATTERN

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

BOARD MEETING AND ATTENDANCE BY THE DIRECTORS

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

REMUNERATION OF DIRECTORS INCLUDING INDEPENDENT DIRECTORS

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

PROPOSED DIVIDEND

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

REASON FOR STOCK DIVIDEND

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

MINORITY INTERESTS

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

PLAN FOR UTILIZATION OF UNDISTRIBUTED PROFITS

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

RESERVES

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

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

AUDIT INFORMATION

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

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

AUDITORS

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

COMPLIANCE AUDITORS

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

APPRECIATION

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

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



Latifur Rahman

Chairman

Dhaka, Dated 18th March 2019

AUDIT COMMITTEE REPORT

For the year ended 31st December, 2018

The Audit Committee of the Company ensures effective implementation of the processes set out in the business plans and policies. Its aim is to ensure that high standards of corporate reporting, control and compliance are achieved through its strong observation and monitoring of the following areas:

- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Review with the management, the annual financial statements before submission to the board for approval.

The Audit Committee consists of the following members:

Name	Committee Status
Professor Imran Rahman, Independent Director	- Chairman (Retired on 07.08.2018)
Mr. Md. Kabir Reza, Director	- Member
Mr. Akhtar Ahmed, Director	- Member
Mr. Azmal Hossain, Director	- Member
Syed Tanveer Hussain, Independent Director	- Member (Appointed as Chairman on 30.09.2018 and retired on 27.12.2018)

Mr. Md. Khalilur Rahman, Managing Director was in attendance.

Mr. Md. Sarwar Kamal FCS, Company Secretary, acts as the Secretary of the Committee.

Functions and Activities:

The Committee

- met 4 (four) times in the year 2018 on 15.03.2018, 24.04.2018, 18.07.2018 and 25.10.2018;
- reviewed the internal control system and financial statements and the external audit report;
- conducted a formal evaluation of the effectiveness of the external audit process;
- considered the tenure, quality and fees of the auditors the committee recommended to the Board for appointment of M/s Syful Shamsul Alam & Co, Chartered Accountants, at the 19th AGM on 03rd May 2018;
- reviewed internal control and risk management systems;
- considered the effectiveness of the Company's internal controls over financial reporting;
- reviewed impairment methodologies;
- reviewed reports from the Chief Financial Officer on the quarterly and annual financial statements, including other financial statements and disclosures prior to their publication;
- reviewed the Annual Report, these reviews incorporated the accounting policies and key judgments and estimates underpinning the financial statements as disclosed in Notes to the Account;
- received reports from the internal auditors;
- monitored the performance of the Internal Audit function;
- reviewed the Internal Audit Plan;
- reviewed appropriate systems and controls are in place for effectiveness of internal audit function;
- review the Management's Discussion and Analysis before disclosing in the Annual Report;
- review statement of all related party transactions submitted by the management;
- review Management Letters or Letter of Internal Control weakness issued by statutory auditors;

- monitored independence of audit work;
- reviewed the effectiveness and independence of the statutory auditors;
- recommended appointment, remuneration of the statutory auditor;
- reviewed the annual audit activities and audit report;
- reviewed issues concerning inspection report of Bangladesh Bank;
- reviewed compliance with existing laws & regulations;
- reviewed its Terms of Reference to satisfy itself that they enable the Committee to fulfill its responsibilities;
- reviewed Credit Risk Management Manual;
- reviewed Anti Money Laundering and Combating Terrorist Financing Policy;
- reviewed IT policy;
- monitored prevailing of appropriate administration culture as prevailing;

Reporting by the Audit Committee:

- The Committee reports directly to the Board of Directors on its activities;
- The Committee did not find any material deviation, discrepancies or any adverse observations in the areas of reporting;



Dr. Toufic Ahmad Choudhury
Chairman
Audit Committee

Dhaka, Dated 14 March, 2019

REPORT ON CORPORATE GOVERNANCE

BOARD OF DIRECTORS, CHAIRMAN AND CEO

NHFIL's policy on appointment of Directors

In relation to the selection and appointment of new Director, the existing Board of Directors possess the following duties and responsibilities:

- Regularly reviewing the size and composition of the Board and the level of expertise, skills, experience and perspectives that are required to perform its activities;
- Appoint a new Director according to the required competencies of the Board;
- The Directors are appointed by the shareholders in the Annual General Meeting (AGM).
- Vacancies, if any, are filled by the Board in accordance to the Companies Act, 1994, and the Articles of Association of the Company;
- The CEO & Managing Director is appointed by the Board subject to approval of Bangladesh Bank;

Independent Director

The term of Professor Imran Rahman, Independent Director & Chairman of Audit Committee, ex-Vice Chancellor of the University of Liberal Arts Bangladesh (ULAB) expired on 07 August 2018 as per Corporate Governance notification of BSEC. Again the term of Syed Tanveer Hussain expired on 27 December 2018. Thereafter, the Board of Director in their 206th meeting held on 4 February 2019 appointed Dr. Toufic Ahmad Choudhury as Independent Director of the Company and Chairman of Audit Committee. He has thirty eight years of success in teaching and training at Bangladesh Institute of Bank Management (BIBM). He is Ex-DG for about eight years at BIBM. Mr. Toufic holds Ph. D from Himachal Pradesh University, Shimla, India and Master degree in Economics from Jahangirnagar University.

The Chairman of the Board and the CEO of the Company are different individuals

The Chairman and the CEO & Managing Director are separate individuals. The role of the Chairman and the CEO & Managing Director are independent and separate.

Role and responsibilities of the Chairman as defined by the Board

The Chairman is taking care of the Board of Directors. The Chairman serves as the primary link between the Board and the management and works with the CEO and Company Secretary to set the agenda for the Board meetings. It is the Chairman's responsibility to provide leadership to the Board and ensure that the Board works effectively and discharges its responsibilities as Directors of the Company. The role and responsibilities of the Chairman of the Board is defined and set by the Board.

Appraisal of performance of the Board

Both new and existing Directors are provided with the Code of Conduct for the Board members on general aspects of their Directorship and industry-specific matters. Moreover, the Board is immediately informed of any new rules, regulations and/ or changes in existing regulations. The Board is also always kept updated on any development and changes in the business environment, risk and industry outlook to assist them to carryout their duties as Directors. Evaluation of the Board's performance is conducted by analysing the performance of the projects and proposals approved by it. A quarterly review of classified and non-performing loans is always made by the Board to find out deviations and embrace course of corrections, if any.

Annual evaluation of the Managing Director by the Board

The Board of Directors evaluates the Managing Director based on the goals set for him considering the company vision and mission in each year. The annual financial budget and other job objectives are discussed, reviewed and finalized by the Board at the start of the financial year. The Board considers both financial and non-financial goals during the appraisal.

VISION/MISSION AND STRATEGY

Vision/Mission approved by Directors

The Board of Directors has approved the vision and mission statements of National Housing and strictly maintains it and ensures every individual in the organization complies with them. There is strong belief about it within the organization. The Vision and Mission statements can be found on page 5 & 6.

Business objectives and areas of business focus

NHFIL's Board always sets business objectives and areas of concentration are set according to their own objectives and the market condition. The latest business objectives and areas of business focus can be found in the annual report on page 7.

Strategies to achieve the business objectives

A Strategic Plan is set up by NHFIL at the start of the financial year to align with the business objectives and strategies for the year. The Board always gives direction to the management of the NHFIL on how it is to be managed for the upcoming year. Strategies set to achieve the business objectives can be found in the annual report on page 7.

AUDIT COMMITTEE

Audit Committee Chairman is an independent Non-Executive Director

The Chairman of the Audit Committee is an independent non executive Director who is not involved in the day to day operations of the Company. He is an experienced individual and qualified to be the Chairman of the Audit Committee. The Chairman of Audit Committee was Professor Imran Rahman, Independent Director, ex-Vice Chancellor of the University of Liberal Arts Bangladesh (ULAB) having more than twenty-nine years of teaching experience in Business Administration. As per code of corporate governance of BSEC the term of Professor Imran Rahman expired on 07 August 2018. The Board of Directors in their 202nd meeting held on 30 September 2018 appointed Syed Tanveer Hussain, Independent Director as the Chairman of Audit Committee. He is a retired senior bureaucrat with more than 35 years experience in Government. Again the term of Syed Tanveer Hussain expired on 27 December 2018. Thereafter, the Board of Director in their 206th meeting held on 4 February 2019 appointed Dr. Toufic Ahmad Choudhury as Independent Director of the Company and Chairman of Audit Committee. He has thirty eight years of success in teaching and training at Bangladesh Institute of Bank Management (BIBM). He is Ex-DG for about eight years at BIBM. Mr. Toufic holds Ph. D from Himachal Pradesh University, Shimla, India and Master degree in Economics from Jahangirnagar University.

Composition of the Audit Committee:

As per BSEC notification no, BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018 on Corporate Governance Code and Bangladesh Bank Guidelines. The Current Audit Committee consists of 4 members including 1 independent director.

Internal Audit activity investigation

The Audit Committee established terms of reference (ToR) so that it could function effectively and smoothly. These terms was created to define the roles and responsibilities of the Audit Committee. The committee is also empowered to investigate/question employees and retain external counsel when required.

All members suitably qualified

All members of the audit committee are qualified and have years of experience in banking and financial sector reforms. They are also very competent and come from a variety of educational backgrounds, which brings diversity in the committee. A member of the audit committee is a fellow cost and Chartered Management Accountant; hence he brings a high level of expertise in the areas of finance and accounting to the committee.

Head of Internal Audit's access in the Audit Committee

The Head of Internal Audit always has access to the audit committee and can raise his concerns whenever required.

- **Ensure effective coordination of external audit function**

It is vital that there is open communication between the auditor and the audit committee to ensure the best utilization of their resources. This communication also helps in assessing the auditor's performance.

The Audit committee analyses the audited financial statements with management and the external auditors to ensure that the Company's financial statements are objectively presented in compliance with the relevant Bangladesh Financial Reporting Standards, International Financial Reporting Standards and Bangladesh Accounting Standards in all substantial aspects. Based on its review and consultations with management and external auditors. External Auditors are requested to attain the audit committee meeting where financial statements of National Housing is placed for review and recommendation. The Committee also implements an annual assessment of the efficiency of the Company's internal Audit functions and certifies that internal audit has sufficient resources to accomplish its duties.

The external auditors always maintain communication the audit committee based on the requirement of the key audit issues raised regarding accounting or auditing during the course of the audit, which gives rise to a greater risk of material misstatement of the financial statements and concerns regarding the audit committee.

The Audit Committee has quite a few roles regarding the external audit functions;

- **Ensure independence of external audit function**

The auditor must be independent of National Housing Finance and Investments Limited. Audit committee is familiar with the statutory and regulatory independence requirements for auditors. It is important the auditor is technically competent and exercise a high level of objectivity and professional Skepticism. The Audit Committee's interactions with the auditor during the audit to evaluate whether the auditor demonstrated integrity, objectivity and professional skepticism as stated above.

- **Review the external auditors' findings**

The Audit Committee extensively reviews all findings of the external auditors and ensures that management is informed and is taking action for resolving any discrepancies. Before the financial statements are signed, the audit committee reviews all the findings and ensures that they are satisfied with the actions that management has taken.

- **Review and approve non-audit work assigned to the external auditor and ensure that such work does not compromise the independence of the external auditor**

External auditors are not involved in any engagement that directly or indirectly threatens their independence. The Audit Committee must ensure this matter. If any work is being done by the external auditors, the Audit Committee must approve before the work commences. In short, the Audit Committee is responsible that the independence of the external auditors is not comprised under any circumstance.

- **Recommend external auditor for appointment/reappointment**

The Audit Committee does an extensive review on the audit work done by the auditors after the audited financial statements have been signed. The Audit Committee evaluates the auditors on a very detailed level, and ensures that there were no threats to independence or any other issues with the auditors. The Audit Committee scrutinizes the applications of the auditors and recommends for appointment/reappointment for the next year/AGM. In this appointment process, DFIM circular No 04, dated 30th April 2015 was strictly followed without any deviation.

Audit committee's involvement in the review of annual and interim financial reports

As per the Corporate Governance Code of BSEC, the Audit Committee is expected to assess alongside with management, the interim and annual financial statements before proposing to the Board for consent. NHFIL's Audit Committee appraises the interim and annual financial releases whether audited or unaudited and places it before the Board for approval. The Audit Committee always ensures that the financial statements reflect a true and fair view of the company.

INTERNAL CONTROL & RISK MANAGEMENT

Director's Responsibility to establish appropriate system of Internal Control

The Board of Directors has always been extremely active in establishing appropriate systems of internal control. The Board of Directors has no sympathy for any type of fraud in the FI, and always promotes a sound and strong internal control system inside the FI. The Board of Directors has always appreciated the internal controls that have been set up by management and have also given advice on any matters when required. The Board has always been very responsible and active in establishing an appropriate system of internal control.

The Company has taken sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis to ensure the establishment of appropriate system of internal control. The internal control and compliance department of the Company demeanours periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Key features of the internal control system

The Company defines internal control as a process which is designed to provide equitable assurance regarding the achievements of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with applicable laws and regulations.

The Company's internal control system consists of five interrelated components:

The control environment

The control environment refers to the orientation, awareness and actions of those in the governance and management roles with regards to the Company's internal control and its importance in the entity. Elements under NHFIL's control environment include:

- Active participation by those charged with governance as evidenced through regular meetings of its Board of Directors and Audit Committee
- The communication and fostering of an environment that consistently requires integrity and ethical as evidenced by regular communication and confirmation of its Code of Conduct and zero tolerance for illegal or unethical behaviour
- A formal well-defined organizational structure, setting out key areas of authority and responsibility and appropriate reporting lines that is relevant to the nature and size of the Company's business
- Human resource policies that demonstrate the Company's commitment towards recruiting employees who meet established standards of competence and ethical behaviour.

Risk assessment

Risk assessment refers to the process (es) with which the Company identifies and assesses risks in the achievement of its objectives. A changing external and internal environment means that risk assessment is a dynamic process and must occur at all levels of the organizational structure, ranging from branch and department level reviews of portfolios, functions and operations to MANCOM and ALCO meetings at the very top level of the management.

Control activities

Control activities are the policies and procedures that help ensure that the management directives are carried out. Control activities have various objectives and are applied throughout the Company at all levels and in all functions. These include activities such as authorization, reviews, reconciliations and verifications.

Information and communication

The information and communication component facilitates the functioning of the other components by providing information that is necessary for the attainment of Company objectives and by establishing a continuous process for collecting, sharing and disseminating necessary information from both within and outside the Company. In a more general sense, the NHFIL culture encourages sharing of information and opinions across the management hierarchy and among different businesses, functions and departments.

Monitoring

Monitoring ensures that controls are operating as intended and that they are appropriately modified in response to changing conditions. At NHFIL, this is achieved through a variety of measures including ongoing monitoring which occurs in the course of, and as a part of, day-to-day operations as well as separate management reviews, evaluations and periodic internal audits of various departments and business functions. A prudently designed management structure, clearly defined responsibilities, delegation of authorities, risk awareness, establishment of accountability at each level and a system of periodic reporting and performance monitoring represent the key elements of the internal control frame employed at NHFIL.

Review of the adequacy of the system of internal controls by Directors

In almost every Audit Committee meeting the issue of adequacy of the system of internal controls is a factor that is taken into consideration. The Audit Committee is responsible to the Board of Directors to ensure that the system of internal controls is adequate to protect against any type of fraud. The Committee has reviewed the corrective measures taken by management relating to fraud-forgery and deficiencies in internal control. The Audit Committee places all the compliance report before the Board of Directors and regulators on a timely basis and has performed all other oversight functions in relation to Internal Control System of the FI. In this way, the Directors review the adequacy of the system of internal controls.

Identification of key risks NHFIL is exposed to – both internally and externally

Risk is the element of uncertainty or the possibility of loss that prevails in any business transaction in any place, in any mode and at any time. Risk is an integral part of the financing business. Risk management entails the adoption of several measures to strengthen the ability of an organization to cope with the vagaries of the complex business environment in which it operates. NHFIL also considers guidelines for managing core risks of financial institutions issued by Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated 24 January 2016. A well-structured and proactive risk management system is in place within the Company to address risks relating to:

- Credit risk
- Asset and Liability-Balance Sheet Risk
- Internal Control and Compliance Risk
- IT security Risk

The new Integrated Risk Management Guidelines for Financial Institutions specify a number of additional risks that financial institutions are now required to manage and to report in a more structured manner. The key among these are:

Strategic risk

Strategic risk has been defined as the risk of potential losses that might arise from adverse business decisions, sub-standard execution and failure to respond adequately to changes in the business environment. The guidelines set out the respective roles of the Board of Directors, senior management and business units in managing strategic risks, identify the minimum steps to be followed in the strategic risk management process and also suggest measures for strategic risk control. NHFIL has been managing strategic risks ever since its inception. The culmination of all these efforts are reflected in annual strategy and budget sessions, where the Company sets out its plans for the next year. With the introduction of the new guidelines, more changes will be made to the strategic risk management process as and when required.

Compliance risk

Compliance risk is defined as the current or prospective risk of legal actions and / or material financial losses that an organization may suffer as a result of its failure to comply with laws, its own regulations, code of conduct and standards of the best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines set out the respective roles of the Board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy. Historically, NHFIL has always fostered a compliance-oriented culture. This has been reinforced in a variety of ways, ranging from formal requirements to sign declarations of compliance with the NHFIL Code of Conduct (requiring compliance with the laws and regulations) to ongoing communication from the senior management stressing the need to do business under the highest levels of compliance. In general, compliance risk management is embedded in the day-to-day management of business processes and practices of the Company. With the introduction of the Integrated Risk Management Guidelines, the overall management of compliance risk is reviewed and appropriately amended to ensure conformity with the guidelines.

Reputation risk

Reputation risk may be defined as the risk of loss arising from damages to an organization's reputation. The guidelines set out the respective roles of the Board and the senior management in managing reputation risk and also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks. NHFIL has already established a set of non-financial reputational risk indicators and put in place a structured process for monitoring these and any other matters that might give rise to potential reputational risks. Till date, no material reputational risk issue involving the Company has been identified.

Environmental and social risk

NHFIL is focused on sustainability, shifting from the traditional financing approach. In this regard, the Company is strengthening its credit appraisal process to be much more stringent from an environment and social (E&S) perspective, evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to sanctioning a loan. A detailed discussion of these risks and the strategies adopted to manage and mitigate these are given in the Statement of Risk Management. The adequacy of the system of internal controls is reviewed by the Board of Directors as well.

Strategies adopted to manage and mitigate risks

NHFIL's Board of Directors acknowledges its overall responsibility for maintaining the adequacy and efficiency of the Group's system of internal controls. The Board is of the view that the internal control framework is designed to manage the Group's risks within an acceptable risk profile, rather than completely eliminate the risk of failure to achieve the policies, goals and objectives of the Group. The Board therefore believes that it can provide only reasonable, rather than absolute, assurance regarding effectiveness against material misstatements of management and financial information or against financial losses and fraud.

In a nutshell, the National Housing adopted the following strategies to manage and mitigate the risk:

- Setting targets for capital ratios and capital composition
- Managing the balance sheet and the funding structure
- Determining general principles for measuring, managing, and reporting the FI's risks
- Developing risk policies for business units
- Determining the overall investment strategy

ETHICS AND COMPLIANCE

Ethics and values

National Housing has an 'Employee Code of Ethics'– a framework of ethical behavior for all the employees of the organization.

The leaders/managers are required to exemplify the highest standards of conduct and ethical behavior. The leaders/managers are expected to:

- Lead according to National Housing standards of ethical conduct, in both words and actions.
- Create and maintain an environment where employees feel comfortable asking questions or reporting concerns.
- Be diligent in enforcing the FI's ethical standards and taking appropriate action if violations occur.
- Contact the Human Resources Division when in need of assistance.

The code of employee ethical behavior gives focus on the followings:

- Protecting Privacy of Customers' and Confidential Company Information,
- Preventing Money Laundering and/or Fraud,
- Avoiding Drug/ Substance/ Alcohol Abuse in the Workplace
- Protecting FI's assets
- Avoiding any conflict of interest etc.

The Board of Directors of National Housing has approved the 'Employee Code of Ethics' with a commitment to setting high ethical standards so that customers' expectations and interests are protected in a compliant manner

The Board has a commitment to establish the highest levels of ethics and compliance. The NHFIL Group remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in its Code of Conduct that covers, among other issues, the following areas:

- Their relationship with and responsibilities to NHFIL.
- Their relationship with and responsibilities to customers.
- Compliance with laws and regulations.
- Acting in a professional and ethical manner.
- Protection of business assets.
- Disclosure of conflicts of interest.
- Prohibition of any conduct involving dishonesty, fraud,deceit or misrepresentation including insider trading.

Dissemination of the statement of ethics and business practices

All NHFIL employees are required to sign a declaration form confirming that they have read and understood the Code of Conduct. The Human Resources department circulates the required declaration, and ensures that all employees signed the declaration. The Internal Control and Compliance (ICC) department, through regular audits, assesses whether any employees have breached the Code of Conduct.

Board's commitment to establish high levels of ethics and compliance within NHFIL

The NHFIL Board acknowledges its responsibility for ensuring that the Company's business activities are conducted in accordance with the highest standards of ethics and compliance. The Board views adherence to ethical standards and compliance as an integral part of the broader corporate governance framework and seeks to adopt a holistic approach in ensuring its implementation. As part of this, it has instituted a number of approaches to underline its commitment to high standards of ethical behaviour:

- Setting down standards of expected behaviour through the formulation and communication of a Code of Conduct.
- Installing a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis.
- Positioning Company policies and procedures on ethical foundations to ensure that ethical considerations are integrated in the day-to-day decision-making, activities and processes.
- Establishing a clearly-defined organizational structure that assigns responsibility and authority for the conduct of organizational functions while at the same time ensuring accountability for individual actions.
- Establishing a variety of monitoring mechanisms including the creation and empowerment of an operationally independent internal audit team with reporting responsibilities to the audit committee.
- Ensuring instant action with zero tolerance for identified instances of unethical and/or non-compliant behaviour.

Existence of effective anti-fraud programs and controls through whistle-blower mechanism

In recent times, the Company has come to identify the risk of fraud as one of the emerging issues in the overall risk management framework. Planned anti-fraud initiatives include the introduction of a whistle-blower mechanism. A whistleblower policy has already been formulated and placed before the senior management for review and approval. Additionally, emphasis is placed on strengthening existing processes or activity levels and anti-fraud controls are embedded within the overall system of internal controls.

Employees are encouraged to report any wrong-doing within the FI. The Head of Internal Control and Compliance and Human Resources Divisions are the primary channel to report any incident. The Reporting channels offer the employees the opportunity to report while maintain their identity confidential. However, from experience National Housing understands that an effective whistleblowing policy demands for a shift in the culture. The National Housing has a division named Internal Control and Compliance Division which dedicatedly works to ensure effective controls mechanism in the entire business entity.

REMUNERATION COMMITTEE

Roles of the Remuneration committee

As per the Bangladesh Bank Circular Directors cannot be part of any committee except for Board Audit Committee and Board Executive committee. For this reason the Remuneration committee is fully comprised of the members of the management of NHFIL. The Head of Human Resources functions as the Secretary to the Committee.

The Roles and responsibilities of the Committee are the followings;

- Review the effectiveness of remuneration policy to ensure that whether the Board's set objectives and expectations are being met
- Ensure that an effective remuneration policy, procedure and practice are in place, aligned with the organisation's strategy, and is applied consistently for all employee levels
- Ensure that the structure and mix of fixed and variable pay and other elements are in alignment with the overall business objectives
- Guide and give suggestion to HR team during preparation and review of any policy or process related to compensation and benefits
- Ensure that all benefits, including retirement benefits and other financial arrangements, are justified, appropriately valued and promoting the performance based reward & recognition etc.

Composition of the Remuneration Committee

Remuneration Committee of NHFIL consists of three members. The Remuneration Committee comprises of Managing Director, a vice president and Head of HR.

Work conducted and meetings performed by the Committee

Meeting regarding overseeing the remuneration related policy by the Committee was held on need basis at a regular interval throughout the year. So, if any remuneration related issue needs committee's attention, it is placed as agenda for necessary review. However, if required, the meeting is held on need basis to review and discuss any remuneration related issue exclusively.

In addition to the regular roles and responsibilities, the Committee assist in formulation of Remuneration related policies and practices in alignment of the National Housing's short and long-term business objectives.

Remuneration of Directors, Chairman, Chief Executive and Senior Executives

The Directors of the Board are paid only honorarium for attending Board or Committee meetings. For attending the Board Meeting, Audit Committee Meeting and Executive Committee Meeting, the Directors receive an honorarium of Tk. 8000.00 each. During 2018, the expenditures incurred related to directors' remuneration were Tk. 1.95 million and details of which is shown in the page no 146 Total remuneration to the Managing Director and CEO for the year 2018 is Tk 7.626 million which is separately disclosed in the notes to the Financial Statements no 27 The total cost related to employee compensation is also shown in the notes no 24.02 of the financial statements.

HUMAN RESOURCE MANAGEMENT

Human Resource Development and Management

Employees are the key driving force of National Housing's continuous success. A group of motivated and engaged employees with diverse talents are the key asset of National Housing. National Housing is highly reputed in the market as an employer of choice. The FI has positioned itself with a performance-driven rewarding work culture; where employees are treated with respect and receive NHFIL considers its employees as the most precious capital of the organization that play the crucial role in materializing the mission, vision, goals and objectives of the Company.

To ensure long term sustainability, NHFIL has a special focus on skill and merit based recruitment and selection process, highly competitive remuneration package, adequate training and development programs, career growth with succession planning, high performance culture and pleasant working atmosphere.

COMMUNICATION TO SHAREHOLDERS & STAKEHOLDERS

Communication with shareholders and other stakeholders

NHFIL strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives.

Communication through quarterly reports

The Company reports to its shareholders four times a year through quarterly and half-yearly reports and a detailed Annual Report.

Communication through AGM

All shareholders have the right to attend the Annual General Meeting where they can communicate with the directors and express views regarding the company's business.

Communication through website

The Company's website www.nationalhousingbd.com displays, inter-alia, the Annual Reports, half yearly reports, quarterly reports, monthly business reviews, product offerings, recent announcements, presentations and event updates.

Shareholder's participation in the AGM

All shareholders have the right to attend the Annual General Meeting where they can meet and communicate with the Directors and express their views regarding the Company's business, its future prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or, if they are unable to attend, to appoint proxies.

Notice of the AGM is sent to the Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Bangladesh Securities and Exchange Commission (BSEC), onlinenewspapers and print media. The notice of the AGM is also made available on the company website.

ENVIRONMENTAL AND SOCIAL OBLIGATIONS

Social and environmental responsibilities

At NHFIL, we believe in the concept of a sustainable business, one that integrates good governance, environmental issues and social concerns with its business strategies to maximize value for stakeholders. NHFIL's sustainability model is based on the 3P approach – People, Planet and Profit:

- People, our stakeholders with whom we engage for our business and the community where we live
- Planet, our surrounding environment and the planet
- Profit, our profit-generating capacity for long-term sustenance

Accordingly, NHFIL has aligned its CSR (Corporate Social Responsibility) initiatives to deliver on this commitment and aid community empowerment and responsible environmental management in a sustainable manner. At NHFIL, we are also focusing on Earth and its sustainability, shifting from the traditional financing approach.

Description of the Company's Policies and practices relating to social and environmental responsibility of National Housing:

In harmony with a natural and fresh environment, efficient use of reserves and appreciation for people's well-being and safety, National Housing is constantly working towards decreasing consumption of energy (especially electricity, water and gas) at its branches, removal of use of hazardous substances from its practices and reducing waste generation. National Housing is moving forward and thinking about implementing it more through the branches.

Bangladesh Bank has taken steps to inspire green banking in Bangladesh through the issuance of guidelines on green banking and Environmental Risk Management (ERM). It is always inspiring banks in lessening paper communications and fitting solar power system in branches and giving refinance to the solar energy, bio-gas and Effluent Treatment Plant (ETP) sectors at eased interest rates.

National Housing has always been committed to the environment and also been active in social activities throughout the year and will remain to do so in the future.

Statement of Managing Director/CEO and CFO regarding financial statements

A separate statement as to the fairness and presentation of the Financial Statements of the Company is given at page 101 of this report.

Annual General Meeting (AGM)

NHFIL holds Annual General Meetings (AGM) in due time and ensures effective interaction with the shareholders at the AGMs. The directors pay special attention to explaining and satisfying the various queries raised by the shareholders at the AGMs.

The Company's operational outcomes and official news releases are displayed on the Company's website and on the websites of the Dhaka and Chittagong Stock Exchanges. The Company also publishes the news required to be published in national daily newspapers.

Resolutions passed at the previous AGM, i.e. 19th AGM held on 03rd May 2018

Details of the previous AGM are as follows:

Particulars	Date & Time Venue	Venue
19 th AGM	Thursday the 03 May 2018, at 11.00 a.m.	Eagle Hall, RAOWA Convention Hall, VIP Road, Mohakhali, Dhaka-1206

The matters approved of by the shareholders in the last AGM are as follows:

- Financial Statements for the year ended December 31, 2017;
- Dividend (Cash @ 19.00%);
- Election/re-election of Directors: Directors who were eligible for re-election and expressed their interest to be elected as Directors in the 19th AGM are : Mr. Azmal Hossain representing Eastern Insurance Co. Ltd., Mr. Syed M. Altaf Hossain representing Pragati Insurance Co. Ltd., Mr. Muminul Haque Chowdhury representing Borak Travels (Pvt.) Ltd. and Mr. Syed Ali Jowher Rizvi representing Overseas Investors Forum (Zambia).
- Appointment of Auditors: M/s Syful Shamsul Alam & Co., Chartered Accountants as external auditor of the Company;

General Shareholders' Information for 20th AGM:

- Date : 02 May 2019 ; Time 11.00 am
- Venue: RAOWA Convention Hall, VIP Road, Mohakhali, Dhaka-1206.
- Financial Reporting Calendar : 1st January 2018 to 31st December 2018
- Dates of Book Closure/Record date : 09 April 2019

Agenda to be discussed:

1. To receive, consider and adopt the audited financial statements of the Company for the year ended 31st December, 2018 together with reports of the Directors and Auditors thereon.

2. Declaration of dividend for the year ended 31st December, 2018.
 3. To elect/re-elect Directors in accordance with the relevant provisions of the Articles of Association of the Company and to confirm the appointment of Independent Director.
 4.
 - (a) To appoint Auditors and fix their remuneration for the year 2019.
 - (b) To appoint Compliance Auditor for the year 2019 and fix their remuneration.
- Dividend Payment Date: The dividend if declared by the shareholders at the AGM shall be paid on or before 30 May 2019, i.e. within 30 days from the date of declaration.

BOARD MEETING AND ATTENDANCE OF DIRECTORS

During the year 2018 the 12 meeting of the Board were held. Attendance of the Director is stated below:

Name of the Directors	Nominated by	Designation	Number of Meetings		Change During 2018
			Held	Attended	
Mr. Latifur Rahman	Bangladesh Lamps Ltd.	Chairman	12	8	
Mr. Mahbubur Rahman	Eastland Insurance Co. Ltd.	Director	12	12	
Mr. Akhtar Ahmed	Reliance Insurance Co. Ltd.	Director	12	11	
Mr. Syed M. Altaf Hussain	Pragati Insurance Ltd.	Director	12	4	
Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Director	12	12	
Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Director	12	11	
Mr. M. Nurul Alam	Shaw Wallace Bangladesh Ltd.	Director	12	12	
Mr. M. A. Sabur	United Commercial Bank Ltd.	Director	11	0	Office Vacant on 28-11-2018
Mr. Md. Kabir Reza FCMA	Square Pharmaceuticals Ltd.	Director	12	11	
Mr. Syed Ali Jowher Rizvi		Director	8	7	Resigned on 06-09-2018
Syed Tanveer Hussain		Independent Director	12	12	Tenure expired on 27-12-2018
Professor Imran Rahman		Independent Director	7	6	Tenure expired on 07-08-2018
Mr. Imtiaz Mahmood		Independent Director	12	0	
Mr. Md. Khalilur Rahman		Managing Director (Ex-Officio)	12	12	

EXECUTIVE COMMITTEE MEETING AND ATTENDANCE OF DIRECTORS

During the year 2018 the 19 meeting of the EC were held. Attendance of the Director is stated below:

Name of the Directors	Nominated by	Designation	Number of Meetings		Change During 2018
			Held	Attended	
Mr. Syed Ali Jowher Rizvi		Chairman	13	13	Resigned on 06-09-2018
Mr. M. Nurul Alam	Shaw Wallace Bangladesh Ltd.	Member	19	18	
Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Member	19	19	
Mr. Md. Kabir Reza, FCMA	Square Pharmaceuticals Ltd.	Member	19	18	
Syed Tanveer Hussain	Independent Director	Member	19	19	Tenure expired on 27-12-2018
Mr. Md. Khalilur Rahman		Managing Director (Ex-Officio)	19	19	

AUDIT COMMITTEE MEETING AND ATTENDANCE OF DIRECTORS

During the year 2018 the 4 meeting of the Audit Committee were held. Attendance of the Director is stated below:

Name of the Directors	Nominated by	Designation	Number of Meetings		Change During 2018
			Held	Attended	
Professor Imran Rahman	Independent Director	Chairman	3	3	Tenure expired on 07-08-2018
Mr. Md. Kabir Reza, FCMA	Square Pharmaceuticals Ltd.	Member	4	4	
Mr. Akhtar Ahmed	Reliance Insurance Ltd.	Member	4	4	
Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Member	4	4	
Mr. Syed Tanveer Hussain	Independent Director	Member	4	4	Appointed as Chairman on 30-09-2018 and Tenure expired on 27-12-2018
Mr. Md. Khalilur Rahman		Managing Director (Ex -Officio)	4	4	

REMUNERATION PAID TO DIRECTORS INCLUDING INDEPENDENT DIRECTOR (INCLUDING AIT AND EXCLUDING VAT) DURING THE YEAR 2018

Name of the Directors	Nominated by	Designation	Board Meeting	Executive Committee	Audit Committee	Total
Mr. Latifur Rahman	Bangladesh Lamps Ltd.	Chairman	64,000	-	-	64,000
Mr. Mahbubur Rahman	Eastland Insurance Co. Ltd.	Director	96,000	-	-	96,000
Mr. Akhtar Ahmed	Reliance Insurance Ltd.	Director	88,000	-	32,000	120,000
Mr. Syed M. Altaf Hussain	Pragati Insurance Ltd.	Director	32,000	-	-	32,000
Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Director	96,000	152,000	-	248,000
Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Director	88,000	-	32,000	120,000
Mr. M. Nurul Alam	Shaw Wallace Bangladesh Ltd.	Director	96,000	144,000	-	240,000
Mr. M. A. Sabur	United Commercial Bank Ltd.	Director	-	-	-	-
Mr. Md. Kabir Reza FCMA	Square Pharmaceuticals Ltd.	Director	88,000	144,000	32,000	264,000
Mr. Syed Ali Jowher Rizvi		Director	56,000	104,000	-	160,000
Syed Tanveer Hussain		Independent Director	96,000	152,000	32,000	280,000
Professor Imran Rahman		Independent Director	48,000	-	24,000	72,000
Mr. Imtiaz Mahmood		Independent Director	-	-	-	-
Mr. Md. Khalilur Rahman		Managing Director (Ex-Officio)	Nil	Nil	Nil	Nil

PATTERN OF SHAREHOLDING AS ON 31ST DECEMBER 2018

On the basis of Shareholders types:

Group Name	No. of Shareholder(s)	No. of Share(s)	Percentage (%)
Company	208	10,313,558	9.69
General Public	5,291	19,928,026	18.73
Investor Account (Omnibus)	167	1,331,465	1.25
Mutual Fund	1	200,000	0.19
NRB (Non Residential)	40	11,200	0.01
Sponsor Share	21	74,607,751	70.13
Total :	5,728	106,392,000	100.00

Distribution schedule of each class of equity security setting out of the number of holders and percentage:

Shareholding Range	Number of Shareholder(s)	No. of Shares	Percentage (%)
1 - 500	2,508	332,007	0.31
501 - 5000	2,410	4,598,489	4.32
5001 - 10000	395	2,976,368	2.80
10001 - 20000	218	3,217,456	3.02
20001 - 30000	59	1,498,568	1.41
30001 - 40000	37	1,341,985	1.26
40001 - 50000	18	831,685	0.78
50001 - 100000	23	1,756,314	1.65
100001 - 1000000	38	8,671,766	8.15
1000001 to above	22	81,167,362	76.30
Total :	5,728	106,392,000	100.00

On the basis of Related Parties

A. Shareholding status of Parent/Subsidiary/Associated Companies and other related parties (name wise details)

Sl.	Name of Shareholder	Description	No. of Share(s) held	Percentage (%)
1.	Sadharan Bima Corporation	Sponsor	5,123,277	4.82%
2.	Jiban Bima Corporation	Sponsor	4,808,100	4.52%
3.	Eastland Insurance Co. Ltd	Sponsor	5,123,295	4.82%
4.	Eastern Insurance Co. Ltd	Sponsor	5,123,295	4.82%
5.	National Life Insurance Co. Ltd	Sponsor	5,123,295	4.82%
6.	Reliance Insurance Ltd	Sponsor	5,123,295	4.82%
7.	Pragati Insurance Ltd	Sponsor	4,840,420	4.55%
8.	United Commercial Bank Ltd	Sponsor	5,123,295	4.82%
9.	IFIC Bank Ltd	Sponsor	4,808,100	4.52%
10.	National Bank Ltd	Sponsor	5,130,000	4.82%
11.	Bangladesh Lamps Ltd.	Sponsor	5,123,276	4.82%
12.	Borak Travels (Pvt.) Ltd	Sponsor	5,123,276	4.82%
13.	Square Pharmaceuticals Ltd	Sponsor	5,023,450	4.72%
14.	Shaw Wallace Bangladesh Ltd	Sponsor	4,808,100	4.52%
15.	HRC Bangladesh Ltd	Sponsor	4,203,277	3.95%

B. (i) Directors and their spouses and minor children (name wise details)

Sl.	Name of Director/ Shareholder	Nominated by	Designation	No. of Share(s) held	Percentage (%)
1.	Mr. Latifur Rahman	Bangladesh Lamps Ltd.	Chairman	Nil	Nil
2.	Mr. Mahbubur Rahman	Eastland Insurance Co. Ltd.	Director	Nil	Nil
3.	Mr. Akhtar Ahmed	Reliance Insurance Ltd.	Director	Nil	Nil
4.	Syed M. Altaf Hussain	Pragati Insurance Ltd.	Director	Nil	Nil
5.	Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Director	Nil	Nil
6.	Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Director	Nil	Nil
7.	Mr. M. Nurul Alam	Shaw Wallace Bangladesh Ltd.	Director	Nil	Nil
8.	Mr. Md. Kabir Reza FCMA	Square Pharmaceuticals Ltd.	Director	Nil	Nil
9.	Mr. Imtiaz Mahmood		Independent Director	Nil	Nil
10.	Mr. Md. Khalilur Rahman		Managing Director (Ex-Officio)	Nil	Nil

B. (ii) Shareholding status of CFO, CS and Head of Internal Audit & their spouses & minor children (name wise details)

Name of the Executive	Designation	No. of Share(s) held	Percentage (%)
Mr. Sayed Ahmed FCMA	CFO	Nil	Nil
Mr. Md. Sarwar Kamal FCS	Company Secretary	Nil	Nil
Mr. Prabir Shel	Head of Internal Audit	Nil	Nil

C. Executive (Top five salaried persons other than CEO, CFO, CS & HIA)

Name of the Executive	Designation	No. of Share(s) held	Percentage (%)
Mr. S. M. Anisuzzaman	Deputy Managing Director	Nil	Nil
Mr. Shital Chandra Saha	SVP & Head of Operation	Nil	Nil
Mr. Md. Nazrul Islam	VP & Head of Motijheel Branch	Nil	Nil
Mr. Md. Abdul Baten	VP & Head of Marketing	Nil	Nil
Mr. Mahbubur Rashid Al-Amin	VP & Head of Principal Branch	Nil	Nil
D. Shareholders holding ten percent (10%) or more voting interest in the company		Nil	Nil

Annexure-C

Status of compliance with the conditions imposed by the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No. 9)

Condition No.	Title	Compliance Status (Put "✓" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1	BOARD OF DIRECTORS			
1.(1)	Board Size (number of Board members to be 5-20)	✓		
1.(2)	Independent Directors			
1.(2).(a)	Number of Independent Directors [at least one-fifth]	✓		
1.(2).(b)	Independent Director (ID) means a director:			
1. (2).(b).(i)	Holding no share or holding less than 1% shares	✓		
1. (2).(b).(ii)	Not being a sponsor and connected with any sponsor or director or shareholder holding 1% or more shares	✓		
1. (2).(b).(iii)	Who has not been an executive of the company	✓		
1. (2).(b).(iv)	Does not have any other relationship	✓		
1. (2).(b).(v)	Not a Member, Director or Officer of any Stock Exchange	✓		
1. (2).(b).(vi)	Not a Shareholder, Director or Officer of any Member of Stock Exchange.	✓		
1. (2).(b).(vii)	Not a partner of an Executive or was not a partner of an Executive during the preceding 3 (Three) years of the concerned Company's statutory audit firm.	✓		
1. (2).(b).(viii)	Not an Independent Director in more than five (5) listed Companies.	✓		
1. (2).(b).(ix)	Not Convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a Bank or a Non-Bank Financial Institution.	✓		
1. (2).(b).(x)	Not convicted for a Criminal Offence	✓		
1. (2).(c)	Appointment by the Board and approved in AGM	✓		
1. (2).(d)	Post cannot remain vacant more than 90 days	✓		
1. (2).(e)	Tenure of the Independent Director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only	✓		
1. (3)	QUALIFICATION OF INDEPENDENT DIRECTOR			
1. (3).(a)	Independent Director shall be a knowledgeable individual	✓		
1. (3). (b). (i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million			N/A
1. (3). (b). (ii)	Should be a Corporate Leader/Business Leader			N/A
1. (3). (b). (iii)	Former official of government.	✓		
1. (3). (b). (iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law	✓		
1. (3). (b). (v)	Professional Chartered Accountant/ Secretary or equivalent qualification.			N/A
1. (3). (c)	The independent director shall have at least 10(ten) years of experiences	✓		
1. (3). (d)	Relaxation in special cases			N/A
1. (4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer			
1. (4). (a)	The posts of Chairman of the board and Chief Executive Officer are filled by different individuals.	✓		
1. (4). (b)	The MD and CEO of a listed Company shall not hold the same position in another listed Company.	✓		

Condition No.	Title	Compliance Status (Put "√" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1. (4). (c)	The Chairperson shall be elected form among the non-executive directors of the company	√		
1. (4). (d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director.	√		
1. (4). (e)	The reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
1. (5)	The Directors' Report to Shareholders :			
1. (5). (i)	Industry outlook and possible future developments in the industry	√		
1. (5). (ii)	Segment-wise or product-wise performance	√		
1. (5). (iii)	Risks and concerns including internal and external risk factor.	√		
1. (5). (iv)	A discussion on Cost of Goods sold Gross profit Margin and Net Profit Margin.			N/A
1. (5). (v)	A discussion on continuity of any extraordinary activities and their implications (gain or Loss)			N/A
1. (5). (vi)	Basis for related party transactions-a statement of all related party transactions	√		
1. (5). (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			N/A
1. (5). (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat public Offering(RPO), Rights Offer, Direct Listing, etc.			N/A
1. (5). (ix)	If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report			N/A
1. (5). (x)	Statement on remuneration to Directors including Independent Director	√		
1. (5). (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	√		
1. (5). (xii)	Proper books of account of the issuer company have been maintained	√		
1. (5). (xiii)	Appropriate accounting policies have been consistently applied in preparation to the financial statements and that the accounting estimates are based on reasonable and prudent judgment	√		
1. (5). (xiv)	International Accounting Statement (IAS) Bangladesh Accounting Standard (BAS) /International Financial Reporting standard (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1. (5). (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	√		
1. (5). (xvi)	A statement that minority shareholders have been protected from abusive actions by, or indirectly and have effective means of redress	√		
1. (5). (xvii)	There are no significant doubts upon the issuer company's ability to continue as a going concern, If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed	√		
1. (5). (xviii)	Significant deviations from the last year's operation results of the issuer company shall be highlighted and the reasons there of should be explained			N/A
1. (5). (xix)	Key operating and financial data of at least preceding 5 (Five) years shall be summarized	√		
1. (5). (xx)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given			N/A
1. (5). (xxi)	Declaration that no stock div. paid as interim div.	√		

Condition No.	Title	Compliance Status (Put “√” in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1. (5). (xxii)	The number of Board meetings held during the year and attendance by each Director shall be disclosed	√		
1. (5). (xxiii)	A report on the pattern of shareholding disclosing the aggregate (name wise details)			
1. (5). (xxiii).(a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details)	√		
1. (5). (xxiii).(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details)	√		
1. (5). (xxiii).(c)	Executives	√		
1. (5). (xxiii).(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	√		
1. (5). (xxiv)	In case of the appointment or reappointment of a Director, a discloser on the following information to the shareholders:			
1. (5). (xxiv).(a)	In case of the appointment or reappointment of a director -A brief resume of the director	√		
1. (5). (xxiv).(b)	Nature of his/her expertise in specific functional areas	√		
1. (5). (xxiv).(c)	Names of the companies in which the person also holds the directorship and the memberships of committees of the Board	√		
1. (5). (xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1. (5). (xxv).(a)	Accounting policies and estimation for preparation of financial statements	√		
1. (5). (xxv).(b)	Changes in accounting policies and estimation as well as cash flows on absolute figure for such changes			N/A
1. (5). (xxv).(c)	Comparative analysis and financial position as well as cash flow for current financial year with immediate preceding five years explaining reasons	√		
1. (5). (xxv).(d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario	√		
1. (5). (xxv).(e)	Briefly explain the financial and economic scenario of the country and the globe	√		
1. (5). (xxv).(f)	Risks and concerns issues related to the financial statements , explaining such risk and concerns mitigation plan of the Company; and	√		
1. (5). (xxv).(g)	Future plan or projection or forecast for company's operation , performance and financial position with justification thereof, i.e. actual position shall be explained to the shareholders in the next AGM	√		
1. (5). (xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A of the Code	√		
1. (5). (xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed	√		
1. (6)	Meeting related activities of the Board of Directors shall be Complied under Bangladesh Secretarial Standards (BSS) in so far as those standards are not inconsistent with any condition of this	√		
1.(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1. (7). (a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee(NRC)	√		
1. (7). (b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior, rules and regulations , prohibition of insider trading, relationship with environment, employees, customers and suppliers, and independency.	√		
2	Governance of Board of Directors of Subsidiary Company			
2.(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company			N/A
2.(b)	One Independent Director of holding company also in the subsidiary company			N/A
2.(c)	Minutes of subsidiary company to be placed in the meeting of holding company			N/A

Condition No.	Title	Compliance Status (Put "√" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
2.(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company			N/A
2.(e)	The Audit Committee of the holding company shall also review the financial statements in particular the investments made by the subsidiary company			N/A
3	Managing Director (MD) or Chief Executive Officer, Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3.(1)	Appointment			
3.(1).(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer, a Company Secretary (CS), Chief Financial Officer(CFO), and Head of Internal Audit and Compliance (HIAC)	√		
3.(1).(b)	The positions of the MD,CEO,CS,CFO,HIAC shall be filled by different individuals	√		
3.(1).(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time	√		
3.(1).(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS	√		
3.(1).(e)	The MD or CEO, CS, CFO, and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the commission and stock exchange	√		
3.(2)	Requirement to attend Board of Directors' Meetings			
3.(2).(i)	The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board	√		
3.(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3.(3).(a).(i)	The statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		
3.(3).(a).(ii)	The statements together present a true and fair view of the company's affairs and are in compliance	√		
3.(3).(b)	The MD or CEO and CFO to certify on due diligence in the Report	√		
3.(3).(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report	√		
4	Board of Directors' Committee			
4.(i)	Audit Committee	√		
4.(ii)	Nomination and Remuneration Committee			As per Bangladesh Bank DFIM Circular Letter No. 07 Dt: 25.09.2007, FI's are allowed to form only Audit Committee & Executive Committee as the sub-committee of the Board
5	Audit Committee			
5.(1)	Responsibility to the Board of Directors			
5.(1).(a)	The company shall have an Audit Committee as a sub-committee of the Board	√		

Condition No.	Title	Compliance Status (Put "√" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5.(1).(b)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business	√		
5.(1).(c)	The Audit Committee shall report on its activities to the Board of Directors	√		
5.(2)	Constitution of the Audit committee			
5.(2).(a)	The Audit Committee shall be composed of at least 3 (three) members	√		
5.(2).(b)	The Board appoint members of the Audit Committee who shall be non-executive Directors	√		
5.(2).(c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	√		
5.(2).(d)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month			N/A
5.(2).(e)	The Company Secretary shall act as the Secretary of the Audit Committee	√		
5.(2).(f)	The quorum of Audit Committee meeting shall not constitute without at least 1 (One) independent director	√		
5.(3)	Chairperson of the Audit Committee			
5.(3).(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee who will be ID.	√		
5.(3).(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson	√		
5.(3).(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM)	√		
5.(4)	Meeting of the Audit Committee			
5.(4).(a)	The Audit Committee shall conduct at least its four meetings in a financial year	√		
5.(4).(b)	The quorum of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee whichever is higher	√		
5.(5)	Role of Audit Committee			
5.(5).(a)	Oversee the financial reporting process	√		
5.(5).(b)	Monitor choice of accounting policies and principles	√		
5.(5).(c)	Internal Audit and Compliance process to ensure that it is adequately resourced	√		
5.(5).(d)	oversee hiring and Performance of external auditors	√		
5.(5).(e)	Hold meeting on annual financial statements before submission to the Board for approval or adoption	√		
5.(5).(f)	Review the annual financial statements before submission to the Board for approval	√		
5.(5).(g)	Review the Quarterly and half yearly financial statements before submission to the Board for approval	√		
5.(5).(h)	The review adequacy of internal audit function	√		
5.(5).(i)	Review the management's Discussion and Analysis before disclosing in the Annual Report	√		
5.(5).(j)	Review statement of all related party transactions submitted by the management	√		
5.(5).(k)	Review management letters or letter of Internal Control weakness issued by statutory auditors	√		

Condition No.	Title	Compliance Status (Put "√" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5.(5).(l)	Oversee determination of audit fees based on scope and magnitude	√		
5.(5).(m)	Oversee whether IPO proceeds utilized as per the published Prospectus			N/A
5.(6)	Reporting of the Audit Committee			
5.(6).(a)	Reporting to the Board of Directors			
5.(6).(a).(i)	The Audit Committee shall report on its activities to the Board	√		
5.(6).(a).(ii)	The Audit Committee shall immediately report to the Board on the			
5.(6).(a).(ii).(a)	Report on conflicts of interests			N/A
5.(6).(a).(ii).(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process.			N/A
5.(6).(a).(ii).(c)	Suspected infringement of laws, regulatory compliance including securities related laws, rules and regulation			N/A
5.(6).(a).(ii).(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately			N/A
5.(6).(b)	Reporting to the Authorities			
5.(7)	Reporting to the Shareholders and General Investors			
6	Nomination and Remuneration Committee (NRC)			
6.(1)	Responsibility to the Board of Directors			
6.(1).(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a subcommittee of the Board			As given in condition 4(ii) of the above
6.(1).(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications			As given in condition 4(ii) of the above
6.(1).(c)	The Terms of Reference of the NRC shall be clearly set forth in writing covering the areas stated at the condition			As given in condition 4(ii) of the above
6.(2)	Constitution of the NRC			
6.(2).(a)	The Committee shall comprise of at least three members including an independent director			As given in condition 4(ii) of the above
6.(2).(b)	All members of the Committee shall be nonexecutive directors			As given in condition 4(ii) of the above
6.(2).(c)	Members of the Committee shall be nominated and appointed by the Board			As given in condition 4(ii) of the above
6.(2).(d)	The Board shall have authority to remove and appoint any member of the committee			As given in condition 4(ii) of the above

Condition No.	Title	Compliance Status (Put "√" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
6.(2).(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any another cases of vacancies the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee			As given in condition 4(ii) of the above
6.(2).(f)	The Chairperson of the Committee may appoint or co-opt any external expert members			As given in condition 4(ii) of the above
6.(2).(g)	The company secretary shall act as the secretary of the committee			As given in condition 4(ii) of the above
6.(2).(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director			As given in condition 4(ii) of the above
6.(2).(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium form the company			As given in condition 4(ii) of the above
6.(3)	Chairperson of the NRC			
6.(3).(a)	The Board shall select 1 (One) member of the NRC to be Chairperson of the Committee			As given in condition 4(ii) of the above
6.(3).(b)	The absence of chairperson of the NRC, the remaining members may elect one of th3emselves as Chairperson for that particular meeting			As given in condition 4(ii) of the above
6.(3).(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM)			As given in condition 4(ii) of the above
6.(4)	Meeting of the NRC			
6.(4).(a)	The NRC shall conduct at least one meeting in a financial year			As given in condition 4(ii) of the above
6.(4).(b)	The Chairperson of the NRC, may convene any emergency meeting			As given in condition 4(ii) of the above
6.(4).(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee			As given in condition 4(ii) of the above

Condition No.	Title	Compliance Status (Put "√" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
6.(4).(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting			As given in condition 4(ii) of the above
6.(5)	Role of NRC			
6.(5).(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders			As given in condition 4(ii) of the above
6.(5).(b).(i).(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully			As given in condition 4(ii) of the above
6.(5).(b).(i).(b)	The relationship of remuneration to performance is clear and meets appropriate performance			As given in condition 4(ii) of the above
6.(5).(b).(i).(c)	The remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long term performance			As given in condition 4(ii) of the above
6.(5).(b).(ii)	Devising a policy on Board's diversity taking into consideration age, experience etc.			As given in condition 4(ii) of the above
6.(5).(b).(iii)	Identifying persons who are qualified the criteria laid down and recommend their appointment and removal to the Board.			As given in condition 4(ii) of the above
6.(5).(b).(iv)	Formulating criteria for evaluation of performance of independent directors and the Board			As given in condition 4(ii) of the above
6.(5).(b).(v)	Identifying company's needs for employees at different levels and determine their selection, transfer or replacement			As given in condition 4(ii) of the above
6.(5).(b).(vi)	Developing recommending and reviewing annually the company's human resources and training policies			As given in condition 4(ii) of the above
6.(5).(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report			As given in condition 4(ii) of the above
7	External or Statutory Auditors			

Condition No.	Title	Compliance Status (Put "√" in the appropriate column)		Remarks (if any)
		Complied	Not complied	
7.(1).(i)	External or Statutory Auditors shall not be engaged in Appraisal or valuation services or fairness opinions	√		
7.(1).(ii)	External or Statutory Auditors shall not be engaged in Financial information systems design and implementation	√		
7.(1).(iii)	External or Statutory Auditors shall not be engaged in Book- keeping or other service related to the accounting records	√		
7.(1).(iv)	External or Statutory Auditors shall not be engaged in Broker –dealer services	√		
7.(1).(v)	External or Statutory Auditors shall not be engaged in Actuarial services	√		
7.(1).(vi)	External or Statutory Auditors shall not engage Internal audit services	√		
7.(1).(vii)	External or Statutory Auditors shall not be engaged in any services that the Audit Committee may determine	√		
7.(1).(viii)	External or Statutory Auditors shall not be engaged in Certification services on compliance of corporate governance	√		
7.(1).(ix)	External or Statutory Auditors shall not be engaged in any other service that may create conflict of interest	√		
7.(2)	No partner or employees of the External or Statutory Auditors audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company	√		
7.(3)	Representative of External or Statutory Auditors shall remain present in the Shareholders Meeting (Annual General Meeting or Extraordinary General Meeting)	√		
8	Maintaining a website by the company			
8.(1)	The company shall have an official website linked with that of the stock exchange	√		
8.(2)	The company shall keep the website functional from the date of listing	√		
8.(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchanges	√		
9	Reporting and Compliance of Corporate Governance			
9.(1)	The company shall obtain a certificate from a practicing professional firm on yearly basis regarding compliance of conditions of Corporate Governance and such certificate shall be disclosed in the Annual Report	√		
9.(2)	The professional who will provide the certificate on compliance of Corporate Governance shall be appointed by the Shareholders in the Annual General Meeting			N/A
9.(3)	The directors of the company shall state, in accordance with the Annexure-C of the code attached, in the directors report whether the company has complied with these conditions	√		

Management Discussion & Analysis Report



On the basis of the Corporate Governance Code, 2018 the management of NHFIL has prepared the following analysis in relation to the company's position and operations along with brief discussion of changes in the financial statements among others, focusing on:

1. World economy review

Economic growth accelerated in more than half the world's economies in both 2017 and 2018. Developed economies expanded at a steady pace of 2.2 per cent in both years, and unemployment rates in several developed economies dropped to historical lows. Among the developing economies, the regions of East and South Asia remain on a relatively strong growth trajectory, expanding by 5.8 per cent and 5.6 per cent, respectively in 2018. Many commodity-exporting countries, notably fuel exporters, are continuing a gradual recovery, although they remain exposed to volatile prices. The impact of the sharp drop in commodity markets in 2014/15 also continues to weigh on fiscal and external balances and has left a legacy of higher levels of debt.

Global economic growth remained steady at 3.1 per cent in 2018, as a fiscally induced acceleration in the United States of America offset slower growth in some other large economies. Economic activity at the global level is expected to expand at a solid pace of 3 per cent in 2019, but there are increasing signs that growth may have peaked. The growth in global industrial production and merchandise trade volumes has been tapering since the beginning of 2018, especially in trade-intensive capital and intermediate goods sectors. Leading indicators point to some softening in economic momentum in many countries in 2019, amid escalating trade disputes, risks of financial stress and volatility, and an undercurrent of geopolitical tension.

2. Bangladesh economy review

Bangladesh has experienced high and steady growth for more than a decade, with an average growth of over 6.0 percent. Growth exceeded 7.0 percent during last three years, a decade high, and higher than the average in peer Asian economies. Provisional estimates of the Bangladesh Bureau of Statistics indicate that real GDP recorded a growth of 7.86 percent in FY18, which was higher than 7.28 percent recorded in FY17. Measured at current market prices, the GDP of Bangladesh in FY18 was estimated at Taka 22,504.8 billion which was 13.9 percent higher than that of FY17. The per capita GDP is estimated to have been Tk. 62,477 in FY18. However, the government has again set a target for GDP growth in FY19 at around 7.5-7.7 percent and inflation rate has been targeted at 5.4-5.8 percent with an expectation of accelerated growth in agriculture, industry and service sectors. It also expects that the global economy will be improved further and the internal political situation will be stabilized. A details discussion on economy has been given on page no 39 of this report.

3. Comparative financial performances with the peer industry

Housing Finance Industry

The banking sector is now playing a dominant role in the housing sector whereas the growth rate of NBFIs shows the upward trend. In recent years, significant changes have taken place in total housing loan portfolios. Private sector banks with ample deposit resources have been expanding their housing loan portfolios. Besides, two private sectors specialized housing finance companies (NHFIL & DBH) and only state owned housing finance company (House Building Finance Corporation), recently other NBFIs has also given much emphasis on home loans. NHFIL's HML loan portfolio has 24.71% growth compare to other NBFIs HML loan portfolio which is 20.16%. Considering the real estate finance as secured and taking advantage of cost of fund, banks are now giving more emphasis to finance in real estate sector.

NHFIL continued keeping pace outperforming the industry in 2018 in terms of growth of different performance and financial position measures. The impetus of growth can be seen by comparing financial data of NHFIL with industry's financial information.

Amount million in BDT

	NHFIL	Average of Top Four NBFIs (In terms of Asset Size)
Total Asset (MN Taka)	20,980.85	74,460.50
Total Equity	1,774.23	7,867.75
Loan Portfolio (MN Taka)	12,493.86	58,591.75
Growth	20.39%	13.01%
Deposit	16,149.00	51,900.75
Growth	38.40%	12.68%
Operating Income	684.22	2,904.50
Profit/ (Loss) before provisions	513.75	2,205.50
Net Profit	275.77	950.25
Growth	8.08%	-0.52%
NPL Ratio	4.21%	2.06%
Cumulative Written off loan amount (MN Taka)	339.83	959.33
ROA (Annualized)	1.48%	1.26%
ROE (Annualized)	15.87%	13.08%

The industry is still burdened with an alarming rate of non-performing loans (NPLs) that make funds costlier and operations riskier. NHFIL has achieved moderate level of NPL. Most significantly, NHFIL has tightened its belt and taking coordinated steps to gear up recovery efforts to hold NPL volume to a level where requirements for financial provisions against such loans could be saddled up to a bare minimum with lesser impact on profitability.

The rising trend and volume of written-off loans of NBFIs indicate lack of due diligence while sanctioning credits. In order to reflect the actual position of classified loan, written off loan must be added to the existing amount of classified loan. There is a relationship between NPL and written off loan, if the loan had not been written off, the NPL ratio would have reached too much higher level.

Among all financial institutions & local banks of Bangladesh NHFIL has been rated long term 'A1' credit rating for the last four years. The level of credit rating provides a very important indication of the financial safety, security and strength of the concerned bank or financial institution and is particularly relevant to its depositors and other investors such as shareholders and lenders.

4. Comparative analysis of financial performance and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons there of

The financial year 2018 has been challenging one with an operating environment, constrained margins and rate volatility both deposits and loans rate. However, we have managed to end the year with satisfactory results.

Considering our management excellence in understanding the home loan business and specialization in human capital, we are pleased with the progress of the company. The following DuPont analysis contains in-depth financial performances, dissecting our current year's results.

Comparative analysis of financial performance

In mn Taka

Particulars	2018	2017	2016	2015	2014	2013
A. Interest Income	1,995.67	1,392.63	1,187.79	1,027.27	881.35	877.34
B. Profit After Tax	275.77	255.15	243.77	230.96	209.60	167.47
C. Average Asset	20,980.85	16,163.20	12,250.39	8,824.10	6,857.11	6,266.52
D. Average Equity	1,774.23	1,700.60	1,636.96	1,574.06	1,502.69	1,426.08
E. Profit Margin (B/A)	13.82%	18.32%	20.52%	22.48%	23.78%	19.09%
F. Asset Turnover (A/C)	10.75%	9.80%	11.27%	13.10%	13.43%	14.00%
G. Financial Leverage (C/D)	10.69	8.51	6.56	5.10	4.48	4.39
H. Return on Equity (E*F*G)	15.87%	15.29%	15.18%	15.01%	14.31%	11.74%

Highlights of Key Strengths (DuPont Analysis)

Despite facing numerous external challenges, NHFIL fared well in 2018 in terms of liquidity, solvency and profitability. Our focus has been on improving asset quality, recovering classified loans, enhancing service excellence and rationalizing costs. The underlying reasons behind this year's financial performance has been noted below:

Net Interest Income (+12.74%)

Despite being affected by certain industry challenges, our core activities have produced satisfactory results in 2018. Net interest income (which contributes 95.22% of total operating income) increased by 12.74%.

Interest Income (+43.30%)

Company's interest income, mostly from home loans, increased by 43.30% (BDT 1,995.67 million) mainly for following reason:

Loans and advances grew by 20.39% to BDT 12,493.86 million at year-end 2018 characterized by a positive turnaround of 2018 which eventually affected the average loan balances. Efficient management of interest rate risk management ensured attractive growth of interest income in 2018

Interest Expense (+64.98%)

Company's interest expense on deposit and borrowing increased by 64.98% (BDT 1,344.11 million) primarily due to following reason:

Interest expense on deposit increased by 67.43% to BDT 1,216.07 million in 2018 compared to previous year. Bank and FI industry faced a sudden shortage of liquid funds in 2018 which forced banks and FIs to collect deposit at higher rate. As a result, the average cost of deposit increased to 8.94% as on December 2018 compared to 7.87% in the previous year.

Net Operating Profit (+8.30%)

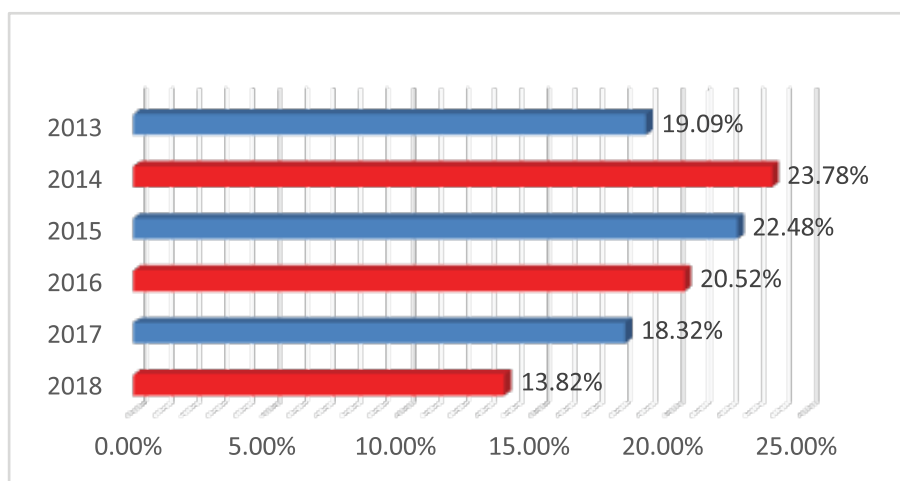
Due to higher growth of operating expenses (12.06%) and slight lower growth of operating income (9.21%), Net operating profit of the company increased by 8.30% and reached at BDT 513.75 million in 2018.

Profit after Tax (+8.08%)

Eventually, the profit after tax of the company increased by 8.08% and stands at BDT 275.77 million due to the factors mentioned above. As a result, our earnings per share (EPS) in 2018 has also increased to BDT 2.59 (BDT 2.40 in 2017).

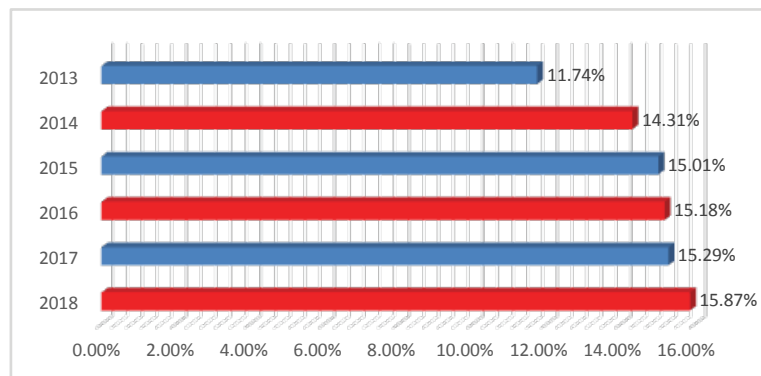
Profit Margin

There is a satisfactory profit margin consistently in the last 6 years. Consistent Profit margin achieved by increasing interest income and reducing costs.



Return on Equity

Return on Equity has been consistently over 15% in the last 2 consecutive years. There are three major financial metrics that drive return on equity (ROE) of NHFIL: operating efficiency, asset use efficiency and financial leverage. Though faced with numerous challenges, NHFIL has been able to make highest average ROE compared to major competitors in the industry.



Outlook

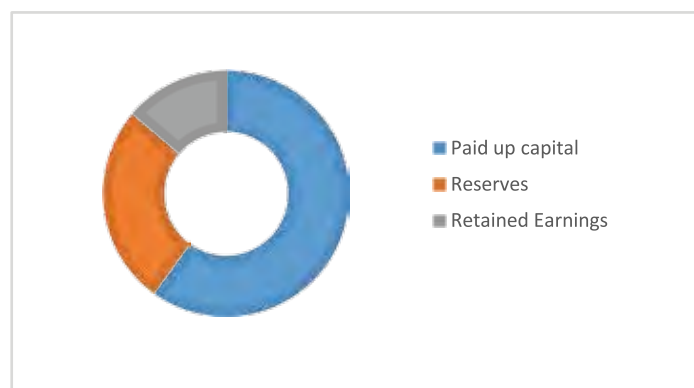
Interest rates volatility during the year appears to have calmed down at the end and expected to have within this range going forward as banks have already more or less adjusted their Advance to deposit (A/D) ratio.

Capital Adequacy Ratio

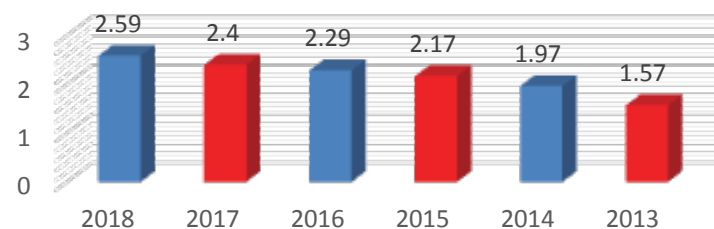
NHFIL has been maintaining the healthy CAR since long to comply with the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for FIs.

Shareholders Fund:

Shareholders' Funds-2018



Earnings per share (BDT)



The earnings per share of the company has increased to Tk. 2.59 in 2018 from Tk. 2.40 in 2017, with a growth of 7.92%.

Cash Flow Analysis

Figures BDT in million

Particulars	2018	2017	2016	2015	2014
i) Net cash flows from operating activities	2,777.07	2,111.12	1,625.37	294.91	108.03
ii) Net cash used in investing activities	(1.94)	(59.94)	(216.20)	(63.37)	0.05
iii) Net cash used in financing activities	(162.23)	519.38	(49.94)	(247.77)	(173.17)
iv) Net increase /(decrease) in cash and cash equivalents (i+ii+iii)	2,612.90	2,570.56	1,359.23	(16.23)	(65.08)
v) Cash and cash equivalents at the beginning of the year	5,026.86	2,456.30	1,097.07	1,113.30	1,178.39
vi) Cash and cash equivalents at the end of the year (iv+v)	7,639.75	5,026.86	2,456.30	1,097.07	1,113.30

Cash Flow from Operating Activities

Cash generated from operating activities before changes in operating assets and liabilities increased by 64.15% to Tk. 4,544mn in 2018 compared to previous year. The growth primarily came from increased inflows of receipts from interest income.

Cash Flow from financing activities

The company paid Tk. 202 mn as dividend in the year 2018 for the year ended on December 2017.

Overall scenario

The cash and cash equivalent balance of the company rose to Tk. 7,639.75mn in 2018 compared to Tk. 5,026.86mn in 2017.

5. Accounting policies and estimation for preparation of financial statements

The financial statements have been prepared on a going concern basis and accrual method under historical cost convention and therefore did not take into consideration of the effect of inflation. The preparation and presentation of the financial statements and the disclosure of information have been made in accordance with the DFIM circular no. 11 dated 23rd December 2009 in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), the Companies Act 1994, the Financial Institutions Act 1993, Securities and Exchange Rules 1987, the listing rules of Dhaka and Chittagong Stock Exchanges and other applicable laws & regulations in Bangladesh and practices generally followed by Housing Finance Institutions.

As Bangladesh Bank is the primary regulator of Financial Institutions, Bangladesh Bank's guidelines, circulars, notifications and any other requirements are given preference to IAS and IFRS, where any contradictions arises. 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.

6. Changes in accounting policies and estimation

The principle accounting policies had been consistently maintained since inception of the Company except the changes in the Depreciation Method from Straight Line Method to Reducing Balance Method. The Board of Directors approved the changes (Depreciation Method) in the accounting policies on June 29, 2011. Thus, the cost of the fixed asset is recovered through charging in Profit & Loss Account within a reasonable time.

During the year under consideration, the Company has not adopted any change in the accounting policies and estimates.

Horizontal Analysis

Balance Sheet

As at December 31, 2018

	2018	2017	2016	2015	2014
Property and Assets					
Cash:					
In hand (including foreign currencies)	108.32%	108.88%	70.45%	45.78%	100%
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	125.21%	146.51%	90.92%	48.98%	100%
	125.20%	146.49%	90.92%	48.98%	100%
Balance with banks and other financial institutions:					
In Bangladesh	625.00%	368.77%	123.13%	-5.70%	100%
Outside Bangladesh					
	625.00%	368.77%	123.13%	-5.70%	100%
Money at call and on short notice					
Investments:					
Government	524.26%	534.85%	295.44%	296.74%	100%
Others					
	524.26%	534.85%	295.44%	296.74%	100%
Loans and advances:					
Loans, cash credits, overdrafts etc.	125.70%	87.03%	63.56%	33.46%	100%
Bills purchased and discounted					
	125.70%	87.03%	63.56%	33.46%	100%
Fixed assets including premises, furniture and fixtures	648.87%	669.30%	671.14%	-6.48%	100%
Other assets	188.65%	144.58%	141.11%	42.27%	100%
Non-banking assets					
Total Assets	205.97%	135.71%	78.65%	28.69%	100%
Liabilities and capital					
Liabilities:					
Borrowing from other banks, financial	82.05%	77.92%	4.42%	-9.12%	100%
Deposits and other accounts:					
Current accounts and other accounts etc.					
Bills payable					
Savings bank deposits	108.14%	100%			
Fixed deposits	109.88%	103.77%	123.13%	45.77%	100%
Bearer certificate of deposits					
Other deposits	-65.73%	-62.72%	-47.77%	-27.05%	100%
	322.04%	204.94%	121.55%	45.09%	100%
Other liabilities	131.26%	91.44%	100.76%	46.07%	100%
Total Liabilities	258.71%	170.11%	98.22%	35.40%	100%
Capital/Shareholders' equity:					
Paid up capital	0.00%	0.00%	0.00%	0.00%	100%
Statutory reserve	75.78%	55.00%	35.77%	17.40%	100%
Retained earnings	40.62%	29.96%	22.69%	14.53%	100%
Total Shareholders' equity	18.07%	13.17%	8.94%	4.75%	100%
Total liabilities and Shareholders' equity	205.97%	135.71%	78.65%	28.69%	100%

Horizontal Analysis

Profit and Loss Account

For the year ended December 31, 2018

	2018	2017	2016	2015	2014
Interest Income	126%	58%	35%	17%	100%
Interest paid on deposits, borrowings etc.	187%	74%	33%	10%	100%
Net interest income	58%	40%	36%	24%	100%
Investment Income	4808%	13404%	5034%	6006%	100%
Commission, exchange and brokerage	-62%	-49%	42%	-8%	100%
Other operating income	5%	13%	37%	42%	100%
	37%	104%	72%	83%	100%
Total operating income	57%	44%	38%	27%	100%
Salaries and allowances	85%	60%	36%	4%	100%
Rent, taxes, insurance, electricity etc.	50%	33%	9%	16%	100%
Legal expenses	-21%	-9%	23%	-68%	100%
Postage, stamps, telecommunication etc.	-26%	41%	42%	34%	100%
Stationery, printing, advertisement etc.	347%	296%	245%	237%	100%
Managing Director's salary and fees	130%	81%	81%	34%	100%
Directors' fees and expenses	119%	119%	144%	25%	100%
Auditors' fees	67%	67%	67%	9%	100%
Charges on loan losses					
Depreciation and repairs to assets	139%	143%	135%	-10%	100%
Other expenses	90%	72%	27%	-4%	100%
Total operating expenses	95%	74%	51%	15%	100%
Profit/ (Loss) before provisions	47%	36%	35%	30%	100%
Provisions for					
Loans, advances and leases	372%	275%	446%	382%	100%
Diminution in value of investments	-603%	-393%	80%	-226%	100%
Others	15%	-104%	-18%	-74%	100%
Total provisions	490%	309%	375%	374%	100%
Total profit/(loss) before taxation	33%	27%	24%	18%	100%
Provisions for taxation					
Current	1%	3%	5%	32%	100%
Deferred	-122%	-110%	-	-	-
	34%	36%	36%	32%	100%
Net Profit/(loss) after taxation	32%	22%	16%	10%	100%
Earnings per share	32%	22%	16%	10%	100%

Vertical Analysis
Balance Sheet
As at December 31, 2018

	2018	2017	2016	2015	2014
Property and Assets					
Cash:					
In hand (including foreign currencies)	0.00%	0.00%	0.00%	0.00%	0.00%
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	0.93%	1.32%	1.35%	1.46%	1.26%
	0.93%	1.32%	1.35%	1.46%	1.26%
Balance with banks and other financial institutions:					
In Bangladesh	35.49%	29.78%	18.70%	10.97%	14.98%
Outside Bangladesh					
	35.49%	29.78%	18.70%	10.97%	14.98%
Money at call and on short notice					
Investments:					
Government					
Others	0.62%	0.82%	0.67%	0.94%	0.30%
	0.62%	0.82%	0.67%	0.94%	0.30%
Loans and advances:					
Loans, cash credits, overdrafts etc.	58.93%	63.39%	73.14%	82.85%	79.89%
Bills purchased and discounted					
	58.93%	63.39%	73.14%	82.85%	79.89%
Fixed assets including premises, furniture and fixtures	1.09%	1.45%	1.92%	0.32%	0.44%
Other assets	2.95%	3.25%	4.22%	3.46%	3.13%
Non-banking assets					
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities and capital					
Liabilities:					
Borrowing from other banks, financial	8.39%	10.65%	8.24%	9.96%	14.11%
Deposits and other accounts:					
Current accounts and other accounts etc.					
Bills payable					
Savings bank deposits	38.99%	24.31%	-	-	-
Fixed deposits	37.92%	47.79%	69.05%	62.62%	55.29%
Bearer certificate of deposits					
Other deposits	0.06%	0.08%	0.15%	0.29%	0.52%
	76.97%	72.19%	69.20%	62.92%	55.80%
Other liabilities	6.18%	6.64%	9.19%	9.28%	8.18%
Total Liabilities	91.54%	89.48%	86.64%	82.16%	78.09%
Capital/Shareholders' equity:					
Paid up capital	5.07%	6.58%	8.68%	12.06%	15.52%
Statutory reserve	2.22%	2.55%	2.94%	3.53%	3.87%
Retained earnings	1.16%	1.39%	1.74%	2.25%	2.53%
Total Shareholders' equity	8.46%	10.52%	13.36%	17.84%	21.91%
Total liabilities and Shareholders' equity	100.00%	100.00%	100.00%	100.00%	100.00%

Vertical Analysis
Profit and Loss Account
For the year ended December 31, 2018

	2018	2017	2016	2015	2014
Interest Income	98.39%	96.63%	96.67%	95.93%	97.37%
Interest paid on deposits, borrowings etc.	66.27%	56.53%	50.90%	48.33%	51.83%
Net interest income	32.12%	40.10%	45.77%	47.60%	45.54%
Investment Income	0.38%	1.50%	0.65%	0.90%	-0.02%
Commission, exchange and brokerage	0.00%	0.01%	0.02%	0.01%	0.02%
Other operating income	1.23%	1.87%	2.66%	3.16%	2.63%
	1.61%	3.37%	3.33%	4.07%	2.63%
Total operating income	33.73%	43.47%	49.10%	51.67%	48.17%
Salaries and allowances	4.95%	6.00%	5.98%	5.24%	5.98%
Rent, taxes, insurance, electricity etc.	0.49%	0.61%	0.58%	0.71%	0.72%
Legal expenses	0.10%	0.16%	0.26%	0.08%	0.29%
Postage, stamps, telecommunication etc.	0.09%	0.23%	0.28%	0.30%	0.26%
Stationery, printing, advertisement etc.	0.98%	1.22%	1.25%	1.40%	0.49%
Managing Director's salary and fees	0.38%	0.42%	0.49%	0.41%	0.37%
Directors' fees and expenses	0.10%	0.14%	0.18%	0.10%	0.10%
Auditors' fees	0.01%	0.02%	0.02%	0.02%	0.02%
Charges on loan losses					
Depreciation and repairs to assets	0.53%	0.76%	0.86%	0.38%	0.50%
Other expenses	0.79%	1.01%	0.87%	0.75%	0.93%
Total operating expenses	8.40%	10.56%	10.76%	9.39%	9.65%
Profit/(Loss) before provisions	25.33%	32.92%	38.34%	42.27%	38.52%
Provisions for					
Loans, advances and leases	2.35%	2.63%	4.48%	4.54%	1.11%
Diminution in value of investments	0.69%	0.57%	-0.41%	0.33%	-0.31%
Others	0.22%	-0.01%	0.26%	0.10%	0.43%
Total provisions	3.26%	3.18%	4.34%	4.96%	1.24%
Total profit/(loss) before taxation	22.07%	29.73%	34.00%	37.31%	37.28%
Provisions for taxation					
Current	-8.43%	-12.00%	-14.47%	-15.74%	-14.12%
Deffered	-0.04%	-0.03%	0.30%	0.00%	0.00%
	-8.47%	-12.03%	-14.17%	-15.74%	-14.12%
Net Profit/(loss) after taxation	13.60%	17.70%	19.84%	21.57%	23.16%

7. Risk and concerns as well as the mitigation plan related to the financial statements

NHFIL always concentrates on delivering high value to its stakeholders through appropriate tradeoff between risk and return. A well-structured and proactive risk management system is in place within the Company to address the risks relating to credit, market, liquidity and operations. Details of the Risk Management have been described at notes 3.13 of the Financial Statements on page no. 127 of this annual report.

8. Future plan for Company's operation, performance and financial position with justification thereof

Company is planning to continue its operation with a steady growth. Considering the market condition, NHFIL planned its Business for the year 2019 to maintain same pace on growth. NHFIL is also planning to increase its business by opening new branch in each division of the country.

The Company expects to maintain healthy returns to its shareholders in line with previous years.

Conclusion

Considering the overall situation, our efforts at enhancing our capability to anticipate key trends through various stakeholder engagement programs, combined with constant reviewing of our operating environment and the competitive landscape help us utilized and transform our capitals for value creation. Our ability to meet and exceed customer expectations with the right set of execution strategies, ensure quicker loan disbursement (for those who are eligible). And our willingness and capacity to help them navigate through their business challenges has ensured that we remain one of Bangladesh's most respected and trusted Financial Institution.



Md. Khalilur Rahman
Managing Director

Dhaka, Dated 18 March 2019

National Housing Finance and Investments Limited

Disclosures on Capital Adequacy and Market Discipline (CAMD) Pillar-III

A) Scope of Application

Qualitative Disclosures:

- These guidelines apply to National Housing Finance and Investments Limited.
- NHFIL has no subsidiary companies.
- Not Applicable

Quantitative Disclosures:

Not Applicable

B) Capital Structure:

Qualitative Disclosures:

- Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.

Tier 2 Capital includes:

- General provision up to a limit of 1.25% of Risk Weighted Asset (RWA) for Credit Risk;
- All other preference shares.

Conditions for maintaining regulatory capital:

- The amount of Tier 2 capital will be limited to 100% of the amount of Tier 1 capital.

Quantitative Disclosures:

- The amount of Tier 1 capital, with separate disclosure of :

Particulars	Amount in Crore Taka
Paid-up Capital	106.39
Non-repayable share premium account	-
Statutory reserve	46.66
General reserve & other reserve	-
Retained earning	24.39
Dividend equalization account	-

- The total amount of Tier 2 capital Taka 15.01 crore
- Other deductions from capital -
- Total Eligible Capital Taka 192.45 crore

C) Capital Adequacy

Qualitative Disclosures:

- summary discussion of the FI's approach to assessing the adequacy of its capital to support current and future activities.

Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR)

- NHFIL has adopted Standardized Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Company is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio i.e. 10% and adding the resulting figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Regulatory Capital as on numerator to derive Capital Adequacy Ratio.
- Strategy to achieve the required Capital Adequacy:

Operational level:

Immediate measures:

- Rigorous monitoring of overdue loans to bring those under 90 days overdue
- Financing clients having good rating as per Company's policy
- Assessing incremental effect of capital charge over the expected net income from financing before sanctioning any appraisal, which could be one of the criteria for taking financing decision.
- Using benefit of credit risk mitigation by taking eligible collaterals against transactions
- Focusing more to increase the spread on housing loan and thus increasing retained earnings.
- Raise fresh capital by issuing bonus share/ right issue.
- Asking unrated Corporate clients to have credit rating from External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank;

	Quantitative Disclosures:	Amount in crore Taka
a)	Capital requirement for Credit Risk	1,040.74
b)	Capital requirement for Market Risk	21.98
c)	Capital requirement for Operational Risk	95.70
	Total and Tier 1 Capital ratio:	
d)	CAR on Total capital basis (%)	16.61%
	CAR on Tier 1 capital basis (%)	15.32%

D) Credit Risk

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk, including:

Definitions of past due and impaired (for accounting purposes)

As per the Bangladesh Bank's Prudential Guideline on Capital Adequacy and Market Discipline for Financial Institutions, the unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per risk weights of respective balance sheet exposures. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation.

Description of approaches followed for specific and general allowances and statistical methods;

Specific and General provisions are maintained according to the relevant Bangladesh Bank guideline. For Example, 0.25% provision is maintained against SME-Standard loan/ lease, 1% provision is maintained against good loans (other than SME- Standard loan/ lease, 5% against SMA loan/ lease, 20% against sub-standard loan/ lease, 50% against doubtful loan/ lease and 100% against bad/loss loan/ lease after deducting the amount of interest expenses and value of eligible securities from the outstanding balance of classified accounts.

Discussion on FI's credit risk management policy:

Implementation of various strategies to minimize risk:

To encounter and mitigate credit risk, the following control measures are taken place at NHFIL:

- Looking into payment performance of customer before financing.
- Annual review of clients.
- Adequate insurance coverage for funded assets
- Vigorous monitoring and follow up by Special Assets Management and collection Team

- Strong follow up of compliance of credit policies by Credit Administration Department
- Taking collateral and performing valuation and legal vetting on the proposed collateral
- Seeking legal opinion from internal and external lawyer for any legal issues
- Maintaining neutrality in politics and following arm's length approach in related party transactions
- Regular review of market situation and industry exposure
- Sector-wise portfolio is maintained within specific limits to ensure diversification of loan assets

In addition to the industry best practices for assessing, identifying and measuring risks, NHFIL also considers Guidelines for Managing Core Risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank; vide FID Circular No. 10 dated September 18, 2005 for management of risks.

Approved Credit Policy by the Board of Directors

The Board of Directors has approved the Credit Policy for the company where major policy guidelines, growth strategy, exposure limits (for particular sector, product, individual company and group) and risk management strategies have been described/stated in detail. Credit Policy is regularly updated to cope up with the changing global, environmental and domestic economic scenarios.

Separate Credit Administration Department

An independent Credit Risk Management (CRM) Department is in place, at NHFIL, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. Research team of CRM regularly reviews market situation and exposure of NHFIL in various industrial sub-sectors. CRM has been segregated from Credit Administration Department in line with Central Bank's Guidelines. CRM assess credit risks and suggest mitigations before recommendation of every credit proposal while Credit Administration confirms that adequate security documents are in place before disbursement.

Special Assets Management and Collection Team

A strong Law and Recovery Team monitors the performance of the loans & advances, identify early signs of delinquencies in portfolio, and take corrective measures to mitigate risks, improve loan quality and to ensure recovery of loans in a timely manner including legal actions.

Independent Internal Control and Compliances Department (ICC)

Appropriate internal control measures are in place at NHFIL. NHFIL has also established Internal Control and Compliances Department (ICC) to ensure, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control and documentation procedures. ICC frames and implements policies to encounter such risks.

Credit Evaluation

To mitigate credit risk, NHFIL search for credit reports from Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by Credit Admin Department and Loan Operation Department to understand the liability condition and repayment behavior of the client. Depending on the reports, opinions are taken from the concerned related parties for better understanding about client's credit worthiness.

Credit Approval Process

To ensure both speedy service and mitigation of credit risk, the approval process is maintained through a multilayer system.

Depending on the size of the loan, a multilayer approval system is designed. As smaller loan are very frequent and comparatively less risky, lower sanctioning authority is set to improve processing time and associated risk. Bigger loans require more scrutiny as the associated risk is higher hence sanctioning authority is higher as well.

Early Warning System

Performance of loans is regularly monitored to trigger early warning system to address the loans and advances whose performance show any deteriorating trend. It helps the company to grow its credit portfolio with ultimate objective of protecting the interest of the stakeholders.

Methods used to measure Credit Risk

As per the directives of Bangladesh Bank, 'The Standardize Approach' is applied by the company to measure its Credit Risk.

Quantitative Disclosures

(b) Total gross credit risk exposures broken down by major types of credit exposure.

Particulars	Amount in crore Taka
Housing Loan	1,108.86
Loan against fixed deposit	5.97
Staff Loan	5.34
SME Loan	74.64
Lease/Term Loan	41.58
Others	13.00
Total	1,249.39

(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure

Area	Amount in crore Taka
Dhaka	990.10
Chattogram	72.00
Rajshahi	132.80
Rangpur	54.49
Total	1,249.39

(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure

Sector	Amount in crore Taka
Real Estate and Housing	1,108.86
RMG	0.18
Paper, Printing and Packaging	3.06
Iron, Steel and Engineering	4.14
Textile & Industry	1.36
Food and Allied Products	0.85
Transport & Communication	0.10
Electronics and Electrical Products	1.94
Ship Manufacturing Industry	1.35
Agriculture & Chemicals	34.69
Plastic Industry	2.84
Others	91.02
Total	1,249.39

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Particulars	Amount in crore Taka
Repayable on demand	199.36
Not more than 3 months	12.72
Over 3 months but not more than 1 year	109.84
Over 1 year but not more than 5 years	193.91
Over 5 years	733.56
Total	1,249.39

(f) By major industry or counter party type:

(i) Amount of impaired loans and if available, past due loans, provided separately

Particulars	Amount in crore Taka
Loan up to 5 years	161.42
Loan over 5 years	1,087.97
Total	1,249.39

(ii) Specific and general provision

Specific and general provisions were made on the amount of classified and unclassified loans and advances of NHFIL

Particulars	Amount in crore Taka
Provision on classified loans and advances	8.45
Provision on unclassified loans and advances	11.06
Total	19.51

(iii) Charges for specific allowances and charge-offs during the year.

During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances of NHFIL

Particulars	Amount in crore Taka
Provision on classified loans and advances	2.82
Provision on unclassified loans and advances	1.93
Total	4.75

(g) Gross Non Performing Assets (NPA) (Amount in crore) Taka 52.59 crore Non Performing Assets (NPAs) to outstanding Loans and Advances 4.21%

Movement of Non-Performing Assets (NPAs)

Particulars	Amount in crore Taka
Opening Balance	52.47
Additions	15.91
Reductions	(15.79)
Closing Balance	52.59

Movement of Specific Provisions of Non-Performing Assets (NPAs)

Particulars	Amount in crore Taka
Opening Balance	9.41
Provisions made during the period	19.67
Write-off	(3.88)
Written-back of excess provisions	(16.75)
Closing Balance	8.45

E) Equities: Banking book positions

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to equity risk, including: Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. Discussion of important policies covering the valuation and accounting of equity holdings in the banking book positions. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

Quoted shares are valued at cost prices and if the total cost of a particular share is lower than the market value of that particular share, then provision are maintained as per terms and conditions of regulatory authority. On the other, unquoted share is valued at cost price or book value as per latest audited accounts.

Quantitative Disclosures

(b) Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.

Particulars	Amount in crore Taka
Quoted shares (Market price)	8.75
Quoted shares (Cost Price)	10.98
Unquoted shares	0.01

Break up of Total Investment	
Particulars	Amount in crore Taka
Government securities	-
Non marketable securities	-
Preference share	2.00
Investment in share (lock-in)	-
Marketable Securities	10.99
Commercial paper	-

(c) The cumulative realized gain (losses) arising from sales and liquidations in the reporting period.

Particulars	Amount in crore Taka
Cumulative realized gain/(loss)	0.18

(d)

Particulars	Amount in crore Taka
Total unrealized gains (Losses)	(2.23)
Total latent revaluation gains (Losses)	-
Any amounts of the above included in Tier 2 Capital	-

(e) Capital requirements broken down by appropriate equity groupings, consistent with the FI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.

Specific Risk- Market value of investment in equities is BDT 10.99 crore. Capital Requirement is 10% of the said value which stand to BDT 1.10 crore.

General Risk- Market value of investment in equities is BDT 10.99 crore. Capital Requirement is 10% of the said value which stand to BDT 1.10 crore.

F) Interest rate in the banking book

Qualitative Disclosures

The general qualitative disclosure requirement including the nature of interest risk and key assumptions, including assumptions regarding loan prepayments and behavior of non- maturity deposits.

Interest rate risk in the banking book arises from mismatches between the future yield of an assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis. NHFIL measure the Interest Rate Risk by calculation Duration Gap i.e. a positive Duration Gap affect company's profitability adversely with the increment of interest rate and a negative Duration Gap increase the company's profitability with the reduction of interest rate.

Quantitative Disclosure

The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk broken down by currency (as relevant).

Interest Rate Risk-Increase in Interest Rate: (BDT in Crore) Where applicable

Particulars	Maturity wise distribution of Assets-liabilities				
	1 to 30/31 day (one month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 month to 1 year
A. Total Rate Sensitive Liabilities (A)	123.89	188.33	210.82	339.44	391.28
B. Total Rate Sensitive Assets (B)	92.94	189.41	214.31	347.58	401.77
C. Mismatch	(30.95)	1.08	3.49	8.14	10.49
D. Cumulative Mismatch	(30.95)	(29.87)	(26.38)	(18.24)	(7.75)
E. Mismatch (%)	(24.98%)	0.57%	1.66%	2.40%	2.68%

Magnitude of Shock	Interest rate risk		
	Minor	Moderate	Major
	2%	4%	6%
Change in the Value of Bond Portfolio (BDT in Crore)	0.00	0.00	0.00
Net Interest Income (BDT in Crore)	(0.15)	(0.31)	(0.46)
Revised Regulatory Capital (BDT in Crore)	192.42	192.27	192.11
Risk Weighted Assets (BDT in Crore)	1,158.40	1,158.40	1,158.40
Revised CAR (%)	16.61%	16.60%	16.58%

(G) Market risk

Qualitative Disclosures

Views of BOD on trading/investment activities

All the Market Risk related policies/guidelines are duly approved by BOD. The BOD sets limit and review and updates the compliance on regular basis aiming to mitigate the Market risk.

Methods used to measure Market risk

Market Risk is the probability of losing assets in balance sheet and off- balance sheet position arising out of volatility in market variables i.e. interest rate, exchange rate and prices of securities. In order to calculate the market risk for trading book purposes the company uses Standardized (rule based) Approach. Capital charge for interest rate risk and foreign exchange risk is not applicable to our company as because we do not have such Balance Sheet Items.

Market Risk Management System

A system for managing Market Risk is in place where guideline has been given regarding long- term, short-term funding, liquidity contingency plan, local regulatory compliance etc. Treasury manages the Market risk with the help of Asset Liability Management Committee (ALCO) and Asset Liability Management (ALM) Desk in the following manner:

Interest Risk Management

Treasury Division reviews the risks of changes in income of the Company as a result of movements in market interest rates. In the normal course of business, NHFIL tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under:

Market analysis

Market analysis over interest rate movements are reviewed by the Treasury of the company. The type and level of mismatch interest rate risk of the company is managed and monitored from two perspectives, being an economic value perspective and an earning perspective.

GAP analysis

ALCO has established guidelines in line with central Bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular monthly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liability and take decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk.

Continuous Monitoring

Company's treasury manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks.

Equity Risk Management

Equity Risk is the risk of loss due to adverse change in market price of equities held by the Company. Equity Risk is managed by the following fashion:

NHFIL minimizes the Equity Risks by Portfolio diversification as per investment policy of the company.

Quantitative Disclosures

The capital requirements for Market Risk:

Interest rate risk	Amount in crore Taka
Interest rate risk	-
Equity position risk	2.20
Foreign Exchange Position and Commodity risk (If any)	-

(H) Operational Risk:

Qualitative disclosure:

(a) Views of Board on system to reduce Operational Risk:

All the policies and guidelines of internal control and compliances are duly approved by the Board. The Board delegates its authority to Executive Committee and to Man Com members as per company policy of delegation of authority. Audit Committee of the Board directly oversees the activities of internal control and compliance as per good governance guideline issued by Securities and Exchange Commission.

Performance gap of executives and staffs

NHFIL's recruitment strategy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the requirements of the job (both now and in the near future), matching the ability and potential of the individual. Qualification, skills and competency form our basis for nurturing talent. We are proud to state that favorable job responsibilities are increasingly attracting greater participation from different level of employees in the NHFIL family. We aim to foster a sense of pride in working for NHFIL and to be the employer of choice. As such there exists no performance gap in NHFIL.

Potential external events

No such potential external event exists to rise operational risk of NHFIL at the time of reporting.

Policies and procedures for mitigating operational risk:

NHFIL has also established Internal Control and Compliances Department (ICC) to address operational risk and to frame and implement policies to encounter such risks. ICC assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk.

Approach for calculating capital charge for operational risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. NHFIL uses basic indicator approach for calculation capital charge against operational risk i.e. 15% of average positive annual gross income of the company over last three years.

Quantitative Disclosures:

(b) Capital requirement for operational risk:

Particulars	Amount in crore Taka
Capital requirement for operational risk:	9.57

SARashid & Associates (Chartered Secretaries)

Noakhali Tower (12th Floor, 13-D)

55/B Purana Paltan, Dhaka-1000, Bangladesh

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E-mail : sarashid12000@yahoo.com, sarashidnasso@gmail.com

S. Abdur Rashid FCS

MBS, MBA (Finance), PGDHRM, LLB, MIPM

Chartered Secretary in Practice

Private Practice Certificate No.: 003

Report to the Shareholders of National Housing Finance and Investments Limited on Compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by National Housing Finance and Investments Limited for the year ended on 31 December 2018. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission except as stated in the remarks column of the Statement on Status of Compliance prepared by the Directors of the Company under condition no. 9(3);
- The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- Proper books and records have been kept by the company as required under the Companies Act 1994, the securities laws and other relevant laws; and
- The Governance of the Company is satisfactory.

Place : Dhaka
Dated : 11 April 2019



For
SARashid & Associates

S. Abdur Rashid FCS
Chartered Secretary in Practice

National Housing Finance and Investments Limited

Declaration by MD and CFO

Date: 18.03.2019

The Board of Directors
National Housing Finance and Investments Limited
Concored Baksh Tower (7th Floor),
Plot#11-A, Road# 48, Block # CWN(A), Gulshan-2,
Dhaka-1212.

Subject: Declaration on Financial Statements for the year ended on 31 December 2018

Dear Sirs,

Pursuant to the condition No. 1(5) (xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/ Admin/80 Dated 03.06.2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of National Housing Finance and Investments Limited for the year ended on 31 December, 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that: __

(i) We have reviewed the financial statements for the year ended on 31 December, 2018 and that to the best of our knowledge and belief:

- (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (b) These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.

(ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,


(Md. Khalilur Rahman)
Managing Director
Date: 18 March 2019


(Sayed Ahmed FCMA)
Chief Financial Officer
Date: 18 March 2019

Auditors' Report & Audited Financial Statements



Corporate Office:
Paramount Heights (Level-6)
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Independent Auditor's Report To the Shareholders of National Housing Finance and Investments Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Housing Finance and Investments Limited (the Company), which comprise the balance sheet as at 31 December 2018 and the profit and loss accounts, statement of changes in equity and cash flow statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the *Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye-Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Head	Key Audit Matters	Our response to the risk
Loans & Advances	<p><u>Classification</u> The classification of loans & advances are determined by specific Bangladesh Bank's circulars which have wide ranging effect on the financial position and performance of the FI, namely through provisioning requirements.</p> <p>Furthermore the calculation of RWA (Risk Weighted Assets) is, to some extent, dependent on the classification of loans and advances which ultimately impact the CAR (Capital Adequacy Ratio) – a significant indicator of FI's health under the BASEL – II regime.</p> <p>Furthermore the recognition and measurement of these Loans & Advances are dictated by Bangladesh Bank's circulars namely</p> <p>FID circular No. 08 dated 03 August 2002 , FID Circular No. 03 dated 03 May 2006, FID Circular No. 05 dated 18 July 2006, FID Circular No. 06 dated 20 August 2006, FID Circular No. 02 dated 05 May 2007 and DFIM Circular No. 04 dated 28 June 2007 respectively which limits the fair implementation of respective IFRSs.</p> <p>The Company's disclosures about classification of loans & advances are included in note 8.07, 8.08 & 8.11.</p>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> the credit appraisal, loan disbursement procedures, monitoring and provisioning process; Identification of loss events, including early warning and default warning indicators; Reviewed quarterly Financial Institution Classification of Loans (CL); <p>Furthermore we have assessed on test basis the loan application receipt, assessment, documentation and authorization process against Company's policy and Bangladesh Bank's requirements. Legal expert's views regarding securitization of the loans has also been considered.</p> <p>As part of our process we have reviewed the loan files, bank statements, and its provisioning requirements.</p> <p>Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</p>

Provisioning & write off:

The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex.

For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions.

For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.

At year end the Company reported total gross loans and advances of Tk.12,363,967,591 (2017: Tk. 10,245,332,407) and provision for loans and advances of Tk.195,286,751 including general provision Tk. 110,765,355 & specific provision Tk. 84,521,396 (2017: Tk.185,399,315).

Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates.

Classified Loans & Advances are written off from the financial statements in accordance with specific Bangladesh Bank's circulars.

Writing off of loans & advances has drastic impact on the NPL (Non-Performing Loan). Additionally, the write-off of loans and advances are undertaken in line with Bangladesh Bank's circulars which overrides the requirements of IFRSs.

We have focused on the following significant judgments and estimates which could give rise to material

We tested the design and operating effectiveness of key controls focusing on the following:

- Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process;
- Identification of loss events, including early warning and default warning indicators;
- Reviewed quarterly Classification of Loans (CL);

Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:

- Reviewed the adequacy of the companies general and specific provisions;
- Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;

Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.

IT systems and controls

misstatement or management bias

- Completeness and timing of recognition of loss events (provisioning requirements) in accordance with criteria set out in FID circular no-3;
- For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows;
- Complete identification and timing of loans write-offs including final provisioning adjustment and recognition of qualifying mortgaged assets under non-banking assets.

The Company's disclosures about provisioning and write-off of Loans & Advances are included in note. 14.01, 14.02 & 31 and 8.12 respectively.

Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.

The Company's disclosures relating to its IT systems and controls are included in note 3.13 of the financial statements.

Our firm's own IT Specialist tested the design and operating effectiveness of the Company's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. We tested the Company's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Where deficiencies were identified, we tested compensating controls or performed alternate procedures. In addition, we understood where relevant, changes were made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.

Legal & Regulatory Matters

We focused on this area because the Company operates in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict.

Significant Legal & Regulatory matters pertaining to the Company were:

- Compliance of rules & regulations, including submission of returns to various regulators; and
- Litigation (cases) filed on behalf of or against the Company including any provisioning requirements.

These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities.

Overall, the legal provision represents the Company's best estimate for existing legal matters that have a probable and estimable impact on the Company's financial position.

The Company's disclosures relating to its legal & regulatory compliance are included in note 3.11 & 2.12 of the financial statements.

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the legal provision and contingency process.

We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters.

We enquired of the Company's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports.

We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information.

Tax	<p><u>Current Tax:</u> The Company reported net current tax liability of Tk. 420,337,010 as at 31 December 2018 (2017: Tk. 431,849,906) and current year tax provision of Tk. 170,988,049 (For 2017: Tk. 172,990,649). Current tax was considered significant to our audit due to the pending tax assessments for AY 2012-13, 2013-14 and 2014-15 as the amount of tax liable to the Company is not yet finalized by the tax authorities.</p> <p>The Company's disclosures relating to current tax are included in note 3.07.01 & 14.07 to the financial statements.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the recognition and measurement of current tax and the assumptions used in estimating the Company's tax liability for the current year.</p> <p>Furthermore, we reviewed the correspondences, assessment orders and appeal documents to evaluate the basis of the provisions maintained in the financial statements.</p>
	<p><u>Deferred Tax:</u> The Company reported net deferred tax assets to totaling Tk. 2,187,380 as at 31 December 2018.</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p> <p>The Company's disclosures relating to deferred tax are included in note- 3.07.02 & 10.03 of the financial statements.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Group's future taxable income. We also assessed the completeness and accuracy of the data used for the estimations of future taxable income.</p> <p>We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTA's. Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</p>

Materiality

The scope of our audit was influenced by materiality point of view. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall materiality	Tk. 20,308,853 (2017: Tk. 18,172,141)
How we determined it	5% of average profit or loss before tax of the last 5 years
Rational for benchmark applied	Based on the benchmarks used in the Annual Report, profit or loss before tax is a key measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017:75%) of our planning materiality namely Tk. 15,231,640 (2017: Tk. 13,629,105). We have set performance materiality at this percentage due to our previous experience as auditors of the Company from which we concluded that there is a lower expectation of material financial statement inaccuracies due to the Company's limited business nature and only minor audit differences resulting from our prior and current year work. Our approach is consistent with prior year.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information obtained prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls Management is responsible for maintenance of the required books of accounts & records and preparation and fair presentation of the financial statements of the Company in accordance with IFRSs as explained in note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Financial Institutions Act, 1993 & the Bangladesh Bank Regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Company. The Management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosed in note 2.10.03, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

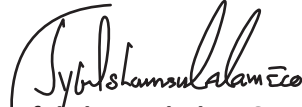
Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, we also report that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;
- (iii) The balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) The expenditures incurred were for the purpose of the Company's business for the year;
- (v) The financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) Provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (ix) statements sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and other duties were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- (xi) nothing has come to our attention that the Company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xiii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;

- (xiv) the Company has complied with relevant laws pertaining to capital, reserve and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (xv) we have reviewed over 80% of the risk weighted assets of the Company and we have spent around 1,848 person hours for the audit of the books and accounts of the Company;
- (xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank to classification, provisioning and calculation of interest suspense;
- (xvii) the Company has complied with the 'First Schedule' of Bank Companies Act, 1991 in preparing these financial statements; and

Dhaka,
Dated: 18 March 2019


Syfu Shamsul Alam & Co.
Chartered Accountants

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED
Balance Sheet
As at December 31, 2018

	Note	2018 Taka	2017 Taka
Property and Assets			
Cash:	4.00		
In hand (including foreign currencies)		77,732	77,938
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		194,421,756	212,814,180
		194,499,488	212,892,118
Balance with banks and other financial institutions:	5.00		
In Bangladesh		7,445,254,949	4,813,965,603
Outside Bangladesh		-	-
		7,445,254,949	4,813,965,603
Money at call and on short notice	6.00	-	-
Investments:	7.00		
Government		-	-
Others		129,891,081	132,094,351
		129,891,081	132,094,351
Loans and advances:	8.00		
Loans, cash credits, overdrafts etc.		12,363,967,591	10,245,332,407
Bills purchased and discounted		-	-
		12,363,967,591	10,245,332,407
Fixed assets including premises, furniture and fixtures	9.00	227,944,259	234,161,187
Other assets	10.00	619,296,271	524,751,124
Non-banking assets	11.00	-	-
Total Assets		20,980,853,639	16,163,196,789
Liabilities and capital			
Liabilities:			
Borrowing from other banks, financial institutions and agents	12.00	1,760,754,410	1,720,842,480
Deposits and other accounts:	13.00		
Current accounts and other accounts etc.		-	-
Bills payable		-	-
Savings bank deposits		8,180,000,000	3,930,000,000
Fixed deposits		7,956,881,144	7,724,983,097
Bearer certificate of deposits		-	-
Other deposits		12,117,263	13,181,489
		16,148,998,406	11,668,164,585
Other liabilities	14.00	1,296,869,976	1,073,585,577
Total Liabilities		19,206,622,793	14,462,592,642
Capital/Shareholders' equity:			
Paid up capital	15.02	1,063,920,000	1,063,920,000
Statutory reserve	16.00	466,539,218	411,384,918
Retained earnings	17.00	243,771,628	225,299,229
Total Shareholders' equity		1,774,230,847	1,700,604,147
Total liabilities and Shareholders' equity		20,980,853,639	16,163,196,789

Off-Balance Sheet Items

Contingent Liabilities:

Acceptances and endorsements

Letters of guarantee

Irrevocable letters of credit

Bills for collection

Other contingent liabilities

Other Commitments:

Documentary credits and short term trade related transactions

Forward assets purchased and forward deposits placed

Undrawn note issuance and revolving underwriting facilities

Un-disbursed contracted loans and leases

Undrawn formal standby facilities, credit lines and other commitments

Total Off-Balance Sheet Items including contingent liabilities

41.00		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
	1,303,262,879	1,472,681,927	
	1,303,262,879	1,472,681,927	
	1,303,262,879	1,472,681,927	

The accompanying notes form an integral part of these financial statements


Md. Khalilur Rahman
Managing Director


Md. Kabir Reza
Director



Syed M. Altaf Hussain
Director


Latifur Rahman
Chairman

This is the balance sheet referred to in our separate report of even date.

Place: Dhaka

Dated: 18 March, 2019


Syful Shamsul Alam & Co.
Chartered Accountants

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED
Profit and Loss Account
For the year ended December 31, 2018

	Note	2018 Taka	2017 Taka
Interest Income	19.00	1,995,665,758	1,392,628,969
Interest paid on deposits, borrowings etc.	20.00	1,344,114,201	814,692,065
Net interest income		651,551,557	577,936,904
Investment Income	21.00	7,643,076	21,597,797
Commission, exchange and brokerage	22.00	57,500	76,480
Other operating income	23.00	24,971,263	26,907,391
		32,671,839	48,581,668
Total operating income		684,223,396	626,518,572
Salaries and allowances	24.02	100,397,298	86,450,159
Rent, taxes, insurance, electricity etc.	24.03	9,844,693	8,722,465
Legal expenses	24.04	2,039,068	2,345,068
Postage, stamps, telecommunication etc.	25.00	1,767,957	3,357,523
Stationery, printing, advertisement etc.	26.00	19,873,942	17,624,610
Managing Director's salary and fees	27.00	7,626,083	6,004,000
Directors' fees and expenses	24.01	1,950,400	1,950,400
Auditors' fees	28.00	287,500	287,500
Charges on loan losses		-	-
Depreciation and repairs to assets	29.00	10,718,782	10,901,047
Other expenses	30.00	15,968,331	14,491,220
Total operating expenses		170,474,054	152,133,992
Profit/ (Loss) before provisions		513,749,342	474,384,580
Provisions for			
Loans, advances and leases	31.00	47,662,031	37,846,681
Diminution in value of investments	31.01	14,001,352	8,159,961
Others	31.02	4,492,425	(138,737)
Total provisions		66,155,808	45,867,905
Total profit/(loss) before taxation		447,593,534	428,516,675
Provisions for taxation			
Current	14.08	(170,988,049)	(172,990,649)
Deffered	10.03(a)	(833,985)	(377,870)
		(171,822,035)	(173,368,518)
Net Profit/(loss) after taxation		275,771,500	255,148,157
Appropriations:			
Statutory reserve	16.00	55,154,300	51,029,631
General reserve		-	-
Dividend etc.		-	-
		55,154,300	51,029,631
Retained surplus		220,617,200	204,118,526
Earnings per share	32.00	2.59	2.40

The accompanying notes form an integral part of these financial statements


Md. Khalilur Rahman
 Managing Director

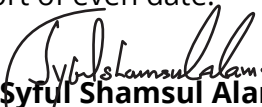

Md. Kabir Reza
 Director


Syed M. Altaf Hussain
 Director


Latifur Rahman
 Chairman

This is the profit & loss account referred to in our separate report of even date.

Place: Dhaka
Dated: 18 March, 2019


Syful Shamsul Alam & Co.
 Chartered Accountants

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED
Cash Flow Statement
For the year ended December 31, 2018

A. Cash flows from operating activities	2018 Taka	2017 Taka
Interest receipts in cash	1,927,642,261	1,317,787,612
Interest payments	(1,161,026,083)	(762,648,456)
Dividend receipts	5,812,457	6,732,455
Fees and commissions receipts in cash	57,500	76,480
Recoveries on loans previously written off	1,860,000	-
Cash payments to employees	(110,116,879)	(89,631,913)
Cash payments to suppliers	(21,999,522)	(21,192,764)
Income taxes paid	(188,556,861)	(192,207,075)
Receipts from other operating activities	26,801,882	41,772,733
Payments for other operating activities	(26,074,992)	(23,875,525)
Cash generated from operating activities before changes in operating assets and liabilities	454,399,763	276,813,548
Increase/(decrease) in operating assets and liabilities:		
Statutory deposits	-	-
Purchase/sale of trading securities	-	-
Loans, advances and leases to the client	(2,157,416,907)	(1,322,596,893)
Other assets	(29,817,900)	(44,592,111)
Term deposits	4,481,898,047	3,195,822,870
Other deposits	(1,064,226)	(5,288,047)
Trading liabilities	-	-
Other liabilities	29,071,771	10,956,361
Net cash flow from operating activities	2,322,670,785	1,834,302,180
B. Cash flows from investing activities	2,777,070,547	2,111,115,728
Proceeds from sale of securities	2,203,270	(49,813,356)
Payments for purchase of securities	-	-
Purchase /sale of property, plant & equipment	(4,144,231)	(10,130,265)
Purchase /sale of subsidiary	-	-
Net cash from investing activities	(1,940,961)	(59,943,621)
C. Cash flows from financing activities		
Receipts from issue of loan capital & debt securities	-	-
Payments for redemption of loan capital & debt securities	-	-
Receipt from ordinary shares	39,911,930	710,888,649
Loan from banks	(202,144,800)	(191,505,600)
Dividend paid	(162,232,870)	519,383,049
Net cash from financing activities	2,612,896,716	2,570,555,156
D. Net increase/(decrease) in cash	-	-
E. Effects of exchange rate changes on cash and cash equivalent	5,026,857,721	2,456,302,565
F. Cash and cash equivalent at beginning of the year	7,639,754,437	5,026,857,721
G. Cash and cash equivalent at end of the year	77,732	77,938
Cash and cash equivalent at end of the year	194,421,756	212,814,180
(Cash in hand (including foreign currencies)	7,445,254,949	4,813,965,603
Balance with Bangladesh Bank and its agent bank(s) (including foreign currency)	-	-
Balance with banks and other financial institutions	-	-
Money at call and on short notice	7,639,754,437	5,026,857,721

The accompanying notes form an integral part of these financial statements and are to be read in conjunction therewith.

Md. Khalilur Rahman
Managing Director

Md. Kabir Reza
Director

Syed M. Altaf Hussain
Director

Latifur Rahman
Chairman

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Statement of Changes in Equity For the year ended December 31, 2018

Figures in Taka

Particulars	Paid-up Capital	Statutory Reserve	General Reserve	Retained Earnings	Total
Balance as at January 01, 2018	1,063,920,000	411,384,918	-	225,299,229	1,700,604,147
Changes in accounting policy	-	-	-	-	-
Restated balance	1,063,920,000	411,384,918	-	225,299,229	1,700,604,147
Surplus/deficit on account of revaluation of properties	-	-	-	-	-
Surplus/deficit on account of revaluation of Investments	-	-	-	-	-
Currency transaction differences	-	-	-	-	-
Net gain/loss not recognized in the income statement	-	-	-	-	-
Net profit for the year	-	-	-	275,771,500	275,771,500
Dividends	-	-	-	(202,144,800)	(202,144,800)
Transfer to statutory reserve	-	55,154,300	-	(55,154,300)	-
Balance as at December 31, 2018	1,063,920,000	466,539,218	-	243,771,628	1,774,230,847

The accompanying notes form an integral part of these financial statements and are to be read in conjunction therewith.


Md. Khalilur Rahman
Managing Director


Md. Kabir Reza
Director


Syed M. Altaf Hussain
Director


Latifur Rahman
Chairman

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Liquidity Statement (Maturity Analysis of Assets & Liabilities)

As at December 31, 2018

Figures in Taka

Asset	Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Cash in hand		77,732	-	-	-	-	77,732
Balance with Bangladesh Bank and its agents		194,421,756	-	-	-	-	194,421,756
Balance with other banks and FIs		255,466,834	961,109,300	4,589,290,920	1,639,387,895	-	7,445,254,949
Investments		109,891,081	10,000,000	10,000,000	-	-	129,891,081
Money at call and on short notice		-	-	-	-	-	-
Loans, advances and leases		1,863,623,027	127,108,173	1,098,438,885	1,939,148,893	7,335,648,613	12,363,967,591
Fixed assets including premises, furnitures and fixtures		-	-	-	-	227,944,259	227,944,259
Other assets		190,252,880	-	334,198,903	94,690,027	154,460	619,296,271
Non-financial institution assets		-	-	-	-	-	-
Total Asset		2,613,733,311	1,098,217,473	6,031,928,709	3,673,226,815	7,563,747,332	20,980,853,639
Liabilities							
Borrowing from banks, other financial institutions and agents		405,110,326	123,119,589	629,630,910	158,731,000	44,162,585.79	1,360,754,410
Deposits and other accounts		1,675,964,120	-	4,955,376,686	3,916,630,296	6,001,027,304.39	16,548,998,406
Provision & other liabilities		500,627,305	14,183,737	420,337,010	361,721,923	-	1,296,869,976
Total Liabilities		2,581,701,751	137,303,326	6,005,344,606	4,437,083,219	6,045,189,890	19,206,622,793
Net Liquidity Gap		32,031,560	960,914,147	26,584,103	(763,856,405)	1,518,557,442	1,774,230,847

Net result of the liquidity statement represents the "Shareholders' Equity" of NHFIL.

The accompanying notes form an integral part of these financial statements and are to be read in conjunction therewith.


Md. Khalilur Rahman
Managing Director


Md. Kabir Reza
Director


Syed M. Altaf Hussain
Director


Latifur Rahman
Chairman

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED
Notes to the Financial Statements
For the year ended December 31, 2018

1.00 Company and its activities

1.01 Legal status and nature of the company

National Housing Finance and Investments Limited (NHFIL) was incorporated on August 18, 1998 as a public limited company under the Companies Act 1994, obtaining license from Bangladesh Bank under the Financial Institutions Act 1993 on December 29, 1998. The main objectives of the Company are to carry on the business of financing the acquisition, construction, development and purchase of houses, plots, apartments, real estates, commercial spaces, etc.

The Company has obtained permission from Bangladesh Bank on June 03, 2003 to enter into lease finance operation keeping housing finance as its core business. The Company extends lease finance for all types of industrial, manufacturing and service equipment's including vehicles to individual companies and corporate houses.

The corporate office of the Company is located at Concord Baksh Tower (7th floor), Plot #11-A, Road # 48, Block # CWN(A), Gulshan-2, Dhaka-1212.

The registered office of the Company is located at National Plaza (7th floor), 109, Bir Uttam C.R. Datta Road (Ex-Sonargaon Road), Dhaka -1205.

1.02 Principal Activities of NHFIL

The Company provides loan to the extent of 70.00% of the total purchase price of houses, plots and apartments under usual repayable terms varying from 5 years to 20 years. The properties for which loans are disbursed are kept under registered / equitable mortgage as security. In addition to this NHFIL also involves with other activities such as accepting deposits, SME, lease financing, project financing etc.

2.00 Basis of preparation and presentation of financial statements and significant accounting policies

2.01 Statement of Compliance

The financial statements of the Company have been prepared on a going concern basis and compliance with the Section-38 (First Schedule) of the Bank Companies Act 1991 and the subsequent amendment thereof, as instructed by Bangladesh Bank vide their DFIM Circular no-11 dated 23 December 2009, Bangladesh Accounting Standard (BASs), Bangladesh Financial Reporting Standards (IFRSs), The Companies Act 1994, The Securities and Exchange Ordinance 1969, The Securities and Exchange Rule 1987 and other applicable laws and regulations in Bangladesh.

2.02 Basis of Accounting

The financial statements of the Company have been prepared on accrual basis of accounting, under historical cost convention except marketable securities which have been accounted for on the basis of cost or market price whichever is lower at the balance sheet date.

2.03 Disclosure of deviations from few requirements of IAS/IFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank (the local Central Bank) is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. Some requirements of Bangladesh Bank's rules and regulations contradict with those of financial instruments and general provision standards of IAS and IFRS. As such the Company has departed from those contradictory requirements of IAS/IFRS in order to comply with the rules and regulations of Bangladesh Bank.

2.03.01 Investment in shares and securities

IFRS: As per requirements of IAS 39 investment in shares and securities generally falls either under “at fair value through profit and loss account” or under “available for sale” where any change in the fair value (as measured in accordance with IFRS 13) at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank: As per FID circular No. 08 dated 03 August 2002 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively.

Provision should be made for any loss arising from diminution in value of investment. As such the Company measures and recognizes investment in quoted and unquoted shares at cost if the year-end market value (for quoted shares) and book value (for unquoted shares) are higher than the cost. In order to comply with the requirement specified in DFIM Circular No. 11, the company has charged the entire amount of difference in market value and cost price of marketable securities to the profit and loss account. However as per requirements of IAS 39 investment in shares falls either under “at fair value through profit and loss account” or under “available for sale” where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve respectively.

2.03.02 Provision on loans and advances/investments

IFRS: As per IAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per FID circular No. 08 dated 03 August 2002, FID circular No. 03, dated 03 May 2006 and DFIM circular No. 03, dated 29 April 2013 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained. However such general provision satisfy the conditions of provision as per IAS 39. At the year end the Company has recognized an accumulated general provision of BDT 110,765,355 (out of accumulated provision of BDT 229,703,774) under liabilities.

2.03.03 Recognition of interest income in suspense

IFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per IAS 39 and interest income is recognized through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognized in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per DFIM circular no. 08 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognized as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

2.03.04 Other comprehensive income

IFRS: As per IAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which shall strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income (OCI) nor are the elements of Other Comprehensive Income allowed to be included in the Single Comprehensive Income (SCI) Statement. As such the company does not prepare the other comprehensive income statement. However the company does not have any elements of OCI to be presented.

2.03.05 Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categories, recognize, measure and present financial instruments differently from those prescribed in IAS 39. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

2.03.06 Write off

Write-off describes a reduction in recognized value. It refers to recognition of the reduced or zero value of an asset. Generally it refers to an investment for which a return on the investment is now impossible or unlikely. The item's potential return is thus canceled and removed from ("written off") the Company's balance sheet.

Recovery against debts written off/provided for is credited to revenue. Income is recognized where amounts are either recovered and/or adjusted against securities/properties or advances there-against or are considered recoverable.

2.04 Date of Authorization

The Board of Directors has Authorized this financial statements for public issue on March 18, 2019.

2.04.01 Components of the financial statements

The financial statements comprise of (As per DFIM Circular No. 11, Dated 23 December 2009):

- a) Balance Sheet as at 31 December 2018.
- b) Profit and Loss Account for the year ended 31 December 2018.
- c) Statement of Cash Flows for the year ended 31 December 2018.
- d) Statement of Changes in Equity for the year ended 31 December 2018.
- e) Liquidity Statement for the year ended 31 December 2018 and
- f) Notes to the Financial Statements for the year ended 31 December 2018.

2.05 Functional and Presentation Currency

The figures of the financial statements are presented in Bangladesh Currency (Taka) and have been rounded off to the nearest Taka, which is the functional currency of NHFIL.

2.06 Use of Estimates and Judgments

The preparation of financial statements in conformity with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent assets and liabilities at the date of the financial statements.

The most critical estimates and judgments are applied to the following:

- Provision for impairment of loans, leases and investments
- Gratuity
- Useful life of depreciable assets

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

Contingent liabilities and contingent assets

The Company does not recognize contingent liability and contingent asset but discloses the existence of contingent liability in the financial statements. A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the Company or a present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably.

2.07 Branch accounting

The Company has seven branches, with no overseas branch as on 31 December 2018. Accounts of the branches are maintained at the corporate office from which these accounts are drawn up.

2.08 Liquidity Analysis

The liquidity analysis have been made on the basis of assets and liabilities as on the reporting date considering the residual maturity term as per the following basis:

- a) On the basis of residual maturity term:
 - i) Money at call and on short notice
 - ii) Balance with Banks
 - iii) Investments
 - iv) Borrowing from Banks and Financial Institutions
 - v) Public deposits
 - vi) Other liabilities
- b) Loans and advances on the basis of their repayment schedule
- c) Fixed assets on the basis of their estimated useful lives

2.09 Reporting Period

These financial statements have been prepared for the period from January 01, 2018 to December 31, 2018.

2.10 Cash Flow Statement

IFRS: The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per DFIM 11 dated 23-12-2009, cash flow is the mixture of direct and indirect methods.

2.10.01 Cash and cash equivalent

IFRS: Cash and cash equivalent items should be reported as cash item as per IAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

2.10.02 Non-banking asset

IFRS: No indication of Non-banking asset is found in any IFRS.

Bangladesh Bank: As per DFIM 11 dated 23-12-2009, there must exist a face item named Non-banking asset.

2.10.03 Going concern

The company has adequate resources to continue in operation for foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the accounts. The current credit facilities and resources of the company provide sufficient funds to meet the present requirements of its existing business and operation.

2.10.04 Materiality and aggregation

Each material item as considered by management significant has been presented separately in financial statements. No amount has been set off unless the company has a legal right to set off the amounts and intends to settle on net basis. Income and expenses are presented on a net basis only when permitted by the relevant accounting standards.

2.11 Implementation of BASEL-II

To comply with international best practices to make the FI's capital more risk sensitive as well as to make the FI industry more shock absorbent and stable, Bangladesh Bank provided regulatory capital framework "Risk Based Capital Adequacy for FI's with effect from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in these guidelines have to be followed by all FIs for the purpose of statutory compliance.

As per CAMD guidelines National Housing Finance and Investments Limited management should maintain a Capital Adequacy Ratio (CAR) of minimum 10%. In line with CAMD guideline's requirement, NHFIL has already formed BASEL-II implementation unit (BIU) is headed by Managing Director to ensure timely implementation of BASEL-II accord.

2.12 Legal Proceedings

NHFIL has got strong legal team for efficiently handling of company's legal matters including favorable disposal of court cases (both civil and criminal) for recovery of Non Performing Loans (NPL). For which company's asset quality is being improved. At present, relating to legal proceedings, we have no material adverse effect on business, financial conditions or results of operations.

3.00 Significant accounting policies

The accounting policies applied for preparation of this Financial Statements have been applied consistently for both the periods presented herein.

3.01 Authorized Capital

Authorized capital is the maximum amount of share capital that the Company is authorized by its Memorandum and Articles of Association.

3.02 Paid up Capital

Paid up capital represents total amount of shareholders' capital that has been paid in full by ordinary shareholders. Ordinary shareholders are entitled to vote at shareholders' meeting & receive dividends as declared from time to time.

3.03 Statutory Reserve

Statutory reserve has been maintained @ 20.00% of profit after tax in accordance with provisions of section 9 of the Financial Institutions Act 1993 until such reserve equal to its paid up capital.

3.04 Revenue Recognition

3.04.01 Interest Income

Mortgage Loans

Repayment of housing (mortgage) loans is made by way of Equated Monthly Installments (EMI) which consists of principal and interest. Interest is calculated annually on the outstanding balance at the beginning of the year. EMI commences after disbursement of loan in full. EMI and Pre-EMI interests are recoverable every month from the borrowers, interest on loan due for payment for more than 9 (nine) months are not taken into account.

Lease Finance

The Company follows the finance lease method following IAS 17: Leases to account for lease income. Interest are recognized as and when accrued/earned on the basis of accrual basis of accounting. Interest outstanding more than 2 (two) months for 5 (five) years loan and more than 5 (five) months for over 5 (five) years loan is not recognized as revenue but recognized as interest suspense complying the requirements by the DFIM of Bangladesh Bank.

Term Finance

Income from term finance is recognized when interest is accrued, but no interest of installments is taken into account that becomes due for more than 2 (two) months for 5 (five) years loan and more than 5 (five) months for over 5 (five) years loan but recognized as interest suspense complying the requirements by the DFIM circular of Bangladesh Bank.

Fixed Deposits

Fixed deposits, if not encashed on due date, is considered automatically renewed at the equivalent current rate of interest. Interest on fixed deposits is recognized as income as and when accrued.

3.04.02 Investment Income

Income on investment is recognized on accrual basis.

3.04.03 Fees and Commission Income

Fees and commission comprises application fees and administration fees computed on sanctioned loan amount.

3.05 Expenditure Recognition

3.05.01 Interest Paid and Other Expenses

Interest paid and other expenses are recognized on accrual basis.

3.05.02 Loan Loss Provision

General provision @ 1.00% & 0.25% on the unclassified loans are made as per policy prescribed by the Bangladesh Bank. In addition to Bangladesh Bank's policy for provision against non-performing loans, the Company follows a stringent policy to make provision against its non-performing loans.

3.05.03 Fixed Assets

i) Recognition and measurement

Items of fixed assets excluding land and building are measured at cost less accumulated depreciation and accumulated impairment losses. Land and building is recognized at cost at the time of acquisition. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use as per International Accounting Standard (IAS) 17 "Property, Plant and Equipment's".

ii). Subsequent Cost

Subsequent costs is capitalized only when it is probable that the future economic benefits associated with the costs will flow to the entity. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

Depreciation on fixed assets except land is provided on Reducing Balance Method and additions made during the year is charged for the whole year, while no depreciation is charged in the year of disposal. Asset category wise depreciation rates are as follows:

Items	Rates
Land and Building	10.00%
Newly acquired Building	3.00%
Furniture	10.00%
Office Equipment	20.00%
Motor Vehicle	20.00%

3.06 Employee Benefits

3.06.01 Provident Fund

The Company has introduced a Contributory Provident Fund for its eligible employees with effect from January 2002, obtaining necessary approval from the National Board of Revenue, GoB. Provident Fund is administered by a Board of Trustee of the Company. All confirmed employees are contributing 10.00% of their basic salary as subscription of the fund and the Company also contributed at the same rate to the fund. The contributions are invested in compliance with the PF Trust Deed. Members are eligible to get the both contribution after completion of 5(five) years continuous service.

3.06.02 Gratuity Fund

The Company has introduced a Funded Gratuity Scheme in the year 2004 obtaining necessary approval from the National Board of Revenue, GoB. The Gratuity Scheme is administered by a Board of Trustees. Members are eligible to get the gratuity benefit after completion of minimum 5(five) years of confirmed service in the company. Gratuity is calculated on the basis of last basic salary and is payable at the rate of one month's basic pay for every completed year of service.

3.07 Income Tax

3.07.01 Current Tax :

Provision for current year's taxation has been made as per the provision of Income Tax Ordinance 1984 at the ruling rate prescribed in the Finance Act, 2018 and consistent with the past practice.

3.07.02 Deferred Tax

Deferred Tax has been accounted for as per International Accounting Standard (IAS)-12: Income Taxes. It arises due to temporary difference, deductible or taxable, for the events or transaction recognized in the income statement. A temporary difference is the difference between the tax base of an asset or liability and its carrying amount/reported amount in the financial statement. Deferred Tax asset or liability is the amount of income tax payable or recoverable in future period (s) recognized in the current period. The Deferred Tax asset/income or liability/expense does not create a legal liability/recoverability to and from the income tax authority.

3.08 Earnings Per Share (EPS)

Earnings Per Share (EPS) has been computed by dividing the basic earnings by the weighted average number of ordinary shares outstanding as at December 31, 2018. The Company calculates EPS in accordance with IAS 33: Earnings Per Share, which has been shown on the face of Profit & Loss Account, and the computation of EPS is stated in note 32.00. This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

3.09 Dividend

Dividend on ordinary shares are recognized as a liability and deducted from retained earnings after due approval by the shareholders in the respective Annual General Meeting (AGM). Dividend recommended by the Board of Directors for approval of the shareholders for the year 2018 has been stated as post balance sheet events in note 48.00.

3.10 Related party disclosure

As per International Accounting Standards (IAS) 24 "Related Party Disclosures", parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party disclosures have been given in note-53 .

3.11 Regulatory & Legal Compliances

The Company has complied with the requirements of following regulatory and legal authorities:

- a) The Financial Institutions Act 1993;
- b) The Companies Act 1994;
- c) Rules and Regulations Issued by Bangladesh Bank;
- d) The Securities and Exchange Rules-1987;
- e) The Securities and Exchange Ordinance-1969;
- f) The Securities and Exchange Commission Act-1993;
- g) The Securities and Exchange Commission(Public Issue) Rules-2006
- h) The Income Tax Ordinance 1984;
- i) The VAT Act 1991;
- j) The 1st Schedule (under section 38) of Banking Companies Act 1991 for preparation of Financial Statements.

3.12 Compliance of International Accounting Standard (IAS) & International Financial Reporting Standard (IFRS)

The financial statements have been prepared in accordance with the applicable accounting and reporting standards i.e. IAS & IFRS as adopted by the Institute of Chartered Accountant of Bangladesh (ICAB). The following table shows the compliance status of IAS & IFRS for preparation and presentation of the financial statements:

IAS/IFRS	Reference	Status of Compliance
Presentation of Financial Statements	IAS-01	Applied
Inventories	IAS-02	Not Applicable
Cash Flow Statements	IAS-07	Applied
Accounting Policies, Changes in Accounting	IAS-08	Applied
Events after the Reporting Period	IAS-10	Applied
Construction Contract	IAS-11	Not Applicable
Income Taxes	IAS-12	Applied
Segment Reporting	IAS-14	Not Applicable
Property, Plant & Equipment	IAS-16	Applied
Leases	IAS-17	Applied
Revenue	IAS-18	Applied
Employee Benefits	IAS-19	Applied
Accounting for Government Grants and Disclosure	IAS-20	Not Applicable
The Effect of Changes in Foreign Exchange Rates	IAS-21	Not Applicable
Borrowing Costs	IAS-23	Applied
Related Party Disclosure	IAS-24	Applied
Accounting for Investments	IAS-25	Applied
Accounting and Reporting by Retirement Benefit	IAS-26	Not Applicable
Consolidated and Separate Financial Statements	IAS-27	Not Applicable
Investments in Associates	IAS-28	Not Applicable
Disclosure in Financial Statements in Banks & Similar Financial Institutions	IAS-30	Applied
Interest in Joint Venture	IAS-31	Not Applicable
Financial Instruments: Presentation	IAS-32	Applicable
Earnings Per Share	IAS-33	Applied
Interim Financial Reporting	IAS-34	Applied
Impairment of Assets	IAS-36	Applied
Provisions, Contingent Liabilities and Contingent Assets	IAS-37	Applied
Intangible Assets	IAS-38	Applied
Financial Instruments: Recognition and Measurement	IAS-39	Applicable
Investment Property	IAS-40	Not Applicable
Agriculture	IAS-41	Not Applicable
First Time adoption of IFRS	IFRS-1	Not Applicable
Share Based Payment	IFRS-2	Not Applicable
Business Combination	IFRS-3	Not Applicable
Insurance Contracts	IFRS-4	Not Applicable
Non-current Assets held for Sale and Discontinued	IFRS-5	Not Applicable
Explanation for and Evaluation of Mineral	IFRS-6	Not Applicable
Financial Instruments: Disclosures	IFRS-7	Applicable
Operating Segments	IFRS-8	Applied
Financial Instruments	IFRS-9	Applicable
Joint Arrangements	IFRS-11	Not Applicable
Disclosure of Interests in Other Entities Financial	IFRS-12	Not Applicable
Fair Value Measurement	IFRS-13	Applicable
Revenue from Contracts with customers	IFRS-15	Applicable

3.13 Financial risk management

NHFIL always concentrates on delivering high value to its stakeholders through appropriate trade-off between risk and return. A well structured and proactive risk managementsystem is in place within the Company to address risks relating to credit, market, liquidity, operations and money laundering and terrorist financing. In addition to the industry best practices for assessing, identifying and measuring risks, NHFIL also considers guidelines for managing core risks of financial instructions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated 18 September 2005 for management of risks and, more recently, DFIM Circular No. 03 dated 24 January 2016.

Credit Risk

To encounter and mitigate credit risk the company employed multilayer approval process, policy for maximum exposure limit of sector or groups, policy for customers' assets maximum exposure limit, mandatory search for credit report from Credit Information Bureau, looking into payment performance of customer before financing, annual review of clients, vigorous monitoring and follow up by Special Assets Management Team, strong follow up of compliance of credit policies by Internal Control and Compliance Department (ICCD), taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, regular review of market situation and industry exposure etc.

The Credit Risk Management Committee (CRM) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CRM critically reviews projects from risk point of view. An independent Credit Risk Management Department is in place, at NHFIL, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets.

Market Risk

The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. NHFIL has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit

Liquidity Risk

Liquidity requirements are managed on a day-to-day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements, anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns.

Operational Risk

Appropriate internal control measures are in place, at NHFIL, to address operational risks. NHFIL has also established an Operational Risk Management (ORM) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risk. The function of the ORM department is to exercise constant vigilance against erosion of Shareholders' value by identifying, assessing, measuring and managing operational risk resulting from inadequate or failed internal processes, people and systems or from external events.

Money Laundering and Terrorist Financing Risk

In NHFIL, money laundering and terrorist financing risk takes two broad dimensions:

- a) Business risk which is the risk that NHFIL may be used for money laundering or for the financing of terrorism and
- b) Regulatory risk which is the risk that NHFIL fails to meet regulatory obligations under the Money Laundering Prevention Act, 2012 (subsequently amended in 2015) and the Anti-Terrorism Act, 2009 (subsequently amended in 2012 and 2013).

To mitigate the risks, NHFIL, while adhering to various guidelines and circulars issued by the Bangladesh Financial Intelligence Unit (BFIU), has in place a strict compliance program consisting of the following components:

- a) Internal policies, procedures and controls, which are continually updated as and when required, to identify and report instances of money laundering and terrorism financing.
- b) A dedicated structure and sub-structure within the organization, headed by a Central Compliance Unit (CCU), for proactively managing AML and CFT compliance.
- c) Appointment of an AML/CFT Compliance Officer, known as the Chief Anti Money Laundering Officer (CAMLCO), to lead the CCU.
- d) Independent audit functions, including internal and external audit, to test the programs.
- e) Ongoing employee training programs.

Additional risks required to be addressed under regulatory requirements

DFIM Circular No.03 of 2016, introduced the Integrated Risk Management Guidelines for Financial Institutions ("the guidelines"). These guidelines supplement, and do not replace, existing risk management guidelines.

The Integrated Risk Management Guidelines for Financial Institutions specify a number of additional risks that financial institutions are now required to manage in a more structured manner. Key among these are:

Strategic Risk

Strategic risk has been defined as the risk of possible losses that might arise from adverse business decisions, substandard execution and failure to respond properly to changes in the business environment. The guidelines set out the respective roles of the board of the directors, senior management and business units in managing strategic risks, identify the minimum steps to be followed in the strategic risk management process and also suggest measures for strategic risk control.

NHFIL has been managing strategic risks ever since its inception. This is evident from the constantly evolving business model of the company over the years. The company has a clear strategic vision as to what it wants to be and a mission statement that states what it will do to achieve its vision. Strategic issues are discussed at a variety of forums including meetings of the Management Committee and of the NHFIL Board. Over the past few years, a separate Strategic Planning department has been set up to assist senior management in this regard.

Compliance Risk

Compliance risk is defined as the current or prospective risk of legal sanction and/or material financial loss that an organisation may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines set out the respective roles of the board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy.

Historically, NHFIL has always fostered a compliance oriented culture. This has been reinforced in a variety of ways, ranging from formal requirements to sign declarations of compliance with the NHFIL code of conduct (which requires compliance with the law & regulations) to repeated communications from senior management stressing the need to do business in a compliant manner. In general, compliance risk management is embedded in the day to day business processes and practices of the company. Concerned departments are kept informed of latest legal and regulatory requirements by the ICC and Corporate Affairs departments. A consideration of compliance (or any potential non-compliance) with laws and regulations is a standard part of the company's regular decision making processes. Wherever deemed necessary, appropriate legal advice is sought from qualified internal and/or external legal counsel.

Reputation Risk

Reputation risk may be defined as the risk of loss arising from damage to an organization's reputation. The guidelines set out the respective roles of the Board and senior management in managing reputation risk and also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks.

NHFIL has already established a set of non-financial reputational risk indicators and put in place a process for monitoring these and any other matters that might give rise to potential reputational risk issues. Till date, no material reputational risk issue involving the company has been identified.

Environmental & Social Risk

As the best financial brand in promoting sustainable business practices, NHFIL have adopted Environmental & Social Risk Management System as one of its integral parts of Credit Risk Assessment to compute environmental & social risks from our financial footprints. NHFIL is one of the front runners to add "Environmental & Social Management System (ESMS)" within its framework, to minimize environmental & social risks from the organizational activities. NHFIL also have a dedicated E&S team to rollout the operations of ESMS across the organization, capacity building of the business unit as well as the credit risk management officials to strengthen the core of our in E & S Risk management.

ICT Risks

Risks arising due to system breakdown, non-availability of systems, errors and disruptions or not keeping pace with the technological changes, there was continuous monitoring of employees and users of ICT systems to ensure strict adherence to information security policies, pertaining to safeguard confidentiality of information and to secure accuracy of information. Company's IT Department conducted a comprehensive staff training program on information system security awareness to all users. NHFIL is in process to implement fully automated software having adequate safety & security measures.

Future technological needs of the Company is to be reviewed and identified as a part of the strategic plan development process for next three financial years. IT department reviewed policies in relation to, hardware and software procurement and maintenance procedures, business contingency plan on ICT, system licensing procedures etc.

4.00 Cash

Cash in hand:

Local currency
Foreign currencies

Balance with Bangladesh Bank and its agent Bank:

Local currency
Foreign currencies

2018 Taka	2017 Taka
77,732	77,938
-	-
77,732	77,938
194,421,756	212,814,180
-	-
194,421,756	212,814,180
194,499,488	212,892,118

4.01 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institutions Act, 1993 & Financial Institutions Regulations, 1994, FID Circular No. 06, dated 06 November 2003, FID Circular No. 02 dated 10 November 2004 and DFIM Circular Letter No. 01, dated 12 January 2017.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on Total Term Deposits which is preserved in current account maintained with Bangladesh Bank. 'Total Term Deposit' means Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except Banks & Financial Institutions) and Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on Total Term Deposit. SLR is maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank and other Banks and Financial Institutions, unencumbered treasury bill, bond and any other assets approved by Government gazette or by Bangladesh Bank. Details of CRR & SLR maintained by the company are shown in the note: 4.01.01 & 4.01.02.

4.01.01 Cash Reserve Requirement (CRR)

Required reserve
Actual reserve held
Surplus/(deficit)

191,196,637	202,824,315
194,421,756	212,814,180
3,225,119	9,989,864

4.01.02 Statutory Liquidity Reserve (SLR)

Required reserve
Actual reserve held
Surplus/(deficit)

444,777,626	454,925,687
6,864,382,937	3,780,100,485
6,419,605,311	3,325,174,798

5.00 Balance with banks and other financial institutions

5.01 In Bangladesh

On current accounts (note: 5.01.01)
On Short Term Deposit (STD) Accounts (note: 5.01.02)
On Fixed Deposit Account (note: 5.01.03)

9,132,078	14,287,657
246,334,756	110,617,272
7,189,788,115	4,689,060,674
7,445,254,949	4,813,965,603

Outside Bangladesh

-	-
7,445,254,949	4,813,965,603

5.01.01 On Current Accounts

AB Bank Limited
Agrani Bank Limited
Bank Asia Limited
Janata Bank Limited
EXIM Bank Limited
National Bank Limited
One Bank Limited
Woori Bank Limited
Trust Bank Limited
Mercantile Bank Limited
The City Bank Limited

184,465	184,465
1,816,025	-
3,127,936	9,205,541
3,845	-
182,619	184,149
3,407,568	3,557,098
-	521
4,475	2,525
13,210	14,360
391,934	1,138,708
-	289
9,132,078	14,287,657

5.01.02 On Short Term Deposit (STD) Accounts

Islami Bank Bangladesh Limited
AB Bank Limited
Commercial Bank of Ceylon PLC
Dutch Bangla Bank Limited
Bank Asia Limited
Mutual Trust Bank Limited
Eastern Bank Limited
Exim Bank Limited
Jamuna Bank Limited
National Bank Limited
One Bank Limited
Prime Bank Limited
Premier Bank Limited
Pubali Bank Limited
Shahjalal Islami Bank Limited
Sonali Bank Limited
SBAC Bank Limited
Southeast Bank Limited
Trust Bank Limited
United Commercial Bank Limited
Bank Alfalah Limited
Mercantile Bank Limited

2018 Taka	2017 Taka
1,149,717	4,813,135
12,072	12,936
12,290,991	-
2,376,338	-
15,654,759	7,148,018
4,883,521	28,656.00
51,904,614	4,745,135
8,389	4,957
33,746,937	40,137,029
14,336,383	323,849
2,204,520	1,323,487
1,016,730	-
1,961,608	2,634,567
90,018,991	30,514,242
387,456	2,875,859
6,592	2,089
47,649	-
7,644,247	7,495,833
3,665,651	1,610,665
-	863
97,043	6,320,882
2,920,549	625,069
246,334,756	110,617,272

5.01.03 On Fixed Deposit Account

National Finance Limited
BD Finance Limited
Dhaka Bank Limited
Exim Bank Limited
Meridian Finance Limited
Jamuna Bank Limited
National Bank Limited
Fareast Finance Limited
Industrial and Infrastructure Development Finance Company Limited
Bangladesh Commerce Bank Limited
Bay leasing and Investment Limited
Islamic Finance and Investment Limited
International Leasing and Financial Services Limited
Reliance Finance Limited
IPDC Finance Limited
CAPM Venture Capital & Finance Limited
Premier leasing & Finance Limited
SBAC Bank Limited
Union Capital Limited
GSP Finance (BD) Limited
Hajj Finance Company Limited
Social Islami Bank Limited
MIDAS Financing Limited
Prime Finance & Investment Limited
Lankabangla Finance Limited
The Farmers Bank Limited

-	200,000,000
-	200,000,000
4,000,000,000	-
200,000,000	-
-	400,000,000
1,600,000,000	1,600,000,000
102,188,115	-
31,300,000	100,000,000
50,000,000	-
-	20,333,800
-	100,000,000
100,000,000	100,000,000
147,500,000	400,000,000
-	200,000,000
300,000,000	50,000,000
-	200,000,000
65,800,000	100,000,000
300,000,000	227,951,374
50,000,000	200,000,000
-	150,000,000
-	170,000,000
-	30,000,000
100,000,000	100,000,000
23,000,000	100,000,000
100,000,000	-
20,000,000	40,775,500
7,189,788,115	4,689,060,674

5.02 Maturity Grouping of Balance with other Banks and Financial Institutions

On demand
Up to 3(three) months
More than 3(three) months but not more than 1(one) year
More than 1(one) year but not more than 5(five) years
More than 5(five) years

2018 Taka	2017 Taka
255,466,834	124,904,929
961,109,300	411,109,300
4,589,290,920	4,277,951,374
1,639,387,895	-
-	-
7,445,254,949	4,813,965,603

6.00 Money at call and on short notice

With Banking Companies

-	-
-	-

7.00 Investments

Government securities
Other investments (note: 7.01)

-	-
129,891,081	132,094,351
129,891,081	132,094,351

7.01 Other Investments

Preference Shares
Ordinary Shares (note: 7.01.01)

20,000,000	30,000,000
109,891,081	102,094,351
129,891,081	132,094,351

7.01.01 Investment in ordinary shares

Name of Company	Cost Price	Number of Shares	Cost Value	Market Price	Market Value as on 31.12.2018	Provision for diminution in value of share
ACI Formulations Limited	183.37	173,913	31,889,631	153.80	26,747,819	5,141,812
The ACME Laboratories Limited	117.16	55,000	6,443,624	85.90	4,724,500	1,719,124
M.L. Dyeing Limited	8.33	4,229	35,242	29.70	125,601	(90,360)
Lankabangla Finance limited	35.51	238,000	8,450,812	22.90	5,450,200	3,000,612
Becon Pharmaceuticals Limited	20.46	370,103	7,572,164	16.20	5,995,669	1,576,495
IDLC Finance Limited	77.80	204,000	15,872,127	69.70	14,218,800	1,653,327
VFS Thread Dyeing Limited	9.09	4,222	38,386	57.80	244,032	(205,646)
Aman Cotton Fibrous Limited	40.00	7,846	313,840	42.10	330,317	(16,477)
Titas Gas Limited	49.64	350,000	17,374,642	36.40	12,740,000	4,634,642
Bangladesh Shipping Corporation	50.56	149,603	7,563,495	39.00	5,834,517	1,728,978
SS Steel Limited	10.00	13,492	134,920	10.00	134,920	0
Silva Pharmaceuticals Limited	10.00	9,194	91,940	30.10	276,739	(184,799)
Kattali Textile Limited	9.09	11,070	100,640	25.30	280,071	(179,431)
Indo-Bangla Pharmaceuticals Limited	9.09	2,294	20,858	31.10	71,343	(50,486)
SK Trims & Industries Limited	9.09	5,546	50,420	46.30	256,780	(206,360)
Bashundhara Paper Mills Limited	80.00	10,807	864,560	83.80	905,627	(41,067)
Intraco Refueling Station Limited	9.53	266	2,534	26.80	7,129	(4,595)
Golden Harvest Agro Industries Limited	41.60	33,000	1,372,731	29.30	966,900	405,831
Dhaka Electric Supply Company Limited	46.98	80,000	3,758,619	40.40	3,232,000	526,619
LafargeHolcim Bangladesh Limited	69.04	115,000	7,939,899	43.50	5,002,500	2,937,399
Total			109,891,081		87,545,464	22,345,618

Opening Balance
Charge /(recovery) during the year
Balance as on December 31, 2018

8,344,266	184,305
14,001,352	8,159,961
22,345,618	8,344,266

7.01.02 Maturity-wise Grouping

On demand
Up to 3(three) months
More than 3(three) months but not more than 1(one) year
More than 1(one) year but not more than 5(five) years

8.00 Loans and advances

Mortgage loans
Lease finance
Term loans
Small & Medium Enterprises Loan
Loan Against Fixed Deposits
Staff loan (note: 8.05)

8.01 Maturity-wise Grouping of loans and advances

Up to 1 (one) months
Up to 3(three) months
More than 3(three) months but not more than 1(one) year
More than 1(one) year but not more than 5(five) years
More than 5(five) years

8.02 Loans, Advances and Leases

In Bangladesh
Loans
Leases
Overdraft
Cash Credit

Outside Bangladesh

8.03 Geographical Location-wise Grouping In Bangladesh

Dhaka division
Chittagong division
Khulna division
Sylhet division
Barisal division
Rangpur division
Rajshahi division

Outside Bangladesh

2018 Taka	2017 Taka
109,891,081	102,094,351
10,000,000	-
10,000,000	10,000,000
-	20,000,000
129,891,081	132,094,351
11,053,302,195	8,873,727,141
87,281,758	98,989,785
328,502,891	441,934,218
746,387,271	754,100,735
59,718,417	39,621,891
88,775,059	36,958,636
12,363,967,591	10,245,332,407
1,863,623,027	1,918,388,347
127,108,173	60,343,173
1,098,438,885	993,373,558
1,939,148,893	1,591,883,573
7,335,648,613	5,681,343,755
12,363,967,591	10,245,332,407
12,276,685,833	10,146,342,622
87,281,758	98,989,785
-	-
-	-
12,363,967,591	10,245,332,407
-	-
12,363,967,591	10,245,332,407
9,771,062,402	7,977,298,654
720,077,148	631,565,169
-	-
-	-
-	-
544,851,821	411,288,014
1,327,976,220	1,225,180,569
12,363,967,591	10,245,332,407
-	-
12,363,967,591	10,245,332,407

	2018 Taka	2017 Taka
8.04 Significant Concentration-wise Grouping		
Directors & their related parties (Note: 53.00)	-	-
Staff:		
Managing Director	-	-
Senior Executives	88,775,059	36,958,636
Others	59,718,417	39,621,891
	148,493,476	76,580,527
Industries:		
Agricultural loan	346,156,735	336,794,722
Large and medium enterprises	724,688,014	754,100,735
Small and cottage	91,327,171	204,129,281
	1,162,171,920	1,295,024,738
Mortgage Loan		
Home mortgage loan	9,443,901,387	7,491,363,779
Commercial mortgage loan	1,220,532,093	1,081,481,463
Project mortgage loan	388,868,715	300,881,899
	11,053,302,195	8,873,727,141
Trade & commercial	-	-
	12,363,967,591	10,245,332,407
8.05 Staff Loan		
Personal loan	51,319,654	15,472,451
Car loan	2,109,801	3,665,477
House building loan	35,345,604	17,820,708
	88,775,059	36,958,636
8.06 Details of Large Loan		
As at 30th September 2018 there was no client with whom amount of outstanding and classified loans, advances and leases exceeded 15.00% of the total capital of the Company. Total capital of the Company was Taka 1,811.82 million and Taka 1,847.34 million respectively as at 2018 & 2017 respectively (note: 15.05).		
8.07 Grouping as per Classification Rules		
Unclassified:		
Standard	11,449,247,174	9,463,314,673
Special Mention Account	388,775,644	257,337,080
Classified:	11,838,022,818	9,720,651,753
Sub-standard	112,906,070	54,576,133
Doubtful	82,188,814	165,343,166
Bad/loss	330,849,889	304,761,355
	525,944,773	524,680,654
	12,363,967,591	10,245,332,407
8.08 Loan Type-wise Classified Loan		
Mortgage loans	286,129,394	305,755,646
Lease finance	61,356,336	63,085,452
Term Finance	53,768,281	56,481,686
Small & Medium Enterprises	124,690,762	99,357,870
	525,944,773	524,680,654

8.09 Sector-wise Allocation of Loans, Advances and Leases**Government****Private:**

Mortgage loan

Industry

Term Finance

Commercial loan

SME Loan

Miscellaneous

2018
Taka**2017**
Taka

9,832,770,102

7,792,245,678

87,281,758

98,989,785

328,502,891

441,934,218

1,220,532,093

1,081,481,463

746,387,271

754,100,735

148,493,476

76,580,527

12,363,967,591**10,245,332,407****8.10 Securities Against Loans, Advances and Leases**

Collateral of moveable/immoveable assets

Fixed Deposit Receipts (FDR)

Fixed Deposit of other banks

Personal guarantee

Others

12,094,085,094

8,891,547,849

59,718,417

39,621,891

156,734,625

296,845,995

53,429,455

19,137,928

-

998,178,743

12,363,967,591**10,245,332,407****8.11 Particulars of Required Provision for Loans, Advances and Leases**

Status	Outstanding Loans, Advances and Leases as at 31.12.2018	Base for Provision	Rate of Required Provision	Required Provision	Required Provision
For Loans, Advances and Leases:					
Unclassified-General					
All unclassified Loans	11,449,247,174	11,449,247,174	0.25% & 1%	110,205,353	90,258,213
Special Mention Account (SMA)	388,775,644	356,806,946	5.00%	17,840,347	11,854,640
Sub-total:	11,838,022,818	11,806,054,120		128,045,700	102,112,853
Classified-Specific					
Sub-standard	112,906,070	4,323,310	20.00%	864,662	1,286,008
Doubtful	82,188,814	8,788,727	50.00%	4,394,364	32,592,219
Bad/Loss	330,849,889	61,422,023	100.00%	61,422,023	48,374,235
Sub-total:	525,944,773	74,534,060		66,681,048	82,252,462
Grand-total:	12,363,967,591	11,880,588,180		194,726,749	184,365,314

Note- Excess provision kept for the year 2018 for an amount of Taka 560,003.

8.12 Particulars of Loans, Advances and Leases

Loans considered good in respect of which the Company is fully secured
Loans considered good against which the Company holds no security other than debtors' personal guarantee
Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors
Loans adversely classified-no provision not maintained there against

	2018 Taka	2017 Taka
Loans considered good in respect of which the Company is fully secured	12,310,538,136	10,226,194,479
Loans considered good against which the Company holds no security other than debtors' personal guarantee	53,429,455	19,137,928
Loans considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	-	-
Loans adversely classified-no provision not maintained there against	-	-
	12,363,967,591	10,245,332,407
Loans due by directors or officers of the bank or any of them either separately or jointly with any other persons	88,775,059	36,958,636
Loans due from companies or firms in which the directors or officers of the Company have interest as directors, partners or managing agents or, in case of private companies, as members	-	-
Maximum total amount of advance, including temporary advance made at any time during the year to directors or managers or officers of the Company or any of them either separately or jointly with any other person	-	-
Maximum total amount of advance, including temporary advances granted during the year to companies or firms in which the directors of the Company are interested as directors, partners or managing agents or, in case of private companies, as members.	-	-
Due from banks/financial institutions	-	-
Classified loans, advances and leases:		
a) Classified loans, advances and leases on which interest has not been charged (Note-8.07)	330,849,889	304,761,355
b) Loans written off	42,292,697	38,726,772
c) Realized from previous written off	1,007,128	-
d) Provision on bad loans, advances and leases	66,681,048	82,252,462
e) Interest credited to the interest suspense account (Note-14.05)	132,018,149	110,550,694
f) Cumulative amount of the written off loans/Leases:		
Opening balance	298,540,088	259,813,316
Amount written off during the year	42,292,697	38,726,772
Cumulative to date	340,832,785	298,540,088
Recovery from write-off	(1,007,128)	-
Written off loans for which law suit filed	339,825,657	298,540,088

8.13 The directors of the Company have not taken any loan from National Housing during the year or there is no outstanding loan balances with any directors of the company.

9.00 Fixed assets including premises, furniture and fixtures for 2018

Cost

Opening balance
Add: Addition during the year

Less: Disposed during the year

Balance as on 31.12.2018

Less: Accumulated depreciation (9.01)

Written down value as on 31.12.2018

Opening balance	295,539,107	287,217,919
Add: Addition during the year	4,316,876	10,259,241
	299,855,983	297,477,160
Less: Disposed during the year	(2,183,766)	(1,938,053)
	297,672,217	295,539,107
Less: Accumulated depreciation (9.01)	(69,727,958)	(61,377,920)
	227,944,259	234,161,187

9.01 Accumulated depreciation

Opening balance
Add: Depreciation charged during the year

Less: Adjustment during the year

Balance as on 31.12.2018

For details please refer to Annexure - A

2018 Taka	2017 Taka
61,377,920	52,496,581
10,361,159	10,690,416
71,739,079	63,186,997
(2,011,121)	(1,809,077)
69,727,958	61,377,920

10.00 Other assets

Income Generating Other Assets:

Non-income Generating Other Assets:

Advance against fixed assets
Security deposits
Advance income tax (note: 10.01)
Advance against branch office
Advance against office rent
Stamp & Security Paper
Deferred tax assets (note: 10.03)
Other receivables (note: 10.02)

-	-
94,690,027	77,249,503
154,460	154,460
332,360,403	326,304,486
2,207	21,600
1,838,500	2,150,100
619,020	273,431
2,187,380	3,021,365
187,444,273	115,576,178
619,296,271	524,751,124

10.01 Advance Income Tax

Balance as at 1st January

Add: Advance tax for the year:

Tax paid during the year

Tax deducted at source

Less: Adjusted against tax provision

Balance as at 31st December

326,304,486	430,620,104
141,990,496	172,024,136
46,566,365	20,182,939
(182,500,944)	(296,522,692)
6,055,917	(104,315,617)
332,360,403	326,304,486

10.02 Other Receivables

Cheque dishonored charges
Accounts receivable
Interest on bank deposits
Receivable from Dhaka Stock Exchange Ltd.
Receivable from Multi Securities
Receivable from ETBL Securities
Receivable from UFT Co. Ltd
Legal charges receivable
Others

400,782	464,547
5,907,284	3,330,539
162,724,144	94,700,646
1,754,565	4,713,440
6,670	7,120
637,255	470,470
142,032	21,440
14,146,172	11,421,158
1,725,370	446,819
187,444,273	115,576,178

10.03 Deferred tax assets

Balance as at 1st January

Add: Addition during the year

3,021,365	3,399,235
(833,985)	(377,870)
2,187,380	3,021,365

10.03(a) Calculation of deferred tax

Carrying amount of Fixed Assets (excluding land)
Tax base value of Fixed Assets
Deductible temporary difference
Applicable tax rate
Deferred tax assets on fixed assets
Deferred tax assets/(liability) at the beginning of year
Deferred tax income/(Expenses)

2018 Taka	2017 Taka
10,361,159	10,690,416
16,194,172	18,243,829
5,833,013	7,553,413
37.50%	40.00%
2,187,380	3,021,365
3,021,365	3,399,235
(833,985)	(377,870)
-	-

11.00 Non-banking assets

12.00 Borrowing from banks, other financial institutions and agents

Secured

In Bangladesh:

Secured Overdraft

Banking companies:

Eastern Bank Limited
Mercantile Bank Limited
Mutual Trust Bank Limited
Prime Bank Limited
Pubali Bank Limited
United Commercial Bank Limited

-	96,591,304
3,799,949	50,032,839
-	402
-	23,653,048
249,711,337	201,380,182
-	8,307,590
253,511,286	379,965,364
-	-
253,511,286	379,965,364
-	-
253,511,286	379,965,364

Non-banking financial institution

Outside Bangladesh

Sub-total:

Term Loan :

Banking companies:

SBAC Bank Limited
Eastern Bank Limited
Woori Bank Ltd.

400,000,000	-
79,050,000	1,500,000
162,000,000	162,000,000
641,050,000	163,500,000
-	-
641,050,000	163,500,000
-	-
641,050,000	163,500,000

Non-banking financial institution

Outside Bangladesh

Sub-total:

Bangladesh Bank Loan:

SME loan
HML Refinance Scheme

Sub-total:

307,457,258	508,627,235
238,735,867	268,749,881
546,193,125	777,377,116

Un-secured

Money at call and on short notice:

Banking companies:

Sonali Bank Limited
Agrani Bank Limited
National Credit and Commerce Bank Limited
Janata Bank Limited

170,000,000	150,000,000
-	100,000,000
40,000,000	-
110,000,000	150,000,000
320,000,000	400,000,000
-	-
320,000,000	400,000,000
-	-
320,000,000	400,000,000
1,760,754,410	1,720,842,480

Non-banking financial institution

Outside Bangladesh

Sub-total:

Total:

12.01 Remaining Maturity Grouping of Borrowing

	2018 Taka	2017 Taka
Payable on demand	320,000,000	400,000,000
Up to 1 (one) month	85,110,326	32,545,000
Over 1(one) month to 3(three) months	123,119,589	110,582,589
Over 3(three) months to 1(one) year	629,630,910	833,372,036
Over 1(one) year to 5(five) years	558,731,000	216,791,000
More than 5(five) years	44,162,586	127,551,855
	1,760,754,410	1,720,842,480

13.00 Deposits and other accounts

Bank Term deposits	8,180,000,000	3,930,000,000
Customer deposits	7,956,881,144	7,724,983,097
Other deposits (note: 13.02)	12,117,263	13,181,489
	16,148,998,406	11,668,164,585

13.01 Remaining Maturity Grouping of Deposits and Other Accounts

Payable on demand	320,000,000	400,000,000
Within 1(one) month	1,355,964,120	1,305,899,120
Over 1(one) month to 6(six) months	2,674,533,704	2,117,697,489
Over 6(six) months to 1(one) year	2,280,842,982	2,228,606,982
Over 1(one) year to 5(five) years	3,916,630,296	3,141,630,296
Over 5(five) years to 10(ten) years	3,994,633,723	2,474,330,698
More than 10(ten) years	1,606,393,581	-
	16,148,998,406	11,668,164,585

13.02 Other Deposits

Home mortgage loan deposit	730,354	1,594,993
Margin deposit	2,230,390	2,219,850
Refundable share money deposit	6,210,394	6,210,394
Lease deposit	2,946,125	3,156,252
	12,117,263	13,181,489

14.00 Other liabilities

Provision for loans, advances ,investments and others(note: 14.01 to 14.04)
Interest suspense (note: 14.05)
Provision for gratuity (note: 14.06)
Withholding tax payable
VAT & Excise duty payable
Provision for current tax (note: 14.07)
Interest payable
Accrued expenses (note: 14.09)
Unclaimed dividend
Accounts Payable
Sundry deposit
Sundry liabilities

2018 Taka	2017 Taka
229,703,774	201,461,896
132,018,149	110,550,694
-	3,903,586
23,647	493,190
164,171	189,750
420,337,010	431,849,906
480,709,542	297,621,424
287,500	287,500
14,290,267	15,711,392
5,152,179	7,245,677
14,183,737	4,270,562
-	-
1,296,869,976	1,073,585,577

14.01 Specific Provision on Loans, Advances

Balance as at 1st January
Less: Fully provided debt written off
Provision after written off
Add: Provision made during the year
Less: Provision recovered
Net charge in the profit & loss account
Add: Recoveries of amounts previously written off
Less: Written off of provision no longer required
Provisions held at 31st December

94,107,101	74,323,684
(38,781,723)	(37,036,572)
55,325,378	37,287,112
195,722,810	172,152,231
(167,533,920)	(115,332,242)
28,188,890	56,819,989
1,007,128	-
-	-
84,521,396	94,107,101

14.02 General Provision on Loans, Advances and Leases

Balance as at 1st January
Add: Provision made during the year
Less: Provision recovered
Net charge in the profit & loss account
Balance as at 31st December

91,292,214	110,265,523
36,581,046	94,161,496
(17,107,905)	(113,134,804)
19,473,141	(18,973,309)
110,765,355	91,292,214

14.03 Provision on investments in share

Balance as at 1st January
Add: Provision made during the year
Less: Provision recovered
Net charge in the profit & loss account
Balance as at 31st December

8,344,266	184,305
20,416,991	13,718,365
(6,415,639)	(5,558,404)
14,001,352	8,159,961
22,345,618	8,344,266

14.04 Provision on others

Balance as at 1st January
Add: Provision made during the year
Less: Provision recovered
Net charge in the profit & loss account

Less: Fully provided debt written off
Provisions held at 31st December

7,718,315	9,547,252
4,677,515	564,515
(185,090)	(703,252)
4,492,425	(138,737)
12,210,740	9,408,515
(139,335)	(1,690,200)
12,071,405	7,718,315

14.05 Interest Suspense Account

Balance as at 1st January

Add: Interest suspense charged during the year

Less: Interest suspense realized during the year

Net charge in the profit & loss account

Less: Interest written off

Balance as at 31st December

Write-off of Loans/Leases

As per FID Circular no. 03 dated 15th March 2007 of Bangladesh Bank a financial institution should write-off its loans/leases to clean-up its financial statements subject to fulfillment of the criteria. As per Bangladesh Bank guidelines, National Housing Finance and Investments Limited has written-off its loans/leases as under:

	(Figures in Taka)	
Balance at 1st January	298,540,088	259,813,316
Net loans/leases written-off during the year	42,292,697	38,726,772
No. of agreements written-off	20	19
No. of clients written-off	17	16
Interest suspense against written-off loans/leases	(3,371,639)	-
Provision adjusted against written-off loans/leases	(38,921,058)	(38,724,154)
Recovery of loans/leases write-off loans/leases	-	-
Balance of loans/leases written-off at 31st December 2018	340,832,785	298,540,088

14.06 Provision for Gratuity

Balance as at 1st January

Add: Provision made during the year

Less: Payment made during the year

Less: Provision written back during the year

Balance as at 31st December

14.07 Provision for Current Tax

Balance as on 1st January

Add: Provision made during the year

Add: Short provision for the year 2014 & 2015

Less: Adjustment of advance tax

Balance as at 31st December

14.08 Provision for taxation Net Charged for in the Profit & Loss Account

Current tax (note: 14.07)

Add/ (less): Deferred tax

14.09 Accrued Expenses

Promotion and publicity

Audit fees

Sundry creditors

	2018 Taka	2017 Taka
Balance as at 1st January	110,550,694	99,726,389
Add: Interest suspense charged during the year	232,089,157	179,609,978
Less: Interest suspense realized during the year	(207,250,063)	(168,785,673)
Net charge in the profit & loss account	24,839,094	10,824,305
Less: Interest written off	135,389,788	110,550,694
Balance as at 31st December	(3,371,639)	-
Write-off of Loans/Leases	132,018,149	110,550,694

	2018 Taka	2017 Taka
Balance as at 1st January	3,903,586	3,113,945
Add: Provision made during the year	9,514,094	4,099,516
Less: Payment made during the year	(13,417,680)	(3,309,875)
Less: Provision written back during the year	-	-
Balance as at 31st December	-	3,903,586

	2018 Taka	2017 Taka
Balance as on 1st January	431,849,906	555,381,950
Add: Provision made during the year	170,988,048	162,335,439
Add: Short provision for the year 2014 & 2015	-	10,655,210
Less: Adjustment of advance tax	(182,500,944)	(296,522,692)
Balance as at 31st December	420,337,010	431,849,906

	2018 Taka	2017 Taka
Current tax (note: 14.07)	170,988,049	172,990,649
Add/ (less): Deferred tax	-	-
	170,988,049	172,990,649

	2018 Taka	2017 Taka
Promotion and publicity	-	-
Audit fees	287,500	287,500
Sundry creditors	-	-
	287,500	287,500

Provisions for current tax has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of Income Tax Ordinance, 1984 and amendments made thereto. The current tax rate for the Company is 37.50% on taxable income.

15.00 Share Capital

15.01 Authorized Capital:

200,000,000 ordinary shares of Tk.10 each

15.02 Issued, Subscribed and fully Paid-up Capital:

106,392,000 ordinary shares of Tk.10 each

% of holding:

Sponsors

General public

Number of holding:

Sponsors

General public

2018 Taka	2017 Taka
2,000,000,000	2,000,000,000
1,063,920,000	1,063,920,000
% of holding	% of holding
70.13%	70.02%
29.87%	29.98%
100.00%	100.00%
74,607,751	74,490,451
31,784,249	31,901,549
106,392,000	106,392,000

15.03 Classification of shareholders by holding as required by Regulation 37 of the Listing Regulations of Dhaka Stock Exchange Limited:

Number of shares	No of shareholders	No of shares	% of holding
Less than 500	2508	332,007	0.31%
501 to 5,000	2410	4,598,489	4.32%
5,001 to 10,000	395	2,976,368	2.80%
10,001 to 20,000	218	3,217,456	3.02%
20,001 to 30,000	59	1,498,568	1.41%
30,001 to 40,000	37	1,341,985	1.26%
40,001 to 50,000	18	831,685	0.78%
50,001 to 100,000	23	1,756,314	1.65%
100,001 to 1,000,000	38	8,671,766	8.15%
Above 1,000,000	22	81,167,362	76.29%
Total:	5728	106,392,000	100.00%

The shares of the Company are listed with Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd.

15.04 Capital Requirement

As per the Section 4(GHA) of the Financial Institutions Rule, 1994 and subsequently updated vide DFIM circular no. 05 dated July 24, 2011 of Bangladesh Bank, an NBFIs requires to have Tk.100 crore as its minimum capital which shall be deemed to be adequate capital. When the core capital equals or exceeds its minimum capital then the capital shall be treated as adequate capital of NBFIs. Core capital consists of paid-up capital, retained earnings, statutory reserve and balance of current year's profit but in case of total capital it includes core capital plus general provision on good loans/leases. Status of the capital has given below:

Core capital (paid-up capital, retained earnings & statutory reserve etc.)

Less: Required minimum capital

Surplus over minimum required capital

1,774,230,847	1,700,604,147
(1,000,000,000)	(1,000,000,000)
774,230,847	700,604,147
1,774,230,847	1,700,604,147
110,765,355	91,292,214
1,884,996,202	1,791,896,361
(1,000,000,000)	(1,000,000,000)
884,996,202	791,896,361

Core capital (paid-up capital, retained earnings & statutory reserve etc.)

Add: Provision on good loan/leases

Total capital

Less: Required minimum capital

15.05 Capital Adequacy Ratio-As per BASEL-II**1. Tier-1 (Core Capital)**

	2018 Taka	2017 Taka
1.1 Fully Paid-up Capital/Capital Deposited with BB	1,063,920,000	1,063,920,000
1.2 Statutory Reserve	466,539,218	411,384,918
1.3 Non-repayable share premium account	-	-
1.4 General Reserve	-	-
1.5 Retained Earnings	243,771,628	225,299,229
1.6 Minority interest in Subsidiaries	-	-
1.7 Non-Cumulative irredeemable Preference shares	-	-
1.8 Dividend Equalization Account	-	-
1.9 Others (if any item approved by Bangladesh Bank)	-	-
1.10' Sub-Total (1.1 to 1.9)	1,774,230,847	1,700,604,147

Deductions from Tier-1 (Core Capital)

1.11 Book Value of Goodwill and value of any contingent assets which are shown as assets	-	-
1.12 Shortfall in provisions required against classified assets	-	-
1.13 Shortfall in provisions required against investment in shares	-	-
1.14 Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities.	-	-
1.15 Any investment exceeding the approved limit.	-	-
1.16 Investments in subsidiaries which are not consolidated	-	-
1.17 Increase in equity capital resulting from a securitization exposure	-	-
1.18 Other (if any)	-	-
1.19 Sub-Total (1.11 to 1.18)	-	-
1.20' Total Eligible Tire-1 Capital (1.10-1.19)	1,774,230,847	1,700,604,147

2. Tier-2 (Supplementary Capital)

2.1 General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure)	130,092,164	116,737,815
2.2 Assets Revaluation Reserve up to 50%	-	-
2.3 Revaluation Reserve for Securities up to 45%	-	-
2.4 Revaluation Reserve for equity instrument up to 10%	-	-
2.5 All other preference shares	20,000,000	30,000,000
2.6 Other (if any item approved by Bangladesh Bank)	-	-
2.7 Sub-Total (2.1 to 2.6)	150,092,164	146,737,815
2.8 Applicable Deductions if any	-	-
2.9 Total Eligible Tire-2 Capital (2.7-2.8)	150,092,164	146,737,815
Total Capital	1,924,323,010	1,847,341,962
Total risk weighted assets	11,584,034,711	10,343,521,712
Required minimum capital 10% of RWA or Tk. 100.00 crore, which is higher.	1,158,403,471	1,034,352,171
Surplus	765,919,539	812,989,791
Capital Adequacy Ratio	16.61%	17.86%

16.00 Statutory reserve
Balance as at 1st January
Reserve made during the year
Balance as at 31st December

2018 Taka	2017 Taka
411,384,918	360,355,287
55,154,300	51,029,631
466,539,218	411,384,918

In compliance with the clause no 6 of Financial Institutions Regulations, 1994, Financial Institution is required to transfer at least 20% of its profit after tax and before appropriation of dividend in a particular year, if the financial institution's sum of Share Premium Account (if any) and Statutory Reserves is less than the paid up capital of that financial institution. Accordingly, 20% of current year's profit after tax has been transferred to Statutory Reserves Account. Statutory reserve has been created at the rate of 20.00% of the net profit of Tk. 275,771,500 as per Bangladesh Bank's guidelines.

17.00 Retained earnings

Balance as at 1st January
Add: Net profit after tax for the year

225,299,229	212,686,303
275,771,500	255,148,157
501,070,728	467,834,460

Less: Allocations:
Transferred to statutory reserve
Issue of Bonus Share
Dividend

(55,154,300)	(51,029,631)
-	-
(202,144,800)	(191,505,600)
(257,299,100)	(242,535,231)
243,771,628	225,299,229

Balance as at 31st December

18.00 Income statement
Income:

Interest, discount and other similar income (note: 19.00)
Dividend income (note: 21.00)
Fees, commission & brokerage (note: 22.00)
Gains less losses arising from investment in securities (note: 21.00)
Other operating income (note: 23.00)

Expenses:

Interest on borrowing, fees and commission (note: 20.00)
Losses on loan, advances and leases (note: 31.00)
Administrative expenses
Other operating expenses (note: 30.00)
Depreciation on banking assets (note: 29.00)

19.00 Interest income
Interest on mortgage loan:

Home mortgage loan
Commercial mortgage loan
Project mortgage loan

Less: Interest suspense

Interest on lease finance:

Industrial equipment
Vehicles
Delinquent interest
Interest on term finance

Less: Interest suspense

Interest on fixed deposits
Interest on short term deposit
Interest on loan against FDR
Interest on staff loan

20.00 Note- Figure in 2017 has been restated due to changes in presentation. Interest paid on deposits, borrowings etc.

Call money interest
Secured overdraft interest
Term deposit interest
Term loan interest
Customer Deposit Int. - Kotipoti Scheme
Customer Deposit Int. - Education Pension Scheme
Customer Deposit Int. - Housing Deposit Scheme
Customer Deposit Int. - Mohila Savings Scheme
Customer Deposit Int. - Money Multiplier Scheme
Customer deposit interest - Term Deposit
Customer deposit interest - Income Account
Customer deposit interest - Double Money Account
Customer deposit interest - Triple Money Account
Customer deposit interest-MSS
Customer deposit interest-MLNR
HML refinance interest
SME loan interest

2018 Taka	2017 Taka
1,995,665,758	1,392,628,969
5,812,457	6,732,455
57,500	76,480
1,830,619	14,865,342
24,971,263	26,907,391
2,028,337,597	1,441,210,637
1,344,114,201	814,692,065
47,662,031	37,846,681
143,786,941	126,741,725
15,968,331	14,491,220
10,718,782	10,901,047
1,562,250,286	1,004,672,738
466,087,311	436,537,899
1,126,788,711	878,328,236
119,010,996	73,430,376
43,428,690	28,635,955
1,289,228,397	980,394,567
(15,948,253)	(4,713,078)
1,273,280,144	975,681,489
4,645,822	8,969,415
849,073	3,972,933
33,890,350	13,606,067
121,321,055	106,319,481
160,706,300	132,867,896
(8,890,841)	(6,111,227)
151,815,459	126,756,669
515,439,169	259,362,741
46,740,431	22,482,367
5,803,578	6,686,352
2,586,977	1,659,351
1,995,665,758	1,392,628,969
22,268,541	18,390,694
19,273,911	7,205,632
565,910,141	170,601,248
46,846,279	24,184,419
134,152	4,096
398	-
18,434	159
26,258	457
1,396,955	22,534
582,900,941	485,454,762
29,610,845	38,787,347
21,887,753	22,097,207
6,148,811	3,649,105
2,932,940	1,985,171
5,098,504	3,710,878
11,788,325	13,205,515
27,871,012	25,392,842
1,344,114,201	814,692,065

		2018 Taka	2017 Taka
21.00	Investment Income		
	Dividend on ordinary shares	3,624,957	2,669,955
	Dividend on preference shares	2,187,500	4,062,500
	Gain on sale of shares	6,142,888	16,545,190
	Loss on sale of shares	(4,312,269)	(1,679,847)
		7,643,076	21,597,797
22.00	Commission, exchange and brokerage		
	Fees	57,500	76,480
		57,500	76,480
23.00	Other operating income		
	Application, processing and documentation fees	21,386,088	22,332,192
	Delinquent charge-MSS,MLNR etc.	4,920	6,419
	Interest on call Money lending	-	-
	Other income	3,580,255	4,568,780
		24,971,263	26,907,391
24.00	Administrative expenses		
24.01	Directors' fees and expenses		
	This represents fees paid for attending board meetings and other committee meetings @ Tk. 8,000/- per attendance per person.	1,950,400	1,950,400
		1,950,400	1,950,400
24.02	Salaries and allowances		
	Salary & allowances (note: 24.02.01)	78,905,173	66,128,324
	Provident fund contribution	4,006,172	3,394,461
	Gratuity	9,514,094	4,099,516
	Bonus	7,971,859	12,827,858
		100,397,298	86,450,159
24.02.01	This includes managerial remuneration of Taka 66.49 million and balance amount Taka 34.08 million is on account of staff salary, bonus and other allowances. The number of employees including contract based employees were 182 and 153 for the year 2018 & 2017 respectively.		
24.03	Rent, taxes, insurance, electricity etc.		
	Office maintenance	2,048,326	1,794,022
	Office rent	2,989,200	3,032,170
	Security Guard	1,025,800	888,958
	City corporation Taxes	51,748	49,248
	Electricity	2,328,118	1,886,065
	Utilities	195,246	136,716
	Insurance (note: 24.03.01)	1,206,255	935,286
		9,844,693	8,722,465
24.03.01	Out of total insurance amount Taka 696,883 being premium paid for insurance coverage against damages/loss of the Company's fixed assets by fire, earthquake etc.		

		2018 Taka	2017 Taka
24.04	Legal expenses		
	Legal and professional	449,500	266,500
	Legal charges	12,000	300
	Membership fees and subscription	1,577,568	2,078,268
		2,039,068	2,345,068
25.00	Postage, stamps, telecommunication etc.		
	Courier	151,005	193,158
	Postage	42,617	42,515
	Stamps & security paper	-	1,741,325
	Telephone, fax & e-mail	1,574,335	1,380,525
		1,767,957	3,357,523
26.00	Stationery, printing, advertisement etc.		
	Printing	745,536	2,055,246
	Stationery	1,496,396	1,088,261
	Business Commission	2,869,390	3,103,801
	Promotion & publicity	14,762,620	11,377,302
		19,873,942	17,624,610
27.00	Managing Director's salary and fees		
	Salary & allowances	5,677,154	4,164,000
	Provident fund contribution	348,929	240,000
	Bonus	1,600,000	1,600,000
		7,626,083	6,004,000
28.00	Auditors' fees	287,500	287,500
29.00	Depreciation on and repairs to assets		
	Depreciation:	1,177,686	1,308,536
	Building	4,023,906	4,148,357
	Newly acquired Building	1,876,107	2,020,015
	Furniture	2,219,665	1,851,208
	Office equipment	1,063,795	1,362,300
	Motor vehicle	10,361,159	10,690,416
		357,623	210,631
	Repair and maintenance	10,718,782	10,901,047
30.00	Other expenses		
		212,700	319,492
	Traveling expenses	2,547,721	2,266,389
	Conveyance bill	444,728	431,601
	Training	3,452,185	2,551,042
	Bank charges and excise duty	42,205	69,918
	Books, periodicals and others	2,792,258	1,873,029
	Office refreshments	5,364,645	5,613,927
	Motor car	600,901	647,626
	Office general expenses	311,599	446,900
	AGM Expenses	111,090	112,702
	Trade License Fees	19,941	132,609
	Computer Software Expenses	68,358	25,985
	Investment expenses share	15,968,331	14,491,220

		2018 Taka	2017 Taka
31.00	Provisions for loan and advances		
	For classified loans, advances and leases	28,188,890	56,819,989
	For unclassified loans, advances and leases	19,473,141	(18,973,309)
		47,662,031	37,846,681
31.01	Provision for investments		
	Made during the year	20,416,991	13,718,365
	Recovery during the year	(6,415,639)	(5,558,404)
		14,001,352	8,159,961
31.02	Others		
	Provisions for legal charges	4,494,196	168,310
	Provisions for cheque dishonored & clearing charges	(1,771)	(307,047)
		4,492,425	(138,737)
32.00	Earnings per share		
	a) Earnings attributable to the ordinary shareholders(Taka)	275,771,500	255,148,157
	b) Number of ordinary shares outstanding during the year	106,392,000	106,392,000
	c) Weighted average number of ordinary shares outstanding during the year	106,392,000	106,392,000
	d) Basic earnings per share (a/c)	2.59	2.40
Earnings per share (EPS) has been computed by dividing the net profit after tax (NPAT) by the weighted average number of ordinary shares outstanding as on 31st December 2018 as per IAS-33" Earnings Per Share". No diluted EPS was required to be calculated for the year since there was no scope for dilution of shares during the year.			
33.00	Interest receipts in cash		
	Interest income from loans, advances & leases	1,995,665,758	1,392,628,969
	(Increase)/decrease in interest receivable on loans, advances and leases	-	-
	(Increase)/decrease in other receivable	(68,023,497)	(74,841,357)
		1,927,642,261	1,317,787,612
34.00	Interest payments		
	Total interest expenses (note: 20.00)	1,344,114,201	814,692,065
	Add: Opening balance of interest payable	297,621,424	245,577,815
	Less: Closing balance of interest payable	(480,709,542)	(297,621,424)
		1,161,026,083	762,648,456
35.00	Fees and commissions receipts in cash		
	Fees, commission and brokerage (note: 22.00)	57,500	76,480
	Add: Opening balance of fees, commission and brokerage	-	-
	Less: Closing balance of fees, commission and brokerage	-	-
		57,500	76,480
36.00	Cash payments to employees		
	Staff salaries and allowances (note: 24.02)	100,397,298	86,450,159
	Managing Director's salaries and allowances (note: 27.00)	7,626,083	6,004,000
	Add: Opening balance of staff dues	7,245,677	4,423,431
	Less: Closing balance of staff dues	(5,152,179)	(7,245,677)
		110,116,879	89,631,913

		2018 Taka	2017 Taka
37.00	Cash payments to suppliers		
	Printing, stationary and advertisement etc. (note: 26.00)	19,873,942	17,624,610
	Postage, stamps, telecommunication etc. (note: 25.00)	1,767,957	3,357,523
	Repair & maintenance (note: 29.00)	357,623	210,631
	Add: Opening balance of suppliers dues	-	-
	Less: Closing balance of suppliers dues	-	-
		21,999,522	21,192,764
38.00	Receipts from other operating activities		
	Other operating income (note: 23.00)	24,971,263	26,907,391
	Profit on sale of share (note: 21.00)	6,142,888	16,545,190
	Loss on sale of share (note: 21.00)	(4,312,269)	(1,679,847)
		26,801,882	41,772,733
39.00	Payments for other operating activities		
	Detectors' fees	1,950,400	1,950,400
	Legal expenses	2,039,068	2,345,068
	Auditor's fees	287,500	287,500
	Office occupancy cost	2,048,326	1,794,022
	City Corporation Taxes	51,748	49,248
	Electricity	2,328,118	1,886,065
	Utilities	195,246	136,716
	Insurance	1,206,255	935,286
	Other expenses (note: 30.00)	15,968,331	14,491,220
	Add: Opening balance of outstanding payable	287,500	287,500
	Less: Closing balance of outstanding payable	(287,500)	(287,500)
		26,074,992	23,875,525
40.00	Increase/(Decrease) of other deposits		
	Closing balance:		
	Term deposits	16,136,881,144	11,654,983,097
	Other deposits	12,117,263	13,181,489
		16,148,998,406	11,668,164,585
	Opening balance:		
	Term deposits	11,654,983,097	8,459,160,226
	Other deposits	13,181,489	18,469,536
		11,668,164,585	8,477,629,762
		4,480,833,821	3,190,534,823
41.00	Sanction and disbursement		
	Sanction	4,553,200,000	4,166,680,513
	Disbursement	3,249,937,121	2,693,998,586
	Undisbursed	1,303,262,879	1,472,681,927
41.a	Contingent liabilities		
	Government	-	-
	Directors	-	-
	Bank and other Financial Institution	-	-
	Other	1,303,262,879	1,472,681,927

42.00 Audit committee of the board

The audit committee was formed by the Board of Directors of National Housing Finance And Investments Limited. The members of the committee are as under:

SL No	Name	Status with the Company	Status with the Committee	Educational Qualification
01	Syed Tanveer Hussain	Independent Director	Chairman	M.A. In Development Economics (USA)
02	Mr. Md. Kabir Reza	Director	Member	M.Com (Acc.), FCMA
03	Mr. Azmal Hossain	Director	Member	B.Com
04	Mr. Akhtar Ahmed	Director	Member	B.A (Hons), M.A.(DU), ACII (UK)

The Audit Committee of the Board was duly constituted by the Board of Directors of the Company in accordance with DFIM Circular no. 13 issued on October 26, 2011 by Bangladesh Bank and in accordance with Bangladesh Securities and Exchange Commission (BSEC) the condition No. 5 of the notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated June 3, 2018.

The company secretary is to act as the Secretary of the Audit Committee:

Meetings held by the committee during the year by date:	Meeting no	Held no
	37th	15-Mar-18
	38th	24-Apr-18
	39th	18-Jul-18
	40th	25-Oct-18

Four meetings of the audit committee were held during the year 2018 where it carried out the following tasks:

- 01 Audit and inspection report of Bangladesh Bank Inspection Team and External Auditors of National Housing.
- 02 Ensuring an effective Internal Control System and Risk Management System.
- 03 Review the findings of auditors and management response thereto.
- 04 Stressing on the importance of the regulatory compliance.
- 05 Review of conflict of interests.
- 06 Review of the credit policy of the Company.
- 07 Any other matters which deems necessary.

43.00 Highlights of overall activities

Highlights of the overall activities of the Company as at end for the year ended 31st December, 2018 are furnished below:

SL #	Details	2018	2017
01	Paid-up Capital	1,063,920,000	1,063,920,000
02	Total Capital	1,774,230,847	1,700,604,147
03	Capital surplus/(deficit)	774,230,847	700,604,147
04	Total assets	20,980,853,639	16,163,196,789
05	Total deposits	16,148,998,406	11,668,164,585
06	Total loans and advances	12,493,858,672	10,377,426,758
07	Total contingent liabilities and commitments	1,303,262,879	1,472,681,927
08	Credit deposit ratio	77.37%	88.94%
09	% of Classified loans against total loans and advances	4.21%	5.06%
10	Profit after tax and provisions	275,771,500	255,148,157
11	Amount of classified loans during the year	525,944,773	524,680,654
12	Provisions kept against classified loans	66,681,048	82,252,462
13	Provisions surplus/(deficit)	34,977,026	17,096,582
14	Cost of fund	8.06%	8.06%
15	Interest earnings assets	20,133,613,109	15,404,284,479
16	Non-interest earnings assets	847,240,530	758,912,311
17	Return on investments (ROI)	5.50%	4.93%
18	Return on assets (ROA)	1.48%	1.80%
19	Income from investments	7,643,076	21,597,797
20	Weighted average earnings per share	2.59	2.40
21	Net income per share	2.59	2.40
22	Price earning ratio	18.38	19.54
23	Return on equity (ROE)	15.87%	15.29%
24	Net asset value per share (NAV)	16.68	15.98

44.00 Company information

Last year's figures and account heads have been rearranged to conform current year's presentation in accordance with the Bangladesh Bank DFIM Circular # 11 dated December 23, 2009.

45.00 Geographical area of operation

Company's geographical area of operation was in Dhaka, Gazipur, Chattogram, Bogura and Rangpur in the year 2018.

46.00 Capital expenditure commitment

There was neither any outstanding contract nor any Board authorization for capital expenditure as at December 31, 2018.

47.00 Subsequent events-disclosure under IAS 10: "events after the balance sheet date"

No material event has been occurred after the Balance Sheet date, which could materially effect the value of the financial statements except the Board of Directors in its 207th Meeting held on March 18, 2019 has recommended cash dividend @10.00% i.e Taka 1.00 per ordinary share and stock dividend @10.00% (i.e. one bonus share for every ten ordinary shares held) for the year ended 31 December, 2018 for placement before the shareholders for approval the 20th Annual General Meeting.

48.00 Claims against the company not acknowledge as debt

There is no claim at the Balance Sheet date, which has not been acknowledged by the Company.

49.00 Credit facility availed

There was no credit facility available to the Company under any contract as on Balance Sheet date other than trade credit available in the ordinary course of business.

50.00 Closing price of share

The Company traded its ordinary shares in CDBL through DSE & CSE from 1st January 2009. The closing market price on the closing of the year was Tk.47.70 and Tk.47.60 respectively in the DSE & CSE.

51.00 "Worker's Profit Participation Fund" (WPPF)

The company did not make any provision for Worker's Profit Participation Fund (WPPF). The matter will be considered in future.

52.00 Previous year's figures have been rearranged where necessary to conform to current year's presentation. Figures have been rounded nearest Taka.

53.00 Related party disclosure :

Name of Director	Position in NHFIL	Name of the firms/companies in which interest as proprietor, partner, director, managing agent, guarantor, employee etc.
Mr. Latifur Rahman Representing Bangladesh Lamps Ltd.	Chairman	Transcom Limited
		Eskayef Pharmaceuticals Ltd.
		Transcom Beverages Ltd.
		Transcom Consumer Products Ltd.
		Transcom Distribution Company Ltd.
		Transcom Foods Ltd.
		Transcom Electronics Ltd.
		Bangladesh Electrical Industries Ltd.
		Mediastar Ltd.
		Ayna Broadcasting Corporation Ltd.
		Tea Holdings Ltd.
		Transcraft Ltd.
		Transfin Trading Ltd.
		Trinco Ltd.
		Transcom Mobile Ltd.
		W. Rahman Jute Mills Ltd.
		Bangladesh Lamps Ltd.
		Mediaworld Ltd.
		Monipur Tea Company Ltd.
		M. Rahman Tea Company Ltd.
Mr. Mahbubur Rahman Representing Eastland Insurance Co. Ltd.	Director	Marina Tea Co. Ltd.
		BRAC
		ETBL Holdings Ltd.
		Eastern Trading (Bangladesh) Ltd.
		ETBL Development Construction Ltd.
		ETBL Securities & Exchanges Ltd.
		Progressive Investments Ltd. (successors to the National Rubber
Mr. Syed M. Altaf Hussain Representing Pragati Insurance Ltd.	Director	Century Cold Storage Ltd
		Eastland Insurance Co. Ltd.
		International Publications Ltd.
		Pragati Insurance Ltd.
		WW Grains Corp. representing Cargill Inc., USA
Mr. Akhtar Ahmed Representing Reliance Insurance Ltd.	Director	Sonic Allied Industries Ltd.
		WW Properties Ltd.
Mr. Muminul Haque Chowdhury Representing Borak Travels (Pvt.) Limited	Director	The Daily Janata
		Jamuna Resort Ltd.
Mr. Azmal Hossain Representing Eastern	Director	Borak Travels (Pvt.) Limited
		Eastern Insurance Co. Ltd.
Mr. M. Nurul Alam Representing Shaw wallace	Director	Hashem Paper Mills Ltd.
		Shaw Wallace Bangladesh Ltd
Mr. Md. Kabir Reza FCMA Representing Square Pharmaceuticals Ltd.	Director	SW Shipping Ltd.
		Square Pharmaceuticals Ltd.
		United Financial Trading Company Limited

53.01 Significant contract where FI is party and wherein Directors have interest-Nil**53.02 Significant contract where the Company is party and wherein Directors have interest - Nil****53.03 There is no loans, advances and leases given to Directors and their related concern.****53.04 Investment in the Securities of Directors and their related concern-Nil****53.05 Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operational decision and include associated companies with or without common Directors and key management positions. The Company has entered into transaction with other related entities in normal course of business that fall within the definition of related party as per International Accounting Standard 24: " Related Party Disclosures." Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers of similar credentials and do not involve more than a normal risk.

Name of related	Transaction	Balance at year end (receivable)/payable
		Taka
National Bank Ltd. (Sponsor)	STD/CD account	(14,336,383)
National Life Insurance Co. Ltd. (Sponsor)	Term deposit	90,000,000
Square Pharmaceuticals Ltd. (Sponsor Director)	Term deposit	1,850,000,000
Reliance Insurance Co. Ltd. (Sponsor Director)	Term deposit	170,000,000
Bangladesh Lamps Ltd. (Sponsor Director)	Term deposit	37,658,276



Md. Khalilur Rahman
Managing Director



Md. Kabir Reza
Director



Syed M. Altaf Hussain
Director



Latifur Rahman
Chairman

Fixed assets including premises, furniture and fixtures for 2018

(Annexure-A)

Figures in Taka

Particulars	Cost				Rate	Depreciation				Written down value as on 31.12.18	Written down value as on 31.12.17
	Balance as on 01.01.18	Disposed during the year	Addition during the year	Balance as on 31.12.18		Balance as on 01.01.18	Adjustments for disposal	Charged during the year	Balance as on 31.12.18		
Land & building	96,509,093	-	-	96,509,093	10.00%	27,512,239	-	1,177,686	28,689,925	67,819,168	68,996,854
Newly acquired Building	142,555,215	-	-	142,555,215	3.00%	8,425,013	-	4,023,906	12,448,919	130,106,296	134,130,202
Furniture	27,229,569	127,141	608,837	27,711,265	10.00%	9,049,422	99,219	1,876,107	10,826,310	16,884,955	18,180,147
Office equipment	17,707,746	161,625	3,708,039	21,254,160	20.00%	10,302,958	147,125	2,219,665	12,375,498	8,878,662	7,404,788
Motor vehicle	11,537,484	1,895,000	-	9,642,484	20.00%	6,088,288	1,764,777	1,063,795	5,387,306	4,255,178	5,449,196
Total:	295,539,107	2,183,766	4,316,876	297,672,217		61,377,920	2,011,121	10,361,159	69,727,958	227,944,259	234,161,187

Occassion & Events



19th Annual General
Meeting in Progress





Annual Business Conference 2019



Annual Picnic 2019





Gazipur Branch Opening Ceremony

CSR activities Collaboration with
BLFCA



Blood Donation Program



সহজ আলাপেই হয়ে যাক হোম লোন

বন্ধুত্বের সম্পর্কে এক নতুন উজ্জ্বল প্রত্যাশা নিয়ে, ন্যাশনাল হাউজিং আপনাকে জানাচ্ছে আমন্ত্রণ।
বরাবরের মতোই সেই সহজ ও বিশ্বস্ত সেবার প্রতিশ্রুতিতে আমরা আজও অবিরল! আসুন না একদিন। একা, অথবা স্বাক্ষর।
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বন্ধুত্বের গোন্ধ

Hotline: +88 018 4141 8800
www.nationalhousingbd.com





National Housing Finance and Investments Limited

Registered Office : National Plaza (7th & 8th Floor), 109, Bir Uttam C.R. Datta Road
(Ex-Sonargaon Road), Dhaka-1205

PROXY FORM

I/We.....
of.....
being member of National Housing Finance and Investments Limited, hereby appointed.....
of.....
as my/our proxy to attend and vote for me /us and on my/ our behalf at the 20th Annual General Meeting of the
Company to be held on Thursday May 02, 2019 at 11.00 A.M. and of at any adjournment thereof. As witness my hand
this..... day of2019

Signature Shareholder

(Signature of the Proxy)

Register Folio No.

or

BO A/C No.

No. of Share Held

Revenue
Stamp
Tk. 20

Note :

A Shareholder entitled to attend and vote at the annual General Meeting may appoint a proxy to attend and vote on his/her behalf. The Proxy Form duly completed must be deposited at the Registered office of the Company not later than 48 hours before the time fixed for the meeting.



National Housing Finance and Investments Limited

Registered Office : National Plaza (7th & 8th Floor), 109, Bir Uttam C.R. Datta Road
(Ex-Sonargaon Road), Dhaka-1205

ATTENDANCE SLIP

Please complete the attendance slip and hand it over at the entrance of the hall.

I hereby record my attendance at the 20th Annual General Meeting of the Company being held on Thursday May 02, 2019 at 11.00 A. M. at Eagle Hall, RAOVA Convention Hall, VIP Road, Mohakhali, Dhaka-1206.

Name of Member/Proxy

Register Folio No.

or

BO A/C No.

Signature
Shareholder/Proxy

Corporate Head Office :

Concord Baksh Tower (7th Floor), Plot # 11-A, Road # 48, Block # CWN(A)
Gulshan-2, Dhaka-1212, Tel : +88 09609 200555
Fax : +88-02-58811652, E-mail : info@nationalhousingbd.com

Registered Office :

National Plaza (7th & 8th floor), 109, Bir Uttam C.R. Datta Road
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Fax : +88-02-9671016, E-mail: info@nationalhousingbd.com

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(Ex-Sonargaon Road), Dhaka-1205, Tel : +88-02-9670612-4, 9677181-2, 9669800, 9666281
Fax : +88-02-9671016, E-mail: principal@nationalhousingbd.com

Motijheel Branch :

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Tel : +88-02-9567103, 9550071, 01817 042212, Fax : +88-02-9565493
E-mail: motijheel@nationalhousingbd.com

Gulshan Branch :

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E-mail: rangpur@nationalhousingbd.com