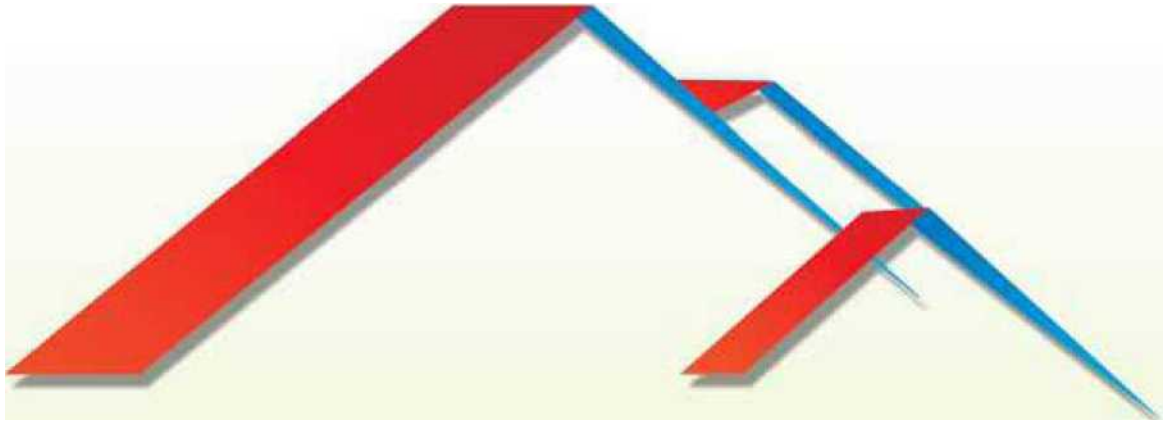


ANNUAL REPORT 2017



National Housing Finance and Investments Limited



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National Housing Finance and Investments Limited


Notice of the 19th Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of National Housing Finance and Investments Limited will be held at Eagle Hall, RAOVA Convention Hall, VIP Road, Mohakhali, Dhaka-1206 on Thursday, 03rd May, 2018 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, 2017 together with reports of the Auditors.
2. Declaration of dividend for the year ended 31st December, 2017
3. To elect Directors in accordance with the relevant provisions of the Articles of Association of the Company.
4. To appoint Auditors and fix their remuneration for the year 2018.

By order of the Board


(Md. Sarwar Kamal, FCS)
Company Secretary

Dated: March 18, 2018

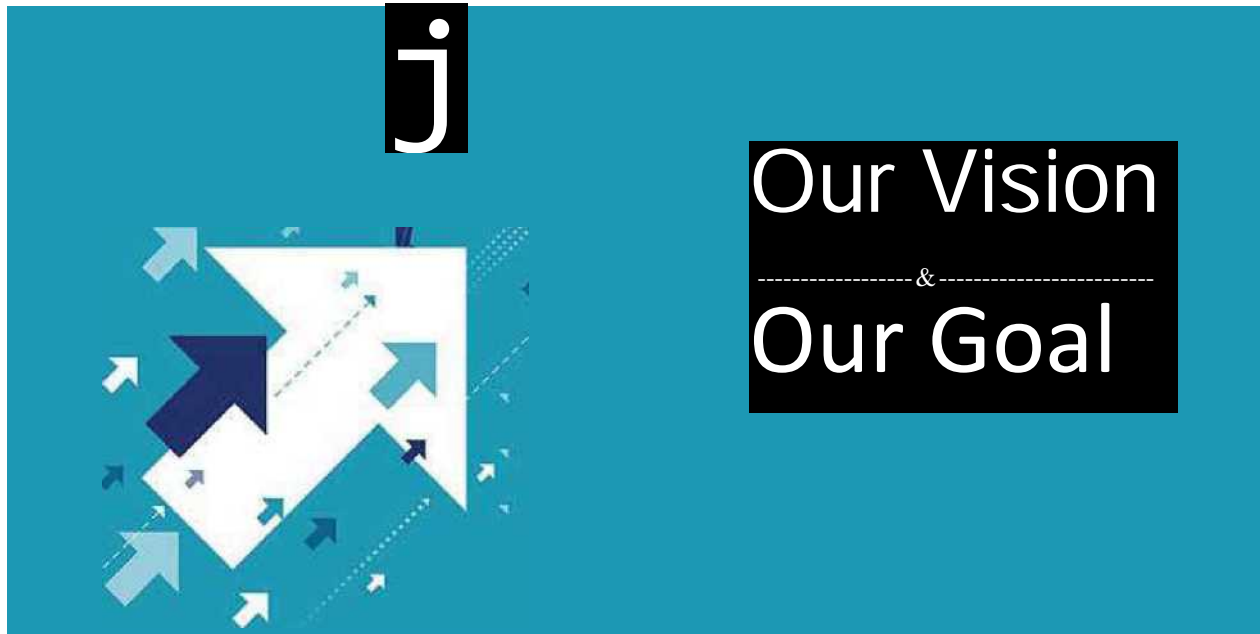
Notes:

- i) Members whose names appeared on the Depository/Members Register as on "Record Date" i.e. April 09, 2018 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 change of address, if any, 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 03rd May, 2018 in between 9.00 a.m. to 11.00 a.m.
- vii) The Annual Report will be sent through courier service as per registered address 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 1,063.92 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:- | |
| Dhaka Stock Exchange | : December 23, 2008 |
| Chittagong Stock Exchange | : November 11, 2008 |
| Opening of Bogura Branch | : April 19, 2009 |
| Opening of Rangpur Branch | : October 16, 2014 |
| Opening of Principal Branch | : March 22, 2016 |
| 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 (7 th & 8 th Floor), 109, Bir Uttam C.R Datta Road (Ex-Sanargaon Road), Dhaka-1205 Tel: 9670612-4, 9677181-3, 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 (10 th Floor, 11-F), 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 Kuddus (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

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

Our Goal

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



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.
- a** ☐ 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.
- ☐

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

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

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

Our Objectives

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

□ Provide diversified products and uninterrupted services to the valued clients.

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 6,048 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



Lease Finance

□ Project mortgage loan for property development

- Acquisition of industrial machinery, equipment, generator, power plant etc.
- Car purchase
- Medical/Hospital equipments



SME Finance

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

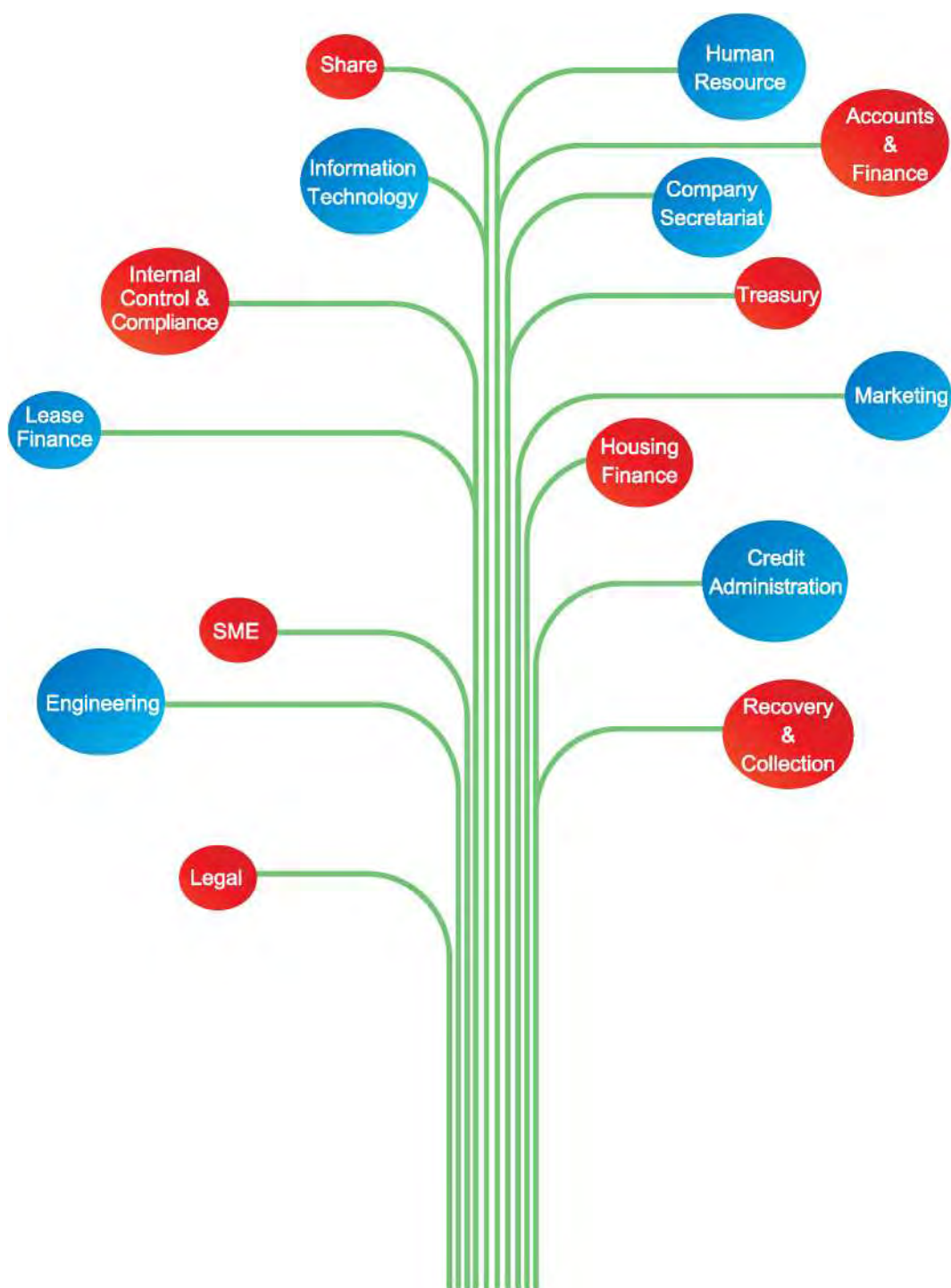
Deposit Schemes with Attractive Return



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



Our Departments



Shareholding Structure

| | |
|---|--------|
| Sponsor Shareholders | 70.02% |
| Banks | 11.33% |
| 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 | |
| Individual | 02.71% |
| Mr. Syed Ali Jowher Rizvi | |
| General Shareholders | 29.98% |

Directors⁷ Profile



Mr. Latifur Rahman

Chairman

Representing Bangladesh Lamps Limited

Mr Latifur Rahman is the Chairman and CEO of Transcom Group, with annual turnover of around \$600 million, employing over 14,000 people. The business originated with tea plantations in 1885.

Group companies dealing with pharmaceuticals (SK+F, Novo Nordisk), beverages (Pepsi), electronics/lighting (TRANSTEC, SAMSUNG, Whirlpool, Hitachi), snacks / breakfast cereals (Kurkure/Quaker), distributions (Heinz, Gamier, L'Oreal, Mars, Energizer, ConAgra), Restaurants (Pizza Hut/KFC) and Tea Plantations.

Mr. Rahman founded The Daily Star, country's premier English daily, Prothom Alo, the largest mass-circulated and most respected Bangla newspaper and ABC Radio, which is the leading FM service in Bangladesh. The newspapers have always pursued a nationalistic and independent position devoid of political leanings, whilst maintaining an uncompromising stance against any fundamentalist/communal politics.

Transcom is an important stakeholder in General Insurance (Reliance Insurance Limited), housing finance (National Housing Finance and Investments Limited), non-banking financial institution (IDLC Finance Limited) and banking (Pubali Bank Limited).

He was previously Chairman of Nestle Bangladesh Limited, Holcim Cement (Bangladesh) Limited and Director of Linde Bangladesh Limited. He is a member of the Governing Body of BRAC, world's largest NGO.

Mr. Latifur Rahman is currently the Vice President of ICC - Bangladesh. Mr. Rahman has also been elected as a Member of the Executive Board of ICC, Paris for a second 3-year term w.e.f July 2017.

He 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.

Mr. Latifur Rahman was awarded Business Executive of the year 2001 by the American Chamber of Commerce in Bangladesh.

Mr Rahman is an Honoree of **"Oslo Business for Peace Award 2012"**.

At the **DHL-The Daily Star Bangladesh Business Award 2012**, Mr. Latifur Rahman was honored -

"for bringing extraordinary recognition and honor 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 honored with **"SAARC Outstanding Leader"** award for setting a rare example of doing business by upholding moral and ethical values while also fulfilling Transcom's social responsibilities. Mr. Latifur Rahman is the first non-Indian to have received this award at a ceremony held at The Taj Land Ends Hotel in Mumbai on 28th July 2017, where over 50 top Indian CEOs and industrialists were present.

Mr. Latifur Rahman has been honored 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 with ethical business practices.



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 stake holders 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).

Currently, Mr. Rahman is 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 Kamaphuli

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 Yodono 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 entourages of the President/Prime Minister of Bangladesh.

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. Mr. Ahmed is Advisor of Reliance Insurance Ltd.



Mr. Akhtar Ahmed
Director

Representing Reliance insurance Co. 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 degrees 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.

Md. Kabir Reza is the group Finance 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. Md. Kabir Reza FCMA

Director

Representing Square Pharmaceuticals Ltd.



Mr. Jowher Rizvi

Director

Mr. Jowher Rizvi, Director and Chairman Executive Committee of NHFIL completed his MBA degree in International Finance and Accounting from Indiana University, USA. He also earned MA in Economics with Honors from Dhaka University.

Mr. Rizvi started his professional career with Bank of Credit and Commerce International (BCCI) in 1977 and at the same time was engaged with Institute of Business Administration (IBA) as a part time (Honorary) Lecturer. From 1991 to 1997, he served Union Bank Zambia Ltd., Zambia as its founder Managing Director. Returning to Bangladesh he established Alliance Holdings Limited (AHL) and started his journey as an entrepreneur. In 1997, along with his friend Mr. Muhammed Aziz Khan of Summit Group, he entered the Off-Dock business where Mr. Rizvi has since served as the Managing Director of Ocean Containers Limited (later on merged with Summit Alliance Port Limited). Subsequently in 2003, the two sponsors jointly made another valuable addition to the expanding Off-Dock industry of the Country by establishing Summit Alliance Port Limited (SAPL). SAPL is listed with the two major bourses of the country.

Mr. Rizvi, through AHL has substantial investments in Off-Docks, Textile, Garments, Prefabricated Steel Building Manufacturing, Real Estate Development, Financial Institutions, Lubricant Blending and Pharmaceutical etc. In spite of his busy schedule, he still finds time to pursue his favorite passion and teaches on Honorary basis at different educational institutions of the country including National Defense College (NDC).



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 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. Azmal Hossain

Director
Representing Eastern Insurance Co. Ltd.



Mr. M. A. Sabur

Director
Representing United Commercial Bank Ltd.

M. A. Sabur, a leading industrial entrepreneur, is the Director of NHFIL. He is also the Chairman of Masco Group and Maxim Group, leading export houses in textile sector of the country.

An MBA, M. A. Sabur is the son of Late Alhaj Raham Ali. He belongs to a respectable Muslim family and hails from Kanchon of Narayanganj District. He is a member of IBA Alumni Association, Dhaka University Alumni Association & also a golfer, being lifetime member of Kurmitola Golf Club, Dhaka and Bhatiary Golf Club, Chittagong. M.A. Sabur is actively associated with various educational & socio-cultural organizations of Dhaka & Chittagong.



Syed M. Altaf Hussain
Director
Representing Pragati Insurance 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.

Professor Imran Rahman is an Independent Director and Chairman of Audit Committee of National Housing Finance and Investments Ltd. He is also the Special Advisor to the Board of Trustee and Ex-Vice Chancellor of the University of Liberal Arts Bangladesh (ULAB). He has thirty years of teaching experience, including twenty-two years at the Institute of Business Administration (IBA) as a teacher of investments, capital markets and corporate finance, in the MBA and BBA Programs.

He ran a merchant bank for six years in the 1990s, and has twenty five years of corporate consulting experience at home and in the UK. Professor Rahman was a doctoral researcher in finance at the Manchester Business School in the mid eighties. He has a MBA from IBA and a B.Sc. in Economics from the London School of Economics and Political Science.



Professor Imran Rahman
Independent Director



Syed Tanveer Hussain
Independent Director

Syed Tanveer Hussain is a retired senior bureaucrat with more than 35 years experience in Government. After retiring, he now heads "Climate Change Company", a climate and environmental services company.

Mr. Hussain has held the post of Secretary in several key ministries such as Housing and Public Works Ministry, Textile, Planning, the last being as Secretary, Ministry of Environment and Forests.

In 2001, Mr. Hussain was the National Censuses Commissioner and conducted the national census for that year. Prior to his being Secretary Mr. Hussain was the Chief Controller of Insurance.



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 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 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.

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



Mr. Md. Khalilur Rahman
Managing Director

Bankers

- Agrani Bank Limited
- BankAl-Falah Limited
- Bank Asia Limited
- 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
- The Premier Bank Limited
- The Trust Bank Limited
- United Commercial Bank Limited
- Woori Bank Bangladesh



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

Assistant Vice President

Mahbubur Rashid Al-Amin
Md. Ziaul Karim

First Assistant Vice President

Md. Jahedul Islam
Md. Ruhul Amin
Kabir Hossain

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. Anowar Hossain
Md. Azizur Rahman
Md. Mozaharul Islam

Deputy Manager

Puma Chandra Deb Sharma
Masbha Uddin
Prabir Shel
Rumana Amin
Tanvir Ahmed
Md. Abu Faysal Rony
H. M. Mashiur Rahaman
Abdullah Al Kafi
Md. Humayun Ahmed
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
Md. Golam Kabir
A. Q. M. Ambia Touhid
Adnan Imtiaz
Md. Al-Amin
Runa Akter
Afifa Khanom
Iffat Ruhan
Marufur Rahman
Md. Mustafizur Rahman
Md. Abu Bakar Shiddik
Md. Atikur Rahman
Nayeem Farhan
Al Mamun Shiblu

Chief Financial Officer

Sayed Ahmed, FCMA

Company Secretary

Md. Sarwar Kamal, FCS

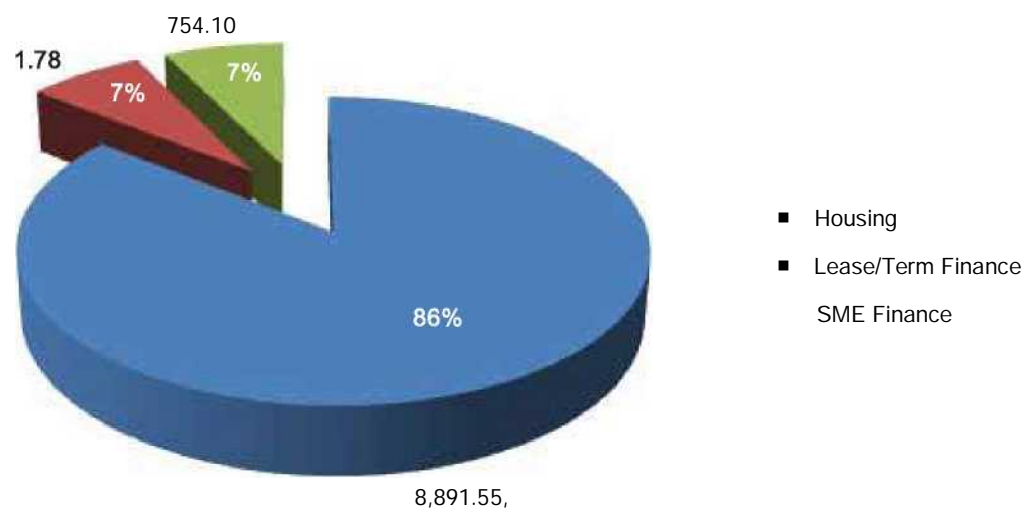
Branch In-Charge

| | |
|---------------------------|-------------------|
| Shital Chandra Saha | Principal Branch |
| Md. Nazrul Islam | Motijheel Branch |
| Reza Karim Md. Khaled | Gulshan Branch |
| Abu Naser Md. Ahad Sarkar | Bogura Branch |
| Md. Mozaharul Islam | Chattogram Branch |
| Md. Jahedul Islam | Rangpur Branch |

Outstanding Portfolio

(Figure in million)

| Particulars | Amount | (%) |
|--------------------|-----------|--------|
| Housing | 8,891.55 | 85.68% |
| Lease/Term Finance | 731.78 | 7.05% |
| SME Finance | 754.10 | 7.27% |
| | 10,377.43 | |



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.

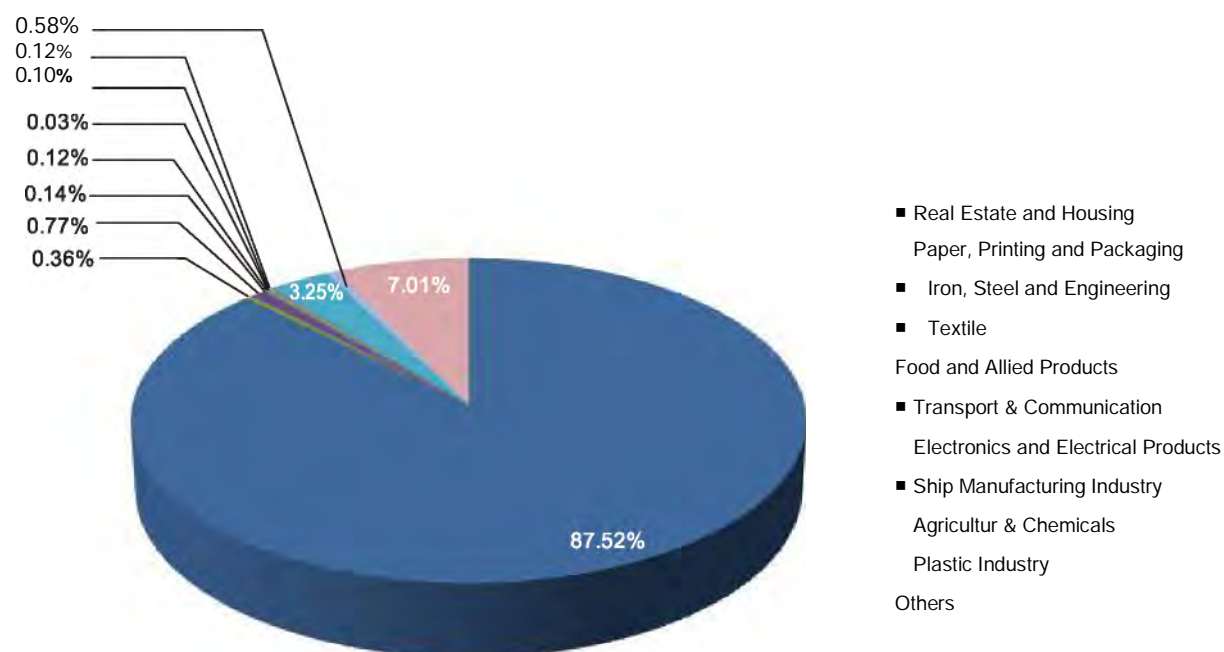
Key Operating and Financial Highlights

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

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|-----------|-----------|----------|----------|
| Operational Highlights | | | | | |
| Housing loan sanction | 3,593.48 | 3,597.41 | 2,769.70 | 1,552.64 | 907.50 |
| Lease, Term and SME loans sanction | 573.20 | 354.10 | 372.15 | 518.41 | 629.60 |
| Housing loan disbursed | 2,174.44 | 2,856.04 | 2,299.52 | 1,126.72 | 836.35 |
| Lease, Term and SME loans disbursed | 519.56 | 454.64 | 403.01 | 554.17 | 555.88 |
| Cumulative housing loan disbursed | 14,811.55 | 12,637.11 | 9,781.07 | 7,481.55 | 6,354.84 |
| Cumulative lease, Term and SME loans disbursed | 8,110.56 | 7,591.00 | 7,136.36 | 6,733.35 | 6,179.18 |
| Cumulative housing loan sanction | 18,691.12 | 15,097.64 | 11,500.24 | 8,730.54 | 7,177.89 |
| Cumulative lease, Term and SME loans sanction | 8,360.75 | 7,787.55 | 7,433.45 | 7,061.30 | 6,542.89 |
| Financial Highlights | | | | | |
| Operational income | 626.52 | 603.30 | 553.27 | 436.00 | 368.22 |
| Operational expenses | 152.13 | 132.18 | 100.59 | 87.39 | 74.56 |
| Financial expenses | 814.69 | 625.43 | 517.58 | 469.13 | 524.72 |
| Administrative Expenses | 126.74 | 111.02 | 88.49 | 75.59 | 59.65 |
| Profit before tax | 428.52 | 417.82 | 399.56 | 337.40 | 233.92 |
| Provision for taxes | 173.37 | 174.05 | 168.60 | 127.80 | 66.45 |
| Net profit after tax | 255.15 | 243.77 | 230.96 | 209.60 | 167.47 |
| Shareholders' fund | 1,700.60 | 1,636.96 | 1,574.06 | 1,502.69 | 1,426.08 |
| Total deposit | 11,668.16 | 8,477.63 | 5,551.86 | 3,826.43 | 3,288.67 |
| Total borrowing | 1,720.84 | 1,009.95 | 879.03 | 967.21 | 1,007.38 |
| Total loan portfolio | 10,377.43 | 9,042.05 | 7,393.31 | 5,567.60 | 4,865.37 |
| Total balance sheet size | 16,163.20 | 12,250.39 | 8,824.10 | 6,857.11 | 6,266.52 |
| NPL ratio (%) | 5.06% | 4.95% | 5.61% | 5.71% | 6.47% |
| Financial ratios | | | | | |
| Earnings per share | 2.40 | 2.29 | 2.17 | 1.97 | 1.57 |
| Dividend per share | 19.00% | 18.00% | 17.00% | 15.00% | 12.50% |
| Net asset value per share | 15.98 | 15.39 | 14.79 | 14.12 | 13.40 |
| Financial expenses coverage (times) | 1.58 | 1.75 | 1.77 | 1.72 | 1.45 |
| Profit margin (before tax) | 29.73% | 34.00% | 37.31% | 37.28% | 26.20% |
| Profit margin (after tax) | 17.70% | 19.84% | 21.57% | 23.16% | 18.76% |
| Return on equity | 15.29% | 15.18% | 15.01% | 14.31% | 14.30% |
| Debt equity ratio | 3.32 | 1.57 | 4.47 | 3.45 | 3.25 |

Sectoral Portfolio (%)

| Sector's Name | Percentage(%) |
|-------------------------------------|---------------|
| Real Estate and Housing | 87.52% |
| Paper, Printing and Packaging | 0.36% |
| Iron, Steel and Engineering | 0.77% |
| Textile | 0.14% |
| Food and Allied Products | 0.12% |
| Transport & Communication | 0.03% |
| Electronics and Electrical Products | 0.10% |
| Ship Manufacturing Industry | 0.12% |
| Agricultur & Chemicals | 3.25% |
| Plastic Industry | 0.58% |
| Others | 7.01% |
| Total | 100.00% |



Value Added Statement

For the year ended December 31, 2017

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-17 | | 31-Dec-16 | |
|--|--------------------|-------------|--------------------|-------------|
| | Amount | % | Amount | % |
| Value added | | | | |
| Net interest income | 577,936,904 | 109.95% | 562,364,826 | 112.13% |
| Fees earned | 76,480 | 0.01% | 214,900 | 0.04% |
| Investment income | 21,597,797 | 4.11% | 8,010,174 | 1.60% |
| Other income | 26,907,391 | 5.12% | 32,706,368 | 6.52% |
| Operating expenses excluding staff cost and depreciation | (54,993,417) | -10.46% | (48,486,991) | -9.67% |
| Provision for loan, advances & investments | (45,867,905) | -8.73% | (53,290,573) | -10.63% |
| Total value added by the company | 525,657,250 | 100% | 501,518,705 | 100% |
| Distribution of value addition | | | | |
| Employees as remuneration | 86,450,159 | 16.45% | 73,479,652 | 14.65% |
| Dividend to ordinary shareholders | 202,144,800 | 38.46% | 191,505,600 | 38.18% |
| Income tax | 173,368,518 | 32.98% | 174,078,841 | 34.71% |
| | 461,963,477 | 87.88% | 439,064,093 | 87.54% |
| Retained for expansion and future growth | | | | |
| Value retained in the business | 53,003,357 | 10.08% | 52,265,186 | 10.42% |
| Depreciation | 10,690,416 | 2.03% | 10,217,426 | 2.04% |
| Amount distributed | 525,657,250 | 100% | 501,546,705 | 100% |
| Number of employees at the end of the year | 153 | | 151 | |

Value created per employee (BDT)

3,435,668

3,321,501

Number of shares

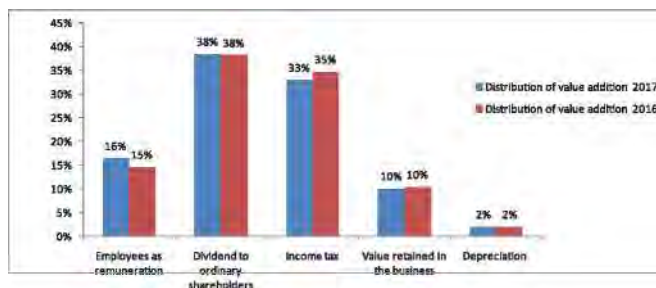
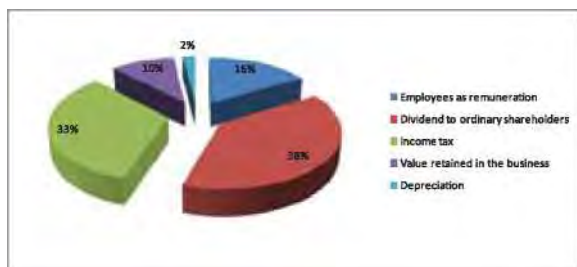
106,392,000

106,392,000

Value created per share (BDT)

4.94

4.71



Economic Value Added (EVA) Statement

For the year ended December 31, 2017

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:

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

NOPAT

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

(Figures in BDT)

| | 31-Dec-17 Amount | 31-Dec-16 Amount |
|--|---------------------|---------------------|
| Net operating profit | 474,384,580 | 471,112,200 |
| Provision for taxes | 173,368,518 | 174,050,841 |
| Net operating profit after tax (NOPAT) | 301,016,062 | 297,061,359 |
| Charges for capital | | |
| Capital employed | 1,866,674,198 | 1,775,926,161 |
| Cost of equity (%) | 7.94% | 7.84% |
| Capital charge | 148,213,931 | 139,232,611 |
| Economic value added | 152,802,131 | 157,828,748 |
| Number of shares | 106,392,000 | 106,392,000 |
| Economic Value Added Per Share | 1.44 | 1.48 |

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 | 5.94% | 5.84% |
| Standard Risk Premium | 2.00% | 2.00% |
| Cost of equity | 7.94% | 7.84% |

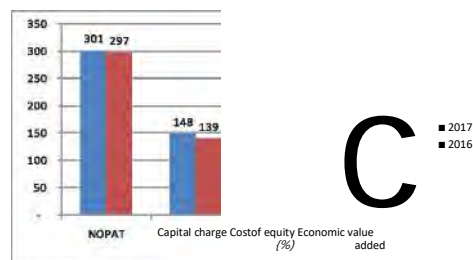
Capital employed as on December 31

| | | |
|---|---------------|---------------|
| Shareholder's equity | 1,700,604,147 | 1,636,961,590 |
| Accumulated provision for doubtful accounts and future losses | 201,461,896 | 194,320,764 |
| Total capital employed | 1,902,066,043 | 1,831,282,354 |
| Average capital employed | 1,866,674,198 | 1,775,926,161 |

NOPAT

(Figures in BDT million)

| Particulars | 31-Dec-17 Amount | 31-Dec-16 Amount |
|----------------------|---------------------|---------------------|
| NOPAT | 301 | 297 |
| Capital charge | 148 | 139 |
| Cost of equity (%) | 7.94% | 7.84% |
| Economic value added | 153 | 158 |



Market Value Added (MVA) Statement

For the year ended December 31, 2017

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, 2017 and 2016.

(Figures in BDT)

| Particulars | 31-Dec-17 | 31-Dec-16 |
|------------------------------------|----------------------|----------------------|
| | Amount | Amount |
| Market value of shares outstanding | 4,984,465,200 | 5,766,446,400 |
| Book value of share outstanding | 1,063,920,000 | 1,063,920,000 |
| Market value added | 3,920,545,200 | 4,702,526,400 |

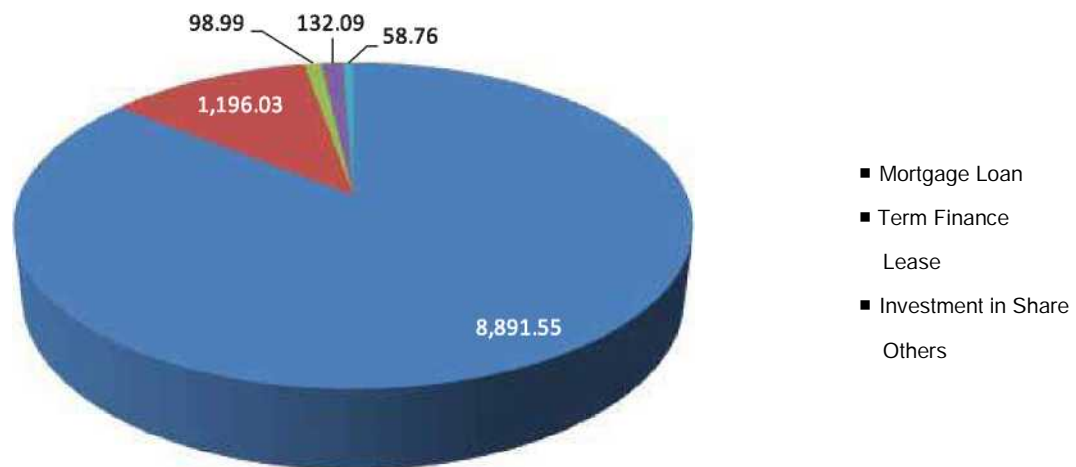
(Figures BDT in Million)



Portfolio Mix

(Figures BDT in million)

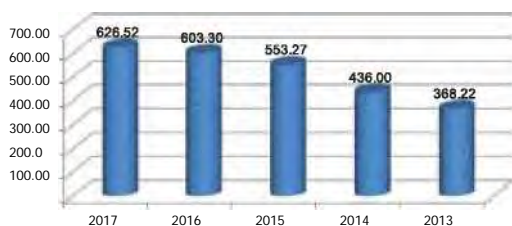
| Particulars | Amount |
|---------------------|-----------|
| Mortgage Loan | 8,891.55 |
| Term Finance | 1,196.03 |
| Lease | 98.99 |
| Investment in Share | 132.09 |
| Others | 58.76 |
| Total Portfolio | 10,377.43 |



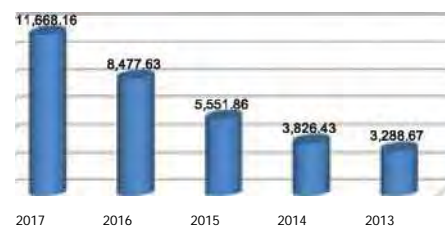
**NATIONAL HOUSING FINANCE
AND INVESTMENTS LIMITED**

(Figure in million Taka except ratios)

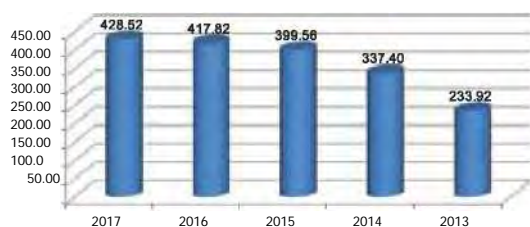
Operational income



Total deposit



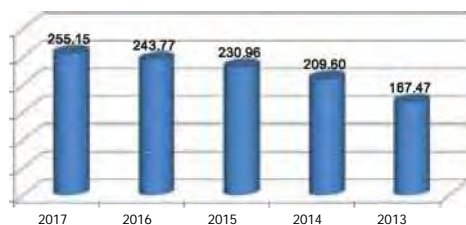
Profit before tax



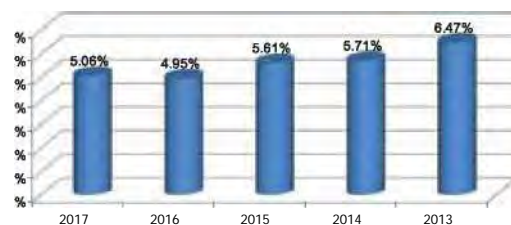
Housing loan disbursed



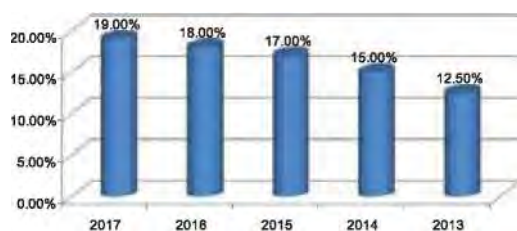
Net profit after tax



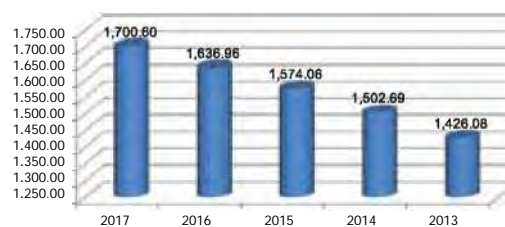
NPL ratio (%)



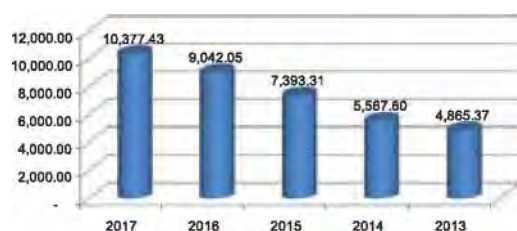
Dividend per share



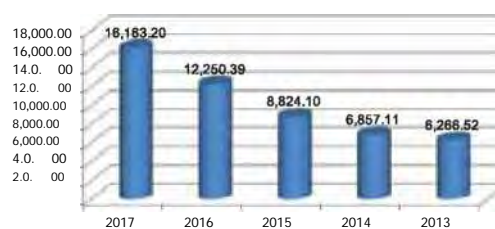
Shareholders' Equity



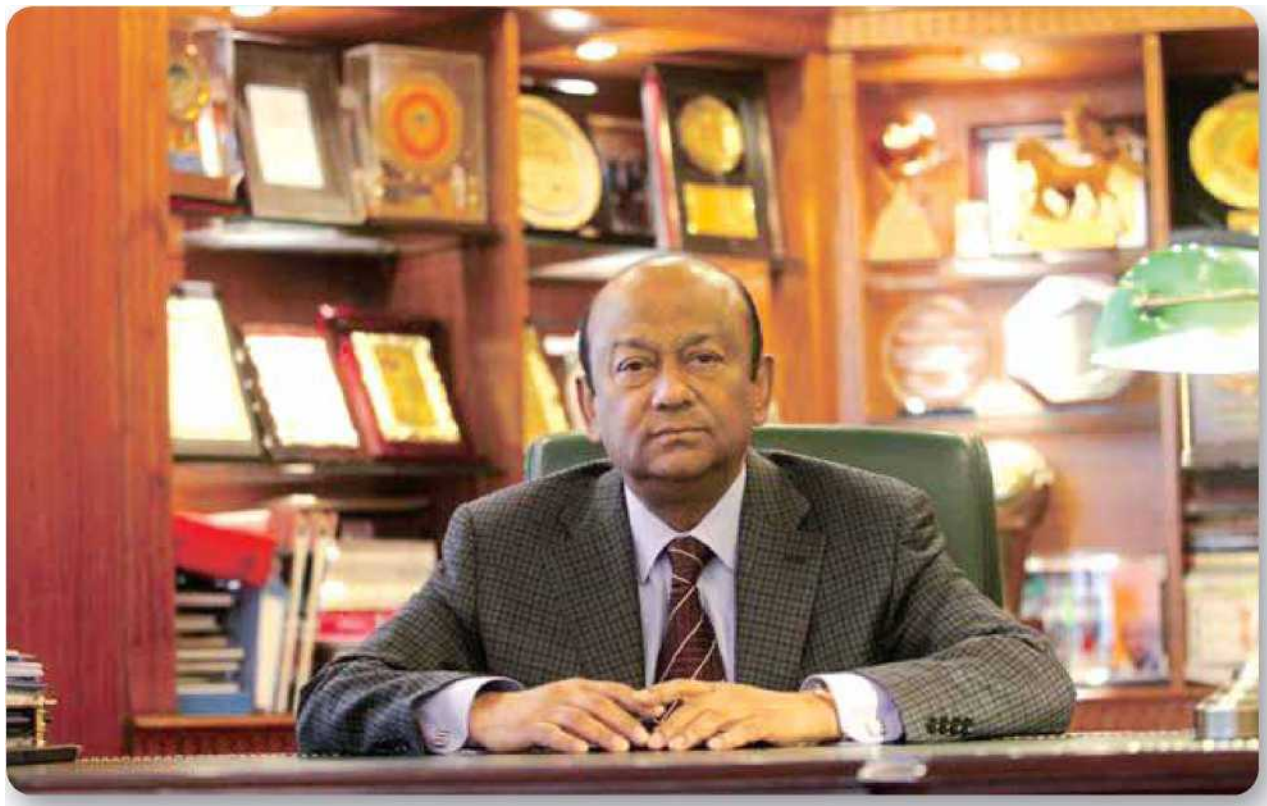
Total loan portfolio



Total balance sheet size



From the Desk of
Mr. Latifur Rahman
Chairman



Dear shareholders,

I extend a warm welcome to you at the 19th AGM of your Company, which is engaged in providing one of the basic desires of a human being i.e. to own the property where they live.

Economic growth in recent years has been very satisfactory with GDP growth hovering around 7 percent for the last several years leading to increasing purchasing power of the citizens. Our goal at National Housing is to facilitate easy ownership of housing across various income groups in the country.

Although there was a slight slow-down in the housing market last year, it is encouraging to note that the market started gaining strength and we, at National Housing, have been successful in making better use of the opportunity and increasing the business volume by 14.77% during 2017, that contributed to an increase in net profit up by 4.67% over that of 2016.

To achieve our objectives, attention has been paid to improving policies and strategies whilst further strengthening customer service approach. We believe that these efforts will help in further consolidation of quality of management leading to a steady and continuous growth in the business of the Company.

We are optimistic that the coming years should continue to present enormous opportunities in home mortgage loans and your Company is well positioned to take its rightful place in this sector.

Considering the overall position of the Company, the Board has been pleased to recommend 19% cash Dividend to the shareholders for the year 2017.

I would like to put on record our appreciation for the commitment demonstrated by the employees of National Housing which is the core of our management strength. My sincere thanks to my fellow Directors and to you, the shareholders, for the support you have always provided.

Thank you.



Latifur Rahman
Chairman

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



**NATIONAL HOUSING FINANCE
AND INVESTMENTS LIMITED**

Respected shareholders, honorable members of the Board of Directors and distinguished guests:

Assalamu Alaikum:

I have great pleasure in welcoming you on the occasion of the 19th Annual General Meeting of National Housing Finance and Investments Limited to this ceremony, to-day, the 03rd of May, 2018, where each year you are apprised of the status of your company by the honorable directors, and in the process, you and the directors jointly take certain flagship decisions that serve as the source of spirit and direction for our activities all through the next year.

I am pleased to inform you that despite many challenges and continuous anemic conditions obtaining in the capital market for the last several years; your company was successful in performing better in the year 2017, based mainly on its core business. The operating income during the period under reference was BDT 626.52 million representing an increase of 3.85% upon that of the year 2016. The Earnings Per Share (EPS) stood at 2.40 in 2017 as against 2.29 in 2016.

As you know, National Housing is engaged in the business of home loans, industrial term loans and in the SME sector, but in consideration of the economic and business environment of the country, we placed greater emphasis on home loans as our core product in the year 2017. That contributed to increment of home loan disbursement by 23.86% over that of the year 2016. In consultation and regular interaction with the directors of the board, who are men of poise, patience, perseverance and experience, we have decided to bring about reforms in the operational procedure of the company adjusted to domestic circumstances reflecting national economic trends, business conditions, movement of the purchasing power of target clients, behavioral changes in potential clients, and international developments in trade and commerce. As a part of this policy, we have been building relationships with various developer companies by signing Memoranda of Understanding (MOUs) to secure and enhance our core business and to provide better service we also purchase core banking solution software. An innovative, all-embracing and curiosity provoking marketing and communication plan is being meticulously implemented to create a discernible brand-image of the company. That will, in all possibility, sharpen our competitive edge in the face of our competitors. Most significantly, we have tightened our belt and are 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. All this is expected to bolster business and benefits for all stakeholders over time.

I like to convey my thanks and profound gratitude to the Chairman and the Directors of the Board for the policy guidelines, advices and business foresight provided by them all through the past years. I would also like to thank the management team, officials and the rank and file of the staff for their research and hard work, short of which the company could not have touched the desired line of attainment. I express my gratitude to Bangladesh Bank, RJSC, BSEC, DSE, CSE, CDBL, our Auditors, customers and all our well wishers for their full cooperation.

While wishing you peace, prosperity and happiness in days approaching, I thank you for kindly partnering with us in the course of our efforts at National Housing.



Md. Khalilur Rahman
Managing Director

DIRECTORS' REPORT



DEAR STAKEHOLDERS

I, on behalf of the Board of Directors of National Housing Finance and Investments Limited, have the pleasure to present the Annual Report and Audited Financial Statements of Your Company for the year ended December 31, 2017, together with the Auditors' Report thereon.

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

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 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 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

The company's Vision, mission, core values and code of conduct are given in the page number 4, 5, & 6 of the Annual Report. The business activities of the organization are conducted at a high level of ethical standards and commitment to the society as a whole.

PRINCIPAL ACTIVITIES OF NHFIL

The Company provides loan to the extent of 70.00% of the total purchase price of houses, 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. In addition to this, the company also involves with other activities such as accepting deposits, SME, lease financing, project financing etc.

ECONOMIC REVIEW OF THE FINANCIAL YEAR

WORLD ECONOMY REVIEW

The global upswing in economic activity is strengthening, with global growth projected to rise to 3.6 percent in 2017 and 3.7 percent in 2018. Broad-based upward revisions in the euro area, Japan, emerging Asia, emerging Europe, and Russia more than offset downward revisions for the United States and the United Kingdom. But the recovery is not complete: while the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies. Commodity exporters, especially of fuel, are particularly hard hit as their adjustment to a sharp step down in foreign earnings continues. And while short-term risks are broadly balanced, medium-term risks are still tilted to the downside. For policymakers, the welcome cyclical pickup in global activity provides an ideal window of opportunity to tackle key challenges- namely to boost potential output while ensuring its benefits are broadly shared, and to build resilience against downside risks.

REGIONAL ECONOMY REVIEW

The outlook for South Asia's economies remains strong. After a slowdown in 2016, largely driven by lower growth in India following the country's currency exchange initiative, South Asia's real GDP growth is expected to pick up to 6.9 percent in 2017 and reach 7.3 percent in 2018. The dispersion of growth rates in the region is also declining and all countries are forecast to increase their rates of expansion. Despite a further strengthening of activity, South Asian inflation is expected to remain relatively stable. Addressing the region's remaining macroeconomic vulnerabilities remains a work in progress. Fiscal deficits and debt levels remain relatively high and are only expected to decline gradually. Vulnerabilities in the financial sector also require attention in several countries. Policymakers should focus on addressing the remaining vulnerabilities and supporting sustained high and socially inclusive growth. Some common areas of priority across the region include domestic revenue generation to support consolidation and generate space for more public investment and targeted social spending, as well as continued structural reforms to address supply-side bottlenecks and enhance the functioning of product and factor markets.

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 two years, a decade high, and higher than the average in peer Asian economies, making Bangladesh the 3rd best growth performer in Asia. Provisional estimates of the Bangladesh Bureau of Statistics indicate that real GDP recorded a growth of 7.28 percent in FY17, which was higher than 7.1 percent recorded in FY16. Measured at current market prices, the GDP of Bangladesh in FY17 was estimated at Taka 19,758.2 billion which was 14 percent higher than that of FY16. The per capita GDP is estimated to have been Tk. 58,602.6 in FY17. However, the government has again set a target for GDP growth in FY18 at around 7.4 percent and inflation rate has been targeted at 5.5 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.

Outstanding bank credit (excluding foreign bills and inter-bank items) during FY17 rose by 15.84% to Taka 7723.40 billion as against an increase of 16.16% in FY16.

Bank deposits increased by 10.94% to Taka 9,425.34 billion during FY17 against 13.84% increase in FY16.

Broad money (M2) grew by 10.9% in FY17 against targeted growth of 15.5% and 16.3% actual growths in FY16. Export earnings increased slightly in FY17 to USD 34.84 billion from USD 34.26 billion and Import payments in FY17 stood at USD 43.49 billion registering a positive growth of 9.0 percent compared to USD 39.72 billion in FY16. The flow of inward remittances from Bangladeshi nationals working abroad has been playing an important role in strengthening the current account balance. The remittance witnessed earnings of USD 12.77 billion in FY17 which is, however, 14.5 percent lower compared to USD 14.93 billion in FY16. The shortfall of remittance is due mainly to the prolonged decline in oil prices and economic downturn in the GCC countries.

Financial stability concerns attained high priority in Bangladesh as everywhere else 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 create more productive credit demand and new employment opportunities in the economy. Bangladesh aspires to be a middle-income country by 2021.

This will require increasing GDP growth to 7.5 to 8 percent per year based on accelerated export and remittance growth. Both public and private investment will need to increase as well. Growth will also need to be more inclusive through creation of productive employment opportunities in the domestic economy.

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

The DSE broad index and the market capitalization of Dhaka Stock Exchange Limited (DSE) were more stable during July to October 2017. The market was increasing during the first quarter of FY17. The DSEX and the market capitalization increase to Taka 5,719.60 billion and Taka 3,798.30 billion respectively at the end of March 2017 from Taka 4,507.60 billion and Taka 3,185.70 billion in June 2016. However, DSE is considered as the steersman of enrichment. DSE achieved the certificate of ISO 9001:2008 on October 30, 2016 by fulfilling all the requirements of International Organization for Standardization (ISO). DSE has also achieved full membership of the World Federation of Exchanges (WFE) on June 06, 2017 followed by the application for the full membership on January 19, 2015.

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. 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. Weighted average interest rate in the call money market was stable in FY16 at 3.68% to 3.93%.

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 246 as on 30 June 2017.

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 upto 25 percent of paid up capital. In December 2016, all NBFIs' total investment in capital market was Taka 20.55 billion compared to Taka 19.35 billion in December 2015. Investment in capital market accounted for 2.88 percent of the total assets of all NBFIs. At the end of June 2017, NBFIs total investment in capital market stood at Taka 19.90 billion.

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

INDUSTRY OUTLOOK

HOUSING FINANCE

With rising income, lower housing loan interest rate and growing urban population real estate sector in Bangladesh coming out from the sluggishness of the last five years, finally it enjoying some much needed growth on the demand side. However, political stability, investor confidence and availability of utilities will continue to play a crucial role in organizing the recovery of Bangladesh's Real Estate 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, 2017. 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 stark truth about the matter is that the country has a little land mass compared with the size of its population; particularly, the great concentration of people in urban areas, most fiercely in Dhaka, the capital, is the lone determinant of the status of the real estate sector. Thus, though depressed now, the real estate market has nothing but to regain its weight in the near future. Moreover, shelter and for that matter housing essentially forms a part of the five-fold Basic Needs of a human being. That need provides for a perennial business opportunity for your company and leads us to expect a reversal of current trend towards a vibrant and gainful housing market in future.

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

KEY STRENGTHS OF NHFIL

NHFIL's brand strength and the niche we have created for ourselves in the non-banking finance sector in Bangladesh have helped us stay ahead in a highly competitive market. 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 collections and controlling of NPLs have all contributed to increases in our profits, and in turn, creation of value for our

shareholders. Besides, even in a slow and highly competitive industry environment with low customer stickiness and higher loans churn with lower retention levels, we were able to grow our overall asset. In part, this growth rate is also because of the fact that we are extensively growing and hope to grow in the future.

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 for succession planning and smooth business continuity. As we focus on enhancing our resource productivity, we are increasingly linking KPIs with compensation, increasingly fostering an entrepreneurial environment 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, what we have come to believe helps retain quality talent 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.

NEW LOGO NEW ERA

National Housing started its journey with a logo and Mission Statement "Equal Housing Lender" in the year 1998. In this long journey, it has earned a remarkable name in the market and earned the "Trust as a friend" of the customers and other stakeholders. Since inception, NHFIL financed to thousands of customers and they purchased flats or built their own homes. Now the time to enhance the bondage and re-firm the trust for future business success.

In alignment with its vision, National Housing started its' next step with a new logo and mission statement "**Bondhutter Aastha**" to strengthen the trust and confidence of the customers as well as other stakeholders.

SOME OF THE TECHNOLOGICAL INNOVATIONS ADOPTED BY NHFIL

- 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.
- 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.
- We are increasing technology leverage to fully automate the indigenously developed credit appraisal and assessment that not only helps us proactively identify infection 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 will have also quickened our loan disbursement time frames and this will greatly benefited us in terms of providing superior customer service.

ASSESSMENT ON THE INTEREST RATE

At NHFIL, our overall funding and liquidity positions remained comfortable during the year 2017. 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 has an ongoing process in place to identify, evaluate and manage the risks that are faced by it. This process is detailed in the Risk Management Report on pages 49 to 50. 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 47 to 55 Pursuant to Clause 7.20 of SEC Notification No. SEC/ CMRRCD/200658 /129/ Admin/44 dated 07 August 2012 the Company's compliance status is shown in Annexure-B page 65.

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.

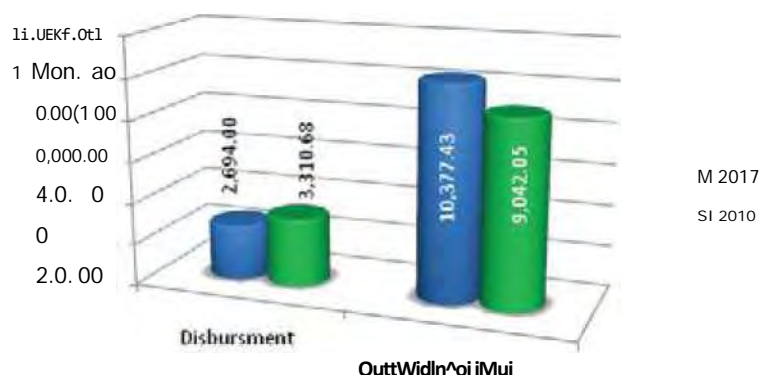
OPERATIONAL OVERVIEW OF NATIONAL HOUSING

National Housing has been able to maintain a stable business volume during 2017 which can be seen from the data furnished below:

(Amount in BDT Million)

| Particulars | 2017 | | 2016 | |
|--|-----------------|-----------------------|-----------------|-----------------------|
| | Disbursement | Outstanding Portfolio | Disbursement | Outstanding Portfolio |
| Home mortgage loan | 2,174.44 | 8,891.55 | 2,856.04 | 7,604.64 |
| Lease & Term finance including SME and other | 519.56 | 1,485.88 | 454.64 | 1,437.41 |
| Total: | 2,694.00 | 10,377.43 | 3,310.68 | 9,042.05 |

Bar chart with different colors (Fig 01)



The total portfolio of the Company reached to Tk. 10,377.43 million from Tk. 9,042.05 million during 2017, registering a growth rate of 14.77%.

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.

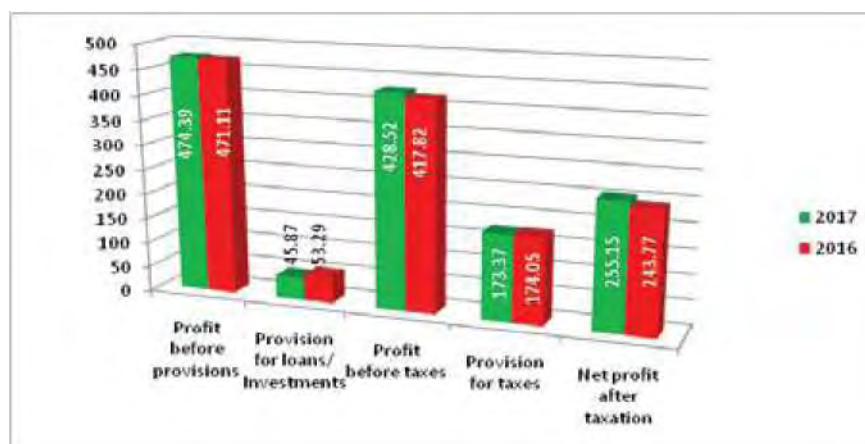
FINANCIAL PERFORMANCE DURING THE YEAR 2017

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 | 2017 | | | | | 2016 |
|----------------------------------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Yearly | |
| Net interest income | 124.59 | 161.67 | 125.73 | 165.94 | 577.93 | 562.36 |
| Total operating income | 140.20 | 169.86 | 135.60 | 180.86 | 626.52 | 603.29 |
| Total operating expenses | 31.52 | 35.89 | 36.33 | 48.39 | 152.13 | 132.18 |
| Profit before provisions | 108.68 | 133.97 | 99.27 | 132.47 | 474.39 | 471.11 |
| Provision for loans/ Investments | 10.71 | 25.31 | 16.46 | (6.61) | 45.87 | 53.29 |
| Profit before taxes | 97.97 | 108.66 | 82.81 | 139.08 | 428.52 | 417.82 |
| Provision for taxes | 38.85 | 34.08 | 38.61 | 61.83 | 173.37 | 174.05 |
| Net profit after taxation | 59.12 | 74.58 | 44.20 | 72.25 | 255.15 | 243.77 |

Bar chart with different colors (Fig 02)



INCREASING THE SCOPE OF OPERATIONS

One of the key strengths of our corporate division is that it is highly adaptable to emerging market requirements. Plus, the team here possesses a strong network and relationships with some of the largest corporate houses of the country, exposing the business to numerous opportunities not just in terms of catering to sophisticated customer requirements but also in nation building as they create assets that are of national importance.

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 2017 duly signed by the Chairman, Managing Director, an 2 (two) Directors are given on pages from 74 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 2017 and their report on those Financial Statements, as required by the Companies Act 1994 is given on page 72.

SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting policies adopted in the preparation of the Financial Statements are given on pages from 82 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 41 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 2017 amounted to BDT 10.26 million which were BDT 216.47 million as at 31 December 2016. Details are given in Annexure-A of Financial Statements

INTEREST IN OTHER ENTITIES

According to IFRS 12, National Housing Finance & Investments Ltd do 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 54 to the Financial Statements which form an integral part of the Annual Report.

CREDIT RATING

On 15 June, 2017, CRAB assigned 'A1' rating in the Long Term and 'ST-3' in the Short Term to the Company based on financial statements up to 31 December, 2016. Banks/FIs rated as 'AT (Strong Capacity & High Quality)' have strong capacity to meet financial commitments, maintain high quality, with low credit risk, but are susceptible to adverse changes in circumstances and economic conditions. In Short Term Rating Scales and Definitions ST-3 (Average Grade) means average capacity for timely repayment of obligations.

ADDITIONAL DISCLOSURES

The Directors, in accordance with SEC Notification No. SEC/ CMRRCD/200658/129/Admin/44 dated 07 August 2012; confirm 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 85 of the Annual Report.
- The system of internal control is sound in design and has been effectively implemented and monitored as per page no 50 of the Annual Report.
- Key operating and financial data of at least preceding five (5) years have been summarized on page no 22 of this Annual Report.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no extraordinary gain or loss during the year.
- No significant difference occurs between quarterly financial performance and annual financial statements.
- There are no significant changes in the Company's fixed assets and the market value.
- The company had not enabled any of its directors to acquire benefits by means of acquisition of share or debentures of the company or anybody corporate.

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

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

- The Board of Directors has appointed ERA INFOTECH LTD to supply core banking solution including loan processing system, HR module, Mobile apps and internet banking for automation of the core activities of the company.
- The company purchased a floor space measuring 5680 sft. commercial floor space at Aziz Court, 11th Floor, 88-90 Agrabad, Chittagong at a price of approximately BDT. 8,46,44,503 (including registration and Interior) to establish Chittagong Branch and Disaster Recovery Centre (DR) with due consent from Bangladesh Bank.
- The Board of Directors in its 196th Board Meeting held on 18th March 2018 has recommended 19.00% cash dividend subject to the approval of the shareholders at the 19th Annual General Meeting.

DIRECTORS

In terms of the Shareholders' Agreement, the following Directors are to retire in the 19th Annual General meeting.

| SL# | Directors to Retire | Organization Represented |
|-----|-----------------------------|-----------------------------------|
| 01 | Mr. Azmal Hossain | Eastern Insurance Co. Ltd |
| 02 | Mr. Syed M. Altaf Hossain | Pragati Insurance Co. Ltd |
| 03 | Mr. Muminul Haque Chowdhury | Borak Travels (Pvt.) Ltd. |
| 04 | Mr. Syed Ali Jowher Rizvi | Overseas Investors Forum (Zambia) |

The following shareholders being eligible for re-election expressed their interest to be re-elected as Directors in the 19th AGM:

| SL# | Directors to be re-elected | Organization Represented |
|-----|-----------------------------|-----------------------------------|
| 01 | Mr. Azmal Hossain | Eastern Insurance Co. Ltd |
| 02 | Mr. Syed M. Altaf Hossain | Pragati Insurance Co. Ltd |
| 03 | Mr. Muminul Haque Chowdhury | Borak Travels (Pvt.) Ltd. |
| 04 | Mr. Syed Ali Jowher Rizvi | Overseas Investors Forum (Zambia) |

SHAREHOLDING PATTERN

NHFIL's shareholding pattern as on December 31, 2017, is disclosed as per the revised CGG of BSEC of this annual report on page no 63.

BOARD MEETING AND ATTENDANCE BY THE DIRECTORS

During the year 2017, a total 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 60 & 62.

REMUNERATION OF DIRECTORS INCLUDING INDEPENDENT DIRECTORS

Meeting attended by the Directors of National Housing Finance & Investments Limited refer to page no 60 to 62 of this Annual Report under the Corporate Governance Report.

PROPOSED DIVIDEND

NHFIL has earned a net profit after tax of TK. 255.15 million as against TK. 243.77 million in the previous year. The Board of Directors recommended 19 % Cash Dividend i.e. Tk. 1.90 for each share for the year ended 31st December, 2017, subject to approval at the 19th Annual General Meeting.

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 | 2017 | 2016 |
|-----------------------|--------------------|--------------------|
| Statutory Reserve | 411,384,918 | 360,355,287 |
| Retained Earnings | 225,299,229 | 212,686,303 |
| Total Reserves | 636,684,147 | 573,041,590 |

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 establish 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 19th AGM. Being eligible for re-appointment for the year 2018 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 2018 at a remuneration of Tk. 250,000.00.

APPRECIATION

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



Latifur Rahman
Chairman
Dhaka, Dated 18 March 2018

AUDIT COMMITTEE REPORT

For the year ended 31st December, 2017

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:

| | |
|--|------------|
| Professor Imran Rahman, Independent Director | - Chairman |
| Mr. Md. Kabir Reza, Director | - Member |
| Mr. Akhtar Ahmed, Director | - Member |
| Mr. Azmal Hossain, Director | - Member |
| Syed Tanveer Hussain, Independent Director | - Member |

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

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

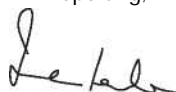
Functions and Activities:

The Committee

- met 4 (four) times in the year 2017 on 02.04.2017, 08.05.2017, 15.07.2017 and 29.10.2017;
- 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;
- 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;



Professor Imran Rahman

Chairman

Audit Committee

Dhaka, Dated 15 March, 2018

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
 - Short term and Long term liquidity planning
 - Funding diversification
 - Business growth monitoring
 - Capital planning
2. Financial Risk Management
 - Liquidity profile analysis
 - Interest rate gap analysis
 - Contingency funding planning
3. Management advice
 - Conducting ALCO (Asset-Liability Committee) Meeting
 - Provide valuable inputs to senior management through analytical reporting
4. Investment Management
 - Investment in money market instruments
 - Investment in Government Securities
 - Strategic investments

Managing our Cost of Funds (CoF)

In 2017, market interest rate was in declining trend throughout the year as excess liquidity piled up in the banking sector. In general, NHFIL's balance sheet is positioned to benefit from lower interest rates. At the outset of last year, our maturity profiles were such that in response to lower market rates, our liabilities would be re-priced to a greater degree than our assets. We took the opportunity of low interest rate environment and lowered our deposit rates several times in 2017. Customer deposit being the major source of funding, reduction in interest rate on deposits had a significant impact on overall cost of fund.

Money Market Desk:

NHFIL money market desk is devoted to manage liquidity and funding and generating revenue from money market transactions. This desk has been generating sizable amount of profit through money market transactions. Money market desk assumes following major responsibilities:

- Maintaining CRR, SLR and other regulatory ratio at optimum level
- Managing interbank borrowing (Call Loan, STL, Bank Deposits)
- Sourcing fund at competitive rates and deploying surplus funds profitably
- Investing in money market instruments

Asset Liability Management (ALM) at NHFIL

Asset Liability Management involves evaluating, monitoring and managing key balance sheet risks. NHFIL has an approved policy guideline on Asset Liability Management (ALM) to best address the key balance sheet issues and risks. Asset Liability Management Committee (ALCO) comprised of senior management of NHFIL has the main responsibility to ensure that an effective ALM system is in practice to manage balance sheet risks.

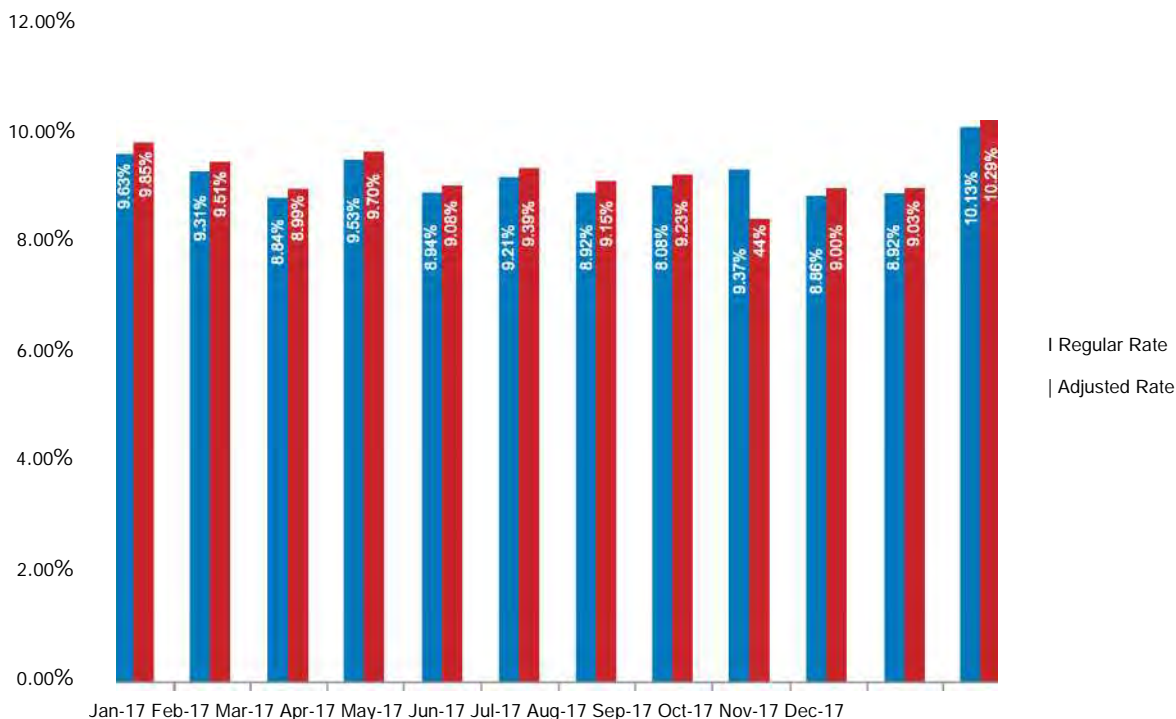
ALCO holds the responsibility of:

- 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 Bangladesh Bank in respect of statutory obligations involved within the parameters of Balance Sheet Risks.
- Reviewing and formulating pricing strategy for both the deposit products and asset products.

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 2017 are as shown below:

| Base Rate Analysis for the year 2017 | | | | | | | | | | | | |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Base Rate | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| Regular Rate | 9.63% | 9.31% | 8.84% | 9.53% | 8.94% | 9.21% | 8.92% | 9.08% | 9.37% | 8.86% | 8.92% | 10.13% |
| Adjusted Rate | 9.85% | 9.51% | 8.99% | 9.70% | 9.08% | 9.39% | 9.15% | 9.23% | 8.44% | 9.00% | 9.03% | 10.29% |

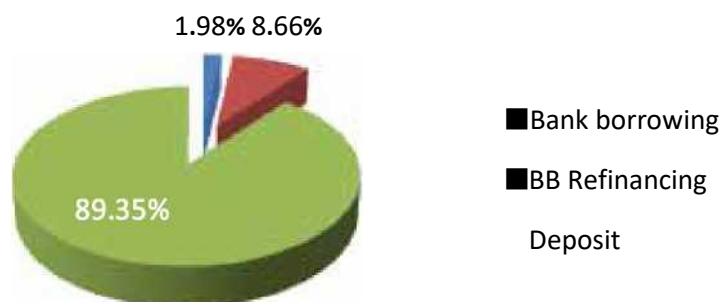


Managing our cost of funds (CoF)

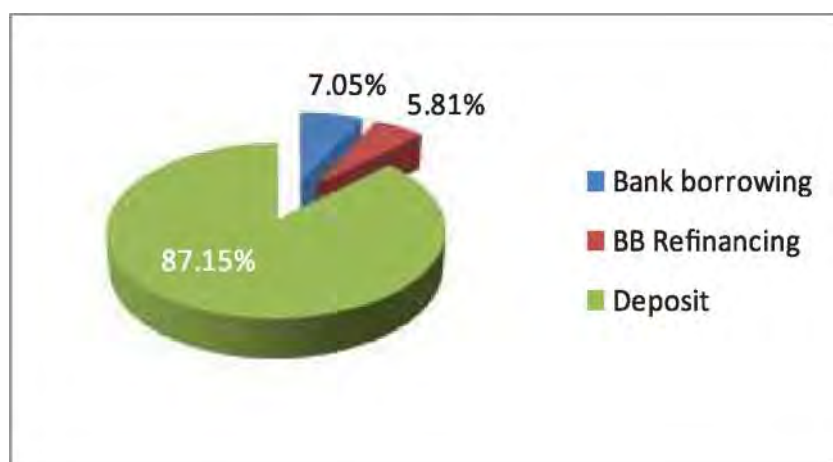
For the year ended December 31, 2017

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

| Particulars | December 31, 2017 | % | December 31, 2016 | % |
|----------------|----------------------|--------|----------------------|--------|
| Bank borrowing | 943,465,364 | 7.05% | 187,921,972 | 1.98% |
| BB Refinancing | 777,377,116 | 5.81% | 822,031,860 | 8.66% |
| Deposit | 11,668,164,585 | 87.15% | 8,477,629,762 | 89.35% |
| | 13,389,007,066 | | 9,487,583,593 | |



2017



2016

REPORT ON CORPORATE GOVERNANCE

Corporate governance is a reflection of the value system encompassing with culture, policies, and relationships with the stakeholders. Integrity and transparency are keys to the corporate governance practices to ensure the gain and retain the trust of all stakeholders at all times. At NHFIL, we strive to manage the affairs of the company in a fair and transparent manner ensuring rights and responsibilities of participants including the Board of Directors, managers and executives, shareholders, creditors, regulators, auditors, and other stakeholders.

We, at NHFIL, ensure that we evolve and follow the corporate governance guidelines and best practices. The company is fully alert to its legal, contractual, social and market oriented responsibilities and we consider it our inherent obligation to effect adequate and transparent disclosure of information reflecting our financials and performance as well as the leadership and governance of the Company.

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 4 & 5.

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 6.

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 06.

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;

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 reviewed by the Board to find out deviations and embrace course of corrections, if any.

Annual evaluation of the CEO & Managing Director by the Board

The Board of Directors evaluates the CEO & 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.

AUDIT COMMITTEE

Audit Committee Chairman is an independent Non-Executive Director

The Chairman of the Audit Committee is a BSEC approved 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 is an independent Director, ex-Vice Chancellor of the University of Liberal Arts Bangladesh (ULAB) and have twenty-nine years of teaching experience, including twenty-two years at the Institute of Business Administration (IBA), DU as a teacher. He has post-graduation from IBA, University of Dhaka and a B.Sc. in Economics from the London School of Economics and Political Science. The Chairman of the Audit Committee has huge experience in the area of investments, capital markets and corporate finance.

Composition of the Audit Committee:

As per BSEC notification no, SEC/CMRRC/2006-158/129/Admin/44 dated 7th August 2012 on Corporate Governance and Bangladesh Bank Guidelines. The Current Audit Committee consists of 5 members including 2 independent directors. Composition of Audit Committee has been shown in the Annual Report page no. 56.

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 attend 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 Investment 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 guideline 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.

EXECUTIVE COMMITTEE

Roles of the Executive committee

The Executive Committee is authorized to review and approve the proposals of loans and advances within prescribed limits set by the board. The EC reviews all other proposals relating to loans and advances above the limits, as well as other matters for board's approval. As per Bangladesh Bank Guideline, The Chairman of the Executive Committee is a Director who is not involved in the day to day operations of the Company. He is an experienced Business individual and qualified to be the Chairman of the Executive Committee. As per Bangladesh Bank Guideline, the Current Audit Committee consists of 5 members including 1 independent director. The Board review the performance of Executive Committee on Yearly Basis. Composition of Executive Committee has been shown in the Annual Report page no. 56.

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:

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

- ❖ 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 behaviour 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

STRENGTHENING OF CREDIT RISK MANAGEMENT (CRM) FUNCTION

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 Credit Risk Management committee is fully comprised of the members of the management of NHFIL. The Committee are comprise by the 5(five) members under headed by Deputy Managing Director.

The Committee is thoroughly reviewing the credit proposals in respect of credit risks for onward submission to Credit Approval Authority (Board/EC/Management) through the Managing Director. However, the decisions/recommendations of the Credit Committee shall be based on sound fundamentals, supported by a thorough financial and risk analysis.

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 2017, the expenditures incurred related to directors' remuneration were Tk.19.50 Lac and details of which is shown in the page no 62 Total remuneration to the Managing Director and CEO for the year 2017 is Tk. 60.04 Lac 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), Bangladesh Securities and Exchange Commission (BSEC), online newspapers 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 70 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. 18th AGM held on 11th May 2017

Details of the previous AGM are as follows:

| Particulars | Date & Time | Venue |
|-------------|---|--|
| 18th AGM | Thursday the 11th May 2017, 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, 2016;
- Dividend (Cash @ 18.00%);
- Election/re-election of Directors: Directors who were eligible for re-election and expressed their interest to be elected as Directors in the 18th AGM are: Mr. Latifur Rahman representing Bangladesh Lamps Ltd., Mr. Akhtar Ahmed representing Reliance Insurance Co. Ltd. and Mr. M. A. Sabur representing United Commercial Bank Ltd.
- Appointment of Auditors: M/s Syful Shamsul Alam & Co., Chartered Accountants as external auditor of the Company;

General Shareholders' Information for 19th AGM:

- **Date** : 03rd day of May 2018; Time 11.00 am
- **Venue**: Eagle Hall, RAOWA Convention Hall, Mohakhali DOHS, Dhaka-1206.
- **Financial Reporting Calendar** : 1st January 2017 to 31st December 2017
- **Dates of Book Closure/Record date** : 09th day of April 2018

Agenda to be discussed:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st December, 2017 together with reports of the Auditors;
 2. To declare dividend for the year ended 31st December, 2017;
 3. To elect directors in accordance with the relevant provisions of the Articles of Association of the Company;
 4. To appoint Auditors and fix their remuneration for the year 2018;
- **Dividend Payment Date**: The dividend if declared by the shareholders at the AGM shall be paid on or before 3rd June, 2018, i.e. within 30 days from the date of declaration.

VARIOUS COMMITTEES

Board Committee

Executive Committee

| Name | Designation | Committee Status |
|-----------------------------|------------------------|------------------|
| Syed Ali Jowher Rizvi | Director | Chairman |
| Mr. M. Nurul Alam | Director | Member |
| Mr. Muminul Haque Chowdhury | Director | Member |
| Mr. Md. Kabir Reza, FCMA | Director | Member |
| Syed Tanveer Hussain | Independent Director | Member |
| Md. Khalilur Rahman | Managing Director | Ex-officio |
| Md. Sarwar Kamal, FCS | VP & Company Secretary | Member Secretary |

Audit Committee

| Name | Designation | Committee Status |
|--------------------------|------------------------|------------------|
| Professor Imran Rahman | Independent Director | Chairman |
| Mr. Md. Kabir Reza, FCMA | Director | Member |
| Mr. Akhtar Ahmed | Director | Member |
| Mr. Azmal Hossain | Director | Member |
| Syed Tanveer Hussain | Independent Director | Member |
| Md. Khalilur Rahman | Managing Director | Ex-officio |
| Md. Sarwar Kamal, FCS | VP & Company Secretary | Member Secretary |

Management Committee

Management Committee (MANCOM)

| Name | Designation | Committee Status |
|-----------------------------|------------------------------|------------------|
| Mr. Md. Khalilur Rahman | Managing Director | Chairman |
| Mr. S. M. Anisuzzaman | Deputy Managing Director | Member |
| Mr. Shital Chandra Saha | Senior Vice President | Member |
| Mr. Saved Ahmed, FCMA | VP & Chief Financial Officer | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Md. Ruhul Amin | FAVP & Head of SME | Member |
| Mr. Md. Sarwar Kamal, FCS | VP & Company Secretary | Member Secretary |

Credit Risk Management

| Name | Designation | Committee Status |
|-----------------------------|--------------------------|------------------|
| Mr. S.M. Anisuzzaman | Deputy Managing Director | Chairman |
| Mr. Sayed Ahmed, FCMA | VP & CFO | Member |
| Mr. Md. Sarwar Kamal, FCS | VP & Company Secretary | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Md. Ruhul Amin | FAVP & Head of SME | Member Secretary |

Asset Liability Management Committee (ALCO)

| Name | Designation | Committee Status |
|-----------------------------|------------------------------|------------------|
| Mr. Md. Khalilur Rahman | Managing Director | Chairman |
| Mr. Shital Chandra Saha | Senior Vice President | Member |
| Mr. Sayed Ahmed, FCMA | VP & Chief Financial Officer | Member |
| Mr. Md. Nazrul Islam | Vice President | Member |
| Mr. Md. SarwarKamal, FCS | VP & Company Secretary | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Ismail Hossain Mazumder | Manager & Head of Treasury | Member |
| Mr. Md. Al Amin | Assistant Manager | Member Secretary |

Information & Communication Technology (ICT) Committee

| Name | Designation | Committee Status |
|-----------------------------|------------------------------|------------------|
| Mr. Md. Khalilur Rahman | Managing Director | Chairman |
| Mr. S. M. Anisuzzaman | Deputy Managing Director | Member |
| Mr. Sayed Ahmed, FCMA | VP & Chief Financial Officer | Member |
| Mr. Md. SarwarKamal, FCS | VP & Company Secretary | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Md. Ziaul Karim | AVP & Head of IT | Member |
| Mr. A. S. M. Hosne Mubarak | Assistant Manager (IT) | Member Secretary |

Procurement Committee

| Name | Designation | Committee Status |
|-----------------------------|------------------------------|------------------|
| Mr. Md. Khalilur Rahman | Managing Director | Chairman |
| Mr. S. M. Anisuzzaman | Deputy Managing Director | Member |
| Mr. Sayed Ahmed, FCMA | VP & Chief Financial Officer | Member |
| Mr. Md. SarwarKamal, FCS | VP & Company Secretary | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Md. Ziaul Karim | AVP & Head of IT | Member |
| Mr. Dilip Chandra Roy | Manager, HRD | Member Secretary |

Tender Committee

| Name | Designation | Committee Status |
|-----------------------------|-------------------------------|------------------|
| Mr. Md. Khalilur Rahman | Managing Director | Chairman |
| Mr. S. M. Anisuzzaman | Deputy Managing Director | Member |
| Mr. Shital Chandra Saha | Senior Vice President | Member |
| Mr. Md. Nazrul Islam | Vice President | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Prabir Shel | Deputy Manager & Head of ICCD | Member |
| Mr. Abdullah Al Kafi | Deputy Manager | Member |
| Mr. Md. Alimul Islam | Deputy Manager | Member Secretary |

**NATIONAL HOUSING FINANCE
AND INVESTMENTS LIMITED**

CCU (Central Compliance Unit)

| Name | Designation | Committee Status |
|-----------------------------|----------------------------------|------------------|
| Mr. Sayed Ahmed, FCMA | Chief Financial Officer & CAMLCO | Head of CCU |
| Mr. Md. Sarwar Kamal, FCS | Company Secretary & DCAMLCO | Member |
| Mr. Md. Ziaul Karim | Assistant Vice President | Member |
| Mr. Ismail Hossain Mozumder | Manager | Member |
| Mr. Syed Sharif Ahmed Sumon | Deputy Manager | Member |
| Ms. Runa Akter | Assistant Manager | Member |
| Mr. Md. Junayed Abedin | Deputy Manager | Member Secretary |

Ethics Committee

| Name | Designation | Committee Status |
|-----------------------------|------------------------------|--------------------------------|
| Mr. S. M. Anisuzzaman | Deputy Managing Director | Chairman |
| Mr. Md. Nazrul Islam | VP & Head of Recovery | Member |
| Mr. Md. Abdul Baten | VP & Head of Marketing | Member |
| Mr. Md. Sarwar Kamal, FCS | VP & Company Secretary | Member |
| Mr. Mahbubur Rashid Al Amin | AVP & Head of Operation | Member |
| Mr. Sayed Ahmed, FCMA | VP & Chief Financial Officer | Focal Point & Member Secretary |
| Mr. Md. Junayed Abedin | Deputy Manager | Fallback Person |

Sustainable Finance Committee

| Name | Designation | Committee Status |
|-----------------------------|--------------------------------|------------------|
| Mr. S.M. Anisuzzaman | Deputy Managing Director | Chairman |
| Mr. Nazrul Islam | VP & Head of Recovery | Member |
| Mr. Abdul Baten | VP & Head of Marketing | Member |
| Mr. Sayed Ahmed | VP & Chief Financial Officer | Member |
| Mr. Md. Sarwar Kamal, FCS | VP & Company Secretary | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Ziaul Karim | AVP & Head of IT | Member |
| Mr. Prabir Shel | Deputy Manager (ICC) | Member |
| Mr. Md. Ruhul Amin | First Assistant Vice President | Member Secretary |

Sustainable Finance Unit

| Name | Designation | Committee Status |
|-----------------------------|--------------------------------|----------------------|
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Unit Head |
| Mr. Md. Sarwar Kamal, FCS | VP & Company Secretary | Member |
| Mr. Md. Ziaul Karim | AVP & Head of IT | Member |
| Mr. Md. Ruhul Amin | First Assistant Vice President | Member |
| Mr. Prabir Shel | Deputy Manager (ICC) | Member |
| Mr. Junayed Abedin | Deputy Manager | Focal Point official |
| Mr. Md. Al Amin | Assistant Manager | Fallback Person |

Risk Management Forum (RMF)

| Name | Designation | Committee Status |
|-----------------------------|-------------------------------|--------------------------|
| Mr. S. M. Anisuzzaman | Deputy Managing Director | Chief Risk Officer (CRO) |
| Mr. Sayed Ahmed, FCMA | VP & Chief Financial Officer | Member |
| Mr. Mahbubur Rashid Al-Amin | AVP & Head of Operation | Member |
| Mr. Md. Ziaul Karim | FAVP & Head of IT | Member |
| Mr. Md. Ruhul Amin | FAVP & Head of SME | Member |
| Mr. Ismail Hossain Mazumder | Manager & Head of Treasury | Member |
| Mr. Prabir Shel | Deputy Manager & Head of ICCD | Member |

Risk Analysis Unit (RAU)

| Name | Designation | Committee Status |
|---------------------------|------------------------|------------------|
| Mr. Md. Nazrul Islam | Vice President | Member |
| Mr. Md. Sarwar Kamal, FCS | VP & Company Secretary | Member |
| Mr. Md. Mezanur Rahman | Manager | Member |
| Mr. Md. Al-Amin | Assistant Manager | Member Secretary |

Customer Service and Complaints Management Cell

| Name | Designation | Committee Status |
|-----------------------|-------------------------------|------------------------|
| Mr. Md. Nazrul Islam | Vice President | Head of Complaint Cell |
| Mr. Md. Ruhul Amin | FAVP & Head of SME | Member |
| Mr. Prabir Shel | Deputy Manager & Head of ICCD | Member |
| Mr. Rajesh Saha | Officer | Member |
| Ms. Homayra Ashrafi | Officer | Member |
| Ms. Umme Hamida Akter | Assistant Officer | Member |

BOARD MEETING AND ATTENDANCE OF DIRECTORS

During the year 2017 the 12 meeting of the Board were held. Attendance of the Director is stated below:

| Name of the Directors | | | Number of Meetings | | Change During 2017 |
|-----------------------------|------------------------------|--------------------------------|--------------------|----------|-------------------------|
| | Nominated by | Designation | Held | Attended | |
| Mr. Latifur Rahman | Bangladesh Lamps Ltd. | Chairman | 12 | 11 | |
| Mr. Mahbubur Rahman | Eastland Insurance Co. Ltd. | Director | 12 | 5 | |
| Mr. Md. Manirul Islam | Pragati Insurance Co. Ltd. | Director | 9 | 6 | Resigned on 28.09.2017 |
| Syed M. Altaf Hussain | Pragati Insurance Co. Ltd. | Director | 3 | 2 | Appointed on 28.09.2017 |
| Mr. Muminul Haque Chowdhury | Borak Travels (Pvt.) Ltd. | Director | 12 | 12 | |
| Mr. Azmal Hossain | Eastern Insurance Co. Ltd. | Director | 12 | 12 | |
| Mr. M. Nurul Alam | Shaw Wallace Bangladesh Ltd. | Director | 12 | 12 | |
| Mr. Akhtar Ahmed | Reliance Insurance Co. Ltd. | Director | 12 | 10 | |
| Mr. A F M Shariful Islam | National Bank Ltd. | Director | 5 | 0 | Resigned on 11.05.2017 |
| Mr. M. A. Sabur | United Commercial Bank Ltd. | Director | 7 | 0 | Appointed on 11.05.2017 |
| Mr. Md. Kabir Reza, FCMA | Square Pharmaceuticals Ltd. | Director | 12 | 11 | |
| Syed Ali Jower Rizvi | | Director | 12 | 11 | |
| Professor Imran Rahman | | Independent Director | 12 | 8 | |
| Syed Tanveer Hussain | | Independent Director | 12 | 12 | |
| Mr. Imtiaz Mahmood | | Independent Director | 12 | 1 | |
| Mr. Md. Khalilur Rahman | | Managing Director (Ex-Officio) | 12 | 12 | |

EXECUTIVE COMMITTEE MEETING AND ATTENDANCE OF DIRECTORS

During the year 2017 the 17 meeting of the EC were held. Attendance of the Director is stated below:

| Name of the Directors | Designation | Committee Status | Number of Meetings | | Change During 2017 |
|-----------------------------|----------------------|-------------------|--------------------|----------|--------------------|
| | | | Held | Attended | |
| Syed Ali Jowher Rizvi | Director | Chairman | 17 | 16 | No change |
| Mr. M. Nurul Alam | Director | Member | 17 | 15 | |
| Mr. Muminul Haque Chowdhury | Director | Member | 17 | 17 | |
| Mr. Md. KabirReza, FCMA | Director | Member | 17 | 16 | |
| Syed Tanveer Hussain | Independent Director | Member | 17 | 17 | |
| Mr. Md. Khalilur Rahman | Managing Director | Ex-Officio Member | 17 | 17 | |

AUDIT COMMITTEE MEETING AND ATTENDANCE OF DIRECTORS

During the year 2017 the 4 meeting of the Audit Committee were held. Attendance of the Director is stated below:

| Name of the Directors | Designation | Committee Status | Number of Meetings | | Change During 2017 |
|-------------------------|----------------------|-------------------|--------------------|----------|--------------------|
| | | | Held | Attended | |
| Professor Imran Rahman | Director | Chairman | 4 | 4 | No change |
| Mr. Md. KabirReza, FCMA | Director | Member | 4 | 4 | |
| Mr. Akhtar Ahmed | Director | Member | 4 | 3 | |
| Mr. Azmal Hossain | Director | Member | 4 | 3 | |
| Syed Tanveer Hussain, | Independent Director | Member | 4 | 4 | |
| Mr. Md. Khalilur Rahman | Managing Director | Ex-Officio Member | 4 | 4 | |

REMUNERATION PAID TO DIRECTORS INCLUDING INDEPENDENT DIRECTOR (INCLUDING AIT) DURING THE
YEAR 2017

| Amount in Taka | | | | | | |
|-----------------------------|------------------------------|--------------------------------|---------------|---------------------|-----------------|---------|
| Name of the Directors | Nominated by | Designation | Board Meeting | Executive Committee | Audit Committee | Total |
| Mr. Latifur Rahman | Bangladesh Lamps Ltd. | Chairman | 88,000 | - | - | 88,000 |
| Mr. Mahbubur Rahman | Eastland Insurance Co. Ltd. | Director | 40,000 | - | - | 40,000 |
| Mr. Md. Maniml Islam | Pragati Insurance Co. Ltd. | Director | 48,000 | - | - | 48,000 |
| Syed M. Altaf Hussain | Pragati Insurance Co. Ltd. | Director | 16,000 | - | - | 16,000 |
| Mr. Muminul Haque Chowdhury | Borak Travels (Pvt.) Ltd. | Director | 96,000 | 136,000 | - | 232,000 |
| Mr. Azmal Hossain | Eastern Insurance Co. Ltd | Director | 96,000 | - | 24,000 | 120,000 |
| Mr. M. Numl Alam | Shaw Wallace Bangladesh Ltd. | Director | 96,000 | 120,000 | - | 216,000 |
| Mr. Akhtar Ahmed | Reliance Insurance Co. Ltd. | Director | 80,000 | - | 24,000 | 104,000 |
| Mr. A F M Shariful Islam | National Bank Ltd. | Director | - | - | - | - |
| Mr. M. A. Sabur | United Commercial Bank Ltd. | Director | - | - | - | - |
| Mr. Md. Kabir Reza, ECMA | Square Pharmaceuticals Ltd. | Director | 88,000 | 128,000 | 32,000 | 248,000 |
| Syed Ali Jower Rizvi | | Director | 88,000 | 128,000 | - | 216,000 |
| Professor Imran Rahman | | Independent Director | 64,000 | - | 32,000 | 96,000 |
| Syed Tanveer Hussain | | Independent Director | 96,000 | 136,000 | 32,000 | 264,000 |
| Mr. Imtiaz Mahmood | | Independent Director | 8,000 | - | - | 8,000 |
| Mr. Md. Khalilur Rahman | | Managing Director (Ex-Officio) | Nil | Nil | Nil | Nil |

PATTERN OF SHAREHOLDING AS ON 31ST DECEMBER 2017

On the basis of shareholders types:

| Group Name | No. of Shareholder(s) | No. of Share(s) | Percentage (%) |
|----------------------------|-----------------------|--------------------|----------------|
| Company | 60 | 19,588,432 | 18.41 |
| General Public | 3191 | 11,213,947 | 10.54 |
| Investor Account (Omnibus) | 67 | 814,263 | 0.76 |
| Mutual Fund | 1 | 200,000 | 0.19 |
| NRB (Non Residential) | 44 | 12,607 | 0.01 |
| Sponsor Share | 16 | 74,490,451 | 70.02 |
| Unite Fund | 1 | 72,300 | 0.07 |
| Total: | 3,380 | 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 Shareholders) | No. of Shares | Percentage (%) |
|--------------------|-------------------------|--------------------|----------------|
| 1 -500 | 1,929 | 181,094 | 0.17 |
| 501 - 5000 | 1,150 | 2,003,698 | 1.88 |
| 5001 -10000 | 132 | 1,025,200 | 0.96 |
| 10001 -20000 | 56 | 804,157 | 0.76 |
| 20001 - 30000 | 21 | 563,023 | 0.53 |
| 30001 - 40000 | 10 | 343,887 | 0.32 |
| 40001 - 50000 | 9 | 426,182 | 0.40 |
| 50001 -100000 | 19 | 1,348,752 | 1.27 |
| 100001 -1000000 | 34 | 8,214,218 | 7.72 |
| 1000001 to above | 20 | 91,481,789 | 85.99 |
| Total: | 3,380 | 106,392,000 | 100.00 |

On the basis of Related Parties

A. 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. | Jibon 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 Co. Ltd | Sponsor | 5,123,295 | 4.82 |
| 7. | Pragati Insurance Co. 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 | 2,127,840 | 2.00 |
| 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 |

**NATIONAL HOUSING FINANCE
AND INVESTMENTS LIMITED**

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

| Sl. | Name of Director | 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. | Syed M. Altaf Hussain | Pragati Insurance Co. Ltd. | Director | Nil | Nil |
| 4. | Mr. Muminul Haque Chowdhury | Borak Travels (Pvt.) Ltd. | Director | Nil | Nil |
| 5. | Mr. Azmal Hossain | Eastern Insurance Co. Ltd. | Director | Nil | Nil |
| 6. | Mr. M. Nurul Alam | Shaw Wallace Bangladesh Ltd. | Director | Nil | Nil |
| 7. | Mr. Akhtar Ahmed | Reliance Insurance Co. Ltd. | Director | Nil | Nil |
| 8. | Mr. M. A. Sabur | United Commercial Bank Ltd. | Director | Nil | Nil |
| 9. | Mr. Md. Kabir Reza, FCMA | Square Pharmaceuticals Ltd. | Director | Nil | Nil |
| 10. | Syed Ali Jowher Rizvi | | Director | 2,884,860 | 2.71 |
| 11. | Professor Imran Rahman | | Independent Director | Nil | Nil |
| 12. | Syed Tanveer Hussain | | Independent Director | Nil | Nil |
| 13. | Mr. Imtiaz Mahmood | | Independent Director | Nil | Nil |
| 14. | 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)

| Sl. | Name of the Executive | Designation | No. of Share(s) held | Percentage (%) |
|-----|--------------------------|-------------------------|----------------------|----------------|
| 1. | Mr. Sayed Ahmed FCMA | Chief Financial Officer | Nil | Nil |
| 2. | Mr. Md. Sarwar Kamal FCS | Company Secretary | Nil | Nil |
| 3. | Mr. PrabirShel | Head of Internal Audit | Nil | Nil |

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

| Sl. | Name of the Executive | Designation | No. of Share(s) held | Percentage (%) |
|---|-----------------------------|--------------------------------|----------------------|----------------|
| 1. | Mr. S. M. Anisuzzaman | Deputy Managing Director | Nil | Nil |
| 2. | Mr. Shital Chandra Saha | SVP & Head of Principal Branch | Nil | Nil |
| 3. | Mr. Md. Nazrul Islam | VP & Head of Motijheel Branch | Nil | Nil |
| 4. | Mr. Md. Abdul Baten | VP & Head of Marketing | Nil | Nil |
| 5. | Mr. Mahbubur Rashid Al-Amin | AVP & Head of operation | Nil | Nil |
| D. Shareholders holding ten percent (10%) or more voting interest in the company | | | Nil | Nil |

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

[Report under Condition No. 7.00]

Annexure -B

| Condition No. | Title | Compliance Status (" V " in appropriate column) | | Remarks (If any) |
|---------------------|--|--|--------------|------------------|
| | | Complied | Not Complied | |
| 1 | BOARD OF DIRECTORS: | | | |
| 1.1 | Board's Size [number of Board members to be 5 - 20] | V | | |
| 1.2 | Independent Directors | | | |
| 1.2 (i) | Number of Independent Directors [at least one-fifth] | V | | |
| 1.2 (ii) | Independent Director (ID) means a director: | | | |
| 1.2 (ii) (a) | Holding no share or holding less than 1 % shares | V | | |
| 1.2 (ii) (b) | Not being a sponsor and connected with any sponsor or director or shareholder holding 1 % or more shares | V | | |
| 1.2 (ii) (c) | Not having any pecuniary or otherwise relationship with the company or its subsidiary/associated companies | V | | |
| 1.2 (ii) (d) | Not being member/director/officer of any stock exchange | V | | |
| 1.2 (ii) (e) | Not being shareholder/director/officer of any member of stock exchange or intermediary of capital market | V | | |
| 1.2 (ii) (f) | Not being partner/executive at present or during the preceding 3 years of the company's statutory audit firm | V | | |
| 1.2 (ii) (g) | Not being an ID in more than 3 listed companies | V | | |
| 1.2 (N) (h) | Not convicted as defaulter in any loan of a bank or NBFIs | V | | |
| 1.2 (ii) (i) | Not convicted for a criminal offence | V | | |
| 1.2 (iii) | To be appointed by BOD and approved in the AGM | V | | |
| 1.2 (iv) | The post cannot remain vacant for more than 90 days | | | N/A |
| 1.2 (v) | Laying down of code of conduct of Board members and recording of annual compliance of the code | V | | |
| 1.2 (vi) | Tenure of ID : 3 years, may be extended for one term | V | | |
| 1.3 | Qualification of Independent Director | | | |
| 1.3 (i) | Being knowledgeable, having integrity, ability to ensure compliance with laws and make meaningful contribution | V | | |
| 1.3 (ii) | Being a Business Leader/ Corporate Leader/ Bureaucrat/ University Teacher (Economics/Business/Law)/ CA/ CMA/CS having 12 years of management/professional experience | V | | |
| 1.3 (iii) | Prior approval of the Commission in special cases | | | N/A |
| 1.4 | Appointment of Chairman and CEO, defining their roles | V | | |
| 1.5 | The Director's Report to Shareholders shall include | | | |
| 1.5 (i) | Industry outlook and possible future developments | V | | |
| 1.5 (ii) | Segment-wise or product-wise performance | V | | |
| 1.5 (iii) | Risks and concerns | V | | |
| 1.5 (iv) | Discussion on COGS, Gross Profit and Net Profit Margins | V | | |
| 1.5 (v) | Discussion on continuity of Extra-Ordinary gain or loss | | | N/A |
| 1.5 (vi) | Basis for and a statement of related party transactions | V | | |
| 1.5 (vii) | Utilization of proceeds from issuing instruments | | | N/A |
| 1.5 (viii) | Explanation, if the financial results deteriorate after going for IPO, RPO, Right Offer, Direct Listing, etc | | | N/A |
| 1.5 (ix) | Explanation about significant variance between Quarterly Financial performance and Annual Financial Statements | | | N/A |

| Condition No. | Title | Compliance Status (" V " in appropriate column) | | Remarks (If any) |
|----------------|--|--|--------------|------------------|
| | | Complied | Not Complied | |
| 1.5 (x) | Remuneration to directors including IDs | V | | |
| 1.5 (xi) | Fair presentation in financial statements | V | | |
| 1.5 (xii) | Maintaining proper books of accounts | V | | |
| 1.5 (xiii) | Consistent application of appropriate accounting policies, and accounting estimates being reasonable and prudent | V | | |
| 1.5 (xiv) | Following applicable IAS/BAS/IFRS/BFRS, and adequate disclosure for any departure there-from, if any | V | | |
| 1.5 (xv) | Soundness and monitoring of internal control system | V | | |
| 1.5 (xvi) | Statement regarding ability to continue as going concern | V | | |
| 1.5 (xvii) | Significant deviations from last year's operating results | | | N/A |
| 1.5 (xviii) | Summary of key operating/financial data of last 5 years | V | | |
| 1.5 (xix) | Reason for non declaration of Dividend | | | N/A |
| 1.5 (xx) | Number of Board meetings and attendance of directors | V | | |
| 1.5 (xxi) | Pattern of shareholding (along with name wise details) by- | | | |
| 1.5 (xxi) (a) | Parent/Subsidiary/Associate Companies & related parties | V | | |
| 1.5 (xxi) (b) | Directors, CEO, CS, CFO, HOIA, their spouses & children | V | | |
| 1.5 (xxi) (c) | Executives (Top 5 salaried employees other than above) | V | | |
| 1.5 (xxi) (d) | Shareholders holding 10% or more voting interest | V | | |
| 1.5 (xxii) | In case of the appointment/re-appointment of a director, | | | |
| 1.5 (xxii) (a) | A brief resume of the director | V | | |
| 1.5 (xxii) (b) | Nature of his/her expertise in specific functional areas | V | | |
| 1.5 (xxii) (c) | Names of companies in which he/she holds directorship and the membership of committees of the board | V | | |
| 2 | CFO, HEAD OF INTERNAL AUDIT AND CS: | | | |
| 2.1 | Appointment of a CFO, a Head of Internal Audit and a CS and defining their roles, responsibilities & duties | V | | |
| 2.2 | Attendance of CFO and CS in the meetings of the Board | V | | |
| 3 | AUDIT COMMITTEE: | | | |
| 3 (i) | Having Audit Committee as a sub-committee of the BOD | V | | |
| 3 (N) | Audit Committee to assist the BOD in ensuring fairness of financial statements and a good monitoring system | V | | |
| 3 (iii) | Audit Committee being responsible to the BOD; duties of Audit Committee to be clearly set forth in writing | V | | |
| 3.1 | Constitution of the Audit Committee | | | |
| 3.1 (i) | Audit Committee to be composed of at least 3 members | V | | |
| 3.1 (ii) | Directors (at least one Independent Director), as Audit Committee Members, to be appointed by BOD | V | | |
| 3.1 (iii) | Audit Committee members to be "financially literate" and at least one to have accounting/financial experience | V | | |
| 3.1 (iv) | Vacancy in Audit Committee making the number lower than 3 to be filled up immediately and within 1 month | | | N/A |
| 3.1 (v) | The CS to act as the secretary of the Audit Committee | V | | |
| 3.1 (vi) | No quorum in Audit Committee meeting without one ID | V | | |
| 3.2 | Chairman of the Audit Committee | | | |
| 3.2 (i) | Chairman to be Independent Director, selected by BOD | V | | |
| 3.2 (ii) | Chairman of audit committee to remain present in AGM | V | | |

| Condition No. | Title | Compliance Status (" V " in appropriate column) | | Remarks (If any) |
|----------------|---|--|--------------|------------------|
| | | Complied | Not Complied | |
| 3.3 | Role of Audit Committee | | | |
| 3.3 (i) | Oversee the financial reporting process | V | | |
| 3.3 (ii) | Monitor choice of accounting policies and principles | V | | |
| 3.3 (iii) | Monitor Internal Control Risk management process | V | | |
| 3.3 (iv) | Oversee hiring and performance of external auditors | V | | |
| 3.3 (v) | Review the annual financial statements | V | | |
| 3.3 (vi) | Review the quarterly and half yearly financial statements | V | | |
| 3.3 (vii) | Review the adequacy of internal audit function | V | | |
| 3.3 (viii) | Review statement of significant related party transactions | V | | |
| 3.3 (ix) | Review Letters issued by statutory auditors | V | | |
| 3.3 (x) | Review disclosures/statements/declarations about uses of funds raised through IPO/RPO/Rights Issue | V | | |
| 3.4 | Reporting of the Audit Committee | | | |
| 3.4.1 | Reporting to the Board of Directors | | | |
| 3.4.1 (i) | Reporting on the activities of Audit Committee | V | | |
| 3.4.1 (ii) (a) | Reporting on conflicts of interests | | | N/A |
| 3.4.1 (ii) (b) | Reporting on suspected/presumed fraud or irregularity or material defect in the internal control system | | | N/A |
| 3.4.1 (ii) (c) | Reporting on suspected infringement of laws | | | N/A |
| 3.4.1 (ii) (d) | Reporting on any other matter to disclose immediately | | | N/A |
| 3.4.2 | Reporting to BSEC | | | N/A |
| 3.5 | Reporting to the Shareholders and General Investors | V | | |
| 4 | EXTERNAL / STATUTORY AUDITORS | | | |
| 4.00 (i) | Non-engagement in appraisal/ valuation/ fairness opinions | V | | |
| 4.00 (ii) | Non-engagement in designing & implementation of FIS | V | | |
| 4.00 (iii) | Non-engagement in Book Keeping or accounting | V | | |
| 4.00 (iv) | Non-engagement in Broker-Dealer services | V | | |
| 4.00 (v) | Non-engagement in Actuarial services | V | | |
| 4.00 (vi) | Non-engagement in Internal Audit services | V | | |
| 4.00 (vii) | Non-engagement in services determined by Audit Com. | V | | |
| 4.00 (viii) | Possessing no share by any partner or employee of the external audit firm during the tenure of assignment | V | | |
| 4.00 (ix) | Audit/Certification services on compliance of corporate governance as required under clause (i) of condition No.7 | V | | |
| 5 | SUBSIDIARY COMPANY | | | |
| 5 (i) | Composition of BOD to be similar to holding company | | | N/A |
| 5 (H) | One ID to be in both holding and subsidiary company | | | N/A |
| 5 (iii) | Minutes of Board meetings of subsidiary company to be placed at following Board meeting of holding company | | | N/A |
| 5 (iv) | Minutes of respective Board meeting of holding company to state that affairs of subsidiary company be reviewed | | | N/A |
| 5 (v) | Audit Committee of holding company to review financial statements / investments of subsidiary company | | | N/A |

| Condition No. | Title | Compliance Status (" V " in appropriate column) | | Remarks (If any) |
|---------------|--|--|--------------|------------------|
| | | Complied | Not Complied | |
| 6 | DUTIES OF CEO AND CFO: | | | |
| 6 (i) (a) | To certify that they've reviewed FSs which contain no untrue or misleading statement or omit no material fact | V | | |
| 6 (i) (b) | To certify that the statements present a true and fair view of affairs and are in compliance with accounting standards and applicable laws | V | | |
| 6(11) | To certify that no transaction is fraudulent, illegal or violation of company's code of conduct | V | | |
| 7 | REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE: | | | |
| 7(1) | Obtaining certificate regarding compliance and sending it to shareholders along with the Annual Report | V | | |
| 7(11) | To state, in accordance with annexure, in directors ' report whether the conditions has been complied with | V | | |

3, Abdur Rashid FCS

BCom (Hons), MBS (Finance & Banking), MBA (Finance), PGDHRVI, LLB, FIIPM

Chartered Secretary in Practice

Private Practice Certificate No.: 003

Phone # *389 2 9553796. +33 01726533555

E-mail: SarasnidfCCOO@yahoo.com

SARashid & Associates
(Chartered Secretaries)

Noakhali Tower (12th Floor, 13-D)

55, B Parana Palian, Dhaka-1000, Bangladesh

E-mail: sara5hidnasso@gmail.com

Certificate on Compliance

of

Corporate Governance Guidelines

[Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the Compliance of Conditions Of the Corporate Governance Guidelines by National Housing Finance and Investments Limited ("the Company ") for the year ended 31 December 2017. Such Compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission (BSEC).

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements or future viability of the Company.

According to the information and explanations provided to me by the Company, I hereby certify that all the conditions of the Corporate Governance Guidelines have been complied with by the Company,

S, Abdur Rashid FCS



Dhaka, 17 April 2018

Report on Financial Statements by Managing Director/CEO and CFO

The Financial Statements of the National Housing Finance and Investments Limited are prepared in compliance with International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS) and other applicable laws, rules and regulations.

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. The form and substance of transactions and the Company's state of affairs reasonably presented. To ensure this, the Company has taken proper and adequate care in installing a system of internal control and accounting records. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

In this regard, we also certify to the Board that:-

- i. We have reviewed financial statements for the year ended 2017 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 together present a 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 transaction entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.



Sayed Ahmed FCMA
VP & Chief Financial Officer



Md. Khalilur Rahman
Managing Director

Auditor' Report & Audited Financial Statements





Syful Shamsul Alam & Co
Chartered Accountants

Corporate Office:
Paramount Heights (Level-6)
65/2/1, Box Culvert Road
Purana Paltan, Dhaka-1000
Bangladesh

Phone: +880-2-9555915
+880-2-9515431
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Fax : +880-2-9560332
E-mail: ssac@ssacbd.com
Web : www.ssacbd.com

Independent Auditors' Report
to the shareholders of
National Housing Finance and Investments Limited

We have audited the accompanying financial statements of National Housing Finance and Investments Limited ("the Company"), which comprises the Balance sheet as at 31 December 2017, and the Profit & Loss account, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of the Company that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS), the Financial Institution Act, 1993, the rules and regulations issued by the Bangladesh Bank, the Securities and Exchange Rules 1987, the Companies Act 1994 and other applicable laws and regulations and for such internal control as management determines necessary to enable the preparation of the financial statements of the Company that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements of the company. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements of the company, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements of the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Company give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the Financial Institution Act, 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Other matter

The financial statements of the company as at and for the year ended 31 December 2016 were audited by Howlader Yunus & Co., Chartered Accountants who expressed an unmodified opinion on those statements on 04 April 2017.


Report on Other Legal and Regulatory Requirements

We also report that:

- i) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification there of and found satisfactory;

- ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- iii) the balance sheet and profit and loss of the Company together with annexed notes from 1 to 54 dealt with by the report are in agreement with the books of account and returns;
- iv) the expenditure incurred was for the purpose of the Company's business so far it appeared to our examination on a test basis;
- v) the financial statements of the Company have been drawn up in conformity with the Financial Institution Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the Company;
- vi) the records and accounts of the branches have been properly maintained in the financial statements;
- vii) provisions have been made for loans, leases & advances, interest suspense and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- viii) prevailing laws, rules, regulation and policies are complied with while sanctioning and disbursing loans/leases; so far as it appeared from the review related documents on test basis.
- ix) statements sent to Bangladesh Bank has been checked on sample basis and to the best of our knowledge, no inaccuracy has come to our attention;
- x) taxes and other duties collected and deposited to Government treasury by the company were found satisfactory as it appeared from our examination on test basis;
- 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 & liabilities;
- xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank & other regulatory authorities have been complied properly;
- xiii) the internal control and compliance of the company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed appropriately;
- xiv) the Company has complied with relevant laws pertaining to capital, reserve & net worth, cash & liquid assets and procedure for sanctioning & disbursing loans/leases were found satisfactory;
- xv) the financial statements of the Company conform to the prescribed formats and standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;
- xvi) we have reviewed over 80% of the risk weighted assets of the Company during the course of our audit and we have spent over 1,040 person-hours for the audit of books and accounts of the Company; and
- xvii) All other matters which are important for the stakeholders of the company have been adequately disclosed in the audit report.

Place: Dhaka
Dated: 18 March 2018


Sydul Shamsul Alam & Co.
Chartered Accountants

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Balance Sheet

As at December 31, 2017

| | 1 Note | 2017 Taka | 2016 Taka |
|--|-----------|-----------------------|-----------------------|
| Property and Assets | | | |
| Cash: | 4.00 | | |
| In hand (including foreign currencies) | | 77,938 | 63,599 |
| Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies) | | 212,814,180 | 164,826,047 |
| | | 212,892,118 | 164,889,646 |
| Balance with banks and other financial institutions: | 5.00 | | |
| In Bangladesh | | 4,813,965,603 | 2,291,412,919 |
| Outside Bangladesh | | - | - |
| | | 4,813,965,603 | 2,291,412,919 |
| Money at call and on short notice | 6.00 | | |
| Investments: | 7.00 | | |
| Government | | 132,094,351 | 82,280,995 |
| Others | | - | - |
| | | 132,094,351 | 82,280,995 |
| Loans and advances: | 8.00 | | |
| Loans, cash credits, overdrafts etc. | | 10,245,332,407 | 8,959,772,086 |
| Bills purchased and discounted | | - | - |
| | | 10,245,332,407 | 8,959,772,086 |
| Fixed assets including premises, furniture and fixtures | 9.00 | 234,161,187 | 234,721,338 |
| Other assets | 10.00 | 524,751,124 | 517,312,672 |
| Non-banking assets | 11.00 | - | - |
| Total Assets | | 16,163,196,789 | 12,250,389,655 |
| Liabilities and capital | | | |
| Liabilities: | | | |
| Borrowing from other banks, financial institutions and agents | 12.00 | 1,720,842,480 | 1,009,953,831 |
| Deposits and other accounts: | 13.00 | | |
| Current accounts and other accounts etc. | | - | - |
| Bills payable | | - | - |
| Savings bank deposits | | 3,930,000,000 | 2,070,000,000 |
| Fixed deposits | | 7,724,983,097 | 6,389,160,226 |
| Bearer certificate of deposits | | - | - |
| Other deposits | | 13,181,489 | 18,469,536 |
| | | 11,668,164,585 | 8,477,629,762 |
| Other liabilities | 14.00 | 1,073,585,577 | 1,125,844,472 |
| Total Liabilities | | 14,462,592,642 | 10,613,428,066 |
| Capital/Shareholders' equity: | | | |
| Paid up capital | 15.02 | 1,063,920,000 | 1,063,920,000 |
| Statutory reserve | 16.00 | 411,384,918 | 360,355,287 |
| Retained earnings | 17.00 | 225,299,229 | 212,686,303 |
| Total Shareholders' equity | | 1,700,604,147 | 1,636,961,590 |
| Total liabilities and Shareholders' equity | | 16,163,196,789 | 12,250,389,655 |

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

41.00

Undrawn formal standby facilities, credit lines and other commitments

Total Off-Balance Sheet Items including contingent liabilities

| | 1 2017 1 Taka | 2016 Taka |
|--|----------------------|--------------------|
| | | |
| | - | |
| | | 22,256,919 |
| | - | 22,256,919 |
| | | |
| | | |
| | | |
| | | |
| | 1,472,681,927 | 625,122,527 |
| | 1,472,681,927 | 625,122,527 |
| | 1,472,681,927 | 647,379,446 |

The accompanying notes form an integral part of these financial statements


Md. Khalilur Rahman
Managing Director



Md. Kabir Reza FCMA
Director


Syed Tanveer Hussain
Independent Director


Latifur Rahman
Chairman

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

Place: Dhaka
Dated: 18 March 2018


Syed Shamsul Alam & Co.
Chartered Accountants

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED
Profit and Loss Account
For the year ended December 31, 2017

| | Note | 2017 Taka | 2016 Taka |
|--|----------|----------------------|----------------------|
| Interest Income | 19.00 | 1,392,628,969 | 1,187,793,699 |
| Interest paid on deposits, borrowings etc. | 20.00 | 814,692,065 | 625,428,872 |
| Net interest income | | 577,936,904 | 562,364,826 |
| Investment Income | 21.00 | 21,597,797 | 8,010,174 |
| Commission, exchange and brokerage | 22.00 | 76,480 | 214,900 |
| Other operating income | 23.00 | 26,907,391 | 32,706,368 |
| | | 48,581,668 | 40,931,442 |
| Total operating income | | 626,518,572 | 603,296,269 |
| Salaries and allowances | 24.02 | 86,450,159 | 73,479,652 |
| Rent, taxes, insurance, electricity etc. | 24.03 | 8,722,465 | 7,178,200 |
| Legal expenses | 24.04 | 2,345,068 | 3,172,440 |
| Postage, stamps, telecommunication etc. | 25.00 | 3,357,523 | 3,390,700 |
| Stationery, printing, advertisement etc. | 26.00 | 17,624,610 | 15,333,735 |
| Managing Director's salary and fees | 27.00 | 6,004,000 | 6,004,000 |
| Directors' fees and expenses | 24.1 | 1,950,400 | 2,171,200 |
| Auditors' fees | 28.00 | 287,500 | 287,500 |
| Charges on loan losses | | - | - |
| Depreciation and repairs to assets | 29.00 | 10,901,047 | 10,532,662 |
| Other expenses | 30.00 | 14,491,220 | 10,633,980 |
| Total operating expenses | | 152,133,992 | 132,184,069 |
| Profit/ (Loss) before provisions | | 474,384,580 | 471,112,200 |
| Provisions for | | | |
| Loans, advances and leases | 31.00 | 37,846,681 | 55,102,806 |
| Diminution in value of investments | 31.01 | 8,159,961 | (5,017,887) |
| Others | 31.02 | (138,737) | 3,205,654 |
| Total provisions | | 45,867,905 | 53,290,573 |
| Total profit/(loss) before taxation | | 428,516,675 | 417,821,627 |
| Provisions for taxation | | | |
| Current | 14.08 | (172,990,649) | (177,760,363) |
| Deferred | 10.03(a) | (377,870) | 3,709,522 |
| | | (173,368,518) | (174,050,841) |
| Net Profit/(loss) after taxation | | 255,148,157 | 243,770,786 |
| Appropriations: | | | |
| Statutory reserve | | | |
| General reserve | 16.00 | 51,029,631 | 48,754,157 |
| Dividend etc. | | - | - |
| | | 51,029,631 | 48,754,157 |
| Retained surplus | | 204,118,526 | 195,016,629 |
| Earnings per share | 32.00 | 2.40 | 2.29 |

The accompanying notes form an integral part of these financial statements

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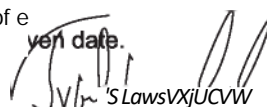
Latifur Rahman
Chairman

Md. Khalilur Rahman
Managing Director

Md. Kabir Reza FCMA
Director

Syed Tanveer Hussain
Independent Director

This is the Profit & Loss account referred to in our separate report of e

ver date.

Syed Tanveer Hussain
Svful Shamsul Alam & Co.
1 Chartered Accountants

Place: Dhaka
Dated: 18 March 2018

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED
Statement of Changes in Equity
For the year ended December 31, 2017

Figures in Taka

| Particulars | Paid-up Capital | Statutory Reserve | General Reserve | Retained Earnings | Total |
|--|----------------------|--------------------|-----------------|--------------------|----------------------|
| Balance as at January 01, 2017 | 1,063,920,000 | 360,355,287 | | 212,686,303 | 1,636,961,590 |
| Changes in accounting policy | - | - | | - | - |
| Restated balance | 1,063,920,000 | 360,355,287 | | 212,686,303 | 1,636,961,590 |
| 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 | - | - | | 255,148,157 | 255,148,157 |
| Dividends | - | - | | (191,505,600) | (191,505,600) |
| Transfer to statutory reserve | - | 51,029,631 | | (51,029,631) | - |
| Balance as at December 31, 2017 | 1,063,920,000 | 411,384,918 | | 225,299,229 | 1,700,604,147 |

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

৭
Md. Khalilur Rahman
Managing Director

V
Md. Kabir Reza FCMA
Director

Syed Tanveer Hussain
Independent Director

Latifur Rahman
Chairman

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED
Cash Flow Statement
For the year ended December 31, 2017

| | 2017 Taka | 2016 Taka |
|--|----------------------|----------------------|
| A. Cash flows from operating activities | | |
| Interest receipts in cash | 1,317,787,612 | 1,188,610,521 |
| Interest payments | (762,648,456) | (576,262,019) |
| Dividend receipts | 6,732,455 | 2,972,308 |
| Fees and commissions receipts in cash | 76,480 | 214,900 |
| Recoveries on loans previously written off | | 70,000 |
| Cash payments to employees | (89,631,913) | (79,225,907) |
| Cash payments to suppliers | (21,192,764) | (19,039,671) |
| Income taxes paid | (192,207,075) | (172,539,464) |
| Receipts from other operating activities | 41,772,733 | 33,811,660 |
| Payments for other operating activities | (23,875,525) | (23,343,320) |
| Cash generated from operating activities before changes in operating assets and liabilities | 276,813,548 | 355,269,008 |
| Increase/(decrease) in operating assets and liabilities: | | |
| Statutory deposits | | |
| Purchase/sale of trading securities | (1,322,596,893) | (1,653,986,659) |
| Loans, advances and leases to the client | (44,592,111) | (35,055,098) |
| Other assets | 3,195,822,870 | 2,933,097,860 |
| Term deposits | (5,288,047) | (7,326,765) |
| Other deposits | | |
| Trading liabilities | 10,956,361 | 33,372,436 |
| Other liabilities | 1,834,302,180 | 1,270,101,774 |
| Net cash flow from operating activities | 2,111,115,728 | 1,625,370,782 |
| B. Cash flows from investing activities | | |
| Proceeds from sale of securities | (49,813,356) | 269,578 |
| Payments for purchase of securities | | |
| Purchase /sale of property, plant & equipment | (10,130,265) | (216,473,719) |
| Purchase /sale of subsidiary | | |
| Net cash from investing activities | (59,943,621) | (216,204,141) |
| 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 | | |
| Loan from banks | 710,888,649 | 130,928,541 |
| Dividend paid | (191,505,600) | (180,866,400) |
| Net cash from financing activities | 519,383,049 | (49,937,859) |
| D. Net increase/(decrease) in cash | 2,570,555,156 | 1,359,228,782 |
| E. Effects of exchange rate changes on cash and cash equivalent | | |
| F. Cash and cash equivalent at beginning of the year | 2,456,302,565 | 1,097,073,783 |
| G. Cash and cash equivalent at end of the year | 5,026,857,721 | 2,456,302,565 |
| Cash and cash equivalent at end of the year | | |
| Cash in hand (including foreign currencies) | 77,938 | 63,599 |
| Balance with Bangladesh Bank and its agent bank(s) (including foreign currency) | 212,814,180 | 164,826,047 |
| Balance with banks and other financial institutions | 4,813,965,603 | 2,291,412,919 |
| Money at call and on short notice | | |
| | 5,026,857,721 | 2,456,302,565 |

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 FCMA
Director


Syed Tanveer Hussain
Independent Director


Latifur Rahman
Chairman

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Liquidity Statement

(Maturity Analysis of Assets & Liabilities)

As at December 31, 2017

Figures in Taka

| Particulars | Up to 1 month | 1-3 months | 3-12 months | 1 -5 years | Above 5 years | Total |
|---|----------------------|--------------------|----------------------|------------------------|----------------------|-----------------------|
| Asset | | | | | | |
| Cash in hand | 77,938 | - | - | - | - | 77,938 |
| Balance with Bangladesh Bank and its agents | 212,814,180 | - | - | - | - | 212,814,180 |
| Balance with other banks and FIs | 124,904,929 | 411,109,300 | 4,277,951,374 | - | - | 4,813,965,603 |
| Investments | 102,094,351 | 0 | 10,000,000 | 20,000,000 | - | 132,094,351 |
| Money at call and on short notice | - | - | - | - | - | - |
| Loans, advances and leases | 1,918,388,347 | 60,343,173 | 993,373,558 | 1,591,883,573 | 5,681,343,755 | 10,245,332,407 |
| Fixed assets including premises, furnitures and fixtures | - | - | - | - | 234,161,187 | 234,161,187 |
| Other assets | 118,892,574 | - | 328,454,586 | 77,249,503 | 154,460 | 524,751,124 |
| Non-financial institution assets | - | - | - | - | - | - |
| Total Asset | 2,477,172,319 | 471,452,473 | 5,609,779,519 | 1,689,133,076 | 5,915,659,402 | 16,163,196,789 |
| Liabilities | | | | | | |
| Borrowing from banks, other financial institutions and agents | 432,545,000 | 110,582,589 | 833,372,036 | 216,791,000 | 127,551,855.29 | 1,720,842,480 |
| Deposits and other accounts | 1,705,899,120 | - | 4,346,304,471 | 3,141,630,296 | 2,474,330,698.00 | 11,668,164,585 |
| Provision & other liabilities | 325,452,518 | 4,270,562 | 431,849,906 | 312,012,590 | - | 1,073,585,577 |
| Total Liabilities | 2,463,896,638 | 114,853,151 | 5,611,526,413 | 3,670,433,886 | 2,601,882,553 | 14,462,592,642 |
| Net Liquidity Gap | 13,275,681 | 356,599,322 | (1,746,895) | (1,981,300,810) | 3,313,776,849 | 1,700,604,147 |

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 FCMA
Director



Syed Tanveer Hussain
Independent Director



Latifur Rahman
Chairman

NATIONAL HOUSING FINANCE AND INVESTMENTS LIMITED

Notes to the Financial Statements

For the year ended December 31, 2017

1.0 Company and its activities

1.1 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 equipments 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.

1.2 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.

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

2.1 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 Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs), The Companies Act 1994, The Securities and Exchange Ordinance 1969, The Securities and Exchange Rule 1987 and other applicable laws and regulations in Bangladesh.

2.2 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.

2.3 Disclosure of deviations from few requirements of BAS/BFRS 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 BAS and BFRS. As such the Company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank.

2.3.1 Investment in shares and securities

BFRS: As per requirements of BAS 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 BFRS 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 BAS 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.

2.3.2 Provision on loans and advances/investments

BFRS: As per BAS 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 BAS 39. At the year end the Company has recognized an accumulated general provision of BDT 91,292,214 (out of accumulated provision of BDT 201,461,896) under liabilities.

2.3.3 Recognition of interest income in suspense

BFRS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 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.

2.3.4 Other comprehensive income

BFRS: As per BAS 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.

2.3.5 Financial instruments - presentation and disclosure

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

2.3.6 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.

2.4 Date of Authorization

The Board of Directors has Authorized this financial statements for public issue on March 18, 2018.

2.5 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.

2.6 Use of Estimates and Judgments

The preparation of financial statements in conformity with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) 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.

2.7 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

2.8 Reporting Period

These financial statements have been prepared for the period from January 01, 2017 to December 31, 2017.

2.9 Cash Flow Statement

BFRS: 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.

2.9.1 Cash and cash equivalent

BFRS: Cash and cash equivalent items should be reported as cash item as per BAS 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.

2.9.2 Non-banking asset

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

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

2.10 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.

National Housing Finance and Investments Limited management is aware about guideline of Bangladesh

Bank and implemented Capital Adequacy requirement according to BASEL-II. BASEL-II implementation is headed by Managing Director.

3.0 Significant accounting policies

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

3.1 Authorized Capital

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

3.2 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.

3.3 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.

3.4 Revenue Recognition

3.04.1 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 BAS 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 enched 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.

3.04.2 Investment Income

Income on investment is recognized on accrual basis.

3.04.3 Fees and Commission Income

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

3.5 Expenditure Recognition

3.5.1 Interest Paid and Other Expenses

Interest paid and other expenses are recognized on accrual basis.

3.5.2 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.

3.5.3 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 Bangladesh Accounting Standards (BASs) 17 "Property, Plant and Equipments".

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% |

3.6 Employee Benefits

3.6.1 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.

3.6.2 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.

3.7 Income Tax

3.7.1 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, 2017 and consistent with the past practice.

3.7.2 Deferred Tax

Deferred Tax has been accounted for as per Bangladesh Accounting Standards (BAS)-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.

3.8 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, 2017. 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.

3.9 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 2017 has been stated as post balance sheet events in note 48.00.

3.10 Related party disclosure

As per Bangladesh Accounting Standards (BAS) 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-54 .

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 Bangladesh Accounting Standards (BASs) & Bangladesh Financial Reporting Standards (BFRSs)

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

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

| 2017 | ■ | 2016 |
|------|---|------|
| Taka | H | Taka |

4.00 Cash

Cash in hand:

Local currency

Foreign currencies

| | |
|---------------|---------------|
| 77,938 | 63,599 |
| 77,938 | 63,599 |

Balance with Bangladesh Bank and its agent Bank:

Local currency

Foreign currencies

| | |
|--------------------|--------------------|
| 212,814,180 | 164,826,047 |
| 212,814,180 | 164,826,047 |
| 212,892,118 | 164,889,646 |

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

Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR) have been calculated and maintained in accordance with section 19 of the Financial Institutions Act 1993, rules 5 of the Financial Institutions Regulations 1994 and FID circular # 6 dated November 06, 2003.

The CRR on the Company's term deposits received from public @ 2.50% has been calculated and maintained with Bangladesh Bank in current account and 5.00% SLR, including CRR, on the total liabilities has been maintained in the form of balance with banks and other financial institutions. Both the reserves maintained by the Company are in excess of the statutory requirements. 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)

| | |
|------------------|------------------|
| 202,824,315 | 158,420,425 |
| 212,814,180 | 164,826,047 |
| 9,989,864 | 6,405,622 |

4.01.02 Statutory Liquidity Reserve (SLR)

Required reserve

Actual reserve held

Surplus/(deficit)

| | |
|----------------------|----------------------|
| 454,925,687 | 348,453,017 |
| 3,780,100,485 | 2,260,959,155 |
| 3,325,174,798 | 1,912,506,138 |

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)

| | |
|---------------|---------------|
| 14,287,657 | 9,250,012 |
| 110,617,272 | 212,162,907 |
| 4,689,060,674 | 2,070,000,000 |
| 4,813,965,603 | 2,291,412,919 |

Outside Bangladesh

| | |
|----------------------|----------------------|
| 4,813,965,603 | 2,291,412,919 |
|----------------------|----------------------|

5.01.01 On Current Accounts

AB Bank Limited

Bank Asia 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 |
| 9,205,541 | 42,266 |
| 184,149 | 782,973 |
| 3,557,098 | 1,588,221 |
| 521 | 546 |
| 2,525 | 7,525 |
| 14,360 | 15,510 |
| 1,138,708 | 6,627,526 |
| 289 | 979 |
| 14,287,657 | 9,250,012 |

5.01.02 On Short Term Deposit (STD) Accounts

| | 2017 Taka | 2016 Taka |
|--------------------------------|--------------------|--------------------|
| Islami Bank Bangladesh Limited | 4,813,135 | 229,700 |
| AB Bank Limited | 12,936 | 13,782 |
| Bank Asia Limited | 7,148,018 | 26,953,067 |
| Mutual Trust Bank Limited | 28,656 | - |
| Eastern Bank Limited | 4,745,135 | 4,799,302 |
| Exim Bank Limited | 4,957 | 4,752 |
| Jamuna Bank Limited | 40,137,029 | 20,576,417 |
| National Bank Limited | 323,849 | 636,865 |
| One Bank Limited | 1,323,487 | 2,538,340 |
| Premier Bank Limited | 2,634,567 | 9,627,932 |
| Pubali Bank Limited | 30,514,242 | 116,571,559 |
| Shahjalal Islami Bank Limited | 2,875,859 | 1,599,345 |
| Sonali Bank Limited | 2,089 | 2,089 |
| Southeast Bank Limited | 7,495,833 | 7,343,100 |
| Trust Bank Limited | 1,610,665 | 7,198,730 |
| United Commercial Bank Limited | 863 | 1,977 |
| Bank Alfalah Limited | 6,320,882 | 5,603,486 |
| Mercantile Bank Limited | 625,069 | 8,462,464 |
| | 110,617,272 | 212,162,907 |

5.01.03 On Fixed Deposit Account

| | | |
|--|----------------------|----------------------|
| National Finance Limited | 200,000,000 | - |
| BD Finance Limited | 200,000,000 | 150,000,000 |
| Meridian Finance Limited | 400,000,000 | 50,000,000 |
| Jamuna Bank Limited | 1,600,000,000 | 550,000,000 |
| Fareast Finance Limited | 100,000,000 | - |
| Bangladesh Commerce Bank Limited | 20,333,800 | - |
| Bay leasing and Investment Limited | 100,000,000 | - |
| Islamic Finance and Investment Limited | 100,000,000 | - |
| International Leasing and Financial Services Limited | 400,000,000 | - |
| Reliance Finance Limited | 200,000,000 | - |
| IPDC Finance Limited | 50,000,000 | - |
| CAPM Venture Capital & Finance Limited | 200,000,000 | 150,000,000 |
| Premier leasing & Finance Limited | 100,000,000 | 200,000,000 |
| SBAC Bank Limited | 227,951,374 | 120,000,000 |
| Union Capital Limited | 200,000,000 | 200,000,000 |
| GSP Finance (BD) Limited | 150,000,000 | 100,000,000 |
| Hajj Finance Company Limited | 170,000,000 | 200,000,000 |
| Social Islami Bank Limited | 30,000,000 | - |
| MIDAS Financing Limited | 100,000,000 | 150,000,000 |
| Prime Finance & Investment Limited | 100,000,000 | - |
| Phoenix Finance & Investments Limited | - | 50,000,000 |
| The Farmers Bank Limited | 40,775,500 | 50,000,000 |
| FAS Finance & Investments Limited | - | 100,000,000 |
| | 4,689,060,674 | 2,070,000,000 |

5.02 Maturity Grouping of Balance with other Banks and Financial Institutions

| | | |
|--|----------------------|----------------------|
| On demand | 124,904,929 | 221,412,919 |
| Up to 3(three) months | 411,109,300 | 900,000,000 |
| More than 3(three) months but not more than 1 (one) year | 4,277,951,374 | 1,070,000,000 |
| More than 1 (one) year but not more than 5(five) years | - | 100,000,000 |
| | 4,813,965,603 | 2,291,412,919 |

**6.00 Money at call and on short notice
With Banking Companies**

| | |
|---|---|
| - | - |
|---|---|

**NATIONAL HOUSING FINANCE
AND INVESTMENTS LIMITED**

7.00 Investments

Government securities
Other investments (note: 7.01)

| 2017 Taka | 2016 Taka |
|--------------------|-------------------|
| 132,094,351 | 82,280,995 |
| 132,094,351 | 82,280,995 |

7.01 Other Investments

Preference Shares
Ordinary Shares (note: 7.01.01)

| | |
|--------------------|-------------------|
| 30,000,000 | 40,000,000 |
| 102,094,351 | 42,280,995 |
| 132,094,351 | 82,280,995 |

7.01.01 Investment in ordinary shares

| Name of Company | Cost Price | Number of Shares | Cost Value | Market Price | Market Value as on 31.12.2017 | Provision for diminution in value of share |
|--|------------|------------------|--------------------|--------------|-------------------------------|--|
| ACI Formulations Limited | 202.12 | 121,833 | 24,624,996 | 173.60 | 21,150,209 | 3,474,787 |
| The ACME Laboratories Limited | 118.34 | 52,500 | 6,212,879 | 114.00 | 5,985,000 | 227,879 |
| GSP Finance Company (Bangladesh) Limited | 31.49 | 138,500 | 4,361,726 | 30.70 | 4,251,950 | 109,776 |
| Lankabangla Finance limited | 51.38 | 123,000 | 6,319,276 | 47.80 | 5,879,400 | 439,876 |
| Becon Pharmaceuticals Limited | 22.88 | 315,923 | 7,229,024 | 21.30 | 6,729,160 | 499,864 |
| IDLC Finance Limited | 91.14 | 100,000 | 9,114,294 | 85.30 | 8,530,000 | 584,294 |
| United Power Generation and Distribution Company Limited | 187.37 | 26,000 | 4,871,518 | 181.10 | 4,708,600 | 162,918 |
| Confidence Cement Limited | 142.22 | 5,000 | 711,079 | 152.50 | 762,500 | (51,421) |
| Nahee Aluminum Composite Panel Limited | 9.31 | 6,847 | 63,772 | 73.40 | 502,570 | (438,798) |
| Titas Gas Limited | 49.78 | 347,000 | 17,272,429 | 44.20 | 15,337,400 | 1,935,029 |
| Bangladesh Shipping Corporation | 51.74 | 144,003 | 7,451,111 | 46.70 | 6,724,940 | 726,171 |
| Oimex Electrode Limited | 10.00 | 6,480 | 64,800 | 65.20 | 422,496 | (357,696) |
| Golden Harvest Agro Industries Limited | 46.19 | 103,500 | 4,780,273 | 42.10 | 4,357,350 | 422,923 |
| Dhaka Electric Supply Company Limited | 48.15 | 65,856 | 3,170,681 | 45.40 | 2,989,862 | 180,819 |
| Lafarge Surma Cement Limited | 75.42 | 77,520 | 5,846,493 | 69.90 | 5,418,648 | 427,845 |
| Total | | | 102,094,351 | | 93,750,085 | 8,344,267 |

Opening Balance
Charge /(recovery) during the year
Balance as on December 31, 2017

| | |
|------------------|----------------|
| 184,305 | 5,202,192 |
| 8,159,961 | (5,017,887) |
| 8,344,266 | 184,305 |

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

| | |
|--------------------|-------------------|
| 102,094,351 | 42,280,995 |
| 10,000,000 | 10,000,000 |
| 20,000,000 | 20,000,000 |
| 132,094,351 | 82,280,995 |

| | 2017 Taka | 2016 Taka |
|---|-----------------------|----------------------|
| 8.00 Loans and advances | | |
| Mortgage loans | 8,873,727,141 | 7,593,489,758 |
| Lease finance | 98,989,785 | 193,368,339 |
| Term loans | 441,934,218 | 282,897,825 |
| Small & Medium Enterprises Loan | 754,100,735 | 801,554,712 |
| Loan Against Fixed Deposits | 39,621,891 | 58,989,007 |
| Staff loan (note: 8.05) | 36,958,636 | 29,472,444 |
| | 10,245,332,40 | 8,959,772,086 |
| Note - Figure in 2016 has been restated due to changes in presentation. | | |
| 8.01 Maturity-wise Grouping of loans and advances | | |
| Up to 1 (one) months | 1,918,388,347 | 967,320,057 |
| Up to 3(three) months | 60,343,173 | 420,295,480 |
| More than 3(three) months but not more than 1 (one) year | 993,373,558 | 1,294,733,789 |
| More than 1 (one) year but not more than 5(five) years | 1,591,883,573 | 1,224,588,041 |
| More than 5(five) years | 5,681,343,755 | 5,052,834,718 |
| | 10,245,332,40 | 8,959,772,086 |
| 8.02 Loans, Advances and Leases | | |
| In Bangladesh | | |
| Loans | 10,146,342,622 | 7,964,849,034 |
| Leases | 98,989,785 | 994,923,051 |
| Overdraft | - | - |
| Cash Credit | - | - |
| | 10,245,332,40 | 8,959,772,086 |
| Outside Bangladesh | | |
| | 10,245,332,40 | 8,959,772,086 |
| 8.03 Geographical Location-wise Grouping | | |
| In Bangladesh | | |
| Dhaka division | 7,977,298,654 | 6,992,341,116 |
| Chittagong division | 631,565,169 | 636,370,533 |
| Khulna division | - | - |
| Sylhet division | - | - |
| Barisal division | - | - |
| Rangpur division | 411,288,014 | 271,916,929 |
| Rajshahi division | 1,225,180,569 | 1,059,143,508 |
| | 10,245,332,40 | 8,959,772,086 |
| Outside Bangladesh | | |
| | 10,245,332,40 | 8,959,772,086 |
| 8.04 Significant Concentration-wise Grouping | | |
| Directors & their related parties (Note: 54.00) | | |
| Staff: | | |
| Managing Director | - | - |
| Senior Executives | 36,958,636 | 29,472,444 |
| Others | 39,621,891 | 58,989,007 |
| | 76,580,527 | 88,461,451 |
| Industries: | | |
| Agricultural loan | 336,794,722 | 401,696,215 |
| Large and medium enterprises | 754,100,735 | 912,017,536 |
| Small and cottage | 204,129,281 | 38,071,823 |
| | 1,295,024,738 | 1,351,785,574 |
| Mortgage Loan | | |
| Home mortgage loan | 7,491,363,779 | 6,391,138,516 |
| Commercial mortgage loan | 1,081,481,463 | 790,459,334 |
| Project mortgage loan | 300,881,899 | 337,927,210 |
| | 8,873,727,141 | 7,519,525,060 |
| Trade & commercial | | |
| | 10,245,332,407 | 8,959,772,086 |

2017
Taka

■ H

2016
Taka

8.5 Staff Loan

Personal loan

Car loan

House building loan

15,472,451

3,665,477

17,820,708

36,958,636

14,496,753

3,823,149

11,152,542

29,472,444

8.6 Details of Large Loan

As at 31st December 2017 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 1,848.38 million and Taka 1,781.80 million respectively as at 2017 & 2016 respectively (note: 15.05).

8.7 Grouping as per Classification Rules

Unclassified:

Standard

Special Mention Account

Classified:

Sub-standard

Doubtful

Bad/loss

9,463,314,673

257,337,080

9,720,651,753

54,576,133

165,343,166

304,761,355

524,680,654

10,245,332,407

7,994,286,479

522,233,942

8,516,520,421

110,429,646

90,122,971

242,699,048

443,251,665

8,959,772,086

8.08 Loan Type-wise Classified Loan

Mortgage loans

Lease finance

Term Finance

Small & Medium Enterprises

305,755,646

63,085,452

56,481,686

99,357,870

524,680,654

239,037,139

65,193,892

18,540,846

120,479,788

443,251,665

8.09 Sector-wise Allocation of Loans, Advances and Leases

Government

Private:

Mortgage loan

Industry

Term Finance

Commercial loan

SME Loan

Miscellaneous

7,792,245,678

98,989,785

441,934,218

1,081,481,463

754,100,735

76,580,527

10,245,332,407

6,818,065,877

193,368,339

282,897,825

775,423,881

801,554,712

88,461,451

8,959,772,086

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

8,891,547,849

39,621,891

296,845,995

19,137,928

998,178,743

10,245,332,407

7,530,677,602

58,989,007

371,845,995

227,647,398

770,612,083

8,959,772,086

2017
Taka

2016
Taka

8.11 Particulars of Required Provision for Loans, Advances and Leases

| Status | Outstanding Loans, Advances and Leases as at 31.12.2017 | Base for Provision | Rate of Required Provision | Required Provision | Required Provision |
|---------------------------------|---|----------------------|----------------------------|--------------------|--------------------|
| For Loans, Advances and Leases: | | | | | |
| Unclassified-General | | | | | |
| All unclassified Loans | 9,463,314,673 | 9,463,314,673 | 0.25% & 1% | 90,258,213 | 75,233,009 |
| Special Mention Account (SMA) | 257,337,080 | 237,092,791 | 5.00% | 11,854,640 | 24,515,375 |
| Sub-total: | 9,720,651,753 | 9,700,407,464 | | 102,112,853 | 99,748,384 |
| Classified-Specific | | | | | |
| Sub-standard | 54,576,133 | 6,430,041 | 20.00% | 1,286,008 | 4,284,394 |
| Doubtful | 165,343,166 | 65,184,437 | 50.00% | 32,592,219 | 12,632,798 |
| Bad/Loss | 304,761,355 | 48,374,235 | 100.00% | 48,374,235 | 32,891,114 |
| Sub-total: | 524,680,654 | 119,988,713 | | 82,252,462 | 49,808,306 |
| Grand-total: | 10,245,332,407 | 9,820,396,176 | | 184,365,314 | 149,556,690 |

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 maintained there against

| | |
|-----------------------|----------------------|
| 9,228,015,735 | 7,961,512,604 |
| 19,137,928 | 242,144,151 |
| 998,178,743 | 756,115,330 |
| - | - |
| 10,245,332,407 | 8,959,772,086 |

Loans due by directors or officers of the bank or any of them either separately or jointly with any other persons
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:

- Classified loans, advances and leases on which interest has not been charged (Note-8.09)
- Loans written off
- Realized from previous written off
- Provision on bad loans, advances and leases
- Interest credited to the interest suspense account (Note-14.05)
- Cumulative amount of the written off loans/Leases:
 - Opening balance
 - Amount written off during the year
 - Cumulative to date
 - Recovery from write-off
 - Written off loans for which law suit filed

| | |
|--------------------|--------------------|
| 36,958,636 | 29,472,444 |
| 304,761,355 | 443,251,665 |
| 38,726,772 | 6,644,114 |
| 82,252,462 | 49,808,306 |
| 110,550,694 | 99,726,389 |
| 259,813,316 | 253,239,202 |
| 38,726,772 | 6,644,114 |
| 298,540,088 | 259,883,316 |
| - | 70,000 |
| 298,540,088 | 259,813,316 |

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.

| | | 2017 | 2016 |
|--------------|---|----------------------|--------------------|
| | | Taka | Taka |
| 9.00 | Fixed assets including premises, furniture and fixtures for 2017 | | |
| | Cost | | |
| | Opening balance | 287,217,919 | 70,744,200 |
| | Add: Addition during the year | 10,259,241 | 216,473,719 |
| | | 297,477,160 | 287,217,919 |
| | Less: Disposed during the year | (1,938,053) | |
| | Balance as on 31.12.2017 | 295,539,107 | 287,217,919 |
| | Less: Accumulated depreciation (9.01) | (61,377,920) | (52,496,581) |
| | Written down value as on 31.12.2017 | 234,161,187 | 234,721,338 |
| 9.01 | Accumulated depreciation | | |
| | Opening balance | 52,496,581 | 42,279,155 |
| | Add: Depreciation charged during the year | 10,690,416 | 10,217,426 |
| | | 63,186,997 | 52,496,581 |
| | Less: Adjustment during the year | (1,809,077) | |
| | Balance as on 31.12.2017 | 61,377,920 | 52,496,581 |
| | For details please refer to Annexure - A | | |
| 10.00 | Other assets | | |
| | Income Generating Other Assets: | | |
| | Non-income Generating Other Assets: | | |
| | Advance against fixed assets | 77,249,503 | 6,604,102 |
| | Security deposits | 154,460 | 54,460 |
| | Advance income tax (note: 10.01) | 326,304,486 | 430,620,104 |
| | Advance against branch office | 21,600 | 5,926 |
| | Advance against office rent | 2,150,100 | 2,436,000 |
| | Stamp & Security Paper | 273,431 | 146,200 |
| | Deferred tax assets (note: 10.03) | 3,021,365 | 3,399,235 |
| | Other receivables (note: 10.02) | 115,576,178 | 74,046,645 |
| | | 524,751,124 | 517,312,672 |
| 10.01 | Advance Income Tax | | |
| | Balance as at 1st January | 430,620,104 | 258,080,640 |
| | Add: Advance tax for the year: | | |
| | Tax paid during the year | 172,024,136 | 161,964,017 |
| | Tax deducted at source | 20,182,939 | 10,575,447 |
| | Less: Adjusted against tax provision | (296,522,692) | |
| | | (104,315,617) | 172,539,464 |
| | Balance as at 31st December | 326,304,486 | 430,620,104 |
| 10.02 | Other Receivables | | |
| | Cheque dishonored charges | 464,547 | 782,860 |
| | Accounts receivable | 3,330,539 | 9,580,665 |
| | Interest on bank deposits | 94,700,646 | 19,859,290 |
| | Receivable from Dhaka Stock Exchange Ltd. | 4,713,440 | |
| | Receivable from Multi Securities | 7,120 | 8,070 |
| | Receivable from ETBL Securities | 470,470 | 3,071,345 |
| | Receivable from UFT Co. Ltd | 21,440 | 31,295,886 |
| | Legal charges receivable | 11,421,158 | 8,753,837 |
| | Others | 446,819 | 694,693 |
| | | 115,576,178 | 74,046,645 |
| | Note - Figure in 2016 has been restated due to changes in presentation. | | |
| 10.03 | Deferred tax assets | | |
| | Balance as at 1st January | 3,399,235 | (310,287) |
| | Add: Addition during the year (note: 10.03(a)) | (377,870) | 3,709,522 |
| | | 3,021,365 | 3,399,235 |

| | 2017 Taka | 2016 Taka |
|---|----------------------|----------------------|
| 10.03(a) Calculation of deferred tax | | |
| Carrying amount of Fixed Assets (excluding land) | 10,690,416 | 8,904,853 |
| Tax base value of Fixed Assets | 18,243,829 | 18,178,658 |
| Deductible temporary difference | 7,553,413 | 9,273,805 |
| Applicable tax rate | 40.00% | 40.00% |
| Deferred tax assets on fixed assets | 3,021,365 | 3,709,522 |
| Deferred tax assets/(liability) at the beginning of year | 3,399,235 | |
| Deferred tax income/(Expenses) | <u>(377,870)</u> | <u>3,709,522</u> |
| 11.0 Non-banking assets | | |
| 12.0 Borrowing from banks, other financial institutions and agents | | |
| Secured | | |
| In Bangladesh: | | |
| Secured Overdraft | | |
| Banking companies: | | |
| Eastern Bank Limited | 96,591,304 | 11,971,238 |
| Mercantile Bank Limited | 50,032,839 | 8,062,891 |
| Mutual Trust Bank Limited | 402 | 8 |
| Prime Bank Limited | 23,653,048 | 607,601 |
| Pubali Bank Limited | 201,380,182 | 372,867 |
| United Commercial Bank Limited | 8,307,590 | 51,455 |
| | <u>379,965,364</u> | <u>22,066,053</u> |
| Non-banking financial institution | | |
| Outside Bangladesh | 379,965,364 | 22,066,053 |
| Sub-total: | 379,965,364 | 22,066,053 |
| Term Loan : | | |
| Banking companies: | | |
| SBAC Bank Limited | 1,500,000 | 7,855,918 |
| Eastern Bank Limited | 162,000,000 | 8,000,000 |
| Woori Bank Ltd. | 163,500,000 | 150,000,000 |
| Non-banking financial institution | | |
| Outside Bangladesh | 163,500,000 | 165,855,918 |
| Sub-total: | 163,500,000 | 165,855,918 |
| Bangladesh Bank Loan: | | |
| SME loan | 163,500,000 | 165,855,918 |
| HML Refinance Scheme | | |
| Sub-total: | <u>508,627,235</u> | <u>532,304,206</u> |
| Un-secured | <u>268,749,881</u> | <u>289,727,654</u> |
| Money at call and on short notice: | <u>777,377,116</u> | <u>822,031,860</u> |
| Banking companies: | | |
| Sonali Bank Limited | 150.0 000 | |
| Agrani Bank Limited | 100.0 000 | |
| Janata Bank Limited | 150.0 000 | |
| Non-banking financial institution | | |
| Outside Bangladesh | 400,000,000 | |
| Sub-total: | 400,000,000 | |
| Total: | 1,720,842,487 | 1,009,953,831 |
| 12.1 Remaining Maturity Grouping of Borrowing | | |
| Payable on demand | | |
| Up to 1 (one) month | 400,000,000 | 240,755,604 |
| Over 1 (one) month to 3(three) months | 32,545,000 | 84,182,079 |
| Over 3(three) months to 1 (one) year | 110,582,589 | 208,845,686 |
| Over 1 (one) year to 5(five) years | 833,372,036 | 476,170,462 |
| More than 5(five) years | 216,791,000 | |
| | <u>127,551,855</u> | |
| | <u>1,720,842,480</u> | <u>1,009,953,831</u> |

| | 2017 Taka | 2016 Taka |
|--|-----------------------|----------------------|
| 13.00 Deposits and other accounts | | |
| Bank Term deposits | 3,930,000,000 | 2,070,000,000 |
| Customer deposits | 7,724,983,097 | 6,389,160,226 |
| Other deposits (note: 13.02) | 13,181,489 | 18,469,536 |
| | 11,668,164,585 | 8,477,629,762 |
| Note - Figure in 2016 has been rearrange due to changes in presentation. | | |
| 13.01 Remaining Maturity Grouping of Deposits and Other Accounts | | |
| Payable on demand | 400,000,000 | |
| Within 1 (one) month | 1,305,899,120 | 615,049,805 |
| Over 1 (one) month to 6(six) months | 2,117,697,489 | 1,698,889,489 |
| Over 6(six) months to 1 (one) year | 2,228,606,982 | 1,321,155,281 |
| Over 1 (one) year to 5(five) years | 3,141,630,296 | 3,551,318,437 |
| Over 5(five) years to 10(ten) years | 2,474,330,698 | 1,291,216,750 |
| More than 10(ten) years | | |
| | 11,668,164,585 | 8,477,629,762 |
| 13.02 Other Deposits | | |
| Home mortgage loan deposit | 1,594,993 | 2,705,382 |
| Margin deposit | 2,219,850 | 3,480,970 |
| Refundable share money deposit | 6,210,394 | 6,210,394 |
| Lease deposit | 3,156,252 | 6,072,790 |
| | 13,181,489 | 18,469,536 |
| 14.00 Other liabilities | | |
| Provision for loans, advances, investments and others (note: 14.01 to 14.04) | 201,461,896 | 194,320,764 |
| Interest suspense (note: 14.05) | 110,550,694 | 99,726,389 |
| Provision for gratuity (note: 14.06) | 3,903,586 | 3,113,945 |
| Withholding tax payable | 493,190 | 1,085,910 |
| VAT & Excise duty payable | 189,750 | 631,077 |
| Provision for current tax (note: 14.07) | 431,849,906 | 555,381,950 |
| Interest payable | 297,621,424 | 245,577,815 |
| Accrued expenses (note: 14.09) | 287,500 | 287,500 |
| Unclaimed dividend | 15,711,392 | 11,396,111 |
| Accounts Payable | 7,245,677 | 4,423,431 |
| Sundry deposit | 4,270,562 | 8,766,203 |
| Sundry liabilities | | 1,133,378 |
| | 1,073,585,577 | 1,125,844,472 |
| 14.01 Specific Provision on Loans, Advances | | |
| Balance as at 1st January | 74,323,684 | 66,216,571 |
| Less: Fully provided debt written off | (37,036,572) | (4,971,895) |
| Provision after written off | 37,287,112 | 61,244,676 |
| Add: Provision made during the year | 172,152,231 | 113,648,276 |
| Less: Provision recovered | (115,332,242) | (100,639,268) |
| Net charge in the profit & loss account | 56,819,989 | 13,009,008 |
| Add: Recoveries of amounts previously written off | | 70,000 |
| Less: Written off of provision no longer required | | - |
| Provisions held at 31st December | 94,107,101 | 74,323,684 |
| 14.02 General Provision on Loans, Advances and Leases | | |
| Balance as at 1st January | 110,265,523 | 68,171,725 |
| Add: Provision made during the year | 94,161,496 | 286,379,230 |
| Less: Provision recovered | (113,134,804) | (244,285,432) |
| Net charge in the profit & loss account | (18,973,309) | 42,093,798 |
| Balance as at 31st December | 91,292,214 | 110,265,523 |

| | 2017 Taka | 2016 Taka |
|---|--------------------|--------------------|
| 14.03 Provision on investments in share | | |
| Balance as at 1st January | 184,305 | 5,202,192 |
| Add: Provision made during the year | 13,718,365 | 3,039,436 |
| Less: Provision recovered | (5,558,404) | (8,057,323) |
| Net charge in the profit & loss account | 8,159,961 | (5,017,887) |
| Balance as at 31st December | 8,344,266 | 184,305 |
| 14.04 Provision on others | | |
| Balance as at 1st January | 9,547,252 | 6,922,277 |
| Add: Provision made during the year | 564,515 | 3,889,790 |
| Less: Provision recovered | (703,252) | (684,137) |
| Net charge in the profit & loss account | (138,737) | 3,205,654 |
| | 9,408,515 | 10,127,930 |
| Less: Fully provided debt written off | (1,690,200) | (580,678) |
| Provisions held at 31st December | 7,718,315 | 9,547,252 |
| 14.05 Interest Suspense Account | | |
| Balance as at 1st January | 99,726,389 | 74,688,157 |
| Add: Interest suspense charged during the year | 179,609,978 | 110,358,609 |
| Less: Interest suspense realized during the year | (168,785,673) | (84,226,218) |
| Net charge in the profit & loss account | 10,824,305 | 26,132,391 |
| | 110,550,694 | 100,820,548 |
| Less: Interest written off | 110,550,694 | 99,726,389 |
| 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 | 259,813,316 | 253,239,202 |
| Net loans/leases written-off during the year | 38,726,772 | 6,644,114 |
| No. of agreements written-off | 19 | 18 |
| No. of clients written-off | 16 | 15 |
| Interest suspense against written-off loans/leases | | (1,094,159) |
| Provision adjusted against written-off loans/leases | (38,724,154) | (5,549,955) |
| Recovery of loans/leases write-off loans/leases | | 70,000 |
| Balance of loans/leases written-off at 31st December 2017 | 298,540,088 | 259,813,316 |
| 14.06 Provision for Gratuity | | |
| Balance as at 1st January | 3,113,945 | 5,186,725 |
| Add: Provision made during the year | 4,099,516 | 3,426,805 |
| Less: Payment made during the year | (3,309,875) | (5,499,585) |
| Less: Provision written back during the year | | |
| Balance as at 31st December | 3,903,586 | 3,113,945 |
| 14.07 Provision for Current Tax | | |
| Balance as on 1st January | 555,381,950 | 377,621,587 |
| Add: Provision made during the year | 162,335,439 | 177,760,363 |
| Add: Short provision for the year 2014 & 2015 | 10,655,210 | - |
| Less: Adjustment of advance tax | (296,522,692) | - |
| Balance as at 31st December | 431,849,906 | 555,381,950 |
| 14.08 Provision for taxation Net Charged for in the Profit & Loss Account | | |
| Current tax (note: 14.07) | 172,990,649 | 177,760,363 |
| Add/ (less): Deferred tax | 172,990,649 | 177,760,363 |

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 40.00% on taxable income.

| | 2017 Taka | 2016 Taka |
|---|--------------------|--------------------|
| 14.09 Accrued Expenses | | |
| Promotion and publicity | - | - |
| Audit fees | 287,500 | 287,500 |
| Sundry creditors | - | - |
| | 287,500 | 287,500 |
| 15.0 Share Capital | | |
| 15.1 Authorized Capital: | | |
| 200,000,000 ordinary shares of Tk.10 each | 2,000,000,000 | 2,000,000,000 |
| 15.2 Issued, Subscribed and fully Paid-up Capital: | | |
| 106,392,000 ordinary shares of Tk.10 each | 1,063,920,000 | 1,063,920,000 |
| % of holding: | | |
| Sponsors | <u>70.02%</u> | <u>81.64%</u> |
| General public | <u>29.98%</u> | <u>18.36%</u> |
| | 100.00% | 100.00% |
| Number of holding: | | |
| Sponsors | 74,490,451 | 86,857,557 |
| General public | 31,901,549 | 19,534,443 |
| | 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 | 1929 | 181,094 | 0.17% |
| 501 to 5,000 | 1150 | 2,003,698 | 1.88% |
| 5,001 to 10,000 | 132 | 1,025,200 | 0.96% |
| 10,001 to 20,000 | 56 | 804,157 | 0.76% |
| 20,001 to 30,000 | 21 | 563,023 | 0.53% |
| 30,001 to 40,000 | 10 | 343,887 | 0.32% |
| 40,001 to 50,000 | 9 | 426,182 | 0.40% |
| 50,001 to 100,000 | 19 | 1,348,752 | 1.27% |
| 100,001 to 1,000,000 | 34 | 8,214,218 | 7.72% |
| Above 1,000,000 | 20 | 91,481,789 | 85.99% |
| Total: | 3380 | 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 DFIM circular no. 05 dated July 24, 2011 of Bangladesh Bank, an NBF1 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 NBF1. 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.) | 1,700,604,147 | 1,636,961,590 |
| Less: Required minimum capital | (1,000,000,000) | (1,000,000,000) |
| Surplus over minimum required capital | 700,604,147 | 636,961,590 |
| Core capital (paid-up capital, retained earnings & statutory reserve etc.) | 1,700,604,147 | 1,636,961,590 |
| Add: Provision on good loan/leases | 91,292,214 | 110,265,523 |
| Total capital | 1,791,896,361 | 1,747,227,113 |
| Less: Required minimum capital | (1,000,000,000) | (1,000,000,000) |
| | 791,896,361 | 747,227,113 |

| | | 2017 | 2016 |
|--|--|----------------|---------------|
| | | Taka | Taka |
| 15.05 | Capital Adequacy Ratio-As per BASEL-II | | |
| | 1. Tier-1 (Core Capital) | | |
| 1.1 | Fully Paid-up Capital/Capital Deposited with BB | 1,063,920,000 | 1,063,920,000 |
| 1.2 | Statutory Reserve | 411,384,918 | 360,355,287 |
| 1.3 | Non-repayable share premium account | - | - |
| 1.4 | General Reserve | - | - |
| 1.5 | Retained Earnings | 225,299,229 | 212,686,303 |
| 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) | 1,700,604,147 | 1,636,961,590 |
| | 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) | 1,700,604,147 | 1,636,961,590 |
| | 2. Tier-2 (Supplementary Capital) | | |
| 2.1 | General Provision (Unclassified loans up to specified limit + SMA + off Balance Sheet exposure) | 116,737,815 | 104,841,847 |
| 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 | 30,000,000 | 40,000,000 |
| 2.6 | Other (if any item approved by Bangladesh Bank) | - | - |
| 2.7 | Sub-Total (2.1 to 2.6) | 146,737,815 | 144,841,847 |
| 2.8 | Applicable Deductions if any | - | - |
| 2.9 | Total Eligible Tire-2 Capital (2.7-2.8) | 146,737,815 | 144,841,847 |
| | Total Capital | 1,847,341,962 | 1,781,803,437 |
| | Total risk weighted assets | 10,343,521,712 | 9,158,416,180 |
| | Required minimum capital 10% of RWAorTk. 100.00 crore, which is higher. | 1,034,352,171 | 1,000,000,000 |
| | Surplus | 812,989,791 | 781,803,437 |
| | Capital Adequacy Ratio | 17.86% | 19.57% |
| 16.00 | Statutory reserve | | |
| | Balance as at 1st January | 360,355,287 | 311,601,129 |
| | Reserve made during the year | 51,029,631 | 48,754,157 |
| | Balance as at 31st December | 411,384,918 | 360,355,287 |
| Statutory reserve has been created at the rate of 20.00% of the net profit of Tk. 255,148,157 as per Bangladesh Bank's guidelines. | | | |
| 17.00 | Retained earnings | | |
| | Balance as at 1st January | 212,686,303 | 198,536,074 |
| | Add: Net profit after tax for the year | 255,148,157 | 243,770,786 |
| | | 467,834,460 | 442,306,860 |
| | Less; Allocations: | | |
| | Transferred to statutory reserve | (51,029,631) | (48,754,157) |
| | Issue of Bonus Share | - | - |
| | Dividend | (191,505,600) | (180,866,400) |
| | | (242,535,231) | (229,620,557) |
| | Balance as at 31st December | 225,299,229 | 212,686,303 |

| | 2017 Taka | ■ H | 2016 Taka |
|---|----------------------|--------|----------------------|
| 18.00 Income statement | | | |
| Income: | | | |
| Interest, discount and other similar income (note: 19.00) | 1,392,628,969 | | 1,187,793,699 |
| Dividend income (note: 21.00) | 6,732,455 | | 6,904,882 |
| Fees, commission & brokerage (note: 22.00) | 76,480 | | 214,900 |
| Gains less losses arising from investment in securities (note: 21.00) | 14,865,342 | | 1,105,292 |
| Other operating income (note: 23.00) | 26,907,391 | | 32,706,368 |
| | 1,441,210,637 | | 1,228,725,141 |
| Expenses: | | | |
| Interest on borrowing, fees and commission (note: 20.00) | 814,692,065 | | 625,428,872 |
| Losses on loan, advances and leases (note: 31.00) | 37,846,681 | | 55,102,806 |
| Administrative expenses | 126,741,725 | | 111,017,427 |
| Other operating expenses (note: 30.00) | 14,491,220 | | 10,633,980 |
| Depreciation on banking assets (note: 29.00) | 10,901,047 | | 10,532,662 |
| | 1,004,672,738 | | 812,715,747 |
| | 436,537,899 | | 416,009,394 |
| 19.00 Interest income | | | |
| Interest on mortgage loan: | | | |
| Home mortgage loan | 878,328,236 | | 831,022,472 |
| Commercial mortgage loan | 73,430,376 | | 47,381,326 |
| Project mortgage loan | 28,635,955 | | 49,196,589 |
| | 980,394,567 | | 927,600,387 |
| Less: Interest suspense | (4,713,078) | | (17,486,941) |
| | 975,681,489 | | 910,113,446 |
| Interest on lease finance: | | | |
| Industrial equipment | 8,969,415 | | 21,678,117 |
| Vehicles | 3,972,933 | | 10,758,581 |
| Delinquent interest | 13,606,067 | | 20,412,020 |
| | 26,548,415 | | 52,848,718 |
| Less: Interest suspense | (6,111,227) | | (8,645,450) |
| | 20,437,188 | | 44,203,268 |
| Interest on term finance | 106,319,481 | | 136,317,453 |
| Interest on fixed deposits | 259,362,741 | | 85,287,497 |
| Interest on short term deposit | 22,482,367 | | 5,230,739 |
| Interest on loan against FDR | 6,686,352 | | 4,792,631 |
| Interest on staff loan | 1,659,351 | | 1,848,665 |
| | 1,392,628,969 | | 1,187,793,699 |
| 20.00 Interest paid on deposits, borrowings etc. | | | |
| Call money interest | 18,390,694 | | 1,394,903 |
| Secured overdraft interest | 7,205,632 | | 3,354,829 |
| Term deposit interest | 170,601,248 | | 84,314,669 |
| Term loan interest | 24,184,419 | | 2,536,164 |
| Customer Deposit Int. - Kotipoti Scheme | 4,096 | | - |
| Customer Deposit Int. - Housing Deposit Scheme | 159 | | - |
| Customer Deposit Int. - Mohila Savings Scheme | 457 | | - |
| Customer Deposit Int. - Money Multiplier Scheme | 22,534 | | - |
| Customer deposit interest - Term Deposit | 485,454,762 | | 418,574,453 |
| Customer deposit interest - Income Account | 38,787,347 | | 50,770,056 |
| Customer deposit interest - Double Money Account | 22,097,207 | | 20,177,256 |
| Customer deposit interest - Triple Money Account | 3,649,105 | | 254,850 |
| Customer deposit interest-MSS | 1,985,171 | | 1,076,787 |
| Customer deposit interest-MLNR | 3,710,878 | | 2,646,078 |
| HML refinance interest | 13,205,515 | | 15,258,292 |
| SME loan interest | 25,392,842 | | 25,070,535 |
| | 814,692,065 | | 625,428,872 |

| | 2017 Taka | 2016 Taka |
|--|--|-------------------|
| 21.0 Investment Income | | |
| Dividend on ordinary shares | 2,669,955 | 1,592,382 |
| Dividend on preference shares | 4,062,500 | 5,312,500 |
| Gain on sale of shares | 16,545,190 | 1,790,316 |
| Loss on sale of shares | (1,679,847) | (685,024) |
| | 21,597,797 | 8,010,174 |
| 22.0 Commission, exchange and brokerage | | |
| Fees | 76.480 | 214.900 |
| | 76.480 | 214.900 |
| 23.0 Other operating income | | |
| Application, processing and documentation fees | 22,332,192 | 30,497,358 |
| Delinquent charge-MSS, MLNR etc. | 6,419 | 8,308 |
| Interest on call Money lending | 4,568,780 | 153,097 |
| Other income | 26,907,391 | 2,047,605 |
| | 26,907,391 | 32,706,368 |
| 24.0 Administrative expenses | | |
| 24.1 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 | 2,171.200 |
| | 1,950.400 | 2,171.200 |
| 24.2 Salaries and allowances | | |
| Salary & allowances (note: 24.02.01) | 66,128,324 | 58,016,700 |
| Provident fund contribution | 3,394,461 | 2,942,782 |
| Gratuity | 4,099,516 | 3,426,805 |
| Bonus | 12,827,858 | 9,093,365 |
| | 86,450,159 | 73,479,652 |
| 24.02.01 This includes managerial remuneration of Taka 58.74 million and balance amount Taka 27.71 million is on account of staff salary, bonus and other allowances. The number of employees including contract based employees were 153 and 151 for the year 2017 & 2016 respectively. | | |
| 24.03 Rent, taxes, insurance, electricity etc. | | |
| Office maintenance | 1,794,022 | 1,487,866 |
| Office rent | 3,032,170 | 2,621,352 |
| Security Guard | 888,958 | 756,470 |
| City corporation Taxes | 49,248 | 52,351 |
| Electricity | 1,886,065 | 1,654,872 |
| Utilities | 136,716 | 125,101 |
| Insurance (note: 24.03.01) | 935,286 | 480,188 |
| | 8,722,465 | 7,178,200 |
| Note - Figure in 2016 has been rearrange due to changes in presentation. | | |
| 24.03.01 | Taka 503,955 being premium paid for insurance coverage against damages/loss of the Company's fixed assets by fire, earthquake etc. | |
| 24.04 Legal expenses | | |
| Legal and professional | 266,500 | 1,655,822 |
| Legal charges | 300 | 39,250 |
| Membership fees and subscription | 2,078,268 | 1,477,368 |
| | 2,345,068 | 3,172,440 |
| 25.00 Postage, stamps, telecommunication etc. | | |
| Courier | 193,158 | 151,038 |
| Postage | 42,515 | 10,450 |
| Stamps & security paper | 1,741,325 | 1,965,370 |
| Telephone, fax & e-mail | 1,380,525 | 1,263,842 |
| | 3,357,523 | 3,390,700 |

| | | 2017 Taka | 2016 Taka |
|------|---|--------------|--------------|
| 26.0 | Stationery, printing, advertisement etc. | | |
| | Printing | 2,055,246 | 542,131 |
| | Stationery | 1,088,261 | 844,606 |
| | Business Commission | 3,103,801 | 2,909,110 |
| | Promotion & publicity | 11,377,302 | 11,037,888 |
| | | 17,624,610 | 15,333,735 |
| 27.0 | Managing Director's salary and fees | | |
| | Salary & allowances | 4,164.0 | 4,164.0 |
| | Provident fund contribution | 240,000 | 240,000 |
| | Bonus | 1,600.0 | 1,600.0 |
| | | 6,004,000 | 6,004,000 |
| 28.0 | Auditors' fees | 287,500 | 287,500 |
| 29.0 | Depreciation on and repairs to assets | | |
| | Depreciation: | | |
| | Building | 1,308,536 | 1,453,932 |
| | Newly acquired Building | 4,148,357 | 4,276,656 |
| | Furniture | 2,020,015 | 1,637,989 |
| | Office equipment | 1,851,208 | 1,145,976 |
| | Motor vehicle | 1,362,300 | 1,702,873 |
| | | 10,690,416 | 10,217,426 |
| | Repair and maintenance | 210,631 | 315,236 |
| | | 10,901,047 | 10,532,662 |
| 30.0 | Other expenses | | |
| | Traveling expenses | 319,492 | 126,628 |
| | Conveyance bill | 2,266,389 | 1,803,892 |
| | Training | 431,601 | 186,013 |
| | Bank charges and excise duty | 2,551,042 | 1,110,121 |
| | Books, periodicals and others | 69,918 | 62,483 |
| | Office refreshments | 1,873,029 | 1,142,028 |
| | Motor car | 5,613,927 | 5,232,432 |
| | Office general expenses | 647,626 | 485,908 |
| | AGM Expenses | 446,900 | 349,855 |
| | Trade License Fees | 112,702 | 108,480 |
| | Computer Software Expenses | 132,609 | 26,140 |
| | Investment expenses share | 25,985 | |
| | | 14,491,220 | 10,633,980 |
| 31.0 | Provisions for loan and advances | | |
| | For classified loans, advances and leases | 56,819,989 | 13,009,008 |
| | For unclassified loans, advances and leases | (18,973,309) | 42,093,798 |
| | | 37,846,681 | 55,102,806 |
| 31.1 | Provision for investments | | |
| | Made during the year | 13,718,365 | 3,039,436 |
| | Recovery during the year | (5,558,404) | (8,057,323) |
| | | 8,159,961 | (5,017,887) |
| 31.2 | Others | | |
| | Provisions for legal charges | 168,310 | 3,327,088 |
| | Provisions for cheque dishonored & clearing charges | (307,047) | (121,435) |
| | | (138,737) | 3,205,654 |

| | 2017 Taka | 2016 Taka |
|--|----------------------|----------------------|
| Earnings per share | | |
| a) Earnings attributable to the ordinary shareholders(Taka) | 255,148,157 | 243,770,786 |
| 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) | 2.40 | 2.29 |
| Prior year Basic Earning Per Share calculation has been revised due to calculation of weighted average number of ordinary shares. 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 2017 as per BAS-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 | 1,392,628,969 | 1,187,793,699 |
| (Increase)/decrease in interest receivable on loans, advances and leases | (74,841,357) | 816,822 |
| (Increase)/decrease in other receivable | | |
| | 1,317,787,612 | 1,188,610,521 |
| 34.00 Interest payments | | |
| Total interest expenses (note: 20.00) | 814,692,065 | 625,428,872 |
| Add: Opening balance of interest payable | 245,577,815 | 196,410,961 |
| Less: Closing balance of interest payable | (297,621,424) | (245,577,815) |
| | 762,648,456 | 576,262,019 |
| 35.00 Fees and commissions receipts in cash | | |
| Fees, commission and brokerage (note: 22.00) | 76,480 | 214,900 |
| Add: Opening balance of fees, commission and brokerage | - | - |
| Less: Closing balance of fees, commission and brokerage | - | - |
| | 76,480 | 214,900 |
| 36.00 Cash payments to employees | | |
| Staff salaries and allowances (note: 24.02) | 86,450,159 | 73,479,652 |
| Managing Director's salaries and allowances (note: 27.00) | 6,004,000 | 6,004,000 |
| Add: Opening balance of staff dues | 4,423,431 | 4,165,686 |
| Less: Closing balance of staff dues | (7,245,677) | (4,423,431) |
| | 89,631,913 | 79,225,907 |
| 37.00 Cash payments to suppliers | | |
| Printing, stationary and advertisement etc. (note: 26.00) | 17,624,610 | 15,333,735 |
| Postage, stamps, telecommunication etc. (note: 25.00) | 3,357,523 | 3,390,700 |
| Repair & maintenance (note: 29.00) | 210,631 | 315,236 |
| Add: Opening balance of suppliers dues | - | - |
| Less: Closing balance of suppliers dues | - | - |
| | 21,192,764 | 19,039,671 |
| 38.00 Receipts from other operating activities | | |
| Other operating income (note: 23.00) | 26,907,391 | 32,706,368 |
| Profit on sale of share (note: 21.00) | 16,545,190 | 1,790,316 |
| Loss on sale of share (note: 21.00) | (1,679,847) | (685,024) |
| | 41,772,733 | 33,811,660 |
| 39.00 Payments for other operating activities | | |
| Detectors' fees | 1,950,400 | 2,171,200 |
| Legal expenses | 2,345,068 | 3,172,440 |
| Auditor's fees | 287,500 | 287,500 |
| Office occupancy cost | 1,794,022 | 4,476,191 |
| City Corporation Taxes | 49,248 | 52,351 |
| Electricity | 1,886,065 | 1,041,496 |
| Utilities | 136,716 | 1,127,974 |
| Insurance | 935,286 | 480,188 |
| Other expenses (note: 30.00) | 14,491,220 | 10,633,980 |
| Add: Opening balance of outstanding payable | 287,500 | 187,500 |
| Less: Closing balance of outstanding payable | (287,500) | (287,500) |
| | 23,875,525 | 23,343,320 |

| | 2017 Taka | 2016 Taka |
|--|-----------------------|----------------------|
| 40.00 Increase/(Decrease) of other deposits | | |
| Closing balance: | | |
| Term deposits | 11,654,983,097 | 3,459,160,226 |
| Other deposits | 13,181,489 | 18,469,536 |
| | 11,668,164,585 | B.477.629.762 |
| Opening balance: | | |
| Term deposits | 8,459,160,226 | 5,526,062,366 |
| Other deposits | 18,469,536 | 25,796,301 |
| | 8,477,629,762 | 5,551,858,667 |
| | 3,190,534,823 | 2,925,771,095 |
| Sanction and disbursement | | |
| Sanction | 4,166,680,513 | 3,935,806,883 |
| Disbursement | 2,693,998,586 | 3,310,684,356 |
| Undisbursed | 1,472,681,927 | 625,122,527 |
| 41 .a | | |
| Contingent liabilities | | |
| Government | | |
| Directors | | |
| Bank and other Financial Institution | | |
| Other | 1,472,681,927 | 625,122,527 |

42.0 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 | Professor Imran Rahman | Independent Director | Chairman | MBA (IBA), BSC (Eco.) in Math. Economics UK |
| 02 | Mr. Md. Kabir Reza FCMA | 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), ACM (UK) |
| 05 | Syed Tanveer Hussain | Independent Director | Member | M.A. In Development Economics (USA) |

The Audit Committee of the Board was duly constituted by the Board of Directors of the Company in accordance with the Bangladesh Bank's DFIM circular no. 13, dated October 26,2011 and Bangladesh Securities and Exchange Commission notification ref. no. SEC/CMRRCD/2006-158/129/Admin/43, dated July 03, 2012. During the year the committee meet 4(four) times in which among others, the following issues were discussed:

- 1 Audit and inspection report of Bangladesh Bank Inspection Team and External Auditors of National Housing.
- 2 Ensuring an effective Internal Control System and Risk Management System.
- 3 Review the findings of auditors and management response thereto.
- 4 Stressing on the importance of the regulatory compliance.
- 5 Review of conflict of interests.
- 6 Review of the credit policy of the Company.
- 7 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 31 st December, 2017 are furnished below:

| SL # Details | 2017 | 2016 |
|---|----------------|----------------|
| 01 Paid-up Capital | 1,063,920,000 | 1,063,920,000 |
| 02 Total Capital | 1,700,604,147 | 1,636,961,590 |
| 03 Capital surplus/(deficit) | 700,604,147 | 636,961,590 |
| 04 Total assets | 16,163,196,789 | 12,250,389,655 |
| 05 Total deposits | 11,668,164,585 | 8,477,629,762 |
| 06 Total loans, advances, leases & Others | 10,377,426,758 | 8,959,772,086 |
| 07 Total contingent liabilities and commitments | 1,472,681,927 | 647,379,446 |
| 08 Credit deposit ratio | 88.94% | 105.69% |
| 09 % of Classified loans against total loans and advances | 5.06% | 4.95% |
| 10 Profit after tax and provisions | 255,148,157 | 243,770,786 |
| 11 Amount of classified loans during the year | 524,680,654 | 443,251,665 |
| 12 Provisions kept against classified loans | 82,252,462 | 49,808,306 |
| 13 Provisions surplus/(deficit) | 17,096,582 | 44,764,074 |
| 14 Cost of fund | 8.06% | 9.34% |
| 15 Interest earnings assets | 15,404,284,479 | 11,498,355,646 |
| 16 Non-interest earnings assets | 758,912,311 | 752,034,010 |
| 17 Return on investments (ROI) | 4.93% | 5.56% |
| 18 Return on assets (ROA) | 1.80% | 2.31% |
| 19 Income from investments | 21,597,797 | 8,010,174 |
| 20 Weighted average earnings per share | 2.40 | 2.29 |
| 21 Net income per share | 2.40 | 2.29 |
| 22 Price earning ratio | 19.54 | 15.14 |
| 23 Return on equity (ROE) | 15.29% | 15.18% |
| 24 Net asset value per share (NAV) | 15.98 | 15.39 |

44.0 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 December23, 2009.

45.0 Geographical area of operation

Company's geographical area of operation was in Dhaka, Chittagong, Bogra and Rangpur in the year 2017.

46.0 Capital expenditure commitment

There was neither any outstanding contract nor any Board authorization for capital expenditure as at December 31,2017.

47.0 Contingent liabilities

There is a difference in provision for taxation made by the company and tax claimed by Tax Authority for Taka 22,256,919. The assessment of tax for different year is pending at different Tax Authority. Thus the difference of provision for taxation considered as Contingent Liability.

48.0 Subsequent events-disclosure under BAS 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 196th Meeting held on March 18,2018 has recommended 19.00% cash dividend subject to the approval of the shareholders at the 19th Annual General Meeting.

49.0 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.

50.0 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.

51.0 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.47.20 and Tk.46.50 respectively in the DSE & CSE.

52.0 "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.

53.0 Previous year's figures have been rearranged where necessary to conform to current year's presentation.

Figures have been rounded nearest Taka.

54.00 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. |
| | | Marina Tea Co. Ltd. |
| | | BRAC |
| Mr. Mahbubur Rahman Representing Eastland Insurance Co. Ltd. | Director | ETBL Holdings Ltd. |
| | | Eastern Trading (Bangladesh) Ltd. |
| | | ETBL Development Construction Ltd. |
| | | ETBL Securities & Exchanges Ltd. |
| | | Progressive Investments Ltd. (successors to the National Rubber |
| | | Century Cold Storage Ltd |
| | | Eastland Insurance Co. Ltd. |
| Mr. M. A. Sabur Representing United Commercial Bank Ltd. | Director | International Publications Ltd. |
| | | United Commercial Bank Limited |
| | | Maxim Limited |
| | | Maxim International Limited |
| | | Concept Knitting Limited |
| | | Masco Shares & Securities Limited |
| | | Masco Properties Limited |
| | | Masco Poultry Limited |
| | | Masco Cottons Limited |
| | | Masco Services Limited |
| | | Shanta Expressions Limited |
| Mr. Syed M. Altaf Hussain Representing Pragati Insurance Ltd. | Director | Masco Superknits Limited |
| | | Massminu Energy Limited |
| | | Pragati Insurance Ltd. |
| | | WW Grains Corp. representing Cargill Inc., USA |
| | | Sonic Allied Industries Ltd. |
| | | WW Properties Ltd. |
| | | The Daily Janata |
| | | Jamuna Resort Ltd. |

54.0 Related party disclosure :

| | | |
|---|-------------------------|--|
| Mr. Syed Ali Jowher Rizvi | Director | Lankan Alliance Finance Limited |
| | | Alliance Holdings Limited (AHL) |
| | | Oriental Oil Company Ltd. |
| | | PEB Steel Alliance Ltd. |
| | | Summit Alliance Port Limited |
| | | Ispahani Summit Alliance Terminals Ltd. |
| | | Ispahani Alliance Phamaceuticals Ltd. |
| | | Alliance Properties Ltd. |
| | | Union Accessories Ltd. |
| | | Union Knitting & Dyeing Ltd. |
| | | Fountain Garments Manufacturing Ltd. |
| | | Rabab Washing Industry Ltd. |
| | | Rabab Fashion Industries Ltd. |
| | | Alliance Oil Limited |
| Mr. Akhtar Ahmed Representing Reliance Insurance Co. Ltd. | Director | Reliance Insurance Ltd. |
| Mr. Muminul Haque Chowdhury Representing Borak Travels (Pvt.) Limited | Director | Borak Travels (Pvt.) Limited |
| Mr. Azmal Hossain Representing Eastern Insurance Co. Ltd. | Director | Eastern Insurance Co. Ltd. |
| | | Hashem Paper Mills Ltd. |
| Mr. M. Nurul Alam Representing Shaw Wallace Bangladesh Ltd. | Director | Shaw Wallace Bangladesh Ltd. |
| | | SW Shipping Ltd. |
| Mr. Md. Kabir Reza FCMA Representing Square Pharmaceuticals Ltd. | Director | Square Pharmaceuticals Ltd. |
| | | United Financial Trading Company Limited |
| Professor Imran Rahman | Independent Director | University of Liberal Arts Bangladesh (ULAB) |

54.1 Significant contract where FI is party and wherein Directors have interest- Nil

54.2 Significant contract where the Company is party and wherein Directors have interest - Nil

54.3 There is no loans, advances and leases given to Directors and their related concern.

54.4 Investment in the Securities of Directors and their related concern- Nil

54.5 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 Bangladesh 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 |
| United Commercial Bank Ltd. (Director) | Over draft | (8,307,590) |
| | STD/CD account | 863 |
| National Bank Ltd. (Sponsor Shareholder) | STD/CD account | 323,849 |
| National Life Insurance Co. Ltd. (Sponsor Shareholder) | Term deposit | 111,350,000 |
| Square Pharmaceuticals Ltd. (Director) | Term deposit | 1,703,184,112 |
| Reliance Insurance Co. Ltd. (Director) | Term deposit | 112,063,000 |
| Bangladesh Lamps Ltd. (Director) | Term deposit | 25,156,470 |
| | | 1,943,770,704 |


Md. Khalilur Rahman
Managing Director


Md. Kabir Reza FCMA
Director


Syed Tanveer Hussain
Independent Director


Latifur Rahman
Chairman

Fixed assets including premises, furniture and fixtures for 2017

(Annexure-A)

Figures in Taka

| Particulars | C o s t | | | | | D e p r e c i a t i o n | | | | Written | |
|-------------------------|------------------------|--------------------------|--------------------------|------------------------|--------|-------------------------|---------------------------|-------------------------|------------------------|---------------------------|---------------------------|
| | Balance as on 01.01.17 | Disposed during the year | Addition during the year | Balance as on 31.12.17 | Rate | Balance as on 01.01.17 | Adjust-ments for disposal | Charged during the year | Balance as on 31.12.17 | down value as on 31.12.17 | down value as on 31.12.16 |
| Land & building | 96,509,093 | - | - | 96,509,093 | 10.00% | 26,203,703 | - | 1,308,536 | 27,512,239 | 68,996,854 | 70,305,390 |
| Newly acquired Building | 142,555,215 | - | - | 142,555,215 | 3.00 % | 4,276,656 | - | 4,148,357 | 8,425,013 | 134,130,202 | 138,278,559 |
| Furniture | 22,075,427 | 389,353 | 5,543,495 | 27,229,569 | 10.00% | 7,333,444 | 304,037 | 2,020,015 | 9,049,422 | 18,180,147 | 14,741,983 |
| Office equipment | 14,540,700 | 1,548,700 | 4,715,746 | 17,707,746 | 20.00% | 9,956,790 | 1,505,040 | 1,851,208 | 10,302,958 | 7,404,788 | 4,583,910 |
| Motor vehicle | 11,537,484 | - | - | 11,537,484 | 20.00% | 4,725,988 | - | 1,362,300 | 6,088,288 | 5,449,196 | 6,811,496 |
| Total: | 287,217,919 | 1,938,053 | 10,259,241 | 295,539,107 | | 52,496,581 | 1,809,077 | 10,690,416 | 61,377,920 | 234,161,187 | 234,721,338 |

Occasions & Events



18th Annual General Meeting in Progress



New Logo Launching





Annual Picnic 2018





Annual Business Conference 2018

Agreement Signing Ceremony with Bangladesh
Bank for JICA- funded FDIPP



Participation at REHAB Fair 2017