



Housing Development Finance Corporation Plc.

ANNUAL REPORT 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Housing Development Finance Corporation Plc.
Annual Report 2021

Published: April 2021

H. Mialani, 4th Floor
Sosun Magu
Male' Republic of Maldives
Tel: 3334666 / 3338810
Fax: 3315138
Email: Info@hdfc.com.mv
www.hdfc.com.mv

Layout by:

Mohamed Zimyan

Photo Contributions from:

Mohamed Masood Abdul Wahhab,
Samhan Rasheed, and
Contributors on [Unsplash.com](https://unsplash.com)

ANNUAL REPORT

2021

Definition

Annual Report 2021 comprises of the Annual Report of Housing Development Finance Corporation Plc. (HDFC) prepared in accordance with the Companies Act of the Republic of Maldives (10/96), Listing rules of Maldives Stock Exchange, the Securities Act of Maldives Security Depository and Corporate Governance Code of Capital Market Development Authority Requirements.

Unless otherwise specified in the Annual Report, the terms 'HDFC', 'we', 'us' and 'it' refer to Housing Development Finance Corporation Plc. The word 'Company' refers to HDFC Plc., including financing facilities extended from the Amna (Islamic Window). References to the year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st December 2021. All Financial statements of HDFC are prepared in accordance with International Financial Reporting Standards (IFRS).

Cautionary statement with regard to forward looking statements

HDFC's Annual Report comprises of forward-looking statements that are based on current expectations or views, as well as expectations about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements frequently use words such as 'anticipate', 'target', 'expect', 'would', 'could', estimate, 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and HDFC plans and objectives to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, economic, political, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. HDFC cannot guarantee future results, levels of activity, performance or successes.

Table of Contents

CHAIRMAN'S STATEMENT	2
MANAGING DIRECTOR'S REVIEW	6
CORPORATE INFORMATION	10
VISION	11
MISSION	11
PLEDGE	11
PRODUCT PORTFOLIO	12
OUR JOURNEY	14
DIRECTOR'S REPORT	16
BOARD OF DIRECTORS	40
MANAGEMENT TEAM	51
MIDDLE MANAGEMENT TEAM	54
THE SHAREHOLDING STRUCTURE	55
CORPORATE GOVERNANCE	56
AMNA - ANNUAL REVIEW	72
SHARIAH COMMITTEE'S REPORT	82
DECLARATION BY THE BOARD OF DIRECTORS	83
CORPORATE SOCIAL RESPONSIBILITY	84
RISK MANAGEMENT REPORT	89
HUMAN CAPITAL	96
MANAGEMENT OF NON-PERFORMING LOANS (NPL)	101
FINANCIAL STATEMENTS	104

Chairman's Statement

"Collectively we create opportunities for the future"

On behalf of the Board of Directors of Housing Development Finance Corporation Plc - Maldives, (HDFC), it is my pleasure to present and welcome you to the eighteenth Annual Report and audited financial statements of the Company for the year ended 31 December 2021.

Global Economy

According to the IMF, the global economy is projected to grow at 5.9 percent in 2021 and 4.4 percent in 2022. Many emerging market and developing economies continue to struggle with the COVID-19 pandemic and its aftermath.

The recovery in many countries is being hindered by a resurgence of COVID-19 cases and lagging vaccination progress, as well as the withdrawal of policy support in some instances. Rising commodity prices, supply chain disruptions, inflation and the spill-over impact of geo-political tensions remain as key concerns.

Maldives Economy

The Maldives economy is regaining momentum as Covid related impacts have been well managed. There has been a notable pick up in the business and economic activity owing to the support measures implemented by the Government. Tourism is gaining ground, demand indicators are recording encouraging growth and the services sector is showing buoyancy. Based on an assumption that 1.4 million tourists will visit the country in 2022, Maldives is expected to go through a slow but steady recovery from the economic crisis caused by COVID- 19. MMA 4th Quarter Economic Bulletin states that real GDP is expected to grow by 12% in 2022. Maldives experienced, capital outflows both in local and foreign exchange, and increased pressure on government finances. The impact of the pandemic on Maldives economy will remain a challenge in the near term, in line with the trends of global economies.

With the European Union (EU) banning Russian airlines flying into and out of EU, will impact the Maldivian economy as Maldives receives a dominant share of tourists from Russia. As a result of geo-political tensions, the Maldives faces a heavy brunt as oil prices in the local market continue to rise sharply.



"The impact of the pandemic on Maldives economy will remain a challenge in the near term, in line with the trends of global economies."

Our Financial Performance

HDFC posted a steady performance for the year 2021 amidst unprecedented disruptions caused by the pandemic. The Company reassessed priorities and aligned its operating platform with the new normal, maintaining focus on ensuring uninterrupted service whilst complying with the health and safety measures for the customers as well as for its staff. The convergence of risk factors, sharp decline in housing facilities and a high level of uncertainty necessitated prudent revision of the business plan, strategies and the Company focused on progress by converting opportunities that were a right fit with the long-term priorities.

The year 2021 was a challenging year with the ongoing pandemic which triggered economic recession, threatening health, disrupting economic activities and harming the well-being and livelihood of many individuals and companies, small and large. The swift measures taken by the Government of Maldives including inter alia the implementation of smart-lockdowns, development of quarantine centres, introduction of relief and new SME loan schemes helped in effectively suppressing the impact of the pandemic on businesses and households. In response to the crises emanating from ongoing Covid-19, HDFC took effective and accelerated measures to provide uninterrupted customer services while ensuring safety of our customers and wellbeing of our staff.

Despite prevailing challenges and uncertainties during the year, the Company was able to take a leap forward. HDFC successfully raised MVR 168 million from the listed Sukuk Issue No 4.

The Company's Gross Revenue from operations stood at MVR 227.79 million for the financial year 2021 as against MVR 228.96 million in the previous year. The Profit after Tax for the year 2021 increased by 6.65% to MVR 101.66 million as against MVR 95.32 million over the previous year.

"Despite prevailing challenges and uncertainties during the year, the Company was able to take a leap forward. HDFC successfully raised MVR 168 million from the listed Sukuk Issue No 4."

Dividend

In 2020 as we faced the uncertainty of the continuing pandemic, we made the difficult decision that in the interests of the long-term sustainability of the company we declared a dividend with a reduced pay-out ratio. After assessing the financial performance, the improved economic environment and liquidity conditions for 2021 the Board of Directors declared an interim dividend of MVR 12.50 per share and proposes a final dividend of MVR 12.50 per share with a total pay-out ratio of 39%.



Corporate Governance

To build trust, an organisation must be worthy of trust

As a trustworthy organisation, HDFC has a long-standing reputation for trust that is built on financial reporting and compliance, and transparency but trust goes much further than that. The fundamental shift means that our ability to protect data, make progress on diversity and inclusion, and govern responsibly are all a part of how we build a trusted brand.

Maintaining high standards of governance is critical to enabling our strategy and long-term success. The board acted swiftly and decisively from the outset of the pandemic to support our customers, maintain a healthy liquidity position and ensure the effectiveness of the risk management and compliance processes.

As part of our commitment to maintaining high governance standards, this year we followed the MMA's Corporate Governance Code (CGC), and remain committed to working to improve our governance, providing robust oversight of the Company to achieve our purpose.

In 2021 two local independent directors were appointed to further improve diversity and strengthen the board. To abide by the CGC code, a risk officer was also appointed to oversee the Company's risk. Today the board comprises over 50% of women, meeting its target on diversity. In addition, CGC code requires regular evaluation of the board, its sub-committees and the senior management of the Company which will help support continuous improvements in operations and key governance practices.

We strive to achieve the highest level of standards in Corporate Governance practices in the industry as well as in the country.

We welcome Mr. Mohamed Ahmed and Ms. Fathimath Shizna as Independent Directors on the Board. We also welcome Mr Hamid Sodiq (Nominee of GOM) and Ms Amena Arif (Nominee of IFC) who have joined the Board in place of Ms. Aminath Sheena Musthafa and Mr. Nihal Welikala respectively.

We appreciate the constructive contribution of the outgoing directors to the company and wish both of them the best in future. The incoming directors add value to the company with their extensive knowledge and international experience.

Looking to the year ahead

Looking ahead, it is difficult to predict the future trajectory of Covid-19. We remain committed to ensure that our lending continues in a prudent and sustainable manner and address the housing needs of the nation.

With seventeen years of history in providing housing finance, we have experienced multiple crises. In each instance, we have demonstrated agility in responding to challenges. Despite ongoing multiple challenges faced by the industry at large, HDFC remains confident of continuing the growth of its housing portfolio in line with its business plan.

HDFC has shown itself to be immensely responsive and innovative over the years, and these qualities will continue to serve it well in the years ahead. For a business that is pinned on strong values and principles, the ups and downs of short-term economic cycles become insignificant glitches in the broader context of history. As we enter the eighteenth year of our journey, we re-affirm our commitment to exceed our customers' expectations while also creating value for all our stakeholders.

Our decision to invest in information technology is key for our long-term competitiveness. The focus on technology will help us accelerate our turnaround time, integrate processes, minimise duplication and enhance productivity. Our constant endeavour is to provide best of the technology solution for the business in a secure and efficient manner to serve our customers better.

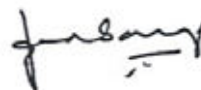
"As we enter the eighteenth year of our journey, we re-affirm our commitment to exceed our customers' expectations while also creating value for all our stakeholders."

Acknowledgement

On behalf of the Board, I would like to thank our shareholders for placing their continued trust in HDFC. Despite the challenging circumstances, we remain focused on the way forward, and on deepening our relationships with our stakeholders. I thank the Government of Maldives, Maldives Monetary Authority and Capital Markets Development Authority, our customers and investors for their support.

While the disruption caused by the COVID-19 pandemic has brought many challenges, it has brought to the fore some important learnings such as the importance of having a people-centric approach in an organisation. I thank each and every staff member for their untiring efforts and contributions in these challenging times.

In conclusion, I would like to express my gratitude to our Board of Directors for their expertise and guidance.



Conrad D'Souza
Chairman

Managing Director's Review

"Making a difference when it matters most"

As we enter the 18th year of our remarkable journey, we continue with our passion to help thousands of people on their path to having their own homes. With our responsiveness, resourcefulness, and responsibility, we remain committed to exceed customer expectations.

HDFC's performance in 2021 was expected to be affected in particular by the continuing headwinds faced by our businesses due to the continuing Covid -19 pandemic. However, we remain confident in our long-term strategy, rooted in the progress we will continue to focus on our core priorities of driving operational excellence, growing our housing portfolio, and finding new growth opportunities, in order to deliver long-term benefit.

Protecting and ensuring the wellbeing of our employees has been a top priority throughout the year. We have taken extensive actions in this regard, including giving them access to support and resources to address health concerns, encouraging flexible working practices, and making health and safety a high priority. Our businesses have also been taking action to support our customers and the communities we operate in, to help them withstand the crisis. This has included working with our customers to help them develop more efficient ways of providing relief to their housing facilities.

Our Purpose

At HDFC, we remain steadfast in fulfilling the unmet housing needs of hundreds of Maldivians and are positive about the intrinsic demand for housing in the long run. We are working collectively towards bringing confidence back into the housing sector and have also been sincerely playing a role in supporting the housing finance industry. We are totally supportive of the government's policy that develops the affordable housing finance sector in the Maldives. We are long-term players in this business. With deep knowledge and a service mindset, we continue to live our dream of building a roof for every Maldivian by supporting affordable housing, serving home buyers, and making their dreams come true. We plan to leverage our extensive reach to connect with the customer and have been using online portal to plug the gaps in enhancing customer experience and increasing operational efficiency.

Our long-term vision is to certainly be the lender of choice for all customers. We aspire to be the most preferred institution when it comes to housing by providing value for all our stakeholders and delivering consistent growth. With our 17-year legacy, we aim to continue scaling new heights and maintaining our position as one of best housing finance companies.



"We plan to leverage our extensive reach to connect with the customer and have been using online portal to plug the gaps in enhancing customer experience and increasing operational efficiency."

Continuing Covid-19 and its impact

Maldives housing and real estate sector, which was just emerging out of the past market turbulence, policy reforms and liquidity crisis, suffered a setback with the continuing COVID-19 pandemic, which caused income uncertainty and poor consumer sentiments. The continuing pandemic, labour and construction material unavailability dampened housing and real estate activity, caused construction delays, and reduced demand, increased stress in the housing finance sector and dented consumer sentiments even further. Income disruption caused by the economic slowdown and the pandemic-imposed lockdown, had an unfavourable impact on the industry.

HDFC have been impacted by the continuing COVID-19 by way of operational disruptions, delayed collections, and requirement of creating additional provisions to meet the post-COVID uncertainties. HDFC is ramping up our digital initiatives in order to keep up the loan book growth and to attend to the customer requirements.

HDFC - Challenges

For FY 2022, the unexpected crisis posed challenges like we have never witnessed in the past. Our business model and process in the operations was called for recalibration. In the post pandemic scenario, predictability on important factors such as revenue, profitability and non-performing assets and asset quality will become challenging, based on the continuity of the customers performance. With this uncertainty, HDFC has been bracing to run a tight ship in lending as well as liability management.

Rapid development of the housing industry and housing finance sector are challenged by certain impediments which reduces its growth. Absence of long-term low-cost funds is the main challenge facing us. In addition, need of governance is another issue that stakeholders in the industry should address with priority. Real-estate types perhaps the largest asset class in any country and

is the largest source of wealth for families, and the nation so, it need a high sense of governance. It is therefore important for immediate consideration, in this environment of abnormal pricing, competition, accountability, transparency, warranty etc. These are the fundamentals which will ensure long-term sustainability of the industry. In addition to the above, sharp rise in land prices, high cost of major building materials and the lack of skilled labour also restrain the growth of the housing sector. HDFC is mindful of above threats and believe that continuous research and fine tuning our housing products, process and continues improvement in technology and operational efficiency would lessen these risks to a considerable degree. It is important

"Absence of long-term low-cost funds is the main challenge facing us. In addition, need of governance is another issue that stakeholders in the industry should address with priority."

to note that President has ratified the Residential Tenancy Act (ACT No: 21 2021) on 18th November 2021. The Residential Tenancy Bill is set to regularise the sector and to introduce requirements such as a legally prescribed procedure for renting residential properties, rights and obligations of landlords and tenants, protection of security deposits, and enforcement mechanisms to settle disputes related to residential tenancies.

Another existing anomaly is housing credit, currently tilted in favour of the salaried and fixed income class, and not the self-employed community where it is difficult to gauge these income. Since we are in an industry that fulfills a basic human need, we should resolve this scenario and ensure that all individuals are provided the same opportunities. Another area that needs more regulation is hundred percent upfront payment sought by the developers even before plans are completed. Advertising and sale of projects prior to finalizing plans and building approvals is not only unfair to the public but also prevents the growth of the sector in the long run.

The emergence of many players in the housing finance business have created a vibrant competition in lending, with more options available to the consumers. This enthusiasm, however, needs to be handled with care, with a focus on long-term benefits rather than short-term gain.

Managing our Portfolio

We will build on our proven track record of actively managing our portfolio to be in the more attractive in businesses where we can achieve a bigger market share, in order to sustain growth and create long-term sustainable value. We have included all 22 atolls with our products and has underpinned our resilient performance against challenging market conditions.

We are focused on developing and implementing our portfolio strategy and in increasing its decision-making agility, so we can act with speed to seize opportunities when they arise and maximise our portfolio value.

Driving Operational Excellence

Our teams are focused on driving operational excellence in our businesses and in new ventures we undertake. A key priority in this context is for our existing businesses is to accelerate the pace at which they adopt technology and embrace digital ways of working. This will enable our businesses to adapt to, and meet the challenges and opportunities of, the rapidly changing competitive environment in which we operate, which is increasingly dominated by the big players. Digital techniques and tools have the power to transform the way we interact with our customers and maintain competitive leadership.

Our business strategy is to evolve and adapt to facilitate a seamless delivery of our products and services, including those complementary to financial services, through appropriate organisational processes that encompass strategic alliances. The process continues to evolve, whilst creating shareholder value and sustainable growth through meeting the aspirations of all our stakeholders.

With the active participation of the Board and the management a three-year strategic plan (2022-2024) was discussed which highlighted the key elements that are essential in taking HDFC to new levels of performance.

In order to achieve these objectives, we need to build together our customer service culture. We also need to construct an enterprise-wide risk management process which will encompass new business risks and integrate with our existing processes. Our IT systems must enable and support the achievement of our evolving business goals. Management Information Systems must be geared to provide the pertinent data needed to manage business units and people. We need to invest in the people on whom we will depend, to achieve our goals. Our direction is clear, and we are confident of achieving success over our planned time horizon.

Investing in our future

Amidst the challenging times, one thing constant has been the power of technology to help our organisations to adapt, reinvent and transform. Going ahead, business process re-engineering will hold the key to our future. A revamped IT platform is required to take care of the present requirements and the challenging future needs.

We have resolved to invest in the right technology to stay prepared to face a crisis and challenges. Our aim is to gain capabilities in installing the right software and hardware to reduce future disruptions, which was indeed challenging, considering our 17-year legacy and an outstanding portfolio of MVR 1.7 billion.

Future outlook

As we adapt to a new normal of living and working conditions, home ownership will be considered as an important yardstick to impart a sense of security. The intrinsic demand for housing will remain strong in the long run. The realty sector in the Maldives is expected to ride out the situation through innovation and improved productivity. There will be sustained demand for affordable and mid-market segment on the retail side in the Greater Male' Region. We will keep funding such projects, considering their viability and sales velocity.

The fundamental demand for housing for the Maldives will always be strong due to factors such as improved affordability, rise of nuclear families, government's thrust on affordable housing, favourable demographics, increasing urbanisation and rising aspirations.

Although it is not easy to accurately assess the magnitude of impact of the pandemic in the long term, it will mostly depend on coordinated actions by the government and other regulatory bodies. However, it is likely to impact performance of HDFC as credit growth will be affected. The housing sector has been affected on three fronts – availability of labour, shortage of construction materials due to supply chain disruptions and lack of enthusiasm for housing stock as last year 7000 social housing flats in Hulhumale' were handed over to the respective customers. For HDFC recovery of loans will continue to be a challenge as customers still expect the company to waive off the moratorium amount. Specifically, reduction in rental income and decline in revenue for self-employed borrowers may have impact on asset quality. We are well-positioned to offer retail housing facilities, focused recovery, retention of internal and external customers and re-engineering the way how we manage our business.

In contrast to other countries in this region, we have very little research and reports published over the years, the regulators have been facing difficulties to formulate a clear, long-term vision for the housing finance sector. The necessity to develop such a vision and a road map for the housing financial services sector, as opposed to merely focussing on institutional, regulatory, and operational issues, has been brought up by HDFC at forums and discussions with the steering committees of the parliament as well as meetings with other government agencies. It is my personal opinion, if a comprehensive strategy for the development of the housing sector is not finalised and implemented quickly, the ability of the sector to support the ambitious housing development plans of the country, will be seriously impaired.

Closing Remarks

We are firm believers of the fact that there is no substitute for hard work, and we should all be prepared to put in an extra effort to achieve greater goals. I am proud of being a part of this talented team with immense capabilities and an unwavering commitment. As we reimagine our tomorrow and step further into a different future, we are also developing insights to balance on what needs to happen in the new normal. I am proud to be leading HDFC as we commence our 18 years of operation which is truly a momentous landmark for us. It has been a wonderful journey so far and I truly believe that the best is yet to come. The team is committed to deliver and build further momentum on our consistent track record of sustainable profitable growth.

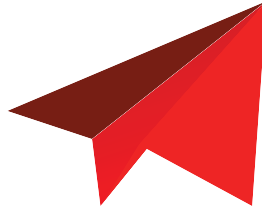
I conclude with a sincere prayer that the Almighty continues to bless our unique model enjoyed by the Maldivians whilst expanding further and beyond. I wish to state that HDFC will center its focus in the years ahead not only to meet our stakeholder's varied expectations, but to exceed them consistently.



Raheema Saleem
Managing Director

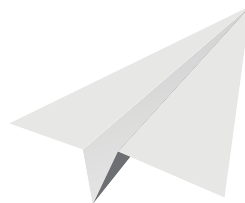
Corporate Information

Name of the Company	Housing Development Finance Corporation Plc.
Legal Form	HDFC is a company incorporated as state owned enterprise on 28 January 2004 by a Presidential Decree under the Companies Act No.10/96, registered as a public company on 9th February 2006 and privatized on 23 July 2008 with the signing of a Shareholder's agreement between Government of Maldives (49%), IFC (18%), ADB (18%) and HDFC-Investments Ltd. - India (15%).
Company Registration Number	C-107/2006
Share Capital	MVR 159,375,000
Chairman	Mr. Conrad D'Souza
Managing Director	Ms. Raheema Saleem
Auditors	KPMG (External Auditors) Ernst & Young Maldives (Internal Auditors)
Legal Counsel	Mazlan & Murad Law Associates
Company Secretary	Mr. Adam Athif
Registered Address	H. Mialani, 4th Floor, Sosun Magu, Male' Republic of Maldives Phone: (+960) 3334666 / 3338810 Fax: (+960) 3315138 Website : www.hdfc.com.mv Email: info@hdfc.com.mv



Vision

Our vision is to provide decent housing to all segments of the society to pioneer innovative, responsible home finance solutions to realize their financial aspirations towards home ownership, and to become the market leader and add value to all our stakeholders.



Mission

Our mission is to inspire better living in our communities to accelerate home ownership by providing a selection of home financing solutions with highest quality, manage investment products professionally and profitably, and educate financial literacy by delivering customer service with a sense of warmth, individual pride and company spirit to the complete satisfaction of all stakeholders.

Our vision is our foundation. Our values are our strengths and we raise not just hopes, but the promise to bring in a happier tomorrow.

Pledge

Strive hard and explore all avenues to:

- ***Provide a solution to every single customer.***
- ***Process loan applications to the highest professional standard to give a speedy and effective service.***
- ***Manage all aspects of customer relationship with due care, communication and sensivity to ensure 100% loan performance.***
- ***Conduct all affairs as a responsible corporate citizen with good governance, accountability and transparency.***



Product Portfolio

Standard Loan

Standard Home Loan is below MVR 1 million with less than one third of the developed area may be given on rent and two third or more should be owner occupied at 11.25% per annum.

Million Plus

Home loans exceeding MVR 1 million with less than one third of the developed area given on rent and two third or more should be owner occupied. Rate applicable is 11.50% per annum.

Rent Option Home Loan

Home loan where the total developed area or more than one third area of the property can be rented at 12.50% per annum.

Home Improvement Loan

Home improvement loan is for essential repairs and improvements brought to the property at 11.25% per annum for 7 years.





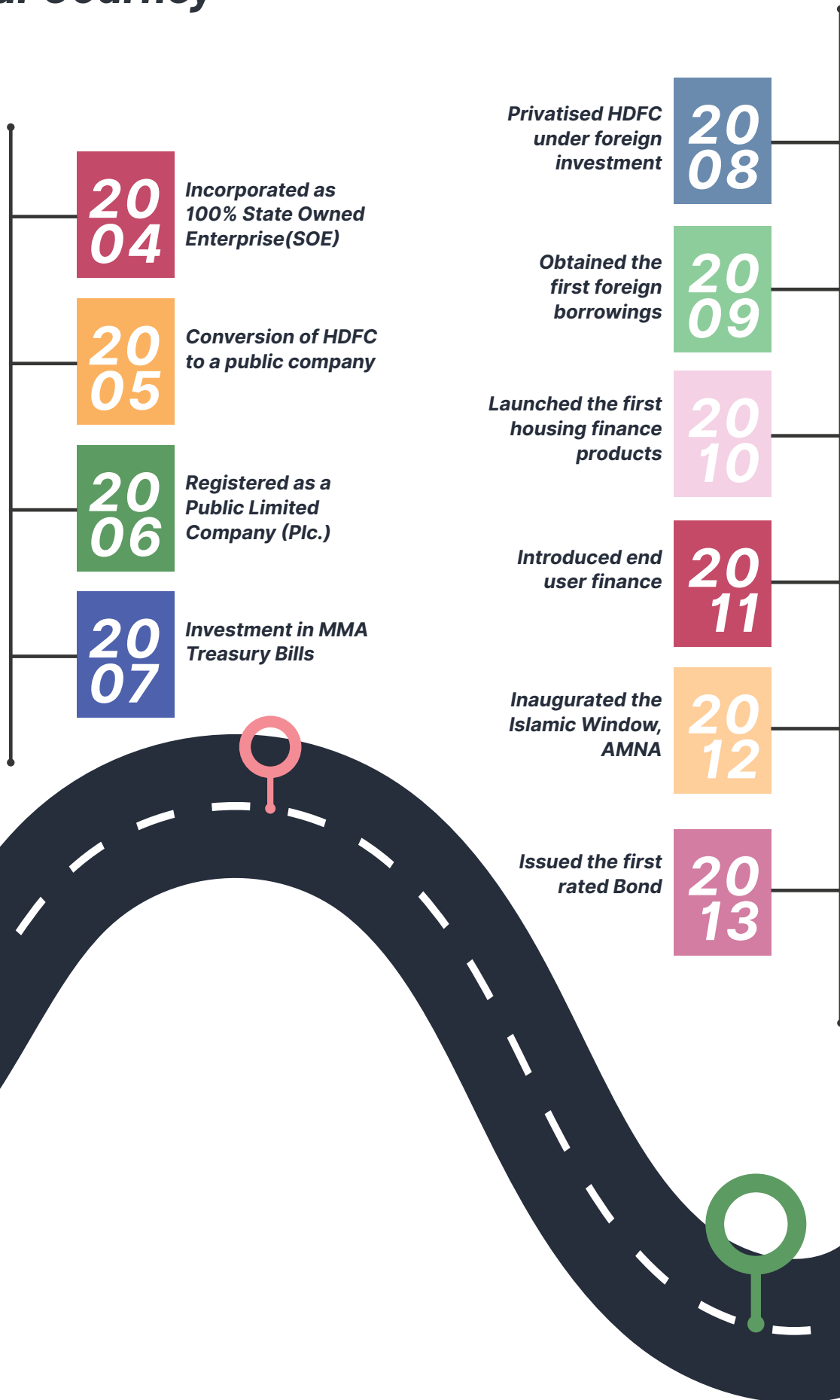
Musharaka Muthanaqisa

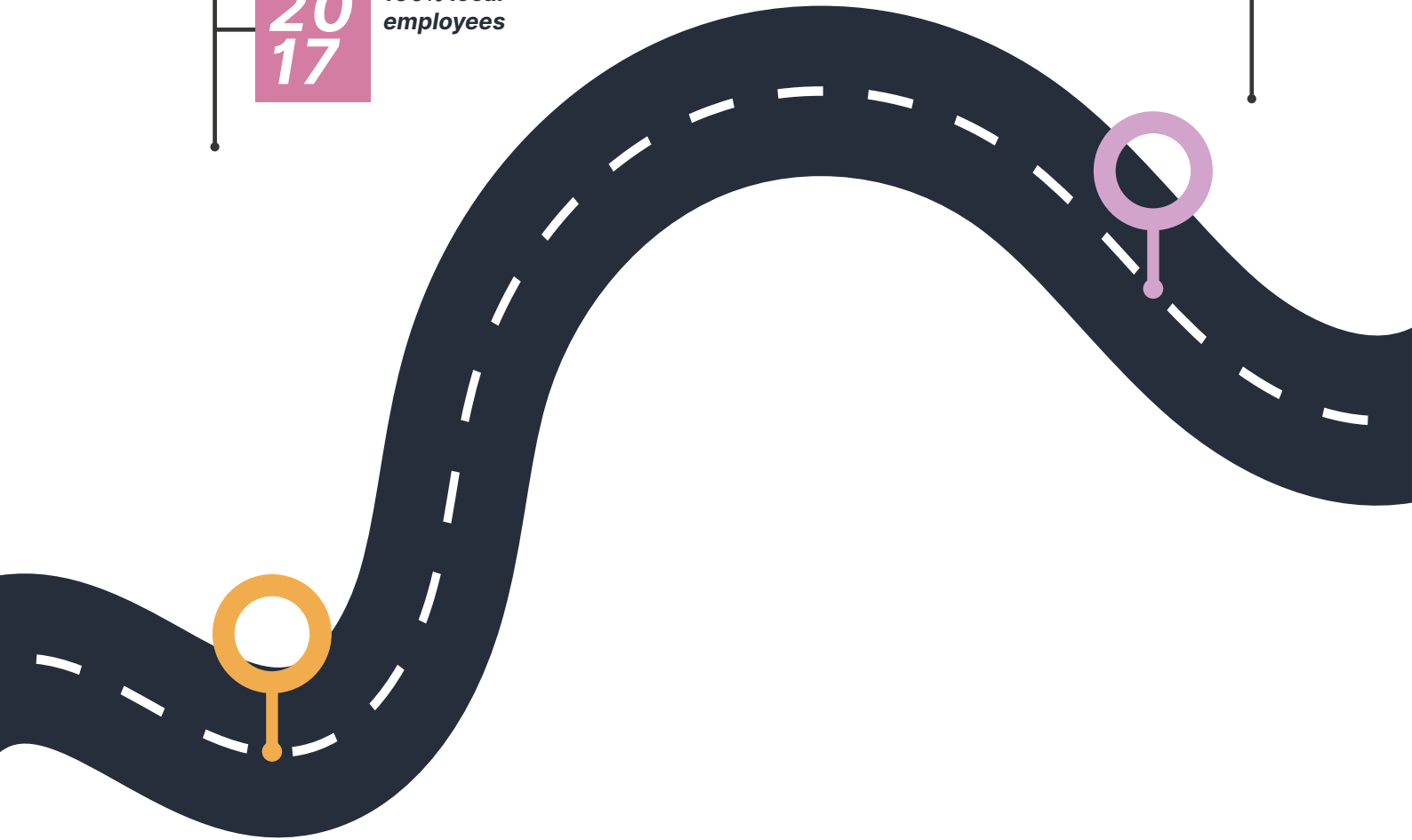
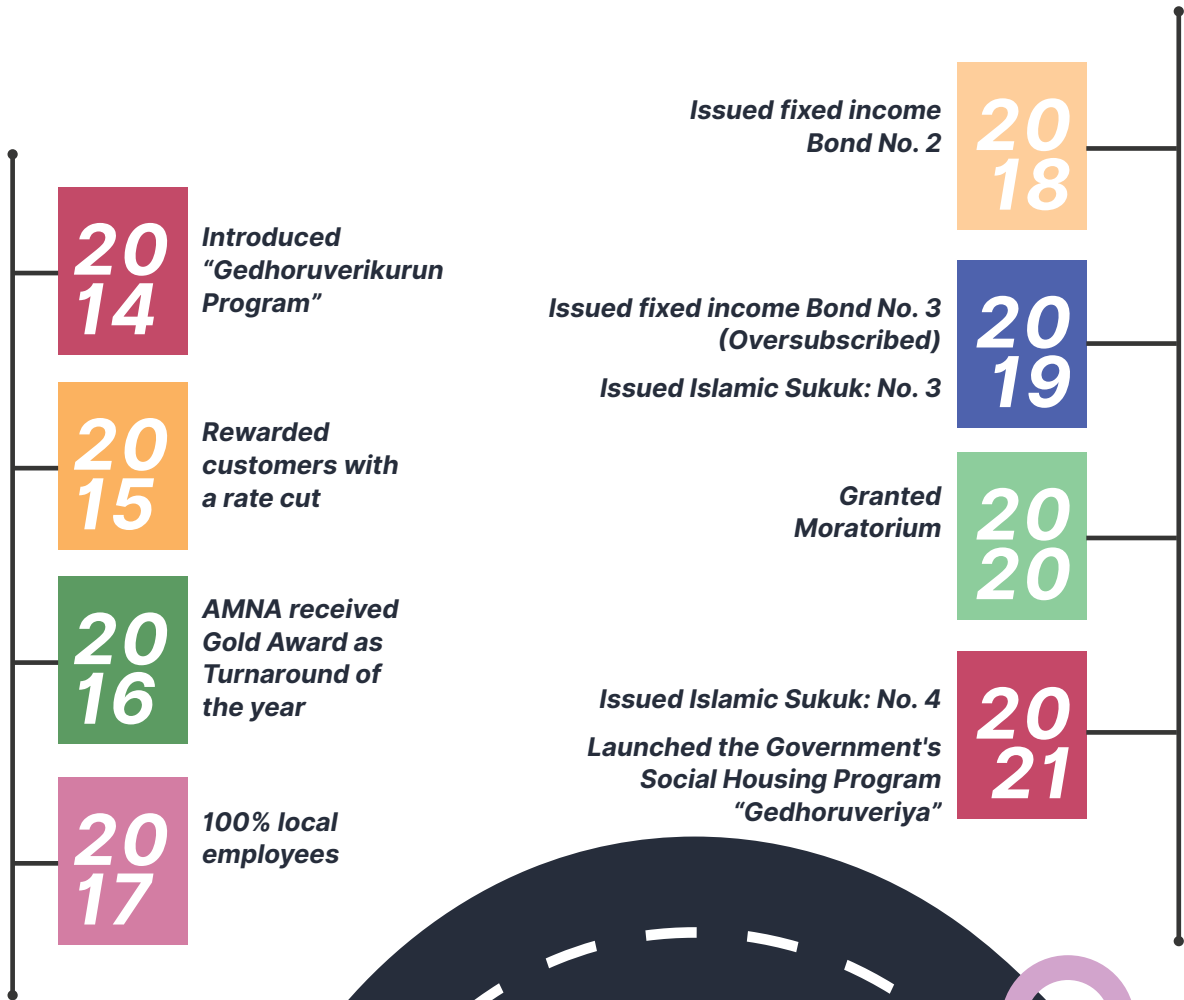
Islamic facility given by Amna where the customer and HDFC agree to enter into a partnership to purchase land and construct a home or purchase an apartment for the purpose of living by the owners and other co-owners or for rental.

Muraabaha Financing Facility

Islamic facility given by Amna where HDFC and the customer enter into a contract for the sale of goods required to renovate the house/flat/apartment. The contract involves the purchase of goods identified by the client and then sell them to the customer at an agreed mark-up.

Our Journey





Director's Report

"Empowering to become proud homeowners"

Dear Shareholders,

The Board of Directors is pleased to welcome you all to the 18th Annual General Meeting (AGM) of HDFC- Maldives and present before you the annual report along with the audited financial statements for the year ended 31 December 2021.

Housing Development Finance Corporation Plc. Maldives was founded with the desire to empower every Maldivian to be able to transform their dream of owning a home into reality. We believe that owning a home is a huge step towards one's liberty. Being a strong proponent of this ideology, we marched towards transforming this vision to realisation over the last nineteen years, despite the difficulties brought on by the pandemic.

In this journey of transforming lives, we have focussed on four pillars our Shareholders, Our Customers, Our Employees, and Digitalising.

The world around us changed significantly since 2020 due to the COVID-19 pandemic and heightened business instability that resulted in a record drop-in interest rates by big players. Despite many challenges presented by the pandemic, HDFC team performed well to support our valued customers and deliver a solid financial performance in unprecedented times.

Despite the challenges posed by the drop-in interest rate, we managed to achieve a good profit of MVR 101.66 million, which demonstrates the loyalty of our customers, earned through providing quality service.

Global Outlook

Numerous downside risks obscure the global outlook, including simultaneous Omicron-driven economic disruptions, further supply blockages, increase in inflation expectations, financial stress, climate-related tragedies, and a weakening of long-term growth drivers.

Global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022 half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. China's economy is coming under strain because of an escalating Covid outbreak, with economists warning of a deeper slowdown if lockdowns in Shanghai and elsewhere continue to expand. Global growth is expected to slow to 3.8% in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022.





In summary WEO predicts risks to the global baseline are tilted to the downside. The emergence of Omicron variants could prolong the pandemic and induce renewed economic disruptions. Moreover, supply chain disruptions, energy price volatility, and localized wage pressures mean uncertainty around inflation and policy paths is high. As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions especially with debt levels having increased significantly in the past two years may emerge. Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated.

MALDIVIES ECONOMIC OUTLOOK 2022

Gross Domestic Product (GDP)

The growth forecasts for 2022 do not deviate significantly among the three, with the Government forecast at 12% (MMA), while IMF and World Bank forecast is at 13.4% and 11% respectively.

Tourism

In February 2022, both tourist arrivals and bed nights increased significantly (by 54% and 45%, respectively) when compared with February 2021, however, tourist arrivals remain below pre-pandemic levels of February 2019. Total tourist arrivals stood at 149,008 in February 2022, which is a decline of 12% when compared with February 2019, although bed nights registered an increase of 8% during the period.

- The annual rise in tourist arrivals primarily reflected the surge in arrivals from the main source markets. During the month, the largest number of tourist arrivals were recorded from Russia, followed by the United Kingdom, India, Germany, and Italy.
- Overall, for the period of January to February 2022, total tourist arrivals increased by 49% in annual terms (-42% in 2021) while total bed nights of the industry observed an increase of 39% (-26% in 2021). Meanwhile, tourist arrivals recorded a decline of 12% compared to pre-pandemic levels of 2019, although bed nights registered an increase of 10% (MMA Economic Update, March 2022)



Inflation

Asian Development Bank forecasted 2.5% in 2021 and 2.0% in 2022. From the major categories of the CPI, the largest positive contributors to the annual rate of inflation during October 2021 were passenger transport by air; fruits; petrol for personal transport equipment. On the other hand, the most significant negative contributor was mobile communication services during this period.

Unemployment

In the long-term, the Maldives Unemployment Rate is projected to trend around 6% in 2022. Heavy reliance on foreign investments and labour in developing and running tourist establishments has limited the number of jobs and opportunities available to the country's young and expanding workforce. Massive job and income losses due to the closure of resorts and hotels during the COVID-19 pandemic will also likely make it harder for the local youth to get jobs for at least a few years.

Construction

According to 4th Quarter Economic Bulletin (2021) Construction sector continued to recover, although at a significantly slower pace, as the output of the sector continued to be strictly affected by labour shortages, supply chain disruptions and high input prices. According to high frequency indicators, construction activity is estimated to have grown moderately in Q4-2021 supported by public infrastructure projects and private residential and property development projects. Import of construction-related items increased significantly by 62% year-on-year, while commercial bank credit to the construction sector declined by 1% at the end of Q4-2021. This was mainly due to the decline in credit extended to renovation of resorts, together with other real estate projects, and construction of commercial buildings. However, significant increases were seen for credit given to construction of housing projects and property development projects during the quarter.



Fisheries

A 34% annual decrease in the gross value added of the fisheries sector in Q3-2021, activity in the fisheries sector is estimated to have further weakened during Q4-2021 as indicated by available high frequency indicators. In the fourth quarter of 2021, fish purchases made by processing companies increased only marginally compared to Q4-2020 while the volume of fish exports declined by 24%. According to MMA's 4th Quarterly Economic Bulletin Q4-2021, fish purchases totalled 23,874.4 metric tonnes, reflecting a marginal increase in annual terms. The marginal increase in fish purchases in the review quarter has been driven by the 18% increase in purchase of skipjack tuna which offset the 39% decline in yellowfin tuna purchases. The fall in the quantity of fish exports mainly reflected the decrease in the export of frozen skipjack tuna (-31%) and frozen yellowfin tuna (-46%), despite increases in fresh or chilled yellowfin tuna (41%) and canned or pouched tuna (41%).

Wholesale and retail trade

The wholesale and retail trade sector grew strongly in the past two quarters, but the gross value added of the sector in Q3-2021 was still 29% lower than its level in Q3-2019. Supported by the strong growth of the tourism sector and the overall increase in domestic demand, wholesale and retail trade activity is estimated to have expanded further in Q4-2021, as suggested by private sector imports and bank credit to the sector, as well as business survey results.

In Q4-2021, private sector imports (excluding imports by the tourism

sector) increased by 73% in annual terms, while the commercial bank credit to the sector increased by 5% during the quarter. According to the MMA's Quarterly Business Survey for Q4-2021, business activity in the wholesale and retail trade sector further improved as indicated by the sales index and the volume of orders index, which increased 8 points and 17 points, respectively. Both these indices remained strong in Q4-2021, at 82.



COVID-19 PANDEMIC

The coronavirus (COVID-19) pandemic has been an unprecedented and rapidly evolving catastrophe. Life has drastically changed as lockdowns, and social distancing have become the new norm. While the spread of COVID-19 has affected countries and economies across the globe including Maldives, swift action by the Government has contained the crisis. In the second half of the year, restrictions were again imposed during July however, the threat, while reduced, has not been eradicated. The Government, in an effort to contain the spread of the virus without resorting to a lockdown, has restricted public gatherings, and made masks mandatory. Public awareness campaigns have also been rolled out to encourage healthy practices like hand washing and social distancing.

Industry Snapshot

The ongoing COVID-19 pandemic has affected almost every aspect of social life. In addition to the horrific loss of life, the economic effects of the crisis were steep and will undoubtedly be long-lasting. Even though Maldives housing sector was emerging out of a highly dull phase after several waves of the Coronavirus pandemic, the new variant of the virus, Omicron, is fast becoming a cause of concern for the government in general and the real estate sector in particular. Almost two third of residents in the Greater Male' are renters, and majority of them are low-income households, and immigrant households.

The year that ended saw a rise in social housing domestically, with 7000 housing units in Hulhumale' Phase II were being given to the designated customers. Hence, saw a dip in the real-estate market. Property prices have begun to appreciate, due to several factors including supply chain disruption and inflation to name a few. Financial obligations of homeowners to total household income are at an all-time high, especially in low income and middle-income earning categories.

The economic stress due to Covid pandemic has seen an increase in the number of defaulters mainly due to drop in the rental price and in addition several of the mortgages are now registered at the courts for foreclosure, which will be in effect after May 2022. The fall of rental market could lead to a vicious spiral of defaults, which may have a negative impact on the property prices.

Government's Vision for Housing

The government plan envisages a home to every household based on population density, suitability of available lands and a sustainable environment. A key modality proposed by authorities to drive this programme is to develop a good housing stock with necessary infrastructure.

The presidential address to inaugurate the first session of the parliament highlighted a total of 2,180 houses are being built through programs to provide housing within the atolls. The ongoing "Gedhoruveriya" loan scheme once disbursed will provide more than 300 housing units in the atolls. In addition, work of the 5000 housing units which was announced last year is in progress in Hulhumale'. Likewise, an additional 2000 housing units is expected to commence soon.

Furthermore, president added in his speech that land will be allocated to permanent residents of Malé, where 1,000 plots of land from Hulhumale and at least 2,000 plots of land from Gulhifalhu will be allocated. Work on this will begin in June this year. Moreover, the plan to reclaim Giraavaru lagoon is to provide 2000 plots of land to Male' residents where Giraavaru lagoon will be connected to the Thilamalé bridge.

Our Performance

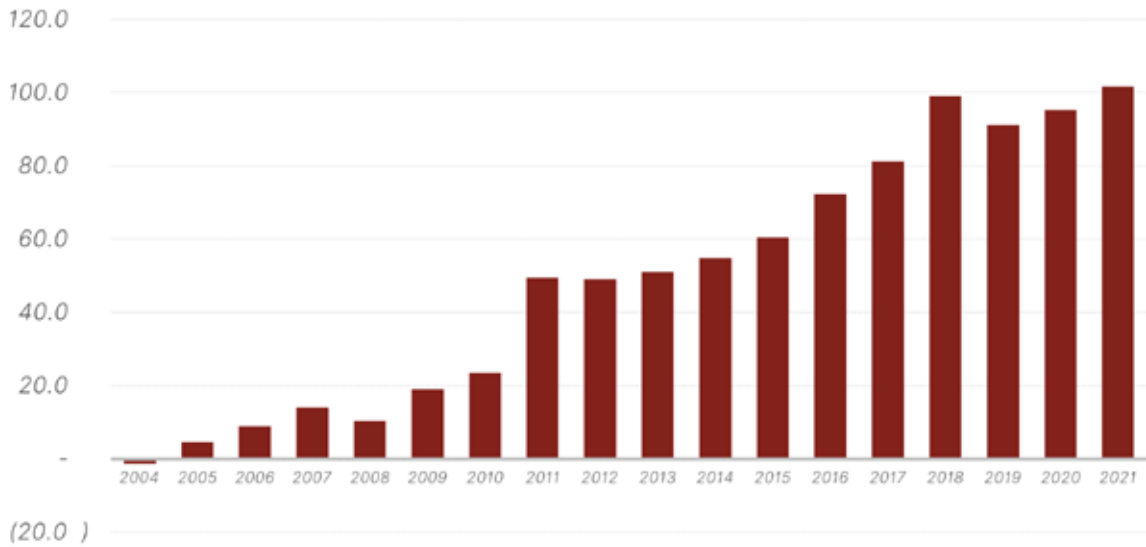
Though 2021 was a turbulent and a challenging year for HDFC, we overcame them and reported a profit. The pandemic inevitably affected our 2021 financial performance. The shutdown of much of the global economy in the first half of the year caused a large rise in delayed construction of housing projects. We responded by reducing our operating costs and moving our focus on recovery of the loans and facilities. The revenue environment remained muted. The company reported a 0.51% decline in Gross Revenue from operations at MVR 227.79 million for the financial year 2021 as against MVR 228.96 million from previous year due to the depletion of the loan portfolio. However, Profit after Tax (PAT) for the year 2021 has increased by 6.65% which is MVR 101.66 million against MVR 95.32 million over the last year mainly due to the recognition of the modification loss on loans and advances MVR 15.24 million in the year 2020 due to Covid-19 moratorium which was partly reverse during the year 2021. As a consequence, we delivered MVR 120.87 million of operating profit before tax, an increase of 4.14% on 31 December 2021.

Financial Performance Highlights (in MVR)

Particulars (Millions)	2021	2020	2019	2018	2017
Total assets	2363.77	2084.83	2185.66	1751.44	1588.93
Shareholders' Equity	720.19	658.37	563.04	515.78	513.89
Facilities to customers (net)	1716.39	1834.85	1738.37	1617.38	1410.52
Customer EMI deposits	78.52	80.31	88.68	82.42	68.44
Borrowings	605.32	624.55	692.38	637.87	672.86
Earnings (Millions)					
Total income	227.79	228.96	217.65	191.25	173.24
Net interest income	100.91	104.03	101.94	95.11	89.82
Net Income on Shari'ah Product	37.44	37.66	33.96	25.08	22.58
Total operating income	143.49	145.45	141.41	126.31	119.51
Total operating expenses (excluding provisions)	17.69	16.82	17.93	18.27	15.64
Profit before tax	120.87	116.07	107.62	116.30	93.29
Profit after tax	101.67	95.33	91.09	99.00	81.19
Performance Indicators					
Net asset value per share	451.88	413.22	353.28	323.62	286.51
Earning per share (EPS)	63.79	59.81	57.16	62.00	50.90
Dividend per share	25.00	12.50	27.50	25.00	22.00
Debt/Equity (times)	2.28	2.17	2.88	2.40	2.47
Interest cover (times)	2.35	2.81	2.70	3.14	2.96
Dividend payout (%)	39.00	21.00	48.00	40.00	43.00
ROE (%)	15.00	15.00	16.00	19.00	18.00

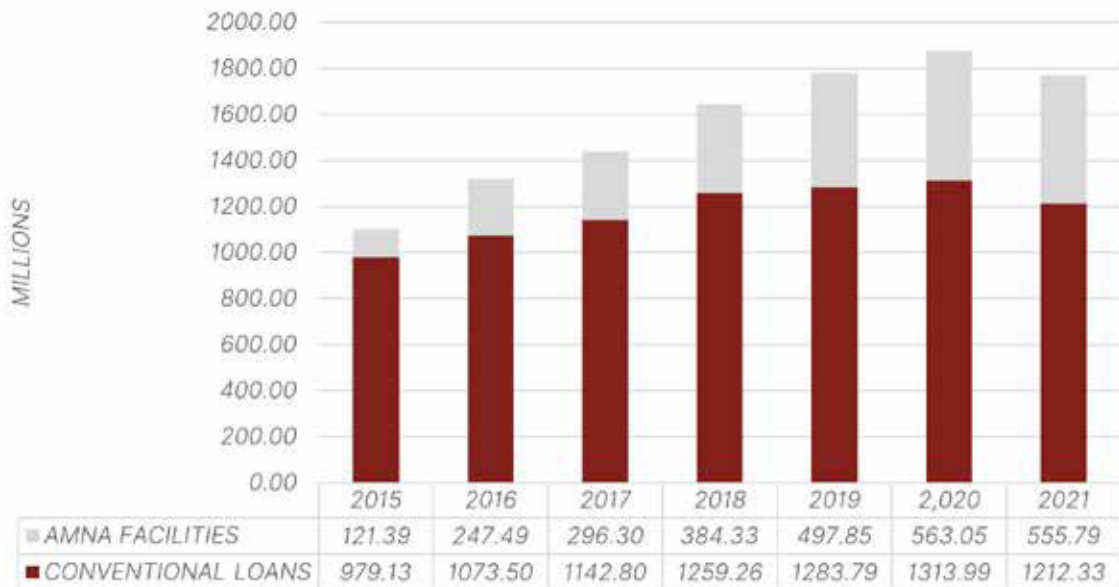
Profit Growth

Annual Profit Growth (2004-2021)



Portfolio Growth

The Company offers customers home loans and facilities for the purchase or construction of residential properties and for renovation and extension of existing housing units. Loan Portfolio has reached MVR 1.77 billion, the company look forward to approving and disburse additional loans and facilities during the year 2022.



As of 31st December 2021, housing facilities contributed from Islamic window (Amna) about 31% MVR 555 million of the housing portfolio.

Income

During the year under review, the Company's revenue from operations was MVR 227.79 million as compared to MVR 228.96 in 2020, recording a decrease of 1%. Out of the total revenue, interest income on loans and facilities advanced for 2021 was MVR 144.42 million. Income from Amna products contributed MVR 66.39 million. Short term investments on Treasury Bills and General Investment account were MVR 7.90 million and MVR 2.29 million respectively.

Fee income of the Company recorded a growth of 21.41% from MVR 2.55 million in 2020 to MVR 3.09 million in 2021. This growth was mainly due to the increase in fee income from the managed portfolio of the government social housing schemes, from MVR 2.08 million in 2020 to MVR 2.82 million in 2021.

Expenses

The company's total expense during the year was MVR 129.31 million as compared to MVR 136.31 million in 2020, which is a decrease of 5.14%. Out of the total expense for the year, loan interest and Amna facilities cost was MVR 84.30 million (65.19%), and operating expenditure (excluding modification loss and impairment losses) was MVR 17.69 million compared to MVR 16.82 million in 2020, this is 5.18% increase when compared to 2020.



Impairment Charges

The Company remains committed to continuously assess the credit quality of its portfolio to ensure that adequate provisions are recognised in the financial statements. In the year under review, the credit quality of the Loans was evaluated, and appropriate provisions were made, including those customers who were in the debt moratorium. Further, provisions were made based on IFRS9 using Expected Credit Loss (ECL) model by increasing the probability weightage on the worst-case macro-economic scenario to capture the most appropriate expected credit losses. Due to all these prudential measures taken by HDFC, gross carrying amount of loans and advances against Stage 2 and Stage 3 loans for the year 2021 decreased and increased by 69.60% and 27.62% respectively compared to 2020.

Impact on ECL Provision

The disruption throughout the globe due to the COVID-19 pandemic has hit the Maldivian economy considerably. The financial sector has suffered a massive blow due to the impact of the pandemic on the credit worthiness and repayment capacity of the overall general public. HDFC has responded through various measures including allowing moratorium period, providing solution framework for stressed accounts due to COVID-19 and numerous other measures.

Impairment provisions are recognised for financial reporting purposes based on ECL calculated based on historical default rates and forward-looking information. The report stated that the ECL allowance of MVR 8.12 million was made for the year 2021.

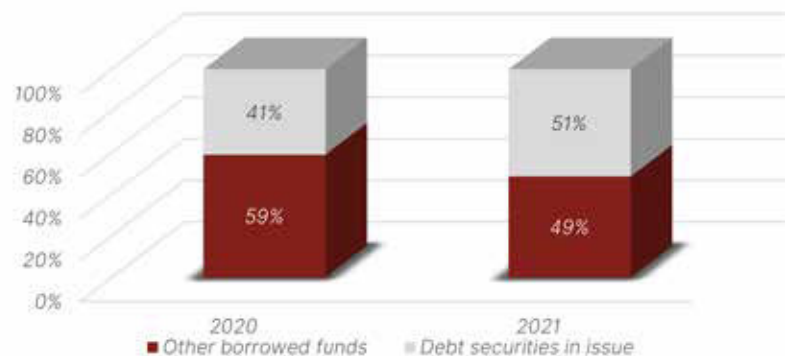
Tax Contribution

As per the Income Tax Act, HDFC is taxed at 15% for profit exceeding MVR 500,000. The Company contributed MVR 19.21 million in Income tax to the Government during the year 2021. Total tax contribution was 8.43% of its total income generated during the year.



Debt Instruments and Borrowings

The company raises funds by issuing debt instruments to the market and term loans from commercial banks to finance its business and strengthen its capital structure at agreed rates, tenure and other terms and conditions. Debt instruments and other borrowing of the company account for 72 % of its total liabilities for the year 2021, and this was 74% for the year 2020.



Debt Securities in Issue

Debt securities of the company have increased by 32.85% from MVR 432.62 million in 2019 to MVR 574.75 million in 2021. This includes listed and Corporate Bonds and listed Sukuks.

The Company has raised MVR 168,403,000 (168,403 Sukuk at a price of MVR 1,000 per sukuk) from Mudarabah Sukuk No.4 issued during the year 2021. The funds received from Mudarabah Sukuks are utilized to fund shari’ah compliant mortgage housing finance operations under principles and rules of Shari’ah. The profit is shared between Sukuk holder (Rabb al Mal) and the Company (Mudarib) at a rate of 65% and 35% respectively.

Other borrowed Funds

During the year company's other borrowed funds had decreased by 3% from MVR 624 million in 2020 to MVR 605 million in 2021.

Managed Loans and Facilities

In collaboration with the government, the Company manages and administers social housing schemes under which the Company, as a custodian receives funds from the Ministry of Housing and Infrastructure (MHI). As of December 2021, HDFC manages the following six social housing schemes:

- Ministry of Housing and Infrastructure - GED Islamic fund
- Ministry of Housing and Infrastructure - MHI Islamic fund
- Ministry of Housing and Infrastructure - MHUD Conventional fund
- Ministry of Housing and Infrastructure - 704 - Conventional fund
- Ministry of Housing and Infrastructure - CMEC - Conventional fund
- Ministry of National Planning, Housing and Infrastructure – Gedhoruveriya loan Conventional fund

Short term Investments

A portion of HDFC's cash holding is invested in Government Treasury Bills, and in GIA account in Maldives Islamic Bank and as of 31 December 2021 the value of such investments was MVR 522.14 million. Investment activity generates revenues from interest received upon the maturity of such investments.

Shareholder's Fund

Shareholders' equity of the Company had an increase from MVR 658.37 million to MVR 720.19 million before finalising dividend declared for the year 2021. Two dividend payments were declared during the year 2021, MVR 19.92 million for year 2020 and MVR 19.92 million for year 2021.

Declaration of Dividend

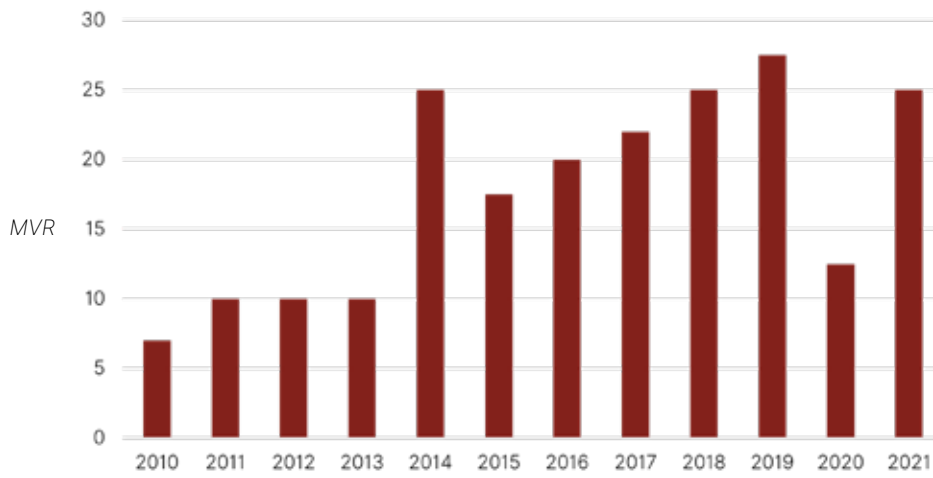
Paying a dividend is an important responsibility of any company. We know it is important to the shareholders and stakeholders too. Last year as we faced the uncertainty of the continuing pandemic, we made the difficult decision that in the interests of the long-term sustainability of the company, we have declared a dividend of MVR 12.50 with a reduced pay-out ratio of 21% for the year 2020. BOD recognised that it was the right thing to do for the betterment of the company, we thank all the shareholders for their understanding.

The Company has consistently worked towards shareholders wealth maximization. With regard to this, the Company has declared an interim dividend amounting to MVR 12.50 per share for the year 2021 on 8 December 2021 and a final dividend for 2021 of MVR 12.50 on 16 March 2022 totalling MVR 25 per share with a total pay-out ratio of 39%.

Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Dividend Per Share (MVR)	25.0*	12.5	27.5	25	22	20	17.5	25	10	10	10	07

* To be finalised in the AGM

Dividend Payout (2010 - 2021)



Note: 2014 payout ratio was 73% due to the special dividend in relation to 10 years of improving lives

AMNA - Use of Finance

During the year company recorded 1% down on Amna portfolio from MVR 563 million in 2020 to MVR 555 million in 2021 due to the Covid-19 Pandemic.

Performance of Amna portfolio (3 products) from past 5 years (2017-2021).



AMNA - Source of finance

The main source of finance for AMNA is raised through Sukuk, and Wakalah facilities utilized to match the gaps. HDFC opened its fourth listed Sukuk in 2021 and was highly successful and raised MVR 168 million which is 84% of the subscription. The 4th Sukuk issue was opened to raise MVR 200,000 million for 10 years with a profit share in the ratio of 65:35. For this issue a total of 54 sukuk holders subscribed where 2 were corporate and 52 were individuals.

This reflects the confidence of investors in the country's Islamic security market. Insha Allah, Sukuk issuance will continue to put us on a development foundation that is more sustainable, stable, and resilient and competitive in line with our strategic plan. The increasing level of participation by a more diverse and larger number of investors is a confirmation that the HDFC's objectives of issuing listed Sukuk to grow the domestic investor base and promote financial inclusion is being achieved. In addition, we believe this will pave the way to a steady development of capital market and Amna growth, thus empowering us to narrow the mismatch in borrowing and lending.

Supporting Responsible Business Growth

The board fully supports the Management Team's drive to improve resilience to the ongoing pandemic, while helping to ensure excellent governance and the highest ethical standards are maintained. This drive has helped the Company to be an efficient organization as a result, despite the global and domestic macroeconomic challenges we continued to show profit. We believe in taking actions that best support long term interests of the stakeholders. Good governance, commendable creditworthiness, innovative products and services, digital innovation and, above all, a pool of skilled and motivated people helped us grow sustainably. By responding rightly to the pandemic crisis, we have assisted our customers build financial resilience, which in turn had strengthened our ties with them.

Operating Environment and Impact on HDFC

In 2021, the country experienced rising interest rates and a difficult market condition due to the on-going Covid-19 pandemic. In the financial sector this translated into greater cost competition among financial institutions with customers shopping around for the best deals.

HDFC faced some specific challenges as a specialised institution. First, this environment made it difficult to lower our rate of interest due to rising cost of funds. Secondly, it was not possible to increase our margins as big players in the market dropped their interest rate to 9%, where several of our facilities were refinanced, depleting our housing portfolio. HDFC was also handicapped by limitations as we have only one product unlike our competitors.

Housing Finance Industry - and it's Growth

Housing is an important sector for any thriving economy as it has interlinkages with other industries. The development of housing sector can have direct impact on employment generation, GDP growth and consumption pattern in the economy. To accelerate development in housing in the country, there is a need to have a well-developed housing finance market. The demand for housing is increasingly being made by individuals and households given the increasing level of income and prosperity. The supply of houses has to come from builders, developers and construction companies scattered widely across the nation, both in the private and public sector. When examined in the context of demand and supply of housing units, especially in the face of scarce land in the Greater Male' Region. In the Maldives, housing finance market is very complex. There are number of players in the housing finance market which includes government, commercial banks, and international players as well. In addition, there is a housing finance company self-help groups, and private developers. The need of long-term finance for the housing sector in the Maldives is catered by scheduled commercial banks.

Stress Points In HDFC

- Non-availability of long-term funds to borrow from the market.
- Approximately MVR 63.19 million of loan book under moratorium.
- Growth of non-housing loans from other financial institutions has had a dampening effect on the asset quality of HDFC.
- Volatility in the interest rates that could enhance the interest rate risk and disrupt the sustainability of margin of HDFC.
- Economic cycle and resultant impact on rental income will remain a potential challenge to HDFC in adjusting to delay and defaults on repayment commitments.
- Prolong delay in the courts due to the pandemic.
- Delay in completion of end-user projects results in delay in disbursements.

Dealing with NPLs

The Company faced challenges in recovering repayments in 2021, due to shaky economic condition on facilities where rent was considered. The main reason was weak economic condition nation-wide, as several lost their jobs. Improving HDFC's asset quality remained a priority for the year. In this regard, we made some tangible progress that will, if continued unabated, strengthen asset quality of the Company in the short to medium term. In fact, we were able to achieve a reduction in NPL ratios during the last quarter of 2021. In addition, we focused relentlessly on recoveries and credit criteria for all new loans. Last year showed an increase from 3.28% in January 2021 to 4.72% On 31 December 2021. Moreover, limiting further escalation of NPLs we also rescheduled few loans/facilities after reviewing the customer's financial condition in addition or any other issues such as health. The entire credit risk management process has been reviewed and streamlined, to ensure better asset quality going forward.

The high NPL is due to excessive non-payment by customers who availed moratorium reliefs despite easing the customer repayment. During the year only 3 loans were rescheduled amounting to MVR 1.64 million.

Asset Quality

Asset quality has always been paramount to us, and we have always delivered an uncompromising performance on this count. Over the years, we have enjoyed being one of the lowest NPAs in the industry, comparable to any of our peers (commercial banks). Going forward, asset quality is likely to remain the key area of focus for us is to determine how borrowers move in terms of their timely repayment capacity along with the carried forward 6 months moratorium payment.

The new equilibrium that emerges from the announcement from Health Protection Agency (HPA) to end the health emergency is a huge concern on the same, could also be a key driver of asset quality, as the same will determine the pace and vibrancy of economic activity in the near future. At the time of scripting this report, on March 13, 2022, HPA has lifted the health emergency. However, to continue on the foreclosure cases in the Court we have to give 60 days' notice. We hope this relief will reduce NPL and strengthen our asset quality.



Internal Credit Rating

Currently HDFC maintains an internal credit rating system for loans neither past due nor impaired. Internal rating is calculated by taking total receipts for the Year (A) and total late penalty for the Year (B) and arriving at a percentage by dividing B by A. Percentage are graded as follows:

Internal Ratings	Basis for Grading (B/A)	31/12/2021		31/12/2020	
		Loan to Customers (MVR)	Percentage of Total Loans	Loan to Customers (MVR)	Percentage of Total Loans
A+	0.2%	1,553,579,311	90.73%	1,741,347,270	96.39%
A	0.2% to 0.5%	30,975,864	1.81%	31,071,092	0.99%
A-	0.5% to 1.0%	43,468,192	2.54%	20,101,998	0.61%
B+	1.0% to 1.5%	1,188,016	0.07%	7,610,580	0.47%
B	1.5% to 2%	1,255,997	0.07%	4,718,137	0.65%
C	above 2%	81,820,318	4.78%	83,469,824	0.89%
		1,712,287,698	100%	1,888,318,902	100%

Asset Liability Committee (ALCO)

The finance department plays an important role in maintaining the statutory liquidity with the Company and ensures that the HDFC always has enough cash available to meet the needs of its primary business operations. Among other activities, the main activity of account and finance department is to forecast the regular commitments, disbursement requirement for the Company to meet customers' demand. The finance department fulfils the Company's liquidity management requirements through effective cash management and investment management.

The ALCO is headed by the CFO of the Company. The ALCO of the Company ensures the formation of an optimal financial structure to provide the right liquidity balance and limiting the possible risk level. The ALCO also ensures the control over the capital adequacy, risk diversification and determination of the organisations liquidity management policy. ALCO is held once a week.

A Digital Future

Making Technology do more

We live in an era of continuous and rapid disruption, and the best way to take advantage of this scenario is to continuously strengthen our technology edge. Multiple initiatives were taken in the past, we launched an aggressive automation strategy, in 2021 with the primary purpose of improving operational efficiencies and providing enhanced customer service. Although our entry into the digital sphere is relatively young, our plans for mobile and information commination technology-based innovations carry a greater potential in integrating advanced modernisations and enhanced features. A culture of IT and digital innovations will continue to be instilled amongst our employees, as we continue to move from manual processes to online systems. Heading towards a digital future, during the year 2022, the Company's IT team took measures to improve and strengthen the company's existing online applications and crafting new applications– focus on innovation and remained persistent across the year.

Technology plays a critical role in the performance of core functions of the Company. The rapid progress in information technology is transforming the way by adapting state-of-art technology platform. For HDFC introducing technology solutions was an ongoing process to bring HDFC on par with other financial services providers in terms of modern systems. Therefore, we have opted to invest heavily in acquiring a new software "Dynamic 365" and hardware for system improvements. The technology transition will also make HDFC more environmentally friendly, due to lower paper consumption, less physical delivery and travelling.

By the end of August 2022, we also hope to launch a mobile application, where customers can access to services in real-time.

Information Security

Information security is a key risk for the financial industry amid growing cyber security threats and events across the nation and globe. Information security mitigates risks to HDFC's technology assets by developing IT security baselines for IT solutions that support products and services. Additionally, significant developments with respect to the cyber security action plan took place during the year 2021, including further strengthening our resilience and defence capabilities through monitoring of threats and vulnerabilities via 24/7 enhanced Information Security Monitoring System.

HDFC in the Community (CSR)

Corporate Social Responsibility is an instrument of positive change and continues to be one of the most important aspects of our business. We are firm in our commitment to operate within an ethical framework, while contributing to socio-economic development. As we continue to build responsible business practices across the Company, we ensure that we capture every opportunity deepening the impact of our Corporate Social Responsibility footprint.

Education and human development took precedence amongst HDFC's Corporate Social Responsibility programme in 2021, and the Company invested substantial time in educating financial discipline amongst our customers. HDFC also financed five non-profit organisations. HDFC and its Board are proud of its efforts to foster a better tomorrow for the nation and these efforts would be carried forward with vigour in the coming years. At HDFC, we believe that our success and the success of our customers go hand-in-hand. We aim to conduct business by creating shared values for all our stakeholders.



Risk Management

To manage our risks, specific steps have been taken by HDFC and details are given in the risk Management chapter.

Anti-Corruption

HDFC has an uncompromising assurance to prevent and eliminate possibilities of corrupt behaviour. A Code of Conduct, including provisions relating to anti-corruption, are instilled amongst all staff, and reiterated through continuous review updates. The application of these principles is monitored throughout all business operations.

A Whistle Blowing Policy (the "Policy") is in continuance of the Company's desire to strengthen the system of integrity and the fight against corruption and related offences. The Policy sets forth the conditions and procedures for investigations of allegations of corruption, fraud, and any other misconduct.

People Skills

The Management has placed great faith in its human resource and recognises its role in the company's development and is constantly engaged to ensure employees are provided with continuous training and education, enabling them to service customers beyond their expectations. This is important to gain a competitive edge over competition. We would continue to monitor and deliver upon training and development needs of our staff, particularly with regards to technology, as a priority area.

Well educated and skilled manpower is the best capital of an organization particularly in a financial institution. We put utmost importance on recruitment and development of human resources. In recruiting process, we put emphasis on attracting talented staff. A total of 36 employees works for the Company.

Corporate Governance

HDFC's Corporate Governance (CG) since privatization has been designed keeping in line with the International best practises and regulatory requirements and meeting the expectations of the Shareholders. In drawing the Corporate Governance Structure HDFC ensures balance in authority, delegation of powers, accountability, transparency, fairness, and integrity. One of the major changes introduced is the appointment of Independent Directors to the Board based on the requirements imposed under MMA CG Regulation. Furthermore, we have complied to all the requirements.

In addition to MMA CG Code we continue to comply with the standards of corporate governance (CG) required under the Companies Act and CMDA governance code. A separate Corporate Governance Chapter is included in the Annual Report.

Annual General Meeting, Extra-Ordinary General Meeting and Board Meetings

The year ended with five board meetings one extra ordinary general meeting and one annual general meeting. All these meetings were in line with the guidelines issued by the Health Protection Agency (HPA) to prevent the spread of Covid-19. The meetings were hosted virtually via Zoom video communication.

Appointment of Auditors

PWC has been the external auditors for the last 4 years and is not eligible for re-appointment as per MMA guidelines. Similarly, KPMG was the internal auditors for the past 4 years and is no eligible for re-appointment. Hence, 2021, at the AGM, KPMG was appointed as the external auditor and Ernst and Young (EY) have been appointed as the internal auditor and Shariah Compliance Auditor.

Appointment and remuneration of Auditors for 2022 will be placed before the shareholders in the forthcoming AGM for approval.

Director's Resignation & Appointments

At the time of inscription of this report, Mr. Nihal Welikala (IFC nominee director) resigned with effect from 01 December 2021, as his term ended, Ms. Amena Arif was appointed as nominee director from IFC effect 01 December 2021. In addition, Ms. Aminath Sheena Musthafa (Government nominee director) resigned with effect from 01 July 2021. In place of Ms. Sheena, Mr. Hamid Sodiq was appointed as the nominee director for the Government of Maldives with effect from 01 July 2021.

Furthermore, the MMA new Code of Governance mandate us to nominate two independent directors. The administrative process has been completed and two new independent directors who were appointed are Mr. Mohamed Ahmed and Ms. Aishath Shizna with effect from 18 July 2021.

Anti- Money Laundering & Combating The Finance Of Terrorism

Money laundering is not a new activity, it has become a world-wide concern. Money laundering harms society and enables criminal activity and undermines the reputation of the financial services sector.

Money laundering is a process by which one conceal the illegal source of income and make it lawful through a multifaceted sequence of banking transfers or commercial transactions. HDFC complies the Law No.10/2014 Prevention of money laundering and financing of terrorism act. Under this Act, the Company has appointed Mr. Mohamed Nawaz Hassan, Manager-credit as the AML Officer who directly reports to Maldives Monetary Authority. In order to ensure effective implementation of AML framework of the Company has been adapted as a risk-based approach, primarily based of Know Your Customer (KYC) and monitoring, reporting, of suspicious transactions. This includes large as well as structured cash transactions above a certain threshold as per applicable regulatory/internal guidelines. HDFC takes all necessary steps to adhere with the directives issued by the Financial Intelligence Unit (FIU) at MMA .

Monitoring and Reporting of Suspicious Transactions

As part of transaction monitoring, the Company screen flow of funds towards loans/facility equity payments other payments exceeding the threshold (MVR 200,000). This is to safeguard us from being used as a channel for financial crime. Transaction policing is conducted for both Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) purposes. If the Company becomes aware any suspicious transaction in nature, we report to FIU weekly for their perusal to take necessary action. Below is the annual statistics reported to FIU.

- Total number of cases reported 17 (14 cheques and 3 cash)
- Training was given to counter staff and credit staff and in house training is given to new staff.

Compliance

HDFC has established a permanent and effective compliance function. A dedicated Risk and Audit Manager (RAM) is appointed under the regulation for banks, insurance companies, and finance companies (2019)/R-1050 who independently monitors adherence to all applicable laws, regulations and statutory requirements and reports to the management confirming compliance with the Company's Compliance Calendar circulated by the RAM, this includes both internal external compliances. A report on compliance is submitted at each Board Meetings for the information of the Directors.

Right To Information Act (Law 1/2014)

Under the Right to Information Act of the Maldives (No.1/2014), the company present its independent annual review within 30 days after the year end to the Information Commissioner's Office. Mr. Mohamed Zimyan, Executive Officer Admin & HR is appointed as the Information Officer.



Strategic Focus (2022-2024)

The outbreak of the pandemic and the unprecedented challenges that resulted necessitated a reset and refinement of HDFC's priorities during the year, although our broader strategic aspirations remained unchanged, providing housing finance solutions. This showcases the responsiveness and agility of the Company's strategy as well as the team's ability to adapt to rapid changes in the operating landscape.

We are improving our operating model by acting as one team enhancing the customer experience and responsiveness to customer needs to provide housing solutions via unified, digitally supported processes, leading to a step-change in efficiency, control and maintain high quality asset portfolio to create sustainable value to our shareholders.

In accordance with our vision, HDFC is to be strategized in the directions of improving accessibility, affordability, expanding housing market, and managing the challenges of urban housing while underpinning broadly to the growth target of the Company.



Key Strategic Initiatives

The plan includes 12 strategic initiatives to transform the Company, in a programme stretching over the next three years (2022-2024).



Awards and Recognition

HDFC in 2021, received the 5th edition of Corporate Maldives "Gold 100 Gala" Award. This Award is granted to leading 100 business entities in the Maldives.



The Path Ahead

It is anticipated that the ongoing vaccine will help the global economy to recover as the pandemic is brought under control and trade and confidence improve.

HDFC's Gross NPL average for the past 2 years has been higher than our normal norm of 2%. This is owing to higher risks associated with the moratorium extended to the customers due to Covid19 pandemic. The Company is not in a position to lower the interest rates to counter with our competitors.

We have successfully initiated improvements to many key areas of internal controls and risk management, and we believe we are on the right track to bring the Company's NPLs to a manageable level.

In 2022 we will continue to plan and monitor the implementation of our three-year Strategic Plan and will work towards achieving the strategic objectives and yearly operational goals, with the final focus on increasing market share. The strategic plan provides a roadmap for business growth, to leverage existing strengths and take advantage of market opportunities.

The Government's mission of providing affordable housing to middle and low-income segment is also a focus as we continue to manage the government housing portfolio. In this regard, to implement the strategic plan, the Company will pursue low risk weighted assets, and exercise healthier and prudent controls on lending. We are optimistic these measures will increase asset quality and reduce our overall NPL ratio in the coming year.

We recognise investment in human capital and a caring culture as fundamental ingredients of success. Our employees are the engine that drive our organisation on its journey to becoming a sound financial institution.

Simultaneously, we will continue to upgrade our IT platforms to streamline operations. The Company will be also increasing our value-added services through new digital solutions in addition to service improvements. HDFC has allocated funds for these activities, which will also benefit in controlling operational costs. We also look forward to transitioning from paper-based to paperless operations, which are now underway through upgrades, such as document management through our Loan Origination System and virtual meeting systems

Poised for the Future

We are on the right track – ready for a focussed and progressive journey ahead. With our passion, professionalism, and perseverance, we look to the future with optimism. We are poised for a positive and exciting future with strong capital adequacy, comfortable liquidity position, a resilient operating model and increasing retail housing facilities. Our operational capabilities, evolved skill sets, and solid competencies help us connect across the value chain and emerge with focus on growth. We are well-prepared to embark on our journey of growth, as we are constantly expanding our horizons with technological capabilities and set new benchmarks of excellence.

Litigations

At the date of publication of this Report, to the best of the Company's knowledge and understanding, there are no on-going litigations by, or against HDFC, or any of its directors.

Declaration of Interest

All board directors are required to disclose any matters which may lead to or be perceived as a conflict of interest in compliance with the Company's Code of Conduct; and key management personnel must fully disclose any conflict of interest between their duties to HDFC in their individual profile.

Directors' Responsibility Statement

The board of directors hereby state that:

- I. In the preparation of annual accounts, the applicable accounting standards have been followed;
- II. Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of December 31, 2021, and of the profit of the Company for the year ended on that date;
- III. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies 10/96 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- IV. The annual accounts of the Company have been prepared on a going concern basis;
- V. Internal financial controls have been laid down to be followed by the Company and such internal financial controls were adequate and were operating effectively;
- VI. Systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

The Board of Directors further affirms that no major events have occurred subsequent to the balance sheet date which would require adjustments to, or disclosure in the financial statements.

A Note of Thanks

I wish to thank our Chairperson, Mr. Conrad D'Souza for his insights and prudent leadership and in guiding the staff to sharpen their competencies to achieve better results. I am also thankful to the Board of Directors, for their resolute foresight and guidance, and their feedback on the Company's strategic measures to remain stable throughout 2021. I take this opportunity to thank the Ministry of Finance, MMA and other regulatory authorities for their valuable support and prudent guidance as the Company moves forward. I am thankful to our shareholders for their understanding and continued trust in us. I am also grateful to the Corporate Management for their continued support in adapting to the new normal, ensuring business continuity through prudent planning amidst the uncertainties.

It is with immense gratitude that I record, the invaluable contribution made by Mr. Nihal Welikala (IFC nominee director) and Ms. Aminath Sheena Musthafa (GOM nominee director) who resigned last year. In addition, I would like to welcome Ms. Amena Arif as the new Nominee Director (IFC) for her contribution in the discussions of the Board. Likewise, I would like to thank the two independent directors, Mr. Mohamed Ahmed and Ms. Aishath Shizna who are on board and to their contribution.

In addition, I commend the work of all the employees for being the eyes and ears of the Company, and in providing customers much needed support during the economic downturn. To our customers and all stakeholders, my sincerest appreciation to all, for making HDFC your housing partner. We will continue to support you to the best of our capabilities, in the conviction that your progress is the ultimate success of HDFC.

I hope and pray that the years ahead will bring all a greater level of certainty, normalcy, and prosperity.



Hamid Sodique

Nominee Director (Government of Maldives)

On behalf of the Board of Directors

Board of Directors

Nominee Director

Mr. Conrad D'Souza (Chairman)

HDFC Investments Ltd. India

Mr. Nihal Senanayake Welikala ¹

International Finance Corporation

Ms. Aminath Sheena Musthafa ²

Government of Maldives

Ms. Kohe Noor Binte Mahmoodul Hasan

Asian Development Bank

Mr. Hamid Sodique ³

Government of Maldives

Ms. Amena Arif ⁴

International Finance Corporation

Alternate Director

Mr. Mohamed Zuhair

Government of Maldives

Mr. Asif Saeed Cheema

Asian Development Bank

Independant Director

Mr. Mohamed Ahmed ⁵

Ms. Aishath Shizna ⁶

Managing Director

Ms. Raheema Saleem

Company Secretary

Mr. Adam Athif

¹ Retired effective from 01st December 2021

² Retired effective from 01st July 2021

³ Appointed effective from 1st July 2021

⁴ Appointed effective from 30th November 2021

⁵ Appointed effective from 18th July 2021

⁶ Appointed effective from 18th July 2021

Audit Committee

Mr. Mohamed Ahmed ³	Chairman
Mr. Conrad D'Souza	Member
Mr. Nihal Senanayake Welikala ¹	Member
Ms. Kohe Noor Binte Mahmoodul Hasan	Member
Ms. Aminath Sheena Musthafa ²	Member
Mr. Hamid Sodique	Member

Nomination & Remuneration Committee

Mr. Hamid Sodique	Chairperson
Ms. Aminath Sheena Musthafa ²	Member
Mr. Conrad D'Souza	Member
Ms. Kohe Noor Binte Mahmoodul Hasan	Member
Ms. Aishath Shizna ⁴	Member

Credit Risk Management Committee

Mr. Nihal Senanayake Welikala ¹	Chairperson
Mr. Conrad D'Souza	Member
Mr. Hamid Sodique	Member
Ms. Kohe Noor Binte Mahmoodul Hasan	Member
Mr. Mohamed Ahmed ³	Member

Shariah Committee

Dr. Ibrahim Zakariyya Moosa	Chairman
Assoc. Professor Dr. Rusni Hassan	Member
Dr. Ali Zahir bin Saeed Qasim	Member
Mr. Hassan Miras	Secretary

¹ Retired effective from 01st December 2021

² Retired effective from 01st July 2021

³ Appointed effective from 18th July 2021

⁴ Appointed effective from 18th July 2021

Board of Directors

Profile

Mr. Conrad D'Souza

**Nominee Director, Non-Executive
HDFC Investments Limited (India)**

Mr. D'Souza was appointed as the Nominee Director on 15th March 2019.



Qualification and experience

Mr. Conrad has a Master's Degree in Commerce, a Master's Degree in Business Administration and is a Senior Executive Program (SEP) graduate of the London Business School. He joined HDFC in 1984 and is a Member of the Executive Management & Chief Investor Relations Officer. He is also a Member of the Asset Liability Committee (ALCO) and the Risk Management Committee. He was earlier the Treasurer of HDFC and his responsibilities included resource mobilisation both domestic and international and asset liability management. He has also worked earlier in Operations and Management Services at HDFC and was also Regional Manager - Maharashtra.

As Treasurer he was also responsible for HDFC's US \$ 500 million Foreign Currency Convertible Bond and also the country's first simultaneous issue of a Non-Convertible Bond with a Warrant in the domestic markets.

He has been a consultant to USAID / UNDP and IFC (Washington) and has undertaken assignments in Asia, Africa and Eastern Europe.

Other appointments

- Mr D'Souza has been a member of national committees to review the Introduction of Variable Rate Mortgages and for the creation of a Secondary Mortgage Market in India.
- Instrumental in setting up mortgage finance companies in Bangladesh, Egypt, Maldives and Tanzania and is currently on the Board of First Housing Finance (Tanzania) Limited.
- Mr D'Souza is a member of the boards of Nations Trust Bank Plc., Sri Lanka, HDFC Sales Limited India's largest mortgage distribution company, Camlin Fine Sciences Limited, Chalet Hotels Limited, Asianet Satellite Communication Limited, HDFC Education and Development Services Private Limited, HDFC Holdings Limited and HDFC Investments Limited.
- Mr D'Souza is the Chairman of the Governing Council of the Association of Finance Professionals of India

Board Committees:

- Audit Committee (Member)
- Nomination & Remuneration Committee (Member)
- Board Credit Committee (Member)

He does not hold any shares in any Company in the Maldives that has as a conflict of interest with HDFC Plc.

Mr. Hamid Sodique

Nominee Director, Non-Executive Government of Maldives

Mr. Sodique was appointed as the director by the Government of Maldives on 1st July 2021.

Qualification and experience

Mr. Sodique holds a Master's Degree in Business Administration from University Adelaide, Australia. He has also obtained his Bachelor's Degree in Business Administration from the University of Brunei Darussalam.

Mr. Sodique has over 15 years of experience in management consulting, socioeconomic research and strategy advisory services. He is the Chief Executive Officer (CEO) of FJS Consulting Pvt. Ltd. Maldives and is a visiting lecturer of Corporate Strategy at the Maldives National University. He has previously served as a Board Director at the Maldives Pension Administration Office and chaired its investment committee. He also served as the Secretary General of Maldives National Commission for UNSECO. He began his professional career in the Maldives Monetary Authority and since then has worked in senior positions of number of public and private sector organisation and has executed several research and consulting projects for prominent local and international clients including government ministries and multilateral organisations.



Other appointments

Chief Executive Officer, FJS Consulting Pvt. Ltd.

Board Committees:

Audit Committee (Member)

Nomination & Remuneration Committee (Chairman)

He has declared that he does not hold any shares in any Company in the Maldives that has or will be perceived as a conflict of interest with HDFC. Plc.

Board of Directors

Profile

Ms. Kohe Noor Binte Mahmoodul Hasan

**Nominee Director
Asian Development Bank (ADB)**



Ms. Kohe Hasan was appointed as the nominee director by Asian Development Bank on 9th August 2019.

Qualification and experience

Ms. Kohe has an LLB (Hons), from National University of Singapore. She is a partner with Reed Smith's Singapore office and is one of three directors of Resource Law LLC, Reed Smith's Singapore alliance partner law firm, which she was instrumental in setting up in June 2016. And she is the first female partner in Singapore and their first Singapore-qualified senior hire.

Kohe has been in practice for almost 15 years and is experienced in all forms of litigation and arbitration, particularly in power, international trade, commodities, and transportation disputes.

Other appointments

Outside of law, Kohe volunteers actively and is a Board Member of the International Union against Tuberculosis and Lung Disease Asia Pacific Ltd, a registered charity in Singapore. Kohe also sits on the Board of Marine Offshore Oil and Gas Association of Singapore. Kohe is also an independent, non-executive director of Hong Lai Huat Group, SGX, Cambodia.

Board Committees:

- Audit Committee (Member)
- Credit Risk Management Committee (Member)
- Nomination & Remuneration Committee (Member)

She does not hold any shares in any Company in the Maldives that has as a conflict of interest with HDFC Plc.

Ms. Amena Arif

Nominee Director International Finance Corporation (IFC)

Ms. Amena was appointed as the nominee director by the International Finance Corporation in 30th November 2021.

Qualification and experience

Ms. Amena has a Masters in Business Administration (MBA), from Lahore University of Management Sciences. She is IFC's Country Manager for IFC Kenya based in Nairobi and covering Burundi, Malawi, Rwanda, Somalia, Tanzania and Uganda.



Amena has had a varied career in banking before she joined IFC in 2012 in Pakistan. As a banker working in international banks such as Citibank N.A. and ABN AMRO she worked across industries and markets. This experience held her in good stead when she joined IFC as part of their Financial Institutions Group covering the MENA region. Her role there encompassed both investment and advisory services.

She has worked in challenging fragile and post-conflict markets and was recently IFC's Country Manager for Sri Lanka and Maldives. She moved to cover the Kenya cluster of countries based out of Nairobi in early 2021 as Country Manager.

Other appointments

IFC's Country Manager for IFC Kenya

Board Committees:

None

She does not hold any shares in any Company in the Maldives that has as a conflict of interest with HDFC Plc.

Board of Directors

Profile

Ms. Raheema Saleem

**Managing Director
HDFC Plc, Maldives**



Qualification and experience

Ms. Raheema holds Master's Degree in management and also a Master's Degree in Tourism, both from Monash University Melbourne, Australia. In addition, she obtained her Bachelor of Commerce, in Accounting and Marketing (Double Major) from Curtin University of Technology, Perth, Australia.

She was the founding managing director from 2004 until the Company was privatised in 2008, where she was appointed as the advisor to the Managing Director until 2010 when she left for her sabbatical and returned in 2014 and was appointed as the Operations Director and Company Secretary till 2017. In February 2017 she was appointed as the Managing Director of the Company. She was also on the Board of Directors of HDFC from 2004 till 2010. Prior to joining HDFC, she served in the Ministry of Finance and Treasury for more than 16 years in various senior positions. In addition, she also served as a Board Director of State Trading Organisation and during those 3 years, she was also the Chairman of the Maldives National Oil Company in Singapore. Further, she was also the Chairman of the Audit Committee of the STO Board.

Other appointments

None

Board Committees:

None

She has declared that she does not hold any shares in any Company in the Maldives that has or will be perceived as a conflict of interest with HDFC. Plc.

Mr. Mohamed Zuhair

Alternate Director, Non-Executive Government of Maldives

Mr. Mohamed Zuhair was appointed as a Non-Executive Alternate Director by the Government of Maldives on 11th April 2018.

Qualification and experience

Mr. Zuhair holds Master's Degree (MSc) in Agricultural Studies from University of Queensland, Australia. In addition, he also holds Bachelor of Science (in Agriculture) and Post Graduate Diploma of Ingenieur Agricola from American University of Beirut, Lebanon.

He has more than 30 years of experience at prominent positions in the Government of Maldives. He also served as a Deputy Minister at the Ministry of Fisheries, Agriculture and Marine Resources and Minister of State at the Ministry of Defence and National Security. In addition, he has served as Chairman of MIFCO, Chairman of Kadhdhoo Airport Company Ltd (KACL) and Managing Director at Fantasy Pvt Ltd.

Other appointments

None

Board Committees:

None



He has declared that he does not hold any shares in any Company in the Maldives that has or will be perceived as a conflict of interest with HDFC. Plc.

Board of Directors

Profile

Mr. Asif Saeed Cheema

**Alternate Director, Non-Executive
Asian Development Bank (ADB)**

Mr. Cheema was appointed as the Alternate Director by the Asian Development Bank on the 1st April 2015.

Qualification and experience

Mr. Cheema, holds a Master's Degree in Business Administration (MBA) from Yale University and course work in International Affairs from Columbia University and Bachelor of Science in Accounting and Finance from New York Institute of Technology, New York.

Mr. Cheema started his career at Deutsche Bank Securities, New York as an Equity Research Associate in 1996. Before joining ADB, Mr. Cheema has worked in various financial institutions including J.P. Morgan Securities, New York, HSBC Investment Bank, Dubai and London, Nomura International, Dubai as Executive Director, Corporate Finance and Investment Banking. He also has worked at Alpen Capital, Dubai, and UAE.



Other appointments

Financial Institutions Investment Specialist (ADB)

Board Committees:

None

He does not hold any shares in any Company in the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.

Mr. Mohamed Ahmed

Independent Director, Non-Executive

Mr. Mohamed was appointed as an Independent director on 18th July 2021.

Qualification and experience

Mr. Ahmed has a Master's Degree in Business Administration from Durham University Business School, UK, and a Bachelor of Business Administration degree from American University of Beirut. He has served on Boards of banks, public limited companies, finance leasing, insurance, and various other private sector and public sector companies. He also has as experience in serving in multilateral and regional financial institutions as Alternate Governor and as Board Director.

He has more than thirty years of managerial experience. Financial and managerial experience of Mr. Ahmed include nearly a decade of service at top management in the banking sector and another decade of service at similar ranking positions in Ministry of Finance and Treasury. His last post in the Government was the Financial Controller of the state.



Other appointments

None

Board Committees:

Audit Committee (Chairman)
Credit Committee (Member)

He has declared that he does not hold any shares in any Company in the Maldives that has or will be perceived as a conflict of interest with HDFC. Plc.

Board of Directors

Profile

Ms. Aishath Shizna

Independent Director, Non-Executive

Ms. Shizna was appointed as an Independent director on 18th July 2021.

Qualification and experience

Ms. Shizna holds Master's Degree in Business Administration from the University of West of England and Certificate of Malaysian Insurance Institute.

Ms. Shizna is also a chartered certified accountant and has over 15 years' experience in Finance and Insurance industry. She is a Fellow Member of the Institute of Chartered Accountants of the Maldives and a Member of the Association of Chartered Certified Accountants, UK. She is currently the Financial Controller of Allied Insurance Company of the Maldives. She joined Allied Insurance Company in 2010 and has held various positions in the company.



Other appointments

Financial Controller, Allied Insurance Company

Board Committees:

Nomination & Remuneration Committee (Member)

She has declared that she does not hold any shares in any Company in the Maldives that has or will be perceived as a conflict of interest with HDFC. Plc.

Management Team

Profile

Ms. Raheema Saleem

Managing Director

Appointed in 2017

- Joined HDFC in 2004
- Key positions held in HDFC includes, Founding Managing Director, Advisor, Director of Operations
- Worked at the Ministry of Finance and Treasury for over 15 years
- Over 15 years of experience in Housing Finance
- Master's in management from Monash University, Melbourne, Masters in Tourism from Monash University, Melbourne, Australia, B. Com Accounting and Marketing (Double Major) from Curtin University of Western Australia



Dr. Mohamed Shafeeq

Chief Financial Officer

Appointed in 2021

- Joined HDFC in 2009
- Key positions held in HDFC include, Head of Finance, Senior Manager Business Development and Operations, Manager Business Development and CRM and Accountant.
- Worked at Society of Health Education (SHE) for over 5 years.
- Over 10 years' experience in Audit, Tax, Business consultancy, Corporate training and Lecturing.
- Licensed Auditor in the Maldives.
- Board member and Chairman of Audit Committee at Maldives Hajj Corporation Limited.
- Fellow Member of the Institute of Chartered Accountants of the Maldives and a Fellow Member of the Association of Chartered Certified Accountants (UK).
- Doctor of Business Administration (DBA) from IIC University of Technology Cambodia, through EIPPEL Campus, Sri Lanka, Master of Business Administration (MBA) from University of Ballarat, Australia, through Unity College International, Malaysia, BA (Hons) Accounting and Finance by University of East London, UK obtained through HELP University College, Malaysia.



Management Team

Profile

Mr. Mohamed Fathy

Head of Informations Technology

Appointed in 2021

- Joined HDFC in 2004
- Key positions held in HDFC include, Head of Internal Audit, Manager- IT and Senior Manager IT
- M.Sc. in IT Management from Asia Pacific University of Malaysia and B.Com. from Bangalore University of India



Ms. Aishath Rasheedha

Head of Credit

Appointed in 2021

- Joined HDFC in 2004
- Worked in Maldives Monetary Authority for more than 15 years
- Key positions held in HDFC include Credit Officer, Manager Credit and Senior Manager Credit.
- Over 15 years of experience in mortgage finance
- Master of Business Administration from Cardiff Metropolitan University, UK through International College of Business Technology (ICBT) Sri Lanka



Mr. Adam Athif

Head of Administration and Company Secretary

Appointed in 2021

- Joined HDFC in 2004
- Worked in the government and private sector since 1990-2004
- Key positions held at HDFC include Senior Manager Administration and Human Resource Development, Manager Administration and Human Resource Development and Manager Administration.
- Diploma in Business Administration (ABE)



Mr. Hassan Miras, CIIF

Senior Manager, AMNA

Appointed in 2021

- Joined HDFC in 2021
- Worked in the Bank of Maldives
- Is a Licensed Investment Advisor at Capital Market Development Authority, Board member at Maldives Civil Aviation Authority, Investment Advisor Representative for Watercress Capital Pvt Ltd, Finance & Investment Advisor at Wisham, Zahir & Co, and also Lecturer & researcher in Finance and investment.
- MSc Islamic Banking & Finance from International Centre of Islamic Finance (Malaysia), MSc Applied Finance from International Islamic University (Malaysia), BA (Hons) Accounting and Finance from University of East London, UK through HELP University College (Malaysia), Senior Associate member of Chartered Institute of Islamic Finance (CIIF) Professionals



Middle Management Team

Profile

Mr. Faisal Haleem

Risk and Audit Manager

Appointed in 2021

- Joined HDFC in 2009
- Worked in the Ministry of Education
- Held key positions at HDFC including Assistant Manager-credit, Assistant Manager Credit Audit, Manager - Compliance and Quality Assurance
- Fellow Member of the Institute of Chartered Accountants of the Maldives and a Member of the Association of Chartered Certified Accountants (UK).
- BA (Hons) Accounting and Finance from University of East London, UK through HELP University College, Malaysia.



Mr. Ahmed Anwar

Recovery Manager

Appointed in 2021

- Joined HDFC in 2005
- Held key positions at HDFC including in Admin, Credit, Finance and Recovery department
- Association of Accounting Technicians (AAT) Professional Diploma in Accounting.



Mr. Mohamed Nawaz Hassan

Credit Manager

Appointed in 2021

- Joined HDFC in 2018
- Worked in the Housing Development Corporation
- Held key positions at HDFC including Assistant Account, Assistant Credit Manager, and also currently holds Anti-Money Laundering Officer position.
- BBA (Hons) Business Administration from Open University, Malaysia.



The Shareholding Structure

HDFC's major shareholders are:

**Government of Maldives (49%),
Asian Development Bank (18%),
International Finance Corporation (18%), and
HDFC Investments Limited, India (15%)**

Name	No of Share(s) held	Value of Share(s) held in MVR	
Government of Maldives	780,928	78,092,800.00	49%
International Finance Corporation	286,875	28,687,500.00	18%
Asian Development Bank	286,875	28,687,500.00	18%
HDFC Investment Ltd (India)	239,062	23,906,200.00	15%
Mr. Ibrahim Naeem	1	100.00	
Ms. Raheema Saleem	1	100.00	
Mr. Mohamed Ahmed	1	100.00	
Mr. Mohamed Shahudy	1	100.00	
Ms. Aishath Rasheeda	1	100.00	
Mr. Mohamed Fathy	1	100.00	
Mr. Mohamed Hamdan Fahumy	1	100.00	
Mr. Ahmed Anwar	1	100.00	
Ms. Aishath Shizna	1	100.00	
Expat MD	1	100.00	
Total	1,593,750	159,375,000.00	100%



Government of Maldives



ADE ASIAN DEVELOPMENT BANK

IFC International Finance Corporation
Creating Markets, Creating OpportunitiesHDFC
WITH YOU, RIGHT THROUGH

Corporate Governance

HDFC Corporate Governance is drawn with the mindset to ensure that right balance is created among the leadership, Board of Directors, and the Stakeholders, HDFC approach has always been to create and build on shared values, invigorating receptive and responsible conduct of affairs through augmented approach to accountability and conscientious leadership with hardy risk management framework targeted to drive performance and enhance the transparency. HDFC governance model not only ensures compliance to regulatory framework of the country, but having International Shareholders ensures that best practices are incorporated into our operations through regular review. Governance is taken not only as a mandatory compliance requirement but is embedded throughout the operations as key measure to enhance the performance.

Corporate Governance reflects the built-in value system of the organization in conducting its day-to-day affairs. HDFC emphasizes and honors the critical importance of effective Corporate Governance for the safe functioning of HDFC and lays emphasis on ensuring that structures, processes, and systems are put in place to establish strategic objectives, through vigilant monitoring, to serve the interest of the Company and its stakeholders. The Board provides policy guidelines & directions to the management, approves strategic and major policy decisions, and oversees the higher management to attain business goals. For the sake of providing strategic support to the Board, different committees, namely the Audit committee, nomination and remuneration committee and Credit Risk Management Committee are actively performing and providing the best support. To ensure Shariah Governance Compliance in the conduct of it is Islamic operations has formed a Shariah Advisory Committee comprising of well learned Scholars to provide confidence and assurance to the customers of following the principles of Islamic Shariah governance.

Good governance is based on the principles of:

- conducting business with integrity and fairness
- ensuring transparency in all the transactions,
- making all relevant disclosures as per the various regulations in force
- complying with all the laws and regulations
- ensuring accountability and responsibility when dealing with the stakeholders; and
- commitment for conducting the business in an ethical and transparent manner

The Company has laid down a well-defined code of conduct which fairly addresses the issues of integrity, conflict of interest and confidentiality and stresses the need of ethical conduct, which is the basis of Good Governance. This code of conduct is applied to all the members of the Board, Senior Management and other staff of the organization. HDFC gives high priority to good governance, which reflects on transparent ownership structure, management, and accounting practice. The Board recognizes its role in promoting good governance and in creating a framework of the best practices, processes, and ethics to observe and promote high ethical standards. HDFC is also committed to follow high disclosure standards and transparency in financial reporting to keep investors and stakeholders adequately well-informed and updated at frequent intervals.





With the evolving and complex regulatory environment, financial institutions are expected to adapt to those changes quickly to entrench good governance practices while being proactive to the changes in regulatory landscape. We at HDFC constantly review our governance framework to ensure that we have embraced the world class Financing best practices and robust institutional frameworks to act in the best interest of our stakeholders. In this manner we have appointed independent directors to bring in objectivity, transparency and fairness to the deliberations of the board.

We are committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and respect for others. In our aspiration to be a responsible corporate citizen, we follow regulatory requirements, voluntary codes, and internal elements of corporate governance applicable to this Company. They are:-

Regulatory Requirements

- Company Act 10/96
- MIRA Business Profit Tax Act (Act Number 5/2011)
- CMDA Corporate Governance Code of (September 2021)
- Information Act No: 1/2014
- MMA directions issued to non-banking financial institution
- Prevention of Money Laundering and Financing of Terrorism Act (2014)
- Maldives Securities Act 2/2006 and amendments thereof
- Continuing disclosure & obligations of Issuers (2019/R1050)
- Regulation on Financing of Business (2021/R-132)
- Regulation on Capital Adequacy (2015/R-166)
- Regulation on single borrower and large exposure limits (2015/R-150)
- Regulation on limits on loans to related persons (2015/R-1511)
- Regulation on transaction with related persons (2015/R-1731)
- Regulation on Asset Classification, provisioning, and suspension of interest (2015/R-168)
- Regulation on External Audit (2018/R52)
- Regulation on publication and disclosure (2015/R-172)
- Regulation on fit and proper requirements (2015/R-178)
- Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (2020/R-59)
- MMA Shari'ah Governance Framework (2021)
- Risk management guidelines for Banks, Finance Companies, and Insurance Companies (2022)

Internal Elements

- Board Charter
- Board Subcommittee Charters
- Code of conduct
- Conflict of Interest
- Labour Law 2/2008
- Internal Governance Manuals
- Standard operating procedures

Governance Structure

Housing Development Finance Corporation has a well-defined governance structure with clearly defined delegation of authority. The governance processes in place ensure that we deliver against this strategy to create value for ourselves and our stakeholders – now and the way forward. The Board of Directors being the custodian of governance serves as the top decision-making authority of the Company. The responsibilities of the Board are cascaded down to the Board Committees, Management Committees, and the Management. Management and the Management Committees are responsible for execution of the strategies directed and approved by the Board.

The Company has been complying with the standards of corporate governance required under the regulatory requirements mentioned above.

Board Of Directors

The Board of Directors is the ultimate authority responsible for corporate governance across the Bank, and for providing ethical and effective stewardship towards the achievement of the organization's strategy within the agreed risk appetite level. They meaningfully contribute to leading the Company by bringing diversity to Board deliberations and create sustained value by constructively challenging the Management. A clear division of responsibilities of Board ensures that no Director has unfettered powers in decision-making. The Board monitors and holds Corporate Management accountable for the Company's operational performance, financial performance and effective internal control systems and Management is open and transparent with the Board, bringing all significant matters to its attention. These engagements take place with mutual respect and honesty.

Board Composition

The range of expertise, and level of experience and skills in the overall composition of the board appropriately represents, fair level of independence, transparency, gender diversity. The proportion of non-executive to executive directors are suitably addressed with Managing Director being the only executive director, while two independent director inclusion in 2021 ensured issues tabled are thought out from all the angles before closure in adding value to final decisions.

The composition of the Board is made up of 05 nominee directors in non-executive capacity representative of the 04 main shareholders (Government of Maldives, International Finance Corporation, Asian Development Bank and HDFC Investments Ltd of India). The Government of Maldives retains 02 seats in the Board while the other 03 is represented by 01 Director at the Board. In similar composition each shareholder has the right to appoint an alternate director. As a requirement stemming out of MMA Corporate Governance regulation for other financial institutions, 02 Independent Directors have been appointed representative of the minority shareholding in the company. Gender diversity have been addressed through a satisfactory balance in representation, where four of the directors are women which includes an executive director who is the Managing Director.

Chairmanship & Managing Director

The role of Chairmanship of the Board and that of Managing Director is clearly defined and these two posts are held separately by two persons. Mr Conrad D'Souza was reappointed as the Chairman of the Board effective from 21st June 2021. In accordance with the Corporate Governance of HDFC a Chairman is elected among the Directors for one year in rotation and shall preside at all meetings of the Board and at all General Meetings, the Chairperson is not allowed to chair any of the Board sub-committees. The Chairperson does not retain any casting or second vote powers at any meeting of the Board in the event of an equality of votes.

Chairman is responsible in ensuring that affairs are conducted in a conducive environment where the participation and sharing of views is encouraged. The Chairman is responsible in finalizing the agenda in consultation with the Managing Director and the Company Secretary and ensure the minutes are a true reflection of the deliberations carried out at the meetings.

Fostering harmony and having stimulating discussions for the long-term benefit of the company and all its stakeholder is key in driving the growth of the company.

Independent Directors

With the mandatory requirement imposed under the MMA CG Regulation, HDFC has appointed 02 Independent Directors to the Board for a term of 02 years effective from 18th of July 2021, with a broader objective to bring in more transparency and fair objectivity to its deliberation across the Board and to constructively challenge the Board and hold management more accountable in their actions.

Conflicts of Interest

Members of the Board of Directors of Housing Development Finance Corporation Plc. (HDFC) is required to act in the best interest of the company in good faith and shall disclose all potential and actual conflict of interest to the Board of Directors and refrain from all related discussions and voting on such related matters.

Assessment on conflict interest is annually obtained in addition to periodic checks and self-disclosures documented, likewise related party transactions are also revealed under the notes of the Audited accounts in the Annual Report.

HDFC have a formal policy for the Board to disclose all potential and actual conflicts of interest as a measure of communicating transparency and independency in all its operational activities. The Company Secretary maintains a record of all actual and potential conflicts.

Roles, Responsibilities and Powers of the Board

The roles and responsibilities and the powers reserved to the Board are given in the Board Charter to act as the final decision-making authority with regard to any matter related to the Company subject to restrictions made in the Board Charter or any other laws/ regulations in force. To arrive at suitable decisions on financial matters subject to provisions of the approved Manuals of HDFC and other applicable laws/regulations in force. To formulate policies and guidelines to govern all activities of the Corporation in order to ensure that most favourable business initiatives are taken at all levels.

HDFC's governance framework is based on the following key principles:

- Constitution of a Board of Directors of appropriate composition, size, varied experience, and commitment to discharge their responsibilities and duties.
- Conduct all affairs adhering to the highest standards of ethics, transparency, accountability, honesty, and integrity.
- Ensuring timely flow of information by providing accurate, fair, timely, and meaningful disclosures in the periodic reports to the Board, its committees and other stakeholders and regulatory agencies to enable them to discharge their functions effectively.
- Independent verification and assured integrity of financial reporting. z Timely and balanced disclosure of all material information concerning the Company and potential conflicts of interest that the directors or management may have in the discharge of their duties and responsibilities on corporate governance.
- A sound system of risk management and internal control. z Prevent the misuse of misapplication of HDFC's assets and resources. z Compliance with applicable laws, rules and regulations.
- Having a simple and transparent corporate structure driven solely by business needs

Even though the main principles of Corporate Governance are derived from the Shareholders Agreement and the Articles of Association, the Company has complied with applicable standards of corporate governance required under regulatory requirements. The Board discharges the duties and responsibilities as required under applicable laws.

Changes to the Board Of Directors

The composition of the Board is in conformity with Companies Act of Maldives 10/96 S45, and the provisions provided under the constitutional documents and MMA CG Regulatory requirements. During the year 2021, 02 Directors retired while 04 Directors were appointed to the board, the details of which is tabled below, these include 02 Independent Directors who were appointed as part of requirement being fulfilled to meet the CG requirement of the MMA. On behalf of the Board of Directors, we place on record our appreciation for those directors for their valuable contribution during their tenure with us.

Name	Capacity	Appointed/Retired	Date
Ms. Aminath Sheena Musthafa	Nominee Director – GOM	Retired	01/07/2021
Mr. Hamid Sodique	Nominee Director - GOM	Appointed	01/07/2021
Mr. Mohamed Ahmed	Independent Director	Appointed	18/7/2021
Ms. Aishath Shizna	Independent Director	Appointed	18/07/2021
Ms. Amena Arif	Nominee Director - IFC	Appointed	30/11/2021
Mr. Nihal Senanayake	Nominee Director - IFC	Retired	01/12/2021

Shareholders' Meetings

Annual General Meeting (AGM)

The Annual General Meeting (AGM) was held on 21st June 2021 virtually due to Covid-19 pandemic prevailing in the country. All the Major Shareholders joined the meeting required to meet the quorum.

Summary of the major decisions taken at the AGM:

- Approval and adoption of the Audited Financial statements for the year ended 31 December 2020.
- Approval and adoption of the Annual Report for the year ended 31 December 2020
- Declaration and confirmation of the dividend for the year 2020
- Approval of External, Internal Auditors and Shariah Compliance Auditors and finalization of their remuneration
- Announcement of change in directorship.

Extraordinary General Meeting (EGM)

An Extraordinary General Meeting (EGM) was called and held virtually on 18th July 2021 to bring in changes to the constitutional documents of the corporation to comply with MMA CG regulation, to bring in the Independent Directors on board. All the major shareholders were in attendance which was required to endorse the required amendments.

Summary of the major decisions taken at the EGM:

- Approved and passed a special resolution to amend the Articles of Association to increase the total composition of the Board
- Approved and passed a special resolution to appoint 02 Independent Directors to the Board and to transfer and assign qualifying shares.

Board Meetings and Attendance

To be in line with the MMA CG Regulation (No: 2020/R-59), the Board convenes a minimum of 04 times a year each meeting falling within each quarter which addresses specific issues in addition to standard items such as performance brief for that quarter and compliance requirements. All the meetings are held at HDFC Head Office at Male', Maldives. However, due to the Covid-19 over the last two years the meetings have been arranged on virtual platform, particularly for the Directors representing International Shareholders. The meetings are conducted on a well-structured agenda in discussion with the Managing Director, Executive team, and Chairman of the Board inclusive of their inputs. Supplementary papers are shared with the Directors in advance. During the year 5 meetings were held. Details of composition and the meetings are as follows:

Board Meeting and Directors' Attendance

Name	Capacity	Appointed Date	Meeting 07/3/21	Meeting 23/5/21	Meeting 21/6/21	Meeting 30/9/21	Meeting 08/12/21
Mr. Conrad D'Souza	Chairman Director – HDFC Investments Ltd. (India)	15/03/2019	Yes	Yes	Yes	Yes	Yes
Mr. Nihal Welikala ¹	Director - IFC	02/11/2016	Yes	Yes	Yes	Yes	N/A
Ms. Amena Arif	Director - IFC	30/11/2021	N/A	N/A	N/A	N/A	N/A
Ms. Kohe Hasan	Director - ADB	09/08/2019	Yes	Yes	Yes	Yes	Yes
Ms. Aminath Sheena Musthafa ²	Director - GOM	10/04/2018	Yes	Yes	Yes	N/A	N/A
Mr. Hamid Sodique	Director - GOM	01/07/2021	N/A	N/A	N/A	Yes	Yes
Mr. Mohamed Ahmed	Independent Director	18/07/2021	N/A	N/A	N/A	Yes	Yes
Ms. Aishath Shizna	Independent Director	18/07/2021	N/A	N/A	N/A	Yes	Yes
Ms. Raheema Saleem	Managing Director	26/02/2017	Yes	Yes	Yes	Yes	Yes

¹ Mr. Nihal retired on 1/12/21 | ² Ms. Sheena retired on 1/07/21



Major activities the Board undertook in 2021 are:

- Discussed on the moratorium and implication to portfolio.
- Discussed CG Compliance requirements of MMA.
- Discussed on the Managing Directors' reappointment, appraisal, and targets.
- Discussed on the selection of Independent Directors.
- Approved the Dividend FY2020.
- Discussed on opening for new applications.
- Reviewed the IT development progress Reports.
- Reviewed the Financial Performance of the Company with major focus on liquidity, funding strategy, and business growth.
- Reviewed the Non-Performing Accounts (NPA) Reports.
- Reviewed the Periodic Compliance Reports
- Reconstituted and endorsed the composition of the Board Committees.
- Adopted the Recovery Manual Ver 2.
- Adoption of Board of Directors Conflict of Interest Policy
- Approved the Interim Audited Financials FY2021.
- Endorsed the recommendations of FY2020 Q3/Q4 of Internal Audit.
- Approved the Shariah Committee's Report for YE2020.
- Approved the implementation of Cyber Security
- Adoption of Audited Financials for Interim Audit (June 2021).
- Endorsed the Internal Audit findings for Q1 & Q2 / 2021.
- Approved the revised Business Plan and Budget FY2021.
- Endorsed the amendments to Credit Manual
- Endorsement of amendment to Finance Manual
- Finalization of Budget and Business Plan FY2022
- Endorsement of New Director from IFC
- Review of performance for the quarter
- Strategic discussion (FY2022 – FY2024)
- Declaration of Interim Dividend FY 2021
- Review of implementation of ERP Solution
- Approved the selection of 02 Independent Directors.
- Approved the amendments proposed to Articles of Association.
- Discussed the revision of Directors remuneration.
- Fixed monthly allowance for the Company Secretary.
- Approved the Annual Bonus FY2020
- Adoption of Audited Financial FY2020.
- Approved the Auditors FY2021 and their remuneration.
- Approved the Directors & Annual Report FY2020
- Finalised the appointment Chairperson of the Board on rotation basis
- Reviewed the post moratorium statistics.
- Reviewed Quarterly Report | Q 01, 02, 03 / 2021

Board Induction and Training

HDFC recognizes the need to provide continuous training to the Directors. A well-structured and focused induction is given to new appointees to the Board for them to grasp the general understanding of the business operation, for the directors to be adequately equipped to fulfill their fiduciary duties. Furthermore, the Directors are apprised of the emerging risks to the business, in relation to changes on the economic forefront through discussions at the Board or through regular reports shared periodically with the Directors.

Information on legal and governance related obligations and changes to legislations and regulations are timely shared through circulation with monthly performance report with Board. New appointees are provided the opportunity to participate in Corporate Directors Training Programme organized by Capital Market Development Authority.

Board Performance and Evaluation

HDFC recognize the need to conduct a performance evaluation of the Board on an annual basis to clearly assess the effectiveness of the Board, their focus, quality, and dedication. Each director will undertake a self-assessment which will be handed over to the Chairman of the Nomination and Remuneration Committee for evaluation, who in turn will present a summarized report to the Board of Directors. The evaluation finding will be broadly focused in areas of efficiency, effectiveness, quality and contribution.



Board Committees

The Board of directors have established various Sub-Committees in accordance with the Constitutional framework and regulatory governance requirements. The committee has been delegated with the oversight function. They have been tasked on clearly defined term of reference. The Chair of each sub-committee reports orally of the proceedings and decisions taken at the committee, at the following Board Meeting. The minutes of the discussions are circulated to all the Directors of the Board.

The current Board sub-committees include Audit Committee, Nomination and Remuneration Committee, Credit and Risk Management Committee.

In addition, a Sharia Advisory Committee comprising of 03 learned Scholars separate from Board have been formed mainly to advice the Board on Sharia related issues.

While the Audit Committee is required to meet once every quarter the other committees convene on a need basis.

The Audit Committee

The Audit Committee was established in accordance with the Articles of Association 123 of HDFC Plc., and Articles II Corporate Governance Section (b) of the Shareholders Agreement executed between the shareholders on 23 July 2008 and in accordance with MMA CG Regulatory requirements, consisting of 4 non-executive directors form amongst the board directors. The Chairperson of the Committee is held by an Independent Director. The broad role of the committee is to oversee the financial reporting process and disclosure of financial information.

General Objectives of the Audit Committee:

- To review with management, quarterly, half yearly and annual financial statements and accuracy and correctness before submission to the Board.
- Review the effectiveness of HDFC's internal risk controls and risk management system.
- To review with management and internal auditors, the adequacy of internal control systems, approving the internal audit plans/ reports and reviewing the efficacy of their function, discussion and review of periodic audit reports including findings of internal investigations.
- To recommend the appointment of the internal and statutory auditors and their remuneration.
- To recommend the appointment of the Shariah Compliance Auditors.
- Review Internal Compliance Audit Review Reports
- To review and approve required provisions to be maintained and write off decisions.
- To hold discussions with the Statutory and Internal Auditors.
- Review and monitoring of the auditor's independence and performance, and effectiveness of audit process.
- Examination of the auditors' report on financial statements of the Company (in addition to the financial statements) before submission to the Board.
- Scrutiny of corporate loans and investments.
- Review valuation undertaken for the Company.
- Review and critically evaluate the accounting policies, including the consistency in the application of the policies, and any change being recommended to the accounting policies.
- Ensure that compliance requirements are adhered to and are being reported on a timely manner.
- Evaluation of the risk management systems.
- To hold post audit discussions with the auditors to ascertain any area of concern.

Audit Committee Meeting and Members' Attendance

Name	Capacity	Appointed Date	Meeting 07/3/21	Meeting 23/5/21	Meeting 30/9/21	Meeting 08/12/21
Mr. Mohamed Ahmed	Chairman	30/09/2021	N/A	N/A	Yes	Yes
Mr. Conrad D'Souza	Member	15/03/2019	Yes	Yes	Yes	Yes
Mr. Nihal Welikala ¹	Member	02/11/2016	Yes	Yes	Yes	N/A
Ms. Kohe Hasan	Member	25/02/2021	Yes	Yes	Yes	Yes
Ms. Aminath Sheena Musthafa ²	Member	25/02/2021	Yes	Yes	N/A	N/A
Mr. Hamid Sodique	Member	30/09/2021	N/A	N/A	Yes	Yes

¹ Mr. Nihal retired on 1/12/21 | ² Ms. Sheena retired on 1/07/21

- Mr. Conrad Chaired the initial 02 meetings.
- Managing Director and Chief Financial Officer are invited to the Committee while Company Secretary perform the Secretarial duties.

Major activities the Audit Committee undertook in 2021 are:

- Reviewed the Internal Audit Report for Q3 & Q4/2020.
- Reviewed the Shariah Committee Report for YE2020.
- Reviewed and approved the FS of the Financial Audit FY2020.
- Finalized the Auditors FY2021 and their remuneration.
- Approved the content of the Director Report FY2020.
- Endorsed the Audited Financials for Interim Audit (June 2021.)
- Reviewed the findings identified in the Internal Audit of Q1 & Q2/ 2021.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established in accordance with the Article of Association 123 and Article II of the Corporate Governance Section (b) of the Shareholders Agreement executed between the Shareholders on 23 July 2008, consisting of 3 non-executive directors from amongst the Board of Directors. Due to the limited no. of directors, the Board have decided to combine Nomination and Remuneration Committee since both committees will constitute of same members, during the year 3 meetings were held. Details of composition and the meetings are as follows:

Nomination and Remuneration Members and their Attendance

Name	Capacity	Appointed Date	Meeting 18/3/21	Meeting 14/6/21	Meeting 12/10/21
Mr. Hamid Sodique	Chairperson	30/09/2021	N/A	N/A	Yes
Ms. Aminath Sheena Musthafa ¹	Member (Acted as Chairperson until retired)	25/02/2021	Yes	Yes	N/A
Mr. Conrad D'Souza	Member	15/03/2019	Yes	Yes	Yes
Ms. Kohe Hasan	Director - ADB	28/09/2019	Yes	Yes	Absent
Ms. Aishath Shizna	Independent Director	30/09/2021	N/A	N/A	Yes

¹ Ms. Sheena retired on 1/07/21

General Objectives of the Nomination and Remuneration Committee

Prime objective of the Nomination and Remuneration Committee is to assist the Board in fulfilling its overall responsibilities and shall include the following:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees.
- Formulation of criteria for evaluation of performance of independent directors and the board of directors.
- Review of the organisation structure.
- Review and endorse HR policies.
- Adopt best HR practices for training, retention, and development of staff
- Set and recommend new staff benefit schemes to the Board.
- Identify and shortlist suitable candidates to be recruited to the senior level positions.

Major activities Nomination and Remuneration Committee undertook in 2021 are:

- Approval for recruitment of Senior Manager – Islamic.
- Approval of Board of Directors Performance Evaluation Procedure.
- Finalized KPI's for HOD's
- Recorded Mr. Nihal's (IFC) resignation and endorsed Ms. Amena Arif as the new nominee director from IFC.
- Setting a Salary/Sitting Fee amount for the Independent Directors and selection of 2 Independent Directors.
- Approved Staff Annual Bonus.
- Approved the Monthly Staff Performance Allowance.
- Finalized the Managing Director's Key Performance Indicators
- Approved the Staff Promotion/Salary Revision of Senior Staff (Salary Review)
- Approved the promotions of Staff.

Credit Risk Management Committee

The Credit Risk Management Committee was established in accordance with the Articles of Association 123 of HDFC and Article II of Corporate Governance Section (b) of the Shareholders Agreement executed between the Shareholders on July 23, 2008, consisting of 3 non-executive directors from amongst the Board of Directors.

Name	Capacity	Appointed Date
Mr. Nihal Senanyake Welikala ¹	Chairperson	26/02/2017
Mr. Conrad D'Souza	Member	30/09/2021
Mr. Hamid Sodique	Member	30/09/2021
Ms. Kohe Hasan	Member	28/09/2019
Mr. Mohamed Ahmed	Independent Director	30/09/2021

¹ Mr. Nihal retired on 1/12/21

Credit Risk Management Members and their Attendance

There were no formal meetings held during the reporting period, however general discussions were carried out in the Board Meetings, where required changes to strengthen the underwriting guidelines were endorsed.

General Objectives of the Credit Risk Management Committee

- To approve proposed changes in Lending Prudential guidelines and major credit policies.
- To approve discretions and onward delegation guidelines of the next level of management.
- To consider and determine proposals exceeding management's approval limits.
- To receive and review reports on credit quality, risk management policies and procedures.
- To consider and approve general provisioning policies and specific provisions.
- Carryout such other duties that may be delegated to the committee by the Board from time to time.
- Ensure infrastructure, resources and systems are in place for risk management.
- Monitoring the risk profile and performance of the credit portfolios including portfolio composition, risk concentrations, portfolio analytics, arrears performance, provisioning, non-performing facilities, and loss performance.
- Monitoring the independence, performance, and effectiveness of the credit risk management function.
- Monitoring emerging trends and risks that may impact the credit risk profile along with relevant legislative, regulatory and industry developments and overseeing management's plans to manage these risks and developments.

Summary of the key activities the Credit Risk Management Committee undertook during the year 2020 are as follows

Even though there were no formal meetings held during the reporting period, recommendations made by the Credit Committee were referred electronically to committee during the year 2021. This includes re-evaluation of the customers income change due to Covid-19 Pandemic. Furthermore, situation analysis on moratorium related customers were periodically reviewed to understand the stress level on the repayment capacity of customers.

Shariah Advisory Committee

The Shari'ah Advisory Committee was established by the Board to discharge the responsibilities on Sharia'ah Compliance. The Committee met 4 times during the year 2021 to take up issues relating to shari'ah audit, risk, and other issues. The Shari'ah committee consist of 3 members who reports Amna related matters to the Board.

1. Dr. Zakariyya Moosa (Chairman)
2. ProF. Rusni binti Hassan (Member)
3. Dr. Ali Zahir bin Saeed Qasim (Member)
4. Uz. Azmeen Rasheed *(Secretary)
5. Mr. Hassan Miras **(Secretary)

*Resigned on 31 January 2022 | ** Joined on 10 January 2022

Management Committees

In addition to the Board Committees, HDFC has constituted several Management Committees. These have been established under a Board approved term of reference. The Managing Director acts as the Chairman of all Management Committees except Asset Liability Committee (ALCO) which is chaired by the Chief Financial Officer (CFO). The Committees deliberate on matters which are critical to the operations of the Company.

Asset–Liability Management Committee (ALCO)

The Asset/Liability Management Committee has been established by the Board with clear instruction to assist the Board of Directors to assess the adequacy and monitor the implementation of the Company's Asset/Liability Management Policy. The specific areas covered include interest rate risk, market/investment risk, liquidity risk, credit risk.

The role of ALCO includes:

- The establishment of a process to enable the identification, assessment, and management of risks that could affect the Corporation's ALM.
- The identification of the Corporation's risk tolerance levels for yield maximization related to its ALM
- The evaluation of the adequacy, effectiveness and compliance with the Corporation's risk management process related to the Corporation's ALM, including management's role in that process
- The establishment of a fund management procedure which can administer the financial position of the Company by overseeing all the assets and liabilities positions

The ALCO will consist of at least three (4) key management staff in addition to the Managing Director. The Committee convenes at least once each week and more frequently if required. The committee met 51 times during the Year 2021.

Management Credit Committee

The Management Credit Committee has been established by the Board with clear instruction to assist the Board of Directors in its oversight of HDFC's policies related to all matters of the lending operation.

The main role of the committee is to review the quality of HDFC's credit portfolio and analyze the movements in the market affecting the portfolio; to oversee the effectiveness and administration of credit policies, propose changes to underwriting guidelines based on the market behaviors and to approve those facilities under the delegated threshold approved by the Board and to recommend cases above the threshold level to the Board and to regularly report to the Board regarding credit management activities.

The committee is made up of the 4 Senior Management members and MD. The Committee convened 32 times during the Year 2021.

Recovery Committee

HDFC has established a recovery committee is responsible for making decisions on non-performing loans recovery and legal processes related to default loans. Further, the committee reviews all non-performing loans and delinquent loans submitted by the recovery department for court filing approval. The committee meets once in month, to review the recovery efforts and propose further action if required.

The committee is made up of the 4 Senior Management members and MD. The Committee convened 12 times during the Year 2021.

Remuneration of Directors

Managing Director (Executive Director)

A total remuneration paid to Managing Director including the sitting fee in the year 2021 was MVR 1,087,844.76.

Non-Executive Directors

The non-executive directors receive remuneration by way of sitting fees for each meeting of the Board and its various committees. A total of MVR 2,268,359.30 was paid out in the year 2021 as remuneration.

Statement of Compliance FY2021

S/ No.	Authority	Provision Ref	CG Code Requirement	Status
1	MMA	4(h)	Establish procedure for regular evaluation of the Board as a whole	Complied
2	MMA	4 (i)	Assess and review the performance of Senior Management	Complied
3	MMA	4(j)	Appoint a Company Secretary & define roles, duties and responsibilities	Complied
4	MMA	5(b)	The Board shall at all times be adequately qualified to discharge its responsibilities and make sound decisions relating to the Financial Institution	Complied
5	MMA	5(c)	Majority of Non-Executive Directors on Board	Complied
6	MMA	5 (c)	1/4th of Board to be Independent Director	Complied
7	MMA	5(c) 8	Independent Director service must not exceed for a period more than 4 years or longer, whether consecutively of otherwise.	Complied
8	MMA	6(a)	One regular Board Meeting every three months and all Regular meetings in Maldives	Complied
9	MMA	6(g)	All Directors must attend 3/4th of the Board Meeting every year	Complied
10	MMA	6(g)	Disclose No. of Board Meetings and attendance in the Annual Report	Complied
11	MMA	7(c)	Board Members shall be 30yrs of age and not more than 70 years	Complied
12	MMA	9(a)	Establish Board Committees & draw mandate	Complied
13	MMA	9(b)	Board Chairperson cannot be Chairperson of the Committee	Complied
14	MMA	10(c)	The Chairperson of the Audit Committee shall be an Independent Director	Complied
15	MMA	10(d)	The Audit Committee required to meet at least once in every 3 months	Complied
16	MMA	11 (b)	Written Policy on Conflict of Interest	Complied
17	MMA	13 (f)	The Board to ensure that a new CEO is appointed within 4 (four) months from the date of vacancy	Complied
18	MMA	15(a)	Establish an effective Independent Risk Management Function	Complied
19	MMA	15(c)	Appointment of a Senior Risk Officer	Complied
20	MMA	16(a)	Establish an Independent Compliance Function & independent review by the internal audit function	Complied
21	MMA	16(c)	Review the effectiveness of the compliance policy and function	Review in progress
22	MMA	17 (a)	Establish and Independent Internal Audit Function	Complied



AMNA - Annual Review

In the name of Allah, the Most Gracious, the Most Merciful and peace be upon our Prophet Mohammad & His Companions

“Our Lord! Make not our hearts to deviate after Thou hast guided us aright, and grant us from three mercy; surely, Thou art the most liberal Giver,” Allah the Almighty has spoken the truth

Verse No, 8, Surat Al-Emran

Synopsis of Islamic Finance

According to International journal of emerging Markets, (2019) Islamic Finance was traditionally confined to Islamic economies, but today it has now become a worldwide phenomenon. Its basic principles including Islamic law, profit and loss sharing, and the prohibition of any form of interest, uncertainty and gambling have contributed not only to an impressive growth of this industry. Overall, since its formal establishment in 1970, the global Islamic finance Service Industry has reached a total value of more than US\$2.20 trillion, with an impressive and providing to the financial needs around a quarter of the world’s population.

While the introduction of modern Islamic banking dates back to 1963, the present-day practice debuted in 1975, when banks were formed and instructed to operate in adherence to Shari’ah rules and principles. Ever since, Islamic Banking has been one of the fastest growing sectors in the global banking industry. As new geographies continue to open up to Islamic Banking, industry predictions suggest that Islamic Banking assets held by commercial banks globally will continue to grow.

The recent resurgence of fundamental Islamic values across Islamic nations have influenced the economic systems and led to the transformation of financial system more towards a system that confirm to the precepts of Islam. Islamic financial system is a complete system for all individuals and society to deal within an Islamic way of life. The pandemic had slowed down the growth of Islamic Finance market but continued to grow globally at a rate of 15% to 25% per year. Maldives Islamic Financial market follow a similar trend, showing growth in Islamic financing and deposits, Takaful industry and the Sukuk market.

HDFC AMNA

While shelter is considered as one of the basic human needs, efforts need to be put to create means to attain this requirement. Providing a solution to the increasing demand for housing should be an Islamic imperative.

With the aim of offering Islamic home financing facilities, HDFC-Amna established in 2012 is to confer choice for customers to choose between Islamic and conventional products. HDFC Amna observes the following standards to achieve shari'ah compliance:

- Complete segregation of funds
- Independent Shari'ah Advisory Committee
- Products fully based on Islamic concepts including the contracts
- Management in accordance with Islamic principles.

Amna continued its efforts to deepen the experience of Islamic Finance maintaining its position in the mortgage housing finance arena, despite the difficulties and challenges. Thus establishing the ability of Islamic Sharia to deal effectively with the facts of the times and enhancing the trust and satisfaction of its clients, along with continuing its prudent approach to deal with the variables, in line with all new developments in the housing industry and its technologies.

During the 9 years of operations, HDFC AMNA has emerged as one of the leading Islamic housing finance providers in the country. Today, Amna contributes 31% of HDFC's housing portfolio.

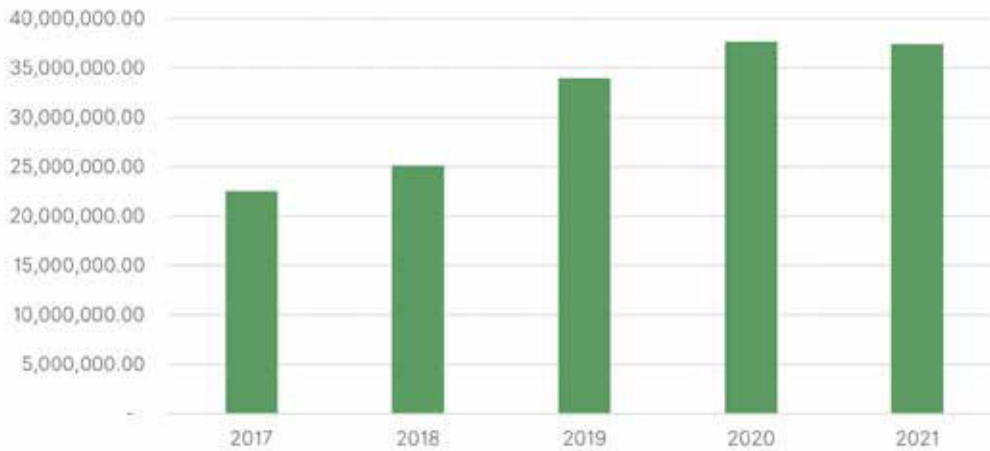
Financial Performance

HDFC AMNA have experienced a stable growth in profits and number of customers over the past years. However last year there was a slight decline due to the Covid situation. HDFC AMNA strategy focused on quality growth of financing portfolio by adhering to compliance in all spheres of operation particularly in respect of Shariah and regulatory laws and guidelines. As a continued policy, AMNA remained focused in all the key areas covering good asset quality, sound management, and good earnings. AMNA strived to maintain good asset quality, sound management and good earnings. By the end of the year, AMNA financing portfolio has reduced to MVR 555 million, a decline from MVR 563 million in the previous year.

The following is a summary of the performance highlights of the year 2021:

	FY 2021	FY 2020
Total Revenue	70,332,387	68,285,315
Amna investors' profit share	32,895,455	30,620,801
Net Income	37,436,932	37,664,514

AMNA Net Income

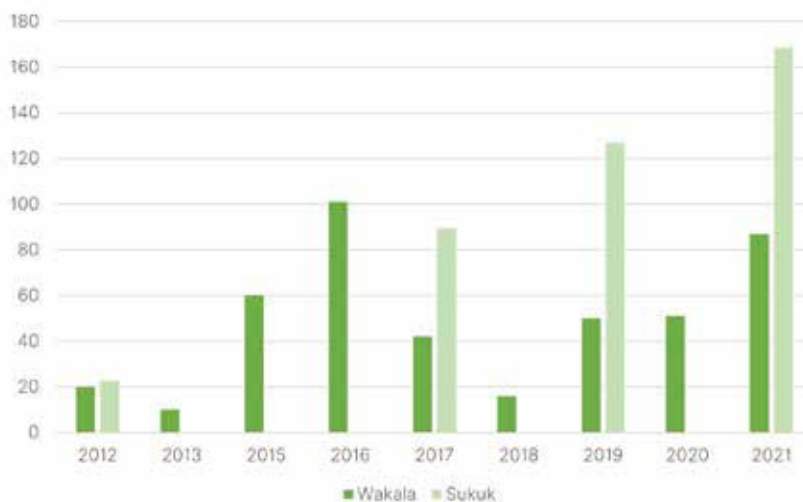


As market condition remain uncertain, thrift measures taken to counter the impact of pandemic remains intact. The cautious approach taken by AMNA had impact on the profitability and profitability growth. However, AMNA was able to sustain the high asset quality and maintain non-performing financing below the threshold levels.

Liquidity

The pandemic had brought uncertainty to the financial market, and this was felt within the financial sector. Banks resorted to liquidity support from the central bank whereas non-banking financial institutions like HDFC Amana had limited avenues to manage liquidity. Amna’s main sources of funds are through Wakala facilities and Issue of Sukuk. During December 2021, HDFC AMNA Issued the 4th Mudarabah Sukuk of MVR 200 million to raise finance for the growing HDFC AMNA portfolio and raised MVR 168 million. During a time of concern on the liquidity and a challenging market condition, AMNA was able to attract investors that pooled in 84% of the issued amount. The 10-year sukuk issued in December 2021 was able to provide some solution to address the maturity mismatch between sources of funding and financing provided to customers.

Fund Details



Due to the deteriorated credit environment following an economic downturn, customer eligibility and accessibility to financing products decreased significantly. Slowdown in the growth of portfolio, repayment by customers and Sukuk proceeds had increased liquidity by year end. Excess liquidity is managed mostly through sharia compliant investments with local banks.

Asset Quality

As a result of stringent credit evaluation and continuous monitoring by the company's dedicated recovery staff, Amna has been able to maintain NPA ratio of 2.45%. During credit evaluation, considerable efforts were made to understand the relevant business risks of the customer, identify the actual requirements, and ascertain their repayment capacity. With the prevailing challenging economic condition, close monitoring of credit facilities is extremely important, considering that the Amna is in line with the ethical business model.

Service Excellence is one of the three core values of Amna along with Shariah Compliance and Integrity. In addition, customer-centricity is also one of Amna's core strategic goals.



Sukuk Issuance

Since its inception in May 2012, HDFC-Amna has not only become an Islamic finance institution, but it has also played an integral role in setting the stage for a robust growth of the country's capital market development.

HDFC pioneered the development of the first Islamic Sukuk in the Maldives in 2013 with the launch of the first listed sukuk. The market has experienced a growth with HDFC firmly established as one of the largest issuers of local currency sukuk over the years.

Sukuk issued by Amna (2012-2021)

Issue No	Sukuk Type	Issue Date	Finance Raised (MVR)	Maturity Date
1	Mudarabah 50ml	11/09/2013	22.566 million	11/09/2023
2	Mudarabah 100 ml	06/07/2017	89.036 million	06/07/2027
3	Mudarabah 150 ml	20/08/2019	126.931 million	20/08/2029
4	Mudarabah 200ml	02/12/2021	168.403 million	02/12/2031

Sukuk represent one of the most vibrant and significant components in Islamic finance. In order to fund the Amna, HDFC raise funds through a structured Sukuk for 10 years. The 4th Sukuk raised MVR 168.29 million (84%). The funds received from this Sukuk will be utilized to fund Amna products only.

Amna has been struggling in the last couple of years due to increase in non-performing facilities and other issues. But beyond expectations, Amna has been facing excess liquidity in recent days due to several reasons such as heavy competition, unfinished end-user products etcetera to name a few.

AMNA Workforce

Quality workforce that is built upon hiring and retaining quality individuals and providing them with the environment to flourish is a pillar to any successful organization. HDFC-Amna views its people as its strongest asset. The Amna window strengthened organizational culture through upskilling of its staff, redesigning organization structure, roles, and responsibilities, realigning KPI's, and investing in performance management to enhance productivity and support the Company's strategic aspiration. Amna remains committed and continues to invest in the development of staff. Amna navigated the COVID-19 even in 2021 crisis with the people first view, ensuring all interventions were built around staff and customer safety and wellbeing. Strong focus was given to areas of health and wellbeing, while creating accessibility to work from home, and lockdown assistance for the staff during the crisis. At present there are four designated staff in Amna department with some of the works, like recovery, payments done by the designated departments.

Ensuring Good Sharia Governance Compliance: Strict Adherence to Core Values

As an ethical organization, good governance and regulatory compliance is an integral aspect of our daily operation and we have continued to review our governance systems regularly to effect appropriate improvements where required, according to industry best practices and regulatory changes. Therefore, we can assure our shareholders of the highest standard of governance and risk management, being practiced, within the operations of Amna. Strict adherence to Shari'ah principles in its operations are the priority of Amna. Conducting Shari'ah audit to check violation and ensure transparency in Shari'ah compliance is one of the unique features of Amna's Culture.

To ensure that the operation of HDFC AMNA always comply with Sharia requirements, sound governance structure is set in place. The Sharia Advisory committee consists of qualified individuals with sound sharia background and years of experience in sharia advisory and consultancy. The committee consists of two local renowned Islamic Scholars and one scholar from Malaysia, who have the capacity to provide independent opinion and sharia advisory to HDFC AMNA. The Shari'ah Advisory Committee, which possesses a high status in the structure of HDFC, meet when required and deliberate on different issues confronting AMNA on Shari'ah matters. By the grace of Almighty Allah, the Committee provides valuable input in all aspects of AMNA operations, from structuring of products and preparation of documents to dealing with customers and other stakeholders. During the year, 4 (four) Sharia Committee meetings was conducted to approve, provide opinion and solutions from the sharia perspective.

As non-bank financial institution offering Islamic finance products, the sharia perspective of HDFC AMNA falls within the supervisory of Shariah Council of Maldives Monetary Authority. Furthermore, AMNA is regularly audited by an independent accounting firm consisting of renowned and qualified auditors. As an issuer of Sukuk in Maldives Islamic Capital market, HDFC AMNA is also required to comply with Sharia guidelines enforced by Capital Market Shari'ah Advisory Council (CMSAC) on matters related to the issuance of sukuk. AMNA is required to comply with all applicable laws and regulations of the Maldives.



Sharia Audit and Compliance Review

Sharia compliance risk is a unique operational risk faced by Islamic financial institutions. Non-compliance to sharia may result in non-recognition of income and may lead to reputational risk. In order to ensure sharia compliance, HDFC AMNA have established required functions within the organization. The Sharia Committee is tasked to ensure that documentation, procedures and execution of transactions are within the sharia guidelines set by the Sharia Committee, MMA sharia regulations and other sharia regulatory authorities. An annual sharia audit and review was conducted by an external auditor and any sharia non-compliant issues were investigated and addressed by the Sharia Committee and the AMNA Management.

Upon consultation with industry stakeholder, MMA introduced a new Sharia Framework that must be adopted starting from 1 January 2022. The new framework proposes improving on Sharia risk management, Sharia Audit and Sharia review function. All Islamic finance providers in Maldives are required to adhere to the new framework. Audit & Compliance Committee, to ensure that all business and services are executed in accordance with the regulatory authorities' instructions.

To ensure that all the revenue generated by the Amna strictly adheres to conjunctions of Shari'ah, the Company has outsourced the audit function to our internal auditors, Ernest and Youngs to actively observe various operational activities of Amna throughout the year, including credit approvals and restructuring of financing facilities. Moreover, physical inspections were conducted on a random basis and tangible measures were taken to verify the relevant disbursement/ evidence/ invoices, further enhancing the controls.

All housing financing products were fully audited by EY and their alignment with the guidelines given by the shari'ah Council was also verified. The process and the scope of that audited included the following but not limited to:

- Invoices and other related disbursement evidence were verified by confirmation and the existence of contractors/supplier was also confirmed. Genuine evidence was provided to execute Murabaha and Musharaka transactions.
- Manuals and SOP are shared for detail scrutiny.

May Almighty Allah makes us successful in accomplishing His precious tasks and reward us in this world and in the hereafter.

Risk Management

Amna is exposed to various risks in their day-to-day business operations. Risk is inherent in every level of activity carried out by the department, but is managed through a process of ongoing identification, measurement and monitoring, with the aid of risk limits and other controls. The major categories of risks are credit, market, liquidity, and operational risk. Amna also face other risks including but not limited to reputational, legal regulatory risk, etc.

A risk management framework is drawn for Amna and needs to be endorsed by the respective committees and approved by the board of HDFC.

Islamic Finance Training and Awareness

We believe empowering people lead to greater performance and achieving success. At HDFC, we have developed our policies and process that ensures that our staff have the required training and development of skills. During the year, we ensure that the required resources to are in place for our HDFC Amna employees to learn and develop. We have identified key areas for training in Islamic Finance that will equip Amna staff and management with skills to provide quality, sharia compliant service to our customers. Despite the challenges, we have arranged online sessions to refresh and keep up to date with trainings and workshop. We believe training and development is a cornerstone in building HDFC Islamic window. We foresee an effective team combined with enhanced employee skills and capabilities.

During the year, Shari'ah training and briefing sessions were held covering 38 of the company's employees virtually and in addition onboarding programs for new staff conducted physically. The coverage of the sessions include Shari'ah governance updates, Shari'ah risk management and fundamentals of Shari'ah in business operations. HDFC has also continued to elevate the Shari'ah and Islamic finance Knowledge of its staff. Shari' ah training was conducted by Ms. Aishath Muneeza Assoc. Professor at INCEIF Malaysia.

Customer Experience

Providing a superior experience is a strategic core pillar of HDFC-Amna's value proposition. Amna constantly innovating to enhance customer experience and the service culture across the organization, helping create memorable service experiences.

At HDFC AMNA, customer concerns are addressed from product structuring to delivery of service. One of the main areas of focus is to Increase customer awareness on Islamic finance that will help them understand the product. Despite the additional process that comes with sharia requirements, HDFC AMNA seeks to provide fast and reliable service to the customer and be at par with market standards.

In 2021, Amna introduced several initiatives to further enhance and streamline its customer journeys, across product and segments. In addition, Amna put in place a number of initiatives to support customers facing the difficult challenges encountered the ongoing COVID-19 pandemic. Amna will continue its focus on enhancing customer journeys and delivering more easy and convenient solutions to ensure a seamless and superior customer experience to all our clients.

Charity

All sharia non-compliant earnings are channeled to charity in accordance with the policy adopted by the sharia committee. For the year 2021, sharia non-compliance earnings, mainly representing late penalty charges on customers amounts to MVR 27,544. Any non-sharia compliant earnings collected was kept in a separate account to be subsequently distributed to charitable causes as per approval from Sharia Committee.

Year	Amount Spent on Charity
2012-2016	38,550.00
2017-2020	67,395.98
2021	83,737.98

Charity contributions by HDFC continued to support many social events and NGOs and relevant activities. Those events include education, women empowerment to name a few. To ensure sustainability and creating long-term added value, charity amount distributed during year 2021 was used to fund 2 schools and 2 libraries in outer male' region. The charity list for year 2022 was approved by the Sharia Advisory Committee.

Shariah Advisory Committee

The Shari'ah Advisory Committee was established by the Board to discharge the responsibilities on Sharia'ah Compliance. The Committee met 4 times during the year 2021 to take up issues relating to shari'ah audit, risk, and other issues. The Shari'ah committee consist of 3 members who reports Amna related matters to the Board.

1. Dr. Zakariyya Moosa (Chairman)
2. ProF. Rusni binti Hassan (Member)
3. Dr. Ali Zahir bin Saeed Qasim (Member)
4. Uz. Azmeen Rasheed *(Secretary)
5. Mr. Hassan Miras **(Secretary)

* Resigned on 31 January 2022 | ** Joined on 10 January 2022



Business Zakat

Zakat is one of the 5 pillars of Islam and requires every Muslim who meets the eligibility to fulfill the obligation. Purpose of zakat is to release a proportion of a specific property to be distributed to those who deserve it. Businesses are considered as a means of wealth accumulation for Muslims and is one of the categories that is subject to Zakat. Zakat computation is done as per AMNA policy and the amount is approved by the sharia committee. During the year 2021, HDFC AMNA paid business Zakat of MVR 586,046 which is an increase from MVR 578,352 paid the previous year.

In the financial year, HDFC has fulfilled its obligation to pay zakat on its business to state zakat on its authority, MIRA by adopting the profit computation method, in compliance with the Amna Manual.

Future Outlook and Strategy

We are optimistic that Maldivian economy will continue its strong revival as COVID-19 cases drop to lower levels. As markets have opened up, most sectors of the economy are performing well. The well-being of its employees has been the paramount concern while ensuring continues delivery of all housing finance needs of our customers through both physical and alternate delivery channels.

Maintaining Asset Quality will remain a key area of focus of Amna. The objective is to increase financing to various sectors of the economy while keeping all the risk acceptance parameters under careful radar.

Amna will continue with its growth strategy in 2022 and plans to increase its portfolio, Insha' Allah, Islamic finance has a promising future in the Maldives and its share in the country's financial sector is continuously rising. We believe that a robust and viable Islamic industry will play a critical role in the country. Sukuks are indicative of their commitment towards Islamic Finance and will foster the growth of Islamic finance industry in the Maldives. We wish to continue to play our role in assisting the nation to shift towards Shari'ah-compliant finance.

Appreciation

Amna Would like to thank the Board of Directors of HDFC, and other regulatory bodies for their support and advice. Our customers have been our bedrock in these challenging times, and we are grateful for their continued patronage and loyalty. Cooperation is essential for HDFC to succeed, and we look forward to the continued support of the management and staff in the new financial year and years ahead.

In conclusion, we deeply extend all gratitude to Allah Almighty for this blessed success, and prayers upon our Messenger Prophet Mohamed – may peace be upon him, his descendants and all his followers, Ameen.

Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

In compliance with the Shariah Governance Manual of HDFC endorsed by the Board of Directors, we are required to submit the following report:

We have reviewed the External Sharia Audit Report relating to the transactions and applications introduced by HDFC Amna during the period ended 31st December 2021.

We have also Assessed the Audit and review documents to form an opinion as to whether HDFC Amna has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Maldives Monetary Authority (MMA), as well as Shariah decisions made by the Shariah Committee.

The management of HDFC Amna is responsible for ensuring that the financial institution conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of HDFC Amna, and to report to the Board of Directors.

We conform that the work carried out by Shariah Review and Shariah Audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the HDFC Amna that has been presented to us, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that HDFC Amna has not violated the Shariah principles.

In our opinion:

1. the contracts, transactions and dealings entered into by HDFC Amna during the year ended which has been reviewed are in compliance with the Shariah principles;
2. for the sukuk's that has been issued, that the allocation of profit and charging of losses relating to usage of sukuk proceeds conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been received as penalty have been considered for disposal to charitable causes; and
4. the calculation of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of HDFC Amna, based on the information provided to us, do hereby confirm that the operations of HDFC Amna for the year ended 31st December 2021 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee:

Name: Dr. Ibrahim Zakariyya Moosa



Declaration by the Board of Directors

The Board of Directors declare that to the best of our knowledge and belief, the information presented in this Annual Report is true and accurate and that there are no other material facts, or omission of which would make any statement herein misleading or inaccurate. The Board of Directors of HDFC Plc. of Maldives declare that this report has been prepared in compliance with the Companies Act of the Republic of Maldives (Law No.: 10/96), Prudential Regulation issued by the Maldives Monetary Authority the Maldives Securities Act (Law No.: 2/2006), the Securities (Continuing Disclosure Obligations of Issuers) Regulations 2019 (Regulation No.: 2019/ R-1050), the Corporate Governance Code of the Capital Market Development Authority ("CG Code"), Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (2020/R-59), and the Listing Rules of the Maldives Stock Exchange (the "Listing Rules"). During the performance of the duties and responsibilities of the Company, the Board of Directors has practiced and given due consideration towards maintaining complete transparency through timely disclosures, absolute fairness by instilling mechanisms to address concerns and being persistent in ensuring proper due diligence is followed by offering our highest commitment to safeguard the best interest of the Shareholders and worked towards increasing the value for our shareholders.

On behalf of the Board of Directors



Raheema Saleem
Managing Director



Mohamed Shafeeq
Chief Financial Officer

Corporate Social Responsibility

“Sustainability takes forever. And that’s the point” - William McDonough

Purpose

Housing Development Finance Corporation believe that no organization can make sustainable development without the patronage from the society. HDFC is committed in the integration of social and environmental concerns in its business operations and also in the interactions with its stakeholders. The Company shall continue to have among its objectives, the growth of the national economy and shall continue to be mindful of its social and moral responsibilities to customers, shareholders, employees, and society. HDFC is committed to financing developmental activities of the nation with concern for education, health, economic development, and environment. CSR is a continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Vision

HDFC’s CSR vision is to contribute to the social and economic development of the community. Through a series of interventions, the Company seeks to mainstream economically, physically, and socially vulnerable groups and to draw them into the cycle of growth, development, and empowerment. The Company’s strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage our business to include these considerations into our operations whether directly or in participation or in association with another party.

About us

The success we have achieved has been the result of a steadfast resilience towards providing the best for our stakeholders. Every step along our journey has enabled us to be a source of stability and security in assisting Maldivians achieve their own dreams of success.

At HDFC, we believe that true and full measure of growth, success and progress lies beyond the conventional economic indices. Despite global challenges brought on by the Covid-19 pandemic with less to no business, we have pursued our pursuit for responsible growth by working actively in 2021 to conduct sustainable operations that support our corporate social investment programme. Our sustainability strategy is focused on our operations, business model and stakeholders, as well as the strategy, targets, and outcomes of our sustainability work that brings a positive impact to the lives of people.



On top of it all, the strength of our core values, experience, and shared knowledge of the best methods and structured quality improvement of the housing market over the years, we have laid the foundation for ethical, value-based, and transparent functioning of our business operations with the formation of the Corporate Social Responsibility Committee of the Company in decision-making of sustainability related economic, environment and social topics.

The best part of HDFC is helping our 37 employees make decisions that are good for the business, people, and the planet. Fortunately, at HDFC we are operating from a position of strength, anchored by our strong ethical culture, which has resulted in being admired by our customers for our transparency and quick judgement.



Sustainability at HDFC

HDFC adopts a holistic approach towards sustainability and strives to pro-actively embed sustainability thinking and practices at every level of its business. The sustainability philosophy, strategy and objectives are clearly articulated in the organisations culture and each and every one is responsible for ensuring the organization-wide implementation of the same. The Company's sustainability vision is to create sustainable shared value by delivering economic, environmental, and social benefits while the values stress on integrating sustainability into every business decision, reducing the carbon footprint, implementing strategic CSR activities, and nurturing a culture of sustainability through training and development.

In 2021 we invested in programs and initiatives focused on creating economic opportunity for underserved communities.

Financial Inclusion

As the only specialised housing finance institution in the country, the financial inclusion of our customers, and the socioeconomic development of our community is our

primary responsibility. The pandemic caused issues for many of our customers, and we took care to ensure we supported them with payment holidays to help them focus on recovery instead of the financial burden.

Enhanced Customer Engagement

The past year changed the way we engage with our clients, driving us to deliver easy access to services digitally, with an enhanced customer experience. We ensured the highest levels of transparency for our customers and helped people who had never used digitally to shift online.

Employee and Community Efforts

People have always been at the centre of everything we do at HDFC. Whether it is the rich talent within the Company or the community we operate in, we have a responsible role to play. We have invested in the training and development of the HDFC's talent pool. In the communities in which we operate, we take part in volunteering opportunities and efforts that support gender equality, inspire the younger generation, and people of determination, and support health and wellbeing. As a volunteering gesture, we have donated blood to the national blood bank.

Responsible Lending

To achieve long-term success, we're committed to taking a responsible approach to lending through behaving fairly, and responsibly and maintaining high standards of conduct for our customers, our employees, our stakeholders, and our communities. Our code for fair practices and most important Terms and Conditions guides the principle of following inclusive lending policies to facilitate increased homeownership, particularly affordable housing. Giving due consideration to environmental impacts in our lending and investment policy enables us to reap long-term advantages which extend beyond mere monetary benefits.

Promoting Responsible Finance and Green Finance

We continue to promote responsible lending by educating new recruits and employees on the ethics of responsible lending, which encompass the social and environmental impact of lending. Both these aspects are assessed before a lending decision is made. Accordingly, compliance to all relevant environmental regulations, including EIA reports of our end-user financing projects and the impact on the environment from our business operations are assessed prior to approval.

HDFC in collaboration with the Ministry of Energy has exchanged high level talks and working sessions with the Ministry's technical team on how we can incorporate green products in our facilities. We are also working with HDC and other Developers to promote green financing to make their projects more environment friendly products for our end-user customers.

Efficient and Innovative Operations

Being forward thinking and creativity is one of the core values of HDFC. We constantly seek ways to increase our efficiency, reduce energy consumption and eliminate waste. Although we have an existing competent in-house management of our resources and a top performing agile way of working, we initiated the process of purchasing a fully integrated ERP platform which is key to achieving an even better efficiency and innovative operations. This will help us to combine our resources and know-how to make us a lean and flexible organisation and continuously work to build a modern digital ecosystem with high-quality platforms as a key enabler for scalability, decision-making, quality reporting and excellent customer service.

We also continued to enhance the adoption of Cloud Computing Technology, promoting Virtualisation, Datacentre Energy Optimisation, Work from home platforms, and the creation of Document Management Modules (DMM) for digitisation of documents and archiving among other several digitalisation initiatives. Already, most of the customer related documents are emailed to their given email address instead for physical delivery.

Our Products

HDFC, as the only specialised housing finance institution, is the first such corporation in the Maldives. We are dedicated to enriching the customer experience at every touch point. We empathise with our customers and want to make their journey of owning a home as seamless as possible with value addition. Therefore, it is essential to maintain the reputation, prestige, and the continuous trust of the public for our products.

As per the Articles of Association and Memorandum of Understanding the company offered various financial facilities to the customers. Financial facilities for construction of houses as well as end-user purchase. HDFC has won the hearts of people for more than 18 years due to the reason of maintaining its transparency.

Governance

Good corporate governance is important for supporting HDFC's vision, to reach the strategic goals and to strengthen the corporate culture. The Board of Directors and Senior Management of the Company regularly monitors and oversee various aspects of social, environmental, governance and economic responsibilities on a continuous basis. HDFC's Governance Framework has been carefully designed to address the varying needs of the Company's diverse stakeholders. Extending beyond mere compliance, HDFC views corporate governance as an enabler which leads to greater transparency, accountability, robust risk management and effective leadership. Therefore, the Company's business responsibility performance is reviewed by the Board on an annual basis.

Through our CSR activities in 2021, HDFC has made donations towards the NGO's including Endometriosis Association of Maldives, Hope for Women, Mercy, and Clean Maldives. The Company also distributed charity through our Islamic window - AMNA, to 2 public schools in Male' City, 1 public school in the Atolls, and 1 public library in Naifaru (Lhaviyani Atoll).

Sustainable Mindset

Our daily sustainability work focus on caring and creating value for our customers, employees, and the community in general. An integrated part of our operations is to improve our social and environmental impact across the entire value chain, contributing with solutions to face the many challenges such as climate change, socio-economic differences, and housing shortages. By sharing our knowledge and expertise, we seek to inspire others to contribute and make a positive difference for the enrichment of the housing market and society.



Responsible Employment and Friendly Workplace

A safe and secure workplace is always our top priority, and we have various policies to support employee wellbeing. In the ongoing COVID-19 pandemic situation, the Company has also put efforts contributing significantly towards combating the disease by ensuring all employees have been given a booster dose on top of the two-dose vaccination.

We prioritise in providing a fair and competitive offering with a sustainable work-life balance being important for the well-being of the employees in fulfilling our vision, live our values and reach our goals. Through their dedication, we hope to achieve a long-term horizon and collaboration, to create a happy and quality work life at HDFC as this helps also create an honest and passionate culture, where caring and driven people have the freedom and resources to apply their skills and ideas, which encourages a diverse work environment with an inspiring and inclusive leadership.

Positive Social Impact

Considering that we are engaged in a very important business activity, which is housing finance, we are committed to providing this fundamental requirement of every human being and a basic need for a family by improving the financial wellbeing of all our customers.

The Company also recognises that we play an important role in the housing industry and will continue to support and advocate for the development of more housing and home ownership. The Company continues to work with parties at various levels, forums, and associations relevant to the housing market in making recommendations to further promote the housing industry.

Outlook

HDFC is always willing to contribute to the improvement of living standards in the Maldives and will continue to push the sustainable lending agenda through greater stakeholder engagement. Even though the number of people demanding for housing is expected to continue to increase structurally in the coming years, HDFC will continue to push the sustainable lending agenda through greater stakeholder engagement. Meanwhile we will continue to avoid, minimise, and mitigate our environmental impact through greater emphasis on green financing, by reviewing our environmental and social management system and by striving to reduce our carbon footprint through more responsible consumption of resources.

Risk Management Report

Housing Development Finance Corporation is committed to supervise the management of the various risks encountered through the establishment and development of strategies and policies concerned with risks, while developing independent and solid monitoring and evaluation processes to reduce the volume of the Company's exposure to risks and enable it to work and manage the various risks that is faced at its various daily activities within acceptable levels of risks, in accordance with its internal policies and the regulatory decisions of the Board.

HDFC's Risk Rational

Risk is an integral part of business, even in the non-banking financial sector in particular. Risk can be defined as "any event or possibility of the occurrence of an event which can impair corporate earnings or cash flow over short, medium or long term" The vision of Risk Management is to proactively assist the business in delivering superior shareholder value by ensuring an optimal trade-off between risk and return.

HDFC's Risk Profile

Due to the long-term nature of the housing finance portfolio funded by comparatively short-term funds, in which HDFC operates, implementation of an efficient risk management structure is critical for the Company. Housing sector is crucial for socio economic development of the country and considered as a specific priority area in the formulation of development policies. Sensitivity to changes in those policies is also a part of the risk profile of HDFC which needs continuous strategic focus. Further, the impact of unforeseen changes in macro-economic environment, such as global economic and environmental changes are the other aspects of focus in the risk management approach at HDFC. In this context, HDFC puts special emphasis to be compliant with regulatory requirements issued by the Maldives Monetary Authority and other regulatory bodies such as Capital Market Development Authority, Registrar of Company ensuring the sustainability of the housing finance industry from time to time. HDFC emphasizes that these precautionary measures would warrant the long-term sustainability of the Company.

Key Risk Management Objectives

- To contribute to the development of the Bank by optimizing the overall risk-adjusted profitability.
- To guarantee that the Company's sustainability as a going concern, through the implementation of policies, systems and infrastructure which promote effective risk measurement and monitoring.
- To ensure that HDFC function as a responsible corporate citizen in compliance with applicable laws, regulations, and external codes of best practices.
- To contribute to the sustainability of the banking industry.

Risk Management Framwork



The Board of Directors provide oversight to ensure that all risks faced by the Company are comprehensively evaluated, monitored, and controlled by management at all times. To achieve this, Audit Committee of the Board oversees the Integrated Risk Management Framework (IRMF) to identify, assess, monitor, and control risks within the Company’s established risk appetite. At the heart of the IRMF is the “three-lines-of-defense” model, which underpins the symbiotic roles and responsibilities needed for the effective management of risk across the entire organisation.

HDFC’s Line of Risk Management



The First Line of Defence

The first line of defense, the supervision and monitoring of risk management practices are done by the management risk committee. The Risk Management Committee is responsible for measuring and monitoring risk at operational levels on an ongoing basis to ensure compliance with the parameters set out by the Board for carrying out the overall risk management function in the Company. As per MMA Regulation on CG for banks, insurance companies and finance companies (2019/R-1050) the risk function is supervised and monitored by the Risk and Audit Manager (RAM).

The Second Line of Defence

The second line of defense is enforced through a number of management committees including the Asset and Liability Committee, the Credit Committee, Recovery Committee, and the IT Steering Committee

At the Highest Level

The function of independent risk monitoring, validation, policy review and compliance are implemented by the Credit Risk Management Committee, Audit Committee, and other related committees of the board. HDFC do not have a separate Integrated Risk Management Committee.

Risk Appetite and Tolerance

Risk appetite is the maximum level of risk the Company is prepared to accept its objectives and have been defined based on regulatory requirements, borrowing covenants, and internal limits for prudential purposes. The Risk Appetite Framework, where risk appetite and tolerance levels are defined clearly for each identified risk area, was continually implemented at all three levels and risk management was monitored within predefined tolerance levels. Stress testing was conducted to ensure HDFC can absorb future macro-economic shocks. In the event the risk tolerance threshold has been breached or it is approaching the levels not desirable by the Company, risk mitigating measures and business controls are implemented to bring the exposure level back within the accepted range. Risk

appetite and tolerance, therefore, translate into operational measures such as new or enhanced limits or qualitative checks for the dimensions such as capital, earnings volatility, and concentration of risks.



Stress Testing

Stress testing is an integral part of our risk management process. It helps determine the Company's potential vulnerability to adverse macro-economic scenarios, identify and define mitigating actions before the onset of an adverse event. Stress testing is conducted at major risk categories, while portfolio-specific stress testing is conducted annually mainly credit. All stress tests are formally documented and reported to Management and the Board.

Our Key Risks

We have analysed and identified the key risks that may impact our ability to grow sustainably. These Risks are the foundation of our overall risk control strategy and as such are under continuous scrutiny with ongoing improvements forming part of the Company's unified risk control framework.

Scope and Main Content of Risk Reporting to Board and Senior Management

Risk Type	Scope and main content of Risk Reporting
Overall risk	<ul style="list-style-type: none"> ● Regulatory capital adequacy and advisory limits ● Stress testing of key risks and overall exposures. Reports on top and emerging strategic and overall business risk analysis ● Monitoring and reporting capital adequacy Ratio
Credit Risk	
Pre-Credit Risk Management	<ul style="list-style-type: none"> ● Credit Risk Rating for loans valued at MVR 5 Mn ● Credit risk policies and delegation of authority ● Review of credit risk management policies ● Staff training and knowledge sharing sessions ● Disbursement control
Post-Credit Risk Management	<ul style="list-style-type: none"> ● Loan review mechanism ● Reports on validation results and changes implemented for risk rating ● Risk appetite limit monitoring ● Reviewing of Watch List ● Implementation of new risks
Market and Liquidity Risk	<ul style="list-style-type: none"> ● Review and updating liquidity and market risk management policies ● Reports on liquidity and treasury market risk analysis ● Liquidity risk monitoring on IFRS requirements ● Reviewing of recommendations by ALCO
Operational Risks	
IT and Systems Security Risk	<ul style="list-style-type: none"> ● Reports on business continuity plan and disaster recovery drills undertaken ● Review and updating operational risk management policies ● Monitoring reporting of KPIs ● Analysing internal loss events and risk from external events ● Monitoring of IT system risks, legal risk, and people risk
Compliance Risk	<ul style="list-style-type: none"> ● Status of the Company's compliance with rules and regulations ● Results of compliance undertaken and assessment of compliance risk levels ● Report on new rules and regulations ● Review of compliance related policies and procedures

Capital Adequacy Ratio

There is no specific minimum capital requirement for Non-Banking Financial Institutions set by Maldives Monetary Authority. Twelve percent is the minimum capital requirement for all banks, however, HDFC maintain this ratio way above 12 percent.

Challenges In Managing Risk

In the process of risk management, HDFC faces the following crucial challenges which are not faced by the competitors in the industry, in general.

1. The scope of the business operations of HDFC is restricted to the powers constituted by the MMA. However, in the process of mobilization of market funds, it is inevitable that HDFC has to face more tough competition with banks. Thus, product and service diversification which is an important strategy of risk management is a challenge.
2. The core business of HDFC is entirely focused on housing to achieve one of the basic needs; housing. This is a pressing issue for a majority of the population. Thus, maintaining affordability and accessibility of our service to the masses should be the paramount phenomenon in our business. Balancing this cause with the open market competition is a crucial challenge in the process of managing risk at HDFC.
3. Housing facilities should be unarguably long term and reasonably priced to be affordable to the customers. However, funds available in the market always look for short-term destinations with high returns. Managing risk through balancing different interests of these two stakeholders is a significant challenge.
4. Housing finance invariably has to be over 10 years during which time the customer and the HDFC can go through several unforeseen economic, environmental, and social challenges.

Types of Risks

Rapid development of technology, high competitiveness, and the globalization process has significantly influenced the behaviour of the country's economy, which in turn has affected the operations of the financial sector. Therefore, we have identified risk management as an important managerial function and have set up an appropriate control system within the organization. For the purpose of risk management, HDFC has identified Credit Risk, Interest Rate Risk, Liquidity, Legal Risk and Operational Risk as premier risks associated with HDFC's business operation.

Interest Rate Risk

HDFC is exposed to interest rate risk in respect of borrowing rates of the market and international financial institutions and lending rates to customers and when investing surplus funds in money market instruments are limited to Treasury Bills and GIA in the case of Islamic. Changes in interest rates in the market can impact HDFC's financial results by affecting the spread earned on the housing portfolio particularly due to its long-term lending. However, the interest rate risk has been reduced to a great extent by obtaining long-term funds from long-term debt-instruments such as Bond and Sukuk.

Liquidity Risk

Liquidity risk is the potential loss to earnings and/or capital due to the inability to meet the Company's contractual obligations as and when they are due. The inherent maturity mismatch between the Company's short-term borrowing liabilities and longer-term maturities of its lending portfolio exposes it to liquidity risks, the management of which is critical to preserving financial stability. The ALCO is entrusted for managing liquidity risks and consistently monitors the organisations liquidity position to ensure compliance to regulatory requirements and internal targets.

HDFC do not have a complex business model as it only lends to housing and does not invest in complex financial instruments either. We invest our surplus funds in the Government Treasury Bills and in case of Amna in the General Investment Account at Islamic Bank.

The management of the liquidity position under 'normal' conditions is described in the finance manual. The company manages the liquidity position to withstand a liquidity crisis without damaging the on-going viability of its business. The daily liquidity management is currently executed at EXCO level as it is the business strategy of HDFC to have this process close to the management team so as to determine the required liquidity.

Reporting requirements including regular updates to the Board, which enables the Board to ensure that liquidity indicators are maintained within the parameters agreed by the Board.

On an aggregated level, the Finance Department monitors the liquidity buffer versus the daily required limits.

Market Risk

Market risk is the risk of loss arising from movements in market driven variables such as interest rates, exchange rates, commodity prices, equity and debt prices and their correlations. The Company's operations are exposed to these variables and correlations in varying magnitudes. Exposure to market risk arises mainly from IRR and foreign exchange risk. The market risk is managed through a risk governance structure and a comprehensive suite of risk management processes which include policies, market risk limits, monitoring, and risk assessment.

Operational Risk

Operational risk is the risk of losses stemming from inadequate or failed internal processes, people, and systems, or from external events such as natural disasters, social or political events. It is inherent in all financial institutions and processes and our objective is to control it in a cost-effective manner. Operational risk includes legal risk. HDFC manages operational risk through the operational risk management framework which comprises a robust risk governance structure and a comprehensive suite of risk management processes which include policies, risk assessment, risk mitigation through insurance coverage, policies and procedures relating to outsourcing of business activities, managing technology risk, a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), creating a culture of risk awareness across the Company, stress testing, monitoring, and reporting.



Legal Risk

Defined as the exposure to the adverse consequences resulting from inaccurately drafted contracts, their execution, the absence of written agreements or inadequate agreements, legal risk is an integral part of operational risk. It includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as cost of private settlements.

Legal risk is managed by ensuring that applicable regulations are fully taken into consideration in all relations and contracts with individuals and institutions who maintain business relationships with the Company and that they are supported by required documentation whereas risk of breaching the rules and regulations is managed by establishing and operating a sufficient mechanism for verification of conformity of operations with applicable regulations.

Compliance Risk and Regulatory Risk

HDFC need to deal with several compliances framed by several regulators, government bodies, and independent bodies. Any failure to adhere to their compliance requirements could lead to risk on the operations and financials of the business. As the Company is regulated by MMA and registered with Registrar of Companies (ROC) its debts are listed on the Maldives Stock Exchange. To ensure all compliances are in place, the Company has designated a Risk and Audit Manager who takes care of all the requirements on an on-going basis.

Various regulatory and governing bodies regulate, monitors, and supports the development of lending business in the Maldives. Any changes in laws and regulations could materially impact the operations and its

associated costs of lending business. Also, any non-adherence of any rules, directives, norms etc. may have adverse impact on business sustainability. To mitigate these risks, the Company rigorously reviews and manages all the changes/ directives/rules issued or expected to be issued by various such bodies' viz. MMA, CMDA, etc. and amend our operations and systems as per the requirements.



Competition Risk

Any high growth industry attracts many new players and thus, creates competition risks for existing players in terms of threat of losing market share. The intensity of competition is determined by barriers to entry, industry growth potential, customers profile etc. As housing finance business is one of the largest sub-segment of lending business in the Maldives and growing very rapidly due to economic growth, increased urbanisation, government incentives, acceptability of credit in society and rise in nuclear families, the industry is bound to attract many new players.

Key Risk Challenges In Year 2022

HDFC has unique challenges in the year to come.

- Government regulations and judicial frameworks may affect the ability of HDFC to manage our credit risk effectively. For example, judicial impediments to collateral enforcement lessen HDFC's ability to implement legal proceedings against borrowers or to receive assets in payment of debt get delayed. The impact of costs associated with legal proceedings and the average length of such proceedings will affect the credit risk.
- Enhancing cyber security and developing IT infrastructure.
- Restructuring funding mechanism to minimise the risk.
- Successful implementation of ERP, DYNAMIC 360

Human Capital



Human Resource department is one of the most pivotal sectors within the organization. The main function of the Human Resource department is to uphold our business culture, attract and retain employees, and provide them with invaluable knowledge and continuous development while offering the astute ability to perform at their best potential.

Managing Our Human Capital

The Company's HR policy framework extends beyond the Labor Law and provides a solid foundation for the effective management of HR related aspects. Policies are revisited where changes are required, and we sought to align the framework with the Company's business strategy. The employee Code of Conduct is applicable to all employees and outlines the professional and ethical conduct that is expected. These include general conduct, competencies, confidentiality, and handling of information among others.

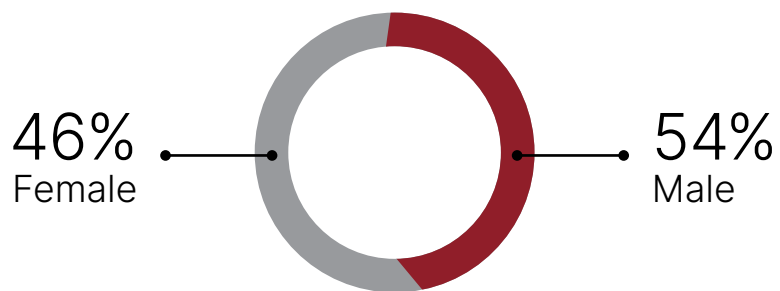
Team HDFC

The HDFC team comprises 36 competent employees who are a key source of the company. All employees are engaged on a full-time basis while permanent staff accounts for 56% of the total talent pool; the remaining are recruited on contract basis.



Gender Parity At HDFC

Creating a diverse and inclusive workplace is a key HR priority at HDFC and in recent years significant focus has been placed on promoting gender equality. Our ultimate objective is to create a workplace which understands the specific concerns of women and provides an environment in which they can thrive professionally, while maintaining an effective work life balance.



Harmony In Affiliation

Our people know and respect all employees as complete individuals with their own personal relationships, interest and challenges and communicate openly and inclusively.

Our established grievance handling framework allows employees to raise concerns, lodge complaints and grievances in the work environment. The “Appeal and Grievance Policy” provides guidance to follow with regard to the grievance process. Employees are informed to raise grievances to their immediate supervisor and to HR department if the matter is unresolved. The company’s “Appeal and Grievance Committee” ensures that grievances are properly addressed in a fairly and timely manner.



Adapting to the New Normal

The 'new normal' has become a buzz word in the corporate environment as businesses deal with various ways to sustain operations in the face of the lingering COVID-19 pandemic. Adapting to this 'new normal' broadly revolves around people and technology.

A common feature of the new normal is working remotely. The two main concerns when it comes to working remotely is ensuring that there is minimal disruption to the flow of work and quality is not compromised. To ensure adherence to these, employees are required to stick to a routine irrespective of their location of work. This involves setting up a workspace and sticking to a predetermined work schedule as a way of maintaining consistency.

Evaluating employees is tricky in these times of prolonged absence of face-to-face interactions since traits that are observed rather than measured such as interpersonal skills and commitment to work, may be eroded from the appraisal process. However, a fair appraisal is essential to drive performance and motivate people. It is necessary to redefine and communicate what is important to the company and enforce this through the appraisal process. Management needs to go beyond the traditional approach, see the big picture and acknowledge any additional effort from staff as they cope with the disruptions of working remotely.

As COVID-19 is still with us to varying extents, today we must create a work environment that nurtures living in this reality to maintain and grow productivity. We have facilitated vaccination for all staff where they have completed their second dose of covid-19 vaccine and vaccination of booster dose is continuing. Influenza (flu) vaccine program was also conducted considering the viral infection across the greater Male' and 77% of the staff received their flu shot.

Performance Appraisal

All staff undergo a yearly performance appraisal to assess their performance, determine compensation packages and a basis to identify training and development programs to improve their performance and achieve greater productivity. Key Performance Indicators (KPI) framework was implemented in the staff performance appraisal system. All employees are appraised annually against a set of predetermined evaluation criteria. Employees are encouraged to obtain professional qualifications to enhance their career development process.

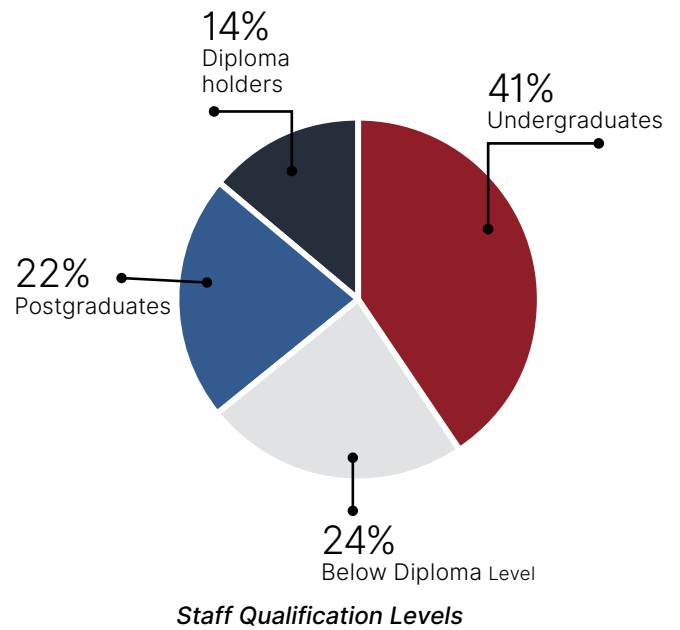
Rewards and Recognition

Employees are rewarded for their efforts and contributions to the company. Besides the mandatory requirements, the company provides guaranteed pay, annual bonus based on company's growth, staff loans including personal and housing loans at a subsidized rate, and assistance for professional development.



Knowledge, Skills and Experience

The collective knowledge of our diverse team, together with their skills and experience is a key source of competitive edge. Therefore, nurturing the Company's intellectual capital base through knowledge sharing and instilling a culture of learning is vital in preserving our competitive position. More than 27% of our employees have been with us for more than 10 years, allowing us to build a unique base of intellectual capital, which is passed on through culture of mentoring.



Talent Development

We believe it is important to upskill the existing employees by ensuring that the staff training needs are met in order to develop capacity and ability to make informed decisions. We facilitate talent development through continuous opportunities for learning which support the Company's future skill requirements. The training agenda for the year is aligned to the company's strategic aspirations and annual training calendars are prepared in advance. During the year, we have conducted training in Islamic Finance, Customer Care, IFRS, Technical trainings (Construction related, Audit, Insurance) and refresher trainings.



- Number of Local trainings conducted: 17
- Number of In-house trainings conducted: 16

In our efforts to retain employees, opportunities were provided internally through job rotation. We recognize employee's talents and skills and pave way for career development by assigning challenging jobs and change in responsibilities that best suit their individual skills. We recognize staff with wide diverse background that can make a valuable contribution to the company and encourage staff to create their own position within the company.

Proactive Engagement

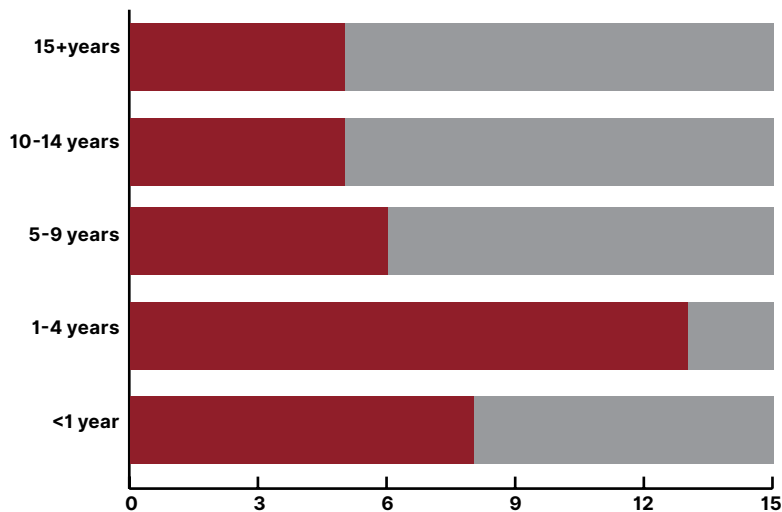
Numerous employee engagement mechanisms are in place to create an organizational culture where employees can thrive. HDFC also promotes an open-door culture where employees are encouraged to put forward any suggestions to the Management Team, thereby nurturing a shared and open culture. When implementing operational changes, information is passed timely to the employees, depending on the circumstances.

Promoting Employee Well-Being

We believe well-being benefits are important to have an active healthy workforce. We aim to create a supportive work environment to enhance their productivity at work while managing their personal lives and family responsibilities. We have provided flexibility to utilize two-hour break for mothers, early departure to attend personal responsibilities. Staff engagement is encouraged through the activities organized by the Company’s Recreation Club. We discourage overworking culture and encourage staff to be creative and productive while at work.

Glory Of Belongingness

We have a strong sense of belongingness within the company that leads with an inspirational mission and purpose that aligns and creates an emotive connection with all employees. The Company directly and decisively address with behavior that is not in line with our values.



Outlook

The Company’s HR strategy will focus on promoting employee behaviors, culture and competencies to achieve company’s goals. We hope to bring a significant change to the workplace by actively re-engaging our workforce. We will focus on assessing staff skills needs, developing and maintaining competitive pay and benefits, retaining talent, providing training, including ethics, which reinforces corporate values. HR’s aim is to lead employees through change.

Management of Non-Performing Loans (NPL)

General Brief

The economic impact from the covid-19 pandemic has caused exceptional level of disruption. With more than one year having passed, the development has curtailed repayment capacity among many affected borrowers and also elevated uncertainty on the borrower's capacity to make payments, along with the vast majority of borrowers who opted for moratorium have also requested for additional leniency. The 2021 Non-performing loans and facilities escalated to 4.72% as of 31st December 2021 in comparison to 3.09% in 2020.



NPL Ratio Movement

Total Assets value decreased by 176 million in the loan book. NPL ratio picked up to 4.72% compared to 3.09% in the previous year. The portfolio growth is annualized at 12% for the year, thus showing a major decline on the portfolio which impacts the NPL benchmark vastly. Per contra, the number of loans on NPL maintains equivalent to that of year 2020. Relative to the portfolio decline the implication of NPL is significantly low.

Our Approach Towards NPL Management

Since the economic effects and its disruption to income have outlasted the six months duration of moratorium, it is timely to assess borrowers struggling to meet repayments and to offer further leniency and loan modifications. In this note, the following aims are set to manage NPL, which includes outlining economic shock to borrower repayment capacity, highlighting economic and institutional factors when recommending option to distressed borrowers, renegotiation of distressed loans or new mortgage contracts.

Best Practice

The developed work-out strategies and effective best practices within HDFC on NPL management, the NPL ratio was held below 5 percent by the end of year 2021. The recovery options are reviewed and revised on a regular basis rigorously depending on the complexity and the specific situation of each case. The routes to recovery practiced currently have helped to optimize loan recoveries. These include, restructuring the loan with new terms, out of court restructurings and legal enforcements.

Underwriting Process

In order to identify loan status and preventing loans from converting to NPLs, reporting NPL is important for a sustainable NPL management process. The NPL management process need to be continuously reviewed and updated as a basis for performance. This process assists loans for immediate attention, monitoring and controlling.



Monitoring and Follow-ups

Effective early warning signals to identify risky borrowers is a constructive tool which has helped to predefine a set of mandatory actions and strategies to different watch list categories, in order to mitigate the risk of default early. The process of maintaining different watch list categories reflecting different degrees of risky borrowers clearly defined the tracking of default loans and execution of mitigating actions towards the borrower.

Recovery System

The Recovery department operates as a separate function undertaking default loan monitoring and legal procedures. The annual target set for the year is achieved by aligning the regulatory requirements such as provisioning NPLs, gap analysis, matrix categorizing and improving legal procedures. Regular follow-ups are a continuous cycle to deal with distressed borrowers. Monthly NPL report is segmented with action plans which is presented to the recovery committee end of each month.

Key Initiatives in 2021

The prolonged economic downturn remains a challenge for managing NPL. The stress testing technique that is performed as a part of performance testing helps concentrate on evaluating the borrower's performance on repayments. These findings helped to offer default borrowers to utilize deposit thereby suggesting a payment arrangement to top up the deposit as a form of leniency.

In addition, distressed loans aged above 12 months are considered for reschedule by creating a sustainable work out solution for both borrower and company. Acceptable borrowers are offered a restructuring option to optimize loan recovery. Restructuring the loan with new terms are reviewed depending on the complexity and specific situation of each case.

Delinquency counselling provided aid in delinquency situation where it has improved repayment behavior of borrowers. Borrowers seek counselling late in their delinquency to explore options to cure default and assist the borrower with a debt reduction plan which produces a positive outcome for managing NPLs.

Changes and Status of Legal Proceedings

Since the dispute resolution division was dissolved recently, all preliminary hearings were scheduled and adjudicated at the trial division. Due to the recent changes, in certain circumstances there may be legal impediments that may arise. More importantly, several enforcement cases can be submitted once the period stipulated under the Health Emergency Act is over as the court does not have any authority to foreclose the mortgage security.

Way Forward

To ensure a steady growth, investing and upgrading of technology is of paramount importance. A successful ERP and CRM implementation will help to manage NPL and managing borrower communications in a more efficient and effective manner is equally important.

The key focus for the year is aimed to get required support on legal proceedings for the adjudicated foreclosing enforcements, unsettled due to the Health emergency Act.



Financial Statements

31st December 2021

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021**

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31ST DECEMBER 2021

CONTENTS

Page

Independent Auditors' Report to the Shareholders

1 - 4

Financial Statements

Statement of Comprehensive Income

5

Statement of Financial Position

6

Statement of Changes in Equity

7

Statement of Cash Flows

8

Notes to the Financial Statements

9 - 67



KPMG
 (Chartered Accountants)
 2nd Floor, H. Mialani
 Sosun Magu,
 Male',
 Republic of Maldives.

Tel : +960 3310 420
 +960 3310 421
 +960 3310 422
 +960 3323 393
 Fax : +960 3323 175
 E-mail : kpmgmvmv@kpmg.com

**Independent Auditors' Report
 To the Shareholders of Housing Development Finance Corporation PLC**

Opinion

We have audited the accompanying financial statements of Housing Development Finance Corporation PLC ("the Company"), which comprise the statement of financial position as at 31st December 2021, the statements of comprehensive income, changes in equity and cash flows for the period then ended and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 5 to 67.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2021 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

1. Impairment of Receivables from Financing Activities - Financial Instruments

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in note 3.2.4 of the financial statements)

Risk Description	Our Response
<p>IFRS 9 Financial Instruments requires impairment based on expected credit losses ("ECL").</p> <p>High degree of complexity and judgement are involved in estimating expected credit loss of MVR 51,725,693/- against the receivables from financing activities as at the reporting date.</p>	<p>We performed audit procedures to gain assurance on the process of estimating the impairment allowance on receivables from financing activities. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures.</p>



Independent Auditors' Report (Continued)
To the Shareholders of Housing Development Finance Corporation PLC

Key Audit Matters (Continued)

1. Impairment of Receivables from Financing Activities - Financial Instruments (Continued)

Risk Description	Our Response
<p>Allowance for expected credit losses is a key audit matter due to the significance of the receivable to the financial statement and the inherent complexity of the Company's ECL model used to measure ECL allowances.</p> <p>Key judgements and estimates in respect of the timing and measurement of ECL include;</p> <ul style="list-style-type: none"> - Judgments over the grouping of loans and advances based on the similar risk characteristics. - Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; - Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; - Completeness and accuracy of data used to calculate the ECL; - Inputs and assumptions used to estimate the impact of multiple economic scenarios; - Completeness and valuation of post model adjustments; - Measurements of individually assessed provisions including the assessment of multiple scenarios; and - Accuracy and adequacy of the financial statement disclosures. 	<ul style="list-style-type: none"> - Assessing the design, implementation and operating effectiveness of key controls over impairment provision of loans and advances. - Evaluating the management process over identifications contracts to be assessed, evaluation of the inputs, assumptions and adjustments to the ECL. - Challenging the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; this includes peer benchmarking to assess staging levels. Testing loans and advances in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage. - Challenging the key assumptions, evaluating the reasonableness of the key judgments and estimates used by the management with the assistance of own IFRS 9 specialists. This includes assessing the appropriateness of model design, formulas used, recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. - Assessing the completeness, accuracy and relevance of data used for the ECL calculation. - Assessing the completeness and appropriateness of the assessment of required post model adjustments. - Assessing appropriateness of the accounting policies based on the requirements of IFRS 9 and the adequacy and appropriateness of disclosures for compliance with the accounting standards.



Independent Auditors' Report (Continued)
To the Shareholders of Housing Development Finance Corporation PLC

Other Matter relating to comparative balances

The financial statements of the Company as at and for the year ended 31st December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 23rd May 2021. We were not engaged to audit, review, or apply any procedures to the comparative information. Accordingly, we do not express an opinion or any other form of assurance on comparative information.

Other Information

The Board of Directors (the "Board") is responsible for the other information. The other information comprises the information included in the annual report, but does not include in the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (the "Board") is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free to be reviewed from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Company's financial reporting processes

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



Independent Auditors' Report (Continued)
To the Shareholders of Housing Development Finance Corporation PLC

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is R. W .M.O. W. Duminda B. Rathnadiwakara.

Chartered Accountants
For and on behalf of KPMG Maldives
Male'

16th March 2022

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED		31/12/2021	31/12/2020
	Note	MVR	MVR
Interest income	5	152,313,369	156,923,525
Interest expense	5	(51,400,844)	(52,889,377)
Net interest income		<u>100,912,525</u>	<u>104,034,148</u>
Net income on shari'ah products	6	37,436,932	37,664,514
Fee income	7	3,094,776	2,548,989
Other income	8	2,050,634	1,207,471
Total Operating Income		<u>143,494,867</u>	<u>145,455,122</u>
Reversal made of provision for impairment loss on loans and advances	10	(8,116,088)	2,671,583
Reversal / (recognition) of modification loss on loans and advances	11	3,183,549	(15,238,597)
Salaries and personnel expenses	9	(11,309,743)	(10,237,640)
Other operating expenses	12	(6,381,968)	(6,582,141)
Total Operating Expenses Including Impairment Provision		<u>(22,624,250)</u>	<u>(29,386,795)</u>
Profit before income tax		120,870,617	116,068,327
Income tax expense	13	(19,205,147)	(20,742,352)
Profit for the year		<u>101,665,470</u>	<u>95,325,975</u>
Basic earning per share	14	<u>63.79</u>	<u>59.81</u>

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 5 to 67. The Report of the Independent Auditors is given on pages 1 and 2.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION**

AS AT		31/12/2021	31/12/2020
	Notes	MVR	MVR
ASSETS			
Cash and cash equivalents	15	369,042,432	107,623,155
Loans and advances	16	1,716,389,516	1,834,851,202
Financial assets at amortised cost	17	257,549,099	119,885,240
Property, plant and equipment	18	868,788	1,053,352
Right-of-use assets	19	7,637,567	8,738,051
Intangible assets	20	74,724	246,724
Other assets	21	7,144,823	7,312,015
Deferred Tax Asset	13.3	5,067,075	5,117,559
Total assets		2,363,774,024	2,084,827,298
LIABILITIES			
Deposits from customers	22	78,518,115	80,313,469
Debt securities in issue	23	574,745,395	432,618,697
Other borrowed funds	24	605,317,977	624,550,502
Other liabilities	25	366,943,681	268,893,707
Lease liabilities	26	9,053,613	9,664,668
Current tax liabilities	13	9,005,148	10,417,880
Total liabilities		1,643,583,929	1,426,458,923
SHAREHOLDERS' EQUITY			
Share capital	27	159,375,000	159,375,000
General reserve	27.4	15,000,000	15,000,000
Retained earnings		545,815,095	483,993,375
Total shareholders' equity		720,190,095	658,368,375
Total equity and liabilities		2,363,774,024	2,084,827,298

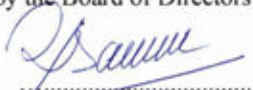
The figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 5 to 67. The Report of the Independent Auditors is given on pages 1 and 2.

These financial statements were approved by the Board of Directors and signed on its behalf by:



Mohamed Ahmed
Chairman - Audit Committee



Raheema Saleem
Managing Director



Mohamed Shafeeq
Chief Financial Officer

16th March 2022

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Share capital MVR	General reserve MVR	Retained earnings MVR	Total MVR
As at 1 st January 2020	159,375,000	15,000,000	388,667,400	563,042,400
Profit for the year	-	-	95,325,975	95,325,975
As at 31 st December 2020	159,375,000	15,000,000	483,993,375	658,368,375
As at 1 st January 2021	159,375,000	15,000,000	483,993,375	658,368,375
Profit for the year	-	-	101,665,470	101,665,470
Total Comprehensive Income for the Year	-	-	101,665,470	101,665,470
Transactions with owners of the Company				
Dividend declared during the year (Note 27.3)	-	-	(39,843,750)	(39,843,750)
Total transactions with owners of the Company	-	-	(39,843,750)	(39,843,750)
As at 31 st December 2021	159,375,000	15,000,000	545,815,095	720,190,095

The figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 5 to 67. The Report of the Independent Auditors is given on pages 1 and 2.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	31/12/2021 MVR	31/12/2020 MVR
Cash flows from operating activities			
Profit before tax		120,870,617	116,068,327
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	18	395,400	420,055
Depreciation on right-of-use assets	19	1,100,484	1,100,484
Impairment losses on financial assets	10	8,116,088	(2,671,583)
Reversal made of modification loss of loans and advances	11	(3,183,549)	15,238,597
Amortization of intangible assets	20	172,000	241,833
Interest expense on lease liabilities	5	828,945	848,015
Loss on disposal of property, plant and equipment		12,703	-
Interest expenses		83,467,354	82,662,163
Interest income		(218,703,374)	(223,645,142)
Operating loss before working capital changes		(6,923,332)	(9,737,252)
<i>Changes in working capital:</i>			
Increase / (decrease) in loans and advances to customers		48,604,522	(35,591,782)
Increase / (decrease) in other assets		167,192	(118,120)
Increase / (decrease) in other liabilities		58,206,063	(38,944,564)
Decrease in deposits from customers		(2,275,321)	(8,370,715)
Cash generated from / (used in) operating activities		97,779,124	(92,762,432)
Interest received		281,125,394	150,192,156
Interest paid		(72,168,716)	(80,019,993)
Income tax paid	13	(20,567,395)	(20,348,279)
Net cash generated from / (used in) operating activities		286,168,407	(42,938,547)
Cash flows from investing activities			
Purchases of property, plant and equipment	18	(225,032)	(429,601)
Proceed from disposal of property, plant and equipment		1,493	-
Net investments on treasury bills during the year		(135,161,254)	104,961,277
Net cash (used in) / generated from investing activities		(135,384,793)	104,531,676
Cash flows from financing activities			
Repayments of debt securities in issue		(58,122,860)	(37,250,330)
Repayments of other borrowed funds		(165,934,622)	(120,840,456)
Proceeds from debt securities in issues		203,403,000	-
Proceeds from other borrowed funds		131,901,200	50,489,593
Dividend paid		-	(43,828,304)
Repayment of lease liabilities	26	(611,055)	(591,985)
Net cash generated from / (used in) financing activities		110,635,663	(152,021,482)
Net increase / (decrease) in cash and cash equivalents		261,419,277	(90,428,354)
Cash and cash equivalents at beginning of the year		107,623,155	198,051,509
Cash and cash equivalents at end of the year	15	369,042,432	107,623,155

The figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 5 to 67. The Report of the Independent Auditors is given on pages 1 and 2.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

1. REPORTING ENTITY

Housing Development Finance Corporation Public Limited Company (the "Company") was incorporated and domiciled in the Republic of Maldives since 28th January 2004. Initially the Company was incorporated as a stated own enterprise (Housing Development Finance Corporation) on 28th January 2004, by a Presidential Decree and presently governed under the Companies Act No. 10 of 1996.

The Company was registered as a public limited company on 9th February 2006 and privatized on 23rd July 2008 by signing of a shareholders' agreement between Government of Maldives, International Finance Corporation, Asian Development Bank and HDFC Investments Limited India. The registered office of the Company is at 4th Floor, H. Mialani, Sosun Magu, Male', Republic of Maldives. The Company is engaged in the business of granting housing loans for residential and commercial purpose.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of Measurement

The financial statements have been prepared on the historical cost other than assets and liabilities measured at fair value.

(c) Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is the Company's functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest rufiyaa.

(d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

A. Judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

2. BASIS OF PREPARATION (CONTINUED)

A. Judgements (continued)

- establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL. (Refer note 29.1.2)
- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPP on the principal amount outstanding. (Refer note 3.2.4)

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st December 2021 is included in the following notes.

- impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. (Refer note 29.1.2.3)

Impact from Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn and forecasts for key economic factors including such as GDP and inflation. This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- the effectiveness of government and monetary authority measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

(e) Going Concern

The Board has made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and it does not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES

Except for describe below in note 3.1, the accounting policies applied in these financial statements are the same as those applied in the financial statements as at and for the period ended 31st December 2020.

The following amendments to IFRS have been applied by the Company in preparation of these financial statements. The below were effective from 1st January 2021:

Interest Rate Benchmark Reform

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) 1st January 2021

Effective from 1 January 2021, the Company has adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). These amendments provide practical relief from certain requirements in IFRS.

These reliefs relate to modifications of financial instruments and lease contracts by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

Since the Company had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31st December 2020, there is no impact on opening equity balances as a result of retrospective application.

If changes are made to a financial assets or liability in addition to changes to the basis for determining the contractual cashflows required by interest rate benchmark reform, then the Company first update the effective interest rate of the financial assets or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Company applies the policies on accounting for modification set out above to the additional change.

The amendments also provide an exception to use a revised discount rate that reflect the change in interest rate when remeasuring a lease facility because of a lease modification that is required by interest rate benchmark reform.

Managing interest rate benchmark reform and associated risks due to a replacement of an alternative benchmark rate are discussed in Note 29.2

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Transactions in Foreign Currency

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translations are recognized in profit or loss.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non-monetary assets and liabilities, which are stated at fair value, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

3.2. Financial assets and liabilities

3.2.1. Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principle repayments, plus or minus the cumulative amortisation using effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and, the loan processing fees since the amount is immaterial. When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial.

3.2.2. Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for the financial assets that have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

3.2.3. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.3. Initial recognition and measurement (continued)

loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, as described in note 3.2.4, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3.2.4. Financial assets

(i) Classification

The Company classifies its financial assets at amortised cost. The classification requirements for debt instruments are described below:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- a. The Company's business model for managing the asset; and
- b. The cash flow characteristics of the asset

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP").

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.4. Financial assets (continued)

Financial assets measured at amortised cost comprise receivables from Murabaha, Istisna'a, Diminishing Musharaka, Education Financing, balances with Maldives Monetary Authority ("MMA"), cash in hand and balances with banks.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Accordingly, the Bank has irrevocably elected to present subsequent changes in fair value in OCI.

Financial assets designated at FVOCI comprise Bank's investments in equity shares.

All other financial assets are classified as measured at FVTPL.

Financial assets measured at FVTPL comprise Bank's money market placements and some Wakala and Mudharaba placements which are not SPPP on the principal outstanding.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.4. Financial assets (continued)

Assessment of whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, The Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse financing facilities); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

The Bank holds a portfolio of long-term fixed rate financing facilities for which the Bank has the option to propose to revise the profit rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the finance facility subject to rebate policy of the Bank. The Bank has determined that the contractual cash flows of these financing facilities are solely payments of principal and profit because the option varies the profit rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPP criterion. Accordingly, all such financial assets are measured at FVOCI.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

(ii) Subsequent measurement

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.4. Financial assets (continued)

amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 29.1.2. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

(iii) Impairment

The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost with the exposure arising from loan commitments. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

- (i) The time value for money; and
- (ii) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.4. Financial assets (continued)

(iii) Impairment (continued)

Measurement of ECL (continued)

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn finance commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets: the original effective profit rate or an approximation thereof;
- POCI assets: a credit-adjusted effective profit rate;
- undrawn finance commitments: the effective profit rate, or an approximation thereof, that will be applied to the financial asset resulting from the finance commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate if the existing financial asset.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.4. Financial assets (continued)

(iii) Impairment (continued)

Measurement of ECL (continued)

Credit-Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a finance facility by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financing facility that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a financing facility provided to an individual customer that is overdue for 120 days or more is considered credit-impaired even when the regulatory definition of default is different.

Purchased or Originated Credit-Impaired (POCI) Financial Assets

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- finance commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the finance commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Refer Note 29.1.2 for more details of how the expected credit loss allowance is measured.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.4. Financial assets (continued)

(iii) Impairment (continued)

Write-off

Financing and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Loan commitments

Loan commitments provided by the Company are measured as the amount of the loss allowance (calculated as described in note 29.1.2.3). The Company has not provided any commitment to provide loans at a below market interest rate, or that can be settled in cash or by delivering or issuing another financial instrument.

For loan commitments, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Company cannot separately identify the expected credit loss on the undrawn commitment component from those on the loan component, the expected credit loss on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit loss exceeds the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(iv) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, The Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.4. Financial assets (continued)

(iv) Modification of loans (continued)

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in

credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(v) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of the ownership, or (ii) the Company neither transfers nor retains substantially all the risk and rewards of ownership and the Company has not retained the control.

3.2.5. Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost except for loan commitments.

Interest expenses

Interest expense is recorded using the Effective Interest Rate (EIR) method. EIR is the rate that estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial liability.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired). The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Financial assets and liabilities (continued)

3.2.5. Financial liabilities (continued)

modification of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows

of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of term is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3.2.6. Interest Rate Benchmark Reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

3.3. Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all bank placements with original maturities of less than three months.

Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on the future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

3.5. Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	-	10 years
Furniture and fixtures	-	5 years
Computer equipment	-	5 years
Motor vehicles	-	4 years
Office equipment	-	3 to 8 years

Leasehold improvements consist of partitions and fixtures on the leasehold properties. These assets are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term. The charge for the depreciation commences from the date on which the assets are available for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income or other operating expenses, as the case may be, in the income statements.

3.5. Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Intangible assets

Costs associated with software are capitalised and amortised using the straight-line method over estimated useful life of four years. The carrying amount of intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

3.7. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Payments made under operating leases are recognized in profit or loss on accrual basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(i) As a lessee (Continued)

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises right-of-use assets and a lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use assets reflect that the Company will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Leases (continued)

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liabilities are measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a

residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-Use Asset" and lease liability in "Lease Liability" in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.9. Debt securities in issue

Debt securities in issue include bonds and sukuk issued by the Company. Debt securities are stated at amortised cost. If the Company purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

The obligation to make future payments of principal and interest to bondholders is carried at amortised cost until extinguished on maturity of the bonds.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10. Other borrowed funds

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income as other income or finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

3.11. Customer deposits

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

3.12. Derivative financial instruments

Derivative financial instruments, including currency swaps are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives).

3.13. Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

3.15. Share Capital

Ordinary shares are classified as equity.

3.16. Dividends

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Company's shareholders.

3.17. Fiduciary Activities

The Company commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of Ministry of Housing and Infrastructure (MHI). These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

3.18. Current and deferred tax

The tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax computation with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The provisions for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Income Tax Act.

The Company is liable to income tax at rate of 15%, if the taxable profit of the year exceeds MVR 500,000.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Current and deferred tax (continued)

The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

3.9. Fees, Commissions and other income and expenses

Fees, commissions and other income and expenses items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.10. Employee Benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company contributes 7% of members' salary into the scheme with an additional, minimum, 7% of salary being contributed by the members.

3.20. Employee Benefits (continued)

(ii) Short-term benefits

Short-term employee benefit obligations of the Company are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.21. Segment Reporting

Segments are reported in a manner consistent with the internal reporting provided to the board of Directors of the Company. Segments whose revenue results or assets are 10 percent or more of all the segments are reported separately.

3.22. Presentation of statement of financial position in order of liquidity

The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, analysis of assets and liabilities by their expected maturities is presented in Note 29.3.3.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22. Presentation of statement of financial position in order of liquidity

31 st December 2021	Amounts expected to be recovered or settled		
	Within 12 months of the reporting period	After 12 months of the reporting period	Total
Assets			
Cash and cash equivalents	369,042,432	-	369,042,432
Financial assets at amortised cost	257,549,099	-	257,549,099
Loans and advances	45,505,000	1,670,884,516	1,716,389,516
Property, plant and equipment	-	868,788	868,788
Intangible assets	-	74,724	74,724
Right-of-use assets	-	7,637,567	7,637,567
Deferred income tax assets	-	5,067,075	5,067,075
Other assets	-	7,144,823	7,144,823
Total assets	672,096,531	1,691,677,493	2,363,774,024

Liabilities			
Deposits from customers	2,082,000	76,436,115	78,518,115
Debt securities in issue	19,790,000	554,955,395	574,745,395
Other borrowed funds	216,564,000	388,753,977	605,317,977
Other liabilities	-	366,943,680	366,943,680
Lease liabilities	762,000	8,291,613	9,053,613
Current tax liabilities	9,005,148	-	9,005,148
Total liabilities	248,203,148	1,395,380,780	1,643,583,929

31 st December 2020	Amounts expected to be recovered or settled		
	Within 12 months of the reporting period	After 12 months of the reporting period	Total
Assets			
Cash and cash equivalents	107,623,155	-	107,623,155
Financial assets at amortised cost	119,885,240	-	119,885,240
Loans and advances	48,737,000	1,786,114,202	1,834,851,202
Property, plant and equipment	-	1,053,352	1,053,352
Intangible assets	-	246,724	246,724
Right-of-use assets	-	8,738,051	8,738,051
Deferred income tax assets	-	5,117,559	5,117,559
Other assets	80,273	7,231,742	7,312,015
Total assets	276,325,668	1,808,501,630	2,084,827,298

Liabilities			
Deposits from customers	2,074,034	78,239,435	80,313,469
Debt securities in issue	63,470,877	369,147,820	432,618,697
Other borrowed funds	184,047,000	440,503,502	624,550,502
Other liabilities	8,533,000	260,360,707	268,893,707
Lease liabilities	700,508	8,964,159	9,664,668
Current tax liabilities	10,417,880	-	10,417,880
Total liabilities	269,243,299	1,157,215,624	1,426,458,923

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

4. AMENDMENTS TO ACCOUNTING STANDARDS EFFECTIVE BUT NOT YET ADOPTED

A number of amendments to International Accounting Standards (IFRSs/IASs) are effective for annual periods beginning after 1st January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretation are not expected to have a significant impact on the Company's financial statements.

- i) Definition of Material – Amendments to IAS 1 and IAS 8
- ii) Revised Conceptual Framework for Financial Reporting
- iii) Covid 19 Related Rent Concessions (Amendments to IFRS 16)
- iv) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

(i) Definition of Material – Amendments to IAS 1 and IAS 8

The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- The meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need

(ii) Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

4. AMENDMENTS TO ACCOUNTING STANDARDS EFFECTIVE BUT NOT YET ADOPTED (CONTINUED)

(ii) Revised Conceptual Framework for Financial Reporting (Continued)

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1st January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

(iii) Covid 19 Related Rent Concessions (Amendments to IFRS 16)

The Company assessed the impact from COVID-19 Related Rent Concessions – Amendments to IFRS 16 issued on 28th May 2020 which is effective from 1st June 2020 and early adoption also permitted from 1st January 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee- i.e for leases to which the Company applies practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications.

Further, the an entity applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

However, there is no impact to the financial statements of the Company from leases as at 1st January 2021.

(iv) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1st January 2023.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

5	NET INTEREST INCOME	2021 MVR	2020 MVR
	Interest Income Calculated using the Effective Interest Rate Method (Note 5.1)	152,313,369	156,923,525
	Less: Interest Expense (Note 5.3)	(51,400,844)	(52,889,377)
	Net Interest Income	<u>100,912,525</u>	<u>104,034,148</u>
5.1	Interest Income Calculated using Effective Interest Rate Method		
	Loans and Advances (Note 5.2)	144,415,174	153,361,233
	Investments in Treasury Bills	7,898,195	3,562,292
		<u>152,313,369</u>	<u>156,923,525</u>
5.2	Interest Income from Loans and Advances		
	Housing Loans and Advances	144,243,184	153,218,351
	Staff Loans	171,990	142,882
		<u>144,415,174</u>	<u>153,361,233</u>
5.3	Interest expenses		
	Other borrowed funds	36,791,431	37,077,468
	Debt securities in issue	12,829,196	13,916,608
	Deposits from customers	951,272	1,047,286
	Interest on lease liabilities (Note 26)	828,945	848,015
		<u>51,400,844</u>	<u>52,889,377</u>
6	NET INCOME ON SHARI'AH PRODUCTS	2021 MVR	2020 MVR
	Revenue from housing facilities	66,390,005	64,275,462
	Revenue from short term investments	2,291,785	2,446,155
	Fee income	1,650,597	1,563,698
	Amna investors' profit share	(32,895,455)	(30,620,801)
		<u>37,436,932</u>	<u>37,664,514</u>
7	FEE INCOME	2021 MVR	2020 MVR
	Housing loan processing fees	177,304	192,287
	Other fee income	101,206	276,714
	Management fees	2,816,266	2,079,988
		<u>3,094,776</u>	<u>2,548,989</u>
8	OTHER INCOME	2021 MVR	2020 MVR
	Penalty interest	1,934,422	1,028,901
	Insurance commissions	116,212	178,570
		<u>2,050,634</u>	<u>1,207,471</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021**

9 SALARIES AND PERSONNEL EXPENSES	2021	2020
	MVR	MVR
Salaries and allowances	9,457,917	9,323,951
Contribution to employees pension fund	770,630	406,035
Employee benefit expense amortisation	197,112	238,541
Ramadan allowances and bonus	735,925	149,113
Staff medical insurance	148,159	120,000
	<u>11,309,743</u>	<u>10,237,640</u>

10 PROVISION FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES	2021	2020
	MVR	MVR
Provision recognised / (reversed) during the year (Note 16)	<u>8,116,088</u>	<u>(2,671,583)</u>

11 MODIFICATION LOSS ON LOANS AND ADVANCES

The following table includes summary information for loans and advances whose cashflows were modified

	2021	2020
	MVR	MVR
Amortised cost of moratorium granted loans	-	1,344,076,065
Modification loss recognised during the year (Note 11.1)	-	(15,238,597)
	<u>-</u>	<u>1,328,837,468</u>
Reversal of Modification loss recognised during the year (Note 11.2)	<u>3,183,549</u>	<u>-</u>

11.1 The Company granted moratorium for its financing facilities as a part of financial support to borrowers on 26th March 2020. For customers who opted for moratorium, principal repayments during 1st March 2020 to 31st August 2020 were deferred by 6 months. The simple interest accrued during the moratorium period is to be recovered from the customers within 36 months commencing from September 2020 or the remaining period of the loan, whichever is lower.

11.2 During the year ended 31st December 2021, the Company has recognised a modification reversal of MVR 3,183,549/- on loans and advances after remeasurement of amortised cost based on expected future cash flows from moratorium interest receivables as at 31st December 2021.

12 OTHER OPERATING EXPENSES	2021	2020
	MVR	MVR
Depreciation on right-of-use asset (Note 19)	1,100,484	1,100,484
Professional fees	1,060,146	1,051,038
Listing expenses	705,619	510,245
Amna expenses	636,777	688,322
Other expenses	619,252	529,617
Depreciation on property, plant and equipment (Note 18)	395,400	420,055
Communication expenses	356,043	339,663
Premises, equipment and establishment expenses	347,939	294,721
IT expenses	336,021	405,505
Board remuneration and meeting expenses	331,857	328,262
Amortization on intangible assets (Note 20)	172,000	241,833
Printing and stationary expenses	107,141	204,139
Advertising and marketing expenses	88,554	61,151
Irrecoverable Withholding tax	67,667	26,854
Bank charges	44,365	380,252
Loss on disposal of property, plant and equipment	12,703	-
	<u>6,381,968</u>	<u>6,582,141</u>

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

13 TAXATION	2021 MVR	2020 MVR
Income tax expense (Note 13.1)	19,154,663	20,039,732
Reversal of deferred tax asset during the year (Note 13.3)	50,484	702,620
	<u>19,205,147</u>	<u>20,742,352</u>

13.1 Reconciliation between Accounting Profit and Taxable Income :

	2021 MVR	2020 MVR
Profit before tax	120,870,617	116,068,327
Aggregate Disallowable Items	68,559,557	30,116,767
Aggregate Allowable Items	(61,232,422)	(12,086,881)
Tax Free Allowance	(500,000)	(500,000)
Taxable income for the year	<u>127,697,752</u>	<u>133,598,213</u>
Income tax expense at 15%	<u>19,154,663</u>	<u>20,039,732</u>

The taxable profits and income of the Company is liable at the rate of 15% in terms of provisions of the Income Tax Act No 25 of 2019 which is effective from 1st January 2020, relevant regulations and amendments thereto. (2020 : 15%)

13.2 Current tax liabilities

	2021 MVR	2020 MVR
Opening balance	10,417,880	10,726,427
Provisions made during the year	19,154,663	20,039,732
Payments made during the year	(20,567,395)	(20,348,279)
Closing balance	<u>9,005,148</u>	<u>10,417,880</u>

13.3 Net Deferred Tax Asset

13.3.1 Deferred income tax is calculated on all difference under the liability method. The movement in deferred income tax asset account is as follows:

	31/12/2021 MVR	31/12/2020 MVR
Opening balance	5,117,559	5,820,179
Reversed through profit or loss (Note 13)	(50,484)	(702,620)
Closing balance	<u>5,067,075</u>	<u>5,117,559</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

13 Net Deferred Tax Asset (Continued)

13.3. Deferred Tax Asset is Attributable for Following:

	31/12/2021		31/12/2020	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Property, Plant and Equipment	492,136	73,820	231,086	34,663
Provision for impairment on loans and advances	33,288,367	4,993,255	33,885,972	5,082,896
	<u>33,780,503</u>	<u>5,067,075</u>	<u>34,117,058</u>	<u>5,117,559</u>

13.3. Reconciliation of temporary differences

	31/12/2021 MVR	31/12/2020 MVR
<i>Property, plant and equipment</i>		
Opening balance	34,663	93,425
Recognised / (Reversed) Through Profit or Loss	39,157	(58,762)
Closing balance	<u>73,820</u>	<u>34,663</u>
<i>Provision for loan impairment</i>		
Opening balance	5,082,896	5,664,036
Reversed Through Profit or Loss	(89,641)	(581,140)
Closing balance	<u>4,993,255</u>	<u>5,082,896</u>
<i>Right-of-use asset</i>		
Opening balance	-	62,718
Reversed Through Profit or Loss	-	(62,718)
Closing balance	<u>-</u>	<u>-</u>
Net deferred tax asset	<u>5,067,075</u>	<u>5,117,559</u>

14 BASIC EARNINGS PER SHARE

The calculation of the basic earning per share is based on profit after tax attributable to the equity shareholders and the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit attributable to the ordinary shareholders of the Company (MVR)	101,665,470	95,325,975
Weighted average number of ordinary shares (nos.)	1,593,750	1,593,750
Basic Loss per share (MVR)	<u>63.79</u>	<u>59.81</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

15 CASH AND CASH EQUIVALENTS	31/12/2021	31/12/2020
	MVR	MVR
Cash in hand	6,500	6,500
Balances with other banks	104,433,783	50,559,234
Short term investments (Note 15.1)	264,602,149	57,057,421
Cash and cash equivalents for the purpose of statement of cash flows	<u>369,042,432</u>	<u>107,623,155</u>
15.1 Short term investments in "General Investments Account" at Maldives Islamic Bank PLC for a period of 3 months and are entitled for a profit share in the range of 2% to 3% per annum.(2020 2% to 3%)		
16 LOANS AND ADVANCES CARRIED AT AMORTISED COST	31/12/2021	31/12/2020
	MVR	MVR
Gross Loans and Advances (Note 16.1)	1,768,115,209	1,877,048,459
Less: Impairment Loss Allowance (Note 16.2)	(51,725,693)	(42,197,257)
Net Loans and Advances	<u>1,716,389,516</u>	<u>1,834,851,202</u>
16.1 Loans and Advances - Product wise Analysis	31/12/2021	31/12/2020
	MVR	MVR
Conventional housing loans to customers	1,207,350,746	1,308,792,983
Housing loans to staff	4,975,605	5,201,709
Diminishing Musharakah	90,350,839	90,419,652
Murabaha	435,993	513,209
Istisna'	465,002,026	472,120,906
	<u>1,768,115,209</u>	<u>1,877,048,459</u>
Less: Impairment Loss Allowance	(51,725,693)	(42,197,257)
Net Loans and Advances	<u>1,716,389,516</u>	<u>1,834,851,202</u>
The Company has granted staff loan at 5% (2020: 5%) interest rate and the staff loan balances are measured at fair value.		
16.2 Movement of Provision for Impairment Loss on Loans and Advances	31/12/2021	31/12/2020
	MVR	MVR
Opening balance	42,197,257	43,266,505
Provision recognised / (reversed) during the year (Note 10)	8,116,088	(2,671,584)
Provision recognised for unrecognised interest income on non-performing loans and advances	1,412,348	1,602,336
Closing balance	<u>51,725,693</u>	<u>42,197,257</u>
17 INVESTMENT SECURITIES MEASURED AT AMORTISED COST	31/12/2021	31/12/2020
	MVR	MVR
Investments in Treasury bills (Note 17.1)	257,549,099	119,885,240
	<u>257,549,099</u>	<u>119,885,240</u>
17.1 The Company has invested in treasury bills in Maldives Monetary Authority ("MMA") amounting to MVR 257,549,099/- (2020 - MVR 119,885,240/-) for 28 days to 182 days which carry interest rates from 3.5% to 4.23% (2020: 3.5% to 4.23%).		

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

18 PROPERTY, PLANT AND EQUIPMENT

	Office equipment		Computer equipment		Furniture and fixtures		Leasehold improvements		Total	
	MVR		MVR		MVR		MVR		31/12/2021	31/12/2020
Cost										
Opening Balance	978,563	2,870,999	933,868	949,233					5,732,663	5,303,062
Additions During the Year	76,448	139,004	9,580	-					225,032	429,601
Disposals during the year	(25,020)	(78,441)	(8,282)	(80,130)					(191,873)	-
Closing Balance	1,029,991	2,931,562	935,166	869,103					5,765,822	5,732,663
Accumulated Depreciation										
Opening Balance	(686,407)	(2,428,926)	(721,033)	(842,945)					(4,679,311)	(4,259,256)
Charge for the Year	(87,319)	(212,410)	(83,343)	(12,328)					(395,400)	(420,055)
Disposals during the year	22,033	67,232	8,282	80,130					177,677	-
Closing Balance	(751,693)	(2,574,104)	(796,094)	(775,143)					(4,897,034)	(4,679,311)
Net Carrying Value										
As at 31 st December 2021	278,298	357,458	139,072	93,960					868,788	
As at 31 st December 2020	292,156	442,073	212,835	106,288						1,053,352

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

19 RIGHT-OF-USE ASSETS

Right-of-Use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-Use asset (See note 3.8).

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>MVR</u>	<u>MVR</u>
Cost		
Opening Balance	10,666,204	-
Recognition of Right-of-Use Assets on Initial Application of IFRS 16	-	10,666,204
Closing Balance	<u>10,666,204</u>	<u>10,666,204</u>
Accumulated Depreciation		
Opening Balance	1,928,153	827,669
Charge for the year	1,100,484	1,100,484
Closing Balance	<u>3,028,637</u>	<u>1,928,153</u>
Net Carrying Value	<u>7,637,567</u>	<u>8,738,051</u>

20 INTANGIBLE ASSETS

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>MVR</u>	<u>MVR</u>
Cost		
Balance as at 01 st January	1,711,544	1,711,544
Balance as at 31 st December	<u>1,711,544</u>	<u>1,711,544</u>
Accumulated Amortization		
Balance as at 01 st January	1,464,820	1,222,987
Charge for the year	172,000	241,833
Balance as at 31 st December	<u>1,636,820</u>	<u>1,464,820</u>
Carrying Value		
Balance as at 31 st December	<u>74,724</u>	<u>246,724</u>

The Company has purchased computer softwares and cost of the same has recognised as intangible assets and amortised over 4 years.

21 OTHER ASSETS

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>MVR</u>	<u>MVR</u>
Pre-payments	5,996,569	6,348,082
Staff loans measured at fair value	1,118,481	883,660
Accounts receivable	29,773	80,273
	<u>7,144,823</u>	<u>7,312,015</u>

22 DEPOSITS FROM CUSTOMERS

	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>MVR</u>	<u>MVR</u>
Equated monthly installment deposits	78,515,468	78,105,434
Borrowers deposits	2,647	2,208,035
	<u>78,518,115</u>	<u>80,313,469</u>

Equated monthly installment deposits are held as contingency to settle the monthly installments in case the borrowers fail to pay. Equated monthly installment deposits carry fixed interest rate at 1% & 2.5 % per annum.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

23 DEBT SECURITIES IN ISSUE	31/12/2021 MVR	31/12/2020 MVR
Listed and corporate bonds (Note 23.1)	164,276,517	190,363,621
Listed Sukuk (Note 23.2)	410,468,878	242,255,076
	<u>574,745,395</u>	<u>432,618,697</u>
Maturity analysis of debt securities in issue		
Payable within one year	19,537,972	63,470,877
Payable after one year	555,207,423	369,147,820
	<u>574,745,395</u>	<u>432,618,697</u>

23.1 Listed and corporate bonds

Listed bonds of MVR 81,390,000/- was raised in July 2018. These bonds carry an interest rate of 7% per annum for 10 years from the allotment date. Interest payments are made every six months after the date of allotment, until the bond is fully redeemed. The cumulative redemption as at 31st December 2021 equals to MVR 18,851,587/-.

Listed bonds of MVR 80,000,000/- were issued in December 2019. These bonds carry an interest rate of 7% per annum for 10 years from the allotment date. Interest payments are made every six months after the date of allotment, until the bond is fully redeemed. The cumulative redemption as at 31st December 2021 equals to MVR 11,923,593/-.

The Company has issued corporate bonds to Allied Insurance Company of the Maldives Private Limited of MVR 35,000,000/- with two years maturity and carry an interest rate of 7% per annum during the period ended 31st December 2021.

23.2 Listed Sukuk

- (i) On 27th January 2014, the Company has allotted Mudarabah Sukuk amounting to MVR 22,566,000 (45,132 Sukuk at a price of MVR 500 per sukuk) for ten (10) years. Profit is paid every six months from the allotment date until maturity date.
- (ii) On 25th October 2017, the Company has allotted Mudarabah Sukuk No. 2, amounting to MVR 89,036,000 (89,036 Sukuk at a price of MVR 1,000 per sukuk) for ten (10) years). The profit is paid every six months after the date of allotment, until the maturity date.
- (iii) On 5th December 2019, the Company has allotted Mudarabah Sukuk No. 3, amounting to MVR 126,931,000 (126,931 Sukuk at a price of MVR 1,000 per sukuk) for ten (10) years). The profit is paid every six months after the date of allotment, until the maturity date.
- (iv) On 2nd December 2021, the Company has issued Mudarabah Sukuk No. 4, amounting to MVR 168,403,000 (168,403 Sukuk at a price of MVR 1,000 per sukuk) for ten (10) years). The profit is paid every six months after the date of allotment, until the maturity date.

The funds received from Mudarabah Sukuk No 1,2 and 3 are utilized in order to fund shari'ah compliant mortgage housing finance operations under principles and rules of Shari'ah. The profit is shared between Sukuk holder (Rabb al Mal) and the Company (Mudarib) at a rate of 65% and 35% respectively.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

24 OTHER BORROWED FUNDS	31/12/2021	31/12/2020
	MVR	MVR
Deutsche Investitions und Entwicklungs Gesellschaft MBH ("DEG") (Note 24.1)	35,584,702	58,981,576
Bank of Ceylon PLC (Note 24.2)	38,754,444	45,102,325
Bank of Maldives PLC (Note 24.3)	263,500,940	187,810,870
Habib Bank Limited (Note 24.4)	11,236,123	31,150,500
Commercial Bank of Maldives Private Limited (Note 24.5)	6,668,490	15,116,620
Wakala facilities (Note 24.6)	160,259,225	175,107,960
Pension benefit scheme fund (Note 24.7)	4,356,111	4,830,844
State Bank of India Limited (Note 24.8)	84,957,942	106,449,807
	<u>605,317,977</u>	<u>624,550,502</u>
Maturity analysis of other borrowed funds		
Payable within one year	138,465,967	184,047,000
Payable after one year	466,852,010	440,503,502
	<u>605,317,977</u>	<u>624,550,502</u>

24.1 Deutsche Investitions und Entwicklungs Gesellschaft MBH (DEG)

During the year 2014, the Company has obtained a loan of MVR 200,460,000/- from Deutsche Investitions und Entwicklungs Gesellschaft MBH ("DEG"). The loan carries an interest of LIBOR + 5%. The loan is repayable in seventeen semi-annual installments commencing from 15th June 2015 and ending on 15th June 2023. The DEG loan is secured by a first ranking mortgage on the Company's mortgage portfolio and charged over the account in the Maldives into which proceeds of the loan were disbursed and from which housing loans were disbursed. The borrowing is denominated in United States Dollars.

24.2 Bank of Ceylon PLC - Male' branch

The Company has obtained a loan facility of MVR 150,000,000 per the agreement dated 15th March 2016 from Bank of Ceylon PLC for the purpose of providing mortgage housing loans. The loan carries an interest at the rate of 1 month treasury bill rate + 2.3% per annum during the grace year and second year onwards an interest at 6 months treasury bill rate + 2.3% per annum (Floor rate - 5.5% and cap rate - 9.00%). This loan is repayable in semi-annual installments commencing after one year grace period and ending in March 2022. The Company shall ensure a minimum 150% security coverage. The borrowing is denominated in Maldivian Rufiyaa.

The Company has obtained a loan facility of MVR 150,000,000/- per the agreement dated 20th June 2021 from Bank of Ceylon for the purpose of providing mortgage housing loans. The loan carries an interest at the rate of 1 month treasury bill rate + 2.3% which is 5.8% per annum during the grace year and second year onwards an interest at 6 months treasury bill rate + 2.3% which is 6.53% per annum (floating a floor rate of 5.5% per annum will be applied). This loan is repayable in semi-annual installments commencing after one year grace period and ending in December 2027. The Company shall ensure a minimum 150% security coverage. Further, the Company has received the first disbursement of MVR 23,000,000/- on 13th December 2021. The borrowing is denominated in Maldivian Rufiyaa.

24.3 Term loan from Bank of Maldives PLC

The Company has obtained a loan of MVR 150,000,000/- per the agreement dated 3rd April 2013 from Bank of Maldives for the purpose of providing mortgage housing loans. The loan carries an interest at a rate of 8.5% per annum and repayable in monthly instalments commencing from the first utilization date (November 2013) for 10 years ending on October 2023. The loan is secured by the Company's mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa.

The Company has also obtained a loan of MVR 100,000,000/- per the agreement dated March 2019 from Bank of Maldives for the purpose of providing mortgage housing loans. The loan carries an interest at a rate of 8.5% per annum and repayable in monthly instalments commencing from the first utilization date (March 2019) for 10 years ending on March 2029. The loan is secured by the Company's mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

24 OTHER BORROWED FUNDS (CONTINUED)

24.3 Term loan from Bank of Maldives (continued)

Further, the Company has obtained a loan of MVR 150,000,000/- per the agreement entered in December 2020 from Bank of Maldives for the purpose of providing mortgage housing loans. The loan carries an interest at a rate of 9% per annum and repayable in monthly instalments for a 10 years period commencing from December 2020 to November 2030. The Company has received second disbursement on 19th April 2021 and third disbursement on 30th June 2021 by MVR 50,000,000 each. The loan is secured by the Company's mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa.

24.4 Habib Bank limited (HBL)

The Company has obtained a loan facility of MVR 77,000,000 per the agreement dated 16 March 2017 from Habib Bank Limited for the purpose of providing mortgage housing loans. The loan carries an interest of 8% or 1 year T-Bill rate (with NIL spread), which ever is higher. Interest rate is reset semi-annually (January and July) by taking the 1 year T-Bill rate of the last day of the preceding month (if the T-Bill rate is on the higher side). The loan is repayable in ten semi-annual installments starting from June 2017 and the interest is paid on monthly basis. The Company shall ensure a security coverage ratio of at least 150% of the outstanding loan amount. The borrowing is denominated in Maldivian Rufiyaa.

The Company has also obtained a loan facility of MVR 22,500,000 per the agreement dated 4 July 2019 from Habib Bank Limited for the purpose of providing mortgage housing loans. The loan carries an interest rate of 8% or 6 month T-Bill rate + 2.3% per annum, whichever is higher. Interest rate is reset semi-annually (January and July) by taking the 6 month T-Bill rate of the last day of the preceding month (if the T-Bill rate is on the higher side). The loan is repayable in ten semi-annual installments starting from December 2019 and the interest is payable on a monthly basis. The Company shall ensure a security coverage ratio of at least 150% of the outstanding loan amount. The borrowing is denominated in Maldivian Rufiyaa.

24.5 Commercial Bank of Maldives Private Limited (CBM)

The Company has obtained a loan facility of MVR 20,000,000 per the agreement dated 24th December 2019 from Commercial Bank of Maldives for the purpose of providing mortgage housing loans. The loan carries an interest of 8% per annum with a cap rate of 8.5% per annum and floor rate of 7.5% per annum which is repayable in 12 quarterly instalments commencing from the first utilization date, December 2019 and ending in December 2022. Interest is payable monthly. The Company shall ensure a security coverage ratio of at least 150% of the outstanding loan amount. The borrowing is denominated in Maldivian Rufiyaa.

24.6 Wakala facilities

During 2012, Maldives Islamic Bank PLC ("MIB") has invested MVR 20,000,000/- with the Company under a Wakalah arrangement with a profit target of 11.5% for a year at a profit sharing ratio of 35% : 65% between The Company and MIB respectively. This was extended for another two more years during 2018. In May 2017, MIB further invested MVR 10,000,000/- for one year and this was extended for one more year in May 2020. This has a target yield of 7.5%.

During 2015 and 2016 Maldives Hajj Corporation Limited has invested MVR 60,000,000/- with the Company with a target yield of 10% - 11% per annum with a profit sharing ratio of [(30% -35%) : (70% - 65%)] for 5 years. However, the investment value of MVR 50,000,000/- can be withdrawn before five years with three months prior notice.

In May 2019, Amana Takaful Plc invested MVR 5,000,000/- for two years with profit sharing ratio of 45% - 65%. In October 2018 MVR 5,000,000/- was invested by Amana Takaful with a maturity of two years. Further in February 2019 MVR 7,000,000/- was invested by Amana Takaful with a maturity of two years.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

24.6 Wakala facilities (Continued)

During the year 2017, Bank of Maldives has invested MVR 17,188,262/- in an approved investment amounting MVR 50,000,000/- with a profit target of 8% per annum. Upon maturity this has been rolled over for two more years in June 2019. Bank of Maldives invested the balance undrawn Wakala facility of MVR 20,632,646/- and MVR 12,179,092/- in January 2019 and February 2019 respectively. This Wakala facility from BML Islamic can be rolled over for maximum tenor of 10 years from the initial date of disbursement. The wakala facilities are denominated in Maldivian Rufiyaa.

Ayady Takaful invested MVR 16,000,000/- and MVR 5,000,000/- with the Company for two years with profit sharing ratios of 70% - 30% respectively between the investor and the Company during December 2018 and April 2021. In May 2019, Amana Takaful Plc invested MVR 5,000,000/- for two years with profit sharing ratios of 45% - 65%.

24.7 Pension benefit scheme fund

The Company has signed an MOU with Maldives Pension Administrative Office (MPAO) to establish a general working arrangement between MPAO and the Company to facilitate the collateralization of accumulated Retirement Saving Account (RSA) for the purpose of paying the down payment in obtaining home finance for the members of MRPS. Under this scheme, eligible applicants are able to collateralize the accumulated savings in RSA as down payment for home finance (end user). The amount that can be collateralized ("collateralized amount") as down payment will be determined by MPAO and disbursed to the Company. The determination of the eligibility for home finance and acceptability of collateralized amount will be made and decided by the Company. Accrued interest at 4.9% per annum is payable to MPAO semi-annually. Also, the amount received from MPAO will be repaid over the tenure of the individual loans to the end user semi-annually.

24.8 State Bank of India (SBI)

The Company has obtained a loan of MVR 150,000,000/- per the agreement dated 5th October 2017 from SBI for the purpose of providing mortgage housing loans. The loan carries an interest at a rate of 8% per annum and repayable in 8 years on semi-annual basis. The SBI loan is secured by the Company's mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa.

25 OTHER LIABILITIES

	31/12/2021	31/12/2020
	MVR	MVR
Ministry of Housing and Infrastructure - GED Islamic fund (Note 25.1)	9,481,202	65,904,809
Ministry of Housing and Infrastructure - MHI Islamic fund (Note 25.2)	9,328,942	30,877,674
Ministry of Housing and Infrastructure - MHUD Conventional fund (Note 25.3)	13,204,990	41,808,643
Ministry of Housing and Infrastructure 704 - Conventional fund (Note 25.4)	43,575,790	51,008,511
Ministry of Housing and Infrastructure CMEC - Housing funds (Note 25.5)	15,669,880	10,472,861
Ministry of Housing and Infrastructure GED Con - Housing funds (Note 25.6)	173,649,642	-
Insurance premium payable	3,142,591	6,351,336
Amounts received from customers in advance	5,548,800	9,340,271
Accruals and other liabilities	1,651,936	1,660,429
Employees pension contribution	438,898	61,913
Advance for share capital	51,407,100	51,407,100
Dividends payable	39,843,910	160
	366,943,681	268,893,707

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 OTHER LIABILITIES (CONTINUED)

25.1 Ministry of Housing and Infrastructure - GED Islamic fund

In accordance with the agreement dated 16 February 2014, the Company manages and administers loan schemes under which the Company, as a custodian receives funds from the Ministry of Housing and Infrastructure (MHI). The purpose of the fund is to construct houses in islands under the Company Amna's Islamic outreach program. The initial Islamic Housing Fund approved for this program was MVR 100,000,000 treated as a revolving grant for investment with a profit share of 65% to the Company and 35% to the Islamic Housing Finance Scheme Fund. The fee income earned from the fund is included in Net income on shari'ah products.

25.2 Ministry of Housing and Infrastructure - MHI Islamic fund

(i) The Company has been appointed as the sole representative to act on behalf of the Ministry of Housing and Infrastructure in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due under the Islamic financing facility and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry.

(ii) The Company has started managing new housing loans / facilities during December 2017. The Company was appointed as the sole representative to act on behalf MHI in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry. This scheme is for 25 years period.

25.3 Ministry of Housing and Infrastructure - MHUD Conventional fund

Since 2008, the Company manages and administers conventional loan scheme under which the Company, as a custodian received funds from the Ministry of Housing and Urban Development (MHUD). The Company receives a management fee of 1.75% per annum on the outstanding balance of the loan at the end of every month.

25.4 Ministry of Housing and Infrastructure - 704 - Conventional fund

The Company has been appointed as the sole representative to act on behalf of the Ministry of Housing and Infrastructure in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due under the facility and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry.

25.5 Ministry of Housing and Infrastructure - CMEC - Conventional fund

The Company has been appointed as the sole representative to act on behalf of the Ministry of Housing and Infrastructure in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due under the facility and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry.

25.6 Ministry of National Planning, Housing and Infrastructure Gedhoruveriya loan - Conventional fund

The Ministry of National Planning, Housing and Infrastructure ("MNPHI"), on behalf of the Government of Maldives, has decided to offer an affordable limited loan scheme under the name, "Gedhoruveriya Loan". In accordance with the agreement dated 8th August 2021, the Company has received funds amounting to MVR 175,000,000/-. The Company has to manage and administrate each loan granted under this loan scheme. The management fee of MVR 250/- will be charged per active account on monthly basis.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

26 LEASE LIABILITIES	31/12/2021 MVR	31/12/2020 MVR
Opening Balance	9,664,668	10,256,653
Interest expense for the year (Note 5.3)	828,945	848,015
Principal repayment during the year	(611,055)	(591,985)
Interest repayment during the year	(828,945)	(848,015)
Closing Balance	<u>9,053,613</u>	<u>9,664,668</u>

Extension Options

Some property leases contain extension options exercisable by the Company up to one to ten years before the end of the non-cancellable contract period. The extensions held are exercisable only when both parties mutually agreed. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether is reasonably certain to exercise the option if there is a significant event or significant changes in circumstances within control.

Current Liability

Lease Liabilities	<u>701,263</u>	<u>700,509</u>
-------------------	----------------	----------------

Non Current Liability

Lease Liabilities	<u>8,352,350</u>	<u>8,964,159</u>
-------------------	------------------	------------------

Amounts recognised in Statement of Comprehensive Income

- Interest on Lease Liabilities	<u>828,945</u>	<u>848,015</u>
---------------------------------	----------------	----------------

Amounts recognised in Statement of Cash Flows

- Payment of Lease Liabilities	<u>1,440,000</u>	<u>1,440,000</u>
--------------------------------	------------------	------------------

Analysis of Undiscounted cash flows and interest

	Future Minimum Lease Payments		Interest	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Less than One Year	1,440,000	1,440,000	738,737	795,688
Between One and Five Years	8,955,000	8,523,000	2,305,974	2,721,883
More than Five Years	1,755,000	3,627,000	97,766	407,761
	<u>12,150,000</u>	<u>13,590,000</u>	<u>3,142,477</u>	<u>3,925,332</u>

27 SHARE CAPITAL

27.1 Authorized

The authorized share capital comprises of 3,187,500/- (2020 : 3,187,500/-) ordinary shares of MVR. 100/- each.

27.2 Issued and Fully Paid

Issued and fully paid share capital comprises 1,593,750 of MVR 100/- each as at 31st December 2021. (2020 :

27.3 Dividends and Voting Rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

During the year ended 31st December 2021,

Dividend of MVR 12.50/- per share amounting to MVR 19,921,875/- was declared for the year ended 31st December 2020.

Dividend of MVR 12.50/- per share amounting to MVR 19,921,875/- was declared for the year ended 31st December 2021.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

27 SHARE CAPITAL (CONTINUED)

27.4 Reserves

General reserve represents the amount set aside from the Company's profits to meet future (known or unknown) obligations. The general reserve are not used to declare dividends.

28 SEGMENT ANALYSIS

Operating segments are components that engage in business activities that may earn revenues or incur

(a) Description of products and services from which each reportable segment is identified

The Company is organised on the basis of two main business segments:

- (i) Conventional financing service – representing conventional housing finance services; and
- (ii) Islamic services – representing Amna house related scheme and sukuk and other shari'ah compliant

(b) Factors that management used to identify the reportable segments

The Company's segments are strategic business units that focus on different customers. They are

(c) Measurement of operating segment profit or loss, assets and liabilities

The Board of Directors review financial information prepared based on the requirements of internal

- (i) funds are generally not allocated between segments;
- (ii) income taxes are not allocated to segments;
- (iii) loan provisions are recognised based on management judgement and availability of information, and
- (iv) commission income relating to lending is recognised immediately rather than deferred using the

The board of directors evaluate the performance of each segment based on the net income before

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year then ended on 31st December 2021 is set out below:

As at 31 st December 2021	Conventional MVR '000	Islamic MVR '000	Unallocated MVR '000	Total MVR '000
Loans and advances	1,178,955	537,434	-	1,716,389
Cash and cash equivalents	91,304	277,739	-	369,042
Non-current assets	-	-	944	944
Financial assets at amortised cost	257,549	-	-	257,549
Right-of-use assets	-	-	7,638	7,638
Other assets	-	-	12,212	12,212
Total assets	1,527,808	815,173	20,793	2,363,774

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

28 SEGMENT ANALYSIS (CONTINUED)

(d) Information about reportable segment profit or loss, assets and liabilities (continued)

As at 31 st December 2021	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
Deposits from customers	57,461	21,057	-	78,518
Debt securities in issue	164,277	410,469	-	574,746
Other borrowed funds	445,059	160,259	-	605,319
Other liabilities	246,100	18,810	102,032	366,943
Lease liabilities	-	-	9,054	9,054
Current tax liabilities	-	-	9,005	9,005
Total liabilities	912,897	545,615	101,661	1,643,583
Capital expenditure	-	-	225	225

Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax

For the year ended 31 st December 2021	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
External revenues:				
- Interest / profit share	152,313	68,682	-	220,995
- Fee and commission income	3,094	1,651	-	4,745
- Other operating income	2,051	-	-	2,051
Total revenues	157,459	70,332	-	227,791
Interest expense / profit share	(51,401)	(32,895)	-	(84,296)
Reversal of provision for impairment loss on loans and advances	(8,116)	-	-	(8,116)
Reversal of modification loss on loans and advances	3,184	-	-	3,184
Depreciation and amortisation	-	-	(877)	(877)
Administrative and other operating expenses	(15,204)	(1,611)	-	(16,814)
Income tax expense	-	-	(19,205)	(19,205)
Profit for the year	85,922	35,826	(20,082)	101,665

Segment information for the reportable segments for the year and then ended on 31st December 2020 is set out below:

As at 31 st December 2020	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
Loans and advances	1,288,862	545,989	-	1,834,851
Cash and cash equivalents	33,113	74,510	-	107,623
Non-current assets	-	-	1,300	1,300
Financial assets held-to-maturity	119,885	-	-	119,885
Right-of-use assets	-	-	8,738	8,738
Other assets	-	-	12,430	12,430
Total assets	1,441,860	620,499	22,468	2,084,827

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

28 SEGMENT ANALYSIS (CONTINUED)

(d) Information about reportable segment profit or loss, assets and liabilities (continued)

As at 31 st December 2020	Conventional MVR 000	Islamic MVR 000	Unallocated MVR 000	Total MVR 000
Deposits from customers	58,227	22,087	-	80,313
Debt securities in issue	190,364	242,255	-	432,619
Other borrowed funds	449,443	175,108	-	624,551
Other liabilities	103,290	96,782	68,821	268,894
Lease liabilities	-	-	9,665	9,665
Current tax liabilities	-	-	10,418	10,418
Total liabilities	<u>801,323</u>	<u>536,232</u>	<u>88,903</u>	<u>1,426,459</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>430</u>	<u>430</u>

Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

For the year ended 31 st December 2020	Conventional MVR 000	Islamic MVR 000	Unallocated MVR 000	Total MVR 000
External revenues:				
- Interest / profit share	156,924	66,722	-	223,646
- Fee and commission income	2,549	1,564	-	4,113
- Other operating income	1,207	-	-	1,207
Total revenues	<u>160,680</u>	<u>68,286</u>	<u>-</u>	<u>228,966</u>
Interest expense / profit share	(52,889)	(30,621)	-	(83,510)
Reversal of provision for impairment loss on loans and advances	(2,992)	5,664	-	2,672
Recognition of modification loss on loans and advances	(11,148)	(4,091)	-	(15,239)
Depreciation and amortisation	-	-	(1,762)	(1,762)
Administrative and other operating expenses	(13,534)	(1,523)	-	(15,057)
Income tax	-	-	(20,742)	(20,742)
Profit for the year	<u>(80,563)</u>	<u>(30,571)</u>	<u>(22,504)</u>	<u>95,328</u>

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Overview (continued)

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

(ii) Risk Management Framework

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies and evaluates financial risks in close co-operation with the Company's operating unit. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risks.

29.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

Credit policies were formulated covering the Company's credit activities and establishment of individual limits of authority for initiating, reviewing and approving credit.

A credit Committee comprising the Managing Director, Operations Director, Head of Finance, Senior Manager Credit, Senior Manager Islamic Finance and Senior Manager IT meets regularly to discuss credit proposals in line with credit policies. The credit Committee also reviews non-performing assets, documentation and other credit related issues.

29.1.1 Credit risk measurement

Loans and advances (including loan commitments)

The estimation of credit exposure for risk management purpose is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

29.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on change in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 29.1.2.1 for a description of how the Company determines when a significant increase in credit risk has occurred.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.2 Expected credit loss measurement (continued)

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 29.1.2.2 description of how the Company defines credit-impaired and default.
 - Financial instruments in stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 29.1.2.3 for a description of inputs, assumptions and estimation techniques
 - A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 29.1.2.4 includes an explanation of how the Company has incorporated
- Further explanation is also provided of how the Company determines appropriate grouping when ECL is measured on a collective basis (refer note 29.1.2.5).

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since the initial recognition)	(credit impaired assets)
12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

29.1.2.1 Significant increase in credit risk

The Company considers loans and receivables have experienced significant increase in credit risk when the arrears are past due for more than 30 days.

29.1.2.2 Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired when the borrower is more than 120 days past due states on its contractual payments.

The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Company's expected loss

90 days default presumption is rebutted considering historical behavior. Over 120 days is taken as default considering significant number of facilities that were over 120 days remained in over 120 days bucket. This rebuttal will be monitored and reviewed by credit department on an annual basis to

29.1.2.3 Measuring the ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition on whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default(PD), Exposure at Default(EAD), and Loss Given Default(LGD), defined as

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.2.3 Measuring the ECL - Explanation of inputs, assumptions and estimation techniques (Continued)

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Life time PD) of the obligation. PIT PD (Point-in-time Probability of Default) is calculated using duration or hazard rate approach (Makov chain approach) and TTC PD (Through-the-Cycle Probability of Default) is derived from average empirical matrix from 2012 to 2020.

EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

LGDs are determined based on the factors which impact the recoveries made post default. Historical LGD is used for facilities outside Male'. Since there were no adequate history of default in Male' facilities, LGD is computed based on the projected collateral values, historical discounts to market/ book values to forced sales, time to repossession and recovery cost observed. When arriving the present value of cash flows after default, the Company applies 50% and 75% haircut to the market value of the collateral to estimate force sale values for the facilities less than 12 months in arrears and 24 months in arrears respectively. Force sales values are then deducted from EAD to arrive LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by the product type. For amortising loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. For the loan commitments, the EAD is predicted by taking current drawn balance and adding a " credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. Refer note 29.1.2.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

29.1.2.4 Forward looking information incorporated in ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. the Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for the loan portfolio.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.2.4 Forward looking information incorporated in ECL models (Continued)

The Company has used a score card approach for further refining the ECL model in order to obtain a more realistic default rate. The score card incorporates qualitative and quantitative macro-economic factors which are selected based on the relevancy and appropriateness. Each factor is assigned a weightage based on the relative interdependence with the default rate. Quantitative factors include GDP growth rate, inflation, unemployment rate and qualitative factors include management outlook on loan portfolio, regulatory impact, government policies and industry and business. Quantitative factors are based on economic data and forecasts published by IMF. Further, the Company has assigned higher weight for worst case scenario than the best case when assessing the probability weighted forward looking macro-economic indicators.

The Company performs statistical regression analysis between historical macro economic data (GDP) and historical credit index. Estimated credit indexes were determined by plugging forecasted macro economic variables in the factor model developed in the regression analysis. Forecasted PDs were computed by shifting Through the Cycle (TTC) matrix using estimated credit index.

Economic variable assumptions

The most significant period end assumptions used for ECL estimate as at 31st December 2021 are set out below.

	2020	2021	2022	2023	2024
GDP growth rate	-18.56%	18.90%	10.99%	7.54%	6.69%
Inflation	1.51%	1.40%	2.02%	2.02%	2.02%
Unemployment rate	6.14%	6.30%	6.14%	6.14%	6.14%

The weightage assigned for each economic scenario at 30th June 2021 as follows:

	Best	Base	Worst
All portfolios	11%	68%	21%

Set out below are changes to ECL as at 31st December 2021 that would result from reasonably possible changes in these parameters from actual assumptions used in the Company's economic variable assumptions.

	-1%	No change	+1%
GDP growth rate	40,060,898	40,068,001	40,075,651
Inflation	39,938,581	40,068,001	39,735,712
Unemployment	40,068,629	40,068,001	40,065,619

29.1.2.5 Grouping of instruments for losses measured on a collective basis

For expected credit losses provision modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within the group are homogeneous. Both conventional and Amna assets are pooled together as primarily the products are same and considering the size of portfolio.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.3 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following table explain the changes in the loss allowance between the beginning and end of the annual period due to these factors:

Loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month ECL MVR	Life time ECL MVR	Life time ECL MVR	
Loss allowance as at 1st January 2021	4,318,766	15,098,274	22,780,217	42,197,257
Transfer from Stage 1 to Stage 2	(2,155,993)	2,010,235	-	(145,758)
Transfer from Stage 1 to Stage 3	(3,328,036)	-	2,021,045	(1,306,991)
Transfer from Stage 2 to Stage 1	(4,356,658)	6,512,651	-	2,155,993
Transfer from Stage 3 to Stage 1	(4,635,027)	-	1,306,991	(3,328,036)
New financial assets originated	72,688	18,033	4,683,776	4,774,498
Transfers from stage 2 to stage 3	-	(3,141,689)	3,141,689	-
Financial assets settled during the year	(180,800)	(231,688)	(935,619)	(1,348,106)
Unrecognised interest on stage 3 assets	-	-	1,412,347	1,412,347
Other movements	14,569,677	(452,766)	(6,802,423)	7,314,488
Loss allowance as at 31st December 2020	4,304,617	19,813,051	27,608,024	51,725,692

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.3 Loss allowance (continued)

The unwind of interest on Stage 3 financial assets is reported within 'Interest income' so that interest income recognised on the amortised cost (after deducting the ECL allowance).

Loans moved from stage 1 to 2 and stage 2 to 3 contributed to a increase in provision by MVR 4,008,813/-. The provision was further increased by the increase in the PD rates of stage 3 loans.

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Loans and advances	Stage 1	Stage 2	Stage 3	Total
	12-month ECL MVR	Life time ECL MVR	Life time ECL MVR	
Gross carrying amount as at 1st January 2021	1,545,664,133	268,691,736	62,692,590	1,877,048,459
<i>Transfers:</i>				
Transfer from Stage 1 to Stage 2	(171,025,739)	174,210,830	-	3,185,091
Transfer from Stage 1 to Stage 3	54,777	-	(3,121,766)	(3,066,989)
Transfer from Stage 2 to Stage 3	-	(212,332)	212,332	-
Transfer from Stage 2 to Stage 1	(15,368,342)	14,067,771	-	(1,300,571)
Transfer from Stage 3 to Stage 1	3,121,766	-	(3,066,989)	54,777
Financial assets settled during the year	(48,904,566)	(154,419,026)	(1,526,613)	(204,850,205)
New financial assets originated	12,520,733	15,060,445	-	27,581,178
Other movements	64,371,677	(1,997,654)	7,089,446	69,463,469
Gross carrying amount as at 31st December 2021	1,390,434,439	315,401,770	62,279,000	1,768,115,209

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.3 Loss allowance (continued)

Loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month ECL MVR	Life time ECL MVR	Life time ECL MVR	
Loss allowance as at 1 st January 2020	14,735,094	12,753,229	15,778,182	43,266,505
Transfer from Stage 1 to Stage 2	(2,468,364)	12,359,714	-	9,891,350
Transfer from Stage 1 to Stage 3	(48,087)	-	501,685	453,598
Transfer from Stage 2 to Stage 1	489,529	(10,790,336)	-	(10,300,807)
Transfer from Stage 3 to Stage 1	50,708	-	(2,838,066)	(2,787,358)
New financial assets originated	74,513	-	-	74,513
Transfers from stage 2 to stage 3	-	(91,823)	335,392	243,569
Transfer from stage 3 to stage 2	-	2,095,128	(4,775,147)	(2,680,019)
Financial assets settled during the year	(637,143)	-	-	(637,143)
Unrecognised interest on stage 3 assets	-	-	1,602,336	1,602,336
Other movements	(7,877,484)	(1,227,638)	12,175,835	3,070,713
Loss allowance at 31st	4,318,766	15,098,274	22,780,217	42,197,257

The unwind of interest on Stage 3 financial assets is reported within 'Interest income' so that interest income recognised on the amortised cost (after deducting the ECL allowance).

Loans which moved from Stage 2 to Stage 3 during the period have contributed to increase in the loss allowance.

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.3 Loss allowance (continued)

Loans and advances	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Life time ECL	Life time ECL	
	MVR	MVR	MVR	MVR
Gross carrying amount as at 1 January 2020	1,593,627,284	142,723,937	45,288,732	1,781,639,953
<i>Transfers:</i>				
Transfer from Stage 1 to Stage 2	(215,481,479)	234,254,729	-	18,773,250
Transfer from Stage 1 to Stage 3	(12,531,296)	-	14,897,729	2,366,433
Transfer from Stage 2 to Stage 3	-	(22,958,673)	24,182,157	1,223,484
Transfer from Stage 3 to Stage 2	-	13,414,303	(13,278,374)	135,929
Transfer from Stage 2 to Stage 1	103,176,908	(103,047,545)	-	129,363
Transfer from Stage 3 to Stage 1	10,393,224	-	(10,571,890)	(178,666)
Financial assets settled during the year	(5,514,334)	-	-	(5,514,334)
New financial assets originated	30,127,994	4,626,093	-	34,754,087
Other movements	41,865,832	(321,108)	2,174,236	43,718,960
Gross carrying amount as at 31st	1,545,664,133	268,691,736	62,692,590	1,877,048,459

29.1.4 Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.5 Modification of financial assets

The Company sometimes modifies the terms of loans provided to customers due to commercial renegotiations with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. the Company monitors the subsequent performance of modified assets. the Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL).

29.1.6 Risk limit control and mitigation policies

The Company manages, limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to corporates. the Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to corporates. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for the housing loans, which is a common practice. the Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for housing loans are mortgage over housing unit that is financed by the

The Company's policy is to sell the repossessed assets at the earliest possible opportunity and the Company's policies regarding obtaining collateral have not significantly changed during the reporting period. There has been no significant change in the overall quality of the collateral held by the Company since the prior period. the Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Company will take possession of

The valuation technique used for housing properties is based on the construction and other cost to completion that would be incurred by a market participant. Accordingly, the fair value measurement of collateral was classified to level 3.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.6 Risk limit control and mitigation policies (continued)

Collateral information

As at 31 st December 2021	Customer loans MVR	Staff loans MVR	Amna assets MVR	Total MVR
Loans collateralised by:				
- house property	1,207,350,746	4,975,605	555,788,858	1,768,115,209
Total loans and advances	<u>1,207,350,746</u>	<u>4,975,605</u>	<u>555,788,858</u>	<u>1,768,115,209</u>
As at 31 st December 2020	Customer loans MVR	Staff loans MVR	Amna assets MVR	Total MVR
Loans collateralised by:				
- house property	1,308,792,983	5,201,709	563,053,767	1,877,048,459
Total loans and advances	<u>1,308,792,983</u>	<u>5,201,709</u>	<u>563,053,767</u>	<u>1,877,048,459</u>

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (over-collateralised assets) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral is as follows:

As at 31 st December 2021	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	MVR	MVR	MVR	MVR
Customer loans	1,207,350,746	3,790,498,938	-	-
Staff loans	4,975,605	15,622,914	-	-
Amna assets	555,788,858	1,287,907,073	-	-
Total loans and advances	<u>1,768,115,209</u>	<u>5,094,028,925</u>	<u>-</u>	<u>-</u>
As at 31 st December 2020	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
	MVR	MVR	MVR	MVR
Customer loans	1,308,792,983	3,827,454,703	-	-
Staff loans	5,201,709	15,622,914	-	-
Amna assets	563,053,767	1,323,550,514	-	-
Total loans and advances	<u>1,877,048,459</u>	<u>5,166,628,131</u>	<u>-</u>	<u>-</u>

(b) Credit-related commitments

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is negligible than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards and since generally these exposures are secured against adequate collateral. the Company monitors the term to maturity of credit commitments.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.1 Credit risk (continued)

29.1.7 Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes based on expected credit losses calculated based on historical default rates and forward looking information.

29.1.8 Maximum exposure to credit risk before collateral held or other credit enhancements

Maximum exposure before collateral equals to the net carrying value of all the assets in the Statement of financial position except cash and bank balances representing a worse case scenario of credit risk exposure to the Company at 31st December 2021 and 31st December 2020, without taking account of any collateral held.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from its loan portfolio and based on the following:

- All the housing loans are backed by collateral.
- 97.19% of the loans and advances portfolio are considered to be neither past due nor impaired (31st December 2020: 83.98%);

29.1.9 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

the Company's lending activities are limited to Maldives.

(b) Sectors

The following table breaks down the Company's main credit exposure at their gross carrying amounts, as categorised by the sectors of our counterparties.

	31/12/2021	31/12/2020
	MVR	MVR
Residential - Conventional	1,210,563,019	1,311,723,613
Residential - Islamic	555,788,858	563,053,767
Commercial	1,763,332	2,271,079
Total	<u>1,768,115,209</u>	<u>1,877,048,459</u>

29.2 Market risk

the Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates.

Non-trading portfolios primarily arise from the interest rate management of the Company's housing and cost of funds. The market risks arising from non-trading activities are concentrated in the Company's Assets and Liabilities Management Committee (ALCO).

Managing interest rate benchmark reform and associated risks

Fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). As at 31st December 2021, there are no any financial instruments that contractually reference an IBOR benchmark planned to transition to a risk-free rate.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.2 Market risk (Continued)

29.2.1 Foreign exchange risk

All the transactions except transactions carried out in local currency, Maldivian Rufiyaa (MVR), are carried out mainly in United States Dollars (US\$) for which exchange rate was pegged. However, with effect from 10 April 2011, the government declared a managed float of the currency within a 20% band (1 US\$ = MVR 10.28 to MVR 15.42). The Corporation takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The management has set up a policy to manage their foreign exchange risk against their functional currency, by entering into currency SWAP.

The Company has borrowed from Deutsche Investitions und Entwicklungs Gesellschaft MBH (DEG) in US\$. The proceeds from these were sold to State Trading Organisation PLC (STO) for equivalent Rufiyaa at 1 US\$ = MVR 15.42. The Company has entered into two SWAP agreements with STO by which STO will sell equal amount of US\$ to honor the US\$ requirement relating to the principle amount of DEG loan at the rate of 1 US\$ = MVR 15.42. However, this arrangement does not cover the interest element of the loan installment.

By virtue of the SWAP agreements, the Company will be able to service the US\$ loans obtained from DEG. As at the reporting date, the outstanding balance in this borrowing amounts to US\$ 2,307,698/- (2020: US\$ 3,825,005/-), against which the amounts of US\$ to be purchased from STO PLC is US\$ 2,307,698/- (2020: US\$ 3,823,528/-).

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period.

	<u>31/12/2021</u>	<u>31/12/2020</u>
	US\$	US\$
Assets		
Cash and balances with other banks	48,416	52,897
Total assets	<u>48,416</u>	<u>52,897</u>
Liabilities		
Borrowings	(205,884)	(3,825,005)
Total liabilities	<u>(205,884)</u>	<u>(3,825,005)</u>
Net on-balance sheet financial position	(157,468)	(3,772,108)
Currency SWAP	2,307,698	3,823,528
Net	<u>2,150,230</u>	<u>51,420</u>

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant.

	<u>As at 31st December 2021</u>		<u>As at 31st December 2020</u>	
	Impact on	Impact on	Impact on	Impact on
	US\$	US\$	US\$	US\$
US Dollar strengthening by 10%	21,719	-	5,142	-
US Dollar weakening by 10%	(21,289)	-	(5,142)	-

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flow risks. Interest margins may increase / decrease as a result of such changes but may reduce losses in the event that unexpected movements arise.

The extent of the interest rate risk depends on the value and period of the maturity mismatch between interest bearing assets and liabilities and the ability and speed of the Company in re-pricing them. Assets and Liability Committee ("ALCO") regularly reviews these gaps to ensure that they are within acceptable norms. The Company regularly monitors the market behavior and products are appropriately re-priced when necessary.

The Company does not carry a trading portfolio or does not generally invest in stocks or shares other than Government treasury bills, for which investments are generally less than 3 months and hold to collect. Therefore the Company is not open to any price fluctuation risks.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 31 st December 2021						Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000
Financial assets							
Cash and balances with banks	114,440	254,602	-	-	-	-	369,042
Financial assets at amortised cost	257,549	-	-	-	-	-	257,549
Loans and advances	3,302	10,099	32,104	221,179	1,449,704	-	1,716,388
Other financial assets	-	-	-	-	-	1,118	1,118
Total financial assets	375,291	264,701	32,104	221,179	1,449,704	1,118	2,344,097
Financial liabilities							
Deposits from customers	151	462	1,469	10,118	66,318	-	78,518
Debt securities in issue	-	-	19,790	124,547	430,408	-	574,745
Other borrowed funds	2,980	64,524	149,060	251,247	137,507	-	605,318
Other financial liabilities	-	-	-	-	-	268,053	268,053
Lease liabilities	56	171	535	4,934	3,358	-	9,054
Total financial liabilities	3,187	65,157	170,854	390,846	637,591	268,053	1,535,688
Total interest repricing gap	372,104	199,544	(138,750)	(169,667)	812,113	(266,935)	808,409

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.2.2 Interest rate risk (continued)

	As at 31 st December 2020							Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing		
	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	
Financial assets								
Cash and balances with banks	50,566	57,057	-	-	-	-	107,623	
Financial assets at amortised cost	119,885	-	-	-	-	-	119,885	
Loans and advances	3,537	10,817	34,383	236,764	1,549,350	-	1,834,851	
Other financial assets	-	-	80	-	-	-	80	
Total financial assets	173,988	67,874	34,463	236,764	1,549,350	-	2,062,439	
Financial liabilities								
Deposits from customers	151	460	1,463	10,076	65,932	2,231	80,313	
Debt securities in issue	10,000	1,790	51,681	83,973	285,175	-	432,619	
Other borrowed funds	6,737	34,804	142,506	340,650	99,854	-	624,551	
Other financial liabilities	-	-	-	-	-	208,084	208,084	
Lease liabilities	52	157	492	4,120	4,844	-	9,665	
Total financial liabilities	16,939	37,211	196,142	438,819	455,805	210,315	1,355,232	
Total interest repricing gap	157,049	30,663	(161,679)	(202,055)	1,093,545	(210,315)	707,207	

Additionally, the Company is confident that it has sufficient interest margins to absorb any adverse impacts due to interest fluctuations on any unmatched positions. Further the Company has the option of changing the interest offered to customers per the sanction letters issued to the customers.

Exposure to Interest rate risk - Loans and advances

Sensitivity analysis of net interest income

	As at 31 st December 2021		As at 31 st December 2020	
	1% increase MVR '000	1% decrease MVR '000	1% increase MVR '000	1% decrease MVR '000
Average for the year	9,868	(9,868)	9,175	(9,175)

29.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021**

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.3 Liquidity risk (continued)

29.3.1 Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by the senior management in the Company, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of deposits with bank and treasury bills that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal requirements; and

Monitoring and reporting take the form of cash flow measurement and projections for the next week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Company also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and undrawn borrowings.

29.3.2 Funding approach

Sources of liquidity are regularly reviewed by the ALCO.

29.3.3 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

	As at 31st December 2021						Carrying MVR '000
	Up to 1 month MVR '000	1-3 months MVR '000	3-12 months MVR '000	1-5 years MVR '000	Over 5 years MVR '000	Total MVR '000	
Financial liabilities							
Deposits from customers	909	2,726	8,179	42,712	115,268	169,794	78,518
Debt securities in issue	-	3,584	38,236	221,167	474,812	737,799	574,745
Other borrowed funds	6,005	70,478	172,058	323,140	153,234	724,915	605,318
Other financial liabilities	-	-	-	-	268,864	268,864	268,053
Lease liabilities	56	171	535	4,934	3,311	9,007	9,054
	6,970	76,959	219,008	591,953	1,015,489	1,910,379	1,535,688
Financial assets							
Cash and balances with banks	115,150	254,602	-	-	-	369,752	369,042
Financial assets at amortised cost	257,549	-	-	-	-	257,549	257,549
Loans and advances	19,945	59,835	179,504	937,409	2,529,820	3,726,513	1,716,388
Other financial assets	-	-	1,148	-	-	1,148	1,118
	392,644	314,437	180,652	937,409	2,529,820	4,354,962	2,344,097
Net	385,674	237,478	(38,356)	345,456	1,514,331	2,444,583	808,409

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31st DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.3 Liquidity risk (continued)

29.3.3 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities (continued)

As at 31 st December 2020	Up to 1 month					Over 5 years	Total	Carrying amount
	MVR '000	1-3 months	3-12 months	1-5 years	MVR '000			
Financial liabilities								
Deposits	1,369	-	167	5,757	73,020	80,313	80,313	80,313
Debt securities in issue	29,409	3,175	66,687	176,733	334,814	610,818	610,818	432,619
Other borrowed funds	9,654	39,966	164,267	390,192	105,650	709,729	709,729	624,551
Other financial liabilities	-	-	8,533	-	199,552	208,085	208,085	208,085
Lease liabilities	120	360	1,080	6,495	5,655	13,710	13,710	9,665
	40,552	43,501	240,734	579,177	718,691	1,622,655	1,622,655	1,355,232
Financial assets								
Cash and balances with banks	50,566	57,057	-	-	-	107,623	107,623	107,623
Financial assets at amortised cost	119,885	-	-	-	-	119,885	119,885	119,885
Loans and advances	21,213	63,639	190,916	997,007	2,690,661	3,963,436	3,963,436	1,834,851
Other financial assets	-	-	964	-	-	964	964	964
	191,664	120,696	191,880	997,007	2,690,661	4,191,908	4,191,908	2,063,324
Net	151,112	77,195	(48,854)	417,830	1,971,970	2,569,253	2,569,253	708,091

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, deposits with banks, financial asset at amortised cost and housing loan repayment from customers. The Company would also be able to meet unexpected net cash outflows by discounting treasury bills, other investments and utilizing the undrawn borrowing facilities.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.4 Capital management

the Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the lenders;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the guidelines developed by the Basel I Committee, for supervisory purposes.

Deutsche Investitions und Entwicklungs Gesellschaft MBH require the Company to maintain a ratio of total capital to the risk-weighted asset (the 'Basel ratio') at or above 12%.

the Company's capital as managed by its management comprises of share capital, retained earnings and reserves created by appropriations of retained earnings and current year earnings.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of capital and the ratios of the Company as at 31st December 2021 and 31st December 2020. the Company complied with all of the externally imposed capital requirements to which they are subjected.

	31/12/2021	31/12/2020
	MVR	MVR
Capital		
Share capital	159,375,000	159,375,000
Retained earnings	545,815,095	483,993,375
Reserves	15,000,000	15,000,000
Total qualifying Capital	720,190,095	658,368,375
Total capital	720,190,095	658,368,375
Risk-weighted assets		
On-balance sheet	965,953,126	968,659,652
Total risk-weighted assets	965,953,126	968,659,652
Basel ratio	75%	68%

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

29.4 Capital management (continued)

Risk-weighted assets	As at 31 st December 2021	
	Unweighted value	Weighted Value
	MVR	MVR
Cash in hand	6,500	-
Balances with other banks	104,433,783	20,886,757
Short term investments in Treasury Bills	264,602,149	52,920,430
Financial assets at amortised cost	257,549,099	-
Loans and advances	1,768,115,209	884,057,605
Prepayments and deposits	7,144,823	7,144,823
Property, plant and equipment and Intangible assets	943,512	943,512
	<u>2,402,795,075</u>	<u>965,953,126</u>

The changes in the regulatory capital was mainly due to the profit earned during the year ended 31st December 2021. The increase in risk-weighted assets reflects the expansion of the loan portfolio during period.

Risk-weighted assets	As at 31 st December 2020	
	Unweighted value	Weighted Value
	MVR	MVR
Cash	6,500	-
Balances with other banks	50,559,234	10,111,847
Short term investments in Treasury Bills	57,057,421	11,411,484
Financial assets at amortised cost	119,885,240	-
Loans and advances	1,877,048,459	938,524,230
Prepayments and deposits	7,312,015	7,312,015
Property, plant and equipment and Intangible assets	1,300,076	1,300,076
	<u>2,113,168,945</u>	<u>968,659,652</u>

30 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 st December 2021	Amortised cost	Total
	MVR	MVR
Financial assets		
Cash and cash equivalents	369,042,432	369,042,432
Financial assets at amortised cost	257,549,099	257,549,099
Loans and advances	1,716,389,516	1,716,389,516
Other financial assets	1,118,481	1,118,481
Total financial assets	<u>2,344,099,528</u>	<u>2,344,099,528</u>
	Amortised cost	Total
	MVR	MVR
Financial liabilities		
Debt securities in issue	574,745,395	574,745,395
Other borrowed funds	605,317,977	605,317,977
Deposits from customers	78,518,115	78,518,115
Other financial liabilities	309,548,883	309,548,883
Lease liabilities	9,053,613	9,053,613
Total financial liabilities	<u>1,577,183,983</u>	<u>1,577,183,983</u>

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

30 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 st December 2020	Amortised cost MVR	Total MVR
Financial assets		
Cash and cash equivalents	107,623,155	107,623,155
Financial assets at amortised cost	119,885,240	119,885,240
Loans and advances	1,834,851,202	1,834,851,202
Other financial assets	963,933	963,933
Total assets	2,063,323,530	2,062,359,597
	Amortised cost MVR	Total MVR
Financial liabilities		
Debt securities in issue	432,618,697	432,618,697
Other borrowed funds	624,550,502	624,550,502
Deposits from customers	80,313,469	80,313,469
Other financial liabilities	208,084,423	208,084,423
Lease liabilities	9,664,668	9,664,668
Total liabilities	1,355,231,759	1,355,231,759

31 FAIR VALUE MEASUREMENT

The fair value of financial assets and liabilities, together with the carrying amount shown in the statement of financial

	As at 31 st December 2021		As at 31 st December 2020	
	Carrying amount MVR	Fair value MVR	Carrying amount MVR	Fair value MVR
Assets carried at amortised cost				
Cash and cash equivalents	369,042,432	369,042,432	107,623,155	107,623,155
Financial asset at amortised cost	257,549,099	257,549,099	119,885,240	119,885,240
Loans and advances to customers	1,716,389,516	1,716,389,516	1,834,851,202	1,834,851,202
Other financial assets	1,118,481	1,118,481	963,933	963,933
	2,344,099,528	2,344,099,528	2,063,323,530	2,063,323,530
Liabilities carried at amortised cost				
Deposits from customers	78,518,115	78,518,115	80,313,469	80,313,469
Debt securities in issue	574,745,395	574,745,395	432,618,697	432,618,697
Other borrowed funds	605,317,977	605,317,977	624,550,502	624,550,502
Other financial liabilities	309,548,883	309,548,883	208,084,423	208,084,423
	1,258,581,487	1,258,581,487	1,137,482,668	1,137,482,668

Assets for which fair value approximates carrying value

Cash and cash equivalents : the Company's cash and cash equivalents includes cash on hand and deposits in banks. Due to their short-term nature, the carrying amount reported in the financial statements approximate the fair value of the cash and cash equivalents.

Financial asset at amortised cost: the Company's financial assets at amortised cost include government treasury bills and short term investments with banks. Due to their short-term nature, the carrying amount reported in the financial statements approximate the fair value of the financial assets at amortised cost.

Loans and advances to customers, Deposits from customer, Debt securities in issue and other borrowed funds : carries interest at market rate. Therefore non derivative cash flows arising out of principal repayment and interest if discounted by the respective interest rate the fair value will be approximate to the carrying amount.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

32 CONTINGENCIES

There were no material contingent liabilities or assets which require disclosure in the Financial Statements as at the reporting date.

33 CAPITAL COMMITTEMENTS

There were no material capital commitments as at the reporting date which require disclosure in the Financial Statements as at the reporting date.

34 COMMITTEMENTS	31/12/2021	31/12/2020
	MVR	MVR
Undisbursed loans and other facilities	40,670,051	47,238,800

35 RELATED PARTY TRANSACTIONS

35.1 The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the International Accounting Standard – IAS 24 on "Related Party Disclosures".

35.2 Key management compensation	2021	2020
	MVR	MVR
Executive management salaries	3,328,204	2,899,509

35.3 Remuneration to Board of Directors	2021	2020
	MVR	MVR
Board remuneration and committee sitting fees	192,000	196,000

Shareholding structure

The Company's shareholding structure are as follows:

Shareholder	%	Number of shares	Value of shares
			MVR
Government of Maldives	49%	780,928	78,092,800
International Finance Corporation	18%	286,875	28,687,500
Asian Development Bank	18%	286,875	28,687,500
HDFC Investment Limited (India)	15%	239,062	23,906,200
Other shareholders	0%	10	1,000
		<u>1,593,750</u>	<u>159,375,000</u>

36 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified to conform with current year's classifications, whenever necessary.

37 DIRECTOR'S RESPONSIBILITY

The Board of Directors of the Bank is responsible for the preparation and presentation of these financial statements.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2021

38 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since reporting date which require adjustments to/or disclosure in the financial statements except for the following.

38.1 Final Dividend Declared

The Board of Directors of the Company has declared a final dividend of MVR 12.50/- per ordinary share for the financial year ended 31st December 2021.

In accordance with the IAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31st December 2021.

39 IMPACT FROM COVID-19

During year, there has been an outbreak of the novel Coronavirus (“COVID-19”), which has rapidly evolved across the country and globally. The Health authorities has taken some actions such as travel restrictions, lockdown and quarantine measures which have had a direct impact on the Maldives’ economy and the Company’s operating results. These measures and policies have caused significant disruption in the operation of many companies in the Republic of Maldives and around the globe.

The Board of Directors has considered the potential impacts of the current economic downturn and challenges and uncertainty involved in the determination of the reported amounts of the Company’s financial and non-financial assets and liabilities in the financial statements.

The impact of COVID-19 on the country’s economy and how governments, businesses and consumers respond are uncertain. This uncertainty is reflected in the Company’s assessment of expected credit losses which is subject to a number of management judgements and estimates. The judgements and associated assumptions have been made within the context of the impact of COVID-19 and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, the Company’s ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Further, the management has not noticed any triggering event of impairment of property and equipment, intangible assets and right-of-use assets and accordingly no material impairment losses were recognized in the financial statements.

The management and the Board of Directors (“BOD”) have been closely monitoring the potential impact of the COVID 19 developments on the Company’s operations and financial position. The Company has also put in place contingency measures, which include, but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, the BOD is of the view that the Company will continue as a going concern entity for the next 12 months from the date of signing these financial statements.

CONTACT

H. Mialani, 4th Floor,
Sosun Magu, Male',
20069, Maldives

Phone : +960 333 4666
 +960 333 8810
Fax : +960 331 5138

Email : info@hdfc.com.mv
Website : www.hdfc.com.mv