Annual Report 2022

Housing Development Finance Corporation Plc.

HDFC

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ANNUAL REPORT

2022

بسم الله الرحمن الرحيم

HDFC Plc.
Annual Report 2022

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Definition

Annual Report 2022 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 2022. 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.

Towards a better future „

Chairman's Statement

On behalf of the Board of Directors of Housing Development Finance Corporation Plc-Maldives (HDFC), I am pleased to present and welcome you to the 2022 Annual Report and audited financial statements of the Company for the year ended 31 December 2022.

I am pleased to report that HDFC has demonstrated great resilience in a uniquely challenging year in 2022 when there was unprecedented global turbulence post recovery from COVID-19 across the world.

PAST AT GLANCE

In 2022, as we stepped into the third year of the pandemic, we were awakened to the full aftershocks of a global crisis and to the economic chaos caused by this crisis. As a nation, Maldives continues to withstand significant economic ramifications, while continuing to stabilise the economic recovery to a greater extent.

Despite a myriad of challenges during the financial year 2022, the Company created significant shareholder value, helped hundreds of customers achieve their dream to strengthen the housing resilience of the Maldives, supported communities through charitable donations and volunteerism, and made progress towards national development.

As a non- bank financial institution and a stakeholder in the country's financial system, HDFC has a dual responsibility of assisting the Maldivians in their endeavors, while managing our financial position. Having successfully navigated the uncertainties of the past three years, we have now achieved a commendable balance in our operational approaches, making this year's annual report a documented testimony of our resilience.

GLOBAL OUTLOOK

Global economic activity is experiencing a quicker-than-expected slowdown, with inflation higher than seen in several decades. The high cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. According to the OECD Economic Outlook, the global economy is expected to slow further in the coming year as the massive and historic energy shock triggered by war in Ukraine continues to spur inflationary pressures, sapping confidence and household purchasing power and increasing risks worldwide.

World Economic Outlook, October 2022 issued by IMF predicts global growth to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023.

Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 (IMF, World Economic Outlook, 2022).

LOCAL ECONOMIC OUTLOOK

Turning to the domestic economy, the growth momentum of the Maldivian economy continued its upward trajectory in 2022 amid the onset of the peak tourism season in the last quarter of 2022. With robust performances registered by all sectors of the economy during the year, the latest projections of October 2022, estimate domestic GDP growth to be at 12.3% in 2022. With the resumption of scheduled air travel between Maldives and China from February 2023 onwards, the Chinese market is expected to rebound substantially, contributing significantly to the domestic economy's sturdy growth in 2023.

The domestic inflation rate accelerated from 0.5% in 2021 to 2.3% in 2022, due to the persistence inflationary pressures emanating from higher global commodity prices such as rising global oil and food prices. Risks to inflation remain sloping towards the upside with sustained supply disruptions due to geopolitical tensions and better- than-expected rebound in China's growth potentially exerting upward pressure on commodity prices and thus the domestic price level.

Apart from the external factors, government policy changes such as the hike in the General Goods and Services Tax (GST) rates from 6% to 8% and the transition to a more targeted fuel and electricity subsidy policy during the year, is expected to significantly hike inflation with the latest estimates indicating a 5.4% inflation for 2023.

Despite the negative global outlook, the Maldivian economy is expected to maintain a strong recovery trajectory in 2022 and 2023 according to MMA's Fourth Quarterly Economic Bulletin. The latest forecast indicates a real GDP growth of 7.6% for 2023.

OUR PERFORMANCE

During FY 2022, HDFC's financial performance was resilient amidst the challenges. For the financial year under review, HDFC recorded a net profit amounting MVR 108.06 million, an increase of 6.29% compared to the previous year. The relative increase is a result of effective operational cost management.

DIVIDEND DECLARATION

The Company has consistently maintained a healthy dividend pay-out ratio to its shareholders. The Board meeting held on 6 December, 2022 declared an interim dividend of MVR 27 per share (Post split MVR 2.7 per share) with a pay-our ratio of 40%. There is no final dividend for the year under review.

THE TIME AHEAD

Focusing on near term plans, we aim to take the Company to new heights by an Offer for Sale/IPO.

We launched a new product in 2022, focused to ease our existing customer and potential customers who have constructed their homes by giving long lease on their property. The product name is "Lease Buy Out" and branding attractively, the target segments through a personalised approach- making it an exemplary HDFC product.

Automations will also continue beyond 2022, with efforts to advance our ERP system with several new modules and upgrades. In addition, Cyber security, and network security will be enhanced regularly, to support our transition to digitalisations and automations. This will improve our service features as a key competitive approach in the operational year ahead.

APPRECIATIONS

On behalf of the Board, I would like to thank our shareholders – GOM, IFC, ADB and HIL, our regulators for conducting duties to the full extent and for managing stakeholder expectations, I convey my appreciation to the Board of Directors, HDFC Management For the untiring efforts in challenging times. I also thank HDFC staff for their dedicated efforts, integrity, and professionalism, and for being representatives of our values. To our customers and service partners, I extend another note of thanks for your trust in us and for remaining with us across the years. We will continue to follow our core values in serving our stakeholders, while using good judgment to improve our performance and pursue well-devised strategies for growth.

With best wishes,

Conrad D' Souza
Chairman

paving our way to
19 years of success ”

Managing Director’s Report

Dear Stakeholders,

After facing more than two years of social and economic impacts of the pandemic, the nation began experiencing some sense of the pre-pandemic normalcy by the mid of 2022. Towards the second half of 2022, the full economic and social impacts of the pandemic began to unfold, pushing us to confront the daunting task of rebuilding the nation’s economy back to its pre-pandemic stability.

It is indeed a proud privilege to share that your Company has completed 19 years of successful journey and has demonstrated yet another year of excellent performance despite COVID-19 pandemic which was responsible for slowdown in economic activities. Today, we are ranked amongst the top players in the housing mortgage industry with a strong business foundation, proven industry expertise, superior fundamentals, with strong value systems and beliefs.

COMPETITION

The last two fiscal period has witnessed heightened aggressive competition from big players in the market. However, this is not the first time, nor the last time that HDFC will face tough competition. Over our journey of the last 19 years, we have seen through all kinds of competition, and each time we have come out with positive results. The housing finance market pie continues to be dominated by the seasoned banks. However, with a strong business model, and proven industry expertise, the Company is a warmly respected and trusted financial services company. The Company's practical investments in technology, diversified resource profile, and wide product portfolio have contributed to Housing Development Finance Corporation earning this reputation. Going forward, our responsiveness, and responsibility will help us ensure a sustainable growth trajectory.

ABILITY TO WITHSTAND CHALLENGES

At HDFC, we are the only pure housing mortgage lender in terms of assets. Being long-term player with a strong record of 19 years and wide industry experience, we have witnessed and experienced several credit and economic cycles and moved from strength to strength. We are not only aware of the current challenges, but also have the agility and ability to navigate and overcome these economic and industry situations with even greater strength and vigour.

ASPIRATIONS FOR 2023 AND BEYOND

We, as a housing finance provider are optimistic about the coming year as the economic situation of the country improves. In this environment, the Company expects to continue the growth momentum while supporting the aspirations of our stakeholders. We remain committed in our belief that our customers should benefit from our services and solution, resulting in the concurrent contribution to the betterment of the Maldivian housing industry. This principle will remain as one of the considerations on which we build more customer-centric products propositions in the coming years. Some critical focus areas for enhancement in the short term will be even more robust credit evaluation processes and further improvement in turnaround time for credit approvals leading to better credit quality, portfolio growth and customer satisfaction. These will be supported by ERP integration. Continuous innovation will become more critical in maintaining our competitive advantage, and HDFC will emphasise this aspect in our strategic imperatives and encourage employees to actively participate in the process. As a responsible and ethical corporate entity, we will enhance on developing green financing solutions, offer equal opportunities to all and promote financial inclusion across all segments of our economy.

The housing finance industry and the operating environment will continue to be a challenge in 2023. We will continue to overcome these challenges and harness opportunities by implementing synergistic and well-researched strategies which will lead HDFC to the future, making us a sustainable housing finance brand of choice in the Maldivian marketplace.

With almost two decades of history in housing finance, we have experienced multiple industry cycles. In each instance, we have demonstrated great agility in responding to challenges brought on by these cycles. Despite ongoing multiple challenges faced by the industry at large, the Company remains confident of continuing the growth of its loan portfolio in the years ahead.

Moving forward, we are working towards consolidating our position in all the areas, providing better customer service, delivering value to all our stakeholders, and improving market share.

APPRECIATIONS AND ACKNOWLEDGMENTS

The progress made by HDFC is a collective effort and I take this opportunity to thank all our stakeholders for supporting us in these challenging times.

My sincere appreciation to Board of Directors for their support and guidance. I must thank the Company's investors for maintaining confidence in our ability to successfully navigate the challenges.

Our customers are the bedrock of our operation and their loyalty to HDFC over the years, especially in the last few challenging years, is a great encouragement for the Company and a testament to our diligent efforts to keep them at the forefront of our efforts and create value amidst challenges.

On behalf of Team HDFC I thank our customers for the confidence and trust bestowed on us to carry through in such tough times.

Finally, I must place on record my heartfelt appreciation to the Management team and employees. It is your dedication to the Company and your courage and tireless efforts despite the difficulties faced in these operating conditions which enabled us to successfully serve our customers while fulfilling the Organisation's strategic objectives and emerge triumphant in 2022.

I hope everyone will continue to work together in the years ahead and move forward as one team to overcome challenges and take advantage of opportunities to fulfil our vision and continue to successfully create value for all our stakeholders.

May Allah bestow his boundless blessings upon all of us.

Thanking you,

Raheema Saleem
Managing Director

Live your dream, today!

Company Overview

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 (Internal Auditors)
LEGAL COUNSEL	Mazlan & Murad Law Associates
COMPANY SECRETARY	Mr. Adam Athif
REGISTERED ADDRESS	Mialani, 4th Floor, Sosun Magu, Male' Republic of Maldives Phone: (960) 3338810 / 3315896 / 3315897 Fax: 3315138 Website : www.hdfc.com.mv Email: info@hdfc.com.mv

VISION

Our vision is to provide decent and affordable homes in a safe and healthy environment, and work towards uplifting the living standards of all Maldivians by becoming the market leader for financial services in the Maldives.

MISSION

Our mission is to offer financial and social strength to all Maldivians by providing home loans and other savings and investment products managed professionally and profitably to the highest international standards, and to the complete satisfaction of all stakeholders.

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 sensitivity to ensure 100% loan performance.
- Conduct all affairs as a responsible corporate citizen with good governance, accountability and transparency.

Products

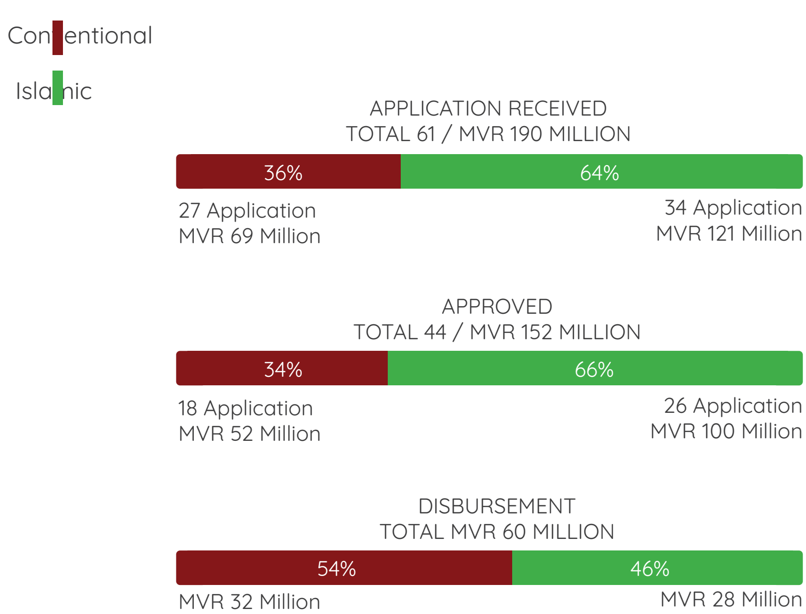
Housing remains a key component towards the country's pathway for the sustainable, economic development and social well-being of the country. Being the only specialised housing finance institution, HDFC is faced with numerous challenges in offering affordable financing solution to customers. However, its long-standing position in the market and nimble team, we strive to provide more innovative and competitive solutions with excellent services while maintaining healthy competition and market share. In order to capture the various segments of customers, the company has designed its products under three main categories (Home construction, Home Purchase and Home Renovation) of housing finance. The following products are available for our customers Under the main three categories.

STANDARD LOAN	A loan with a limit below MVR 1,000,000.00 @ 11.25% pa, with a maximum of 20 years tenure, primarily for owner occupation with the option of renting less than 1/3 of the developed area.
MILLION PLUS	A loan of more than MVR1,000,000.00 @ 11.50% pa. with a maximum of 20 years tenure, primarily for owner occupation with the option of renting less than 1/3 of the developed area.
RENT OPTION	A home loan where the total area or more than 1/3 of the developed area can be given for rental @12.50% pa.
HOME IMPROVEMENT	A loan to bring essential repairs and improvement to the property with a limit between MVR 50,000.00 MVR 1,000,000.00@ 11.25% pa. for a maximum of 10 yeras tenure.
YOUTH LOAN	Home purchase loan for youth for residential purpose only with limit of MVR 1,000,000.00 @10.50% pa. with a tenure upto 30 years.
SOE HIYAA	Home purchase loan for Staffs of State-Owned Enterprises (SOE's) with a limit of MVR 3,000,000 @10% pa. with a maximum tenure of 20 years.
LEASE BUYOUT	Home facility to buy out lease (where the full or half of the property being developed by the contractor / third party) under a long-term lease agreement with a limit of MVR 5,000,000 @12.5%pa. with a maximum tenure of 10 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.

In addition, we have two schemes where the customers can get their loans with a reduced profit rate.

PENSION BENEFIT SCHEME	For purchase of apartments/flats by collateralizing the available balance at Retirement Savings Account (RSA) as Owners contribution @ 10.42% pa.
SALARY BENEFIT SCHEME	Monthly installment of income for the staff of organisations selected by HDFC. Maximum deduction would be less than 60% of the salary.

Since Maldives being 100% Muslim country, customers favour products that are Shariah compliant. Since the Maldives Islamic Bank entered in the housing market in 2011, public opinion of and demand for Islamic financing has increased rapidly. In this context Company has introduced products that can be offered under Islamic contracts, such as, Musharaka Muthanaqisa with forward lease facilities for home construction and home purchase, and Murabaha facilities for home renovation or improvement.



Milestones

2004	Incorporated as 100% State Owned Enterprise(SOE)
2005	Conversion of HDFC to a public company
2006	Registered as a Public Limited Company (Plc.)
2007	Investment in MMA Treasury Bills
2008	Privatised HDFC under foreign investment
2009	Obtained the first foreign borrowings
2011	Introduced end user finance
2012	Inaugurated the Islamic Window, AMNA
2013	Issued the first rated Bond
2014	Introduced “Gedhoruverikurun Program”
2015	Rewarded customers with a rate cut
2017	100% local employees
2020	Granted Moratorium
2021	Received MVR 100 Million Profit
2022	Shareholders approved Share split

Shareholding Structure

NAME	No. OF SHARE(S) HELD	VALUE OF SHARE(S) HELD	
Government of Maldives	7,809,290	78,092,900.00	49%
International Finance Corporation	2,868,750	28,687,500.00	18%
Asian Development Bank	2,868,750	28,687,500.00	18%
HDFC Investments Ltd (India)	2,390,620	23,906,200.00	15%
MINOR SHAREHOLDERS			
Mr. Ibrahim Naeem	10	100	
Ms. Raheema Saleem	10	100	
Mr. Mohamed Ahmed	10	100	
Mr. Mohamed Shahudy	10	100	
Ms. Aishath Rasheeda	10	100	
Mr. Mohamed Fathy	10	100	
Mr. Mohamed Hamdan Fahumy	10	100	
Mr. Ahmed Anwar	10	100	
Ms. Aishath Shizna	10	100	
TOTAL	**15,937,500**	**159,375,000.00**	**100%**

Board of Directors

NOMINEE DIRECTOR	Mr. Conrad D'Souza (Chairman)	HDFC Investments Ltd. India
	Ms. Amena Arif	International Finance Corporation
	Mr. Khalid Sulaiman *	Government of Maldives
	Ms. Kohe Noor Binte Mahmoodul Hasan	Asian Development Bank
	Mr. Hamid Sodique	Government of Maldives
	Ms. Amena Arif	International Finance Corporation
ALTERNATE DIRECTOR	Mr. Mohamed Zuhair	Government of Maldives
	Mr. Asif Saeed Cheema	Asian Development Bank
INDEPENDENT DIRECTOR	Mr. Mohamed Ahmed	Government of Maldives
	Ms. Aishath Shizna	Government of Maldives
MANAGING DIRECTOR	Ms. Raheema Saleem	

** Replaced by GOM in April 2023*

COMMITTEES

AUDIT COMMITTEE	Mr. Mohamed Ahmed	(Chairman)
	Mr. Conrad D'Souza	
	Ms. Kohe Noor Binte Mahmoodul Hasan	
	Mr. Hamid Sodique	
	Ms. Amena Arif	
NOMINATION & REMUNERATION COMMITTEE	Mr. Hamid Sodique	(Chairman)
	Mr. Conrad D'Souza	
	Ms. Kohe Noor Binte Mahmoodul Hasan	
	Ms. Aishath Shizna	
CREDIT RISK MANAGEMENT COMMITTEE	Ms Aishath Shizna	(Chairman)
	Mr. Conrad D'Souza	
	Mr. Hamid Sodique	
	Ms. Amena Arif	
	Mr. Mohamed Ahmed	
IPO COMMITTEE	Mr. Mohamed Ahmed	(Chairman)
	Mr. Conrad D'Souza	
	Mr. Hamid Sodique	
	Ms. Kohe Noor Binte Mahmoodul Hasan	
SHARIAH COMMITTEE	Dr. Ibrahim Zakariyya Moosa	(Chairman)
	Assoc. Professor Dr. Rusni Hassan	
	Dr. Ali Zahir bin Saeed Qasim	
	Mr. Hassan Miras	(Secretary)

Mr. Conrad D’Souza

Nominee Director, Non-Executive (Chairman of the Board)
HDFC Investments Limited (India)

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

Appointed as the Nominee Director on 15th March 2019.

QUALIFICATION & 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.

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, Juhu Beach Resorts Limited, HDFC Education and Development Services Private Limited, HDFC Holdings Limited and HDFC Investments Limited.

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.Hamid Sodique

Nominee Director, Non-Executive
Government of Maldives

Nomination & Remuneration Committee (Chairman)
Audit Committee (Member)
IPO Committee (Member)
Credit Risk Management Committee (Member)

Appointed as the director by the Government of Maldives on 1st July 2021.

QUALIFICATION & 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 Managing Director 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

Managing Director, FJS Consulting Pvt. Ltd.
Council Member of Maldives National University.
Member of Male' Hospitals Board of Trustees.

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

Ms. Kohe Noor Binte Mahmoodul Hasan

Nominee Director Non-Executive
Asian Development Bank (ADB)

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

Appointed as the nominee director by
Asian Development Bank on 9th August 2019

QUALIFICATION & EXPERIENCE

Ms. Kohe has an LLB (Hons), from National University of Singapore. She is a partner in Reed Smith, a leading global law firm. Kohe has extensive experience in International commercial disputes and corporate matters.

Her areas of specialisation include power, international trade, commodities, and transportation.

OTHER APPOINTMENTS

Outside of law, Kohe volunteers actively and is a Board Member of various organisations including Singapore Malay Chamber of Commerce and Industry, Singapore Co-operation Enterprise and Singapore National Employer's Federation.

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.

Ms. Amena Arif

Nominee Director
International Finance Corporation (IFC)

Audit Committee (Member)
Credit Risk Management Committee (Member)

Appointed as the nominee director by the
International Finance Corporation on 30th November 2021.

QUALIFICATION & 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, 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.

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

Ms. Raheema Saleem

Managing Director
HDFC Plc, Maldives

Appointed as Managing Director on 26th February 2017.

QUALIFICATION & 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.

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

Mr. Khalid Sulaiman

Nominee Director, Non-Executive
Government of Maldives

Appointed as the nominee director by the Government of Maldives on 01 September 2022.

QUALIFICATION & EXPERIENCE

Mr. Khalid holds a Bachelor's Degree in Accounting & Finance from the University of East London, UK through HELP University, Malaysia. He has over 15 years of experience in business and management in private and public sector organizations. He began his career in the Internal Audit section of Maldives National Defense Force. He has worked with the Supreme Council for Islamic Affairs, the Auditor General's Office and Thilafushi Corporation Ltd. He also served as a Project Manager of Renewable Energy Technology Development & Application Project, funded by UNDP and implemented by Ministry of Housing, Transport & Environment.

OTHER APPOINTMENTS

Managing Director, Sketch Pvt Ltd.

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

He has been replaced from HDFC Board by the Government of Maldives in April 2023

Mr. Mohamed Zuhair

Alternate Director, Non-Executive
Government of Maldives

Appointed as a Non-Executive Alternate Director by the Government of Maldives on 10th April 2018.

QUALIFICATION & 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 Defense 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.

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

Mr. Asif Saeed Cheema

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

Appointed as the Alternate Director by
the Asian Development Bank on the 5th October 2015.

QUALIFICATION & 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)

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
Government of Maldives

Audit Committee (Chairman)
Credit Risk Management Committee (Member)
IPO Committee (Chairman)

Appointed as an Independent director on 18th July 2021.

QUALIFICATION & 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.

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

Ms.Aishath Shizna

Independent Director, Non-Executive
Government of Maldives

Nomination & Remuneration Committee (Member)
Credit Risk Management Committee (Chairperson)

Appointed as an Independent director on 18th July 2021.

QUALIFICATION & 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 Fellow 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.

She is also a member of Technical & Standard Committee of the Institute of chartered Accountant of the Maldives.

OTHER APPOINTMENTS

Financial Controller, Allied Insurance Company

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

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 EIPEL 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.

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 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. 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

Mr. Hassan Miras, CIIF

Senior Manager, AMNA
Appointed in 2021

- Joined HDFC in 2021
- Worked in the Bank of Maldives
- Licensed Investment Advisor at Capital Market Development Authority, Board member at Maldives Civil Aviation Authority, Investment Advisor Representative for Watercress Capital Pvt Ltd, 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

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, Audit, Manager - Compliance and Quality Assurance
- Fellow Member of the Institute of Chartered Accountants of the Maldives and a Member of the Association of Charted 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
- Worked in key departments including in Credit, Finance and Recovery .
- 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 Credit Manager.
- Currently holds Anti-Money Laundering Officer position.
- BBA (Hons) Business Administration from Open University, Malaysia.

Our fortitude remains unchanged despite the changing landscape ”

Director's Report

Dear Shareholders,

On behalf of the Board of Housing Development Finance Corporation Plc. – Maldives, I have the pleasure to present the Annual Report and Audited Financial Statements for the year ended December 31, 2022, together with the Auditors' Report thereon.

The year 2022 was a challenging year for whole world with new waves of infections spreading quickly, the human and economic tolls are expected to increase with massive adverse effects has slowed the global economic growth.

The adverse effects of pandemic created heavy pressure on HDFC. Despite the difficulties and challenges, the company maintained a stable growth during the year 2022.

WORLD ECONOMY REVIEW

The latest Global Economic Prospects report, global growth will slow from 2.9 percent in 2022 to 1.7 percent in 2023. The outlook has several downside risks, including the possibility of higher inflation, even tighter monetary policy, financial stress, and rising geopolitical tensions. This downward revision results in large part from weaker external demand and tighter financing conditions.

MALDIVES ECONOMY

According to MMA's 4th Quarterly Economic Bulletin states that the local inflation rate accelerated from 0.5% in 2021 to 2.3% in 2022, due to the persistence inflationary pressures emanating from higher global commodity prices such as rising global oil and food prices. Furthermore, with the anticipated government policy changes such as the hike in the general goods and services tax (GST) rate from 6% to 8%. It is also expected, Maldives inflation rate to increase significantly to 5.4% in 2023.

Domestic economic recovery is estimated to have gained further momentum during Q4-2022, supported by the robust performance of the tourism sector following the commencement of the sector's peak season. Tourist arrivals indicate a significant increase in the performance of the tourism industry in the first two months of 2023 compared to 2022. With the opening of the China borders, it is expected to see a surge of tourist arrivals which may show a higher GDP growth compared to the initial estimate.

HOUSING FINANCE INDUSTRY - STRUCTURE & DEVELOPMENT

Housing is an important sector for any economy as it has inter linkages with other industries. The development of housing sector can have direct impact on employment generation, GDP growth and consumption pattern in the economy. To help develop housing in the country, there is 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 country, 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 urban areas.

In the Maldives, housing finance market is very complex. In the past housing finance market was dominated by leading commercial banks. However, today there are several new players such as SOE's, Government and real estate developers.

HDFC raise long-term finance for the housing from Commercial Banks, Pension Administrations, and also through Bonds and Sukuk from the local market. The largest contributors to housing loans are Bank of Maldives, Maldives Islamic Bank and HDFC. It is estimated that HDFC manages over MVR 3 billion out of approximate Maldives housing loan portfolio of MVR 10 billion.

Affordable housing are large in numbers, so much so that they present themselves as an opportunity for banks and State-Owned Enterprises to build their housing portfolios.

HDFC is expected to register healthy growth in the new financial year, 2023 owing to the government's thrust on affordable housing. Housing Facilities Under Management (HFUM) grew by 24% last year, even as nonperforming assets (NPAs) edged up 15% Managed loan schemes and 50% Collection schemes on average during the year, where profitability remained lower than what we should receive in this category.

INTENSE COMPETITION

The domestic home loan market is seeing intense competition with banks and non-bank financial companies competing for a slice of the most secure credit segment. Today, banks are targeting home loan growth more aggressively than in the past.

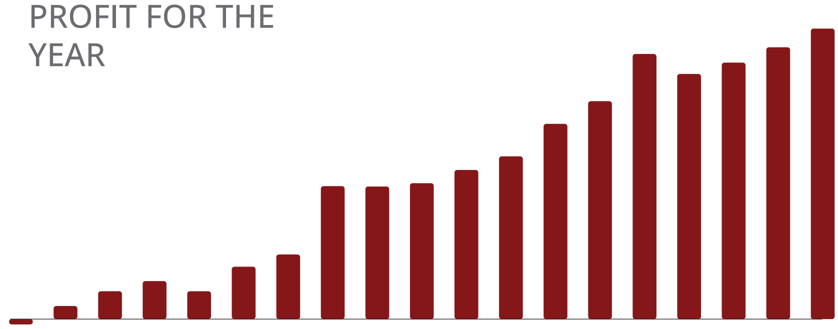
There are 8 licensed bank establishments in mortgage finance in the finance industry and creates intense competition. Generally, HDFC is competing with banks, finance and leasing companies and other organisations offering similar products such as Fahi Dhiriulhun Corporation. HDFC's geographical presence is limited due to various reasons including dealing in one product and, high borrowing costs are to name a few.

The Company's market share is reduced by 1% to MVR1.69 billion from MVR 1.77 billion in 2022. The reduction is a result of heavy competition in 2022, where the big players have dropped their lending rates to 9%.

OPERATIONAL PERFORMANCE

The Company's cost to income ratio is 8.81% at the end of the year under review. Total assets of HDFC of increased by 2.20% over the year to MVR 2,415.88 The Company's Tier 1 Capital Adequacy Ratio (CAR) stood at 83.1% as at end December 2022, when compared to the minimum requirements of 12% imposed by MMA.. Throughout the financial year 2022, substantial excess liquidity level was maintained, showcasing the confidence HDFC has built over the years.

PROFIT FOR THE YEAR



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
MVR In Millions	(1.3)	4.6	8.9	14.1	10.4	19.1	23.5	49.5	49	51	54.8	60.5	72.3	81.2	99	91.1	95.3	101.7	108.06

OPERATIONAL PERFORMANCE IN 2022

The financial year 2022 was quite a stable year for HDFC; new approvals and disbursements has been increased. Most distressing was the increase of the NPA, and depletion of our portfolio due to refinancing and natural reduction. High interest rates and increased interest expenditure seriously hurt our profitability, reducing interest margins on credit granted. High-cost funds mobilised from the market and narrow margins on managed loan schemes for state contributed to reducing bottom lines in 2022 as well.

The company reported Profit After Tax (PAT) for the year 2022, an increase by 6.29% which is MVR 108.06 million against MVR 101.67 million over the last year. However, 1.29% decline in Gross Revenue from operations at MVR 224.86 million for the financial year 2022 as against MVR 227.79 million from previous year was reported due to the depletion of the loan portfolio.

FINANCIAL PERFORMANCE HIGH LIGHTS - (IN MVR)

Particulars (Million)	2018	2019	2020	2021	2022
Total assets	1,751.44	2,185.66	2,084.83	2,363.77	2,415.88
Shareholders' Equity	515.78	563.04	658.37	720.19	765.30
Facilities to customers (net)	1,617.38	1,738.37	1,834.85	1,716.39	1,636.35
Customer EMI deposits	82.42	88.68	80.31	78.52	81.40
Borrowings	637.87	692.38	6,24.55	6,05.32	5,94.02

EARNINGS

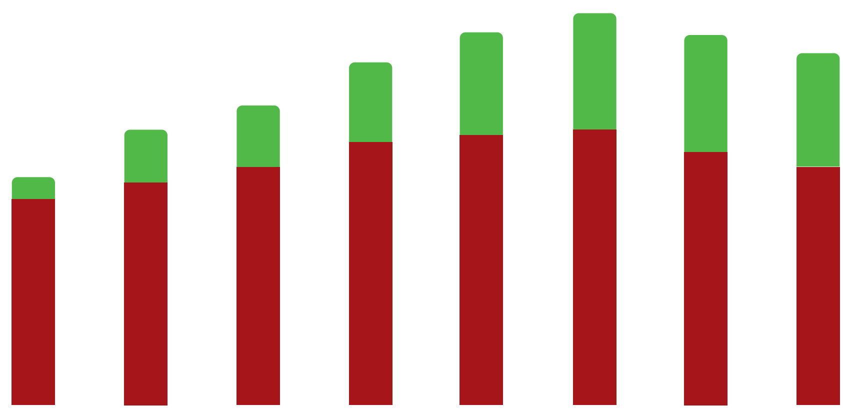
Particulars (Million)	2018	2019	2020	2021	2022
Total income	191.25	217.65	228.96	227.79	224.86
Net interest income	95.11	101.94	104.03	100.91	98.91
Net Income on Shari'ah Product	25.08	33.96	37.66	37.44	33.94
Total operating income	126.31	141.41	145.45	143.49	139.46
Total operating expenses	18.27	17.93	16.82	17.69	19.81
Profit before tax	116.30	107.62	116.07	120.87	124.55
Profit after tax	99.00	91.09	95.33	101.67	108.06

PERFORMANCE INDICATORS

Particulars (Million)	2018	2019	2020	2021	2022
Net asset value per share	323.62	353.28	413.22	451.88	480.19
Earing per share (EPS)	62.00	57.16	59.81	63.79	67.80
Dividend per share	25.00	27.50	12.50	25.00	27.00
Debt/Equity (times)	2.40	2.88	2.17	2.28	2.16
Interest cover (times)	3.14	2.7	2.81	2.35	2.6
Dividend payout (%)	40	48	21	39	40
ROE (%)	19.00	16.00	15.00	15.00	14.00

PORTFOLIO DETAILS

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 1.64 billion, the company look forward to approving and disbursing additional loans and facilities during the year 2023.



	2015	2016	2017	2018	2019	2,020	2021	2022
Conventional	979.13	1073.50	1142.80	1259.26	1283.79	1313.99	1212.33	1140.87
Amna	121.39	247.49	296.30	384.33	497.85	563.05	555.79	548.87

MVR In Millions

As of 31st December 2022, housing facilities contributed from Islamic window (Amna) about 32% MVR 548 million of the housing portfolio.

INCOME

During the year under review, the Company's revenue from operations was MVR 224.86 million as compared to MVR 227.79 in 2021, recording a decrease of 1%. Out of the total revenue, interest income on loans and facilities advanced for 2022 was MVR 134.03 million. Income from Amna products contributed MVR 62.71 million. Short term investments contributed MVR19.22 million.

FEE INCOME

Fee income of the Company recorded a growth of 23.30% from MVR 3.09 million in 2021 to MVR 3.81 million in 2022. This growth was mainly due to loan and facilities processing fee, and the increase in fee income from the managed portfolio of the government social housing schemes, from MVR 2.82 million in 2021 to MVR 3.18 million in 2022.

EXPENSES

HDFC constantly endeavors to reduce its cost of borrowing by diversifying its sources of funding, seeking out alternative funding pools, and enforcing stringent asset liability management policies.

The company's total expense during the year was MVR 123.69 million as compared to MVR 129.31 million in 2021, which is a decrease of 4.35%. Out of the total expense for the year, loan interest and Amna facilities cost was MVR 85.41 million (69.05%), and operating expenditure (excluding impairment losses and reversal of modification loss) was MVR 19.81million compared to MVR17.69million in 2021, this is 11.98% increase when compared to 2021.

Strategically the Company's collection and in-house contribution to training is a key differentiator enabling operating expenses to be kept in check. These savings and benefits are expected to be further enhanced through the recent investments in technology and digital innovation.

The Company continues to explore and identify methods to improve its overall Net Income Margin and work on maintaining a reasonable cost-to-income ratio and at the same time ensuring that adequate investments are made in technology.

RECOGNITION OF PROVISION FOR IMPAIRMENT CHARGE

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. 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 1.99 million was made for the year 2022. Due to all these prudential measures taken by HDFC, as of 31st December 2022 total Impairment loss allowance has increased to MVR 53.38 million.

REVERSAL OF MODIFICATION LOSS ON LOANS AND ADVANCES

HDFC has responded through various measures including allowing moratorium period, providing solution framework for stressed accounts due to COVID-19 and numerous other measures. During the year ended 31st December 2022, the company has recognised a modification reversal of MVR 6.89 million on loss on loans and advances after remeasurement of amortised cost based on expected future cash flows from moratorium interest receivables as of 31st December 2022.

TAX CONTRIBUTION

HDFC pays to the government's tax revenue of 15% as Business Profit Tax (BPT), in addition to the With Holding Tax (WHT). The Company contributed MVR16.48 million in Income tax to the Government during the year 2022. Total tax contribution was 7.33% of its total income generated during the year.

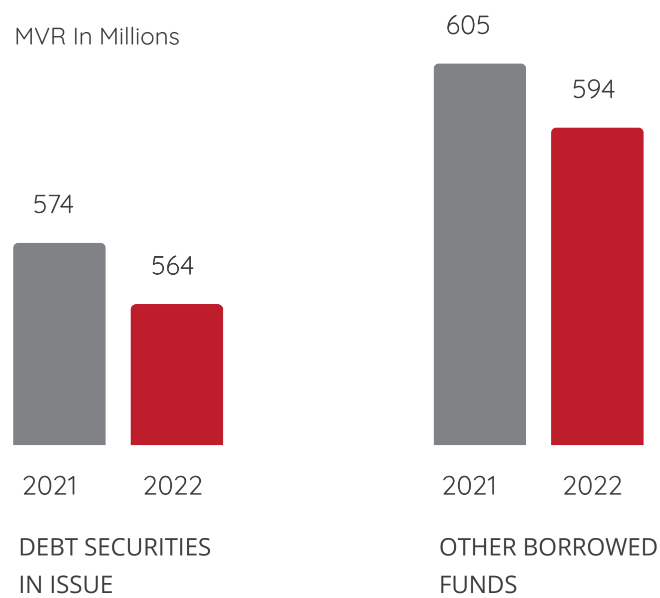
SHORT TERM INVESTMENTS

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 2022 the value of such investments was MVR 680 million. Investment activity generates revenues from interest received upon the maturity of such investments. Short term investments on Treasury Bills and General Investment Account (GIA) were MVR12.70 million and MVR 6.52 million respectively.

DEBT INSTRUMENTS AND BORROWINGS

The company raise 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 70.18% of its total liabilities for the year 2022, and this was 71.76% for the year 2021. Debt securities of the company have decreased by 1.82% from MVR 574.75 million in 2021 to MVR 564.27 million in 2022.

During the year Company's other borrowed funds had decreased by 1.82% from MVR 605 million in 2021 to MVR 594 million in 2022. The only dollar denominated loan (DEG) loan will be paid on 15th June 2023.



	Up to 1 Month	1-3 months	3-12 months	2-3 years	Over 3 years	Total
Debt securities in issue	-	-	31.72	12.19	520.36	564.27
Other borrowed funds	3.13	17.01	133.42	52.73	387.74	594.02

OTHER LIABILITIES

Other liabilities mainly consist of HDFC Managed Governement Social Housing fund. This includes Social Housing Loan scheme and Collection schemes, under Islamic and Conventional. During the year Managed Portfolio (number of accounts) has increased by 24%.

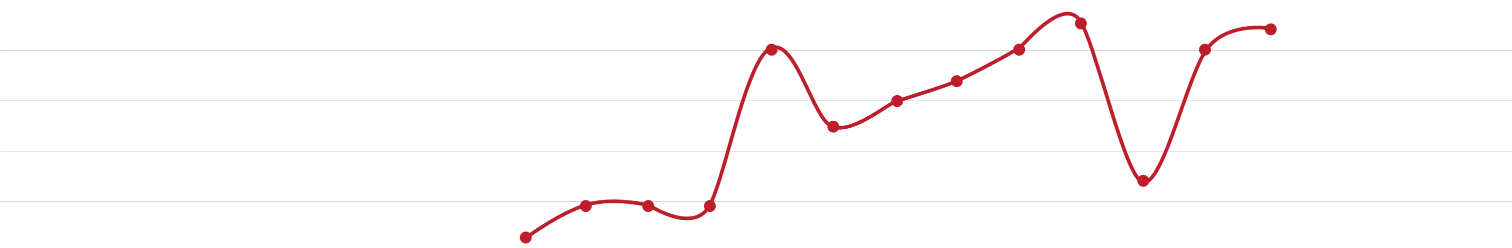
MANAGED LOANS AND FACILITIES

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 National Planning, Housing & Infrastructure (MNPHI). As of December 2022, 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

DECLARATION OF DIVIDEND

The objective of the Company dividend policy is to create maximum value for our shareholders. During the year under review, considering the performance of the Company the Board of Directors recommended an Interim Dividend of MVR 27 per share for face value of MVR100 each. Total outgoing towards payment of Dividend is MVR 43.03 million. The final dividend recommend will be approved by the shareholders in the up- coming Annual General meeting of the Company. The dividend pay-out ratio is 40%.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
MVR In Millions	7	10	10	10	25	17.5	20	22	25	27.50	12.50	25	27

ASSET LIABILITY COMMITTEE (ALCO)

The Company has a Board-approved Asset and Liability Management (ALM) policy. The policy specifies the prudential gap limits and the tolerance limits and the reporting mechanism. The Asset Liability Management Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign the policy with changes in the economic and landscape. During the year 48 sitting were held by the Asset Liability Committee (ALCO).

ACCESS TO A DIVERSIFIED FUNDING MIX AND A POSITIVE ALM POSITION (LIQUIDITY)

HDFC has always preferred accessing long-term, low-cost funding avenues to finance its capital requirements over expensive short-term instruments. Over the years, it has been increasing exposure to low-cost and diversified borrowing sources to ensure a robust funding mix. Securing funding from diversified funding sources ranging from, issuance of Bonds, Sukuk for long term funding and Wakala as short-term (2 years) funding.

In terms of liquidity, HDFC have maintained healthy liquidity on-balance sheet for the last two years and are gradually reducing our reliance on short-term funding sources such as Wakala which has helped improve asset-liability mismatches in the near-term buckets. Given the tough environment, HDFC strongly believes that we will maintain healthy liquidity in the future.

HDFC's liquidity profiles are projected to remain favourable, underpinned by substantial on-balance-sheet liquidity and comfortable capitalisation levels. Simultaneously, the availability of funding lines would be critical for growth. We will continue to seek borrowings locally or internationally and will consider the most favourable option at that point of time as traditional borrowing methods such as term lending from banks have tightened.

HDFC has always preferred accessing long-term, low-cost funding avenues to finance its capital requirements over expensive short-term instruments. Over the years, it has been increasing exposure to low-cost and diversified borrowing sources to ensure a robust funding mix. Securing funding from diversified funding sources ranging from term loans, and issuing Bonds, Sukuk and Wakala to the public and also from different domestic and foreign institutions, the Company has been rationalising its incremental cost of borrowing.

HUMAN RESOURCES DEVELOPMENT

The Company believes that human resources are the most critical element responsible for the growth of the Company. It ensures a safe, conducive, and productive work environment across its business operations. The Company is committed towards the well-being and development of employees through various initiatives such as performance and appraisal, learning management, talent management, internal and external training programs etc. Its HR policies provide a work atmosphere that leads to employee satisfaction, determined motivation, and a high retention rate. The Company consistently reviews its business and people policies to improve ways of working. Last year a new staff payroll structure was approved by the Board for the betterment of the staff. As on 31st December 2022, the Company had 37 employees who have been contributing to the progress and growth of the Company.

INTERNSHIP

HDFC's Internship program aims to encourage highly motivated individuals an opportunity to be exposed to the work of the Company. The internship allows individuals to bring new perspectives, innovative ideas, and research experience into the Company's work, while improving skills in diverse departments. In addition, it is a great way to enhance CVs with practical work experience. Internships are available in both in operations and other business departments (such as HR, Credit, Accounting and Finance). Internship term is generally for 3 months and also depending on the business need.

WEBSITE REVAMPING

The website (www.hdfc.com.mv) has been revamped to include the Company synergy in a more appealing manner. In 2022, the HDFC launched its revamped website in English with a modern design layout. The website is distinguished by its ease of use and accessibility to the information related to the Company's products and services. The website was developed in a user-friendly manner to the customers.

The launch of the website which is compatible with all browsers and multiple devices including laptops, tablets, and various smart phones, is part of HDFC's eagerness to provide the highest levels of electronic financial service to its customers in a convenient way, as well as giving them a secure and rich user experience.

The website provides the visitors the choice to access the Company's various products, as well as everything related to HDFC public library which includes annual reports, quarterly reports, in addition, to the latest news and updates on activities relating to the public.

MARKETING AND EXHIBITION

HDFC- Maldives maintained its marketing and promotional campaigns during the year to promote its products and services among the general public and a number of new campaigns were conducted to introduce our existing and new products. The Company has also enhanced its digital presence through greater online, social media activity.

In addition the Company participated in the LIVING EXPO exhibition and the VINARES exhibition organised by HDC to educate the public about the wide range of products and services offered by HDFC and to enhance Company's brand visibility.

The focus on social media marketing continued throughout the year with fresh organic content; relating to existing and new products being posted continuously. This enabled the Company to connect with existing and new customers through various social media.

We partnered with two strategically located channel partners to create visibility at high-visibility locations.

HDFC - CSR

As a responsible corporate citizen, giving back to the communities where we carry out business is an integral part of our overall strategy. Our aim is to 'give back' in a structured manner that ensures the greatest possible impact on our beneficiaries. To achieve this, we periodically carry out need-gap analysis in target groups to be able to accurately determine areas where our support is most needed. This enables us to deliver CSR projects that are relevant and impactful.

Our social initiatives are geared towards educating public awareness on inclusive finance, encouraging skills development and capacity building, employment creation, and supporting government's efforts at achieving inclusive growth and development. We collaborate with relevant healthcare institutions to provide financial assistance and put our best efforts to contribute to prevention and early detection of life-threatening ailments such as Thalassemia, and Cancer to name a few.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

HDFC extends an unparallel service experience through a deep understanding of its customers – their needs, their preferences, their concerns – and responding with products and services that meet and even exceed their expectations. In a rapidly changing operating context, it also involves transforming internal mindsets and processes to remain agile and relevant. We carefully choose our diverse customer and tailor our products and services to cater to each group. This allows HDFC to deliver a differentiated value proposition that enhances its brand and elevates customer loyalty. Meeting the needs of customers, and providing such personalised support was vital in the last few years of economic recovery following the COVID-19 pandemic. HDFC continues its efforts in CRM activities thereby, strengthening the loyalty of existing customers and promoting the Company's reputation among potential customers. The Company endeavours in maintaining sustainable relationships with the customer through constant contact.

PREVENTION, PROHIBITION OF SEXUAL HARASSMENT AT WORKPLACE

As per the requirements of the prevention and prohibition of Sexual Harassment of at workplace, HDFC has a Policy on Prevention of Sexual Harassment and has a robust mechanism to address the complaints reported thereunder. An Internal Committee has been constituted, which comprises of internal members who have experience in the subject field. Details relating thereto are as follows:

(a) Number of complaints received in the year: Nil
(b) Number of complaints disposed of during the year: Nil
(c) Number of cases pending more than ninety days: Nil
(d) Number of workshops or awareness programme against sexual harassment carried out: Nil

WHISTLE BLOWING, FRAUD, BRIBERY, AND FINANCIAL CRIME

The Management and RAM has reviewed the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible fraud or other wrongdoings in financial reporting or other matters. The management team has reviewed the annual report from the Money Laundering Reporting Officer ("MLRO") and the adequacy and effectiveness of HDFC's anti-money laundering systems and controls. The Company continues to protect itself and customers against the risks of financial crime through continued due diligence activities and staff training.

INSURANCE OF COMPANY ASSETS

HDFC maintains insurance policies that it believes are customary for companies operating in this industry. The Company's principal types insurance coverage include directors' and officers' liability insurance, staff health insurance and also have a combined corporate policy which covers, among others, and public liability insurance. In addition, the Company has a money insurance policy pertaining to cash in safes and in transit.

MANAGING UNCERTAINTIES (RISK)

The management of risk is a critical underpinning to the execution of our strategy. The material risks and uncertainties the Company faces across its housing portfolios are key areas of management focus. At HDFC, we have formulated a risk management process. Our risk management framework has been implemented across the functions and aiding us in effectively managing and mitigating the risks associated with our business. Our risk management measures broadly include risk assessment, risk appetite framework, risk planning, risk culture, internal controls, and governance.

The Board Audit Committee reviews the effectiveness of the risk management framework and helps in undertaking corrective actions. The principal business risks associated with the business are credit risk, liquidity risk, reputation risk and technology risk. A detailed risk is given in the Risk Management chapter.

CORPORATE GOVERNANCE

The Company's Corporate Governance philosophy stems from the belief that corporate governance is a key element in improving efficiency and growth as well as enhancing investor confidence. HDFC strongly believes in ethical values and self-discipline to achieve higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency, accountability to stakeholders, Government and others who deal with the institution.

We continue to comply with MMA, CG Code and others required under the Companies Act and Capital Market Development Authority. A separate Corporate Governance Chapter is included in the Annual Report.

BOARD MEETINGS/ EXTRA-ORDINARY GERNAL MEETING ANNUAL GENERAL MEETING

The year ended with four board meetings, one Extra Ordinary General Meeting (EGM) and one Annual General Meetings (AGM). EGM was hosted virtually. Annual General Meeting and one board meetings was held in person where all directors were present. Two Board meetings were held hybrid, where some directors were physically present, while the rest of the directors participated virtually.

OFFER FOR SALE

The Board of Directors of HDFC-Maldives has resolved to initiate the internal processes required for an Offer for Sale (OFS) through the Shareholders Agreement signed on 23 July 2008. An OFS is a crucial transitional stage in HDFC's development as it moves from the private to the public arena. Moreover, internal corporate governance plays a critical role in the sustainable development of the Company.

SHARE SPLIT

At the Extra Ordinary General Meeting of shareholders held on November 29th, 2022, in accordance with article 19(d) of the Article of Association, of the Shareholder's Agreement the shareholder approved a share split of 1,593,750 ordinary shares of MVR 100/- each into 15,937,500 ordinary shares of MVR 10/-each.

APPOINTMENT OF AUDITORS

KPMG has been appointed as the external auditor from 2021 and is eligible for re-appointment as per MMA guidelines. Likewise, Ernst and Young (EY) has been appointed as the internal auditor since 2021 and is eligible for re-appointment.

The appointment and remuneration of Auditors for 2023 will be placed before the shareholders in the forth coming Annual General Meeting for approval in May 2023.

ANTI-MONEY LAUNDERING AND COMBATING THE FINANCE OF TERRORISM

Money laundering and terrorist financing are financial crimes resulting in economic effects on a global scale. Money laundering is the integration of the proceeds of illegal activity into the legitimate economy and financial sector, with the aim of concealing their criminal origin by making the funds appear otherwise legitimate to others, i.e., the converting of otherwise "dirty" money into "clean" money.

HDFC complies to the Law (No.10/2014) Preventions 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 the Maldives Monetary Authority. To ensure effective implementation of AML framework of the Company the adopts as a risk-base approach, primarily starting from "Know Your Customer" (KYC) and monitoring, reporting of suspicious transactions. This includes large as well as structured cash transaction above MVR 200,000. HDFC takes all necessary steps to adhere with the directives issued by the Financial Intelligence Unit (FIU) at MMA.

Details of the transactions reported to FIU for the year ending 31 December, 2022 is appended below;

Total number of transactions reported 8 cases (MVR 200k and above threshold).

Categories	No. of Transactions	Total Value in MVR
Equity, Initial fees and deposits payments	4	2,565,515.04
Balloon payment EMI	3	940,000.00
Monthly Installment	1	500,000.00
Total		4,005,515.04

Trainings conducted in AML;

- In-house training sessions for relevant staff- (Total 2 sessions).
- AML Introductory sessions conducted to all new recruits during the year. (Total 11 sessions)
- On the job training to account cashiers. (Total 4 sessions)

Training and workshop attended during the year;

- National Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Risk Assessment of Maldives workshop conducted by MMA Financial Intelligence Unit with assistance from the World Bank (25th January to February 4th, 2022).
- Compliance forum meeting for Money Remittance and exchange and other non-financial service providers under South Asia Transnational Partnership against Money-Laundering (Stop ML) conducted by American Bar Association (On 23rd May 2022).

RIGHT TO INFORMATION ACT

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 Amin & HR was the Information Officer. (On his resignation Ms. Sajida Musthafa [Recovery Officer] has been appointed as the new Information Officer on 1st March 2023)

COMPLIANCE

HDFC has an independent Compliance officer which is of the rank of a manager who is for regulatory purposes also referred as Risk and Audit Manager (RAM). RAM was appointed under the regulation in 2019 (R-150) who independently evaluate to ensure compliance of statutory, regulatory and the Company's internal guidelines for both domestic as well as overseas dealings. The report on compliances is presented at each board meeting for the information of the board of directors.

IMPROVING CREDIT UNDERWRITING GUIDELINES

We regularly review our credit underwriting guidelines, to ensure that they are efficient and effective during the year the staff distress loans have been increased to MVR 100,000 from MVR 50,000. The Company is to enhance its digital footprints in the evaluation process making the turnaround time shorter. In that respect changes in the specific industry are now adjusted to market rate which was previously (during Covid 19) discounted. Changes brought to the credit manual last year were approved by the board of directors.

STRENGTHENING RECOVERIES TO IMPROVE ASSET QUALITY

In mastering the art of maintaining its non-performing assets at a low level, HDFC endeavours to focus on timely collection from customers. The focus of the organisation is to neutralise the negative impact created by the pandemic which, to a great extent, the company is able to achieve with relentless efforts of the credit team. However, another challenge was put forward by the moratorium given to our customers where NPA has resulted in substantial increase in reported NPA numbers (6.0%) in Q3 FY22, the dedicated approach on streamlining and re-engineering of the recovery processes aided in curtailing the NPA numbers (5.71%) in Q4 FY22. We believe that continuous day-to-day monitoring is the first step towards reduction in non-performing loans and in ensuring good recovery. For this, the Company undertook various steps and formulated strategies to augment recoveries and reduce slippages.

The Company firmly believes that the process of recovery commences at the initial contact with the customer as opposed to the end. The process commences with the identification of the customer, evaluation of the customer and finally leading to a smooth recovery process. The full involvement and accountability of the credit officers in the recovery process substantially contributes to maintaining a low non-performing ratio.

With our focused efforts on recovery, we will be able to manage to control our delinquencies quarter on quarter this year. The increasing percentage in NPL also reflects the depletion of our portfolio, most of the loans given in 2004 would have completed the tenure. In addition, due to Covid 19, for more than a year, no new loans were offered.

We will be putting forward strategies to the board and these strategies will touch each and every NPL account. This Recovery process is under direct supervision of the management.

amna
Housing Development Finance Corporation Plc.

HDFC -AMNA WINDOW

The Islamic Window (Amna) which commenced its operations in 2012, is currently one of the leading providers of Islamic finance in housing within the country. Our product portfolio is structured according to the Sharia principles of equity and fairness. Amna's contribution to the housing portfolio is 32%. A separate Amna chapter will highlight the details of its operation. A chapter on Amna will highlight Amna performance.

RETAIL LOANS

Owing to our increased focus on the retail loans and facilities after the new normal, we went back to the pre-Covid ticket size of MVR 10 million on construction. Yet, we kept our conservative approach keeping LTV at 80%.

NEW PRODUCTS

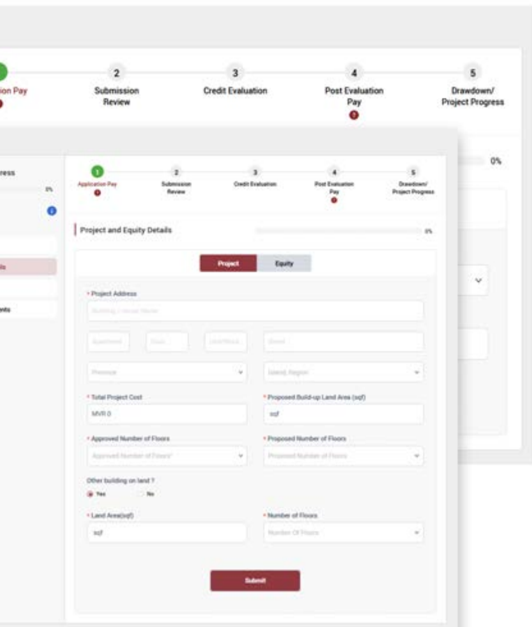
“HIYAA PRODUCT”

HDFC is a prime housing finance lender and have been offering home facilities to key segment customers viz Salaried and Self Employed to name a few. Our focus has been on increasing the business of the Company. We identified the markets dynamics and provided change in the pricing. As a result, we are offering home purchase at 10% for State Owned Enterprise “Hiya Product”. We did a detailed analysis of SOE Hiya product keeping in mind the customer segment.

“LEASE BUY OUT”

Given that it is a widely promoted and used category, we focused on developing a differentiated strategy that will help us penetrate the market more effectively and improve our overall profitability. This new product “Lease Buy Out” was another new product which was launched in the last quarter of last year, whereby we catered to a specific category of borrowers.

DIGITAL TRANSFORMATION



The Company confirms its commitment to continue to implement a digital innovative plan that will position HDFC as a key- runner in the financial sector, and in keeping up with the continuously changing market trends, and it will do so by providing comprehensive and integrated solutions to its customers that provide the best service experience.

The Company has adopted a clear vision for its march towards digital transformation. By focusing on consistently improving the client experience and producing services that match their goals and demands. HDFC has launched a digital transformation plan that involves strengthening customer interaction points, developing internal procedures, building digital capabilities, and investing in a safe, easy-to-use, and highly efficient financial infrastructure that contributes to the unfettered development of the organisation's operations, reduces the time required to execute new and innovative ideas.

This will give HDFC a new identity, allowing it to drive growth and profitability, improve operational performance, and allocate capital more efficiently. It also laid the groundwork for the Company's digital transformation plan, which it will implement to ensure the Company's business continuity and growth, as well as achieve its long-term goals.

Accentuating Digital Through "HDFC Home Facility"

In the near future, we plan to embark on our digital journey with the launch of "HDFC HOME FACILITY mobile application, which delivers payment details to the customers.

HDFC WEB PORTAL

HDFC Web Portal will ease the process of applying for housing facilities and sanctions and in ensuring the status of the application to customers. Through this portal, we are accelerating our digital capabilities and re-skilling distribution to support remote on-boarding. With transformation from our heritage solution to new lending suite, we hope to see a substantial reduction in the turnaround time (TAT).

AWARDS AND RECOGNITION

In 2022, HDFC received the 6th Corporate Maldives “Gold 100 Gala” Awards.

VISION 2023

We are working on increasing our cloud footprint and intend to aggressively continue our digital journey in the areas of loan applications, evaluation, disbursements, recovery etcetera. Our IT-enabled systems will in the future help in gathering authentic data which further helps in faster decision-making and swifter response to our customers. This journey will enable the Company, to eliminate the usage of paper significantly which also makes us a socially responsible corporation.

GAZING INTO THE FUTURE

The operations of HDFC will be conducted in a manner so as to maximize the synergetic benefits. We are focusing on entrenching our priorities to stay ahead in the market and to achieve our objective of maximising our long-term intrinsic value. We are building our operational excellence as our core competency and our ability to execute our strategies and deliver consistent performance.

We are reputed for our strong business foundation, and our quick response to our customers and our proven industry expertise. We are a respected and trusted financial company, taking pride in having served nearly 10,000 prudent home owners.

Even during these challenging circumstances, our focus remains to improve our market share and advance on tech-enabled customer service. We continued to follow our Strategies to seize the new opportunities emerging in the past year and to further strengthen customer relationships. Our investment in ERP Project is aimed to generate our long-term objective of creating more stakeholder value, expanding geographies, and delivering elevated and best-in-class customer service. Moving forward, we are working towards strengthening our position in all the areas, providing better customer service, delivering value to all our stakeholders, and improving market share and goodwill.

To conclude, the shareholders have made the decision to go public – a monumental landmark in our company's 19-year journey. It is an undeniably exciting prospect to the society at large and to consolidate our leadership.

LITIGATIONS

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

DECLARATION OF INTEREST

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

DIRECTOR'S RESPONSIBILITY STATEMENT

The Board of Directors here by state that:

1. In the preparation of the annual accounts, the appliable accounting standards have been following;
2. Accounting polices selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at 31 December 2022, and of the profit of the Company for the year ended on that date;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 10/96 for safe guarding the assets of the Company and preventing and detecting frauds and other irregularities;
4. The annual accounts of the Company have been prepared on a going concern basis;
5. Internal financial controls have been laid down to be followed by the Company and such internal financial controls were adequate and were operating effectively;
6. System 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 event has occurred subsequent to the balance sheet date which would require adjustments to, or disclosure in the financial statements.

APPRECIATING OUR SPEARHEADS AND STAKEHOLDERS

As you know, we have been through a very momentous year, compounded with the facts that we are now moving to a share listed company and have been commended for our compliance in regulatory spheres. I must thank the Ministry of Finance, whenever we are in need of direction and guidance in these areas and similarly, the MMA, CMDA, MSE and Registrar of Companies who have continued to reiterate their support and co-operation throughout the chapters we have opened this year.

We have been most fortunate to have the good direction and leadership from a very pragmatic Board of Directors, who truly believe in this Company's founding shareholders.

HDFC's team is undoubtedly the finest. And it is to them that we pledge a commitment that the Company will continue traveling to great heights. They have always been ambitious and aggressive when it comes to reaping results. Thank you for your efforts and your continued commitment which will hold us in good position as we enter a year of different challenges.

My heartfelt thanks to our customers, who believe strongly in being a firm partner with us and have displayed exemplary loyalty throughout. Similarly, to our valued business partners, who remain proactively engaged with us and are consciously working on building strong relationship foundations for a win-win formula. HDFC is truly a benchmarked leader in providing housing finance and intends to remain so. Today, we have 38 team players who are 100 percent local within the Company, with an unwavering commitment to serve. This to us, is the formula that will make us continuously re-write the history books, and embark on journeys. The year to come will not be easily given the trends of volatility and uncertainty especially in the economic milieu that we see, but for HDFC, these will pose yet another to lead the industry and create pathways for others to follow. With the blessing of Allah, we intend to continue this exciting journey that will take us to, such great heights.

Hamid Sodique
Nominee Director (GOM)
On behalf of the Board

Home for all, with Trust ”

Amna Report

HDFC AMNA has been in operation for the last 10 years and it is now one of the leading Islamic housing finance providers. Currently, Amna is responsible for 31% of HDFC’s housing portfolio.

AMNA IN BRIEF

The business models of HDFC- Amna is already under significant pressure. The Covid-19 forced the global economy to pause the development of the entire economic sector. As a result, Amna had been suffering from low profitability and fierce competition in business. The combination of these factors has made it challenging to generate the desired profit.

However, during the last two years have proven our value and positive contribution by ensuring ongoing funding towards housing. However, as we moved to "NEW NORMAL", it has given us an opportunity to increase Amna profitability. Though, slow but a promising future remain for Amna.

HDFC-Amna was founded in 2012 to provide Islamic home financing options. At HDFC, customers have the opportunity to select between Islamic and conventional financing products. To ensure compliance with Shari'ah principles, HDFC Amna adheres to the following guidelines:

Amna Funds are segregated to ensure there is no commingling with sharia non-compliant funds

- An Independent Shari'ah Advisory Committee
- Products are ultimately rooted in Islamic principles, including the terms in the underlying agreements.
- Ensure that management of funds and related services is offered based on Islamic principles.

To improve the profitability level of Amna, sustainably, cost-cutting programs alone are unlikely to be sufficient. Rather, the creation of new products and services to generate higher income will become a key area of focus. On that note two new products were introduced, SOE -product and Lease buy-out.

Amna showed a tremendous and courageous stability in its various parameters. A positive mindset and proper risk management has impacted the final outcome of the business performances. Amna is going under rigorous development process everyday through different Training Programs and Compliance related Workshops. Professional and skilled employees have ensured premium quality of services throughout the year. It has efficiently managed the overall post pandemic crisis because it stayed true to the core values, putting people first, pursuing excellence, embracing change, acting with integrity and serving the clients with its best.

The Directors of Shariah Advisory Committee are highly competent and qualified to accomplish the job they have been entrusted upon. They have enormous versatility and in-depth knowledge in their respective areas. They are learned, qualified and successful people in their relevant fields.

Amna is thankful to the Board of Directors, the Management and the Employees of HDFC for their tremendous efforts to achieve the goal though the Company's forecast was not favorable.

During the year 2022, Amna earned an amount of MVR 33.94 million as profit. The future of Amna remains promising and profitable. Insha Allah, we hope that Amna will reach the zenith of success in the coming years and will become one of the leading Islamic housing finance providers in the Maldives.

VISION

- To be a leader in providing housing finance with Islamic values.

OUR MISSION

- To build a strong and dynamic institution to make a viable alternative to conventional system;
- To provide quality products and services to the clients with sincerity, honesty and care;
- To maximize clients' and shareholders' value with stable growth;
- To apply Shariah principles and maintain the highest level of ethical standard and transparency in all business transactions;
- To provide a congenial work atmosphere to create and attract competent work force; and
- To be socially responsible and make effective contribution to national development.

GUIDING PRINCIPLES

- Islamic Approach,
- Customer Need,
- Employment Generation,
- Corporate Environment,
- Risk Management,
- Accountability,
- Transparency and
- Compliance.

OUR COMMITMENTS

- Clients,
- Partners,
- Society,
- Shareholders
- Employees, and
- Corporate Social Responsibility

AMNA CORPORATE INFORMATION

Sharia Advisory Committee Members:

Dr. Zakariya Moosa (Chairman)
Pro. Rusni binti Hassan (Member)
Dr. Ali Zahir bin Saeed Qasim (Member)
Mr. Hassan Miras (Secretary)

Auditor:
KPMG (Sharia Audit)

Head Office:
H. Mialani, 4th Floor, Sosun Magu, Male' Maldives

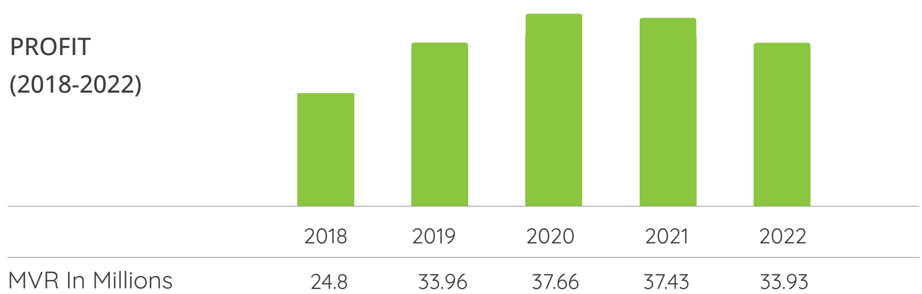
FINANCIAL PERFORMANCE

In recent years, HDFC AMNA has seen steady profits and increased customers. Despite the slight decline in financing portfolio due to the impact of Covid, Amna have seen increase in revenue compared to FY 2021. Unfortunately, last year Amna experienced a slight decline in Net Income.

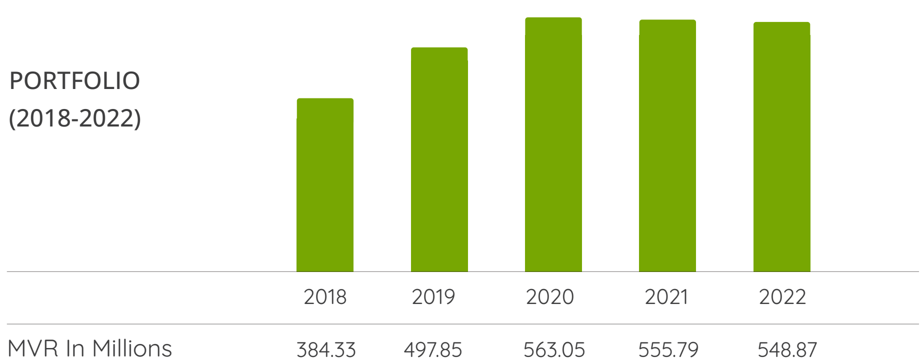
Below is a summary of noteworthy achievements throughout the year 2022:

Particulars	2022	2021	2020
Total Revenue	71,523,806	70,332,387	68,285,315
Amna Investor’s profit share	37,586,072	32,895,455	30,620,801
Net Income	33,937,734	37,436,932	37,664,514

PROFIT (2018-2022)



PORTFOLIO (2018-2022)



LIQUIDITY

In December 2021, HDFC AMNA raised MVR 168 million by issuing the 4th Muda Rabah Sukuk, providing them to finance the growing portfolio. The Sukuk had a 10-year term and was given to address the maturity mismatch between the funding sources and the financing provided to customers. Overall, this helped HDFC AMNA find a solution to its financial needs. Amna have sufficient funds to grow its portfolio in 2023 and excess funds are invested accordingly in the best options available.

ASSET QUALITY

In 2022 Amna's NPA ratio of stood at 2.45%. a close eye on credit facilities during challenging economic conditions is essential, but Amna's ethical business model ensures they do so.

SHARIA AUDIT AND COMPLIANCE REVIEW

Every year, an external auditor conducts a sharia audit where the findings are presented to the board. If any issues are found that do not comply with sharia law, they are investigated and resolved by the Sharia Committee and Amna

MMA 's new Sharia Framework for all Islamic finance providers in Maldives was adopted from 1 January 2022. The new framework aims to improve Sharia risk management, Sharia Audit, and Sharia review functions. An Audit & Compliance Committee will oversee all business and services to ensure compliance with regulatory authorities' instructions.

KPMG was approved as the Shariah Auditor for Amna. As per the new sharia governance framework, quarterly sharia review was carried out. The Audit and review look at the credit approval process, documentation and sources of finance.

The audit encompassed a range of processes and areas, including but not limited to the following:

- Confirmed that the documentation and the process is in line with the sharia requirement.
- Provided with legitimate evidence to carry out the audit on the Islamic financing and investment portfolio.
- Manuals and SOPs are provided for thorough review.
- Recommendations were given for further improvement.

COMMITTEE MEETINGS

During the year 4 committees were held and the following issues were addressed and resolved.

CHARITY

All earnings that don't follow the rules of Sharia are given to charity, as decided by the sharia committee. In 2022, such earnings amounted to MVR 27,544, primarily due to customers paying late fees. These earnings were kept in a separate account and will be given to charitable causes after getting approval from the sharia committee.

Year	Amount Spent on Charity
2012-2016	38,500.00
2017-2020	67,395.98
2021	83,737.98
2022	27,543.99

HDFC's charitable donations supported various social events, NGOs, and related activities, including education and women's empowerment. To ensure long-term sustainability and create value, the charity amount distributed in 2021 funded two schools and two libraries in the outer Male region. The Sharia Advisory Committee has approved the charity list for 2022.

BUSINESS ZAKAT

Businesses are among the categories subject to Zakat and are considered a means of wealth accumulation for Muslims. Calculating Zakat follows the AMNA policy, and the Sharia committee approves the amount. In 2022, HDFC AMNA paid MVR 586,046 as business Zakat, more than the MVR 578,352 spent in the previous year.

FUTURE OUTLOOK

We believe that the economy of Maldives will continue to recover strongly post covid and expected to reach pre-covid level in 2023. With the opening up of markets, most sectors of the economy are performing well. Our top priority has been to ensure the well-being of our employees while continuing to meet the housing finance requirements of our customers through both physical and alternative delivery channels. Amna's primary focus will be on preserving the quality of its assets. Its goal is to extend financing to different parts of the economy while closely monitoring all the risk acceptance parameters.

In 2023, Amna planned to keep growing by adding more financial products to its portfolio. Insha' Allah, Islamic finance will continue to raise its popularity in the Maldives, and its share of the country's financial sector to grow. We believe a solid and viable Islamic industry will be crucial for the country. Sukuks show our commitment to Islamic finance and will help the industry grow in the Maldives. Amna as a key player hope to maintain our support for the country's shift to Shari'ah-compliant finance.

APPRECIATION

Amna thanks HDFC's Board of Directors and other regulatory bodies for their support and advice. She also thanks HDFC's customers for their unwavering support during these challenging times. They have been the foundation of HDFC's success, and she appreciates their continued loyalty. Amna believes that cooperation is crucial for HDFC's growth and prosperity. She looks forward to receiving the support of HDFC's management and staff in the upcoming fiscal year and beyond.

In summary, we sincerely thank Allah Almighty for granting us this blessed achievement. We also send our prayers and blessings upon our beloved Messenger, Prophet Mohamed - may peace be upon him, his offspring, and all his devotees. 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 2022. 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 2022 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee
Name: Dr. Ibrahim Zakariyya Moosa

Vigilance, Integrity, fairness ”

Corporate Governance

Corporate governance is the structure by which businesses are directed and controlled. Good corporate governance means companies having clear and systematic decision-making process, providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory processes and systems of internal controls, risk management, transparency and accountability.

Nevertheless, financial institutions must have relatively stronger corporate governance practices due to the nature and complexity of the financial business and the need for protection of its stakeholders, mainly the customers.

The Board and management of Housing Development Finance Corporation Plc is committed to ensuring that its systems, procedures, and practices meet a high standard of corporate governance which can have a positive impact on efficiency, effectiveness and long term and sustainable value creation of the Company. The Board's approach to corporate governance is based on the following core pillars on which the Company's Corporate Governance Framework is made up.

- 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
- CMDA Regulation on the disclosure of information of public disclosure platform (No. 2022/R-258)
- 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) and subsequent amendments under MMA's circular No. CN/2022/2364
- 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 a 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 the 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 requirement 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, and 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 each at the Board respectively. In a 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 16th May 2022. 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 in 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: 36 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 independence in all its operational activities.

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 regarding 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 the 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 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. 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. Prevent the misuse of misapplication of HDFC's assets and resources. 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 which are listed above. 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 2022, no retirement of the Directors was recorded, while 01 Director was appointed to the board, the details of which is tabled below.

Name:	Mr. Khalid Sulaiman
Capacity:	Nominee Director – GOM
Appointed/Retired:	Appointed
Date:	01/09/22

SHAREHOLDERS' MEETINGS

Annual General Meeting (AGM)

The Annual General Meeting (AGM) was held on 16th May 2022 in the Maldives. All the Major Shareholders joined the meeting required to meet the quorum.

Summary of the major decisions taken at the AGM

- Approved the Audited Annual Accounts for the year ended 31st December 2021.
- Approved the Annual Report FY2021.
- Approved the Dividend FY2021.
- Appointed the Auditors FY2022 and their remuneration.

Extraordinary General Meeting (EGM)

An Extra Ordinary General meeting was called and held virtually on 29th November 2022 to approve the initiation of the Internal IPO process and procedure necessary for the offering of shares on the MSE and to approve the split (1:10) of ordinary shares of the company. All the major shareholders were in attendance which was required to approve the Resolutions. The split has been registered at the Registrar of Companies on 12 March 2023.

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. The Directors are allowed to participate in the meetings virtually. 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 4 meetings were held. Details of composition and the meetings are as follows:

Board Meeting and Directors' Attendance FY 2022

Name	Capacity	Appointed	Attendance
Mr. Conrad D'Souza	Chairman, Director - HDFC Investments Ltd. (India)	15/03/2019	4/4
Ms. Amena Arif	Director - IFC	30/11/2021	4/4
Ms. Kohe Hasan	Director - ADB	09/08/2019	4/4
Mr. Khalid Sulaiman *	Director - GOM	01/09/2022	2/2
Mr. Hamid Sodique	Director - GOM	01/07/2021	4/4
Mr. Mohamed Ahmed	Independent Director	18/07/2021	4/4
Ms. Aishath Shizna	Independent Director	18/07/2021	4/4
Ms. Raheema Saleem	Managing Director	26/02/2017	4/4

* Mr. Khalid Sulaiman was appointed on 01 September 2022

Major activities the Board undertook in 2022 are:

- Adopted the key internal audit findings reported for Q3/Q4 2021.
- Adopted the recommendations forwarded by Shariah Compliance Internal Audit FY2021.
- Adopted the Audited Financial for FY2021.
- Finalized the Final Dividend FY2021.
- Reviewed the performance, liquidity, NPL and Moratorium updates.
- Reviewed the progress of ERP Implementation and Cyber Security.
- Reviewed the Annual Portfolio Report FY2021.
- Reviewed the Anti-Money Laundering Report FY2021.
- Reviewed the Periodic Compliance Reports.
- Adopted the Business Continuity Policy V2.
- Adopted the Email Policy.
- Adopted the End User Policy.
- Adopted the IT Asset Management and Acquisition Policy.
- Reconstituted the Board Committees.
- Deliberated on appointment of Chairperson by rotation FY 2022-2023
- Approved amendment to Dividend policy.
- Reviewed the progress of ERP implementation.
- Approved amendments proposed to Credit Manual.
- Reviewed and approved the staff annual bonus FY2021.
- Reviewed and approved the Equity Valuation of HDFC carried out by EY.
- Approved the share split.
- Reviewed and took note of the ERP Implementation updates.
- Approved amendments proposed to Finance Manual.
- Approved “SOE Hiyaa Product”
- Approved engagement of External Services in relation to the Offer for Sale.
- Approved the Interim Dividend FY2022.
- Approved the annual business plan and Budget FY2023.
- Approved the Audited Financial Statements for the period ended 30th June 2022.
- Approved amendments proposed to Credit Manual.
- Reviewed the Regulatory updates.

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 in 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 Markey Development Authority.

BOARD PERFORMANCE AND EVALUATION

HDFC recognizes 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 with clearly defined terms of reference. The Chair of each sub-committee reports orally on 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 the 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 advise 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 FY 2022

Name	Capacity	Appointed	Attendance
Mr. Mohamed Ahmed	Chairman	30/09/2021	4/4
Mr. Conrad D'Souza	Member	15/03/2019	4/4
Ms. Amena Arif	Member	30/11/2021	3/3
Ms. Kohe Hasan	Member	25/02/2021	3/4
Mr. Hamid Sodique	Member	30/09/2021	4/4

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 2022 are:

- Reviewed the finding disclosed in the Internal Audit Report of Q3 & Q4/2021
- Reviewed the Shariah Audit Report FY 2021.
- Finalized the Audited Financials FY 2021.
- Finalized the Auditors FY 2022.
- Reviewed and approved the Shariah Review Plan FY 2022.
- Reviewed the Shariah Review Report of Q1/2022.
- Reviewed the MMA Shariah Governance Framework and subsequently approved changes to HDFC AMNA Shariah Governance Manual accordingly.
- Reviewed and approved the Internal & External Audit Plan FY 2022
- Reviewed the Q1/2022 Internal Audit Report presented by EY.
- Reviewed the Shariah Review Report of Q2/2022.
- Reviewed the Risk Assessment Report (Jan – June 2022)
- Reviewed the Q2/2022 Internal Audit Report presented by EY.
- Reviewed the management letter of Interim Audit for the period ended June 2022.

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 4 non-executive directors from amongst the Board of Directors. Due to the limited no. of directors, the Board has decided to combine the Nomination and Remuneration Committee since both committees will constitute of same members, during the year 2 meetings were held. Details of composition and the meetings are as follows:

Nomination and Remuneration Members and their Attendence

Name	Capacity	Appointed	Attendance
Mr. Hamid Sodique	Chairperson	30/09/2021	2/2
Mr. Conrad D'Souza	Member	15/03/2019	2/2
Ms. Kohe Hasan	Member	28/09/2019	1/2
Ms. Aishath Shizna	Member	30/09/2021	2/2

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 2022 are:

- Appraised the Annual Performance of the Executive Management Team.
- Approved the Staff Annual Bonus FY2021.
- Approved the revision of salary structure.
- Approved the amendments proposed to the staff personal and housing loan.

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 6 non-executive directors from amongst the Board of Directors. During the year 01meeting were held. Details of composition and the meeting is as follows:

Credit Risk Management Members and their Attendance:

Name	Capacity	Appointed	Attendance
Ms. Aishath Shizna	Chairperson	30/09/2021	1/1
Mr. Conrad D'Souza	Member	30/09/2021	1/1
Mr. Hamid Sodique	Member	30/09/2021	1/1
Ms. Amena Arif	Member	30/11/2021	1/1
Mr. Mohamed Ahmed	Member	30/09/2021	1/1

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.
- 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 2022 are as follows:

- Deliberated and approved 02 cases referred by the Internal Credit 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 2022 to take up issues relating to shari'ah audit, risk, and other issues. The Shari'ah committee consists of 3 members who reports Amna related matters to the Board.

Dr. Zakariyya Moosa (Chairman)
ProF. Rusni binti Hassan (Member)
Dr. Ali Zahir bin Saeed Qasim (Member)
Mr. Hassan Miras (Secretary)

Major activities Shariah Advisory Committee undertook in 2022 are:

- Review MMA shariah governance framework requirements and to bring changes to HDFC AMNA governance manual accordingly.
- To segregate and clearly define management and control functions of HDFC AMNA.
- To approve sharia review plan and scope for FY 2022 and to conduct sharia review quarterly.
- Approved to give the option for customers to start EMI before grace ends for prolonged construction in end-user projects under Musharakah Mutanaqisa with al-ijarah mawsufah fi al-dhimmah.
- Approved proposed changes to Musharaka Mutanaqisa contract with customers.
- Reviewed sharia Audit Report for FY 2021.
- Approve charity payable amount for the FY 2021
- Approved the Shariah Plan FY2022
- Endorsed Q1/2022 Shariah Review.
- Approved distribution of charity payable collected during FY2021.
- Appointed Dr. Ibrahim Zakariyya as the Chairman of the Committee.
- Endorsed Q2/2022 Shariah Review.
- Reviewed the changes brought to the shariah governance manual in line with the MMA Sharia Governance Framework.

- Reviewed the changes proposed to the Musharakah Mutanaqisa manual.
- Approved a new product for HDFC Staff for Housing under Islamic Finance.
- Approved the basis to levy legal and recovery charges in accordance with sharia guidelines.
- Approved Staff Housing Finance (using Musharakah Mutanaqisah)
- Approved Lease Buyout (using Musharakah Mutanaqisah)
- Approved SOE housing Finance (using Musharakah Mutanaqisah)
- Reviewed the Quarterly Shariah Review of Q3/2022.

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 four (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 47 times during the Year 2022.

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 38 times during the Year 2022.

RECOVERY COMMITTEE

HDFC has established a recovery committee 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 a 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 2022.

REMUNERATION OF DIRECTORS / EXECUTIVE MANAGEMENT

Managing Director (Executive Director)

The total remuneration paid to Managing Director including the sitting fee in the year 2022 was MVR 1,009,039.

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 222,000 was paid out in the year 2022 as remuneration.

Executive Management

Aggregate remuneration paid to key Management personnel (Executive Management) excluding Managing Director, in the year 2022 was MVR 3,332,953.

STATEMENT OF COMPLIANCE FY2022

S/NO.	Authority	CG 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	Complied
22	MMA	17 (a)	Establish and Independent Internal Audit Function	Complied

Smart team leading the industry ”

Human Resource Report

The Company aims to align HR practices with business goals, increase productivity of Human Resource by enhancing knowledge, skills and to provide conducive work environment to develop a sense of ownership amongst employees. Productive high performing employees are vital to the Company's success.

THE HR CHALLENGE

Complex and quickly evolving external and internal factors.

In today's challenging economy, financial institution's human resource (HR) we should be faster than ever to respond to constantly changing internal and external pressures. These pressures challenge their ability to achieve operational excellence, improve work force effectiveness, develop future leaders, and capitalize on the growth market trends.

Annually, the Human Resource department focuses on key areas in supporting and fostering the growth of staff members. These include changes and reviews in the HR policy framework, training and development policies, benefits and remunerations, and recognition. One of the most pertinent highlights of the 2022 HR calendar was the revision of pay structure.

Human Resources in HDFC focuses on establishing a link between people, strategy, and performance as a means to executing the Company's overall strategy and making HDFC a preferred employer of choice.

CONTRIBUTING TO A UNIQUELY ABLE WORKFORCE

HDFC reinforces strong professional commitment in an era where loyalty and dedication dissipate amidst challenges. Our team is the force behind the Company's stability and growth, and represents integrity and resilience which underpins the HDFC's values as a public entity.

HDFC'S HRM APPROACH

Using a number of applicable laws, frameworks and regulations, our HR team ensures effective and relevant application of policies that nurtures employees within the institution. Keeping employee growth aligned with strategic goals and objectives, the Company's HR department reviews and revises its approaches to managing HR functions.

HR CONNECT

Building a competent team requires a coordinated effort, which follows exemplary guidelines. The Company has in place a set of fundamental policies, both from an HRM perspective and specified by Labour Law. HR Connect is a platform in the public domain where employees can access updated HR policies and other information.

TOTAL WORKFORCE

The team includes 40 unique and diverse individuals. During the year, the company recruited 12 new individuals, while the total workforce remained same in 2021 and 2022.

GENDER EQUALITY AT HDFC

As a progressive organisation, we strongly believe in providing everyone with an equal opportunity to work, learn, grow, and prosper. Our Diversity and Inclusion strategy and practices enable us to be an organisation offering equal opportunities to individuals. Our team is formed by individuals with diversities in gender, age and professional capacities. We follow a strict policy of non-discrimination, against any social demographic and strive to constantly ensure a culture that respects each and every team member.

EMPLOYEE ENGAGEMENT THROUGH CORPORATE EVENTS

We engage our employees through celebration of corporate events. We also keep rolling out various well-being activities and learning initiatives. These practices enable us to create an environment where people enjoy coming to work.

REWARDING COMMITMENT AND PERFORMANCE

Providing fair and gratifying benefits while honouring employees with due recognition, the company takes several directions in adding value to employees' financial and professional growth. During the year staff distress loans/facilities were increased from MVR 50,000 to MVR 100,000.

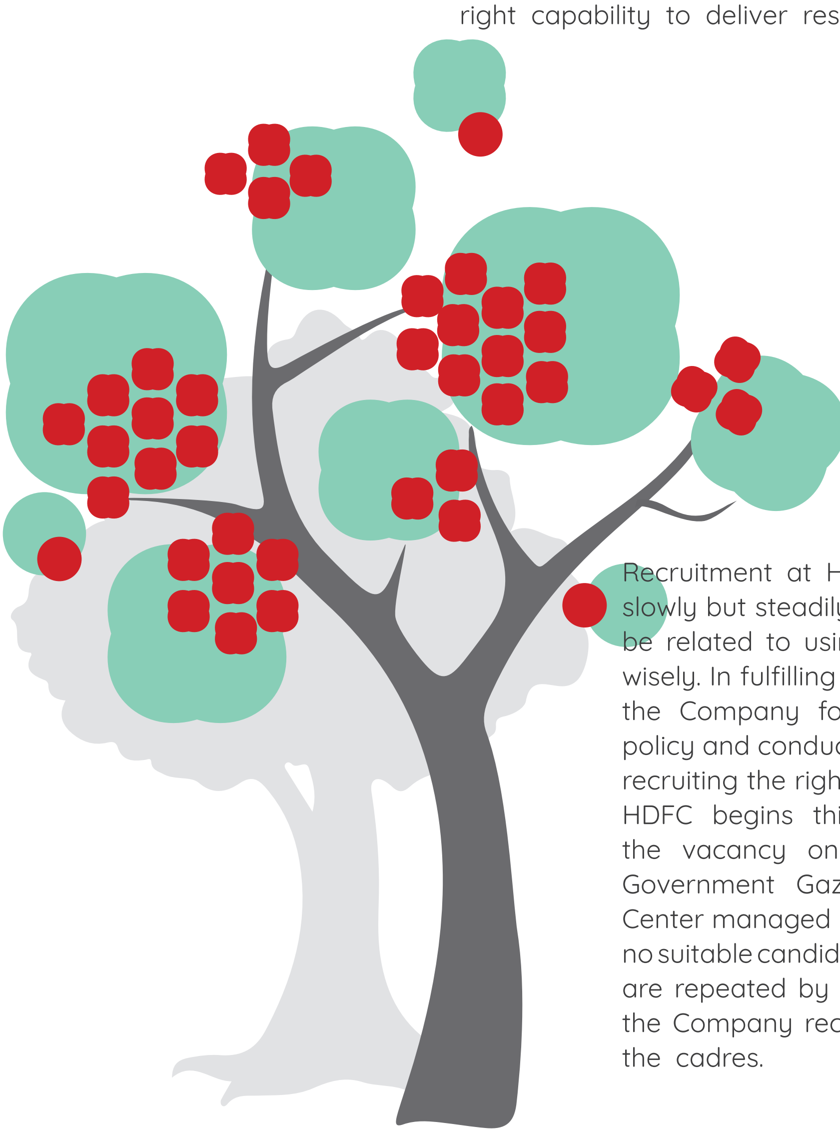
EDUCATION AND WELL-BEING OF STAFF

The Company has a training system which facilitates attention to regular periodic assessment of skill gaps at various levels in relation to existing and emerging business opportunities.

Skills building in credit, business development, customer relationship management, credit monitoring, recovery, risk management, IT development and technical (construction), vigilance received special attention during the year.

Employee development is at the heart of HDFC and we are working to enhance the contentment of our employees and improve their learning in order to drive engagement and elevate performance.

We continue to develop and enrich our human capital. From up-skilling new joiners to offering employees competency-based learning programmes, our learning framework ensures that our people are equipped with the right capability to deliver results.



EMPLOYEE RECRUITMENT AND ADVANCEMENT

Recruitment at HDFC has increased rather slowly but steadily over the years, which can be related to using the available resources wisely. In fulfilling vacancies when they arise, the Company follows a clear recruitment policy and conducts a transparent process in recruiting the right individual for the position. HDFC begins this process by advertising the vacancy on the Company's website, Government Gazette, Facebook and Job Center managed by the Economic Ministry. If no suitable candidate is found, advertisements are repeated by giving an interval. In 2022, the Company recruited 12 new members to the cadres.

EMPLOYEE TURNOVER

Employee turnover is an integral part of any organisation's business operations. During 2022, HDFC experienced 29% employee's turnover mainly due to employee resignations driven by the need to change their careers, lucrative offers from other financial institutions in the industry and personal reasons.

KPI BASED PERFORMANCE EVALUATION

Across each department, a KPI based performance measurement model is established and continues to be updated each year. Evaluating performance against KPIs entitles employees to receive performance-based rewards and increments. The KPI-based performance evaluation system was introduced in 2021, making it the central point in benchmarking employee performance.

GRIEVANCE HANDLING AND NON-DISCRIMINATION

A grievance handling policy is in place to manage and bring a resolution to employee grievances. The policy ensures impartiality in handling concerns and unfair treatment. Discriminatory behaviour is not tolerated at any level of the Company this maybe gender, job role biases or partialities towards age or social status. During the year there was no grievance put forward by the staff.

OUTLOOK

The Company's employees are the constituents that align its planned objectives and operational goals with everyday operational reality. The pool of knowledge, experience, skills and inventive thinking HDFC's employees possess and continue to develop, is what it recognises as human capital, which undoubtedly adds value to the services delivered and connections maintained. As their employer, while taking care of personal and professional growth of employees, we are committed to work for the betterment of all employees. To foster employee growth, the Company will continue to gradually increase training initiatives, while exploring solutions to establishing a staff learning portal with access to internal and external learning material. In addition, in future the Company will also focus on tailored training for the departments based on their needs.

Accentuating Digital through "Home Facility"

Technology Report

At HDFC, we are constantly and proactively deploying new technologies to improve our efficiency, operational consistency and cost effectiveness, thus creating a strong foundation for future growth.

Effective deployment of technology in all aspects of our operations has streamlined our processes and augmented our operating efficiencies. We are developing efficient solutions that enable us to deliver a seamless experience to our customers at every step, right from the application stage to online payment of EMI.

Our key focus on technology will lead us to acceleration of turnaround time, integration of processes, minimizing duplication of process and enhancing productivity

DIGITAL TECHNOLOGY ENHANCING PRODUCTIVITY

The general sense is that availing a home loan or facility is a cumbersome process. With time, technology has evolved the Housing Finance space immensely. With deeper internet penetration across the country, it has become easier for us to reach and interact with customers online. At HDFC, we have embraced technology to create a seamless platform for our customers and will be soon integrating technology across all facets of our businesses.

DIGITAL CUSTOMER ONBOARDING AND DISBURSAL

During the year, we continued focusing on digitization and analytics. This helped us improve customer experience and enable a convenient initiative for customers' facility requirements. We shifted the disbursement approvals digital on-boarding and achieved 100% disbursal process through our digital platform in the last quarter of the year 2022.

TOWARDS SEAMLESS CUSTOMER EXPERIENCE

We continued strengthening the customer service experience through our endeavors. We are in the process of establishing Customer Application Service Portal where customer uploads application by the automated Do-It-Yourself tech-enabled solution. This will make it easy for both the customer and for the Company in terms of cost, travel and space. As traditionally applications are accepted physically with hard copies.

UNDERSTANDING CUSTOMER SENTIMENTS USING TECHNOLOGY

By implementing–social media we can target audiences' sentiments. These sentiments can help us monitor the brand image and build custom communication campaigns through our social media handles.

Our Emphasis on technology will result in enhanced collection efficiency

- Faster Turn Around Time
- Reduced Printing & Duplications
- Increased Productivity
- Reduced Overall Cost To Income Ratio

TECHNOLOGY AND DIGITAL SOLUTIONS

We have always aimed to improve efficiency, operational consistency, and cost-effectiveness, thereby laying a solid platform for future growth. We have created effective solutions that provide our consumers with a consistent experience at every stage, from application to online payment.

ENHANCED COLLECTION EFFICIENCY

To enhance the digitization of our collection process through online payment system - we will have an automated, payment process and customer anonymity will completely disappear and our unrecognized payments in the suspense account will be minimized significantly. In addition, we always consider data security and customer privacy are among the most material topics and hold a top priority for us and our stakeholders. As digital solutions continue to expand and integrate into our daily lives, we see increasing concerns related to privacy and security breaches. We will build an integrated tech-empowered organization that is well-placed to face this changing technology landscape. In line with this, our customers will be regularly sensitized towards data privacy standards maintained within the organization, e.g., we will inform our customers that their private data is primarily under our control, and we store all data within the reputable and verified data centers and cloud services.

TO IMPROVE EFFICIENCIES

We aim to further improve our efficiencies through ERP. Our key objective is to create value across the entire spectrum of stakeholders including employees, shareholders, business associates, existing and potential customers. We are targeting at bringing about transformational changes by organically linking our work culture, strengthening processes across verticals, deepening customer engagement, and adopting best-in- class technology to build further capacity.

We aim to work towards the ultimate objective of organizing and automating every facet of customer interaction under the ERP (Project) aimed at improving efficiencies at every level of the organization and delivering elevated customer experience. The customer response to the project will be massive. We are investing in this project with long-term objectives that will generate more stakeholder value and expand geographies, thereby contributing to nations monetary and technological growth.

INFRASTRUCTURE & CYBERSECURITY INVESTMENTS

HDFC continues to invest on its network communications, virtualization, and cyber-security systems in line with its annual technology refresh to support, sustain, and strengthen the Company's operational efficiencies and user experience. Once the ERP system is in full function, customers can access accounts easily. All in all, fundamental security protocols are in effect. Furthermore, the safety of our online payment system is assured through security certifications. Certification assures infrastructure safety in payment transactions, safeguarding sensitive customer data and information. We have adopted all common best practices in ensuring safety of our network.

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 Company 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 FRAMEWORK

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

Board Level Risk Management

Board Integrated Risk Committee
(to be formed as per MMA CGR)
Board Audit Committee
Board Nomination & Remuneration Comt.
Board Islamic Advisory Committee

▼

Management Level

Asset Liability Committee (ALCO)
Credit Committee
IT Steering Committee
Other Management sub-committees

▼

Department Level

Risk policies, and procedures
Risk appetite and tolerance limits
Risk alerts and escalations

The First Line of Defense

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 Defense

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 sustainability. 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	• 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	• 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	• 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	• 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	• Reports on business continuity plan and disaster recovery drills undertaken • Review and update operational risk management policies • Monitoring and reporting of KPIs • Analysing internal loss events and risk from external events • Monitoring of IT system risks, legal risks, and people risks
Compliance Risk	• 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.

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.

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. 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.

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

Building a sustainable future for all ”

CSR and Sustainability Report

At HDFC, Corporate Social Responsibility (CSR) is about assurance to it stakeholders; their progress and development are utmost. We attempt to deliver on this promise beyond expectations. Our stakeholders are not limited to the Company's partners; it encompasses Maldivian at large, our industries and the national economy. Our vision is for the Maldivians.

CSR INITIATIVES

HDFC-Maldives has shown its commitment to the society at large and has engaged in various social initiatives under Corporate Social Responsibility (CSR). As a responsible Organisation in the community, HDFC remains always mindful about its responsibility towards the society as a whole. Every year the Company contributes for the progress of the community through several initiatives. We support directly or in partnership with other organizations, to various government and non-governmental organisations (NGOs) in wider area of social life including education, health etcetera.

PHILANTHROPIC CSR

HDFC has financially supported the several government organisations and NGOs. During the year HDFC has provided financial assistance to Maldives Red Crescent, Maldives Autism Association and Society for Health Education for their ongoing activities.

OPERATIONAL CSR

Initiative to uphold the principles of sustainable development in the workplace included ethical business, water reduction/ recycling and reusing to reduce waste. As the Company has sought to digitise and automate both customer-driven and internal processes across the organisation, it has achieved a gradual reduction in its paper consumption.

The Company continues to explore avenues of reducing its carbon footprint, primarily through increasing the efficiency of its energy consumption.

In addition, we promote virtual engagement and development programs and increased automation and digitalisation have contributed towards reducing the carbon footprint of our operations.

FOSTERING PRUDENCE

Education and human development are not restricted to schools or colleges; it extends to different age groups and identified segments of society at large. As a first step, the HDFC sponsored series of programs to educate and coach financial discipline and prudence. The Accounting Forum organized by the Institute of Chartered Account and Maldives Finance Forum 2022 organized by Maldives Pension Administration are to name a few.

In addition, we have also partnered with High Rise Pvt. Ltd and participated in the Living Expo 2022 where a stall of ours was displayed to the public.

HDFC hopes to participate in such program not only in 2022 but beyond as part of an initiative to extend formal financial solutions and to educate those who are in need to understand Islamic and other various facilities offered by the Company.

CREATING STAKEHOLDER VALUE

While we are responsible towards increasing the investments of our shareholders, we are also dedicated to using our financial capital to create value for all our stakeholders. With several groups of stakeholders impacted through our lending activities, we believe in striking a balance between our strategic objectives and stakeholder expectations.

IMPORTANCE ON SUSTAINABILITY

We strongly believe that the success of our Company's is defined by the health of its business, the well-being of its employees, customers, and stakeholders, and future of generations to come. It is our aim to contribute positively to the country's economy, our society, and the environment by focusing on initiatives which promote ethical business practices, strong corporate governance, and sound risk management.

Our mission, was developed to guide us in conducting our business responsibly. Moreover, we are committed to embodying the values of diversity and inclusion as part of our culture.

FOR HDFC, SUSTAINABILITY MEANS:

- Ensuring the durability of our business by maintaining profitability, attracting and retaining the right talents, providing relevant financial solutions, caring for our tangible and intangible resources, and upholding a culture of continuous improvement;
- Providing our employees with the right competencies and learning opportunities as well as equal access to programs that can enhance productivity leading to self-sufficiency and a better quality of life; and
- Promoting the well-being of our stakeholders by keeping a healthy ecosystem of customers and partners.
- Succession planning through capacity building, leadership development, and strategic talent acquisition.

OUR SUSTAINABILITY PILLARS

Our economic, social, and environmental responsibility includes complying with the relevant laws, rules, and regulations. Hence, our focus on the following Pillars:

ECONOMIC

- Revenue growth, profitability, and business continuity.
- Financial wellness and long-term value for customers, employees, and stakeholders.
- Financial inclusion through available products and services.

SOCIAL

- Improvement in our employees' quality of life.
- An empowering and non-discriminatory culture where our employees, customers, and stakeholders are treated fairly and given equal opportunities.
- Positive contributions to communities through employee volunteerism and other initiatives embedding to become a responsible corporate citizenship.

ENVIRONMENTAL

- Efficient use of natural and man-made resources.
- Reduced environmental footprint of the Organisation and our employees.

GOVERNANCE

- Compliance with all applicable laws, rules, and regulations that govern our business.
- Transparency and accountability in all areas of our operations

We believe that Sustainability starts from within, that is, by cultivating an inclusive and collaborative work culture, helping all employees, regardless of gender and background, have equal access to relevant training and opportunities to develop skills and capabilities needed to succeed and improve their well-being. The Company commits to educate and engage its employees, leading them to align with HDFC's thrust on sustainability.

HOW WE CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

ECONOMIC

- Creating value to all stakeholders
- Financial inclusion
- Providing financial literacy

SOCIAL

- Providing employees with equal opportunities
- Warranting equitable treatment and embracing employee diversity
- Treating customers with dignity and respect

ENVIRONMENTAL

- Promoting and adopting to renewable energy
- Minimizing paper usage and other wastage
- Promoting consuming of non-renewable resources

GOVERNANCE

- Compliance with all applicable laws, rules, and regulations that govern our business.
- Transparency and accountability in all areas of our operations

OUR COMMITMENT

- Provide a safe, respectful, and collaborative work environment that cultivates personal and professional growth.
- Educate, encourage, and inspire employees in contributing positively to the communities.
- Provide access to various skills development and learning programs relevant to our employees' existing functions and target roles.
- Provide equal opportunities for candidates to be hired without biases on their skills and competencies
- Promote gender equality in the workplace.

- Ensure the continuity of our business through strategic succession planning.
- Support businesses and projects that foster economic and inclusive growth, social development, environmental protection, and nation-building.
- Promote financial wellness and create value through tailor-fit products and services.
- Educate our existing and potential customers.

- Reduce the environmental impact of our operations through the efficient use of natural or man-made resources.
- Adapt eco-friendly technologies.

- Adhere to all applicable laws, rules, and regulations governing our scope of business and areas of operations.
- Report the progress and milestones of our Sustainability Programs to the Board of Directors at least annually.
- Review and update our Sustainability Policy.

FINANCIAL INCLUSION

The dream of owning a house is a dream common to all. However, not all carry the financial means to achieve it. As a specialised housing finance institution, we are not only responsible for financing homes, but also have a duty in assisting those with weak financial means to own a home of their own. As a result, individuals from low-middle income brackets seek us in accessing affordable and sustainable housing finance, in order to uplift their living standards. And it is also our belief that financial inclusion enables towards poverty reduction.

Borrowers are able to benefit from their pension contribution which can be used as their equity contribution for their financing facilities. This is used as a cash collateral for those who do not have the privilege to raise or save 20 percent.

PROVIDING FINANCIAL LITERACY

For every individual that approaches us, we provide healthy awareness of solutions that are at their disposal. We believe that for financial inclusivity to be meaningful, awareness and financial literacy is important. We equip our customers with the understanding in selecting the right scheme that matches their financial aspirations and financial capacities.

EMPLOYEE DIVERSITY AND EQUALITY

While ensuring the professional growth and financial strength of our team, we strive to maintain a workplace that embraces diversity and pursues equality. Whether through promotions, by providing incentives or through annual awards for service excellence, we maintain an equitable approach in all aspects of employee treatment. For us there is no bias in who we recruit and no preference for any cultural or economic backdrop. We believe in extending the right opportunity to the right professional, setting aside all mental biases when recruiting and retaining employees.

CONTRIBUTING TO ENVIRONMENTAL SUSTAINABILITY

In the recent past, we have taken measures to gradually increase our contributions to sustaining the environment. Through direct efforts such as providing financial assistance to those in need and to more indirect methods such as careful use of power and waste management, we have expedited several measures to reduce our footprint on the environment and increase environmental sustenance to some extent.

RESPONSIBLE LENDING AND FINANCIAL INCLUSION

Our future growth is dependent on the long-term well-being of the people we serve. As such, our business strategy aligns with a commitment to deliver value for all stakeholders. As a responsible financial institution, we deliver products and services in a responsible manner. Our commitment to responsible lending and inclusion which allows HDFC to create shared prosperity for all, including for future generations. We have been practicing responsible lending practices from the very inception of the Company which emphasis on the social and environmental aspects of sustainable value creation.

Increasing access to financial products and services for the financially under-served population is a key enabler in boosting shared prosperity. Financial inclusion allows people across all levels of society to obtain credit, and also with both Islamic and conventional investment opportunities to grow their income. HDFC's lending practices promote financial inclusion by providing access to funding for home construction, home purchase, and renovation. We also provide financial literacy to our customers.

Our code for practices includes most important terms and conditions which guides our customers to facilitate increased homeownership, mainly affordable housing.
As regulations and the general market progressively move towards sustainability-related issues, financial institutions are expected to integrate environmental, social and ethical considerations into their lending practices. Through responsible lending practices, we are able to contribute better social and environmental well-being and demonstrate our commitment to being more than a profit-oriented Organisation

Furthermore, with the financial disruption and uncertainties brought by the COVID-19 outbreak, the Company is focused on protecting the financial health of our customers. We understand the financial concerns that many are facing, so we are implementing measures to ease their burden on the moratorium.

CUSTOMER COMPLAINT MANAGEMENT

We manage customer complaints swiftly, resolving grievances in a professional manner. Complaints are received through the company's email, in writing, Facebook page and through visits. In addition, we train and guide our staff to conduct processes and transactions with professionalism and respect, and we also provide training to improve their knowledge on technical areas and products.

- Complaints received 32
- Complaints resolved 29
- Ongoing investigation 03

PROMOTING SUSTAINABLE HOUSING

Gathering our pool of knowledge and experience, it is apparent that sustainable design and construction are key contributors in mitigating the negative impact of development and in promoting more resource efficient construction. The concept of sustainable design and construction is encouraged among our customers, where building plans are approved by relevant local authorities and will include compliance for both health and environment. All plans must be formulated by adequately qualified planners.

End-user projects must also comply with all regulatory authorities laws and regulations before disbursement of any facilities.

FUTURE PLANS

With the resurgence of the economy seen due to the Covid-19, HDFC is optimistic about the prospects for growth, not only in the economy in general but for housing in particular. As several housing programs and projects takes place with added vigor in the outer islands and Greater Male' region of the country, we foresee accelerated need for housing and therefore, housing finance is vital.

The outer islands of the country are also looking at buoyancy, not seen for nearly for years. And as we stand on the threshold of an era of unprecedented growth, we also realize that the necessary tools, processes and systems must be in place to take full advantage of the emerging opportunities

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	Mohamed Shafeeq
Managing Director	Chief Financial Officer

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2022

Financial Statements 2022

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

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KPMG
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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 2022, 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 64.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2022 and of its financial performance and its cash flows for the year 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 loans and advances

(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
IFRS 9 Financial Instruments requires impairment based on expected credit losses ("ECL"). High degree of complexity and judgement are involved in estimating expected credit loss of MVR 53,381,868/- against loans and advances as at 31st December 2022.	We performed audit procedures to gain assurance on the process of estimating the impairment allowance on loans advances. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures.

Key Audit Matters (Continued)

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

Risk Description	Our Response
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. Key judgements and estimates in respect of the timing and measurement of ECL include; - 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.	- 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.

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.

- 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.

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

- 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.

KPMG.
Chartered Accountants
For and on behalf of KPMG Maldives
Male'

07th March 2023.

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

FOR THE YEAR ENDED

	Note	31/12/2022 MVR	31/12/2021 MVR
Interest income	6.1	146,729,195	152,313,369
Interest expense	6.3	(47,821,738)	(51,400,844)
Net interest income		98,907,457	100,912,525
Net income on shari'ah products	7	33,937,734	37,436,932
Fee income	8	3,813,799	3,094,776
Other income	9	2,796,427	2,050,634
Total Operating Income		139,455,417	143,494,867
Salaries and personnel expenses	10	(10,489,660)	(11,309,743)
Recognition of provision for impairment loss on loans and advances	11	(1,992,757)	(8,116,088)
Reversal of modification loss on loans and advances	12	6,892,659	3,183,549
Other operating expenses	13	(9,318,088)	(6,381,968)
Total Operating Expenses Including Impairment Provision		(14,907,846)	(22,624,250)
Profit before income tax		124,547,571	120,870,617
Income tax expense	14	(16,484,182)	(19,205,147)
Profit for the year		108,063,389	101,665,470
Basic earning per share	15	67.80	63.79

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 64. The Report of the Independent Auditors is given on pages 1 to 4.

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

AS AT	**Notes**	**31/12/2022 MVR**	**31/12/2021 MVR**
ASSETS			
Cash and cash equivalents	16	258,866,342	369,042,432
Loans and advances	17	1,636,354,256	1,716,389,516
Financial assets at amortized cost	18	494,575,784	257,549,099
Property, plant and equipment	19	2,883,633	868,788
Right-of-use assets	20	6,537,083	7,637,567
Intangible assets	21	1,933,885	74,724
Other assets	22	7,281,981	7,144,823
Deferred Tax Asset	14.4	7,445,610	5,067,075
TOTAL ASSETS		2,415,878,574	2,363,774,024
LIABILITIES			
Deposits from customers	23	81,401,050	78,518,115
Debt securities in issue	24	564,273,781	574,745,395
Other borrowed funds	25	594,024,042	605,317,977
Other liabilities	26	394,499,389	366,943,681
Lease liabilities	27	8,352,349	9,053,613
Current tax liabilities	14.3	8,027,604	9,005,148
TOTAL LIABILITIES		1,650,578,215	1,643,583,929
SHAREHOLDERS' EQUITY			
Share capital	28	159,375,000	159,375,000
General reserve	28.4	15,000,000	15,000,000
Retained earnings		590,925,359	545,815,095
TOTAL SHAREHOLDERS' EQUITY		765,300,359	720,190,095
TOTAL EQUITY AND LIABILITIES		2,415,878,574	2,363,774,024

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 64. The Report of the Independent Auditors is given on pages 1 to 4.

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

07th March 2023

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

	Share capital MVR	General reserve MVR	Retained earnings MVR	Total MVR
As at 1st 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 28.3)**	-	-	(39,843,750)	(39,843,750)
Transactions with owners of the Company	-	-	(39,843,750)	(39,843,750)
As at 31st December 2021	159,375,000	15,000,000	545,815,095	720,190,095
As at 1st January 2022	159,375,000	15,000,000	545,815,095	720,190,095
Profit for the year	-	-	108,063,389	108,063,389
Total Comprehensive Income for the Year	-	-	108,063,389	108,063,389
Transactions with owners of the Company				
Dividend declared during the year **(Note 28.3)**	-	-	(62,953,125)	(62,953,125)
Total transactions with owners of the Company	-	-	(62,953,125)	(62,953,125)
As at 31st December 2022	159,375,000	15,000,000	590,925,359	765,300,359

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 64. The Report of the Independent Auditors is given on pages 1 to 4.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31ST DECEMBER 2022

	Notes	31/12/2022 MVR	31/12/2021 MVR
Cash flows from operating activities			
Profit before tax		124,547,571	120,870,617
Adjustments for:			
Depreciation on property, plant and equipment	19	396,973	395,400
Depreciation on right-of-use assets	20	1,100,484	1,100,484
Impairment losses on financial assets	11	1,992,757	8,116,088
Reversal of modification loss of loans and advances	12	(6,892,659)	(3,183,549)
Amortization of intangible assets	21	68,339	172,000
Interest expense on lease liabilities	6	738,737	828,945
Loss on disposal of property, plant and equipment		-	12,703
Reversal of the interest income of stage 3 customers	17.2	745,066	1,412,348
Interest expenses & Amna investors' profit share		84,669,073	83,467,354
Interest income & income from shari'ah products		(215,960,789)	(218,703,374)
Operating loss before working capital changes		(8,594,448)	(5,510,984)
Changes in working capital:			
Decrease in loans and advances to customers		90,138,993	48,604,522
Increase / (decrease) in other assets		(137,158)	167,192
Increase in other liabilities		4,059,914	58,206,063
Increase / (decrease) in deposits from customers		2,536,007	(2,275,321)
Cash generated from operating activities		88,003,307	99,191,472
Interest received		207,618,122	281,108,409
Interest paid		(81,227,013)	(73,564,079)
Income tax paid	14.3	(19,840,261)	(20,567,395)
Net cash generated from operating activities		194,554,155	286,168,407
Cash flows from investing activities			
Purchases of property, plant and equipment	19	(2,411,818)	(225,032)
Purchases of intangible assets	21	(1,927,500)	-
Proceed from disposal of property, plant and equipment		-	1,493
Net investments on treasury bills during the year		(234,566,424)	(135,161,254)
Net cash used in investing activities		(238,905,742)	(135,384,793)
Cash flows from financing activities			
Repayments of debt securities in issue		(14,057,536)	(58,122,860)
Repayments of other borrowed funds		(138,119,203)	(165,934,622)
Proceeds from debt securities in issues		-	203,403,000
Proceeds from other borrowed funds		126,498,800	131,901,200
Dividend paid		(39,445,300)	-
Repayment of lease liabilities	26	(701,264)	(611,055)
Net cash (used in) / generated from financing activities		(65,824,503)	110,635,663
Net (decrease) / increase in cash and cash equivalents		(110,176,090)	261,419,277
Cash and cash equivalents at beginning of the year		369,042,432	107,623,155
Cash and cash equivalents at end of the year	16	258,866,342	369,042,432

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 64. The Report of the Independent Auditors is given on pages 1 to 4.

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 and amortised cost.

(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.

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 30.1.2)

- 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 30.1.2.3)

(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.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company assessed the impact from amendments to International Accounting Standards which are effective from 1st January 2022 and early adoption also permitted. However, there is no material impact to the financial statements of the Company from amendments to International Accounting Standards which are effective from 1st January 2022.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements and have been applied consistently by the company.

4.1. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1. Transactions in Foreign Currency (Continued)

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.

4.2. Financial assets and liabilities

4.2.1. 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.

4.2.2. 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).

4.2.3. 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 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 4.2.4, 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:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.3. Initial recognition and measurement (Continued)

(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.

4.2.4. 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").

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 Company may irrevocably elect to present subsequent changes in fair value in OCJ. This election is made on an investment-by-investment basis. Accordingly, the Company has irrevocably elected to present subsequent changes in fair value in OCI.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(i) Classification (continued)

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

The Company 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 Company'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 paii of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 Company 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 Company considers:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company'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 Company holds a portfolio of long-term fixed rate financing facilities for which the Company 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 Company. The Company 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 Company 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iii) Impairment (Continued)

(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 Company 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 Company expects to receive);

- 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 Company if the commitment is drawn down and the cash flows that the Company expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

Measurement of ECL (Continued)

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 sho1tfalls 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.

Credit-Impaired Financial Assets

At each reporting date, the Company 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 Company on terms that the Company would not consider otherwise;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iii) Impairment (Continued)

Credit-Impaired Financial Assets (Continued)

- 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 Company cannot identify the ECL on the finance commitment component separately from those on the drawn component: the Company 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.

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 Company 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 Company's procedures for recovery of amounts due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iii) Impairment (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iv) Modification of loans (Continued)

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.

4.2.5. Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortized 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.5. Financial liabilities (Continued)

(ii) Derecognition (Continued)

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.

(iii) 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.

4.3. 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 Company 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.

4.4. 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.

4.5. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5. Property, plant and equipment (Continued)

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.

4.6. 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.

4.7. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8. 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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8. Leases (Continued)

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.

4.9. 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.

4.10. 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 captalised 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10. Other borrowed funds (Continued)

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.

4.11. Customer deposits

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

4.12. 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 period (gains less losses on derivatives).

4.13. 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.

4.14. Trade and other payables

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

4.15. Share Capital

Ordinary shares are classified as equity.

4.16. Dividends

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17. 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.

4.18. 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.

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.

4.19. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20. 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.

(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.

4.21. 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.

4.22. 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

31st December 2022	**Amounts expected to be recovered or settled**		
Assets	**Within 12 months of the reporting period**	**After 12 months of the reporting period**	**Total**
Cash and cash equivalents	258,866,342	-	258,866,342
Financial assets at amortised cost	494,575,784	-	494,575,784
Loans and advances	43,194,770	1,593,159,486	1,636,354,256
Property, plant and equipment	-	2,883,633	2,833,633
Intangible assets	-	1,933,885	1,933,885
Right-of-use assets	-	6,537,083	6,537,083
Deferred income tax assets	-	7,445,610	7,445,610
Other assets	-	7,281,981	7,281,981
Total assets	**796,636,896**	**1,619,241,678**	**2,415,878,574**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

31st December 2022	Amounts expected to be recovered or settled		
Liabilities	**Within 12 months of the reporting period**	**After 12 months of the reporting period**	**Total**
Deposits from customers	2,158,151	79,242,899	81,401,050
Debt securities in issue	59,377,125	504,896,656	564,273,781
Other borrowed funds	138,465,967	455,558,075	594,024,042
Other liabilities	-	394,499,389	394,499,389
Lease liabilities	897,262	7,455,087	8,352,349
Current tax liabilities	8,027,604	-	8,027,604
Total liabilities	**208,926,109**	**1,441,652,106**	**1,650,578,215**

After 12 months of the reporting period

31st December 2021	Amounts expected to be recovered or settled		
Assets	**Within 12 months of the reporting period**	**After 12 months of the reporting period**	**Total**
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**

5. AMENDMENTS TO ACCOUNTING STANDARDS EFFECTIVE BUT NOT YET ADOPTED

A number of amendments to International Accounting Standards are effective for annual period beginning after 01st January 2023 and earlier adoption is permitted; however, the Company has not adopted or early adopted following amended standards in preparing these financial statements.

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

The following amendments and interpretations are not expected to have a significant impact on the Company's financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(Amendments to IAS 12).*
- Classification of liabilities as Current or Non-Current *(Amendments to IAS 1)*.
- Disclosure of Accounting Policies *(Amendments to IAS 1 and IFRS Practice Statement 2).*
- Definition of Accounting Estimates *(Amendments to IAS 8).*

6 NET INTEREST INCOME

	2022 MVR	2021 MVR
Interest Income Calculated using the Effective Interest Rate Method **(Note 6.1)**	146,729,195	152,313,369
Less: Interest Expense **(Note 6.3)**	(47,821,738)	(51,400,844)
Net Interest Income	98,907,457	100,912,525

6.1 Interest Income Calculated using Effective Interest Rate Method

	2022 MVR	2021 MVR
Loans and Advances **(Note 6.2)**	134,033,538	144,415,174
Investments in Treasury Bills	12,695,657	7,898,195
	146,729,195	152,313,369

6.2 Interest Income from Loans and Advances

	2022 MVR	2021 MVR
Housing Loans and Advances	133,894,916	144,243,184
Staff Loans	138,622	171,990
	134,033,538	144,415,174

6.3 Interest expenses

	2022 MVR	2021 MVR
Other borrowed funds	35,027,833	36,791,431
Debt securities in issue	11,124,508	12,829,196
Deposits from customers	930,660	951,272
Interest on lease liabilities **(Note 26)**	738,737	828,945
	47,821,738	51,400,844

7 NET INCOME ON SHARI'AH PRODUCTS

	2022 MVR	2021 MVR
Revenue from housing facilities	62,709,216	66,390,005
Revenue from short term investments	6,522,378	2,291,785
Fee income	2,292,212	1,650,597
Amna investors' profit share	(37,586,072)	(32,895,455)
	33,937,734	37,436,932

8 FEE INCOME

	2022 MVR	2021 MVR
Housing loan processing fees	512,128	177,304
Other fee income	122,597	101,206
Management fees	3,179,074	2,816,266
	3,813,799	3,094,776

9 OTHER INCOME

	2022 MVR	2021 MVR
Penalty interest	2,757,973	1,934,422
Insurance commissions	38,454	116,212
	2,796,427	2,050,634

10 SALARIES AND PERSONNEL EXPENSES

	2022 MVR	2021 MVR
Salaries and allowances	9,052,794	9,457,917
Contribution to employees pension fund	188,512	770,630
Employee benefit expense amortization	261,128	197,112
Ramadan allowances and bonus	870,869	735,925
Staff medical insurance	116,357	148,159
	10,489,660	11,309,743

11 PROVISION FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES

	2022 MVR	2021 MVR
Provision recognised during the year **(Note 16)**	1,992,757	8,116,088

12 MODIFICATION LOSS ON LOANS AND ADVANCES

The following table includes summary information for loans and advances whose cashflows were modified during the year.

	2022 MVR	2021 MVR
Reversal of Modification loss recognized during the year **(Note 12.2)**	6,892,659	3,183,549

12.1 The Company granted moratoriums 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.

12.2 During the year ended 31st December 2022, the Company has recognized a modification reversal of MVR 6,892,659/- on loans and advances after remeasurement of amortized cost based on expected future cash flows from moratorium interest receivables as at 31st December 2022. (2021 : MVR 3,183,549/-)

13 OTHER OPERATING EXPENSES

	2022 MVR	2021 MVR
Depreciation on right-of-use asset **(Note 20)**	1,100,484	1,100,484
Professional fees	1,032,962	1,060,146
Listing expenses	628,775	705,619
Amna training expenses	728,908	636,777
Other expenses	1,193,412	619,252
IPO expenses	888,042	-
Depreciation on property, plant and equipment **(Note 19)**	395,400	395,400
Communication expenses	314,767	356,043
Premises, equipment and establishment expenses	318,250	347,939
IT expenses	692,944	336,021
Board remuneration and meeting expenses	578,383	331,857
Amortization on intangible assets **(Note 21)**	68,339	172,000
Printing and stationary expenses	198,191	107,141
Advertising and marketing expenses	252,396	88,554
Irrecoverable Withholding tax	702,216	67,667
Bank charges	224,619	44,365
Loss on disposal of property, plant and equipment	-	12,703
	9,318,088	6,381,968

14 TAXATION

	2022 MVR	2021 MVR
Income tax expense **(Note 14.1)**	18,862,717	19,154,663
Reversal of deferred tax asset during the year **(Note 14.4.1)**	(2,378,535)	50,484
	16,484,182	19,205,147

14.1 Reconciliation between Accounting Profit and Taxable Income :

	2022 MVR	2021 MVR
Profit before tax	124,547,571	120,870,617
Aggregate Disallowable Items	87,926,507	68,559,557
Aggregate Allowable Items	(86,222,631)	(61,232,422)
Tax Free Allowance	(500,000)	(500,000)
Taxable income for the year	125,751,447	127,697,752
Income tax expense at 15%	18,862,717	19,154,663
Effective income tax rate	15%	15%
Effective current tax rate **(Note 14.2)**	13.24%	15.89%

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. (2021 : 15%)

14.2 Reconciliation of Effective Income Tax Rate

	2022 %	2022 MVR	2021 %	2021 MVR
Profit before income tax	-	124,547,571	-	120,870,617
Income tax for the year	15.00%	18,682,136	15.00%	18,130,593
Impact from reconciliation of accounting profit to taxable income	0.14%	180,581	0.85%	1,024,070
Deferred taxation	(1.91%)	(2,378,535)	0.04%	50,484
Total income tax expense **(Note 14)**	**13.24%**	**16,484,182**	**15.89%**	**19,205,147**

14.3 Current tax liabilities

	12/31/2022 MVR	12/31/2021 MVR
Opening balance	9,005,148	10,417,880
Provisions made during the year **(Note 14.1)**	18,862,717	19,154,663
Payments made during the year	(19,840,261)	(20,567,395)
Closing balance	8,027,604	9,005,148

14.4 Net Deferred Tax Asset

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

	31/12/2022 MVR	31/12/2021 MVR
Opening balance	5,067,075	5,117,559
Recognized / (Reversed) through profit or loss **(Note 14)**	2,378,535	(50,484)
Closing balance	7,445,610	5,067,075

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14.4 Net Deferred Tax Asset (Continued)

14.4.2 Deferred Tax Asset is Attributable for Following:

	31/12/2022		31/12/2021	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Property, Plant and Equipment	1,448,710	217,307	492,136	73,820
Provision for impairment on loans and advances	48,188,686	7,228,303	33,288,367	4,993,255
	49,637,396	7,445,610	33,780,503	5,067,075

14.4.3 Reconciliation of temporary differences

	31/12/2022 MVR	31/12/2021 MVR
Property, plant and equipment		
Opening balance	73,820	34,663
Recognized Through Profit or Loss	143,487	39,157
Closing balance	217,307	73,820
Provision for loan impairment		
Opening balance	4,993,255	5,082,896
Recognized / (Reversed) Through Profit or Loss	2,235,048	(89,641)
Closing balance	7,228,303	4,993,255
Net deferred tax asset	7,445,610	5,067,075

15 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.

	2022	2021
Profit attributable to the ordinary shareholders of the Company **(MVR)**	108,063,389	101,665,470
Weighted average number of ordinary shares **(Nos.)**	1,593,750	1,593,750
Basic Loss per share **(MVR)**	67.80	63.79

16 CASH AND CASH EQUIVALENTS

	31/12/2022 MVR	31/12/2021 MVR
Cash in hand	6,500	6,500
Balances with other banks	73,406,078	104,433,783
Short term investments **(Note 16.1)**	185,453,764	264,602,149
Cash and cash equivalents for the purpose of statement of cash flows	258,866,342	369,042,432

16.1 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 (2021: 2% to 3%).

17 LOANS AND ADVANCES CARRIED AT AMORTISED COST	31/12/2022 MVR	31/12/2021 MVR
Gross Loans and Advances **(Note 17.1)**	1,689,736,124	1,768,115,209
Less: Impairment Loss Allowance **(Note 17.2)**	(53,381,868)	(51,725,693)
Net Loans and Advances	1,636,354,256	1,716,389,516

17.1 Loans and Advances - Product wise Analysis	31/12/2022 MVR	31/12/2021 MVR
Conventional housing loans to customers	1,137,092,588	1,207,350,746
Housing loans to staff	3,774,669	4,975,605
Diminishing Musharakah	141,771,924	90,350,839
Murabaha	364,653	435,993
Istisna'	406,732,290	465,002,026
	1,689,736,124	1,768,115,209
Less: Impairment Loss Allowance	(53,381,868)	(51,725,693)
Net Loans and Advances	1,636,354,256	1,716,389,516

The Company has granted staff loans at 5% interest rate and the staff loan balances are measured at fair value.

17.2 Movement of Provision for Impairment Loss on Loans and Advances	31/12/2022 MVR	31/12/2021 MVR
Opening balance	51,725,693	42,197,257
Provision recognized during the year **(Note 11)**	1,992,757	8,116,088
Provision recognized for unrecognized interest income on non-performing loans and advances	745,066	1,412,348
Write-off during the year	(1,081,648)	-
Closing balance	53,381,868	51,725,693

18 INVESTMENT SECURITIES MEASURED AT AMORTISED COST	31/12/2022 MVR	31/12/2021 MVR
Investments in Treasury bills **(Note 18.1)**	494,575,784	257,549,099
	494,575,784	257,549,099

18.1 The Company has invested in treasury bills in Ministry of Finance amounting to MVR 494,575,784/- (2021 - MVR 257,549,099/-) for 28 days to 182 days which carry interest rates from 3.5% to 4.6% (2021: 3.5% to 4.23%).

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19 PROPERTY, PLANT AND EQUIPMENT

	Office equipment MVR	Computer equipment MVR	Furniture and fixtures MVR	Leasehold improvements MVR	Total 31/12/2022 MVR	Total 31/12/2021 MVR
Cost						
Opening Balance	1,029,991	2,931,562	935,166	869,103	5,765,822	5,732,663
Additions During the Year	106,216	2,264,401	38,651	2,550	2,411,818	225,032
Disposals during the year	-	-	-	-	-	(191,873)
Closing Balance	1,136,207	5,195,963	973,817	871,653	8,177,640	5,765,822
Accumulated Depreciation						
Opening Balance	(751,693)	(2,574,104)	(796,094)	(775,143)	(4,897,034)	(4,679,311)
Charge for the Year	(65,720)	(254,188)	(62,546)	(14,519)	(396,973)	(395,400)
Disposals during the year	-	-	-	-	-	177,677
Closing Balance	(817,413)	(2,828,292)	(858,640)	(789,662)	(5,294,007)	(4,897,034)
Net Carrying Value						
As at 31st December 2022	318,794	2,367,671	115,177	81,991	2,883,633	
As at 31st December 2021	278,298	357,458	139,072	93,960		868,788

20 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 4.8)**.

	31/12/2022 MVR	31/12/2021 MVR
Cost		
Opening Balance	10,666,204	10,666,204
Closing Balance	10,666,204	10,666,204
Accumulated Depreciation		
Opening Balance	3,028,637	1,928,153
Charge for the year	1,100,484	1,100,484
Closing Balance	4,129,121	3,028,637
Net Carrying Value	6,537,083	7,637,567

21 INTANGIBLE ASSETS

	Computer Software Under Development MVR	Computer Software MVR	31/12/2022 Total MVR	31/12/2021 Total MVR
Cost				
Balance as at 01st January	-	1,711,544	1,711,544	1,711,544
Additions During the Year	1,927,500	-	1,927,500	-
	1,927,500	1,711,544	3,639,044	1,711,544
Accumulated Amortization				
Balance as at 01st January	-	1,636,820	1,636,820	1,464,820
Amortisation for the year	-	68,339	68,339	172,000
Balance as at 31st December	-	1,705,159	1,705,159	1,636,820
Carrying Value				
Balance as at 31st December	1,927,500	6,385	1,933,885	74,724

21.1 The Company has purchased computer softwares and cost of the same has recognized as intangible assets and amortized over 4 years.

21.2 The "Computer Software Under Development" represents a ERP system which is currently being developed. ERP refers to a type of software that will be used to manage day to day business activities as a core operational system which include accounting, loan management, procurement, CRM, fixed assets and budget control.

22 OTHER ASSETS

	31/12/2022 MVR	31/12/2021 MVR
Pre-payments	5,031,555	5,996,569
Staff loans measured at fair value	1,287,857	1,118,481
Accounts receivable	962,569	29,773
	7,281,981	7,144,823

23 DEPOSITS FROM CUSTOMERS

	31/12/2022 MVR	31/12/2021 MVR
Equated monthly installment deposits	79,014,628	78,515,468
Borrowers deposits	2,386,422	2,647
	81,401,050	78,518,115

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. (2021: 1% & 2.5%)

24 DEBT SECURITIES IN ISSUE

	31/12/2022 MVR	31/12/2021 MVR
Listed and corporate bonds **(Note 24.1)**	152,689,876	164,276,517
Listed Sukuk **(Note 24.2)**	411,583,905	410,468,878
	564,273,781	574,745,395
Maturity analysis of debt securities in issue		
Payable within one year	59,377,125	19,537,972
Payable after one year	504,896,656	555,207,423
	564,273,781	574,745,395

24.1 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 2022 equals to MVR 29,840,925/-.

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 2022 equals to MVR 18,529,635/-.

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 year ended 31st December 2021.

24.2 Listed Sukuk

(i) On 27th January 2014, the Company has alloted Mudarabah Sukuk amounting to MVR 22,566,000/- (45132 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 alloted Mudarabah Sukuk No. 2, amounting to MVR 89,036,000/- (89036 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/- (126931 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/- (168403 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, 3 & 4 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.

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25 OTHER BORROWED FUNDS

	31/12/2022 MVR	31/12/2021 MVR
Deutsche Investitutions und Entwicklungs Gesellschaft MBH ("DEG") **(Note 25.1)**	11,846,190	35,584,702
Bank of Ceylon PLC **(Note 25.2)**	150,572,767	38,754,444
Bank of Maldives PLC **(Note 25.3)**	227,743,578	263,500,940
Habib Bank Limited **(Note 25.4)**	6,736,024	11,236,123
Commercial Bank of Maldives Private Limited **(Note 25.5)**	-	6,668,490
Wakala facilities **(Note 25.6)**	128,875,787	160,259,225
Pension benefit scheme fund **(Note 25.7)**	4,239,696	4,356,111
State Bank of India Limited **(Note 25.8)**	64,010,000	84,957,942
	594,024,042	605,317,977

Maturity analysis of other borrowed funds

Payable within one year	138,465,967	138,465,967
Payable after one year	455,558,075	466,852,010
	594,024,042	605,317,977

25.1 Deutsche Investitutions und Entwicklungs Gesellschaft MBH (DEG)

During the year 2014, the Company has obtained a loan of MVR 200,460,000/- from Deutsche Investitutions 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.

25.2 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 ended 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 received remaining amount of the loan amounting to MVR 126,500,000 during the year 2022. The borrowing is denominated in Maldivian Rufiyaa.

25.3 Term loans 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 in 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.

25 OTHER BORROWED FUNDS (CONTINUED)

25.3 Term loans 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.

25.4 Habib Bank limited (HBL)

The Company has 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.

25.5 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.

25.6 Wakala facilities

In May 2017, MIB invested MVR 10,000,000/- for one year and this was was extended for one more year in May 2020. This has a target yield of 7.5%. The Company has settled this facility in fully during 2022.

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 for 5 years. After the end of the initial investment period, such facilities have been renewed for another 5 years.

In May 2019, Amana Takaful Plc invested MVR 5,000,000/- for two years with a target yield of 6.5%.This facility has been renewed for another 2 years in May 2021. In October 2018 MVR 5,000,000/- was invested by Amana Takaful with a maturity of two years with a target yield of 6%. This facility has been fully settled in October 2022. Further in February 2019 MVR 7,000,000/- was invested by Amana Takaful with a maturity of two years. This has a target yield of 6%. Such facility has been renewed for another 2 years in February 2021.

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25.6 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/- with the Company for two years with a target yield of 7% during December 2018. Such facility was renewed for another 2 years in December 2020 and the Company fully settled the same facility during December 2022. Further, Ayady Takaful invested MVR 5,000,000/- in April 2021 with a target yield of 7%.

25.7 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.

25.8 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.

26 OTHER LIABILITIES	**31/12/2022 MVR**	**31/12/2021 MVR**
Ministry of Housing and Infrastructure - GED Islamic fund **(Note 26.1)**	859,098	9,481,202
Ministry of Housing and Infrastructure - MHI Islamic fund **(Note 26.2)**	12,162,492	9,328,942
Ministry of Housing and Infrastructure - MHUD Conventional fund **(Note 26.3)**	3,040,695	13,204,990
Ministry of Housing and Infrastructure 704 - Conventional fund **(Note 26.4)**	67,936,032	43,575,790
Ministry of Housing and Infrastructure CMEC - Housing funds **(Note 26.5)**	20,604,864	15,669,880
Ministry of Housing and Infrastructure GED Con - Housing funds **(Note 26.6)**	160,107,901	173,649,642
Insurance premium payable	5,219,101	3,142,591
Amounts received from customers in advance	6,128,487	5,548,800
Accruals and other liabilities	3,438,480	1,651,936
Employees pension contribution	255,535	438,898
Amount received from Ministry of Finance **(Note 26.7)**	51,407,000	51,407,100
Dividends payable	63,339,704	39,843,910
	394,499,389	366,943,681

26 OTHER LIABILITIES (CONTINUED)

26.1 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.

26.2 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.

26.3 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.

26.4 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.

26.5 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.

26.6 Ministry of National Planning, Housing and Infrastructure - GED, MHUD, 704 Flat & MHI

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 tha 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.

26.7 Amount received from Ministry of Finance

As per the letter received from the Ministry of Finance on 31st January 2023 the total amount is due for full settlement by 30th April 2023. The first installment of MVR 10 Mn was paid on 20th February 2023. The 2nd installment of MVR 20 Mn and the final payment of MVR 21.4 Mn are agreed to settled on 30th March 2023 and 30th April 2023 respectively.

27 LEASE LIABILITES

	31/12/2022 MVR	31/12/2021 MVR
Opening Balance	9,053,613	9,664,668
Interest expense for the year **(Note 6.3)**	738,737	828,945
Principal repayment during the year	(701,264)	(611,055)
Interest repayment during the year	(738,737)	(828,945)
Closing Balance	8,352,349	9,053,613

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.

	31/12/2022	31/12/2021
Current Liability		
Lease Liabilities	897,262	701,263
Non Current Liability		
Lease Liabilities	7,455,087	8,352,350
Amounts recognized in Statement of Comprehensive Income		
- Interest on Lease Liabilities	738,737	828,945
Amounts recognized in Statement of Cash Flows	1,440,001	1,440,000

Analysis of Undiscounted cash flows and interest

	Future Minimum Lease Payments		Interest	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Less than One Year	1,572,000	1,440,000	674,738	738,737
Between One and Five Years	7,383,000	8,955,000	1,585,147	2,305,974
More than Five Years	1,755,000	1,755,000	97,766	97,766
	10,710,000	12,150,000	2,357,651	3,142,477

28 SHARE CAPITAL

28.1 Authorized

The authorized share capital comprises of 3,187,500/- (2021 : 3,187,500/-) ordinary shares of MVR. 100/- each.

28.2 Issued and Fully Paid

Issued and fully paid share capital comprises 1,593,750 of MVR 100/- each as at 31st December 2022. (2021 : 1,593,750/-).

28.3 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.

Following dividend were declared during the year ended 31st December 2022. (2021 : MVR 39,843,750/-)

(a) Final dividend of 12.50 per share amounting to MVR 19,921,875/- was declared from the profit earned during the year ended 31st December 2021.

(b) Interim dividend of 27/- per share amounting to MVR 43,031,250/- was declared from the profit earned during the year ended 31st December 2022

28.4 General 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.

29 SEGMENT ANALYSIS

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Board of Directors, and for which discrete financial information is available.

(a) Description of products and services from which each reportable segment is identified

The Company is organized 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 managed separately because each business unit requires different strategies and service level.

(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 reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) funds are generally not allocated between segments;
(ii) income taxes are not allocated to segments;
(iii) loan provisions are recognized based on management judgement and availability of information, and
(iv) commission income relating to lending is recognized immediately rather than deferred using the

The board of directors evaluate the performance of each segment based on the net income before administrative expenses and tax.

(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 2022 is set out below:

As at 31st December 2022	Conventional MVR '000	Islamic MVR '000	Unallocated MVR '000	Total MVR '000
Loans and advances	1,107,912	528,442	-	1,636,354
Cash and cash equivalents	23,869	234,997	-	258,866
Non-current assets	-	-	4,818	4,818
Financial assets at amortised cost	494,576	-	-	494,576
Right-of-use assets	-	-	6,537	6,537
Other assets	-	-	14,728	14,728
Total assets	1,626,357	763,439	26,082	2,415,878

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29 SEGMENT ANALYSIS (CONTINUED)

(d) Information about reportable segment profit or loss, assets and liabilities (continued)

As at 31st December 2022	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
Deposits from customers	57,487	23,914	-	81,401
Debt securities in issue	152,690	411,584	-	564,274
Other borrowed funds	465,148	128,876	-	594,024
Other liabilities	251,689	13,022	129,788	394,499
Lease liabilities	-	-	8,352	8,352
Current tax liabilities	-	-	8,028	8,028
Total liabilities	927,014	545,616	101,668	1,650,578
Capital expenditure	-	-	2,412	2,412

Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

For the year ended 31st December 2022	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
External revenues:				
- Interest / profit share	146,729	69,232	-	215,961
- Fee and commission income	3,813	2,292	-	6,106
- Other operating income	2,796	-	-	2,796
Total revenues	153,339	71,524	-	224,863
Interest expense / profit share	(47,822)	(37,586)	-	(85,408)
Reversal of provision for impairment loss on loans and advances	(1,993)	-	-	(1,993)
Reversal of modification loss on loans and advances	6,893	-	-	6,893
Depreciation and amortization	-	-	(772)	(772)
Administrative and other operating expenses	(17,414)	(1,622)	-	(19,035)
Income tax expense	-	-	(16,484)	(16,484)
Profit for the year	93,004	32,316	(17,256)	108,063

Segment information for the reportable segments for the year and then ended on 31st December 2021 is set out below:

As at 31st December 2021	Conventional MVR 000	Islamic MVR 000	Unallocate 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 held-to-maturity	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

29 SEGMENT ANALYSIS (CONTINUED)

(d) Information about reportable segment profit or loss, assets and liabilities (continued)

As at 31st December 2021	Conventional MVR 000	Islamic MVR 000	Unallocated 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 assets.

For the year ended 31st December 2021	Conventional MVR 000	Islamic MVR 000	Unallocated 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)
Recognition of modification loss on loans and advances	3,184	-	-	3,184
Depreciation and amortization	-	-	(1,272)	(1,272)
Administrative and other operating expenses	(14,809)	(1,611)	-	(16,419)
Income tax	-	-	(19,205)	(19,205)
Profit for the year	86,317	35,826	(20,477)	101,665

30 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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Overview (continued)

The Company's risk management policies are designed to identify and analyze 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.

30.1 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.

30.1.1 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.

30.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on change in credit quality since initial recognition as summarized 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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.2 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 30.1.2.2 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 30.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 30.1.2.4 includes an explanation of how the Company has incorporated this in its ECL models.

Further explanation is also provided of how the Company determines appropriate grouping when ECL is measured on a collective basis (refer note 30.1.2.5).

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) 12 months expected credit losses	(Significant increase in credit risk since the initial recognition) Lifetime expected credit losses	(credit impaired assets) Lifetime expected credit losses

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

30.1.2.1 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.

30.1.2.2 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 calculations.

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 ensure it is appropriate.

30.1.2.3 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 follows:

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.2.3 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 2015 to 2022.

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 30.1.2.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

30.1.2.4 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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.2.4 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 2022 are set out below.

	2023	2024	2025	2026	2027
GDP growth rate	13.30%	14.40%	15.50%	16.70%	18.00%
Inflation	4.30%	2.00%	2.00%	2.00%	2.00%
Unemployment rate	6.00%	6.00%	6.00%	6.00%	6.00%

The weightage assigned for each economic scenario at 31st December 2022 as follows:

	Best	Base	Worst
All portfolios	11%	68%	21%

Set out below are changes to ECL as at 31st December 2022 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	53,441,720	53,381,868	53,321,599
Inflation	52,814,416	53,381,868	53,914,379
Unemployment	53,095,163	53,381,868	53,659,389

30.1.2.5 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.

FOR THE YEAR ENDED 31ST DECEMBER 2022

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.3 Loss allowance

The loss allowance recognized 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 recognized during the period, as well as releases for financial instruments de-recognized 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 derecognized 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**	
	12-month ECL MVR	**Life time ECL MVR**	**Life time ECL MVR**	**Total MVR**
Loss allowance as at 1st January 2022	4,304,618	19,813,051	27,608,024	51,725,693
Transfer from Stage 1 to Stage 2	(41,999)	1,428,564	-	1,386,565
Transfer from Stage 1 to Stage 3	(44,403)	-	1,027,587	983,184
Transfer from Stage 2 to Stage 1	239,555	(4,332,631)	-	(4,093,076)
Transfer from Stage 2 to Stage 3	-	(1,640,128)	3,484,044	1,843,916
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	8,752	(56,957)	(48,205)
New financial assets originated	280,745	-	-	280,745
Financial assets settled during the year	(294,675)	(4,632)	-	(299,307)
Unrecognized interest on stage 3 assets	-	-	745,066	745,066
Other movements	(1,090,124)	(11,119,798)	13,067,209	857,287
Loss allowance as at 31st December 2022	3,353,717	4,153,178	45,874,973	53,381,868

FOR THE YEAR ENDED 31ST DECEMBER 2022

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.3 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** 12-month ECL MVR	**Stage 2** Life time ECL MVR	**Stage 3** Life time ECL MVR	**Total** MVR
Gross carrying amount as at 1st January 2022	1,390,434,442	315,401,767	62,279,000	1,768,115,209
Transfers:				
Transfer from Stage 1 to Stage 2	(19,534,250)	19,911,774	-	377,524
Transfer from Stage 1 to Stage 3	(5,505,790)	-	5,862,130	356,340
Transfer from Stage 2 to Stage 1	37,172,242	(39,799,144)	-	(2,626,902)
Transfer from Stage 3 to Stage 2	-	3,648,806	(4,499,751)	(850,945)
Transfer from Stage 3 to Stage 1	1,525,644	-	(2,725,741)	(1,200,097)
New financial assets originated	90,184,199	-	-	90,184,199
Transfer from Stage 2 to Stage 3	-	(11,214,154)	11,729,874	515,720
Financial assets settled during the year	(86,220,566)	(104,775)	(344,153)	(86,669,494)
Other movements	125,662,946	(226,638,696)	22,510,319	(78,465,430)
Gross carrying amount as at 31st December 2022	1,533,718,867	61,205,578	94,811,678	1,689,736,124

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.3 Loss allowance (continued)

Loss allowance	Stage 1	Stage 2	Stage 3	
	12-month ECL	Life time ECL	Life time ECL	Total
	MVR	MVR	MVR	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	-
Transfer from stage 3 to stage 2	-	-	-	-
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)	7,314,489
Loss allowance at 31st December 2021	4,304,618	19,813,051	27,608,024	51,725,693

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:

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.3 Loss allowance (continued)

Loans and advances	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Life time ECL**	**Life time ECL**	**Total**
	MVR	**MVR**	**MVR**	**MVR**
Gross carrying amount as at 1 January 2021	1,545,664,133	268,691,736	62,692,590	1,877,048,459
Transfers:				
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 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
Transfers from stage 2 to stage 3	-	(212,332)	212,332	-
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	15,060,442	-	27,581,175
Other movements	64,371,680	(1,997,654)	7,089,446	69,463,472
Gross carrying amount as at 31st December 2021	1,390,434,442	315,401,767	62,279,000	1,768,115,209

30.1.4 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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.5 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).

30.1.6 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 Company.

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 collateral to mitigate potential credit losses.

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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.6 Risk limit control and mitigation policies (continued)

Collateral information

As at 31st December 2022	Customer loans MVR	Staff loans MVR	Amna assets MVR	Total MVR
Loans collateralised by:				
- house property	1,137,092,588	3,774,669	548,868,867	1,689,736,124
Total loans and advances	1,137,092,588	3,774,669	548,868,867	1,689,736,124

As at 31st 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	1,207,350,746	4,975,605	555,788,858	1,768,115,209

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 31st December 2022	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets MVR	Fair value of collateral MVR	Carrying value of the assets MVR	Fair value of collateral MVR
Customer loans	1,137,092,588	3,579,439,163	-	-
Staff loans	3,774,669	15,492,322	-	-
Amna assets	548,868,867	1,380,514,112	-	-
Total loans and advances	1,689,736,124	4,975,445,597	-	-

As at 31st December 2021	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets MVR	Fair value of collateral MVR	Carrying value of the assets MVR	Fair value of collateral 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	1,768,115,209	5,094,028,925	-	-

(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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (continued)

30.1.7 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.

30.1.8 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 2022 and 31st December 2021, 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%);

30.1.9 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.

	31/12/2022 MVR	31/12/2021 MVR
Residential - Conventional	1,139,103,925	1,210,563,019
Residential - Islamic	548,868,867	555,788,858
Commercial	1,763,332	1,763,332
Total	1,689,736,124	1,768,115,209

30.1.10 Credit risk of financial assets at amortised cost

The Company has invested in Conventional and Islamic treasury bills issued by the Ministry of Finance on behalf of the Government of Maldives and measured at amortised cost. The Company analyses credit quality of debt securities at amortised cost as at the reporting date based on the credit ratings and determine whether any adjustment is required for allowance for impairment loss on the carrying amount. The latest sovereign credit rating issued and published on 13th October 2022 for the Maldives was B- (Negative) by the Fitch ratings. Since the debt securities were issued by the Government and short term with no history of defaults, the Company has determined that the credit risk is considered to be very negligible.

30.2 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 non-trading activities are concentrated in the Company's Assets and Liabilities Management Committee (ALCO).

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Market risk (Continued)

30.2.1 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 Investitutions 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 arrangemet 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.

	31/12/2022 US$	31/12/2021 US$
Assets		
Cash and balances with other banks	58,220	48,416
Total assets	58,220	48,416
Liabilities		
Borrowings	(181,431)	(205,884)
Total liabilities	(181,431)	(205,884)
Net on-balance sheet financial position	(123,211)	(157,468)
Currency SWAP	2,307,698	2,307,698
Net	2,184,487	2,150,230

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.

	As at 31st December 2022		As at 31st December 2021	
	Impact on US$	Impact on US$	Impact on US$	Impact on US$
US Dollar strengthening by 10%	22,066	-	21,719	-
US Dollar weakening by 10%	(21,629)	-	(21,289)	-

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2.2 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 31st December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000
Financial assets							
Cash and balances with banks	73,413	185,453	-	-	-	-	258,866
Financial assets at amortised cost	10,552	176,741	307,283	-	-	-	494,576
Loans and advances	3,135	9,586	30,474	209,947	1,383,213	-	1,636,355
Other financial assets	-	-	-	-	-	1,288	1,288
Total financial assets	87,100	371,780	337,757	209,947	1,383,213	1,288	2,391,085
Fiancial liabilities							
Deposits from customers	157	479	1,523	10,490	68,753	-	81,402
Debt securities in issue	-	20,000	31,718	81,736	430,819	-	564,273
Other borrowed funds	3,130	17,009	133,417	283,715	156,754	-	594,025
Other financial liabilities	-	-	-	-	-	269,930	269,930
Lease liabilities	-	185	712	5,609	1,847	-	8,353
Total financial liabilities	3,287	37,673	167,370	381,550	658,173	269,930	1,517,983
Total interest repricing gap	83,813	334,107	170,387	(171,603)	725,040	(268,642)	873,103

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2.2 Interest rate risk (continued)

As at 31st December 2021	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
	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
Fiancial 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	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

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 31st December 2022		As at 31st December 2021	
	1% increase MVR '000	1% decrease MVR '000	1% increase MVR '000	1% decrease MVR '000
Average for the year	9,452	(9,452)	9,868	(9,868)

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 2022, there are no any financial instruments that contractually reference an IBOR benchmark planned to transition to a risk-free rate, and have a contractual maturity date beyond the planned IBOR cessation date.

30.3 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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.3 Liquidity risk (continued)

30.3.1 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
- Managing the concentration and profile of debt maturities.

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.

30.3.2 Funding approach

Sources of liquidity are regularly reviewed by the ALCO.

30.3.3 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 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying
	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000
Fiancial liabilities							
Deposits from customers	909	2,726	8,179	42,712	115,268	169,794	81,402
Debt securities in issue	2,550	4,706	43,364	239,771	486,861	777,252	564,273
Other borrowed funds	7,078	24,489	163,714	368,781	174,331	738,392	594,025
Other financial liabilities	-	-	-	-	269,930	269,930	269,930
Lease liabilities	56	171	535	4,934	3,311	9,007	8,353
	10,593	32,092	215,792	656,198	1,049,701	1,964,375	1,517,983
Financial assets							
Cash and balances with banks	73,413	185,453	-	-	-	258,866	258,866
Financial assets at amortised cost	10,552	176,741	307,283	-	-	494,576	494,576
Loans and advances	18,794	56,381	169,144	883,306	2,383,811	3,511,436	1,636,355
Other financial assets	-	-	1,288	-	-	1,288	1,288
	102,759	418,576	477,715	883,306	2,383,811	4,266,166	2,391,085
Net	92,166	386,484	261,923	227,108	1,334,110	2,301,791	873,103

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.3 Liquidity risk (continued)

30.3.3 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities (continued)

As at 31st December 2021	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	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 amortized cost	65,155	60,231	132,163	-	-	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
	200,250	374,668	312,815	937,409	2,529,820	4,354,962	2,344,097
Net	193,280	297,709	93,807	345,456	1,514,331	2,444,583	808,409

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, deposits with banks, financial asset at amortized 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.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 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 Investitutions 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 2022 and 31st December 2021. the Company complied with all of the externally imposed capital requirements to which they are subjected.

	31/12/2022 MVR	31/12/2021 MVR
Capital		
Share capital	159,375,000	159,375,000
Retained earnings	590,925,359	545,815,095
Reserves	15,000,000	15,000,000
Total qualifying Capital	765,300,359	720,190,095
Total capital	765,300,359	720,190,095
Risk-weighted assets		
On-balance sheet	908,739,529	965,953,126
Total risk-weighted assets	908,739,529	965,953,126
Basel ratio	84%	75%

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 Capital management (continued)

Risk-weighted assets	As at 31st December 2022	
	Unweighted value MVR	Weighted Value MVR
Cash in hand	6,500	-
Balances with other banks	73,406,078	14,681,216
Short term investments in Treasury Bills	185,453,764	37,090,753
Financial assets at amortised cost	494,575,784	-
Loans and advances	1,689,736,124	844,868,062
Prepayments and deposits	7,281,981	7,281,981
Property, plant and equipment and Intangible assets	4,817,518	4,817,518
	2,455,277,749	908,739,529

The changes in the regulatory capital was mainly due to the profit earned during the year ended 31st December 2022. The decrease in risk-weighted assets reflects the decrease the loan portfolio during period.

Risk-weighted assets	As at 31st December 2021	
	Unweighted value MVR	Weighted Value 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
	2,402,795,075	965,953,126

31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31st December 2022	Amortised cost MVR	Total MVR
Financial assets		
Cash and cash equivalents	258,866,342	258,866,342
Financial assets at amortised cost	494,575,784	494,575,784
Loans and advances	1,636,354,256	1,636,354,256
Other financial assets	1,287,857	1,287,857
Total financial assets	2,391,084,239	2,391,084,239

	Amortised cost MVR	Total MVR
Financial liabilities		
Debt securities in issue	564,273,781	564,273,781
Other borrowed funds	594,024,042	594,024,042
Deposits from customers	81,401,050	81,401,050
Other financial liabilities	336,708,367	336,708,367
Lease liabilities	8,352,349	8,352,349
Total financial liabilities	1,584,759,589	1,584,759,589

31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTINUED)

As at 31st December 2021	Amortised cost MVR	Total 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 assets	2,344,099,528	2,344,099,528

	Amortised cost MVR	Total 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 liabilities	1,577,183,983	1,577,183,983

32 FAIR VALUE MEASUREMENT

The fair value of financial assets and liabilities, together with the carrying amount shown in the statement of financial position, are as follows:

	As at 31st December 2022		As at 31st December 2021	
	Carrying amount MVR	Fair value MVR	Carrying amount MVR	Fair value MVR
Assets carried at amortised cost				
Cash and cash equivalents	258,866,342	258,866,342	369,042,432	369,042,432
Financial asset at amortised cost	494,575,784	494,575,784	257,549,099	257,549,099
Loans and advances to customers	1,636,354,256	1,636,354,256	1,716,389,516	1,716,389,516
Other financial assets	1,287,857	1,287,857	1,118,481	1,118,481
	2,391,084,239	2,391,084,239	2,344,099,528	2,344,099,528
Liabilities carried at amortised cost				
Deposits from customers	81,401,050	81,401,050	78,518,115	78,518,115
Debt securities in issue	564,273,781	564,273,781	574,745,395	574,745,395
Other borrowed funds	594,024,042	594,024,042	605,317,977	605,317,977
Other financial liabilities	345,060,716	345,060,716	309,548,883	309,548,883
	1,584,759,589	1,584,759,589	1,568,130,370	1,568,130,370

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.

33 CONTINGENCIES

There were no material contingent liabilities or assets which require disclosure in the Financial Statements as at the reporting date.

34 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.

35 COMMITTEMENTS

	31/12/2022 MVR	31/12/2021 MVR
Undisbursed loans and other facilities	58,040,729	40,670,051

36 RELATED PARTY TRANSACTIONS

36.1 The Company 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". The Company has identified Ministry of Finance and Ministry of Housing and Infrastructure as related parties and disclosed balances in the notes 18 and 26 of this financial statements.

36.2 Key management compensation

	2022 MVR	2021 MVR
Executive management salaries	3,332,953	3,328,204

36.3 Remuneration to Board of Directors

	2022 MVR	2021 MVR
Board remuneration and committee sitting fees	246,000	192,000

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
		1,593,750	159,375,000

At the Extraordinary General Meeting of shareholders held on November 29th, 2022, in accordance with Article 19(d) of the Articles of Association, the Shareholders approved a share split of 1,593,750 ordinary shares of MVR 100/- each into 15,937,500 ordinary shares of MVR 10/- each. However, the company has not completed the formalities as at 31st December, 2022

37 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified to conform with current year's classifications, whenever necessary.

38 DIRECTOR'S RESPONSIBILITY

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

39 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since reporting date which require adjustments to/or disclosure in the financial statements.

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