Annual Report 2023

Housing Development Finance Corporation Plc.

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ANNUAL REPORT
2023

بسم الله الرحمن الرحيم

HDFC Plc.
Annual Report 2023

Published: May 2024

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Definition

Annual Report 2023 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 2023. 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.

Chairman's Statement

Navigating Challenges, Building Resilience

Dear Shareholders and Stakeholders,

On behalf of the Board of Directors of Housing Development Finance Corporation Plc-Maldives (HDFC), it is my privilege to present to you the annual report and audited financial statements of the Company for the year ended 31 December 2023.

As we review the past year, it is crucial to understand the broader economic context in which we have operated. According to the April 2024 report from the International Monetary Fund (IMF) on the World Economic Outlook, the global economic forecast for 2023 suggests a moderate growth, with the world economy anticipated to expand by 3.2 percent. Looking ahead, the forecast for global growth five years from now stands at 3.1 percent, marking a historic low. After the soaring of inflation experienced post Covid-19 pandemic, the rate of inflation is now anticipated to gradually decline from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies expected to achieve their inflation targets earlier than the emerging market and developing counterparts.

In 2023, the Maldivian economy remained resilient and stable despite various global challenges such as geopolitical tensions and tightened financial conditions in major economies. It showed strong performance, with an estimated 4.0% real GDP growth, and is projected to further accelerate to 5.5% in 2024. The expansion of the transportation and communication sector was a key driver of the Maldivian economy in 2023. This expansion offset the downturn experienced in the tourism sector as well as the wholesale and retail trade sector. Additionally, sectors such as public administration, financial services, and real estate made positive contributions to economic growth in 2023. Inflation in 2023 saw a slight acceleration compared to the previous year, averaging 2.9%. This increase in domestic inflation was primarily due to the rise in the general goods and services tax (G-GST) rate implemented in January 2023.

HDFC navigated a dynamic financial landscape with resilience and strategic foresight in 2023. Our shareholder equity saw a commendable increase, rising to MVR 853.52 million, reflecting a robust 11.5% growth, despite a slight decrease in total assets from MVR 2,415.88 million in 2022 to MVR 2,215.30 million in 2023. This enhancement in equity is a testament to our sustained efforts in reinforcing our financial stability and shareholder confidence.

During the year, we experienced a moderate reduction in total income, closing at MVR 222.31 million. This was primarily due to a challenging market environment. Yet, our net interest income remained stable at MVR 98.75 million. Our strategic focus on emerging income streams was evident as income from Shari'ah-compliant products increased to MVR 34.75 million, highlighting our adaptability and commitment to inclusive financial services.

Furthermore, we continued our prudent risk management practices, ensuring the integrity of our financial standing through cautious provisioning for potential impairments, which were crucial given the economic uncertainties. Overall, the fiscal year 2023 was marked by our dedication to maintaining a balanced financial performance while positioning ourselves strategically for future growth and sustainability.

In line with our commitment to shareholder value creation, the Board of Directors has recommended a dividend payout ratio of 39.75%, which is MVR 2.20 per share (post-split), reflective of our financial performance and liquidity position. We remain focused on balancing the interests of all stakeholders while pursuing long-term sustainability and growth.

Maintaining high standards of corporate governance remains a cornerstone of HDFC's operations. Our conscientious adherence to regulatory frameworks and commitment to transparency and accountability underscore our dedication to building trust and fostering long-term relationships with stakeholders.

Looking ahead, HDFC maintains an unwavering dedication to effectively managing obstacles and capitalizing on opportunities. We will endeavor to generate value for all stakeholders and continue to make a positive contribution to the socioeconomic progress of the Maldives through our steadfast dedication to innovation and sustainable practices. We shall persist in transforming our offerings and services to provide our prospective clients with superior quality and enhanced service. A new phase of HDFC's transformation is imminent on the horizon.

On behalf of the Board of Directors and management team, I am honored to extend my sincere gratitude to former Chairperson Mr. Conrad D'Souza, whose insightful guidance, strategic direction, and unwavering commitment to excellence have been fundamental in shaping our organization's journey and ensuring its continued success. I would also like to express my deepest appreciation to former Managing Director, Ms. Raheema Saleem, for her exceptional leadership and dedicated service spanning two decades in various crucial roles within HDFC.

Finally, I extend my sincere gratitude to our shareholders, customers, regulatory authorities, and dedicated team members for their unwavering support and commitment. Together, we will continue to chart a course of sustainable growth and resilience, ensuring HDFC's continued success in the years to come.

With best wishes

Hamid Sodique
Chairperson

Managing Director's Report

Innovating Housing Finance for a Brighter Future

Dear Stakeholders,

As we celebrate 20th year of operation in 2024, I would like to reassure all our stakeholders that the company stands strong financially and remains committed to promoting homeownership in Maldives through our sound business practices and dedication to the highest international standards despite the growing uncertainties in the business environment.

The global economy slowed down and grew at a slower pace in 2023 due to monetary tightening policies aimed at curbing inflation in advanced countries and escalating geopolitical tensions worldwide. On the domestic front, the GDP growth rate was recorded at 4.3%, which is lower than originally forecasted. The decline is attributed to the weaker-than-expected performance of the tourism sector and slower-than-expected growth of the construction sector.

Despite these challenges, HDFC has once again proven its resilience to external shocks stemming from the looming global economic challenges and slower-than-expected growth of the local economy. The company achieved a modest and balanced financial performance in 2023. Although our bottom line was lower than the previous year, we remain committed to our mission and optimistic about the future.

PERFORMANCE HIGHLIGHTS

Through sound governance practices and proactive portfolio management, the company successfully maintained its operational income at MVR 139 million. However, net profit after tax decreased to 88 million in 2023 from MVR 108 million in 2022. Despite diligently managing operational costs and having our NPA ratio below our target, the company had to make additional provision for the facilities that were granted moratorium in 2020 due to the Covid-19 pandemic.

The loan book decreased by 3% to MVR 1.595 billion in 2023 due to increased competition in the housing finance market and slower-than-expected growth in the construction industry. Nevertheless, the company remains well-capitalized, with a capital adequacy of 90% and with sufficient cash reserves to bounce back and deliver improved financial performance in 2024.

OUR FOCUS AREAS

At HDFC, our priority lies in striking a balance between building a high-quality portfolio through responsible financing practices and ensuring accessibility to affordable housing finance for all. Following a comprehensive market review and evaluation of competitor offerings, we've made a bold decision to revamp the product portfolio. This strategic move aims to address key challenges and to further align our offerings with the evolving market dynamics. We have introduced flexibilities in our processes and reduced our lending rates across products to stay competitive in the market and attract new customers. These positive changes along with our prudent risk management practices will ensure sustainable growth in the asset portfolio. We will be carrying out additional marketing activities to enhance brand visibility and foster loyalty, complementing HDFC's established business model to further strengthen its competitiveness within the housing finance sector.

Another key area of focus will be digitalization and the integration of financial technology into our business operations and service channels. It is crucial to invest in and embrace financial technology in all our operations to remain competitive and stay on par with the financial industry. Our ERP project is scheduled for completion in 2024. This will further enhance our efficiency and reliability in internal operations while delivering exceptional service to our customers. As a strategy, we are committed to modernizing and streamlining our lending process and gaining data analytical capabilities for a more efficient, data-driven decision-making process.

CONCLUSION AND APPRECIATION

Over the past two decades, HDFC has played a pivotal role in the progress of the country by promoting home ownership and providing reliable and convenient home financing solutions to our customers. I take this opportunity to extend my heartfelt gratitude to all who have contributed to the success of the company.

My sincere appreciation goes out to the Chairman and members of the Board for their support and guidance throughout the year. I would like to specially acknowledge and appreciate the contribution of Mr. Conrad D'Souza, the former Chairman, who stepped down in 2023 after serving in various positions on the board for over a decade. Your strategic direction and guidance have been fundamental in shaping the company.

In late 2023 and early 2024, we also witnessed the departure of key members of the senior management team, including Ms. Raheema Saleem, Managing Director, Dr. Mohamed Shafeeg, Chief Financial Officer and Ms. Aishath Rasheeda, Head of Credit. Their unwavering commitment and contribution have been instrumental in positioning HDFC as a top player in the housing finance industry. I extend my sincere gratitude for their long and dedicated service to the company.
Also, I would like to extend my heartfelt thanks to the rest of the management team and our hard-working staff who work tirelessly to serve our customers. Your dedication and commitment have consistently guided us through challenges in a rapidly changing environment.

Finally, I would like to express my gratitude to our customers who have entrusted us with helping them achieve their dream of homeownership and have shown unwavering faith in us during challenging times. We greatly appreciate your patience and loyalty, and we would like to renew our commitment to remain as your number one choice for housing finance provider.

Thanking you,

Ahmed Zeenad
Managing Director

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
2023	Implementation of ERP

Home,
Where your heart is

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-0107/2006
SHARE CAPITAL	MVR 159,375,000
CHAIRMAN	Mr. Hamid Sodique
MANAGING DIRECTOR	Mr. Ahmed Zeenad
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

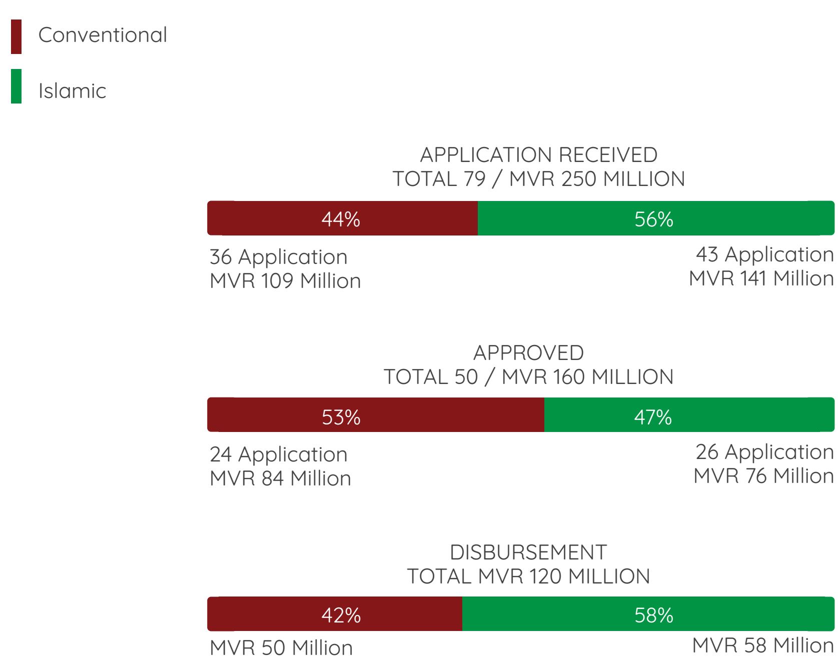
Housing remains a key component towards the country's pathway for the sustainable, economic development and social well-being of the country. Being the only specialised housing finance institution, HDFC is faced with numerous challenges in offering affordable financing solution to customers. However, 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 years tenure.
YOUTH LOAN	Home purchase loan for youth for residential purpose with a maximum 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 would be deducted at source for the staff of organisations selected by HDFC. @ 11% pa. Maximum deduction would be less than 60% of the salary.

Given that the Maldives is a 100% Muslim country, customers favor 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.



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 Bank 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 [1]	HDFC Investments Ltd. India
	Mr. Hamid Sodique (Chairman)	Government of Maldives
	Mr. Khalid Sulaiman [2]	Government of Maldives
	Mr. Mohamed Rasheed	Government of Maldives
	Ms. Kohe Noor Binte Mahmoodul Hasan	Asian Development Bank
	Ms. Amena Arif	International Finance Corporation
	Mr. Ajay Agarwal	HDFC Bank Ltd.
ALTERNATE DIRECTOR	Mr. Mohamed Zuhair	Government of Maldives
	Mr. Asif Saeed Cheema	Asian Development Bank
INDEPENDENT DIRECTOR	Mr. Mohamed Ahmed [3]	
	Ms. Aishath Shizna	
MANAGING DIRECTOR	Ms. Raheema Saleem[4]	
	Mr. Ahmed Zeenad	

1- Mr. Conrad D'Souza resigned – effective from 19/12/2023.
2- Mr. Khalid Sulaiman resigned - effective from 20/4/2023
3- Mr. Mohamed Ahmed resigned – effective from 07/01/2024.
4- Ms. Raheema Saleem completed term of Office – 29/02/2024

COMMITTEES

AUDIT & RISK MANAGEMENT COMMITTEE	Ms. Aishath Shizna	(Chairperson)
	Mr. Hamid Sodique	
	Ms. Kohe Noor Binte Mahmoodul Hasan	
	Ms. Amena Arif	
NOMINATION & REMUNERATION COMMITTEE	Mr. Mohamed Rasheed	(Chairman)
	Mr. Hamid Sodique	
	Ms. Kohe Noor Binte Mahmoodul Hasan	
	Ms. Aishath Shizna	
BOARD CREDIT COMMITTEE	Mr. Mohamed Rasheed	(Chairman)
	Ms. Aishath Shizna	
	Mr. Hamid Sodique	
	Mr. Ajay Agarwal	
IPO COMMITTEE	Mr. Ajay Agarwal	(Chairman)
	Mr. Hamid Sodique	
	Ms. Kohe Noor Binte Mahmoodul Hasan	
	Ms. Amena Arif	
	Mr. Mohamed Rasheed	
	Ms. Aishath Shizna	
SHARIAH COMMITTEE	Dr. Ibrahim Zakariyya Moosa	(Chairman)
	Assoc. Professor Dr. Rusni Hassan	
	Dr. Ali Zahir bin Saeed Qasim	
	Mr. Ahmed Sameen	(Secretary)

Mr.Hamid Sodique

Nominee Director, Non-Executive (Chairman of the Board)
Government of Maldives

Audit & Risk Management Committee (Member)
Nomination & Remuneration Committee (Member)
Board Credit Risk Management Committee (Member)
IPO 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 currently 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 Member of Maldives Pension Administration Office and chair of Investment Committee; as a Council Member of the Maldives National University; and as a Board Member of the Male' Hospitals Board of Trustees. 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 a number of public and private sector organisation and has executed several advisory and research engagements for prominent local and international clients including government agencies and multilateral organisations.

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. Mohamed Rasheed

Nominee Director, Non-Executive
Government of Maldives

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

Appointed as the director by the Government of Maldives on 20th April 2023.

QUALIFICATION & EXPERIENCE

Mr. Mohamed Rasheed has a diverse educational background, holding a bachelor's degree in business administration from the University of Canterbury, a Bachelor of Law (with Honors) from the University of the West England, and a Diploma in Accounting from the Association of Chartered Accountants.

With over 20 years of experience, Mr. Rasheed has carved a path in management, serving as a director for various private sector companies. Presently, he holds the position of General Manager at Hulhumale' Sawmills Private Limited, where his responsibilities include total enterprise management.

Mr. Rasheed's career journey began at the Ministry of Finance and Treasury, where he served as a secretary in the department of External Resources. He has also accumulated experience in the tourism sector, collaborated with UNDP, and worked in the construction industry, showcasing his versatility and adaptability across different fields.

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 & 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 is a partner at Reed Smith, a prestigious global law firm, bringing with her a wealth of expertise in international commercial disputes and corporate affairs. Holding an LLB (Hons) from the National University of Singapore, she is well-versed in navigating complex legal landscapes.

With a focus on areas such as power, international trade, commodities, and transportation, Ms. Kohe's specialization underscores her proficiency in handling diverse and complicated legal matters. Her role at Reed Smith highlights her commitment to providing top-tier legal counsel and her reputation as a trusted advisor in the field of international business law.

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 & Risk Management Committee (Member)
IPO Committee (Member)

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

QUALIFICATION & EXPERIENCE

Ms. Amena holds an MBA from the Lahore University of Management Sciences and currently serves as the Country Manager for IFC Kenya, operating out of Nairobi and overseeing Rwanda, Somalia, Tanzania, and Uganda.

Her professional journey began in banking, where she amassed valuable experience at international institutions like Citibank N.A. and ABN AMRO, working across diverse industries and markets. Transitioning to IFC in 2012, she initially focused on the MENA region within the Financial Institutions Group, engaging in both investment and advisory roles.

Throughout her career, Ms. Amena has demonstrated versatility and resilience, particularly in navigating challenging environments such as fragile and post-conflict markets. Prior to her current role, she served as IFC's Country Manager for Sri Lanka and Maldives. Her move to oversee the Kenya cluster of countries underscores her continued dedication to driving sustainable development and investment opportunities in emerging markets.

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

Mr. Ajay Agarwal

Nominee Director
HDFC Bank Ltd.

Board Credit Risk Management Committee (Member)
IPO Committee (Chairperson)

Appointed as the nominee director by HDFC Bank Ltd. on 17 January 2024

QUALIFICATION & EXPERIENCE

Mr. Ajay Agarwal, a Fellow Member of the Institute of Company Secretaries of India (ICSI), is highly regarded for his expertise in corporate and securities law, corporate governance, and legal and regulatory compliance. His contributions extend to various committees and task forces, including membership in the CII National Committee on Regulatory Affairs since 2018-19 and participation in the Task Force on Banking and Finance formed by ICSI.

With a distinguished career spanning over 23 years at the Housing Development Finance Corporation Limited (Corporation), Mr. Agarwal served as the Company Secretary and key managerial person. In this role, he also functioned as the Compliance Officer, ensuring adherence to SEBI regulations such as Listing Obligations and Disclosure Requirements, Prohibition of Insider Trading, and Registrars to an Issue and Share Transfer Agents Regulations. His membership in the CII Corporate Governance Council further underscores his commitment to fostering best practices in corporate governance.

OTHER APPOINTMENTS

Currently, he is the Senior Executive Vice-President – Legal & Secretarial of HDFC Bank Limited and a director of HDFC Capital Advisors Limited.

He is also Board Director of First Housing Finance (Tanzania) Ltd from 20th February 2024.

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.

Ms.Aishath Shizna

Independent Director, Non-Executive

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

Appointed as an Independent director on 18th July 2021.

QUALIFICATION & EXPERIENCE

Ms. Shizna is a highly accomplished professional with extensive expertise in the Finance and Insurance industry, with over 15 years of experience. Holding the esteemed title of Chartered Certified Accountant, she is a Fellow Member of both the Association of Chartered Certified Accountants, UK, and the Institute of Chartered Accountants of the Maldives.

Ms. Shizna's academic credentials include a master's degree in business administration from the University of the West of England, and a Certificate from the Malaysian Insurance Institute.

Currently serving as the Financial Controller at Allied Insurance Company of the Maldives Pvt Ltd, Ms. Shizna plays a pivotal role in overseeing financial operations. Moreover, her involvement as a member of the Technical and Standards Committee at the Institute of Chartered Accountants of the Maldives underscores her dedication to upholding professional standards and contributing to industry best practices.

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.

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 coursework in International Affairs from Columbia University. His academic foundation also includes a Bachelor of Science in Accounting and Finance from the New York Institute of Technology.

Mr. Cheema embarked on his professional journey in 1996 as an Equity Research Associate at Deutsche Bank Securities in New York. Over the years, he has amassed valuable experience at renowned financial institutions, including J.P. Morgan Securities and HSBC Investment Bank in New York, as well as positions at Nomura International in Dubai, where he served as Executive Director in Corporate Finance and Investment Banking. His also contribute significantly to Alpen Capital in Dubai and the 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 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 a Master's Degree (MSc) in Agricultural Studies from the University of Queensland, Australia. Additionally, he also possesses a Bachelor of Science in Agriculture and a Post Graduate Diploma of Ingenieur Agricola from the American University of Beirut, Lebanon. This academic journey reflects his dedication to acquiring expertise in agricultural sciences from renowned institutions.

With over 30 years of dedicated service, Mr. Zuhair has held prominent positions within the Government of Maldives. Notably, he has served as Deputy Minister at the Ministry of Fisheries, Agriculture, and Marine Resources, contributing significantly to the development of these vital sectors. Additionally, his tenure as Minister of State at the Ministry of Defense and National Security reflects his commitment to ensuring the safety and stability of the nation.

Beyond his governmental roles, Mr. Zuhair has also made significant contributions in various leadership capacities. He has served as Chairman of MIFCO (Maldives Industrial Fisheries Company), where he played a pivotal role in shaping the direction of the fisheries industry. Additionally, his leadership as Chairman of Kadhdhoo Airport Company Ltd (KACL) and as Managing Director at Fantasy Pvt Ltd underscores his broad expertise and commitment to excellence across different sectors.

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.

Ahmed Zeenad

Managing Director
HDFC Plc, Maldives

Appointed as Managing Director on 26th March 2024

QUALIFICATION & EXPERIENCE

Mr. Ahmed Zeenad's appointment as Managing Director of Housing Development Finance Corporation PLC on March 26, 2024, brings with it over 15 years of robust experience in the banking and finance industry.

Beginning his financial career in 2006 as an Accountant at Maldives Finance and Leasing Company, Mr. Zeenad progressed to the role of Finance Manager before transitioning to Bank of Maldives (BML). At BML, he led the implementation of the SME banking strategy as Head of SME Banking and later oversaw government loan schemes as Head of Government Loan Schemes.

Afterward, Mr. Zeenad assumed the role of Managing Director at the SME Development Finance Corporation (SDFC), where he played a pivotal role in operationalizing and establishing the Corporation. Under his leadership, SDFC successfully executed an 'SME development strategy,' emphasizing tailored solutions through digital channels, resulting in a portfolio exceeding MVR 1.2 billion within five years.

Mr. Zeenad holds a Master of Finance from Curtin University, Australia, and is recognized as an Affiliate Member of the Asian Institute of Chartered Bankers.

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. Adam Athif

Head of Administration and Company Secretary
Appointed in 2021

Mr. Adam Athif, appointed as the Head of Administration and Company Secretary at HDFC in 2021, brings extensive experience and a long-standing dedication to the organization, having joined in 2004. Prior to his tenure at HDFC, Mr. Athif gained valuable experience working in both the government and private sectors from 1990 to 2004.

During his time at HDFC, Mr. Athif has held key positions such as Senior Manager Administration and Human Resource Development, as well as Manager Administration and Human Resource Development, showcasing his expertise in organizational management and human resources.

Mr. Athif's educational background includes a Diploma in Business Administration (ABE), providing him with a solid foundation in business principles and administration. His wealth of experience and qualifications make him well-suited to oversee the administrative functions and serve as the Company Secretary at HDFC.

Mr. Mohamed Fathy

Head of Informations Technology
Appointed in 2021

Mr. Mohamed Fathy has been an integral part of HDFC since 2004, demonstrating a steadfast commitment to the organization. Over the years, he has assumed pivotal roles such as Head of Internal Audit, Manager-IT, and Senior Manager IT, showcasing his breadth of experience and expertise within the company.

Mr. Fathy's academic credentials comprise an M.Sc. in IT Management from Asia Pacific University of Malaysia, and B.Com. from Bangalore University in India. His robust educational background, and his extensive professional experience, positions him aptly to lead HDFC's Information Technology department effectively.

Mr. Mohamed Nawaz Hassan

Senior Manager Credit and Islamic Finance
Appointed in 2023

The Senior Manager Credit and Islamic Finance, appointed in 2024, joined HDFC in 2018. Within HDFC, he has held key positions, notably serving as Manager, Credit. He has also worked in HDC as Senior Estate Officer.

In addition to heading the credit department, he also serves as the designated Anti-Money Laundering Officer, highlighting his multifaceted role in ensuring financial integrity and compliance within the organization.

His academic qualifications include a BBA (Hons) in Business Administration from Open University, Malaysia, providing him with a solid foundation in business principles. Furthermore, he holds an MBA from the University of West England, enriching his expertise and strategic insight. His combination of professional experience and educational background equips him to effectively manage credit operations and Islamic finance at HDFC.

Uz. Ahmed Sameen

Senior Manager Islamic Finance/Shariah
Appointed in 2023

Uz. Ahmed Sameen assumed the role of Senior Manager Islamic Finance/Shariah at HDFC in 2023. With a solid background as a licensed Islamic scholar and lawyer, he possesses extensive knowledge of Islamic law and finance, making him a valuable addition to HDFC's Islamic finance division.

Bringing over 8 years of experience in the Islamic finance industry, Uz. Sameen previously served as the Shariah Compliance Manager at Bank of Maldives PLC, where he played a pivotal role in ensuring adherence to Islamic principles and regulations.

His commitment to both practical application and academic exploration is evident through his experience teaching Islamic finance and law subjects in the Maldives, reflecting his dedication to spreading knowledge and understanding within the field.

Mr. Faisal Haleem

Risk and Audit Manager
Appointed in 2021

Mr. Faisal Haleem serves as the Risk and Audit Manager at HDFC, a position he assumed in 2021. With a tenure dating back to 2009, he has contributed significantly to the organization's growth and stability.

Before joining HDFC, Mr. Faisal gained valuable experience in the Ministry of Education. Within HDFC, he has held various key positions, including Assistant Manager Credit, Audit, and Manager of Compliance and Quality Assurance, demonstrating his adaptability and expertise across different areas of financial management.

Mr. Faisal's professional qualifications include being a Fellow Member of the Institute of Chartered Accountants of the Maldives and a Member of the Association of Chartered Certified Accountants (UK). He holds a BA (Hons) in Accounting and Finance from the University of East London, UK, acquired through HELP University College, Malaysia. His educational background, combined with his extensive experience, equips him to effectively manage risk and ensure compliance within HDFC.

Mr. Ahmed Anwar

Recovery Manager
Appointed in 2021

Mr. Ahmed Anwar, appointed as the Recovery Manager at HDFC in 2021, boasts a significant tenure with the organization, having joined in 2005. Throughout his time at HDFC, he has gained invaluable experience across key departments such as credit, finance, and recovery, showcasing his versatility and deep understanding of financial operations.

Mr. Anwar's professional qualifications include a Professional Diploma in Accounting from the Association of Accounting Technicians (AAT), highlighting his commitment to advancing his expertise in accounting practices. In addition, he holds a Diploma in Shari'ah and Law, providing him with comprehensive legal knowledge

With his extensive experience and qualifications, Mr. Anwar plays a crucial role in overseeing and managing the recovery process at HDFC, ensuring efficient and effective resolution of financial issues.

Mr. Ahmed Nasir

Finance Manager
Appointed in 2023

Mr. Ahmed Nasir is a highly experienced finance professional with a diverse background in accounting, financial management, and risk analysis. He holds a Master of Science in Accounting and Financial Management from the University of the West of England and a Bachelor of Business in Banking and Finance from Victoria University, providing him with a strong educational foundation.

Throughout his career, Mr. Nasir has held key positions at various financial institutions, including First National Finance Corporation Pvt Ltd, Maldives Fund Management Corporation Limited, Maldives Islamic Bank Plc, and Hazana Maldives Limited. Joining HDFC as Finance Manager in 2023, Mr. Nasir is well-positioned to leverage his skills to drive financial performance and strategic decision-making within the organization.

Growth and Innovation through FinTech

Director's Report

Dear Shareholders,

With great pleasure, the Directors of Housing Development Finance Corporation Plc present the Annual Report and Audited Financial Statements for the fiscal year ended December 31, 2023.

Amidst a period of economic recuperation in 2023, our portfolio expansion efforts were focused on achieving an optimal balance that adhered to our underwriting principles while also granting judicious flexibility in specific areas.

As market demands and expectations rose, we maintained our emphasis on FinTech to streamline our operations, enhance the customer experience, and shorten turnaround time.

WORLD ECONOMY REVIEW

In 2023, the global economic outlook was grimmer than it is today. The year witnessed a substantial deceleration in growth with both the World Bank and the IMF downgrading their growth projections, which are now around 3.1%. Consequently, the economic performance in 2023 was among the most lackluster in recent decades with fear of a worldwide recession looming large. This concern was influenced by various factors, including the ongoing disruptions caused by the conflict in Ukraine, rising inflation, and tightening interest rates.

Inflation posed a significant challenge for many nations. The increase in the cost of energy, food, and other commodities impacted consumer expenditure and economic activity. While some regions struggled to recover from the Covid-19 pandemic induced recession of 2020, others showed greater resilience, with developed economies like countries in Eurozone and the United States facing a higher risk of recession compared to certain emerging markets.

Despite the obstacles encountered, 2023 witnessed positive developments. During the latter portion of the year, certain nations observed indications of inflation moderating while some regions experienced stability in consumer expenditure, which contributed positively to the global economy. Overall, 2023 was marked by economic unpredictability. Although a severe economic downturn was largely averted, expansion was sluggish, and inflation continued to be a significant concern.

However, amidst these challenges, 2023 established the foundation for the marginally enhanced, albeit still prudent, perspective that presently characterizes the global economy.

MALDIVES ECONOMY

Despite numerous global disruptions, such as ongoing geopolitical tensions and tightening monetary policies by central banks in major economies, the Maldivian economy exhibited resilience and stability as reported by MMA publications. It was projected that the development of real gross domestic product (GDP) would accelerate from 4.0% in 2023 to 5.5% in 2024. The expansion of the transportation and communication sector played a pivotal role in the resilience of the Maldivian economy in 2023, offsetting the decline observed in the tourism and wholesale and retail trade sectors. Additionally, sectors including real estate, financial services, and public administration contributed to the growth of the Maldivian economy in 2023. In contrast, the construction industry experienced a moderate expansion in 2023, while the fishing industry remained stagnant.

Comparatively, the rate of inflation in 2023 and 2022 escalated marginally, averaging 2.9% annually. The primary factor contributing to the increase in the domestic inflation rate was the upward revision of the general goods and services tax (G-GST) rate in January 2023. Throughout the course of the year, energy-related goods, food items, and certain services including those offered by cafés, restaurants, passenger transportation, and healthcare establishments all experienced an increase in price, which contributed to inflationary pressure. Nevertheless, this was partially mitigated by the downward pressure generated by the decline in the cost of information and communication services.

HOUSING FINANCE INDUSTRY - STRUCTURE & DEVELOPMENT

Housing is a critical sector for any economy due to its interdependencies with other sectors. The growth of the housing sector can exert a direct influence on GDP growth, employment generation, and consumption patterns within the economy. For housing development in the nation to be aided, a robust housing finance market is required.

There is a growing demand for accommodation due to the upward trajectory of income and overall prosperity. The provision of residential housing necessitates the involvement of construction firms, developers, and builders, which are dispersed throughout the nation. This is true for both private and public sector entities and is particularly significant considering the limited availability of land in urban regions.

Additionally, 2023 was the year of the presidential election. The government initiated a housing scheme comprising 5000 land sections and 4000 housing units in the Greater Male' region to tackle the social housing challenge. The quantity was subsequently increased to 9003 plots and 8000 flats, as it had been pledged that the scheme would be extended to all citizens who fulfilled the necessary criteria.

Despite a reduction in supply to meet the high demand from the end-user market, there was a noticeable increase in the demand for financing in construction projects. This surge can be attributed to the consideration of future rental income from proposed construction projects in the feasibility analysis, which makes more projects feasible to finance. Furthermore, the provision of land parcels to individuals by the Government in the Greater Male' region has increased the demand for construction financing in 2024.

Given the housing market challenges that arose in 2023, the objective for the year 2024 is to address these challenges and strive for greater growth in the portfolio.

COMPETITION & CHALLENGES AHEAD

Even though Maldives' domestic home loan market is relatively small in comparison to that of larger nations, several commercial banks and financial institutions are in the market with home financing products. Industry players are vying for market share through product and service improvements via technological advancements and innovation.

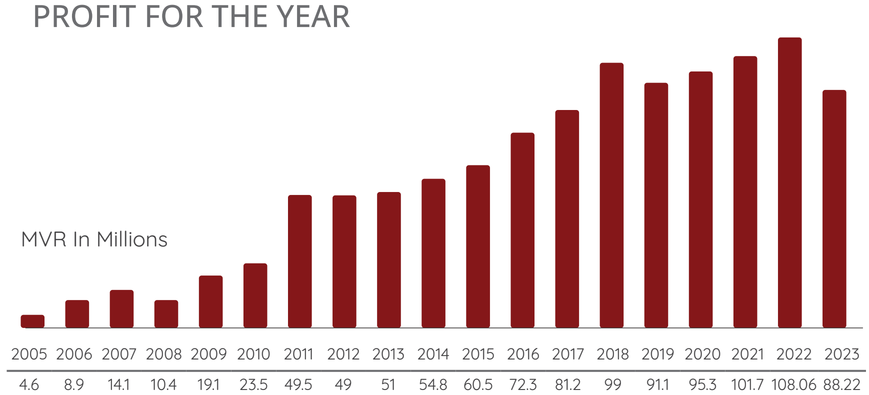
Although HDFC and the banks are not direct competitors, banks are increasingly focusing on housing finance market segment with similar product lines. HDFC has its main exposure to the Greater Male' region, where more than 40% of the population is located. However, the company complements housing finance needs in peripheral atolls by partnering with the Government to administer housing loan schemes in targeted regions. As such, regional concentration is not the main challenge. However, the fundamental difficulty remains the high cost of borrowing which causes a mismatch between commercial banks and HDFC.

High inflation rates and the surge in social housing projects had a dampening effect on the private housing initiatives. Due to increased use of personal loans and other easily accessible unsecured loans and inflation a significant number of consumers are challenged in maintaining healthy credit scores to avail mortgage finance.

OPERATIONAL PERFORMANCE IN 2023

Although the net asset position of the company has increased, the company experienced a decline in its total assets, which decreased from MVR2,415 million to MVR 2,215 million. Additionally, the company experienced an increase in its cost-to-income ratio from 8.8% in 2022 to 9.6% in the period under examination. The organization had a Tier 1 Capital Adequacy Ratio (CAR) of 90%, above the MMA-mandated threshold of 12%. A significant amount of liquidity was sustained throughout the entire year, demonstrating the trust that HDFC has cultivated over the years.

PROFIT FOR THE YEAR



HDFC's fiscal year 2023 was stable. The quantum of disbursements and new approvals have grown. The NPA increase and the depletion of our portfolio as a result of refinancing and natural amortization were the areas of concern. Elevated borrowing rates and subsequent interest expenses had a detrimental impact on our margins and profitability. Comparatively, the company generated MVR 88 million Profit after tax in 2023, as opposed to MVR 108 million in 2022. The profits have decreased by 18% compared to the prior year. One of the main reasons for this decline is attributed to the additional provisions that had to be made to facilities that were granted moratorium during the Covid-19 pandemic and revisions to staff salary structure which were necessary to retain existing staff and to attract top talent to the organization.

FINANCIAL PERFORMANCE HIGH LIGHTS - (IN MVR)

Particulars (Million)	2019	2020	2021	2022	2023
Total assets	2,185.66	2,084.83	2,363.77	2,415.88	2,215.30
Shareholders’ Equity	563.04	658.37	720.19	765.3	853.52
Facilities to customers (net)	1,738.37	1,834.85	1,716.39	1,636.35	1,595.58
Customer EMI deposits	88.68	80.31	78.52	81.4	81.83
Borrowings	692.38	624.55	605.32	594.02	446.63

EARNINGS

Particulars (Million)	2019	2020	2021	2022	2023
Total income	217.65	228.96	227.79	224.86	222.31
Net interest income	101.94	104.03	100.91	98.91	98.75
Net Income on Shari'ah Product	33.96	37.66	37.44	33.94	34.75
Total operating income	141.41	145.45	143.49	139.46	139.62
Total operating expenses	17.93	16.82	17.69	19.81	21.41
Profit before tax	107.62	116.07	120.87	124.55	104.66
Profit after tax	91.09	95.33	101.67	108.06	88.21

PERFORMANCE INDICATORS

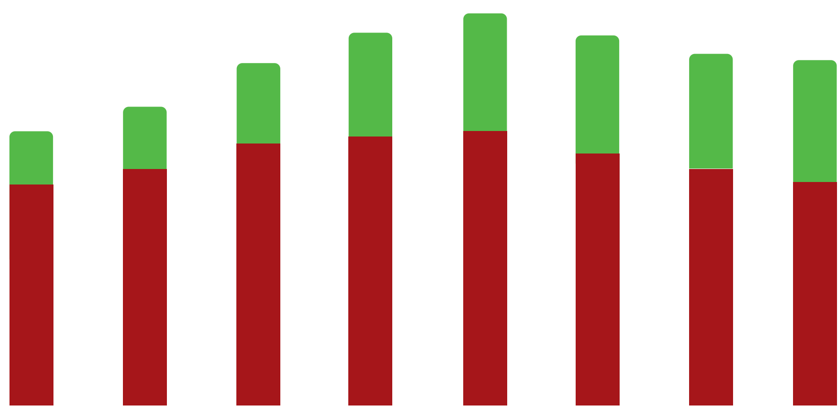
Particulars (Million)	2019	2020	2021	2022	2023
Net asset value per share	35.33	41.32	45.19	47.72	53.55
Earing per share (EPS)	57.16	59.81	63.79	67.80	5.54
Dividend per share	2.70	1.25	2.50	2.70	2.20
Debt/Equity (times)	2.88	2.17	2.28	2.15	1.56
Interest cover (times)	2.70	2.81	2.35	2.60	2.31
Dividend payout (%)	48.00	21.00	39.00	40.00	40.00
ROE (%)	16.00	15.00	15.00	14.00	10.00

* The company had gone through a share split of 1:10 and the comparative figures have been restated to reflect the effects of the share split

PORTFOLIO DETAILS

The organization offers mortgage financing and facilities to consumers for construction, development, expansion, and renovation of existing residential properties. The organization has amassed a loan portfolio with a cumulative value of MVR 1.65 billion as of 2023. By enhancing disbursements and approvals with the redesigned products and promotional offer, the organization intends to expand its portfolio.

The Islamic window (Amna) comprised approximately 35% of the housing portfolio as of December 31, 2023, amounting to 568 million MVR. The conventional window constituted approximately 65% of the housing portfolio, or 1.08 billion MVR.



	2016	2017	2018	2019	2,020	2021	2022	2023
Conventional	1073.50	1142.80	1259.26	1283.79	1313.99	1212.33	1140.87	1085.24
Amna	247.49	296.30	384.33	497.85	563.05	555.79	548.87	568.00

MVR In Millions

As of 31st December 2023, housing facilities contributed from Islamic window (Amna) about 35% MVR 568 million of the housing portfolio.

INCOME

Income from housing facilities, which accounts for 87% of HDFC's total revenue, experienced a marginal decline of 1.07% in 2023, falling from 196.74 million to 194.63 million. The primary factors influencing this decline are natural depletion and the repercussions of the housing market deceleration brought about by the COVID-19 pandemic. Although there is a marginal decrease in the overall revenue generated from housing facilities, the net income from Shariah products has shown a growth.

Short-term investments, comprising 9% of the portfolio, experienced a marginal growth in income of 4.78% year-over-year, in contrast to income generated from the housing portfolio. This decline can be attributed to the company's strategic emphasis on investing in more stable investments that offer acceptable returns.

FEE INCOME

4% of the company's revenue is derived from fees and other income that can be categorized as management fees from administering of government social programs, other fee income, and other income. The introduction of "Gedhoruveriya Scheme" notably drove an 8% rise in management fees from social schemes during the year. similarly, a 7.79% increase in fee income from other facilities can be attributed primarily to fee income from AMNA facilities.

OPERATING EXPENSES

Throughout the course of the year, the organization's activities were primarily concentrated on two areas: enhancing the quality of its workforce and optimizing operational expenses. The consequences of these actions were evident in the company's financial statements, as payroll costs rose by 13% from 10.4 million to 10.9 million, accounting for 56% of total operating expenses. The second major focus was on leveraging technology to improve operational efficiency. This included the implementation of an enterprise resource planning (ERP) system, leading to a 67% increase in IT expenses, 355 % in software amortization costs, and 83 %in PPE depreciation. It is anticipated that the organization will attain a competitive edge in future cost reductions because of these modifications.

RECOGNITION OF PROVISION FOR IMPAIRMENT CHARGE

The organization remains committed to continuously evaluating the creditworthiness of its holdings, ensuring that the financial statements accurately reflect adequate provisions for potential losses. A comprehensive evaluation of the creditworthiness of loan portfolios was conducted during the review period, leading to adjustments in provisions. This entails the consideration and provision for consumers who engaged in the debt moratorium. Furthermore, provisions were computed in accordance with the IFRS9 Expected Credit Loss (ECL) framework.

The model used for ECL incorporates an enhanced probability weighting for the most adverse macroeconomic scenarios, thereby improving the accuracy of expected credit impairment estimates. These provisions are acknowledged for the purpose of financial reporting and are calculated using a combination of past default rates and prospective information. According to the financial report, an allowance of MVR 11.34 million was designated for ECL in 2023. As a result of these judicious measures, the aggregate impairment loss allowance had escalated to MVR 62.85 million as of December 31, 2023.

REVERSAL OF MODIFICATION LOSS ON LOANS AND ADVANCES

On March 26, 2020, the company implemented moratoriums on its financing facilities as part of its financial support measures for borrowers. Customers who participated in the moratorium had their principal repayments deferred for six months, from March 1, 2020, to August 31, 2020. The accrued simple interest during this period will be recovered over 36 months starting from September 2020, or over the remaining duration of the loan, whichever is shorter.

In the fiscal year ending December 31, 2023, the company recorded a modification loss of MVR 2,209,324 on loans and advances. This loss was recognized after the remeasurement of the amortized cost, based on the expected future cash flows from moratorium interest receivables as of December 31, 2023.

Following a resolution by the Board of Directors on May 15, 2023, the company offered three repayment options to customers for settling outstanding balances of Moratorium Interest. These options were: full repayment by September

30, 2023; adjusting the Equated Monthly Installments (EMI) to reflect the total amount due without changing the loan term; or extending the loan term to fit the total payable amount without altering the EMI amount.

The choice of these repayment options necessitates the recognition of modification losses associated with loans and advances. These losses stem from revised cash flow projections for the affected financial assets, considering both the amounts and the timing of future cash flows. A considerable modification loss has been incurred due to the selection of these options by AMNA customers, with an expectation to settle the moratorium period profit by the end of the original loan tenure.

TAX CONTRIBUTION

HDFC, alongside the withholding tax, remits 15% of its tax revenue to the government in the form of income tax. In 2023, the organization remitted an income tax payment to the government amounting to MVR 16.44 million. The overall contribution amounted to 7.35 % of the company's annual revenue.

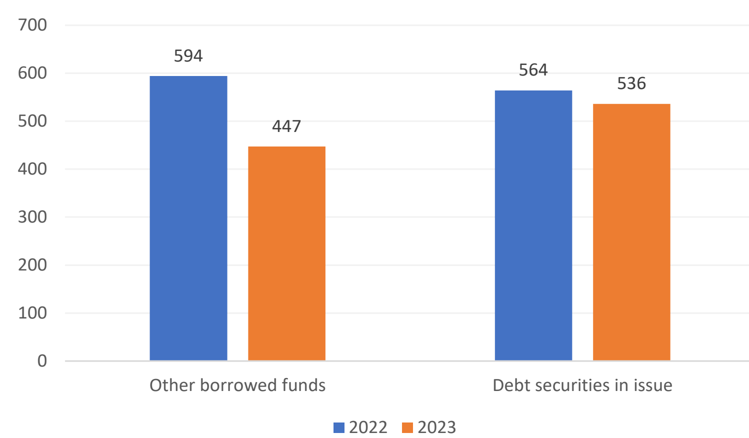
SHORT TERM INVESTMENTS

The organization handles its treasury operations in a pragmatic manner through the allocation of funds towards short-term investments, such as Government Treasury Bills and diverse short-term offerings issued by financial institutions. As of December 31, 2023, the organization's holdings comprised MVR 319 million in Government of Maldives-issued Treasury Bills and MVR 171 million in Maldives Islamic Bank-provided General Investment Accounts and Wakala facilities. The duration of these short-term investments typically varies from 1 to 12 months.

DEBT INSTRUMENTS AND BORROWINGS

To finance its operations and fortify capital structure, the organization raises funds through the issuance of debt instruments to the market and the acquisition of term loans from commercial banks, subject to pre-determined conditions such as interest rates, loan terms, and duration. The company experienced a 5% reduction in its issued debt securities and a 24% reduction in the amount of borrowed funds over the course of the year. As of December 31, 2023, the organization has no outstanding foreign currency borrowings.

MVR In Millions



OTHER LIABILITIES

Other Liabilities comprise government social housing funds managed by HDFC. This encompasses both conventional and Islamic collection schemes and social housing schemes. In the examined year, the social housing fund experienced a 24% reduction in size when compared to the previous year.

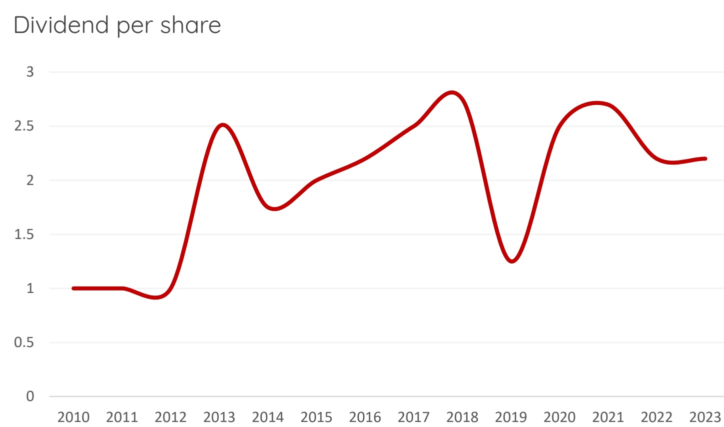
MANAGED FACILITIES

To superintend and manage social housing programs, the organization works in conjunction with the government. The Ministry of Housing, Land, and Urban Development assigns funds to the organization in its capacity as a custodian. As of December 2023, HDFC is responsible for the management of the subsequent six social housing initiatives:

- 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 primary aim of the organization's dividend policy is to optimize value for its shareholders. Considering the company's performance during the analyzed fiscal year, the board of directors have recommended dividend of MVR 35.06 million corresponding to MVR 2.2 per share, with each share having a nominal value of MVR 10. The shareholders will have the opportunity to approve the final dividend recommended at the upcoming annual general meeting of the company. The dividend payout ratio was 40%.



ASSET LIABILITY COMMITTEE (ALCO)

The organization adheres to a Board-approved Asset and Liability Management (ALM) policy, which specifies prudential gap limits, tolerance thresholds, and reporting procedures. Periodically, it is assessed and modified to comply with regulatory obligations or to align with changes in the economic landscape. Weekly meetings of the Asset and Liability Management Committee are dedicated to addressing matters within its purview.

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

To finance its capital requirements, HDFC has consistently prioritized securing long-term, low-cost funding sources over more expensive short-term alternatives. Over time, the organization has diversified and increased its reliance on such financing sources to maintain a resilient funding portfolio. In addition to Wakala for short-term requirements, the organization has utilized a variety of funding mechanisms, including the issuance of bonds and Sukuk for long-term financing. HDFC has maintained robust on-balance-sheet liquidity over the last two years and has been progressively reducing its dependence on short-term funding sources such as Wakala. This strategy has played a role in ameliorating asset-liability mismatches with short maturities. HDFC is assured of its capacity to maintain its liquidity position in the future, notwithstanding the demanding market conditions.

HDFC aspired to maintain a favorable liquidity profile, supported by substantial on-balance-sheet liquidity and robust capitalization levels. Moreover, for future expansion, the availability of funding lines will be critical. The organization will continue to explore borrowing options locally and globally, selecting the most favorable terms and conditions that are accessible, given the increased stringency of conventional borrowing practices, such as term loans provided by financial institutions.

HDFC has expanded its funding sources over time to include public issuance of Bonds, Sukuk and Wakala, in addition to term loans and borrowing from domestic and international institutions. This strategic approach has enabled HDFC to optimize its borrowing costs effectively.

HUMAN RESOURCES DEVELOPMENT

Our HR strategy remains steadfast in fostering a culture that values and encourages employee engagement, empowerment, and excellence. We are fully committed to leveraging the immense potential within our human capital to drive sustained growth, resilience, and success in the years ahead.

While our existing policies comply with legal standards and regulations, we are determined to conduct a comprehensive evaluation of our policy framework in the coming years, with a focus on enhancing its effectiveness. Our primary objective is to ensure that our policies remain adaptable to the evolving needs of our workforce and to be in par with industry pay scale.

Our team comprises 40 highly experienced employees, all of whom play a crucial role in driving our organization's operations forward. With the goal of exposing youthful, motivated individuals to the operations of a mortgage housing institution, HDFC continued to run its internship programs.

These programs facilitate the exchange of fresh perspectives on company operations and contribute to the advancement of participants' research interests. Ultimately, this initiative aims to enhance the talent pool of our nation.

EXPOSURE AND MARKETING

In 2023, HDFC continued in leveraging social media and digital platforms to promote its products and services aiming to enhance public awareness. Additionally, HDFC supported various exhibitions, including the Maldives Finance Forum 2023 and ICONIE 2023.

CORPORATE SOCIAL RESPONSIBILITY - CSR

Corporate Social Responsibility (CSR) remains a fundamental aspect of our organization, serving as a driving force for constructive transformation.

Our resolute dedication lies in maintaining a framework of ethics in our operations while actively participating in economic and social development. By consistently implementing ethical business practices throughout the organization, we strive to seize each opportunity to expand the influence of our corporate social responsibility footprint.

Educating the public about inclusive finance, promoting capacity building and skill development, fostering job creation, and assisting the government in its housing endeavors to attain nationwide inclusive housing and development are the principal objectives of our social initiatives.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

HDFC is committed to delivering the highest standard of service by deeply understanding its customers' needs, preferences, and concerns. We strive to exceed their expectations by providing products and services that not only satisfy but surpass their anticipations.

In order to stay agile and relevant in a rapidly changing operational environment, we continuously review and revise our internal mindsets and procedures. Our products and services are customized to meet the needs of each customer group, which we select with care. This approach allows HDFC to offer a unique value proposition that builds consumer loyalty and strengthens its brand.

During the economic recovery following the COVID-19 pandemic, it was crucial to prioritise customer satisfaction and offer personalised assistance when it was needed most. Through our ongoing customer relationship management initiatives, HDFC not only strengthens the loyalty of our existing clientele but also elevates the organization's reputation among potential clients.

By maintaining regular and clear communication, the organization endeavors to maintain long-lasting relationships with its clientele.

PREVENTION OF SEXUAL HARRASMENT AT WORKPLACE

In compliance with the regulations pertaining to the prohibition and prevention of sexual harassment in the workplace, HDFC has implemented a Policy on Prevention of Sexual Harassment. Additionally, a comprehensive system has been established to address complaints received in accordance with the policy.

An Internal Committee has been formed, consisting of members with expertise in the relevant field from within the organization. Specifics pertaining to the matter in 2023 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

HDFC has established procedures to enable employees and contractors to confidentially report suspicions of fraudulent activities or misconduct related to financial reporting or other areas. This practice promotes ethical conduct and transparency within the organization.

The management team proactively evaluates HDFC's AML systems and controls to prevent the fund laundering and ensure compliance with regulations. HDFC demonstrates a proactive stance to mitigating financial offenses by prioritizing continuous staff training and due diligence. HDFC is in a constant state of process improvement to proactively address potential dangers.

HDFC places a high priority on safeguarding itself and its consumers against financial crime risks through the implementation of these measures.

INSURANCE OF COMPANY ASSETS

Company asset insurance is an integral component of risk management strategy. It serves as a vital shield against unforeseen circumstances that may result in the destruction or damage of valuable assets, equipment, or stock are mitigated by this financial protection for the organization. HDFC possesses comprehensive insurance coverage to alleviate the financial burdens associated with its operations, as it considers such coverage to be essential. By implementing this proactive strategy, the organization minimizes operational disruptions, and instills confidence among its stakeholders.

MANAGING UNCERTAINTIES (RISK)

Risk management is an indispensable foundation for the implementation of our strategic approach. The significant risks and changes that the organization encounters throughout its housing portfolios are critical focal areas for management. To address this, we have established a risk management procedure at HDFC.

Having been implemented across all functions, our risk management framework enables us in managing and mitigating the risks associated with our business operations. Risk assessment, risk appetite framework, risk planning, risk culture, internal controls, and governance are all components of our comprehensive risk management system.

The Board Audit and Risk Management Committee evaluates the risk management framework's efficacy and assists in implementing corrective measures. Credit risk, technology risk, liquidity risk, and reputation risk are the primary business risks associated with the organization.

The Risk Audit Manager is responsible for overseeing the organization's overall risk management on a biannual basis, working closely with department heads to compile a comprehensive report for presentation to the committee.

CORPORATE GOVERNANCE

At HDFC, Corporate governance philosophy demonstrates the organization's dedication to sustainable and ethical business practices. We prioritize fairness, accountability, and transparency in relation to all stakeholders, including the community, shareholders, employees, and consumers. This guiding principle shapes our actions as we work to strike a balance between short-term profits and long-term viability while upholding ethical and legal standards.

By placing good governance as a top priority, the organization has established credibility, garnered investment, and secured its enduring prosperity.

HDFC makes every effort to adhere to the governance requirements set forth by the regulators.

BOARD MEETINGS/ ANNUAL GENERAL MEETING

There was one annual general meeting and five meetings of the board of directors during the year. To promote maximum participation and solicit constructive opinions and views, the meetings were conducted in hybrid mode.

OFFER FOR SALE

In preparation for the Offer for Sale by international shareholders, HDFC has been actively engaged in operations and extensive discussions to reach consensus on key decisions. These details are currently under deliberation among the shareholders as part of the ongoing process.

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 resolution regarding the selection and compensation of auditors for the year 2024 will be presented to the shareholders for ratification at the Annual General Meeting scheduled for May 2024.

ANTI-MONEY LAUNDERING AND COMBATING THE FINANCE OF TERRORISM

The adverse effects of money laundering and terrorist financing are substantial; they undermine the integrity of financial systems, distort economic indicators, and contribute to global security risks and regulatory burdens. Money laundering is the process of integrating illicitly obtained funds into legitimate financial systems to conceal their source.

HDFC adheres to the provisions of the Prevention of Money Laundering and Financing of Terrorism Act, Law No.10/2014. The organization has designated Mr. Mohamed Nawaz Hassan, Manager-Credit, as the Anti-Money Laundering (AML) officer in accordance with this legislation. He is directly accountable to the Maldives Monetary Authority. To ensure the efficient execution of its AML framework, HDFC employs a risk-based methodology, commencing with 'Know Your Customer' (KYC) protocols and continuing with the surveillance and disclosure of suspicious transactions. This includes substantial currency transactions that are structured and exceed MVR 200,000. HDFC diligently implements all requisite measures to comply with the directives promulgated by the Financial Intelligence Unit (FIU) at the MMA.

There has been a total of twelve reported cases in the year 2023.

RIGHT TO INFORMATION ACT

According to clause 37 of the Right to Information Act, the law mandates the proactive disclosure of information for the benefit of the public. In adherence to the provision, HDFC has successfully completed modifications to HDFC's website in 2023 to ensure easy access to the required information.

Statistics provided by the Information Commissioner's Office indicate that we attained a 64% score in 2023, representing a 50.54 % improvement. Furthermore, three information requests (RTI's) were received and addressed in 2023. Our objective is to continue enhancing the accessibility of information that is released in the public interest.

COMPLIANCE

For regulatory purposes, HDFC designates an independent Compliance Officer at the managerial level and is responsible for overseeing audits and compliance. Risk Audit Manager was appointed in 2019 (R-150) in accordance with the regulation to conduct independent evaluations to ensure that the Company's domestic and international transactions comply with statutory, regulatory, and internal guidelines. The compliance report is presented at each board meeting to inform the board of directors.

IMPROVING CREDIT UNDERWRITING GUIDELINES

Our credit underwriting guidelines are routinely reviewed to ensure efficacy and efficiency, with the goal of optimizing the processes to accommodate the changing market.

STRENGTHENING RECOVERIES FOR BETTER ASSET MANAGEMENT

In 2023, the business encountered some difficulties in recoveries. Concurrent with the depletion of the loan portfolio was an increase in delinquency. At the end of January 2023, the NPA was 6.25% while at the end of December 2023, it declined by 4.43%. Statistically, the percentage of non-performing assets (NPAs) has increased proportionally to the depletion of the loan portfolio. Increased NPA proportions are a major concern for the economy. Investigations into the causes of default have revealed substantial evidence pointing to underlying macroeconomic conditions as the primary cause.

After evaluating the borrowers' willingness and financial condition with regard to their ability to repay, we have implemented strategic measures such as loan restructuring, loan rescheduling, and litigation to prevent the NPL from escalating further. Non-performing accounts (NPA) have been significantly reduced by the end of the fiscal year 2023, demonstrating management progress in this regard. NPL benchmark is profoundly impacted by a substantial decline and sluggish development of the portfolio. The impact of non-performing assets (NPA) in 2023 remains considerably low in comparison to the decline in the portfolio.

Many debtors continue to experience financial imbalances, which has led to an increase in delinquency accounts despite the recovery of the economy from the pandemic. Early intervention and forward-looking resolutions are advocated for as necessary enhancements in crisis management arrangements pertaining to defaulters. Strengthening the mortgage and facility agreement during the renegotiation of distressed facilities with new agreements, introducing recovery and resolution planning for defaulters, and enhancing the deposit system.

By adhering to HDFC's best practices regarding NPA management and implementing the strategies that are presently under development, the NPA ratio is reduced to below 5% by the end of 2023. Recovery options are routinely approved and revised with the assistance of the recovery committee, in accordance with the complexity of the matter. A situation-based approach is adhered to, whereby solutions are customized to suit the financial circumstances of the defaulter.

Current procedures have contributed to the improvement of recoveries. Furthermore, changes in recovery regulations are an unavoidable consequence of evolving economic conditions, which ensure compliance and efficiency for all involved parties. These encompass routine monitoring of payment status, adaptable payment resolutions, restructuring outside of court, and legal vigilance.

The trial division has conducted preliminary hearings at a rapid pace throughout 2023. Moreover, several enforcement cases that were halted as a result of modifications to the civil procedural act have resumed rapidly. With the objective of implementing new regulatory standards or guidelines for the foreclosure of mortgage securities, valuations are conducted in collaboration with independent evaluators appointed by the court and agreed upon by the defendant. This represents a novel approach to the recovery function. Despite the gradual nature of the foreclosure process, the outcome impact on NPA continues to be practical and advantageous.

Technological monitoring and administration of NPA will significantly mitigate the obstacles. It is anticipated that the development of ERP and CRM applications as a universal function will facilitate more effective and efficient operations. The objective of the business central application is to integrate all functions into a unified, all-encompassing management system. The primary objectives for the year are to resolve foreclosing enforcement and reduce NPA.

HDFC -AMNA WINDOW

Established a decade ago, HDFC AMNA has experienced substantial expansion since its inception. Presently, it comprises 35% of HDFC's housing portfolio, which serves as an indication of the confidence that clients place in the organization's adherence to Shariah compliance. An additional section of the report provides a detailed account of the operations.

DIGITAL TRANSFORMATION

A distinct strategic vision propels the organization's digital transformation efforts in a manner that is notably an effective innovation. An intense focus is placed on augmenting the client experience by means of tailored digital solutions that are in accordance with the objectives and requirements of the clients, in an endeavor to enhance consumer engagement. Continual refinement of internal processes is undertaken to optimize operational efficiency and productivity. Concurrently, the organization gains the ability to respond to the swiftly expanding market and technologies through investments in advanced digital capabilities. Strong digital infrastructure committed to ensuring streamlined operations, mitigating risks, expediting the implementation of new digital initiatives, and fostering flexibility and continuous improvement is the organization's mission.

ENHANCEMENTS TO THE WEBPORTAL

By implementing a chat bot feature and redesigning and launching a new website, we aim to improve customer interaction and address the evolving dynamics of information sharing. By facilitating real-time communication, we anticipate engaging in more substantive discussions with customers as we strive to deliver housing solutions.

KEY CHANGES

In the dynamic landscape of HDFC's corporate governance and leadership, significant changes have marked the recent period, shaping the trajectory of the organization's strategic direction and operational framework.

1. Resignation of the Chief Financial Officer (CFO) in November 2023.
2. Retirement of the Managing Director (MD) in February 2024, followed by the appointment of a new MD.
3. Change of shareholding due to the amalgamation of HDFC Limited and HDFC Bank, with HDFC Bank becoming a shareholder.
4. Resignation of the Chairman of the Board of Directors in December 2023 following the amalgamation of HDFC Limited with HDFC Bank.
5. Resignation of Independent Director Mr. Mohammed Ahmed in January 2024.
6. Board of Directors approved Mr. Hamid Sodique to assume responsibilities of Chairman until the next Annual General Meeting (AGM).

LITIGATIONS

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

DECLARATION OF INTEREST

In accordance with the Company's Code of Conduct, all board directors are obligated to disclose any information that could potentially create or be interpreted as a conflict of interest. Additionally, key management personnel are required to completely disclose any such conflicts in their individual profiles when performing their responsibilities for HDFC

AWARDS AND RECOGNITION

As we end two prosperous decades of providing services to the people of the Maldives, we have received numerous honors and awards. For the seventh consecutive year in 2023, we have been honored with the Corporate Maldives “Gold 100 Gala” award.

APPROACHING THE FUTURE

With a dedicated team of professionals, our organization is ready to face the future with a proactive and forward-thinking approach. Our operational business model has demonstrated its attainability throughout the past twenty years. We are renowned for our efficient response time and prompt processing, and through FinTech, we seek to elevate these standards even further. Central to our mission is the pursuit of sustainable growth, aiming to increase market share through the introduction of new and innovative products. Achieving and maintaining this growth trajectory necessitates a diversified portfolio that mitigates decline and facilitates further expansion by streamlining procedures.

DIRECTOR'S RESPONSIBILITY STATEMENT

The board of directors hereby state that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed.
2. The accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company as at the end of December 31, 2023, 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 10/96 for safeguarding the assets of the Company and for 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. Systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

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

APPRECIATION AND ACKNOWLEDGEMENT

Despite facing obstacles for a year and concluding two decades of prosperous operations, the company's achievements would not have been possible without the guidance provided by regulators and their ongoing support over the past two decades.

The success of an organization is largely attributable to its team, and HDFC's team has consistently delivered performances that deserves of praise. Despite facing obstacles, the team's persistence, and assertive approach to achieving results are unparalleled, despite their modest size.

I would also like to express my heartfelt gratitude to our valued customers, whose unwavering loyalty has sustained us throughout the years. As we look ahead, we anticipate both opportunities and challenges on the horizon. HDFC is preparing to undergo a significant transition in the form of an Offer for Sale, which will bring forth promising prospects. By securing the favor of ALLAH and working as a cohesive unit, we are prepared to proceed with the journey.

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

Following faith for our favored aims

HDFC AMNA has been in operation for the last 12 years and it is now one of the leading Islamic housing finance providers. Currently, Amna is responsible for 35% of HDFC's housing portfolio.

AMNA IN BRIEF

HDFC's Islamic window, Amna, demonstrated significant growth in 2023, solidifying its position within the Maldivian Islamic finance market. This achievement comes amidst ongoing competition and global economic challenges.

Market Share Expansion:
Amna captured a noteworthy 35% share of HDFC's total loan portfolio, reaching a value of MVR 568 million by year-end. This signifies a substantial increase in Amna's market presence.

Enhanced Operational Efficiency:
Amna processed a significant number of applications in 2023, with 79 applications totaling MVR 250 million. Out of these, 50 applications worth MVR 160 million were approved, leading to disbursements of MVR 120 million. These figures demonstrate Amna's effectiveness in processing and approving Islamic home financing applications.

Strategic Product Development:
Amna strategically introduced two new Shariah-compliant products in 2023: the SOE Hiyaa and Lease Buyout. These cater to specific customer segments, fostering targeted growth opportunities.

Looking Forward:
Sustainable Profitability

Amna remains committed to driving its profitability whilst expanding its reach within the Islamic home financing sector. Key focus areas for the future include:

Product Innovation:
Developing a diverse range of Shariah-compliant products that cater to evolving customer needs. This will ensure Amna remains competitive and adaptable in the market.

Focus on Income Generation:
Exploring sustainable avenues for increasing revenue beyond cost-cutting measures. This strategy aims to solidify Amna's financial position for long-term success.
Amna maintains its unwavering dedication to upholding Shariah principles. This commitment is reflected in:

Segregated Amna Funds:
Ensuring complete separation of Amna funds from non-compliant sources, upholding ethical financial practices.

Independent Shariah Advisory Committee:
Providing expert guidance on product development and operational practices, guaranteeing adherence to Shariah principles.

Shariah-compliant Agreements and Services:
Upholding Islamic principles in all financial transactions, fostering trust with clients seeking Shariah-compliant options.
Conclusion

By combining a strategic approach, an unwavering commitment to Shariah compliance, and a focus on operational efficiency, Amna is well-positioned for continued success in the Maldivian Islamic finance market. The Amna team extends its sincere gratitude to the Board of Directors, Management, and Employees of HDFC for their unwavering support, which has significantly contributed to Amna's achievements in 2023.

VISION

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

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 workforce; and
- To be socially responsible and make an 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. Ahmed Sameen (Secretary)

Auditor:
EY (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 Net profit compared to FY 2022.

Below is a summary of noteworthy achievements throughout the year 2023:

Particulars	2023	2022	2021
Total Revenue	70,664,699	71,523,806	70,332,387
Amna Investor's profit share	38,335,929	37,586,072	32,895,455
Net Income	34,752,146	33,937,734	37,436,932

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 2023 Amna's NPA ratio stood at 2.04%. 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, they are investigated and resolved by the Sharia Committee and Amna

MMA 's existing 2022 Sharia 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.

EY was approved as the Shariah Auditor for Amna. As per the shariah 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 committee meetings were held.

CHARITY

All earnings that don't follow the rules of Sharia are given to charity, as decided by the sharia committee. In 2023, such earnings amounted to MVR 35,278.06 primarily due to customers paying late fees. These earnings were kept in a separate account and were 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
2023	35,278.06

HDFC's charitable donations supported various social events, NGOs, and related activities, including education and women's empowerment. To ensure to be inclusive of the local differently abled community, the charity amount distributed in 2023 is funded to Ministry of Social and Family. The Sharia Advisory Committee has approved the charity list for 2024.

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 2023, HDFC AMNA paid MVR 1,390,104 as business Zakat.

FUTURE OUTLOOK

Building on the positive momentum of 2023, AMNA looks towards 2024 with cautious optimism. The Maldivian economy is projected to sustain its recovery trajectory, potentially surpassing pre-pandemic levels. This creates a fertile ground for AMNA to expand its reach and offerings. AMNA remains committed to prioritizing the well-being of its employees while exceeding customer expectations in housing finance solutions. This includes continuous improvement of both physical and alternative delivery channels to ensure accessibility and convenience.
Maintaining a healthy portfolio is paramount. AMNA will focus on prudent risk management practices while strategically extending financing to diverse sectors of the Maldivian economy.

The popularity of Islamic finance in the Maldives is expected to continue its upward trend in 2024. AMNA recognizes the vital role a robust Islamic finance industry plays in the nation's financial ecosystem. By introducing innovative Sharia-compliant products like Sukuk, AMNA aims to be a key catalyst in this growth, solidifying its position as a leader in Islamic finance within the Maldives.
AMNA is dedicated to supporting the country's transition towards a Sharia-compliant financial landscape. Through its commitment to product diversification, risk management, and customer service excellence, AMNA strives to be a cornerstone for a prosperous and inclusive financial future in the Maldives.

APPRECIATION

Amna thanks HDFC's Board of Directors and other regulatory bodies for their support and advice. Amna 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 2023. During the review we found that there are high risk areas highlighted in the audit report which require immediate administrative attention and immediate adjustments suggested by the internal auditors. 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 2023 have been conducted in conformity with the Shariah principles.

Dr. Ibrahim Zakariyya Moosa
Chairman of the Shariah Committee

Corporate Governance

Corporate governance refers to the framework through which enterprises are regulated and overseen. Good corporate governance encompasses several key elements: a well-defined and methodical approach to decision-making, transparent and accountable operations, the prevention of conflicts of interest, and the establishment of adequate internal control systems and processes.

On the other hand, in order to safeguard the interests of their constituents, particularly customers, financial institutions must implement comparatively more stringent corporate governance procedures.

The Board and management of Housing Development Finance Corporation Plc are dedicated to upholding a stringent code of corporate governance in its systems, procedures, and practices. This commitment is intended to positively influence the company's efficiency, effectiveness, and long-term and sustainable value generation. The corporation's corporate governance framework is constructed upon the subsequent pillars that support the Board's approach to corporate governance.

- conducting commerce in a fair and honest manner,
- guaranteeing transparency in all transactions;
- disclosing pertinent information in accordance with applicable regulations;
- adhering to all applicable laws and regulations;
- establishing accountability and responsibility in interactions with stakeholders; and -dedicating oneself to conducting business in an ethical and transparent fashion.

The organization has established a clearly defined code of conduct that addresses issues of confidentiality, conflict of interest, and integrity in an impartial manner and emphasizes the importance of ethical behavior, which is the foundation of good governance. This code of conduct is universally applicable to all staff members, including senior management and board members. Good governance is a top priority for HDFC, as evidenced by the company's transparent ownership structure, management, and accounting procedures. The Board acknowledges its responsibility to establish a framework of best practices, processes, and ethics in order to observe and advance high ethical standards and to promote good governance. HDFC is additionally dedicated to adhering to stringent disclosure criteria and maintaining transparency in financial reporting in order to ensure that stakeholders and investors are sufficiently informed and receive regular updates.

Financial institutions are required to promptly adjust to the dynamic and intricate regulatory environment in order to solidify sound governance practices and demonstrate proactivity in response to new developments in the regulatory landscape. In order to act in the best interest of our stakeholders, HDFC conducts ongoing reviews of its governance framework to ensure that it adheres to the most effective financing best practices and is supported by robust institutional frameworks. By adopting this approach, we have selected independent directors to infuse the board's deliberations with objectivity, transparency, and impartiality.

We are dedicated to upholding the utmost standards of governance and endeavor to cultivate an environment that appreciates and incentivizes commendable ethical principles, both individual and organizational integrity, and regard for others. In pursuit of being a conscientious corporate entity, we adhere to pertinent internal corporate governance principles, voluntary protocols, and regulatory obligations. These include:

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 inclusions 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 Bank Ltd of India). The Government of Maldives retains 02 seats in the Board while the other 03 is represented by 01 Director at the Board 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 included in the composition representative of the minority shareholding in the company. Gender diversity have been addressed through a satisfactory balance in representation, where three of the directors are women which includes an executive director who is the Managing Director.

CHAIRMANSHIP & MANAGING DIRECTOR

The positions of Managing Director and Chairman of the Board are distinct and are each filled by a single individual. Upon resignation of former Chairman Mr. Conrad D'Souza, Mr. Hamid Sodique has been appointed Chairman of the Board until the AGM. As per HDFC's Corporate Governance, a chairman is elected for a one-year term from among the Directors. This individual is responsible for presiding over all Board meetings and General Meetings. It is important to note that the Chairman is prohibited from chairing any subcommittees of the Board. In the event of equality of votes, the chairman does not retain any casting vote, and is not additionally remunerated.

It is the chairman's duty to ensure that proceedings are carried out in an atmosphere that is conducive to participation and the exchange of ideas. It is the responsibility of the Chairman, in consultation with the Managing Director and the Company Secretary, to finalize the agenda and verify that the minutes accurately reflect the discussions conducted during the meetings.

Promoting concord and engaging in thought-provoking dialogues to advance the organization's and all stakeholders' long-term interests are critical factors in fostering the organization's growth.

INDEPENDENT DIRECTORS

With the mandatory requirement imposed under the MMA CG Regulation, HDFC appointed 02 Independent Directors to the Board for an initial term of 02 years effective from 18th of July 2021 which has been extended for an additional term of 02 years, 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

In addition to acting in good faith for the company's best interests, members of the Board of Directors of Housing Development Finance Corporation Plc. (HDFC) are obligated to disclose to the board any actual or potential conflicts of interest and abstain from participating in discussions or casting votes on such matters.

An evaluation of potential conflicts of interest is conducted on an annual basis, in conjunction with periodic audits and self-disclosures. Additionally, transactions involving related parties are disclosed in the Annual Report's annotations to the audited accounts.

As an expression of its commitment to transparent and independent operations, HDFC has established a formal policy mandating that all actual and prospective conflicts of interest be disclosed by the Board.

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 2023, 04 Directors concluded their appointments, while 03 Directors were appointed to the board, the details of which are tabled below.

Name	Capacity	Appointed/ Retired/	Date
Mr. Khalid Sulaiman	Director	Resigned	20 Apr 2023
Mr. Mohamed Rasheed	Director	Appointed	20 Apr 2023
Mr. Conrad D'Souza	Director	Retired	19 Dec 2023
Mr. Mohamed Ahmed	Ind. Director	Resigned	07 Jan 2024
Mr. Ajay Agarwal	Director	Appointed	17 Jan 2024
Ms. Raheema Saleem	Managing Director	Concluded term	29 Feb 2024
Mr. Ahmed Zeenad	Managing Director	Appointed	26 Mar 2024

Shareholders’ Meetings

Annual General Meeting (AGM)

The Annual General Meeting (AGM) was held on 15th May 2023 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 2023
- Approved the Annual Report FY2023.
- Approved the Dividend FY2023.
- Appointed the Auditors FY2023 and their remuneration.
- Recorded new appointment of Directors and approved the appointment of
- Independent Directors for additional 02-year term

BOARD MEETINGS AND ATTENDANCE

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

Board Meeting and Directors' Attendance FY 2023

Name	Capacity	Appointed	Attendance
Mr. Conrad D'Souza[1]	Chairman Director – HDFC Investments Ltd. (India)	15/03/2019	5/5
Ms. Amena Arif	Director - IFC	30/11/2021	4/5
Ms. Kohe Hasan	Director - ADB	09/08/2019	5/5
Mr. Khalid Sulaiman[2]	Director - GOM	01/09/2022	1/1
Mr. Hamid Sodique	Director - GOM	01/07/2021	5/5
Mr. Mohamed Ahmed[3]	Independent Director	18/07/2021	5/5
Ms. Aishath Shizna[4]	Independent Director	18/07/2021	5/5
Ms. Raheema Saleem[5]	Managing Director	26/02/2017	5/5

1- Mr. Conrad resigned effective from – Dec 2023

2- Mr. Khalid resigned effective from – April 2023

3- Mr. Mohamed Ahmed resigned effective from – 07 Jan 2024

4- Ms. Shizna term was renewed for an additional two years on the completion of the initial term of 02 years.

5- Ms. Raheema Saleem term of appointment was concluded on 29 February 2024.

Major activities the Board undertook in 2023 are:

- Approved the Audited Financials FY2022.
- Adopted the Shariah Compliance Audit FY2022.
- Endorsed the Internal Audit Reports.
- Endorsed the Interim Audited Financials (Period ended Jan-June 2023).
- Approved the Directors' Report – FY2022.
- Approved the Chairmanship.
- Approved amendments to Manuals.
- Reviewed the performance, liquidity, NPL and Moratorium updates including collection plans.
- Endorsed the New Shariah Governance Manual.
- Endorsed the Compliance Policy.
- Endorsed the Product Manul for Musarakah Mutanaqisa.
- Reviewed and took note of the ERP Implementation update.
- Reviewed the progress of IPO.
- Reviewed and took note of the Internal Shariah reviews.
- Reviewed and approved positive changes to the Product portfolio.
- Reviewed and decided on the key assumptions required for the development of Business Plan FY2024
- Approved the re-appointment of Independent Directors for an additional 02-year term.
- Approved the Strategic Plan, Annual Business Plan and Budget FY2024.
- Approved the Marketing Strategy FY 2024 and Anniversary Promotion Plan.
- Approved the appointment of an Advisor to the Board.
- Accepted and recorded the CFO's resignation.
- Approved the Ramadan Allowance FY2023
- Approved the reconstitution of the Board Committees.
- Reviewed the periodic compliance and regulatory updates.
- Recorded the resignations of Nominee Directors and endorsed the appointments to the Board.
- Approved the engagement of Shariah and Legal Consultant for HDFC-Amna.

BOARD INDUCTION AND TRAINING

HDFC acknowledges the necessity of providing the Directors with ongoing training. In order to ensure that newly appointed directors are adequately prepared to carry out their fiduciary responsibilities and acquire a comprehensive comprehension of the business operations, a meticulously organized and targeted induction is provided to them. In addition, periodic reports that are shared with the Directors or discussions at the Board provide the Directors with information regarding emergent risks to the business that may arise due to shifts in the economic landscape.

Information pertaining to legal and governance responsibilities, as well as modifications to statutes and regulations, is disseminated in a timely manner to the Board via distribution of the monthly performance report. The opportunity is extended to newly appointed individuals to partake in the Corporate Directors Training Programme, which is coordinated by the Capital Market 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 and Risk Management Committee, Nomination and Remuneration Committee, Board Credit 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 and Risk Management 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 5 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, risk management and disclosure of financial information.

- 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 and Risk Management Committee Meeting and Members' Attendance FY 2023

Name	Capacity	Attendance
Mr. Mohamed Ahmed *	Chairman	4/4
Mr. Conrad D'Souza *	Member	4/4
Ms. Amena Arif	Member	3/3
Ms. Kohe Hasan	Member	3/4
Mr. Hamid Sodique	Member	4/4

Managing Director and Chief Financial Officer are invited to the Committee while Company Secretary perform the Secretarial duties.

* Mr. Mohamed Ahmed and Mr. Conrad D'Souza resigned from Board.

Major activities the Audit Committee undertook in 2023are:

- Reviewed the finding disclosed in the Internal Audit Reports
- Reviewed the Shariah Compliance Audit Report FY2022
- Finalized the Audited Financials FY 2022
- Finalized the Auditors FY 2023.
- Reviewed the Internal Shariah Review Reports
- Reviewed the Risk Assessment Report
- Reviewed the Internal Audit Reports
- Reviewed the Financial Statements and Management Letter of the Interim Financial Audit FY2023.

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	Attendance
Mr. Mohamed Rasheed [1]	Chairperson	NA
Mr. Hamid Sodique	Member	3/3
Mr. Conrad D'Souza [2]	Member	3/3
Ms. Kohe Hasan	Member	3/3
Ms. Aishath Shizna	Member	3/3

1- Mr. Rasheed was appointed to the committee in 2024.

2- Mr. Conrad resigned from the Board.

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 2023 are:

- Approved the renewal of the Managing Directors' Employment Contract.
- Appraised the Senior Management
- Approved Bonus, Promotion and Salary Increment for Staff
- Endorsed the Review and Reward Policy
- Recorded CFO's Resignation & succession planning for Key Management Personnels.

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 no 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 4 non-executive directors from amongst the Board of Directors.
Details of composition is as follows:

BOARD CREDIT RISK MANAGEMENT COMMITTEE MEMBERS

Name	Capacity
Mr. Mohamed Rasheed	Chairperson
Ms. Aishath Shizna	Member
Mr. Hamid Sodique	Member
Mr. Ajay Agarwal	Member

General Objectives of the Credit Risk Management Committee:

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

Summary of the key activities the Credit Risk Management Committee undertook during the year 2023 are as follows:

- Deliberated and approved 01 case which was referred by the Management 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 2023 to take up issues relating to shari'ah audit, risk, and other issues. The Shari'ah committee consists of 3 members who report Amna related matters to the Board.

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

Major activities Shariah Advisory Committee undertook in 2023 are:

- Approval of general cost appropriation basis to Amna financials
- Approved adjustment of moratorium amount from rebate for early settlement of Istisna facilities
- Approved adjustment of PEMI difference from rebate for early settlement of Istisna facilities
- Approved Sharia Review of Q1, Q2 & Q3
- Approved conversion of moratorium Istisna facilities to Musharakah Mutanaqisah
- Approved the New Shariah Governance Manual.
- Approved the new Musharakah Mutanaqisah manual.
- Approved restructuring of existing Istisna to new Musharakah Mutanaqisah.
- Approved distribution of charity payable for Y2022
- Approved the Sukuk Progress Reports

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 54 times during the Year 2023.

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 43 times during the Year 2023.

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 2023.

REMUNERATION OF DIRECTORS / EXECUTIVE MANAGEMENT

MANAGING DIRECTOR (EXECUTIVE DIRECTOR)

The total remuneration paid to Managing Director including the sitting fee in the year 2023 was MVR 937,858.80.

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 156,000/- was paid out in the year 2023 as remuneration.

EXECUTIVE MANAGEMENT

Aggregate remuneration paid to key Management personnel (Executive Management) excluding Managing Director, in the year 2023 was MVR. 1,491,956.70

STATEMENT OF COMPLIANCE FY2023

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

Empowering Talent for Sustainable Progress

Human Resource Report

This year signifies our unwavering commitment to effectively overseeing and fostering our human resources, acknowledging its critical function in propelling our continuous achievements.

STRATEGIC HUMAN RESOURCE MANAGEMENT

By strategically aligning our human resource management practices with the objectives and values of our organization, we guarantee a unified approach to the acquisition, development, and retention of talent. Our HR policy framework serves as a guide for nurturing a culture of excellence, integrity, and inclusiveness, surpassing statutory requirements.

DIVERSE LOCAL WORKFORCE

Forty exceptionally experienced employees comprise our team, all of whom are instrumental in propelling the operations of our organization forward. Every individual in the group is consistently dedicated, working non-stop to advance the cause with their specialized knowledge.

Our workforce is gender balanced, with 43% male and 57% female members, thus demonstrating a balanced gender representation. Moreover, we are incredibly proud of the fact that our entire workforce is composed entirely of locally sourced talent. This demonstrates our commitment to nurturing and empowering members of our local communities.

UPHOLDING PROFESSIONAL STANDARDS

Maintaining ethical and professional standards is of utmost importance at HDFC. Our operations are fortified by the behavioral expectations, competencies, and ethical principles outlined in our exhaustive Employee Code of Conduct. Beyond merely guaranteeing adherence, this framework fosters an organization-wide environment characterized by integrity, esteem, and responsibility.

EMPOWERING EMPLOYEES BY ADDRESSING GRIEVANCES

We have implemented a robust grievance management system to afford our staff members an avenue to express their apprehensions and complaints in a manner that is equitable, open, and prompt. The policy known as the “Appeal and Grievance Policy” delineates the prescribed procedures, granting staff members the authority to pursue resolution via established avenues, knowing that an impartial decision will be rendered by the “Appeal and Grievance Committee.”

PERFORMANCE EXCELLENCE THROUGH APPRAISAL

Performance appraisal is a fundamental element of our talent management strategy, as it offers a methodical process for assessing employee performance, ensuring that personal objectives are in line with those of the organization, and cultivating an environment that promotes ongoing enhancement. By employing Key Performance Indicators (KPIs) in our evaluation process, we are capable of both acknowledging and compensating outstanding performance and pinpointing opportunities for improvement and expansion.

RECRUITMENT AND TALENT ACQUISITION

We employ a comprehensive and strategic methodology for acquiring talent, leveraging conventional as well as cutting-edge recruitment channels. Our objective is to discern and involve competent candidates who not only share our principles but also make a positive contribution to our overarching objective. We ensure that all candidates have equal opportunities by placing impartiality, transparency, and diversity at the forefront of our recruitment process.

We welcomed thirteen new members to our staff in 2023, while ten members tendered their resignations.

INVESTING IN SKILLS DEVELOPMENT

Sustaining and augmenting the capabilities of our personnel continues to be critical to our enduring prosperity. By means of a comprehensive training and development framework, we equip our personnel with the requisite knowledge, abilities, and proficiency to thrive in a continuously changing corporate landscape. By meticulously aligning our training agenda with the objectives of the organization, we guarantee that our workforce will continue to be flexible and well-prepared to confront forthcoming obstacles.

We conducted twenty external training courses and five in-house courses in 2023, thereby augmenting the competencies and knowledge of our personnel.

RECOGNITION AND REWARDS

We highly regard the contributions made by our employees and adhere to the principle of recognizing their endeavors via an all-encompassing rewards and recognition initiative. Our commitment to employee motivation and well-being is reaffirmed through the inclusion of competitive salaries, performance-based incentives, health insurance, leaves, and staff loans in our compensation package.

FOSTERING TALENT DEVELOPMENT AND DIVERSITY

We are dedicated to cultivating an environment that values diversity and talent development, where each person is afforded the chance to achieve their utmost capabilities. By means of job rotations, internal promotions, and inclusive recruiting practices, we demonstrate our dedication to fostering a workforce that is both diverse and inclusive, mirroring the caliber of talent present within our organization.

PROMOTING EMPLOYEE ENGAGEMENT AND INCLUSIVITY

We encourage an environment that is accessible to all and in which all viewpoints are considered, appreciated, and treated with regard. By means of proactive engagement strategies such as consistent communication channels and employee feedback programs, we foster within our team a sense of ownership, belonging, and collective objective.

LOOKING AHEAD

As we commence our progress, our human resources strategy maintains a steadfast dedication to fostering a culture that values and celebrates employee excellence, empowerment, and engagement. Our organization is fully committed to harnessing the tremendous potential that resides within our human capital to propel it forward with sustained growth, resilience, and success in the coming years.

Our organization is dedicated to undertaking an extensive evaluation of our policy framework in the forthcoming years, with a specific intention of improving its efficacy. Ensuring that our policies are adaptable to the evolving requirements of our workforce is our primary objective.

Furthermore, we have intentions to expand the range of our staff development programs to encompass talent enhancement, learning, and personal development opportunities. This encompasses the execution of specialized training initiatives and opportunities for professional growth that are designed to cultivate skill sets and promote ongoing enhancement.

Technology Report

HDFC has demonstrated significant advancements in the implementation of enterprise automation and management solutions in recent years, while continuing to strive for technological integration that is indispensable to the company's operations. In response to the nation's growing housing demand and its embrace of evolving technologies, these initiatives streamline the protracted and laborious loan process and introduce technological advances in housing finance.

Achieving an enterprise resource planning (ERP) framework for loan origination, credit evaluation, project management, recovery, facility management, and collections, the organization has made substantial investments in business automation in recent years.

The implementation of the solution enhances internal process efficacy by reducing process duplication and increasing turnaround time. Additionally, in order to provide a comprehensive array of services via a centralized customer portal, the organization adopts a customer-centered approach. This provides consumers with a seamless experience throughout the entire process, from initial signup to repayment.

DIGITAL TRANSFORMATION

A distinct strategic vision propels the organization's Digital Transformation efforts in a manner that is notably effective—innovation. An intense focus is placed on augmenting the client experience by means of tailored digital solutions that are in accordance with the objectives and requirements of the clients, in an endeavor to enhance consumer engagement. Continual refinement of internal processes is undertaken to optimize operational efficiency and productivity. Concurrently, the organization gains the ability to respond to the swiftly expanding market and technologies through investments in state-of-the-art digital capabilities. Strong digital infrastructure committed to ensuring streamlined operations, mitigating risks, expediting the implementation of new digital initiatives, and fostering flexibility and continuous improvement is the organization's mission.

SECURITY AND CYBER SECURITY

HDFC demonstrates a strong commitment to security by augmenting system monitoring capabilities and fortifying firewalls in order to efficiently identify and address both internal and external threats. To safeguard against data breaches and address privacy concerns, rigorous protocols are implemented, thereby instilling confidence in both stakeholders and customers. The organization employs a proactive strategy in resource management by utilizing predictive measures. This empowers the organization to anticipate challenges and promptly mitigate risks, thereby enhancing its overall resilience and preparedness against the ever-changing landscape of cybersecurity threats.

IMPROVE REDUCING CARBON-FOOTPRINTS

Various measures have been adopted to mitigate our carbon emissions. Reducing paper documentation and enhancing energy efficiency have been two of our principal objectives. Throughout our facilities, we have made investments in energy-efficient equipment in an effort to reduce energy consumption and our environmental impact. Efforts to mitigate paper usage have been made known through the digital preservation of credit-related documents, which establishes a foundation for prospective initiatives to digitize the remaining documents. Furthermore, the utilization of cloud resources for the purpose of optimizing operations, reducing maintenance efforts, and increasing standby capacity has additionally supported our endeavors to reduce our carbon footprint.

TRAINING AND SKILL DEVELOPMENT

Our organization has consistently used employee development, including that of IT personnel, as a top priority. Consistently organize seminars and workshops to ensure that the IT team remains well-informed about the most recent technologies and possesses the necessary tools to effectively carry out their duties. Additionally, we have allocated resources towards enhancing the overall IT literacy of our staff, thereby enabling them to effectively navigate emerging technologies. These endeavors have substantially enhanced the capabilities of our team, endowing us with a competitive advantage in a technological environment that is undergoing rapid change.

CUSTOMER DATA PRIVACY

HDFC is dedicated to preserving customer confidence and protecting their privacy rights in an era where technology is increasingly utilized as a primary data exchange platform and means of communication. To achieve this, HDFC adheres to rigorous data privacy standards, securely stores personal information, and only shares it with authorized authorities with the explicit consent of the customer. Furthermore, HDFC gathers only the minimum amount of information required.

FUTURE PLANS

Looking towards the future, our strategic objectives consist of the subsequent critical domains: enhancing our competencies and remaining at the vanguard of industry developments:

- Staff Certification: We are dedicated to ensuring that our staff obtain application certification that adheres to industry standards. This initiative not only benefits our employees professionally but also allows them to develop and refine their skills and knowledge.
- Establishment of an Internal Development Team: The formation of an internal development team would represent a significant advancement in business automation, allowing for more efficient handling of customer-centric solutions, prompt responsiveness to customer demands, and decreased reliance on external support, which has proven to be problematic in accommodating rapidly expanding requirements.
- The organization intends to further its expansion into environmentally friendly technologies and implement digital signatures and digitization to decrease paper utilization, thereby making a positive contribution to both operational efficiency and environmental sustainability.
- Investigating AI in Data Analytics: As the ERP foundation solidifies, our subsequent course of action entails investigating AI in data analytics to acquire valuable insights, enhance decision-making procedures, and elevate the customer experience as a whole.

Risk Management Report

By upholding and complying with a comprehensive and unified risk management framework, we protect the organization against various risks and guarantee the essential backing for enduring expansion.

Risk is a fundamental component of both our operational and decision-making procedures. The performance of the organization is contingent on our capacity to effectively mitigate risk across all tiers. Under the direction of the Risk and Audit Manager, who reports directly to the Audit & Risk Management Committee, the risk function ensures that the organization maintains an appropriate balance between reward and risk through the implementation of a robust risk management governance framework.

The Board of Directors grants approval to HDFC's risk profile and appetite, which are subsequently disseminated to each department and a responsible officer. We uphold a prudent strategy in risk management throughout the organization, ensuring adherence to regulatory standards and compliance.

RISK APPETITE

The Company's integrated approach to risk management is set out in our Risk Management Policy and Framework which articulates our risk culture, governance, and boundaries. The Risk Management Framework ensures alignment with the Company's vision and strategy by tracking current performance against risk appetite targets.

We believe that risk management is the responsibility of all employees. The operational Departments act as the first line of defense and are responsible for owning and managing the risk that falls under their functions. The risk function, as the second line of defense, oversees the risk and provides the frameworks, policies, definitions, tools, and techniques to enable the first line to discharge their risk-related responsibilities. Finally, our internal audit function, as the third line of defense, independently assesses the effectiveness of the processes created in the first and second lines.

RISK GOVERNANCE AND MANAGEMENT

Robust risk management is fundamental to the success of the Company and our efforts to maximise profitability. Every employee in the Company is responsible for identifying, assessing and controlling potential risks when carrying out his/her duties The Board assumes the ultimate responsibility for assessing, taking, managing and monitoring risks through the Audit and Risk Management Committee, in coordination with the Management and Risk Audit Manager (RAM). The Board receives regular updates on risks assessed by the RAM through bi-annual Report.

KEY RISKS

We have identified and analyzed the most significant threats that could impede our capacity to expand sustainably. As these risks serve as the cornerstone of our comprehensive risk management strategy, they are consistently evaluated and enhanced as an integral component of the organization's unified risk control framework.

CREDIT RISK MANAGEMENT

Credit Risk Management facilitates the adherence of credit decisions to the organization's predetermined underwriting guidelines and is a vital component of the company's risk management strategy. Standard operating procedures and policies are utilized by the organization to assess, manage, and monitor credit risk on a broader scale. We ensure that the responsibilities of originators and the credit risk function as evaluators and approvers are strictly segregated. Credit exposure limits are authorized in accordance with a predetermined credit approval and authority structure.

FINANCIAL RISK MANAGEMENT

The Company's management conducts daily monitoring of regulatory capital utilization and capital adequacy in accordance with techniques established by the Basel 1 Committee for supervisory objectives. At or above 12%, the Company maintains a ratio of total capital to risk-weighted assets.

OPERATIONAL RISK

HDFC is susceptible to interest rate risk associated with the borrowing rates of international financial institutions and the market, as well as lending rates to customers. Additionally, the company is restricted to investing surplus funds in money market instruments, specifically Treasury Bills and General Investment Accounts in the case of Islamic financing. HDFC's financial results may be influenced by fluctuations in market interest rates, which primarily effect the spread earned on the housing portfolio by means of long-term lending. Obtaining long-term funds through long-term debt instruments, such as bonds and sukuk, has substantially mitigated the interest rate risk on the other hand.

LIQUIDITY RISK

The potential loss of earnings and/or capital because of the company's inability to fulfill its contractual obligations on time constitutes liquidity risk. Due to the inherent mismatch in maturities between its short-term financing obligations and the longer-term maturities of its lending portfolio, the Company is susceptible to liquidity risks, which must be effectively managed to maintain financial stability. The ALCO is responsible for overseeing the organization's liquidity position to ensure adherence to regulatory obligations and internal objectives, as well as to manage liquidity risks.

HDFC does not invest in complex financial instruments and restricts lending activities to other sectors. Our surplus funds are invested in Government Treasury Bills or, in the case of Amna, in the Islamic Bank's General Investment Account.

The finance manual provides a detailed description of how the liquidity position is managed in typical circumstances. The organization effectively oversees its liquidity position to endure a liquidity crisis without jeopardizing its continued operational sustainability. At present, HDFC's daily liquidity management is carried out at the EXCO level, as this process is strategically aligned with the management team to ascertain the necessary liquidity.

Consistent updates to the Board are a reporting requirement that enables the Board to verify that liquidity indicators remain within the parameters it has established.

The Finance Department conducts an aggregated monitoring of the liquidity buffer in relation to the daily required limits.

MARKET RISK

Risk of loss due to fluctuations in market-driven variables, including interest rates, exchange rates, commodity prices, equity and debt prices, and their correlations, is referred to as market risk. The operations of the organization are subject to these correlations and variables to differing degrees. Principal sources of market risk exposure are IRR and foreign exchange risk. A risk governance structure and an extensive suite of risk management processes—including policies, market risk limits, monitoring, and risk assessment—are utilized to manage market risk.

HUMAN RESOURCE RISK

The Company addresses the Turnover rate, gaps in staff knowledge or misalignment of those knowledge with the company's need. HDFC is a desirable place to work that attracts and retains talented employees. Our people are engaged and committed to HDFC's values.

OPERTIONAL RISK

Losses resulting from insufficient or malfunctioning internal processes, personnel, and systems, as well as external occurrences like natural disasters, social unrest, or political developments, constitute operational risk. It is an intrinsic component of every financial institution and procedure, and our aim is to efficiently manage it while minimizing expenses. Reputational risk, technological and associated risk, legal risk, and business continuity risk are all components of operational risk. HDFC establishes a culture of risk management by implementing a comprehensive suite of risk management processes and a robust risk governance structure that comprise the operational risk management framework. These processes and processes include policies, risk assessment, risk mitigation via insurance coverage, policies and procedures pertaining to outsourcing business activities, technology risk management, a comprehensive Business Continuity Plan (BCP), and a Disaster Recovery Plan (DRP). By employing a proactive strategy towards operational risk management, the organization guarantees not only resilience but also flexibility and adaptability in response to fluctuations in the operating environments.

LEGAL RISK

Incorporating legal risk into operational risk is the exposure to the negative repercussions that may result from improperly drafted contracts, their execution, the lack of written agreements, or insufficient agreements. It encompasses potential financial penalties, fines, or punitive damages that may ensue from supervisory actions, in addition to the expenses associated with private settlements.

Legal risk is effectively managed through the implementation of measures that ensure complete adherence to applicable regulations is observed in all contracts and interactions with institutions and individuals maintaining business connections with the Company. Such adherence is further supported by the necessary documentation. On the other hand, the risk of non-compliance with regulations is mitigated through the establishment and operation of a robust mechanism that verifies operational conformity with relevant regulations.

COMPLIANCE AND REGULATORY RISK

HDFC is obligated to adhere to a multitude of compliance obligations, which are mandated by independent bodies, regulators, shareholders, and government entities. Efficient compliance risk management is crucial for maintaining seamless operations and cultivating stakeholder confidence.
Noncompliance with compliance obligations may expose the organization's financials and operations to potential risks, as well as severely harm its reputation.

Given that the company is subject to regulation by MMA and is obligated to adhere to the stipulations outlined in the Companies Act of Maldives, in addition to being debt listed, compliance with listing regulations and ongoing disclosure obligations is also a necessity. The responsibility of the Risk Audit Manager is to identify, oversee, and verify adherence to compliance protocols. Internal Legal Counsel oversees regulatory changes and conducts internal documentation reviews to ensure that policies comply with local regulatory requirements. The updates are routinely evaluated and proactively conveyed to the Board, with associated risks being emphasized to facilitate prompt remedial measures. In addition, quarterly evaluations of Shariah compliance are conducted on a regular basis, and the Shariah Board is informed of the findings to ensure that no Shariah violations occur.

COMPETITION RISK

Any industry experiencing rapid expansion attracts a significant number of new entrants, which consequently exposes established firms to competition risks in the form of market share loss. Intensity of competition is determined by factors such as consumer profile, industry growth potential, and entry barriers. Numerous new entrants are certain to enter the housing finance industry, which is one of the largest sub-segments of the lending industry in the Maldives and is expanding at a rapid rate due to economic expansion, rising urbanization, government incentives, societal acceptance of credit, and the rise in nuclear families.

KEY RISKS CHALLENGES AHEAD

Over the coming years, HDFC will persistently confront a series of challenges that are distinctive to its business model. Credit risk management and the enforcement of mortgage rights will be impacted by the implementation and modification of new housing regulations, such as strata titling, as well as the reforms to judicial frameworks. The extended duration of legal proceedings, which will inevitably lead to higher average closing rates, will undermine the Company's confidence. Cybersecurity threats become more prevalent as digitalization advances. The repayment capacity may be negatively impacted by customers' easy access to unsecured short-term borrowing. To resolve the issue of an increased supply of social housing, it is necessary to diversify the product offering.

BUSINESS SUSTAINABILITY REPORT YEAR 2023

ENVIRONMENTAL POLICIES

We have implemented strategies to progressively augment our environmental sustainability contributions in recent times. Several measures have been expedited to reduce our environmental footprint and contribute to environmental sustainability to varying degrees. These include direct initiatives like offering financial aid to those in need, as well as indirect approaches like conserving energy and managing waste effectively.

COMPANY INFORMATION

- Name of the Company: Housing Development Finance Corporation Plc.
- Company Registration Number: C-107/2006
- Place of incorporation: Male', Republic of Maldives
- Year of Incorporation: 2004
- Corporate OfficeAddress: H. Mialani, 4th Floor, Sosun Magu, Male', Maldives.
- Contact Number: Phone: (960) 3338810 /3315896 / 3315897; Fax: 3315138
- Email: info@hdfc.com.mv
- Company objectives and activities: Housing Mortgage FinanceReporting Period – Y2023

MANAGING ELECTRICITY, WATER & WASTE

Due to the housing financing nature of the company's operations, resource consumption is restricted to operational necessities. Despite this, the organization continues to be mindful of the need to reduce its resource consumption by procuring electronic equipment, illumination devices, computers, and electronics in accordance with more stringent energy efficiency standards. Priority is given to the installation of energy-efficient led light fixtures, and efforts have been made to substitute electronic equipment with inverter technology capabilities that have high energy star ratings. Long-term energy efficiency and savings are anticipated as a result.

Consumption – 7,364 kWh

For personal consumption, we utilize safe and efficient filtered water dispensers rather than purchasing plastic bottled water. Additionally, our staff is consistently trained and monitored to ensure that they are conserving tap water usage. To promote compliance with HDFC's stringent policy against single-use plastic water bottles, glass storage containers are made available for staff use.

Consumption 192.09. Cbm

To maintain waste management as a top priority, waste segregation has been implemented. This requires the separation and proper disposal of recyclable, dry, and moist waste. Re-sellers engage in the auctioning of electronic refuse produced by computers, printers, laptops, scanners, switches, servers, and batteries. The administration is proactive in its efforts to reduce paper usage by converting processes to a more digital format.

HEALTH AND SAFETY POLICIES & WORK INJURY

Due to the inherent characteristics of the enterprise, there are no occupational health and safety hazards associated with the tasks performed. The organization has a health and safety policy for its personnel. The Organization places significant importance on the mental and physical health of its workforce and actively promotes attendance at well-being seminars and discussion sessions. The organization guarantees convenient access to first-aid facilities for all staff members, in addition to providing the Corporate Health Insurance Package, and promotes the utilization of safety equipment. Consent regarding safety protocols is extended to all personnel throughout the organization. Throughout the course of the year, no employee of the organization was involved in any accidents while on duty.

EMPLOYMENT POLICIES

Our HR strategy maintains a steadfast dedication to fostering a culture that values and encourages employee engagement, empowerment, and excellence. Our organization is fully committed to harnessing the tremendous potential that resides within our human capital to propel it forward with sustained growth, resilience, and success in the coming years.

Our existing policies comply with legally bound standards and regulations. Nevertheless, we are resolved to undertake an all-encompassing evaluation of our policy framework in the forthcoming years, with an emphasis on augmenting its efficacy. Ensuring that our policies are adaptable to the evolving requirements of our workforce is our primary objective. A policy regarding review and rewards has been devised and approved.

TRAINING OPPORTUNITIES

Sustaining and augmenting the capabilities of our personnel continues to be critical to our enduring prosperity. By means of a comprehensive training and development framework, we equip our personnel with the requisite knowledge, abilities, and competencies to thrive in a continuously changing corporate landscape. By meticulously aligning our training agenda with the objectives of the organization, we guarantee that our workforce will continue to be flexible and well-prepared to confront forthcoming obstacles.

We conducted twenty external training courses and five in-house courses in 2023, thereby augmenting the competencies and knowledge of our personnel.

Total cost utilized for training was MVR60,926.00

GENDER EQUALITY

The Organization adheres to the tenets of a gender-inclusive work environment and is dedicated to achieving a representative number of female employees. Forty exceptionally experienced employees comprise our team, all of whom are instrumental in propelling the operations of our organization forward. Every individual in the group is consistently dedicated, working non-stop to advance the cause with their specialized knowledge. The gender composition of our workforce is balanced, with 57% of the members being female and 43% being male. This proportion is consistent with the Executive Management, which maintains a gender representation of 40%. The proportion of women on the board is balanced.

COMMUNITY ENGAGEMENT

HDFC has demonstrated a steadfast dedication to societal betterment through its active participation in numerous social initiatives, both directly and indirectly. The company remains cognizant of its social responsibility. We have assisted non-governmental organizations in achieving their objectives through sponsorship and partnerships over the years. Within budget preparation, HDFC allocates a reasonable amount to CSR, which is extended to encompass broader sectors including education and healthcare.

GOVERNANCE POLICIES

We are convinced that ensuring the long-term success of our sustainability initiatives requires sound governance. Our organization is fully dedicated to incorporating sustainability principles into every stage of our decision-making processes, ranging from the formulation of strategies to the execution of day-to-day operations. We have therefore incorporated the MMA CG Regulation and the CMDA CG Code. We have recently implemented the New Shariah Governance Manual.

DISCLOSURE AND TRANSPARENCY

HDFC maintains compliance with all regulatory obligations imposed by the MMA, CMDA, listing disclosures, and RTI. The website features Audited Financial Reports, Annual Reports, Governance Reports, and Quarterly Reports. Attainment was achieved in optimizing the website to facilitate information retrieval. Furthermore, to enhance transparency additional voluntary disclosures are also made available for the stakeholders.

COMPLAINTS

We expeditiously address customer complaints and resolve grievances with professionalism. Complaints are received via the organization's official social media platforms, website, email, and in-person visits. Furthermore, we offer instruction and mentorship to ensure that our personnel execute procedures and dealings with professionalism and courtesy. Moreover, we provide training to expand their understanding of technical domains and products.

We expeditiously address customer complaints and resolve grievances with professionalism. Complaints are received via the organization's official social media platforms, website, email, and in-person visits. Furthermore, we offer instruction and mentorship to ensure that our personnel execute procedures and dealings with professionalism and courtesy. Moreover, we provide training to expand their understanding of technical domains and products.

- Complaints received 87
- Complaints resolved 84
- Ongoing investigation 03

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

Ahmed Zeenad
Managing Director

Hamid Sodique
Director

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

Financial Statements 2023

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

FOR THE YEAR ENDED 31ST DECEMBER 2023

CONTENTS

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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 2023, the statements of comprehensive income, changes in equity and cash flows for the period then ended and notes to the financial statements, comprising material 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 2023 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Allowance for expected credit losses

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in note 4.2.4 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 62,851,226/- against loans and advances as at 31st December 2023.	We performed audit procedures to gain assurance on the process of estimating the impairment allowance on loans advances. Our response in this area included, evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures.

Key Audit Matters (Continued)

1. Allowance for expected credit losses (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.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management 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 management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

Ali Muaz
Audit License No: IACM-IL-FQ1
For and on behalf of KPMG Maldives

29th April 2024

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

FOR THE YEAR ENDED

	Note	31/12/2023 MVR	31/12/2022 MVR
Interest income	6.1	144,110,421	146,729,195
Interest expense	6.3	(45,355,915)	(47,821,738)
Net interest income		98,754,506	98,907,457
Net income on shari'ah products	7	34,752,146	33,937,734
Fee income	8	4,165,890	3,813,799
Other income	9	1,953,884	2,796,427
Total Operating Income		139,626,426	139,455,417
Salaries and personnel expenses	10	(11,904,237)	(10,489,660)
Recognition of provision for impairment loss on loans and advances	11	(11,340,010)	(1,992,757)
Reversal of modification loss on loans and advances	12	(2,209,324)	6,892,659
Other operating expenses	13	(9,511,604)	(9,318,088)
Total Operating Expenses Including Impairment Provision		(34,965,175)	(14,907,846)
Profit before income tax		104,661,251	124,547,571
Income tax expense	14	(16,443,469)	(16,484,182)
Profit for the year		88,217,782	108,063,389
Basic earning per share	15	5.54	6.78

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	31/12/2023 MVR	31/12/2022 MVR
ASSETS			
Cash and cash equivalents	16	285,031,820	548,182,660
Loans and advances	17	1,595,575,022	1,636,354,256
Financial assets at amortized cost	18	310,676,963	205,259,466
Property, plant and equipment	19	2,594,251	2,883,633
Right-of-use assets	20	4,276,355	6,537,083
Intangible assets	21	2,119,193	1,933,885
Other assets	22	6,067,162	7,281,981
Deferred Tax Asset	14.4	8,966,361	7,445,610
TOTAL ASSETS		2,215,307,127	2,415,878,574
LIABILITIES			
Deposits from customers	23	81,834,466	81,401,050
Debt securities in issue	24	536,084,617	564,273,781
Other borrowed funds	25	446,628,834	594,024,042
Other liabilities	26	284,416,492	394,499,389
Lease liabilities	27	6,299,932	8,352,349
Current tax liabilities	14.3	6,524,645	8,027,604
TOTAL LIABILITIES		1,361,788,986	1,650,578,215
SHAREHOLDERS' EQUITY			
Share capital	28	159,375,000	159,375,000
General reserve	28.4	15,000,000	15,000,000
Capital reserve	28.5	50,000,000	-
Retained earnings		629,143,141	590,925,359
TOTAL SHAREHOLDERS' EQUITY		853,518,141	765,300,359
TOTAL EQUITY AND LIABILITIES		2,215,307,127	2,415,878,574

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;

Aishath Shizna
Chairman - Audit Committee

Ahmed Zeenad
Managing Director

29th April 2024

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

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Share capital MVR	General reserve MVR	Capital reserve MVR	Retained earnings MVR	Total MVR
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)
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
As at 1st January 2023	159,375,000	15,000,000	-	590,925,359	765,300,359
Profit for the year	-	-	-	88,217,782	88,217,782
Total Comprehensive Income for the Year	-	-	-	88,217,782	88,217,782
Trasfered to Capital Reserve **(Note 28.5)**	-	-	50,000,000	(50,000,000)	-
As at 31st December 2023	159,375,000	15,000,000	50,000,000	629,143,141	853,518,141

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 2023

	Notes	31/12/2023 MVR	31/12/2022 MVR
Cash flows from operating activities			
Profit before tax		104,661,251	124,547,571
Adjustments for:			
Depreciation on property, plant and equipment	19	728,053	396,973
Depreciation on right-of-use assets	20	1,047,174	1,100,484
Impairment losses on financial assets	11	11,340,010	1,992,757
Recognized/ (Reversal) of modification loss of loans and advances	12	2,209,324	(6,892,659)
Amortization of intangible assets	21	311,559	68,339
Interest expense on lease liabilities	6	601,137	738,737
Loss on disposal of property, plant and equipment		3,290	-
Reversal of the interest income of stage 3 customers	17.2	212,524	745,066
Interest expenses & Amna investors' profit share		83,090,707	84,669,073
Interest income & income from shari'ah products		(214,775,120)	(215,960,789)
Operating loss before working capital changes		(10,570,091)	(8,594,448)
Changes in working capital:			
Decrease in loans and advances to customers		23,519,184	90,138,993
Increase / (decrease) in other assets		1,214,819	(137,158)
Increase in other liabilities		(74,091,916)	4,059,914
Increase in deposits from customers		3,872,204	2,536,007
Cash generated from operating activities		(56,055,800)	88,003,307
Interest received		217,576,383	207,618,122
Interest paid		(86,026,117)	(81,227,013)
Income tax paid	14.3	(19,467,179)	(19,840,261)
Net cash generated from operating activities		56,027,287	194,554,155
Cash flows from investing activities			
Purchases of property, plant and equipment	19	(447,268)	(2,411,818)
Purchases of intangible assets	21	(496,867)	(1,927,500)
Proceed from disposal of property, plant and equipment		5,306	-
Net investments on treasury bills during the year		(104,720,568)	(234,566,424)
Net cash used in investing activities		(105,659,397)	(238,905,742)
Cash flows from financing activities			
Repayments of debt securities in issue		(25,058,784)	(14,057,536)
Repayments of other borrowed funds		(278,128,903)	(138,119,203)
Proceeds from debt securities in issues		-	-
Proceeds from other borrowed funds		126,498,800	126,498,800
Dividend paid		(35,990,980)	(39,445,300)
Repayment of lease liabilities	27	(838,863)	(701,264)
Net cash used in financing activities		(213,518,730)	(65,824,503)
Net decrease in cash and cash equivalents		(263,150,840)	(110,176,090)
Cash and cash equivalents at beginning of the year		548,182,660	658,358,750
Cash and cash equivalents at end of the year	16	285,031,820	548,182,660

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 Bank Limited (formerly HDFC Investments Indi

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 3.2.2)

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 2023 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 MATERIAL ACCOUNTING POLICIES

The Company adopted Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practise Statement 2) from 1st January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. However, this change had not impact to the Company's financial statements for the year ended 31st December 2023.

In addition, a number of new standards are effective from 1st January 2023, but they do not have a material effect on the Company's financial statements.

4. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company except if mentioned otherwise in note 3 to the Financial Statements.

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. MATERIAL 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. MATEERIAL 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 OCI. 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. MATERIAL 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. MATERIAL 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 30.1.2 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. MATERIAL 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. MATERIAL 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. MATERIAL 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 30.1.2 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. MATERIAL 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 30.1.2.3). 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. MATERIAL 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. MATERIAL 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. MATERIAL 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. MATERIAL 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. MATERIAL 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. MATERIAL 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. MATERIAL 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, Land and Urban Development (MHUD) formely Ministry of Housing and Infranstructure (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. MATERIAL 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 30.3.3

31st December 2023	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	285,031,820	-	285,031,820
Financial assets at amortised cost	310,676,963	-	310,676,963
Loans and advances	37,670,634	1,557,904,388	1,595,575,022
Property, plant and equipment	-	2,594,251	2,594,251
Intangible assets	-	2,119,193	2,119,193
Right-of-use assets	-	4,276,355	4,276,355
Deferred income tax assets	-	8,966,361	8,966,361
Other assets	-	6,067,162	6,067,162
Total assets	**633,379,417**	**1,581,927,710**	**2,215,307,127**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

31st December 2023	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	4,742,100	77,092,366	81,834,466
Debt securities in issue	53,005,894	483,078,723	536,084,617
Other borrowed funds	90,143,011	356,485,823	446,628,834
Other liabilities	-	284,416,492	284,416,492
Lease liabilities	966,737	5,334,195	6,299,932
Current tax liabilities	6,524,645	-	6,524,645
Total liabilities	**155,382,387**	**1,206,407,599**	**1,361,788,986**

After 12 months of the reporting period

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	548,182,660	-	548,182,660
Financial assets at amortised cost	205,259,466	-	205,259,466
Loans and advances	43,194,770	1,593,159,486	1,636,354,256
Property, plant and equipment	-	2,883,633	2,883,633
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**

Liabilities			
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**

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.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Lease back (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

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6 NET INTEREST INCOME

	2023 MVR	2022 MVR
Interest Income Calculated using the Effective Interest Rate Method **(Note 6.1)**	144,110,421	146,729,195
Less: Interest Expense **(Note 6.3)**	(45,355,915)	(47,821,738)
Net Interest Income	98,754,506	98,907,457

6.1 Interest Income Calculated using Effective Interest Rate Method

	2023 MVR	2022 MVR
Loans and Advances **(Note 6.2)**	129,262,239	134,033,538
Investments in Treasury Bills	14,848,182	12,695,657
	144,110,421	146,729,195

6.2 Interest Income from Loans and Advances

	2023 MVR	2022 MVR
Housing Loans and Advances	129,126,359	133,894,916
Staff Loans	135,880	138,622
	129,262,239	134,033,538

6.3 Interest expenses

	2023 MVR	2022 MVR
Other borrowed funds	34,428,759	35,027,833
Debt securities in issue	9,431,518	11,124,508
Deposits from customers	894,501	930,660
Interest on lease liabilities **(Note 26)**	601,137	738,737
	45,355,915	47,821,738

7 NET INCOME ON SHARI'AH PRODUCTS

	2023 MVR	2022 MVR
Revenue from housing facilities	65,375,917	62,709,216
Revenue from short term investments	5,288,782	6,522,378
Fee income	2,423,376	2,292,212
Amna investors' profit share	(38,335,929)	(37,586,072)
	34,752,146	33,937,734

8 FEE INCOME

	2023 MVR	2022 MVR
Housing loan processing fees	530,439	512,128
Other fee income	201,212	122,597
Management fees	3,434,239	3,179,074
	4,165,890	3,813,799

9 OTHER INCOME

	2023 MVR	2022 MVR
Penalty interest	1,797,415	2,757,973
Insurance commissions	156,469	38,454
	1,953,884	2,796,427

10 SALARIES AND PERSONNEL EXPENSES

	2023 MVR	2022 MVR
Salaries and allowances	10,456,086	9,052,794
Contribution to employees pension fund	244,440	188,512
Employee benefit expense amortization	144,708	261,128
Ramadan allowances and bonus	881,961	870,869
Staff medical insurance	177,042	116,357
	11,904,237	10,489,660

11 PROVISION FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES

	2023 MVR	2022 MVR
Provision recognised during the year **(Note 17.2)**	11,340,010	1,992,757

12 MODIFICATION LOSS ON LOANS AND ADVANCES

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

	2023 MVR	2022 MVR
(Recognition) / Reversal of Modification loss during the year **(Note 12.2)**	(2,209,324)	6,892,659

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 2023, the Company has recognized a modification loss of MVR 2,209,324/- on loans and advances after remeasurement of amortized cost based on expected future cash flows from moratorium interest receivables as at 31st December 2023. (2022 : Reversal of MVR 6,892,659/-)

Following the decision rendered by the Board of Directors during the convened meeting on the 15th of May 2023, the Company has proposed three options for customers to settle outstanding Moratorium Interest payable balances to HDFC.

These options include the full settlement of the balance on or before the 30th of September 2023, an adjustment of Equated Monthly Installments (EMI) to align with the total payable amount without altering the tenure, or an extension of the tenure to harmonize with the total payable amount without modifying the Equated Monthly Installment (EMI).

As a result of selection of the above options by customers, it is imperative to acknowledge the necessity of identifying modification losses related to loans and advances. This identification stems from the revision of cash flows associated with pertinent financial assets, encompassing considerations of both the amount and timing of cash flows occurrences. A significant loss from modification of the loans and advances arise due to the any of three options were selected by the AMNA customers and expected to settle the moratorium interest at the end of the original loan tenure.

13 OTHER OPERATING EXPENSES

	2023 MVR	2022 MVR
Depreciation on right-of-use asset **(Note 20)**	1,047,174	1,100,484
Professional fees	1,081,928	1,032,962
Listing expenses	686,373	628,775
Amna expenses	1,532,722	728,908
Other expenses	953,962	1,191,839
IPO expenses	115,650	888,042
Depreciation on property, plant and equipment **(Note 19)**	728,053	396,973
Communication expenses	372,303	314,767
Premises, equipment and establishment expenses	411,396	318,250
IT expenses	1,161,104	692,944
Board remuneration and meeting expenses	615,307	578,383
Amortization on intangible assets **(Note 21)**	311,559	68,339
Printing and stationary expenses	195,400	198,191
Advertising and marketing expenses	215,119	252,396
Irrecoverable Withholding tax	23,334	702,216
Bank charges	56,930	224,619
Loss on disposal of property, plant and equipment	3,290	-
	9,511,604	9,318,088

14 TAXATION

	2023 MVR	2022 MVR
Income tax expense **(Note 14.1)**	17,964,220	18,862,717
Reversal of deferred tax asset during the year **(Note 14.4.1)**	(1,520,751)	(2,378,535)
	16,443,469	16,484,182

14.1 Reconciliation between Accounting Profit and Taxable Income :

	2023 MVR	2022 MVR
Profit before tax	104,661,251	124,547,571
Aggregate Disallowable Items	99,952,388	87,926,507
Aggregate Allowable Items	(84,352,174)	(86,222,631)
Tax Free Allowance	(500,000)	(500,000)
Taxable income for the year	119,761,465	125,751,447
Income tax expense at 15%	17,964,220	18,862,717
Effective income tax rate	15%	15%
Effective current tax rate **(Note 14.2)**	15.71%	13.24%

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. (2022 : 15%)

14.2 Reconciliation of Effective Income Tax Rate

	2023		2022	
	%	MVR	%	MVR
Profit before income tax	-	104,661,251	-	124,547,571
Income tax for the year	15.00%	15,699,188	15.00%	18,682,136
Impact from reconciliation of accounting profit to taxable income	2.16%	2,265,032	0.14%	180,581
Deferred taxation	-1.45%	(1,520,751)	-1.91%	(2,378,535)
Total income tax expense **(Note 14)**	**15.71%**	**16,443,469**	**13.24%**	**16,484,182**

14.3 Current tax liabilities

	12/31/2023 MVR	12/31/2022 MVR
Opening balance	8,027,604	9,005,148
Provisions made during the year **(Note 14.1)**	17,964,220	18,862,717
Payments made during the year	(19,467,179)	(19,840,261)
Closing balance	6,524,645	8,027,604

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:

	31/12/2023 MVR	31/12/2022 MVR
Opening balance	7,445,610	5,067,075
Recognized through profit or loss **(Note 14)**	1,520,751	2,378,535
Closing balance	8,966,361	7,445,610

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14.4 Net Deferred Tax Asset (Continued)

14.4.2 Deferred Tax Asset is Attributable for Following:

	31/12/2023		31/12/2022	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Property, Plant and Equipment	1,454,412	218,162	1,448,710	217,307
Provision for impairment on loans and advances	58,321,324	8,748,199	48,188,686	7,228,303
	59,775,736	8,966,361	49,637,396	7,445,610

14.4.3 Reconciliation of temporary differences

	31/12/2023 MVR	31/12/2022 MVR
Property, plant and equipment		
Opening balance	217,307	73,820
Recognized Through Profit or Loss	855	143,487
Closing balance	218,162	217,307
Provision for loan impairment		
Opening balance	7,228,303	4,993,255
Recognized Through Profit or Loss	1,519,896	2,235,048
Closing balance	8,748,199	7,228,303
Net deferred tax asset	8,966,361	7,445,610

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.

	2023	2022
Profit attributable to the ordinary shareholders of the Company **(MVR)**	88,217,782	108,063,389
Weighted average number of ordinary shares **(Nos.)**	15,937,500	15,937,500
Basic Earning per share **(MVR)**	5.54	6.78

As per the Share split of 1:10 was registered in the year 2023, the number of shares is 15,937,500 (2022 - 1,593,750). Therefore the comparative figures of 2022 have been adjusted accordingly. Prior to the share Split, the number of shares and EPS in the year 2022 were 1,593,750 and MR 67.8/- respectively.

16 CASH AND CASH EQUIVALENTS

	31/12/2023 MVR	31/12/2022 MVR
Cash in hand	6,500	6,500
Balances with other banks	105,146,629	73,406,078
Short term investments **(Note 16.1)**	70,444,110	185,453,764
Investment In Treasury Bills **(Note 16.2)**	109,434,581	289,316,318
Cash and cash equivalents for the purpose of statement of cash flows	285,031,820	548,182,660

16.1 Short term investments in "General Investments Account" at Maldives Islamic Bank PLC amount to MVR 70,444,110/- (2022 : 185,453,764) for a period of 3 months and are entitled for a profit share in the range of 3% per annum (2022: 1.95% to 2.56%).

16.2 The Company has invested in treasury bills in Ministry of Finance amounting to MVR 109,434,581/- (2022 - MVR 289,316,318/-) for a period of 1- 3 months which carry interest rates from 3.50% to 3.87% (2022 : 3.50% to 3.87%)

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17 LOANS AND ADVANCES CARRIED AT AMORTISED COST

	31/12/2023 MVR	31/12/2022 MVR
Gross Loans and Advances **(Note 17.1)**	1,658,426,248	1,689,736,124
Less: Impairment Loss Allowance **(Note 17.2)**	(62,851,226)	(53,381,868)
Net Loans and Advances	1,595,575,022	1,636,354,256

17.1 Loans and Advances - Product wise Analysis

	31/12/2023 MVR	31/12/2022 MVR
Conventional housing loans to customers	1,081,568,230	1,137,092,588
Housing loans to staff	3,674,282	3,774,669
Diminishing Musharakah	266,332,189	141,771,924
Murabaha	289,246	364,653
Istisna'	306,562,301	406,732,290
	1,658,426,248	1,689,736,124
Less: Impairment Loss Allowance **(Note 17.2)**	(62,851,226)	(53,381,868)
Net Loans and Advances	1,595,575,022	1,636,354,256

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

	31/12/2023 MVR	31/12/2022 MVR
Opening balance	53,381,868	51,725,693
Provision recognized during the year **(Note 11)**	11,340,010	1,992,757
Provision recognized for unrecognized interest income on non-performing loans and advances	212,524	745,066
Write-off Specific Provision during the year	(2,083,176)	(1,081,648)
Closing balance	62,851,226	53,381,868

18 INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	31/12/2023 MVR	31/12/2022 MVR
Investments in Treasury bills **(Note 18.1)**	209,884,896	205,259,466
Short term investments **(Note 18.2)**	100,792,067	-
	310,676,963	205,259,466

18.1 The Company has invested in treasury bills in Ministry of Finance amounting to MVR 319,319,477/- (2022 - MVR 494,575,784/-) for 6 months to 12 months which carry interest rates from 4.23% to 4.6% . (2022 - 4.23% to 4.6%).

18.2 Short term investments in "Wakalas" at Maldives Islamic Bank PLC amounting to MVR 45,210,205/- (2022: Nil) for a period of 6 months and are entitiled for a profit share of 3.5% p.a. (2022 : Nil)

19 PROPERTY, PLANT AND EQUIPMENT

	Office equipment MVR	Computer equipment MVR	Furniture and fixtures MVR	Leasehold improvements MVR	Total 31/12/2023 MVR	Total 31/12/2022 MVR
Cost						
Opening Balance	1,136,207	5,195,963	973,817	871,653	8,177,640	5,765,822
Additions During the Year	155,567	267,220	24,481	-	447,268	2,411,818
Disposals during the year	(81,661)	(304,967)	-	-	(386,628)	-
Closing Balance	1,210,113	5,158,216	998,298	871,653	8,238,280	8,177,640
Accumulated Depreciation						
Opening Balance	(817,413)	(2,828,292)	(858,640)	(789,662)	(5,294,007)	(4,897,034)
Charge for the Year	(84,154)	(576,556)	(55,630)	(11,713)	(728,053)	(396,973)
Disposals during the year	81,661	296,370	-	-	378,031	-
Closing Balance	(819,906)	(3,108,478)	(914,270)	(801,375)	(5,644,029)	(5,294,007)
Net Carrying Value						
As at 31st December 2023	390,207	2,049,738	84,028	70,278	2,594,251	
As at 31st December 2022	318,794	2,367,671	115,177	81,991		2,883,633

19.1 During the year ended 31st December 2023 property, plant and equipment with a cost of MVR.4,794,400/- (2022 - MVR 4,200,891/-) have been fully depreciated and continue to be in use by the Company.

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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)**.

	31/12/2023 MVR	31/12/2022 MVR
Cost		
Opening Balance	10,666,204	10,666,204
Modification During the Year **(Note 27.1)**	(1,213,554)	-
Closing Balance	9,452,650	10,666,204
Accumulated Depreciation		
Opening Balance	4,129,121	3,028,637
Charge for the year	1,047,174	1,100,484
Closing Balance	5,176,295	4,129,121
Net Carrying Value	4,276,355	6,537,083

21 INTANGIBLE ASSETS

	Computer Software Under Development MVR	Computer Software MVR	31/12/2023 Total MVR	31/12/2022 Total MVR
Cost				
Balance as at 01st January	1,927,500	1,711,544	3,639,044	1,711,544
Additions During the Year	496,867	-	496,867	1,927,500
Transferred During the Year	(2,424,367)	2,424,367	-	-
	-	4,135,911	4,135,911	3,639,044
Accumulated Amortization				
Balance as at 01st January	-	1,705,159	1,705,159	1,636,820
Amortisation for the year	-	311,559	311,559	68,339
Balance as at 31st December	-	2,016,718	2,016,718	1,705,159
Carrying Value				
Balance as at 31st December	-	2,119,193	2,119,193	1,933,885

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

	31/12/2023 MVR	31/12/2022 MVR
Pre-payments	4,158,470	5,031,555
Staff loans measured at fair value	1,412,832	1,287,857
Accounts receivable	495,860	962,569
	6,067,162	7,281,981

23 DEPOSITS FROM CUSTOMERS

	31/12/2023 MVR	31/12/2022 MVR
Equated monthly installment deposits	78,134,524	79,014,628
Borrowers deposits	3,699,942	2,386,422
	81,834,466	81,401,050

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. (2022: 1% & 2.5%)

24 DEBT SECURITIES IN ISSUE

	31/12/2023 MVR	31/12/2022 MVR
Listed and corporate bonds **(Note 24.1)**	124,510,246	152,689,876
Listed Sukuk **(Note 24.2)**	411,574,371	411,583,905
	536,084,617	564,273,781
Maturity analysis of debt securities in issue		
Payable within one year	22,319,307	59,377,125
Payable after one year	513,765,310	504,896,656
	536,084,617	564,273,781

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 2023 equals to MVR 54,393,809/-.

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 2023 equals to MVR 43,566,847/-.

The Company has issued corporate bonds to Allied Insurance Company of the Maldives Private Limited of MVR 25,000,000/- with two years maturity and carry an interest rate of 7% per annum during the year ended 31st December 2023. MVR 10,000,000/- worth one Corporate bond has fully settled during the year ended 31st December 2023.

24.2 Listed Sukuk

(i) On 27th January 2014, the Company has alloted Mudarabah Sukuk amounting to MVR 22,566,000/- (45,132 Sukuk at a price of MVR 500/- per sukuk) for ten (10) years. Profit is paid every six months from the allotment date until maturity date.

(ii) On 25th October 2017, the Company has alloted Mudarabah Sukuk No. 2, amounting to MVR 89,036,000/- (89,036 Sukuk at a price of MVR 1,000/- per sukuk) for ten (10) years). The profit is paid every six months after the date of allotment, until the maturity date.

(iii) On 5th December 2019, the Company has allotted Mudarabah Sukuk No. 3, amounting to MVR 126,931,000/- (126,931 Sukuk at a price of MVR 1,000/- per sukuk) for ten (10) years). The profit is paid every six months after the date of allotment, until the maturity date.

(iv) On 2nd December 2021, the Company has issued Mudarabah Sukuk No. 4, amounting to MVR 168,403,000/- (168,403 Sukuk at a price of MVR 1,000/- per sukuk) for ten (10) years). The profit is paid every six months after the date of allotment, until the maturity date.

The funds received from Mudarabah Sukuk No 1, 2, 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.

25 OTHER BORROWED FUNDS

	31/12/2023 MVR	31/12/2022 MVR
Deutsche Investitutions und Entwicklungs Gesellschaft MBH ("DEG") **(Note 25.1)**	-	11,846,190
Bank of Ceylon PLC **(Note 25.2)**	140,057,856	150,572,767
Bank of Maldives PLC **(Note 25.3)**	190,842,732	227,743,578
Habib Bank Limited **(Note 25.4)**	2,235,623	6,736,024
Wakala facilities **(Note 25.5)**	66,677,037	128,875,787
Pension benefit scheme fund **(Note 25.6)**	4,305,586	4,239,696
State Bank of India Limited **(Note 25.7)**	42,510,000	64,010,000
	446,628,834	594,024,042
Maturity analysis of other borrowed funds		
Payable within one year	90,143,011	138,465,967
Payable after one year	356,485,823	455,558,075
	446,628,834	594,024,042

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. This loan was fully settled during 2023.

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. This loan was fully settled during 2023.

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.

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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 Wakala facilities

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% and renewed for another 2 years upon maturity. 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. The total facility fully settled during the year 2023.

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.The total facility fully settled during the year 2023.

Ayady Takaful invested MVR 5,000,000/- with the Company in April 2021 for two years with a target yield of 7% and the Company has renewed this facility on 5th April 2023 for another two years.

25 OTHER BORROWED FUNDS (CONTINUED)

25.6 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.

25.7 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

	31/12/2023 MVR	31/12/2022 MVR
Ministry of Housing and Infrastructure - GED Islamic fund **(Note 26.1)**	2,542,607	1,032,203
Ministry of Housing and Infrastructure - MHI Islamic fund **(Note 26.2)**	22,543,424	12,162,492
Ministry of Housing and Infrastructure - MHUD Conventional fund **(Note 26.3)**	6,092,837	3,075,843
Ministry of Housing and Infrastructure 704 - Conventional fund **(Note 26.4)**	58,841,253	67,936,032
Ministry of Housing and Infrastructure CMEC - Housing funds **(Note 26.5)**	26,716,775	20,604,864
Ministry of Housing and Infrastructure GED Con - Housing funds **(Note 26.6)**	115,348,199	160,926,592
Social Scheme Fine Receivables	90,975	-
Insurance premium payable	5,055,555	4,192,157
Amounts received from customers in advance	14,267,604	6,128,487
Accruals and other liabilities	5,502,214	3,438,480
Employees pension contribution	66,325	255,535
Amount received from Ministry of Finance **(Note 26.7)**	-	51,407,000
Dividends payable	27,348,724	63,339,704
	284,416,492	394,499,389

26.1 Ministry of Housing and Infrastructure - GED Islamic fund

In accordance with the agreement dated 16th February 2014, the Company manages and administers loan schemes under which the Company, as a custodian receives funds from the Ministry of Housing, Land and Urban Development (MHUD) formely Ministry of Housing and Infranstructure (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 OTHER LIABILITIES (CONTINUED)

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, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI) 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 Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (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, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI). 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, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI) 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, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI) 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 Housing, Land and Urban Development (MHUD) formerly 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 Million was paid on 20th February 2023. The 2nd installment of MVR 20 Million and the final payment of MVR 21.4 Million settled on 30th March 2023 and 27th April 2023 respectively. The total facility fully settled during the year 2023.

27 LEASE LIABILITES

	31/12/2023 MVR	31/12/2022 MVR
Opening Balance	8,352,349	9,053,613
Interest expense for the year **(Note 6.3)**	601,137	738,737
Modification During the year **(Note 27.1)**	(1,213,554)	-
Principal repayment during the year	(838,863)	(701,264)
Interest repayment during the year	(601,137)	(738,737)
Closing Balance	6,299,932	8,352,349

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.

27.1 Modification of lease liabilities

As per the Renewed lease agreement for the lease of 4A, 4B (4th floor), and Basement godown of H. Mialani, Sosun Magu, Malé, Republic of Maldives, the lessee and lessor have agreed to continue for another 5 years with the same lease installment as agreed in the previous agreement.

	31/12/2023	31/12/2022
Current Liability		
Lease Liabilities	965,737	897,262
Non Current Liability		
Lease Liabilities	5,334,195	7,455,087
Amounts recognized in Statement of Comprehensive Income		
- Depreciation on Right of Used assets	1,047,174	1,100,484
- Interest on Lease Liabilities	601,137	738,737
Amounts recognized in Statement of Cash Flows	1,440,000	1,440,000

Analysis of Undiscounted cash flows and interest

	Future Minimum Lease Payments		Interest	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Less than One Year	1,461,000	1,572,000	495,263	674,738
Between One and Five Years	5,824,000	7,383,000	927,570	1,585,147
More than Five Years	455,000	1,755,000	17,235	97,766
	7,740,000	10,710,000	1,440,068	2,357,651

28 SHARE CAPITAL

28.1 Authorized

The authorized share capital comprises of 32,125,000 ordinary shares of MVR. 10/- each (2022 : 3,212,500 of MVR. 100/- each). During the year the company had registered a share split of 1:10 increasing the number of shares from 3,212,500 of MVR. 100/- each to 32,125,000 shares of MVR 10/- each. The share split was approved by the shareholders in the year 2022.

28.2 Issued and Fully Paid

Issued and fully paid share capital comprises 15,937,500 of MVR 10/- each as at 31st December 2023. (2022 : 1,593,750 of MVR. 100/- each).

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.

During the year, the Company has not declared any dividends. Following dividend were declared during the year ended 31st December 2022.

(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 and Final 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.

28 SHARE CAPITAL (CONTINUED)

28.5 Capital Reserve

Capital Reserve represents the amount set in accordance with the Regulation on Finance Business (2021/R-132) issued by the Maldives Monetary Authority (MMA). The company maintains an equal amount to the licensee's minimum required capital.

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 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 effective interest method; and

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 2023 is set out below:

As at 31st December 2023	Conventional MVR '000	Islamic MVR '000	Unallocated MVR '000	Total MVR '000
Loans and advances	1,056,481	539,094	-	1,595,575
Cash and cash equivalents	153,952	131,080	-	285,032
Non-current assets	-	-	4,713	4,713
Financial assets at amortised cost	310,677	-	-	310,677
Right-of-use assets	-	-	4,276	4,276
Other assets	-	-	15,034	15,034
Total assets	1,521,110	670,173	24,023	2,215,307

29 SEGMENT ANALYSIS (CONTINUED)

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

As at 31st December 2023	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
Deposits from customers	57,693	24,141	-	81,834
Debt securities in issue	124,510	411,575	-	536,085
Other borrowed funds	379,952	66,677	-	446,629
Other liabilities	206,999	25,086	52,331	284,416
Lease liabilities	-	-	6,300	6,300
Current tax liabilities	-	-	6,525	6,525
Total liabilities	769,154	527,479	65,156	1,361,789
Capital expenditure	-	-	447	447

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

For the year ended 31st December 2023	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
External revenues:				
- Interest / profit share	144,110	70,665	-	214,775
- Fee and commission income	4,166	2,423	-	6,589
- Other operating income	1,954	-	-	1,954
Total revenues	150,230	73,088	-	223,318
Interest expense / profit share	(45,356)	(38,336)	-	(83,692)
Reversal of provision for impairment loss on loans and advances	2,387	(13,727)	-	(11,340)
Reversal of modification loss on loans and advances	-	(2,209)	-	(2,209)
Depreciation and amortization	-	-	(1,040)	(1,040)
Administrative and other operating expenses	(17,651)	(2,725)	-	(20,376)
Income tax expense	-	-	(16,443)	(16,443)
Profit for the year	89,610	16,091	(17,483)	88,218

Segment information for the reportable segments for the year and then ended on 31st December 2022 is set out below:

As at 31st December 2022	Conventional MVR 000	Islamic MVR 000	Unallocate MVR 000	Total MVR 000
Loans and advances	1,107,912	528,442	-	1,636,354
Cash and cash equivalents	313,185	234,997	-	548,182
Non-current assets	-	-	4,818	4,818
Financial assets held-to-maturity	205,259	-	-	205,259
Right-of-use assets	-	-	6,537	6,537
Other assets	-	-	14,728	14,728
Total assets	1,626,356	763,439	26,083	2,415,878

FOR THE YEAR ENDED 31ST DECEMBER 2023

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	Unallocated 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	577,396	146,168	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	Unallocated MVR 000	Total MVR 000
External revenues:				
- Interest / profit share	146,729	69,232	-	215,961
- Fee and commission income	3,813	2,292	-	6,105
- Other operating income	2,796	-	-	2,796
Total revenues	153,338	71,524	-	224,862
Interest expense / profit share	(47,822)	(37,586)	-	(85,408)
Reversal of provision for impairment loss on loans and advances	(1,993)	-	-	(1,993)
Recognition 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)	-	(19,036)
Income tax	-	-	(16,484)	(16,484)
Profit for the year	93,004	32,316	(17,256)	108,064

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

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

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

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 2023.

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 2023 are set out below.

	2024	2025	2026	2027	2028
GDP growth rate	15.60%	16.90%	18.30%	19.60%	21.00%
Inflation	2.70%	2.20%	2.00%	2.00%	2.00%
Unemployment rate	4.50%	4.50%	4.50%	4.50%	4.50%

Source : *https://www.imf.org/en/Publications/WEO/weo-database/2023/October/download-entire-database*

The weightage assigned for each economic scenario at 31st December 2023 as follows:

	Best	Base	Worst
All portfolios	11%	68%	21%

Set out below are changes to ECL as at 31st December 2023 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	63,014,672	62,851,226	62,685,752
Inflation	63,701,537	62,851,226	61,943,004
Unemployment	60,736,858	62,851,226	64,676,216

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.

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 2023	3,353,717	4,153,178	45,874,973	53,381,868
Transfer from Stage 1 to Stage 2	(563,675)	14,029,182	-	13,465,507
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	43,428	(1,555,139)	-	(1,511,711)
Transfer from Stage 2 to Stage 3	-	(1,875,926)	2,406,184	530,258
Transfer from Stage 3 to Stage 1	69,603	-	(4,822,999)	(4,753,396)
Transfer from Stage 3 to Stage 2	-	4,480,599	(4,514,536)	(33,937)
New financial assets originated	242,042	353,726	60,089	655,857
Financial assets settled during the year	(177,459)	-	(138,820)	(316,279)
Unrecognized interest on stage 3 assets	-	-	212,524	212,524
Other movements	(695,315)	(2,882,910)	4,798,760	1,220,535
Loss allowance as at 31st December 2023	2,272,341	16,702,709	43,876,175	62,851,226

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 2023	1,533,718,868	61,205,578	94,811,678	1,689,736,124
Transfers:				
Transfer from Stage 1 to Stage 2	(143,628,110)	140,518,746	-	(3,109,364)
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	16,828,638	(17,222,879)	-	(394,241)
Transfer from Stage 2 to Stage 3	-	(13,815,594)	13,835,480	19,886
Transfer from Stage 3 to Stage 1	17,415,671	-	(16,537,467)	878,204
Transfer from Stage 3 to Stage 2	-	21,079,605	(18,159,721)	2,919,884
New financial assets originated	160,798,761	3,791,482	-	164,590,243
Financial assets settled during the year	(121,269,408)	(8,713,404)	(266,141)	(130,248,953)
Other movements	(62,076,232)	(20,798,001)	16,908,698	(65,965,535)
Gross carrying amount as at 31st December 2023	1,401,788,188	166,045,533	90,592,527	1,658,426,248

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 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)
Unrecognised interest on stage 3 assets	-	-	745,068	745,068
Other movements	(1,090,124)	(11,119,798)	13,067,207	857,285
Loss allowance at 31st December 2022	3,353,718	4,153,178	45,874,973	53,381,868

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 MVR	Life time ECL MVR	Life time ECL MVR	Total MVR
Gross carrying amount as at 1 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
Transfers 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	125,662,947	(226,638,696)	22,510,319	(78,465,430)
Gross carrying amount as at 31st December 2022	1,533,718,868	61,205,578	94,811,678	1,689,736,124

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 2023	Customer loans MVR	Staff loans MVR	Amna assets MVR	Total MVR
Loans collaterised by:				
- house property	1,081,568,230	3,674,282	573,183,736	1,658,426,248
Total loans and advances	1,081,568,230	3,674,282	573,183,736	1,658,426,248

As at 31st December 2022	Customer loans MVR	Staff loans MVR	Amna assets MVR	Total MVR
Loans collaterised 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

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 2023	Over-collateralised assets			Under-collateralised assets	
	LTV ratio	Carrying value of the assets MVR	Fair value of collateral MVR	Carrying value of the assets MVR	Fair value of collateral MVR
Customer loans	342%	1,081,568,230	3,703,073,537	-	-
Staff loans	560%	3,674,282	20,585,489	-	-
Amna assets	255%	573,183,736	1,459,686,225	-	-
Total loans and advances		1,658,426,248	5,183,345,251	-	-

As at 31st December 2022	Over-collateralised assets			Under-collateralised assets	
	LTV ratio	Carrying value of the assets MVR	Fair value of collateral MVR	Carrying value of the assets MVR	Fair value of collateral MVR
Customer loans	315%	1,137,092,588	3,579,439,163	-	-
Staff loans	410%	3,774,669	15,492,322	-	-
Amna assets	252%	548,868,867	1,380,514,112	-	-
Total loans and advances		1,689,736,124	4,975,445,597	-	-

(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 2023 and 31st December 2022, 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.

• 92.62% of the loans and advances portfolio are considered to be neither past due nor impaired (31st December 2022: 97.19%);

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.

	31/12/2023 MVR	31/12/2022 MVR
Residential - Conventional	1,083,479,180	1,139,103,925
Residential - Islamic	573,183,736	548,868,867
Commercial	1,763,332	1,763,332
Total	1,658,426,248	1,689,736,124

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 2023 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 Company has settled the loan in fully during the year 2023.
(2022 : US$ 768,235/-)

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period.

	31/12/2023 US$	31/12/2022 US$
Assets		
Cash and balances with other banks	14,819	58,220
Total assets	14,819	58,220
Liabilities		
Borrowings	(270,862)	(181,431)
Total liabilities	(270,862)	(181,431)
Net on-balance sheet financial position	(256,043)	(123,211)
Currency SWAP	-	2,307,698
Net	(256,043)	2,184,487

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 2023		As at 31st December 2022	
	Impact on US$	Impact on US$	Impact on US$	Impact on US$
US Dollar strengthening by 10%	(2,586)	-	22,066	-
US Dollar weakening by 10%	2,535	-	(21,629)	-

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 2023	Up to 1 month MVR '000	1-3 months MVR '000	3-12 months MVR '000	1-5 years MVR '000	Over 5 years MVR '000	Non- interest bearing MVR '000	Total MVR '000
Financial assets							
Cash and balances with banks	105,153	179,879	-	-	-	-	285,032
Financial assets at amortised cost	-	-	310,677	-	-	-	310,677
Loans and advances	2,726	8,345	26,599	185,729	1,372,176	-	1,595,575
Other financial assets	-	-	-	-	-	1,413	1,413
Total financial assets	107,879	188,224	337,276	185,729	1,372,176	1,413	2,192,697
Fiancial liabilities							
Deposits from customers	361	1,087	3,294	18,027	59,065	-	81,834
Debt securities in issue	-	-	22,319	218,431	295,334	-	536,084
Other borrowed funds	22,009	16,465	51,669	337,010	19,476	-	446,629
Other financial liabilities	-	-	-	-	-	237,232	237,232
Lease liabilities	76	153	737	4,896	438	-	6,300
Total financial liabilities	22,446	17,705	78,019	578,364	374,313	237,232	1,308,079
Total interest repricing gap	85,433	170,519	259,257	(392,635)	997,863	(235,819)	884,619

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2.2 Interest rate risk (continued)

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	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

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 2023		As at 31st December 2022	
	1% increase MVR '000	1% decrease MVR '000	1% increase MVR '000	1% decrease MVR '000
Average for the year	8,471	(8,471)	9,452	(9,452)

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 2023	Up to 1 month MVR '000	1-3 months MVR '000	3-12 months MVR '000	1-5 years MVR '000	Over 5 years MVR '000	Total MVR '000	Carrying MVR '000
Fiancial liabilities							
Deposits from customers	498	1,493	4,478	23,384	65,870	95,723	81,834
Debt securities in issue	-	-	40,110	219,538	300,963	560,611	536,084
Other borrowed funds	-	41,168	104,421	355,332	20,278	521,198	446,629
Other financial liabilities	-	-	237,232	-	-	237,232	237,232
Lease liabilities	120	240	1,101	5,824	455	7,740	6,300
	618	42,901	387,341	604,078	387,566	1,422,504	1,308,079
Financial assets							
Cash and balances with banks	105,153	179,879	-	-	-	285,032	285,032
Financial assets at amortised cost	14,949	29,773	274,597	-	-	319,319	310,677
Loans and advances	18,792	56,376	169,128	883,224	2,518,128	3,645,648	1,595,575
Other financial assets	-	-	1,413	-	-	1,413	1,413
	138,895	266,028	445,138	883,224	2,518,128	4,251,412	2,192,697
Net	138,277	223,127	57,798	279,146	2,130,562	2,828,908	884,618

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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 2022	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	81,402
Debt securities in issue	2,550	4,706	43,365	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	485,723	656,198	779,771	1,964,375	1,517,983
Financial assets							
Cash and balances with banks	73,413	185,453	-	-	-	258,866	258,866
Financial assets at amortized 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	(8,008)	227,108	1,604,040	2,301,791	873,103

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 2023 and 31st December 2022. the Company complied with all of the externally imposed capital requirements to which they are subjected.

	31/12/2023 MVR	31/12/2022 MVR
Capital		
Share capital	159,375,000	159,375,000
Retained earnings	629,143,141	590,925,359
Reserves	15,000,000	15,000,000
Total qualifying Capital	803,518,141	765,300,359
Total capital	803,518,141	765,300,359
Risk-weighted assets		
On-balance sheet	895,270,291	908,739,529
Total risk-weighted assets	895,270,291	908,739,529
Basel ratio	90%	84%

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 Capital management (continued)

Risk-weighted assets	As at 31st December 2023	
	Unweighted value MVR	Weighted Value MVR
Cash in hand	6,500	-
Balances with other banks	105,146,629	21,029,326
Short term investments in Treasury Bills	171,236,177	34,247,235
Financial assets at amortised cost	310,676,963	-
Loans and advances	1,658,426,248	829,213,124
Prepayments and deposits	6,067,162	6,067,162
Property, plant and equipment and Intangible assets	4,713,444	4,713,444
	2,256,273,123	895,270,291

The changes in the regulatory capital was mainly due to the profit earned during the year ended 31st December 2023. The decrease in risk-weighted assets reflects the decrease the loan portfolio during period.

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	14,681,215
Short term investments in Treasury Bills	185,453,764	37,090,752
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	908,739,528

31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31st December 2023	Amortised cost MVR	Total MVR
Financial assets		
Cash and cash equivalents	285,031,820	285,031,820
Financial assets at amortised cost	310,676,963	310,676,963
Loans and advances	1,595,575,022	1,595,575,022
Other financial assets	1,412,832	1,412,832
Total financial assets	2,192,696,637	2,192,696,637

	Amortised cost MVR	Total MVR
Financial liabilities		
Debt securities in issue	536,084,617	536,084,617
Other borrowed funds	446,628,834	446,628,834
Deposits from customers	81,834,466	81,834,466
Other financial liabilities	270,082,563	270,082,563
Lease liabilities	6,299,932	6,299,932
Total financial liabilities	1,340,930,412	1,340,930,412

31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTINUED)

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 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 liabilities	1,584,759,589	1,584,759,589

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 2023		As at 31st December 2022	
	Carrying amount MVR	Fair value MVR	Carrying amount MVR	Fair value MVR
Assets carried at amortised cost				
Cash and cash equivalents	285,031,820	285,031,820	258,866,342	258,866,342
Financial asset at amortised cost	310,676,963	310,676,963	494,575,784	494,575,784
Loans and advances to customers	1,595,575,022	1,595,575,022	1,636,354,256	1,636,354,256
Other financial assets	1,412,832	1,412,832	1,287,857	1,287,857
	2,192,696,637	2,192,696,637	2,391,084,239	2,391,084,239
Liabilities carried at amortised cost				
Deposits from customers	81,834,466	81,834,466	81,401,050	81,401,050
Debt securities in issue	536,084,617	536,084,617	564,273,781	564,273,781
Other borrowed funds	446,628,834	446,628,834	594,024,042	594,024,042
Other financial liabilities	276,382,495	276,382,495	345,060,716	345,060,716
	1,340,930,412	1,340,930,412	1,584,759,589	1,584,759,589

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.

FOR THE YEAR ENDED 31ST DECEMBER 2023

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

	31/12/2023 MVR	31/12/2022 MVR
Undisbursed loans and other facilities	86,297,320	58,040,729

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

	2023 MVR	2022 MVR
Executive management salaries	2,455,838	3,332,953

36.3 Remuneration to Board of Directors

	2023 MVR	2022 MVR
Board remuneration and committee sitting fees	196,000	246,000

36.4 Shareholding structure

The Company's shareholding structure are as follows:

Shareholder	%	Number of shares	Value of shares MVR
Government of Maldives	49%	7,809,280	78,092,800
International Finance Corporation	18%	2,868,750	28,687,500
Asian Development Bank	18%	2,868,750	28,687,500
HDFC Investment Limited (India)	15%	2,390,620	23,906,200
Other shareholders	0%	100	1,000
		15,937,500	159,375,000

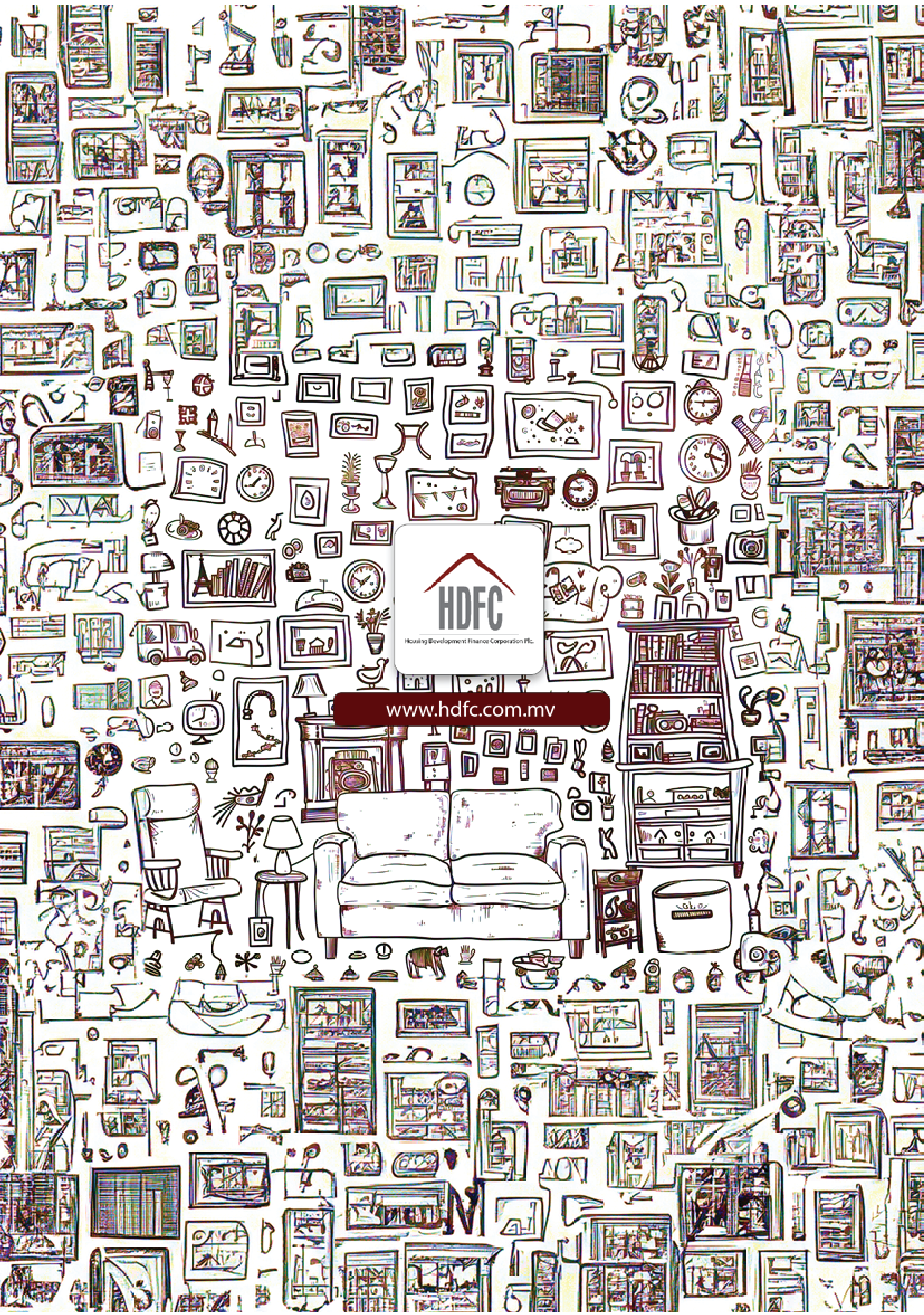
At the Extraordinary General Meeting of shareholders held on 29th November 2022, in accordance with Article 19(d) of the Articles of Association, the Shareholders approved a share split of 1,593,750 ordinary shares of MVR 100/- each into 15,937,500 ordinary shares of MVR 10/- each.

37 COMPARATIVE FIGURES

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

38 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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